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Electricity Authority – Te Mana Hiko
Level 7, AON Centre
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By email: taskforce@ea.govt.nz

Cross submission on the Energy Competition Taskforce's 2A and 2B consultations

1. This is Vector's cross-submission on the Energy Competition Taskforce's consultations:
   - *2A: requiring distributors to pay a rebate when consumers export electricity at peak times; and*
   - *2B: Improving pricing plan options for consumers: Time-varying retail pricing for electricity consumption and supply*

2. We did not initially submit on the Energy Competition Taskforce's 2B consultation. However, having reviewed the submissions, we have provided some comments on the proposed changes to distribution billing.

Requiring distributors to pay a rebate when consumers export electricity at peak times

Principle-based approach

3. There was widespread support from both distributors and retailers that, if the rebate proposal is pursued, it should be a principles-based rather than prescriptive approach.

4. We agree with ERANZ's submission that:

   "*A principles-based approach to any rebates regime is likely to be the only one that can properly take network circumstances into account and give distributors the flexibility to make payments for injection in ways that reflect the actual value injection provides to the network at any given time*."

5. Similarly, the Electricity Engineers' Association highlighted:

   "*The risk that a prescriptive rebate requirement could undermine the ability of EDBs to adopt locally appropriate solutions, including alternative non-network and contractual flexibility options."*

6. We noted concern from some submitters, such as ReWiring Aotearoa, about a principle-based approach.

7. ReWiring Aotearoa submitted:

   "*The success of the Authority's proposed solution (in respect of sending efficient signals to current and potential battery investors) rests solely on the Authority's ability to determine which EDBs are not acting consistent with the guidelines in respect of their export tariffs. In reality, the Authority's principles and additional guidance are so permissive that it is unlikely that an EDB would be found non-compliant except in the most egregious circumstances*."

8. We do not agree that the proposed principles and additional guidance would be overly permissive. As raised by many submitters, and recognised in the consultation document, a prescriptive approach would prevent distributors from designing a rebate that reflected the actual circumstances on their network and would likely increase costs to all consumers.

9. It is unlikely that distributors would not comply with the principles given this will be monitored by the Authority and other stakeholders. However, further regulation would be an option if it was found distributors were not adequately implementing the principles.

10. We also note the Energy Competition Taskforce's approach to regulation is to act at speed and has proposed a short timeframe to implement the proposed changes. It would not be possible to follow this approach with more prescriptive requirements without significant implementation challenges for distributors and, most likely, other adverse consequences.

11. Some submitters suggested a voluntary approach would be more appropriate. In our view this is also worth considering. We agree with Wellington Electricity's submission that:

    "*principles-based approach should be preferred to the prescribed rebates and consumption-linked injection tariffs presented in this paper. However, we believe voluntary principles could be the best option as an interim measure. Voluntary measures would allow EDBs to work with retailers to trial different options, assess their effectiveness, develop tools to value the benefits, and determine how this could be included in network pricing schedules. It could then be reviewed whether the principles should be incorporated within the Code in the future*."

Consumption linked injection tariff

12. We recognise there was support from many consumers and organisations for a symmetrical consumption linked injection tariff.

13. For example, Community Energy Taranaki (and others) submitted that:

"*Instead, we support the alternative option of consumption-linked injection tariffs (with adequate safety valves to ensure too much power does not flow back in). This would fairly apply similar pricing to both consumption and injection during peak times. We support this being a perfectly symmetrical export tariff, and not differential as suggested. This would also strongly encourage distributors to improve their consumption tariffs. As a consumer, a symmetrical tariff is far easier to understand, and a fairer way to price electricity, where my electricity is treated just as valuable as an energy company's energy export or reduction*."

14. We acknowledge the value that a symmetrical injection tariff offers to customers who are capable of injecting. However, we do not advocate for imposing prescriptive requirements concerning the rebate. As highlighted by numerous submitters, this could lead to additional costs for all consumers, as distributors would be unable to design a rebate tailored to their specific network and customer conditions. Therefore, we continue to believe that the long-term interests of consumers are better served by a principles-based approach.

15. We also note that injection goes solely to the LV network whereas lines charges for consumption also cover upstream assets (e.g. sub-transmission, zone substation and HV lines).

16. Aurora's submission also highlights reasons, additional to those raised by the Taskforce, that a symmetrical tariff may not be preferable:

    "*We align with the Authority's stance that export tariffs should not mirror consumption tariffs, and we have some additional reasons for this.*

    - ***Discourage Battery Dumping at the Beginning of a Congestion Period**: When stored energy is released all at once at the start of a congestion period, it can create significant issues. It can lead to sudden spikes in supply that the network may not be able to handle efficiently, potentially causing instability and requiring additional infrastructure to manage these peaks. Encouraging solar households to first offset their own household demand before exporting genuine surplus stored energy back to the grid can prove to be more cost-effective. Additionally, if households export all their battery storage early and then recharge during the congestion period, it can exacerbate congestion issues towards the end of a congestion period, particularly if the congestion period extends beyond 2 hours, which is the typical time it takes for a battery to discharge. Therefore, prioritising household consumption over exporting helps maintain network stability and efficiency.*
    - ***Recognise the Value in Aggregation**: Aggregation and coordination of energy exports by flexibility providers can optimise the export of energy from multiple sources, ensuring network benefits and support are maximised during period of network congestion. Allowing room for a higher rate to be paid to those exporting via a flexibility provider would be a means of reflecting this added value. Consideration should also be given to operating envelopes and managed households to ensure effective and beneficial coordination.*

- ***Alignment with LRMC Assumptions****: We suggest that export tariffs should align with Long-Run Marginal Cost (LRMC) assumptions. The LRMC differential should serve as the starting point for setting export tariffs, ensuring they reflect the true cost and value of energy exports over time*."

17. Similarly, the Sustainable Energy Association submitted:

"*Consumption linked injection tariffs won't help reduce the investment required by EDBs, and so they don't have the impact intended here. SEANZ prefers peak demand based inject tariffs to support the reduction in EDB expenditure*."

Improving pricing plan options for consumers: Time-varying retail pricing for electricity consumption and supply

Proposed changes to distribution billing

18. The Energy Competition Taskforce proposes to require:
    a) Distributors to charge in accordance with time-varying charges where they offer them and where the consumer has a smart meter;
    b) Retailers to provide half-hourly data, where it exists, for billing purposes; and
    c) Requiring that distributors charge retailers based on half hourly data, where provided by retailers.

19. We agree with the ENA's submission around the requirements to charge using HHR data:

"*Whilst we appreciate the Authority's assistance in helping EDBs access data through the [00.4] proposed Code amendment in the 2bc paper, most EDBs have created billing processes that allow for TOU pricing*."

20. On our network, the metering companies reading the HHR data present this in the required time-slices to the retailer or send data daily. The retailer then uses this data and on-sends the relevant time-slices as requested by the network in an EIEP1 file containing 3 to 5 rows per ICP. The EIEP1 presentation is all that is required for billing purposes.

21. Uploading HHR data to our billing system would be costly, likely requiring a system rebuild and more staff. It would involve loading 1488 rows per ICP instead of the current 3-5 rows. It is likely billing systems and processes would be unable to handle this volume of data within the industry required billing timeframes.

22. As explained in Orion's submission:

"*Orion submits that by mandating the use of EIEP3 files, there will be an increase in data processing and storage costs, and create a substantial increase in data volumes shared between retailers and distributors, which complicates the billing process. For example: a. If using an EIEP3 file, each retailer will send approximately 1,344 to 1,488 rows of data, per*

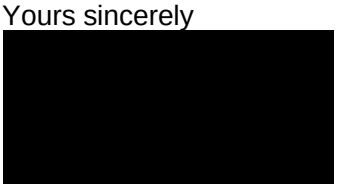
month, per ICP for billing. b. For a distributor with ~200,000 residential ICPs, this equates to approximately 3.57 billion lines of data annually. Orion retains data for 14-months to align with the reconciliation process, which means maintaining approximately 4.1 billion lines of data for the 14-month period."

23. We appreciate the Taskforce taking steps to help EDBs access HHR data (and are supportive of removing barriers to this data being provided).

24. However, the data should not be required to be input in billing systems where this would not result in consumer benefit (and would result in additional costs). For billing purposes on our network metering providers already sum the relevant half hours into our required timeslots and present it in an EIEP1 file.

25. Accordingly, we recommend this be drafted in a way that clarifies that the data does not have to be an input in billing systems where the EDB already has a different or more simplified way to bill.

Yours sincerely



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