

20 December 2016

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David de Boer
Electricity Networks Association
By email: david@electricity.org.nz

Dear David

Re: Discussion paper – New pricing options for electricity distributors

Nova appreciates the Electricity Networks Association's (ENA) efforts to develop a model for demand based pricing that both meets the objectives of distributors (EDBs) and can be implemented by retailers. Electricity retailers and the Electricity Authority have been clear in communicating their expectations from EDBs in terms of distribution pricing, yet we are already seeing instances where EDBs are seeking to impose mandatory metering and charging structures that would result in unnecessary costs to retailers and MEPs.

In Nova's view, the industry will be able to make a seamless transition to more cost reflective distribution pricing if the following conditions are met:

- a) Any new demand based prices must be available on an opt-in basis for consumers, and not mandatory.
- b) Retailers and consumers must not be forced to remove and replace compliant electricity meters, or incur excessive meter reading costs.
- c) EDBs may introduce one or more types of demand based charges, but to be workable by retailers these need to have common parameters across all distribution networks.
- d) Consumers remaining on (legacy) kWh charges should be charged on an estimated cost reflective basis, i.e. there will be a natural incentive for residual consumers on legacy charges to switch to demand based pricing.
- e) EDB's clearly signal well in advance details of the demand based charges they intend to introduce, i.e. ensuring retailers have time to develop systems, pricing and marketing materials etc. associated with any new offerings to consumers.

As long as these five conditions are met, retailers can be expected to engage with customers to ensure that each customer is able to adapt to the new charges and manage their electricity consumption to the extent that they are able, or wish to.

Given the above conditions, the type of demand based charge introduced by EDBs is not so critical, as the success or otherwise of any particular pricing structure will be determined by its uptake.

Nova also supports the ERANZ submission.

Yours sincerely



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