

**22 March 2019**

Miriam Dean  
Energy Markets Policy Team  
Ministry of Business, Innovation and Employment

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Dear Miriam,

## **ERANZ's submission to the Electricity Pricing Review options paper**

The Electricity Retailers' Association of New Zealand (ERANZ) welcomes the opportunity to provide feedback on the Electricity Price Review Panel's (the Panel) options paper.

Throughout the process we've particularly appreciated the willingness of the Panel to have open and frank discussions about what steps will drive the best result for consumers. There won't be perfect agreement on all the options, but it's clear everyone is coming from the same starting point – to use the EPR to drive the greatest long-term benefit for New Zealand consumers.

New Zealand has one of the world's leading energy systems in terms of resilience, reliability, and sustainability. While that's partly a function of the natural resources that New Zealand enjoys, it's also a function of a system that has the right blend of structure, regulation, and competition to support its maintenance and development.

Competition is delivering benefits for consumers. Competition has compelled retail companies to innovate to deliver better offerings to gain and retain customers. Thanks largely to intense competition for customers in the market over the past five years, the energy component of the price of electricity has decreased by 4 per cent. New Zealand has also seen several new entrants to the market, bringing innovation and service offerings as well as new competition for customers.

Electricity prices in New Zealand are relatively low – we're the 11th cheapest in the developed world. However, New Zealanders use a lot of electricity, partly because our building standards have lagged behind comparable countries, and it can be difficult to heat poor quality housing with inadequate insulation and single glazed windows. It's useful to have the opportunity to take a step back and look at what the sector and the Government can both do to ensure lively competition keeps prices low and drives innovation, vulnerable families are being supported, and sustainable solutions are found to generate even more renewable electricity.

ERANZ supports the vast majority of the options presented by the Panel – changes which individually will drive benefits for consumers. However, ERANZ is concerned the totality of these changes could see a

significant increase in regulation on the sector, and a significant increase in funding required through the Electricity Authority levy or sought from industry participants.

It's likely any increase in costs will be passed on directly to customers, potentially working against the overall purpose of the Electricity Price Review. Further, increases in regulation across the sector could have the unintended consequence of stifling innovation and reducing competition over time.

Many of the proposals are extensions of collaborative work already being undertaken or initiated by the sector (like distribution pricing reform working groups and data provision agreements). There's been good progress made to date which should be acknowledged, built upon, and supported to continue. Attempts to 'reinvent the wheel' risk derailing or delaying positive progress.

ERANZ welcomes the Panel's strong focus on energy hardship. Again, much work is already underway (like the pilot in-home energy coach 'EnergyMate', the ongoing work on vulnerable and medically dependent consumers, and bulk purchasing for social housing providers). This should be built upon rather than reinvented.

ERANZ notes the Panel has chosen to steer clear of any significant change that would drive performance in the non-competitive part of the electricity market, which has driven the majority of price increases in recent years. The Panel is instead largely relying on existing workstreams led by regulators and the sector. ERANZ agrees existing workstreams should be given time to deliver results, but that these results should be assessed as part of the proposed three-year implementation review.

Finally, ERANZ has attempted to follow the Panel's guidance and be as succinct as possible in our responses to the 41 different options. We would greatly appreciate further opportunities to engage with the Panel or the Government on the implementation of any options progressed.

Yours sincerely,












**Cameron Burrows**  
Chief Executive  
Electricity Retailers' Association of New Zealand








Enclosed:

1. Table of ERANZ's positions on option paper proposals
2. ERANZ's submission to the options paper









Proposal	Panel	ERANZ
<b>A STRENGTHENING THE CONSUMER VOICE</b>		
A1 Establish a consumer advisory council	Green	Green
A2 Ensure regulators listen to consumers	Orange	-
<b>B REDUCING ENERGY HARDSHIP</b>		
B1 Establish a cross-sector energy hardship group	Green	Green
B2 Define energy hardship	Green	Green
B3 Establish a network of community-level support services to help consumers in energy hardship	Green	Green
B4 Set up a fund to help households in energy hardship become more energy efficient	Green	Green
B5 Offer extra financial support for households in energy hardship	Green	Green
B6 Set mandatory minimum standards to protect vulnerable and medically dependent consumers	Green	Green
B7 Prohibit prompt payment discounts but allow reasonable late payment fees	Green	-
B8 Explore bulk deals for social housing and/or Work and Income clients	Green	Green
<b>C INCREASING RETAIL COMPETITION</b>		
C1 Make it easier for consumers to shop around	Green	Green
C2 Include information on power bills to help consumers switch retailer or resolve billing disputes	Green	Green
C3 Make it easier to access electricity usage data	Green	Green
C4 Make distributors offer retailers standard terms for network access	Green	Green
C5 Prohibit win-backs	Green	-
C6 Help non-switching consumers find better deals	Green	Red
C7 Introduce retail price caps	Red	Red
<b>D REINFORCING WHOLESALE MARKET COMPETITION</b>		
D1 Toughen rules on disclosing wholesale market information	Green	-
D2 Introduce mandatory market-making obligations	Green	-
D3 Make generator-retailers release information about the profitability of their retailing activities	Green	-
D4 Monitor contract prices and generation costs more closely	Green	-
D5 Prohibit vertically integrated companies	Red	Red
<b>E IMPROVING TRANSMISSION AND DISTRIBUTION</b>		
E1 Issue a government policy statement on transmission pricing	Green	-
E2 Issue a government policy statement on distribution pricing	Green	-
E3 Regulate distribution cost allocation principles	Orange	Orange
E4 Limit price shocks from distribution price increases	Orange	-

E5	Phase out low fixed charge tariff regulations		
E6	Ensure access to smart meter data on reasonable terms		
E7	Strengthen the Commerce Commission's powers to regulate distributors' performance		
E8	Require small distributors to amalgamate		
E9	Lower Transpower and distributors' asset values and rates of return		-

**F IMPROVING THE REGULATORY SYSTEM**

F1	Give the EA clearer, more flexible powers to regulate network access for distributed energy services		
F2	Transfer the EA's transmission and distribution-related regulatory functions to the ComCom		-
F3	Give regulators environmental and fairness goals		-
F4	Allow Electricity Authority decisions to be appealed on their merits		-
F5	Update the EA's compliance framework and strengthen its information-gathering powers		-
F6	Establish an electricity and gas regulator		-

**G PREPARING FOR A LOW-CARBON FUTURE**

G1	Set up a fund to encourage more innovation		
G2	Examine security and resilience of electricity supply		
G3	Encourage more co-ordination among agencies		
G4	Improve the energy efficiency of new and existing buildings		

## **A1 – Establish a consumer advisory council**

ERANZ supports the establishment of a consumer advisory council.

ERANZ members are willing to provide seed funding toward the initial establishment of the council.

The design of the scheme will be key to its effectiveness. The design will need to ensure there is no overlap or conflicting objectives between the panel and functions of existing agencies.

There is a question around the long-term funding of the advisory council (and other initiatives included in the options paper). An ongoing increase in levies or costs imposed on retailers will likely flow through to higher prices for consumers.

Retailers are the consumer-facing part of the sector. Retailers will typically field around five-million customer enquiries every year and have a rich understanding of the issues most pertinent to electricity consumers. ERANZ's work is all about ensuring the retail electricity sector delivers results for consumers and we have significant existing workstreams around vulnerable New Zealanders. As such we recommend retailer involvement through ERANZ in the advisory council, although we're open to working with government around the exact form that involvement may take.

## **A2 – Ensure regulators listen to consumers**

ERANZ does not have a strong view on this proposal.

The changes suggested are responsibilities that already exist in the Electricity Authority's and the Commerce Commission's current objectives. Regulators already create opportunities for consumers to comment on proposals through its consultation processes. The establishment of a consumer advisory council (A1) will likely address the issues this option looks to solve. An additional layer of consultation risks unnecessarily adding more costs which would ultimately be borne by end consumers.

## **B1 – Establish a cross-sector energy hardship group**

ERANZ strongly supports this proposal.

For several years ERANZ has facilitated a cross-sector working group for vulnerable and medically dependent consumers. ERANZ also has an existing Access to Energy working group and a wider multi-agency stakeholder group to address energy hardship. Membership of ERANZ working groups includes representatives from across the electricity sector, government agencies, and community organisations. Membership and the scope of work of the existing working groups could be widened to quickly deliver on the options presented by the EPR Panel.

## **B2 – Define energy hardship**

ERANZ supports this proposal.

There's a need for a clear definition of energy hardship in New Zealand. ERANZ believe a more refined definition and quantification of the issue will assist the development of more effective solutions and

enable the targeting of those most in need. This work should be led by the cross-sector energy hardship group.

ERANZ has already commissioned research (detailed in the PWC report appended to ERANZ submission on the Panel's August 2018 First report for discussion) which could be used as a basis for developing a New Zealand-based definition of energy hardship. The PWC analysis used a statistical methodology to segment the consumer group defined under the older definition of energy hardship (households that spend more than 10 per cent of their income on electricity). By this method PWC estimated there are approximately 44,500 households at a high risk of energy hardship. Policies to mitigate energy poverty should target these households as a priority.

### **B3 – Establish a network of community-level support services to help consumers in energy hardship**

ERANZ strongly supports this proposal.

It's important this proposal builds on the significant good work already underway by NGOs and the electricity sector in this space. As with the cross-sector energy hardship group it should involve a collaboration between NGOs, government, and the sector.

A wide range of NGOs such as the Community Energy Network partners provide energy efficiency and insulation services to families at risk of energy hardship but there is also scope for a more targeted service around energy use and supporting vulnerable households with their energy usage and costs.

For example, ERANZ's in-home energy coaching pilot EnergyMate works with vulnerable households to ensure they're on the most appropriate plan, provide specialist advice on how to make their home warmer and more energy efficient, and refers them to other specialist support such as healthy housing or budgeting services.

EnergyMate is a partnership between electricity retailers, lines companies, and community-based budgeting services. We're grateful for the role FinCap has played in supporting EnergyMate in securing community-based delivery partners.

ERANZ work on EnergyMate has indicated appropriately trained, community-based financial mentors are best placed to deliver targeted support around electricity usage and household budgeting. These mentors are trusted in their local communities and are well-placed to deliver key messages and wrap-around support. Many of the families eligible for EnergyMate will face wider hardship issues, and community-based mentors can help these families access other services to help improve their lives.

Energy efficiency specialists have an important role in delivering advice around home performance and energy efficiency, but this is quite different from budgeting and financial advice required for the most vulnerable families. EnergyMate sits comfortably between these two complementary services, empowering whānau to more actively manage their electricity use and costs. ERANZ has partnered with Beacon Pathway (industry training provider of energy efficiency and home performance) to develop a training module for in-home energy coaches to support vulnerable families in energy hardship.

There will be significant knowledge acquired from the EnergyMate pilot which could inform how a network of community-based services can best be coordinated at a national scale.

## **B4 – Set up a fund to help households in energy hardship become more energy efficient**

ERANZ supports the proposal provided it's funded by government. A lack of disposable income for vulnerable whānau can be a barrier to undertaking simple energy efficiency upgrades in a home.

These programs can be expensive and funding through levies could lead to higher prices for all consumers.

Improving energy efficiency is a key way to reduce power bills for New Zealand households, including those most at risk of energy hardship. The price of electricity in New Zealand is the 11th lowest in the OECD, but we consume a lot more electricity than the OECD average because of poor quality housing with single glazed windows and limited insulation.

## **B5 – Offer extra financial support for households in energy hardship**

ERANZ supports the proposal.

The Winter Energy Payment is a worthy initiative but isn't well targeted to those most at risk of energy hardship, nor is it focused on paying for energy. Support for families that addresses those two issues could significantly improve the lives of the most vulnerable.

## **B6 – Mandatory minimum standards to protect vulnerable and medically dependent customers**

ERANZ supports this proposal.

Electricity retailers have developed the voluntary practice benchmark for retailers to manage customers struggling to pay their bills, and ERANZ endorses this benchmark becoming a mandatory requirement for retailers.

ERANZ is keen to progress this work through the Vulnerable and Medically Dependent Consumer Working Group, which includes representation from the Electricity Authority, Ministry of Social Development, Housing New Zealand, and FinCap.

As part of the transition to mandatory standards, it's a useful opportunity to consider whether the current guidelines remain fit for purpose and what changes need to be made. This could include consideration of supplementary (unwritten) industry conventions which effectively operate to provide a backstop retailer for medically dependent customers.

ERANZ is already working with the Ministry of Health to ensure medical practitioners develop an emergency response action plan with medically-dependent customers in the event of a power loss. This work is currently being progressed with DHBs.



## **B7 – Prohibit prompt payment discounts but allow reasonable late payment fees**

Individual ERANZ members will have their own responses to this issue. Each retailer will have their own approach to setting prices and discounts, so it's appropriate for them to respond individually.

ERANZ advocates for consumer choice and the consumer benefits retail competition brings. ERANZ has concerns around the proposed regulation of conditional discounts (e.g. discounts for payment method, billing method, and for bundling services). Regulating all conditional discounts could see a reduction in innovation and the range of offers available to consumers, which would in turn lead to reduced competition and less consumer choice.

## **B8 – Explore bulk deals for social housing and/or WINZ clients**

ERANZ strongly supports this proposal.

There's strong appetite from retailers to offer a bulk purchase deal which would provide support for vulnerable households.

ERANZ is already investigating options for bulk purchase agreements with both Housing New Zealand and smaller social housing providers.

There are a range of options for how such a bulk purchase agreement may work, from a simple model where a retailer is deemed a 'preferred provider' by a government agency like Housing New Zealand to one where there's a risk transfer from retailers to government.

The Panel states it doesn't support any arrangement that would shift cost from industry to the taxpayer. ERANZ considers it's worth exploring any bulk deals with an open mind – we don't believe it's appropriate to make decisions about what the exact nature of any agreement would look like before substantive discussions begin as this could limit potential price reductions for vulnerable consumers. This is an area the cross-sector energy hardship group (proposal B1) could look at in more detail.

## **C1 – Make it easier for consumers to shop around**

ERANZ supports the proposal.

ERANZ remains concerned about any steps that would essentially deem any one website to be a monopoly switching service. We emphasise the need to periodically retender the service to allow other websites to compete. ERANZ strongly believes in competition as a way of driving innovation and better customer service, and price comparison tools are no different in this regard.

As part of the improvement of the current Powerswitch comparison site, priority should be given to inclusion of non-price elements (like level of customer service, level of renewables in generation, fixed price vs. spot price, ability to smooth payments etc.) rather than simply pointing consumers to the cheapest option. In many cases the cheapest option will not align with a consumer's circumstances.

ERANZ considers all price comparison websites should disclose their funding sources. The Panel may like to consider OFGEM's Confidence Code, which all price comparison websites are obliged to comply with to ensure neutrality and independence in their rankings of retailer offers.<sup>1</sup>

## **C2 – Include information on power bills to help consumers switch retailer or resolve billing disputes**

ERANZ supports the proposal.

ERANZ has met with the Utilities Disputes Board to get their view on what would amount to best practice in terms of information to be included on electricity bills and websites and will continue to engage with Utilities Disputes on this issue. Retailers voluntarily adopting best practice would circumvent a need for legislation.

Retailers should continue to be the first port of call for consumers when any issues arise. In the vast majority of cases retailers resolve concerns without the need for mediation from a third party.

Retailers typically field around five-million enquiries from consumers each year. Most enquiries, including complaints, are dealt with to the customers satisfaction. In 2017/18 Utilities Disputes received 2,053 complaints related to either retailers or lines companies. This represents around 0.01 per cent of ICPs. Of these complaints only 141 were unable to be resolved directly by the company involved and required further involvement of Utilities Disputes, and of those only 51 became 'deadlocked' and were referred to the Utilities Disputes Commissioner.

With regards to including information about switching websites, ERANZ remains concerned about any steps that would essentially deem any one website to be a monopoly switching service. That said, ERANZ is keen to work with the Electricity Authority, ConsumerNZ, and other price comparison sites to include information on customer bills.

## **C3 – Make it easier to access electricity usage data**

ERANZ supports this proposal.

We support consumers having ready access to their data. Many retailers now provide online portals and apps which allow consumers to access their data at any time. Most households have direct access to their usage data via online portals.

Privacy, security, and driving innovation from customer data are all important considerations. In 2017 ERANZ facilitated the formation of a retailer data working group with a view to resolving data access issues.

For example, the data working group has developed and published a set of core-data values which codify electricity retailers' commitment to a culture of best practice around the responsible and ethical

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<sup>1</sup> [https://www.ofgem.gov.uk/system/files/docs/2018/02/publication\\_of\\_the\\_revised\\_ofgem\\_confidence\\_code\\_december\\_2017.pdf](https://www.ofgem.gov.uk/system/files/docs/2018/02/publication_of_the_revised_ofgem_confidence_code_december_2017.pdf)

collection, use, and management of customer data. These values were developed following consultation with the Office of the Privacy Commissioner and the Data Futures Partnership.

Good progress has been made but there are still some challenges to overcome. Retailers are keen to continue to work with the industry, stakeholders, and regulatory authorities to overcome these for the benefit of consumers.

## **C4 – Make distributors offer retailers standard terms for network access**

ERANZ strongly supports this proposal. It's a priority for us.

Greater standardisation and reduced complexity will result in lower costs for consumers. The lack of standardisation is a significant challenge for smaller retailers and acts as a barrier to them expanding into less populous regions, resulting in consumers in those regions having less choice.

This proposal would support increased retail competition.

ERANZ welcomes the Electricity Authority's intention to resume their consultation process around a standard use of system agreement in 2019.

ERANZ recognises the good work that the ENA has undertaken via their pricing working groups in seeking greater standardisation in areas like pricing tariffs.

## **C5 – Prohibit win-backs**

Individual ERANZ members will have positions on this proposal.

ERANZ is committed to ensuring consumers are put at the heart of the EPR. Any changes need to be made in the best interest of consumers and need to balance any long-term gain with the fact that taking away the ability to be offered a better price may drive worse outcomes for some consumers in the short-term.

## **C6 – Help non-switching consumers find better deals**

ERANZ does not support this option.

ERANZ strongly supports competition for retail electricity, but this option represents a heavy-handed Government intervention in a competitive market.

ERANZ does not consider such a step is warranted for three reasons:

1. Data referred to in the Options Paper overstates the number of disengaged customers;
2. Other options proposed by the Panel will go a long way toward addressing this issue, without requiring the significant intervention considered in this option;

3. The unintended consequences of this option have the potential to undermine the long-term competitiveness of retail electricity.

Should other options proposed by the Panel not drive sufficient change, and the potential unintended consequences of the option be addressed, there may be merit in considering this option in future.

## 1 – Disengaged customers

Customer engagement in New Zealand's retail market shouldn't be judged solely by the share of customers who have switched supplier. A better measure is whether consumers are comparing retail offers – some switch and some don't.

Many New Zealand consumers are comparing offers. There are around 1.8 million residential ICPs in New Zealand. To date the Powerswitch website has fielded around 5.4 million enquiries. Around 440,000 households switch each year. A further 500,000 households consider switching and then decide to stay with their current provider.

Consumer behaviour is complex. As set out in ERANZ's original submission to the Panel, price is not always the motivator for switching and the bar for change for many customers is high. This isn't evidence of market failure. Many consumers rationally decide they're happy with their electricity provider even if they're not on the cheapest price. Results from the 2016 Electricity Authority survey indicated 30 per cent of households would only change if annual savings were \$250 or more. The average annual savings for a customer switching to the cheapest available plan is currently around \$207.

Customers value a range of non-price offerings which may not be available from the cheapest provider, like levels of customer service, whether plans are for a fixed term, offer bundled deals, and a range of other factors. These factors aren't considered in comparisons which only consider price.

Importantly, switching data doesn't capture consumers changing tariffs within a retailer. One retailer reported it had contacted 95 per cent of customers who had been on the same plan for a long time to see if they wanted to switch to a different plan, and 38 per cent of its customers opted not to move to the cheapest plan but instead to move to a higher price plan that had no fixed term – demonstrating the importance of non-price factors to customers.

Retailers are incentivised to look after loyal customers. Some retailers offer tenure-based rewards with a discount that grows each year. Others offer credit and loyalty bonuses, a faster Airpoints earn rate, or a committed number of free power days to their long tenure customers.

Challenges around disincentivised consumers do exist. A small proportion of customers simply don't respond to retailers. But the problem isn't as widespread as suggested in the Options Paper. The Electricity Authority has highlighted challenges in relying on non-switching statistics, stating in its submission, "the lack of switching identified ... is overstated."

A key question is whether New Zealand has similar competition problems in electricity retail of a magnitude that exist in the United Kingdom and were a catalyst for the Ofgem trial. The Panel's first report indicates the situation in New Zealand is not as problematic: "evidence shows New Zealand is more competitive than most [countries], including Australia and Britain" and "retail competition is working more effectively here than in Australia and Britain." ERANZ's original submission to the Panel also

highlighted significant difference between the New Zealand electricity market and overseas practice. Given this, implementing a United Kingdom solution seems inappropriate.

## 2 – Other options to resolve this issue

There are several initiatives that should drive progress in this area without requiring the Government to implement this option. For instance, the Electricity Authority has a project underway to review the current switching process with a view to further improve the ease of switching.

ERANZ strongly supports the Panel's proposal to enhance the Powerswitch website to make it easier for consumers to compare different plans. As part of this upgrade it's important the website better reflects non-price attributes of electricity provision that are important to customers, like customer service levels, payment options, and the ability to earn Airpoints or FlyBuys.

Incorporating consumers actual usage data on Powerswitch, once privacy issues and technical are resolved, would allow more accurate tariff comparisons. Combined with an advertising campaign (including via retailers' bills), this would encourage more engagement from consumers. ERANZ considers this a more appropriate step to take.

## 3 – Potential unintended consequences

ERANZ is concerned at the potential unintended consequences of this option which could undermine the long-term competitiveness of retail electricity.

The option rewards non-participation by customers and removes incentives on consumers to engage on their electricity package.

Indeed, in the United Kingdom the Competition and Markets Authority raised this concern themselves, noting such a step "would not provide customers with the correct incentives to engage effectively in the market in the longer term, as they could rely on their supplier to conduct a search on their behalf and provide them with the results. This could encourage customers to remain relatively disengaged in the future, undermining our other remedies to facilitate widespread consumer engagement." (CMA, Notice of Possible Remedies, 7 July 2015)

It's concerning a policy designed to address the issue of disengaged customers would actually incentivise less engagement – potentially requiring the programme to be run again and again.

The option could also disincentivise retailers from innovating and competing in any way other than just on price. A simple price-comparison letter could mask a range of service level differences between providers and encourage retailers to compete solely on price. Increased risk of regulatory intervention to drive switching could also impact on the willingness of retailers to invest. It also disincentivises retailers from building loyalty.

ERANZ is also concerned about privacy implications of the proposal, which would ordinarily preclude retailers from making customer details available to other parties – particularly as the Panel has suggested the information sharing part of the process would be 'opt-out' for customers.

This submission has been prepared on the basis that consumers would ultimately have to opt-in to a switch, as clarified by MBIE.

## **C7 – Introduce price caps**

ERANZ does not support this proposal.

Price caps would stifle innovation and reduce competition, leaving consumers significantly worse off in a retail market that's already very competitive. ERANZ is pleased the panel has recognised the New Zealand market is much more competitive than markets in Australia and the United Kingdom.

## **D1 – Toughen rules on disclosing wholesale market information**

ERANZ does not have a view on this proposal.

## **D2 – Mandatory market making obligations on vertically integrated companies**

ERANZ does not have a view on this proposal.

In general, ERANZ considers that the costs of market making should fall on those benefitting from the activity.

## **D3 – Gentailers to release info about profitability of their retailing activities**

ERANZ does not have a view on this proposal.

## **D4 – Monitor contract prices and generation costs more closely**

ERANZ does not have a view on this proposal.

## **D5 – Prohibit vertically integrated companies**

ERANZ does not support this proposal.

ERANZ agrees with the Panel's view that forced separation is unnecessary and would be disruptive and risky for the industry.

## **E1 – Issue a government policy statement on transmission pricing**

ERANZ does not have a strong view on this proposal.

## **E2 – Issue a government policy statement on distribution pricing**

ERANZ doesn't have a strong view on this proposal.

If implemented, any government policy statement should sit alongside and support the current industry-led work on distribution price reform rather than replace it. ERANZ has long been an advocate for distribution pricing reform, working with the ENA and participating in several active working groups. One of these joint retailer/lines company working groups has recently produced a detailed roadmap of how to practically transition to cost reflective pricing methodologies.

### **E3 – Regulate distribution cost allocation principles**

ERANZ supports further investigation of this proposal.

The Government should undertake a review of the EDB allocation of costs between residential and non-residential consumers. Information presented by the Panel suggests a more cost-reflective model could see savings for residential consumers. However, ERANZ appreciates the issue is highly complex and that further investigation and consideration is required before any action decided.

### **E4 – Limit price shocks from distribution price increases**

ERANZ does not have a strong view on this proposal.

EDBs are already progressing work on this issue. Regulatory intervention should not be required, but could be a backstop option if industry-led changes fail.

ENA have set up a joint working group specifically to investigate the effect of pricing changes on different consumer groupings. ERANZ supports the ENA's considerable efforts and initiatives to date around distribution pricing reform. ERANZ and the ENA have organized several industry workshops, and have set up joint working groups, to facilitate the smooth implementation of distribution pricing reform. Workstreams are well advanced and these should be allowed to reach a conclusion before any decisions are made around greater regulatory intervention.

### **E5 – Phase out low fixed charge tariff regulations**

ERANZ strongly supports this proposal.

Current regulations are creating distortions and wealth transfers from the vulnerable to those more well off, hindering New Zealand's carbon-zero goals, and are creating other unintended consequences which will only become more extreme over time with the uptake of new technology. The existing low fixed charge tariff regulations will also make reform of distribution pricing more difficult. For example, they don't easily accommodate a move to cost-reflective pricing methodologies such as time of use pricing.

Phasing will need to be well signalled and carefully implemented (but not drawn-out) to avoid price shock and should be carried out alongside distribution price reform.

### **E6 – Ensure access to smart meter data on reasonable terms**

ERANZ supports this proposal. Space should be allowed for a sector-driven solution as the industry is already making good progress in solving the issue.

In 2017 ERANZ formed the retailer data working group with a view to resolving data access issues. Our working group has been working with distributors, the Electricity Authority, and the Commerce Commission. We believe we're getting close to resolving key issues around access to data. We also note the Electricity Authority is proposing a 'backstop' agreement for data sharing should the industry be unable to reach multi-lateral agreement. ERANZ supports the Electricity Authority's efforts in this regard.

## **E7 – Strengthen the Commerce Commissions powers to regulate distributors performance**

ERANZ supports this proposal.

Benchmarking EDBs would make it easier to assess relative performance. Additionally, ERANZ considers all EDBs should be subject to price and quality regulation. The rule exempting EDBs based on their ownership structure should be removed. Lines (transmission and distribution) costs are a significant part of the bill (around 37 per cent) which rely on regulatory oversight rather than competitive pressures to keep costs down. The Commerce Commission should be afforded all the tools needed to provide effective control as needed.

## **E8 – Require small distributors to amalgamate**

ERANZ supports this proposal. However, we note the greater standardisation and reduced complexity gained from proposal C4 would help alleviate some of the cost challenges identified in this proposal in a faster manner with less risk.

Presently there are significant transaction costs in retailers having bilateral agreements with 29 different EDBs; these costs are a major barrier to entry for smaller retailers expanding nationally. ERANZ welcomes the Panel wanting to see greater collaboration between EDBs.

However, some EDBs have been reluctant to move to standardisation – and so forced amalgamation may need to be considered over time if changes proposed by the Panel and other voluntary collaboration fail to drive significant benefits.

## **E9 – Lower Transpower and distributors' asset values and rates of return**

ERANZ doesn't have a strong view on this proposal but acknowledges the force of the Panel's comments about the need for investment and regulatory certainty. The same applies in the generation and retail sectors.

## **F1 – Give the Electricity Authority clearer, more flexible powers to regulate network access for distributed energy services**

ERANZ strongly supports this proposal.



ERANZ welcomes recent steps by the Electricity Authority and the Commerce Commission to provide guidance on what is and isn't appropriate activity, especially around unregulated revenue in the evolving technology space.

Competition needs a level playing field to thrive, and this is particularly true between the competitive and non-competitive parts of the electricity sector. Some EDBs are seeking to participate in competitive markets but their monopoly position means they don't bear the same risk of poor investments as companies that face competition. This is especially true for the emerging markets around nascent technology.

Regulators must have the ability to apply targeted restrictions to EDBs as needed given the fast-changing nature of technology.

## **F2 – Transfer the EA's transmission and distribution-related regulatory functions to the Commerce Commission**

ERANZ doesn't have a strong view on this proposal.

If there were to be a change it would need to demonstrate that the benefits outweigh the potential disruption to distribution pricing and other important reforms.

## **F3 – Give regulators environmental and fairness goals**

ERANZ doesn't have a strong view on this proposal.

Adding further objectives to the Electricity Authority could remove clarity of purpose and cause regulatory decision-making to become more arbitrary and vulnerable to challenge.

Retailers have already invested significantly in the protection of vulnerable consumers, like the development of practices for medically dependent customers and those in hardship. Several government agencies already sit on cross-sector working groups – though often as observers rather than participants – but retailers would be happy to include further input from regulators.

## **F4 – Allow Electricity Authority decisions to be appealed on their merits**

ERANZ doesn't have a strong view on this proposal.

## **F5 – Update the Electricity Authority's compliance framework and strengthen its information-gathering powers**

ERANZ doesn't have a strong view on the proposal.

## **F6 – Establish an electricity and gas regulator**

ERANZ doesn't have a strong view on this proposal.

## **G1 – Set up a fund to encourage more innovation**

ERANZ doesn't support this proposal.

There are a range of existing Government funds to support innovation.

Innovation should be driven by competitors in the market seeking to win or retain customers. This approach has proven successful to date. A new contestable fund dulls that competition.

If the fund was paid for via an industry levy it would lead to higher prices for consumers.

## **G2 – Examine security and resilience of electricity supply**

ERANZ supports this proposal.

## **G3 – Encourage more co-ordination among agencies**

ERANZ supports this proposal.

## **G4 – Improve the energy efficiency of new and existing buildings**

ERANZ strongly supports this proposal. The energy efficiency of housing in New Zealand is a major concern for retailers.

New Zealand has the 11th cheapest electricity price in the developed world but bills can be high because of the poor quality of some homes. Improving the quality of our housing stock is among the single biggest things New Zealand can do to reduce power bills for families.

32 per cent of houses in New Zealand have problems with damp and mould. Fixing the likes of single-glazed windows, insufficient insulation, and old inefficient heaters would go a long way to making us a more energy-efficient country.