26 March 2025

Electricity Authority
By email: taskforce@ea.govt.nz

Improving pricing plan options for consumers

Meridian appreciates the opportunity to provide feedback on the Authority's consultation paper 'Improving pricing plan options for consumers: Time-varying retail pricing for electricity consumption and supply'.

Meridian supports all proposals that encourage innovation in the market and lower prices for consumers. Currently, there are around 40 retailers in the market competing for customers. This has led to retailers creating innovative pricing plans to successfully compete in the market, which provides consumers with a wide range of products and plans to choose from.

Meridian supports the objective of this consultation – to reduce demand on the system and lower consumers power bills. However, it is not clear to Meridian what market failure or problem this proposal is attempting to overcome or that any benefits will result. The consultation document references "giving consumers new options and enabling them to better manage their costs, preferences, consumption and investment decisions". However, there are already retail offerings in market that include time-of-use pricing plans and variable buy-back rates. Consumers can choose to switch to providers with these offerings now. Therefore, it is not clear that any benefits will flow from mandating that all retailers over a certain size make these offerings available. Consumer choice is not improved by making all retailers make the same offerings and if the objective is simply increased awareness of these plan types in market then there are simpler ways to develop that awareness.

Should the Authority proceed with regulation, Meridian does not support limiting the design requirements to time-of-use plans that require customer behaviour change. Most customers struggle to load shift for a variety of reasons, and while price signals may assist some to use power outside of peak times it cannot be the only mechanism that is used. There are a variety of other ways to shift electricity demand away from peak periods, including for example load control plans – which do not meet the design requirements set out in the proposal. Meridian would support the high-level design requirements being made more flexible and allowing for retailers to be innovative in offering ways to shift demand and rewarding customers for the shift. Restricting the design requirements to plans that require

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customer behavioural changes will stifle innovation and not have the best outcomes for consumers.

Limiting the proposal to only be applicable to time-of-use plans also risks unintended consequences on the grid, as it will likely result in retailers offering similar 'off peak' plans that may result in a new 'peak' being created. For example, some networks are already noticing the impact of EV plans and peaks being created around 9pm. Having more flexible and wider design principles that encourage innovative ways to encourage demand shifting will reduce the risk of new peaks as there will be fewer constraints on retailers to meet the obligations.

The compliance costs of this proposal are also likely to be quite significant, and Meridian is concerned that this will result in higher prices for consumers. We would support more flexibility and discretion in the proposal to reduce these compliance costs.

Meridian has made a number of specific suggestions in our responses to ensure that the rules do not become overly burdensome. See responses to the Authority's specific consultation questions attached as Appendix A.

Please contact me if you have any queries regarding this submission. This submission can be published in full.

Nāku noa, nā

Georgina Lomax-Sawyers
Regulatory Counsel

Appendix A: Responses to consultation questions

	Question	Response
1.	Do you agree the issues identified by the Authority are worthy of attention? If not, why not?	Meridian agrees that the Authority's desired outcome of reducing peak demand is worthy of attention. However, there are a significant number of time varying consumption plans that are currently available in the market for consumers. There is also a risk in limiting the possible solutions to ones that encourage more consumers to choose time of use plans and change their habits to reduce demand, when there are other ways to change habits and reduce demand on the system. Meridian does agree that time varying injections plans are more limited, however there are increasingly more options becoming available for consumers. We would also note that the market has been working well to innovate and keep up with customer demands in this space, with a number of retailers now offering some form of time of use plan.
2.	Which option do you consider best addresses the issues and promotes the Authority's main objective? Are there other options we have not considered?	The status quo has been reactive and created a number of different pricing plans for consumers that assist with load shifting, and also injection. However, if the Authority determines it is necessary to regulate in this area then Meridian's preference would be for a principles-based approach provided it is appropriately flexible, for retailers to innovate and provide good outcomes for consumers. There is the risk that regulation will increase the cost to serve customers rather than create a highly competitive and dynamic landscape. Regulation of retail pricing has not always led to the intended result as can be seen from the Low Fixed Charge Tariff Regulations.
3.	Should we require retailers to offer a price plan with time-varying prices for both consumption and injection? Why or why not?	No, Meridian would not support this requirement. Allowing retailers to have maximum flexibility in designing pricing plans will allow them to be innovative and dynamic, which will ensure that plans are designed that have maximum benefits for consumers.
4.	Do you have any feedback on the design requirements?	In Meridian's opinion the design of a principles-based approach should provide sufficient flexibility to enable innovation and not unnecessarily drive compliance costs with no commensurate consumer benefits. As

noted above, retailers have already begun offering several different time varying consumption pricing plans. This has occurred naturally from the competitive nature of the market that drives innovation. Any proposal needs to ensure that retailers have the same competition drivers that encourage them to differentiate their plans from others in the market.

Our interpretation of the requirements is that various different time of use plans would be acceptable, this includes, for example:

- free weekends;
- hour(s) of free power during off-peak times;
- rebates on usage in off peak times between 8-11pm;
- providing rewards to customers if they reduce demand in periods of peak demand (so long as this occurs frequently enough).

However, our understanding of the design requirements is that load control plans with different mechanisms to reward customers (eg rebates) are not considered to be included, for example:

- rewarding customers an amount on their monthly bill, through an account credit or similar, for giving their retailer control of their hot water cylinder to shift their hot water load from peak to off-peak.

In Meridian's experience load control products of this kind are very effective at shifting demand while also not placing the burden on customers to change their behaviour. These types of plans also still reward customers for allowing retailers to shift demand. If the design requirements do not consider these types of plans to be time varying plans, then there is a real risk that retailers will be discouraged from offering them, as they will need to focus on plans that do meet the design requirements. This ultimately stifles innovation to the detriment of consumers. It is critical that the design requirements allow for flexibility so that these types of plans are still encouraged.

Limiting the proposal to only be applicable to time of use plans also risks unintended consequences on the grid, as it will likely result in retailers offering similar 'off peak' plans that may result in a new 'peak' being created. Having more flexible and wider design principles that encourage innovative ways for demand shifting will reduce the risk of a new peak as there will be fewer constraints on retailers to meet the obligations.

		We note that there are only a small number of households in New Zealand that have the capability to inject into the network. The cost of solar and battery systems remains high, meaning the type of consumer that that uses this technology is often wealthier meaning price incentives are less effective. Having adequate flexibility in plan design will be key to driving incentives for consumers to begin injecting into the network. While the Authority has limited offering these plans to customers with smart meters, this needs to be amended to only require retailers to offer to customers with “communicating smart meters”. Some smart meters do not yet communicate with the system therefore it would not be possible to offer these customers time varying plans.
5.	Is there a risk that injection rebates will not be passed through to the consumers targeted? If so, how could we safeguard against this risk?	Meridian does not think there is a risk that injection rebates are not passed through to consumers. However, there will be some initial work required to ensure that the appropriate systems are in place to easily pass the rebates through to the customer. It is also unclear how significant the rebates will be for consumers. This is for a range of reasons that Meridian has covered in our submission on the ‘Requiring distributors to pay a rebate when consumers supply electricity at peak times’ consultation paper, including that rebates offered will likely vary from year to year. This variance will not incentivise investment into solar system or batteries as consumers will not be able to determine the cost savings. Distributors will also need to be mindful when setting their pricing methodologies for the rebates that it will provide sufficient certainty for consumers, otherwise many of Meridian’s customers would not actually realise the benefits from such a rebate.
6.	Which retailers should be captured by the proposal and why?	Meridian supports more participants in the market being captured to ensure that there is a level playing field. The current 5 percent market share threshold seems arbitrary and could result in market distortions. Imposing costs on some retailers but not others has competition implications and seems inconsistent with the Authority’s primary statutory objective to promote competition, efficiency and reliability. Meridian’s preference would be for the rules to apply equally to all retailers, acknowledging that small

		retailers can apply for exemptions and the Authority can approve then on a case-by-case basis if doing so would be consistent with the Authority's statutory objective. Failing that, Meridian would prefer the alternative 1 percent threshold considered in the consultation paper as this would better preserve the competitive dynamics in the retail market.
7.	What are your views on the proposed timeframe for implementation of 1 January 2026? Would 1 April 2026 be preferable, and if so why?	Should the Authority proceed with regulation, Meridian supports a slightly longer implementation timeframe and suggests an implementation date of 1 July 2026. This is to allow sufficient time for any required changes to our systems to be introduced. It would also align with the new financial year which makes for a clean transition. It would also allow time to test and research different product options and consider their effectiveness. If the Authority does not agree to 1 July 2026 then Meridian would prefer 1 January 2026 rather than 1 April 2026.
8.	What are your views on Part 2 of our proposal that would require retailers to promote the time-varying price plans?	Meridian is supportive of retailers having to make consumers aware of time-varying price plans. The promotion requirements need to account for the fact that the comparison and switching website may not have the functionality to support all of these plans. While there is a tender process occurring for a new comparison website, the Code requirements need to provide that no breach occurs if the comparison switching website does not have the capability to advertise the plan. However, Meridian is not supportive of the proactive offer requirements as they are overly prescriptive and require comparing historic data to predict potential savings which is not an accurate predictor. As the Authority acknowledges, the benefits of time of use plans rely on behaviour changes from consumers. This means expected cost savings may not be realised if the customer does not take those steps or if there are any other changes in the customer's consumption habits. Therefore, there is a real risk that customers could be misled by using historic data to predict their future savings. This is not a good outcome for customers and raises liability issues for retailers. The scope of the requirements is also very onerous – it would require analysing consumption data for every customer to identify customers that would benefit from a

		time-varying price plan. This would require significant amounts of time and work. Having such high compliance costs is not good for consumers, as increased costs to retailers can result in increased power prices for consumers. The Authority needs to consider whether the significant compliance costs would be outweighed by the benefits of the plan which are likely to be quite small.
9.	What should the Authority consider when establishing the approach to and format of the reporting regime?	It is important that the reporting regime is not too onerous such that retailers have to expend significant resources to meet the reporting requirements. Regulatory burden causes inefficiencies and can result in costs being passed on to consumers. Meridian would be supportive of the information being provided to the Authority being kept at a high level. For example, we anticipate that there may be some quite bespoke arrangements that we set up with individual consumers to meet the design requirements and customer needs. It would be overly onerous however to expect that every different individual plan is reported. The reporting requirements should also be clear that retailers are able to adjust plans as needed, even following reporting. If plans cannot be adjusted once reported to the Authority it will significantly limit how responsive retailers can be. Rather, the reporting should allow for particular examples being presented to show that the requirements are being met. The Authority could seek further information as required if there are concerns regarding compliance.
10.	Should the Authority include a sunset provision in the Code, or a review provision? Why?	Meridian supports a sunset clause being added to the Code. As the industry has seen with the low user tariff - while these types of initiatives can be beneficial, the market changes quickly which can mean requirements are no longer fit for purpose. However, it can also be quite difficult to roll things back. Therefore, having a sunset clause will make it easier to remove the requirements quickly. Meridian recommends that the sunset clause is brought forward, so that these provisions would be removed after 3 years. Five years is a long time if the provisions are not working (for retailers and consumers). Three

		years seems like an appropriate medium point to allow sufficient time to see if the changes to work.
11.	What are your overall views on Part 3 of the proposal?	As noted above, Meridian is concerned that Part 3 could be overly onerous which will not lead to good outcomes for consumers.
12.	What are your views on Part 4 of our proposal to amend the Code to require that consumers are assigned to time-varying distribution charges, that retailers provide half-hourly data to distributors for settlement	This is significant change to settlement and Meridian considers that there should be additional or separate consultation on this before any amendments are made. Meridian suggests that further engagement is had with retailers on this proposal before any decisions are made on its incorporation into the Code.
13.	Do you agree with the objective of the proposed amendment? If not, why not?	Meridian agrees with and supports reducing demand on the system, to minimise investment costs and lower consumer power bills. This needs to occur in a manner that still allows for innovation and competition, and that gets the balance right for consumers.
14.	Do you agree the benefits of the proposed amendment outweigh its costs?	There are a number of potential benefits to this proposal that Meridian supports. However, as set out at various points in the submission it is important that the correct design requirements are set so that there is enough innovation and competition in the market to drive good outcomes for consumers. Furthermore, it is essential that the compliance requirements are not so burdensome that it requires significant costs and investment by retailers to meet the obligations of the regime.
15.	Do you agree the proposed amendment is preferable to the other options? If you disagree, please explain your preferred option in terms consistent with the Authority's statutory objectives in section 15 of the Electricity Industry Act 2020.	As explained, Meridian is supportive of a regime that provides sufficient flexibility for innovation and that does not result in regulatory burden that increases compliance costs
16.	Do you have any comments on the drafting of the proposed amendment?	Meridian does not have any particular comments on this drafting, however reiterates the need for further engagement on this proposal. It would also be beneficial for consultation to occur on the draft prescribed reporting format.