

The electricity pricing review

The Government's electricity pricing review delivered its first report on 11 September. The report itself is notable for not raising any issues requiring substantive change or reform of the electricity sector. Given the importance of predictability and stability in the rules which govern the sector for planning and investment decisions, the indication that the sector won't go through another round of major reform is welcome.

There are issues within the report which require careful consideration. The gap between the two tiers of residential consumer needs to be looked at. Usually business looks to incentivise or reward customer loyalty, but the opposite happens in the retail electricity market. Around 60 per cent of households have never shifted electricity supplier, yet despite being loyal, long-term customers they pay appreciably more than those who demonstrate no customer loyalty.

There is also greater understanding needed of distribution pricing, with the report noting variability between different communities and regions of the country.

It will be interesting to see what issues come out of the pricing trend data. The report looked at changes in pricing between consumer groups from 1990 to 2018. Some care needs to be taken in looking at the data. For example, if we look back into the 1980s then the trends look quite different. And from 1990 to 2018 the period with the lowest price increases is the last seven years (particularly the last couple years), suggesting the sector is managing costs well and consumers are benefitting from that.

At first glance, many of the issues covered in the first report are already the subject of work by the Electricity Authority and the Commerce Commission so it is not easy to see where any new action might be targeted beyond:

- increased education and communication to residential consumers
- seeing how retailers respond to concerns regarding the two tiers of consumers
- the Minister addressing the distortionary effects of the low fixed user charges.

MEUG meetings

MEUG would like to thank Fletcher Tabuteau, Deputy Leader of New Zealand First, for attending our September Executive Committee meeting. We would also like to acknowledge Greg Skelton and Wellington Electricity for coming in to brief us on their resilience planning, and Andrew Caseley and the EECA team for briefing us on their product standards and labelling work. In October we look forward to visiting Mercury Energy's R&D facility at Southdown which includes New Zealand's first grid-scale battery storage facility. The Mercury team host MEUG at one of their sites every year and the members always look forward to those visits.

Key dates

What's on	Who	When	Notes for members
Submission: Live line practices	Commerce Commission	2 October	MEUG is not submitting as we agree with the Commission that no change is needed to Input Methodologies.
Submission: Upper North Island (NI) & Upper South Island (SI) list of DG in place at December 2016 eligible for Avoided Cost of Transmission (ACOT) payments	Electricity Authority	9 October	This completes EA consultation on Distributed Generation (DG) eligible for ACOT payments. Decisions on Lower SI and Lower NI lists were completed earlier this year. MEUG is not submitting as methodology is unchanged from prior consultations and we agree with the overall policy.
Submission: Crown Minerals (Petroleum) Amendment Bill	Environment Select Committee	11 October	Consideration of announcements in relation to offshore petroleum permitting. MEUG will be submitting given that, under some scenarios, electricity prices and security of supply could potentially be impacted.
Submission: Orion pricing from 1 April 2019	Orion	12 October	Orion again setting best practice with inclusive transparent consultation. MEUG may submit.
Introduction of Zero Carbon Bill (ZCB)	Coalition government	From 16 October	MfE have indicated ZCB will be introduced in Parliament between October and December. MEUG will be submitting at the appropriate time.
Submission: Electricity Price Review	Expert Advisory Panel c/MBIE	23 October	The first of two consultations. This round seeks views on possible issues while the second will consider options for issues confirmed from first round.
MEUG Executive Committee monthly meeting	MEUG	24 October	Auckland, with site visit to Mercury Energy's R&D Centre at Southdown (includes NZ's first grid-scale battery storage facility).
Summit: BEC with WEC, Asia Pacific Energy Leaders Summit 2018, Wellington	BusinessNZ Energy Council (BEC)	31 October to 2 November	Theme for the Summit is "3D Vision – New Energy Perspectives". WEC refers to the World Energy Council.