



Electricity Authority

2 Hunter St
Wellington 6011

1 February 2019

Emailed to: submissions@ea.govt.nz

To whom it may concern,

Review of regulatory settings for official conservation campaigns

Flick is pleased to submit on the Electricity Authority's Consultation Paper.

In this letter we have responded to the questions posed in the Consultation Paper regarding the regulatory framework for official conservation campaigns. In addition to reviewing the questions posed the Electricity Authority should also be reviewing the customer compensation scheme triggered by a campaign call.

Flick believes the customer compensation scheme is an ineffective regulatory instrument that needs to be redesigned or revoked. Currently retailers are required to offer a default scheme that requires payment of \$10.50 to 'qualifying customers'. We believe this scheme merits reconsideration for the following reasons:

- The scheme was implemented to reduce incentives on retailers to call for public conservation campaigns. This 'incentive' is eliminated through the framework of objective risk assessment in place it is unnecessary to have a payment.
- It is unfair to place a 'disincentive'/ cost on retailers based on the misguided assumption that it is retailers alone who have the incentive to call for a campaign, in many instances it will be generators who are 'short' who have the greatest incentive.
- Payments are not targeted and benefit all qualifying consumers regardless of whether a customer actually reduces electricity consumption or not. If these payments are in anyway intended to compensate for 'savings'/ inconvenience from reduced consumption, then this blanket approach is suboptimal. Surely the increased penetration of smart metering since the policy was implemented merits reconsideration of this approach.
- It increases the costs for electricity retailers with no demonstrable increase in the security of supply.
- It burdens independent retailers more than gentailers. Gentailers are permitted to manage their 'position' so they can recoup the additional cost borne by their retail business by increasing wholesale market prices, unfortunately independent retailers don't have this lever.

We encourage the Electricity Authority to consider a wider scheme review. Please contact me if you would like to discuss the points raised above and our responses to the questions you've posed in the Consultation Paper.

Yours sincerely,

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RESPONSES TO CONSULTATION PAPER QUESTIONS:

Q1. Do you agree the 10% HRC, calculated inclusive of contingent storage, should be used to trigger the start of an OCC? If you disagree, please provide reasons.

Yes, we support the change in calculation approach to include contingent storage. We also support retaining the 10% trigger, we acknowledge the slight increase in risk of outage but agree that this is not material.

Q2. Do you agree a buffer should be added to any HRC floor? Please provide reasons.

Yes, we support a predetermined 'buffer' above an HRC floor on for the reason that it provides certainty about the trigger point.

Q3. Do you agree a Code amendment putting in place a floor on the 10% HRC is necessary and desirable to avoid the infeasible solution described in paragraphs 3.14 to 3.20? If you disagree could you please provide reasons.

Yes, we support putting in place a floor and agree that it is necessary to avoid an infeasible solution.

Q4. Do you agree with our preferred potential change to reserve supply determination? If you disagree, please provide reasons.

Yes, we support the approach proposed of 4% HRC plus predetermined buffer.

Q5. Do you agree there are adverse effects on reliability of supply and market efficiency from the current arrangement for ending an OCC?

We agree that current arrangements could result in stop-start OCC's, this would be highly undesirable because it could cause mixed signals within a short period of time and this would be likely to reduce consumer conservation efforts which are relied on for security of supply.

Q6. Do you agree with our proposed approach to addressing these adverse effects?

Yes we support the proposal, we believe the forward fortnight view is an appropriate time horizon for determining whether to end an OCC or not.

Q7. Do you agree that there should be two forms of OCC - a South Island-only and a New Zealand-wide OCC? Please give reasons with your answer.

For the reasons described in the consultation paper the South Island OCC may no longer be appropriate. To determine whether a discretion to call an OCC for a geographic area is necessary or not it would be helpful for the Electricity Authority to present more analysis on the possible parameters for exercising this discretion, possible scenarios and implications.

Q8. Do you agree with the proposal's objective? If not, why not?

Yes we agree with the proposal's objective.

Q9. Do you agree the benefits of the proposed amendment outweigh its costs?

Yes. We agree that the proposal outlined is an improvement on the current arrangements.

Q10. Do you agree the proposed amendment is preferable to the status quo and the alternatives?

Yes we agree that it is preferable to the status quo and alternatives.

Q11. How far in advance of the start of winter 2019 would you need the proposed changes implemented to be of use in your operational decision making for winter 2019?

It would be preferable to implement any changes as early as practically possible. That said the changes are likely to have limited impact on operational decision making.

Q12. Do you agree that the Authority's proposal complies with section 32 (1) of the Electricity Industry Act 2010?

Yes.

Q13. Do you agree with the Authority's assessment of the proposal against the Code amendment principles? Please give reasons if you do not.

Yes.