New ways to empower electricity consumers webinar

Q&As, Wednesday 12 February 2025

The following questions are from the Energy Competition Task Force webinar on the 'New ways to empower electricity consumers' consultation package.

We are proposing to:

- require distributors to pay a rebate when consumers supply electricity at peak times (Task Force initiative A)
- require more retailers to offer time-of-use pricing (Task Force initiative B)
- require large retailers to better reward consumers for supplying power (Task Force initiative C)

The transcript below has been edited where necessary to improve clarity.

Will these proposed changes be in place by this winter? And if not, why not, given the issues last year and Task Force's mandate to deliver short- to medium-term solutions?

Our proposals would mean more consumers would have these options ahead of winter 2026. The retail initiatives would be in place in January 2026 and the distribution initiative is proposed to be in place by April 2026. These proposed implementation dates don't stop distributors or retailers from adopting the changes faster.

What is the threshold for a 'large' retailer?

We've defined it as a retailer with more than 5% market share. However, we've got three options in the consultation paper on how to define that threshold. We'd be interested in your views on that. (See page 32 of the consultation paper).

Proposal to require more retailers to offer time-of-use pricing

How do you define 'time-of-use'? As far as I know, retailers do offer at least a form of time-of-use pricing, being day/night.

We are defining time-of-use as any plan with different rates for different times. Importantly, the proposed amendment would require the price structures incentivise load-shifting by consumers that benefits the whole system. If retailers can demonstrate that day/night plans do this, then they would comply.

Has the Electricity Authority looked at the international research on time-shifting or does it have other insights it can share on how much impact ubiquitous time-of-use plans will have on consumer costs and usage profile? Some research indicates that many customers can't make significant shifts and save on average perhaps 0.5% a year if they have adopted time-of-use

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Yes, we have looked at international research on those plans. Some of that is set out in the consultation papers (see chapter 8 of the consultation paper).

What happened to the Authority view that: "a workably competitive retail electricity provides consumers with choice of retailers and innovative retailer services and plans that better match circumstances and preferences. It is better to rely on competition to stimulate solutions and innovation, rather than imposing an administrative solution"? Doesn't the Authority have confidence in retail competition?

We do believe that retail competition will deliver results in the long term. However, we are noticing that there are some issues in the market currently hindering competition. Some of these issues are being addressed by Package One. We expect the Package One measures to take some time to bear fruit, so we are designing the Package Two measures to give the market a nudge until then.

Retail pricing is supposed to be competitive. If there was a market advantage to be gained by offering time-of-use pricing, it would have already happened.

Our view is that time-of-use pricing plans are a simple, yet effective way to provide consumers with more ability to manage their own electricity use and costs and should be more widely available.

Is the EA concerned that focusing on time-of-use pricing could result in continuous 'whack-a-mole'? For example, Orion has expanded time-of-use prices to 10pm as many assets were constrained at 9pm due to retailer time-of-use tariffs incentivising electricity use at 9pm.

Retailers should be able to adjust their time-of-use plans in response to changes in market conditions. Our proposal is deliberately designed to give retailers the flexibility to shape their own time-of-use plan, including what time periods it would apply to.

Proposal to require distributors to pay a rebate when consumers supply electricity at peak times

What is the rebate value per kWH?

We propose the rebate value should be proportional to the cost of the avoided or deferred costs to upgrade the network to ease constraints. This will vary due to the size, of the avoided or deferred upgrade, the length of the deferral and how many consumers are affected.

Would the rebate for peak time export be paid through the retailer and a change to the Default Distributor Agreements? Or would distributors be required to contract directly with the end-consumer to pay the rebate directly to them?

We expect the rebate (or reduction in distribution charges) would be paid to the distributor's customer (eg, the retailer) and then consumers would receive the benefit in the same way payments for solar supply are currently made (typically by the retailer).

How does this proposal differ from the existing Distributed generation pricing principles requirement that distributed generation charges 'must include consideration of any identifiable avoided or avoidable costs'?

The Distributed generation pricing principles apply to all distributed generation, whereas this proposal applies only to pricing for mass-market customers. This proposal also addresses a very specific issue (the mass-market consumers who inject when the network is constrained) and sets out steps for distributors to take to implement the proposal.

The Authority has previously explained why regulated pass-through of distribution charges by retailers is undesirable: "The Authority does not see there is a particular efficiency reason why prices should be passed-through. Instead, pass-through could stifle the economic efficiency of the electricity sector because it reduces consumers' choice on how to manage price risk, and eliminates a dimension on which electricity retailers can innovate and compete for customers." The latest proposals reverse that. Why has the Authority's position seemingly changed?

We haven't reversed that position – but there has been a shift. Retailers know their customers best. And we recognise the importance of retailers' ability to innovate and engage with consumers, and to shape their offerings in ways that will appeal to them.

We're not putting restrictive pass-through requirements in place. We really want to give retailers the flexibility to engage and innovate and are encouraging retailers to pass the value of consumer-supplied electricity through.

We're also proposing that retailers report on how they do that, so we'll be taking a close look to see how that's happening and make sure that that value is getting passed on to consumers.

We think it's really important there's innovation and competition among retailers and we think we've proposed a balanced and flexible approach that achieves our stated objectives.

The Task Force is looking very closely at the wider programme to address New Zealand's security of supply and affordability challenges. It is a fast-changing environment, and the Task Force is very focused on ensuring we consider relevant and up-to-date information.

Is there an expectation that distributors will implement location-specific rebates to reduce the need for investment to cope with export?

Yes, we're encouraging distributors to look at their networks, identify where there are constraints, and where they think distributed generation might be able to ease pressure on the network. That's a deliberate feature of the proposal. We want to ensure the rebate is targeted so consumers are encouraged to supply at times and places where they will help reduce pressure on the network and network costs. This means they would be rewarded for making a tangible contribution to the system.

The analysis in the 2A proposal seems to suggest very small (less than $1/month) rebates to consumers in some situations. Will there be some minimum threshold below which rebates need not be offered because the cost of processing it exceeds the value?

We expect ddistributors would consider implementation costs when setting rebate amounts. We have not proposed a minimum threshold in the consultation paper but invite people to share their views in their submissions.

Is there an estimate of the benefits this will have with respect to consumers' energy bills?

We have modelled benefits of $3.87 per month for the combination of distributed generation proposals (2A and 2C initiatives). Details are in pp 60–68 of the consultation paper.

Has the Authority considered whether the principles need to include principles on quantity determination in the situation where two consumers have the same generation available, but different loads. One might have a net injection that is much higher and get a higher reward. But the net benefit to the network for the same level of generation is the same.

The guiding principle is that the rebate should reflect the benefit to the network. In our view, the proposed principles are flexible enough to enable distributors to make these kinds of judgements. However, we invite people to share their views on this point in their submissions.

Would retailers be required to pass through any rebates paid by distributors?

Retailers would be required to demonstrate how they are sharing the benefits of their customers' supply, including distributor rebates, as part of their compliance reports. Details of the proposed monitoring and reporting regime are on page 41-44 of this consultation paper.

For many distributors, there currently isn't great visibility of low-voltage networks so identifying areas constrained without ready access to consumers' consumption (and export) data may not be straightforward.

Distributors are required to identify areas of their network that are constrained in their asset management plans already. The Authority is planning to make changes that would improve visibility of the low-voltage network for distributors and other parties interested in rolling out distributed energy resources and getting involved in flexibility. That's something we're actively working on.

Has the Authority calculated the loss in tax revenues by consumers generating their own power and if so, is that a factor that has discouraged the Government from supporting initiatives up until now.

We have not calculated the loss in tax revenue by consumers generating their own power.

The proposed objection to broad export tariffs is that network injection needs vary by location. However, peak pricing is currently applied in that same broad methodology. So, is the Authority proposing when networks ask for money from consumers, it's not worried about location-specific detail? Yet when distributors need to pay consumers, the Authority is happy to limit this by location. How do these two methodologies reconcile? If location-based pricing accuracy is to apply, should it not apply in both directions? Otherwise, it appears to be a tip in the scales against consumers.

Our current view is that the rebates should be appropriately targeted to reduce the likelihood of unintended and inefficient subsidies. For example, payments for supply, ultimately funded by other consumers, in areas where that would provide little or no network benefit.

However, there are two alternative options in the consultation paper, one of which is a consumption price-linked supply price that would apply more broadly. We look forward to receiving and considering submissions supporting an alternative option.

Why is this being limited to peak times? Why shouldn't it be expanded to all times to encourage consumers to adopt rooftop solar and batteries?

We want to encourage consumers to supply at peak times where there are constraints in the system. That's where we think there's the most opportunity for consumers to help reduce or defer network investment, reducing cost to the system and ultimately reducing power bills for all consumers.

What initiatives are being taken to enable the growth of virtual power plants using the much larger (than house batteries) car and bus batteries, to be able to compete for peak and demand-side management services fairly against the much more expensive proposed open cycle gas turbines.

Our proposal is technology neutral. It would apply to supply from EV batteries, provided the consumer is on a standard power plan.

Which type of consumer will have excess energy during peak times?

Customers with solar panels and batteries are the most likely to have excess energy during peak times. Whether a particular consumer has excess energy will depend on the size of their investment in solar panels and batteries compared to the scale of their own energy needs.

In order for consumer to invest in battery storage, there needs to be certainty on the offerings. Generally, pay-back on a battery can be up to five years, depending on the model. What will the Authority do to ensure distributors and retailers can offer these products for the lifecycle of the consumer assets so consumers can invest with certainty?

Distributors are required to consider uptake incentives when setting rebates. Distributors should consider setting stable rebates for sufficient time to get an efficient amount of investment response.

Would net metering be an option?

Net metering is the practice of billing customers based on their 'net' consumption only, ie consumption minus supply. The Authority believes a net metering option would not promote the long-term benefit to consumers.

Has the Authority considered net metering as a buy-back option?

The Authority's view is net metering would not have enduring benefits for consumers.

For three-phase supply, current transformer (CT) may need to change to from standard ClassM to (5% - 120%) to Class M(S) to allow correct tariff measurement (either consume or inject). Has this been considered?

No, this has not been considered but we welcome submissions on this matter.