

Downstream 2017, Panel discussion on post IM review work on EDB Information Disclosure (ID) and CC monitoring - Ralph Matthes, MEUG

Question: Where do we want to get to?

Answer:

Any consumer, small and large, can make efficient investment and behavioural change decisions on:

- Energy consumption (or generation for own use or export) and risk management products;
- Managing use or being a provider of ancillary services (AS) and possibly in the future extended reserves (ER);
- Avoiding future transmission and distribution tariffs. Where beneficial to NZ Inc avoiding current tariffs. 1

Consumers can implement by DIY or contracting with a service provider 2

Consumers are confident the direction of travel for regulatory reforms is:

- Co-ordinated and not ad hoc: CC work aligns with EA work that will affect relative prices and consumers exercising choice, for example, access to data for operational efficiencies, RTP, DDA, ER, cost-reflective and service based pricing for line services 3
- Not prone to regulatory capture. 4

Consumers will calculate for each option the incremental NPV, relative to a BAU counterfactual, the following:

Capex + O&M + relevant energy/AS/ER/transmission/distribution cost savings and or income. 5

Policy topics relevant to EDB ID and CC monitoring regime:

- 1 Individual consumers need long-term granular EDB tariff forecasts – can ID provide this?
- 2 Is there new ID that could mitigate risk of EDB lessening competitive offerings and assist policy makers make appropriate changes?
- 3 A regulatory road-map on what if, or if not, a “death spiral” begins would give consumers, lines & other investors more certainty.
- 4 If CC uses more “soft” regulatory powers will that open-up risk of regulatory capture?
- 5 Does regulated WACC distort optimal investment by consumers, line and others in providing distribution alternatives?