

SEANZ Submission ENA Distribution Pricing Models

PREFACE

SEANZ congratulates ENA for an informative and well-constructed discussion paper on distribution pricing. It is the first document we have seen which presents the options in an open and well-reasoned manner.

We have specific responses to the questions but also believe it is necessary to provide some general remarks which address broader issues with respect to the transformation which will occur in distribution businesses over the next two decades.

1. Technology driving disruption of existing business models enacted by consumers will deliver change. It is unavoidable and EDBs moving to adapt to remain relevant is inevitable. However, the way incumbent industry (particularly EDBs) react will define their resulting role. The fundamental shift in the regulated network monopoly business environment is simply that competition to the network has arrived. And this competition is consumer based, with the implication that they place themselves at the centre of the space, which allows them to be far more engaged in managing their own position and electricity requirements. In the forthcoming years this position will be elevated by the millennial generations who are fully engaged in online management of components of their lives and their environment.
2. SEANZ members have and are already developing innovative technology implementations which can make grid use irrelevant, should EDBs choose to continue to charge for infrastructure rather than the type of service consumers increasingly want. Through solar PV, consumers have a competitive choice of supply over well-defined periods of the day and by shifting their demand through technology and smart phone apps, to those periods, means their peak demand times as has historically happened, are reduced. Shortly they will also be in a position to store and use this energy at other times of the day. Combined with investment in a cost effective home energy management system which will operate like any other gas appliance running on natural gas or LPG (except that it will provide for all their winter electricity needs) this solution and technology dovetails perfectly into a convenient residential energy supply which is completely independent from the grid. SEANZ members are implementing such solutions today at a cost effective level and with a range of technology acquisition models.
3. The purpose of the electrical grid-network is to convey electrical energy, not provide capacity. The energy conveyance service must be the total focus of a new pricing structure. The consumer does not want capacity – typically they do not understand what it means. They want service based offerings. Capacity is something EDBs separately decide on as an internal network management decision, based on engineering design involving load diversity factor, how much energy is to be delivered, and when.
4. For distribution networks to continue to be useful, the overriding service they must offer and charge for is the time dependent cost of conveying energy, in both directions. This is the simple, basic principle under which new pricing must be structured for consumers. Networks which do not reflect this principle in their pricing will struggle to survive.

CONCLUSIONS

From the above, the following conclusions can be drawn. Firstly, for this reason, SEANZ is opposed to any increase in the fixed daily charge. For networks, to take a short term position through this approach is self-defeating, as any increase in fixed charge simply reduces competitiveness of the future service that consumers need. SEANZ considers that it would be in the best interests of EDBs for fixed charges to be abolished. However since this is unlikely to be acceptable to entrenched views, we recommend that all fixed charges for residential consumers be set at the LUFC rate, removing one of the most frustrating distortions in the current tariff structure. Capacity charges should not be deployed. They are difficult to implement on a fair basis, and create pricing signals that are not in the consumer's best interest, particularly with regard to energy use – if they are successfully translated by retailers to consumer.

SEANZ prefers a new pricing structure to involve a combination of TOU energy charge and dynamic coincident peak demand charging. As discussed later under Q22, we believe that such a tariff can be universally applied and presented in a composite manner which is more easily understood, but for the present we will comment in the context of the charging options listed in the ENA document. The coincident peak demand charge should be a composite of grid costs and network costs. For example, customers in a network area which has summer peaks but also contributes to the grid winter peak would be charged their share of both. We consider that, without a network coincident demand component, TOU charging as envisaged in the ENA document is too blunt an instrument to ever achieve noticeable demand response and consequent improvement in load factor. To improve network efficiency, consumers creating the annual peaks must be directly charged at higher rates for corresponding consumption at those times.

It follows that the bulk of EDB revenue should continue to be derived from an energy sales or volume transported charge, as energy conveyance is the reason for EDB existence. The price to the consumer should be variable, to reflect the real time cost of providing this service, and include coincident peak demand charges. However, the pricing variances should be based on a pricing principle involving load factor. This assumes that best network efficiency is achievable when the load factor is 100%. Pricing should encourage a trend towards achieving 100% load factor with the existing or projected network load. For a typical network this means pricing should progressively discourage network usage when the load is above 60% of peak and progressively encourage it when load is below 60% of peak. Priority effort should be made to provide real time pricing signals and implement the use of smart meter data to enable consumer response and provide accurate and targeted pricing.

ENA should consider investigating the role that EDBs could take in managing retail “energy exchange” markets in their respective areas. It is SEANZ view that energy traded at network level should not need to be reconciled in a centralized wholesale market. In fact, there is no connection as the technology used for such uses a trusted mechanism independent of a wholesale market – as attested in other jurisdictions. EDBs could either set up and operate a distribution market themselves, or contract out the operation, retaining a governance role. Only the aggregated data necessary for calculating network and transmission share of costs would need to be passed through to the wholesale market participants, eliminating the data processing complexities and costs that increasing 2 way energy transfers within a network will otherwise create.



SEANZ wishes to continue engaging with ENA to support the development of any new distribution system pricing methodology for New Zealand, in which consumer owned rooftop solar PV and other new consumer technologies are an integral part. SEANZ has been in discussions with specific EDBs over pricing including Unison.

We absolutely believe that this transition to a consumer-centric market is necessary for the greater good of all New Zealand consumers/NZ Inc. A resilient integrated network which includes the fair exchange of retail electricity between neighbors and communities can deliver the best outcomes in a future predicted to both become more reliant on electricity supplies, and to contain increasing exposure to natural and man induced disasters and/or outages. This points clearly to a distributed network topology in which embedded generation plays a significant part.

Appendix D: Consultation Questions

Question 1 The following features of efficient and effective distribution pricing have been identified: (1) actionable; (2) compliant; (3) cost-reflective; (4) effective in the long term (durable); (5) service-based; (6) simple; (7) stable and predictable.

- a. Are there any features which you consider should be added, removed or changed in the above list? Please explain your reasons.
- b. Which of the above features are the most important in determining future distribution pricing?

a) (3) Cost reflective: The term “cost reflective” needs defining. Cost reflective, if it refers to the costs of maintaining a service that consumers want, is acceptable as a basis for charges. It is not acceptable however if cost reflective includes the cost of services no longer wanted or needed by the consumer. Cost reflective charges in this case could simply perpetuate services and practices which are inefficient or ineffective.

(5) Service based: The concept of “service based” charges needs to be clarified. We are of the strong opinion that the service EDBs are required to provide in the future can be simply defined as “Transporting electricity to and from a consumer’s premises at an agreed level of quality and reliability”. Other “consumer services” suggested in the discussion document such as keeping a certain amount of distribution network capacity available for the consumer to use at the “flick of a switch” whenever they want, and acting on a consumer’s behalf to manage the consumer’s use of the distribution network are not in fact of any interest to the consumer. They are functions which the EDB carries out to provide the service as defined above, and in this context are no different to paying the staff or replacing a transformer to keep the service going. This thinking leads to charging the customer for services that don’t exist or they don’t want or need. To avoid misinterpretation of the role of EDBs, we propose that the fundamental definition of the “service” given above be used in future.

(8) Fairness and socially equitable: “Fair pricing” is a feature which should be added. This might be hard to define, but should be included to justify the cross subsidies already present in the charging for distribution services, in particular the urban-rural differential.

b) (8) Added (As fair as possible to all consumers) first, followed by (4), then (5) and (3) based on the definitions above, and (7).

Question 2 The ENA has identified five pricing types that it considers in detail in this paper: time of use consumption; customer demand; network demand; booked capacity and installed capacity. Do you agree that these are the five best types of pricing to consider now? Do you agree that other cutting edge pricing options (such as critical peak and real-time pricing) should be left for consideration later?
Please provide your reasons.

NO. We are not in favour of any type of capacity charge for residential consumers because we believe it will be costly to implement with sufficient flexibility to be useful, and based on our earlier argument we do not consider capacity is a service that EDBs offer (their sole reason for existence is to convey electricity). Neither are we in favour of fixed charges under any guise. We consider that a combination of TOU consumption and coincident network demand charges are the most appropriate to meet the attributes identified by ENA. The way the tariffs are constructed and the portion of revenue attributed to each is however critical to this being fair and equitable.

NO. We think options that allow innovators to dynamically apply new technology solutions such as batteries towards changing their demand profiles must be introduced with any pricing structure change. Firstly because the upheaval associated with any change is substantial, and not to provide innovative options is an opportunity missed. Secondly, we do not accept the argument that it is too difficult – all the technologies are in use elsewhere and need to be incentivised through appropriate tariff structures for successful market implementation in NZ. Thirdly it is not possible to achieve worthwhile improvements in distribution pricing through demand response, without use of modern technology.

Question 3 Do you consider that retail competition can be relied upon to ensure consumers face appropriate distribution price signals?
Please explain why or why not.

NO. Retailers have different business drivers. They wish to sell energy, not capacity. If allowed, it is natural that they will distort distribution price signals towards this motivation. Often they might coincide, but depending on the wholesale cost of energy they will also often not. We can see no justification or merit in the current regime – distribution prices should be either charged separately or passed through intact.

Question 4 Do consumers see value in load control and ripple control, and is this likely to change in future?

Yes some do. Energy-educated consumers have understood the benefit to the networks of load control, and as long as the benefit and value to the consumer is adequate, may still buy in. It is the

disjointed supply side structure resulting from the restructuring of this business which is responsible for the reduction in usage of this demand management tool. There are however growing opportunities for other tools to alternatively be used for requesting consumer demand response action using emerging technologies to achieve even better load management by voluntary action resulting from rapid pricing signals.

Others may not understand the overall benefits of load control and ripple control, as their approach is more individualistic and they may see ripple control as an old outdated technology that invades their space. Others may participate in centrally managed load control because they are totally dependent on the grid and know no other way.

Question 5 Do you agree that distributors should engage with end consumers about distribution pricing? Why/ Why not?
Please provide your reasons.

YES - most definitely. End consumers are the customers for the service offered – EDBs should not assume that they know what’s best for them as groups or as a whole. EDBs now have emerging competition to the distribution service in the form of distributed generation and batteries. Listen to consumers and understand what this means for the future, and how EDBs can best provide future services on a platform model, that are fairly priced to meet the needs of a future, distributed residential energy supply. Distributed generators need the diversification of demand that networks offer and they should pay appropriately for this service. Price the services right and they will enhance the strength and reliability of the network. Price it wrong and they may disconnect from the grid or utilise other innovative processes that circumvents regulation.

Question 6 Is there additional information that should be included in this paper about stakeholder engagement?
If so, please explain what should be addressed.

The paper discusses a 5 step IAP2 consultation process with a suggestion that this process could be adopted as a way forward. It is hard to see how 29-odd individual EDBs, many of which are very small will be able to manage this process, which has never been undertaken before anywhere in New Zealand with any degree of competence. It needs to be very consumer oriented and to be undertaken effectively will involve substantial costs. If conducted separately by individual EDBs there will be varying degrees of commitment and wide divergence in outcomes. We believe that in the interests of the country, EDBs must collaborate and conduct together one common consultation process, so as to achieve some commonality of tariff across the country and reduce variability. This will save countless millions of dollars both during the consultation process and from ongoing administration by avoiding wasteful replication and the creation of unnecessary tariff

variants with only minor differences. The paper should present credible arguments for and against this approach.

Question 7 How should distributors balance feedback from different stakeholders?

Interpret it in the context of the pricing features identified above, with fairness and social equitability as the first filter.

Do you prefer two rate or three rate ToU pricing plans (or any other alternative)?
Please provide your reasons.

THREE OR MORE. TOU pricing is not particularly efficient in charging for the cost of the service, but does provide a predefined structure for capturing coincident demand and signalling the benefits of an improved load factor. SEANZ considers that even more than three bands would be beneficial, as our view is that EDBs overall pricing strategy should be to encourage usage which achieves improved distribution load factor. See our suggestions in Q22 for an infinitely variable charge which would ultimately be half hour based. TOU pricing is a blunt tool for signalling this, but is easy to implement. For example, it is desirable to shift demand into the early hours of the morning – a very low charge between say 3 to 5 am would encourage this.

Question 8 (a) Do you prefer ToU pricing plans that apply peak prices across the entire week (Mon-Sun) or ToU pricing plans that have peaks that apply over weekday (Mon-Fri) only?
Please provide your reasons.

NEUTRAL. Whatever is most beneficial to the distributors.

(b) If you prefer peak prices to apply over weekdays (Mon-Fri) only, do you prefer the definition of weekdays for peak prices to include or exclude public holidays?
Please provide your reasons.

N/A

Question 9 Should peak prices apply throughout the entire year or should they apply only during clearly defined peak months (such as the winter months of May-Sept)?
Please provide your reasons.

SEANZ considers that a modest year-round peak time price differential is appropriate, since it signals average cost differentials within the day for the service offered. If a coincident peak demand component to the tariff exists, the TOU peak price should be constant year round, because those specifically causing the coincident peaks can be charged directly. If not, it is appropriate to increase

it over the winter months as a (very weak) proxy coincident peak demand pricing signal.

Question 10 Do you agree with the ToU consumption pricing template?
Please explain why/why not.

YES, except that it should include a summer-winter peak month option.

Question 11 Do you agree with the Customer Demand template?
Please explain why/why not.

Yes, provided that Demand charging is coincident or network based, as this is the most effective approach for improving EDB supply economics, which is the paramount reason for a demand component. We support Network Demand charging as a secondary component of a new tariff structure, but as the lesser component of the revenue mix. Please see our views in the Network Demand Q13, and suggested alternative tariff structure Q22.

Question 12 If Network Demand pricing is used, should it be based on fixed or dynamic network peak pricing?
Please provide your reasons.

We consider that to meet the objectives of this charging component, the peak demand period must be dynamic. The objective is to send signals to consumers at all levels that delivering energy at these specific times is costly and directly drives network LRMC, and also that not purchasing the service at this time will lead to improved capacity factor and reduced overall network costs.

We wish to be clear that SEANZ supports the consistent application of coincident or network demand pricing as a secondary component of a new pricing structure, although as discussed in Q22, we think it could be applied in a much simpler way. We consider that combined with any fixed daily charges, it should not contribute to more than 100 - load factor % of network revenue. There are sound principles behind this view, the detail of which can be explained on request. We consider the Orion pricing methodology provides an adequate approach, when enhanced by the use of individual ICP ½ hr metering data.

Question 13 Are annual or monthly resets for demand pricing more appropriate?
Please provide your reasons.

The reset should be based around the objective of improving the network load factor. In this regard, annual is probably the most appropriate for residential consumers, although if the charge period is

threshold triggered dynamic coincident demand based, rather than the single largest peak (which we don't agree with) it doesn't seem to matter what the reset period is.

Question 14 What tools might consumers need access to be aware of Network Demand pricing signals?

Internet access for dynamic information supply via smart phone, in house displays, ripple, cellular messaging and email alerts.

Question 15 Do you agree with the Network Demand template?
Please explain why/why not?

YES in principle, but we prefer the Orion approach of defining and adjusting the average kW charge around a reasonable number of signalled dynamic peak hours (to produce a dynamic kWh charge which is easy to understand). The proposed needle-peak approach is misleading to the customer and will not create the desired response, which is to manage demand while the network is experiencing extended periods of on-peak demand. As demand response grows, these peaks will extend for longer periods and are also highly dependent on weather conditions. We therefore think that dynamic pricing is necessary for tariffs to be future proofed.

Question 16 When consumers are moved to a booked capacity plan for the first time, who should choose their plan?

- a. The consumer, in all circumstances
- b. The distributor, in all circumstances
- c. The distributor, but only if the consumer is unsure of, or does not nominate, their preferred plan

Please provide your reasons.

SEANZ is not in favour of capacity pricing because we do not consider that capacity is a service. Capacity merely provides the EDB with the ability to implement the energy transfer service consumers require. Provision of capacity is an internal engineering responsibility of the network to ensure they can deliver energy, the service consumers want. The level of capacity required depends on network capacity factor and many other factors attendant on the management of the network. Charging directly for capacity is therefore not service based pricing, and through the mistaken belief that it is a separate service customer's want will accelerate stranding of network assets. Further, it is unfair to low energy users and offers no conservation or efficiency benefits. Therefore we have no positive comments on a capacity pricing option.

Question 17 Distributors could offer several Booked Capacity price plans (or bands) to choose from. What is a reasonable number of plans to choose from? Please provide your reasons.

SEANZ is not in favour of capacity pricing because we do not consider that capacity is a consumer based service.

Question 18 Assuming it comes at no cost to the consumers, how often should a consumer be allowed to change Booked Capacity plans?

- a. Never
- b. Once per year
- c. Twice per year
- d. Three times per year
- e. As often as they want

Please provide your reasons.

SEANZ is not in favour of capacity pricing because we do not consider that capacity is a consumer based service.

Question 19 Sometimes consumers will choose a Booked Capacity plan that is not most suitable or they have a period of high usage meaning that they go over the capacity of the plan they have chosen. What should happen if the consumer breaches their plan?

- a. Pay a higher rate for the usage above the plan
- b. Receive a rebate if they stay within plan
- c. Automatically moved up to a higher plan

Please provide your reasons.

SEANZ is not in favour of capacity pricing because we do not consider that capacity is a consumer based service.

Question 20 Do you agree with the Booked Capacity template? Please explain why/why not.

SEANZ is not in favour of capacity pricing because we do not consider that capacity is a service that consumers understand or want.

- Question 21** Do you agree with the list of pricing assessment criteria presented in Section 9.2?
- a. If not, what criteria should be considered?
 - b. What are the most important assessment criteria and why?

The list provides a reasonable range of options. However, an acceptable tariff from a consumer viewpoint would involve a combination of possibly three of the options. Consumers will be opposed to purely capacity, demand, or fixed daily charges. Tariffs involving more than one component add complexity and cost, and increase the confusion that already exists amongst the public. It is evident to SEANZ that a much simpler service-based approach to distribution pricing is possible, one which would be easily understood by all. This is based on the single principle that the distribution system exists to convey energy (one way at present but 2 way in the future). Energy conveyance is the service offered to consumers. Capacity to provide this service is the responsibility of the network and should not be charged separately to the consumer, because it is not a service wanted by the consumer.

This leads to the use of a simple single time-varying “cost of energy conveyed” charge (\$/kWh) involving no other complex add-ons such as daily fixed charges, TOU periods, variable capacity charges, demand charges, etc. These components can be built into the single varying unit charge as required, but all the consumer sees is one single charge, which varies in a similar manner to the energy cost charged by the retailer, and can be simply added to it. This charge would vary according to a transparent explanation of distribution costs as they apply to kWh delivered when the consumer demands it. We would prefer that this distribution charge be dynamic and based from its inception on half hour metering, but an interim less accurate static charge with periodic adjustments could be implemented.

It will be appreciated that this approach implies no fixed charge of any kind. We can see no justification for the claim that fixed costs must be recovered by fixed charges, as this does not occur in many competitive service industries (eg petroleum retailing). We think that in the face of DG and battery competition fixed charges are counter-productive for the distribution industry. The focus of the single distribution variable charge/kWh would be to charge premium prices for individual ICP demand which is coincident with high network demand, and low prices when it is not. The price fluctuations would be based around the network load factor - prices would start climbing when network load exceeds the average, and start reducing when it is below. The price profile could tend to track the load duration curve, as shown in fig. 32 on page 52 of the ENA discussion paper, perhaps with a cap at the extreme load point. This is simple to understand and actually also simple to

implement. More importantly, it has a clear long term objective, which is to improve the load factor and optimise network efficiency.

None of the proposed charges in the paper actually do this. They simply aim to collect revenues in different ways. The mechanics of this alternative charging approach are based around the network load profile. A 100% load factor is optimum, but never attainable. Pricing should however drive consumer behaviour towards this end. Simple, effective.

EDB fixation with supply of capacity for growth has distorted the real business objective of networks, which is to provide for distribution of energy. If networks operated at 100% capacity factor and no growth, would there be any argument about inefficient use of capacity? At current load factors of around 60%, 100% capacity factor would typically leave about 40% of the network capacity unused. A logical approach is to therefore build into the variable lines charge a cost component which rises when demand is above the nominal average and drops when it is below. It would be acceptable for around 40% of revenue to be recovered from this variable “coincident demand” component, with the remainder as a flat /kWh energy charge. Networks with a poorer capacity factor would be entitled to recover a higher portion of their costs against the variable capacity component, while networks with a better load factor could recover less from this component.

This distribution pricing approach is simple, understandable and just as important, future proofed because it is self-adjusting. As capacity factor improves, the portion of revenue collected from a coincident capacity use charge reduces and vice versa. Networks could decide whether they wish to split the cost recovery components for parts of their network with significantly different capacity factors. Thus the “capacity” charge should only apply to inefficient use of the network, indicated by coincident demand over and above the average energy flow.

This approach is akin to the dynamic peak demand pricing, but is carried seamlessly through to every half hour period of the year. It is a natural extension of the advanced energy tariff offered by Flick, the difference being that the Flick energy component is derived directly from the wholesale market, while the T&D component is synthesised from the time based costs of providing a delivery service.

Question 22 Do you agree with the ENA’s high level assessment of each pricing option against the assessment criteria (presented in Section 9.2)? What in your view are the relative benefits, costs, or challenges associated with each pricing option?

Capacity and fixed charges are discriminatory against small energy users and are kind to large energy users. Both encourage energy wastage. In our view neither option represents a service

based charge. We reject the notion that capacity is a service that consumers must purchase. Consumers want energy delivery, not capacity.

Question 23 What do you consider is the optimal combination of pricing components?

Our proposal for a simpler service based tariff structure is given in Q22 – this is a single time varying /kWh energy T&D charge. This is the simplest to conceptually understand, as energy delivery is in fact is the only “service” the consumer takes from the distributor. Failing that, a tariff involving no fixed charges and a ratio of approximately 70%/30% TOU energy/dynamic coincident network demand revenue to the EDB is appropriate, both expressed as \$/kWh at residential consumer level.

Question 24 Do you foresee any challenges to obtain and supply required data for implementation of preferred price structures? Please provide your reasons.

Cannot comment through lack of understanding of the detailed reconciliation process, but from an industry outsider perspective there are no technical difficulties, just political ones. Demand legislation to achieve a satisfactory outcome if necessary.

Question 25 What is your view on the use of data estimates / profiles for implementation of preferred price structures? How should gaps in information in half hour data be addressed?

Only as a time bounded interim/transition solution (say 5 years max but probably less). Alternatively and preferably, only offer these new tariffs to customers with smart metering.

Question 26 What are the potential changes that could be required by Registry because of moving to service-based price structures?

Cannot comment.

Question 27 What are the potential challenges to Electricity Information Exchange Protocols (EIEPs) because of moving to service-based price structures?

Cannot comment.

Question 28 What are the potential challenges for your data management and billing systems in implementing service-based price structures?

NA.

Question 29 What other technical implementation challenges do you foresee that can impact on

implementation of service-based price structures?

Cannot comment.

Question 30 How can distributors encourage greater uptake of cost reflective types of pricing? Do you prefer mandatory or voluntary adoption approaches, or a combination of both (eg see figures 43 and 44)? What other matters do distributors need to consider under each?

Again, we think the industry should be moving to service based pricing, as defined by the EA, rather than purely cost reflective pricing.

We do not consider that cost reflective pricing conveys the required principles of payment for service delivery, since the costs charged might not be incurred in delivery of a service that the consumer actually uses. (Capacity charges are an example of this.) We would like to see ENA and EDBs commit to service based pricing, not cost reflective pricing. Cost reflective pricing preserves the status quo business model, which will be fatal for EDBs moving into a new, competitive environment.

Irrespective of the intent of a tariff structure, the way to encourage uptake is simply to make the new pricing structure lower cost to consumers than the legacy structures. If this means progressively increasing the cost of legacy pricing during the transition, so be it. Mandatory action is acceptable after a sufficiently long bedding in period (eg 5 years).

Question 31 What is a reasonable timeframe over which to shift to cost reflective pricing?

2 years design time before an interim transition period using less than ideal data (average historical, profile classes, static thresholds etc.) and 5 years to mandated use of full dynamic half hour metering data, at which point all interim data systems should be withdrawn.

Question 32 What are your preferred approaches to managing adverse price changes (eg see types of pricing presented in pages 72 to 74) and why? What other approaches should be considered?

Continue to run the existing legacy pricing structures in parallel for appropriate transition periods.

Question 33 What transition issues or challenges do consumers face in the move to cost reflective pricing?

None if they are designed with meaningful consumer consultation at a national level. Consumer consultation has been totally inadequate to date. If the EA won't take leadership as required under

their mission statement, ENA must do it.

Question 34 What can distributors do to effectively communicate and engage with consumers during the transition period? What information is most important to provide to consumers during this transition period?

Clear communication of the intent of pricing changes. Explanation as to why the new pricing is better. A vision for the new distribution end game. A common industry pricing structure, and if not, give valid reasons why every EDB has to be different (not just platitudes that we are all different – it doesn't wash because the consumer can't see any difference between the electrons). And most important – meaningful national level consultation with consumer and demand side industry stakeholders.

Question 35 What issues or challenges arise for other stakeholders (ie non-consumers) during the transition period? How would you prefer for distributors to communicate and engage with you during the transition period? What information would you like distributors to provide you during this transition period?

SEANZ acknowledges that a new tariff, which is as fair as possible to all consumers, may to a small extent disadvantage some prosumers. We also remain totally opposed to any punitive charge or tax based on technology alone, eg a PV charge or solar tax. We reiterate that not only is this grossly unfair and discriminatory, but in the long run it will be highly detrimental to the distribution industry given the debate around cross subsidisation and given the electricity distribution industry has other cross subsidisation – urban consumers subsidising rural consumers, residential consumers subsidizing some commercial and industrial consumers.

SEANZ would like to be able to participate and contribute meaningfully to ENA involvement in designing new distribution tariffs, particularly in regard to ensuring 2 way power flow is adequately catered for.

Question 36 Are there any matters not covered in this paper that the industry needs to consider in relation to distribution pricing?

Distribution system pricing for use of system by consumers exporting energy needs to be clarified, and should be part of any standard pricing approach agreed between EDBs. Based on the assumption that some form of local distribution market will be introduced in the near future, the treatment of local exports eg within the LV community, needs to be addressed. It might be appropriate for a local consumer who purchases locally exported energy to pay a lower lines charge for this energy, since use of system is practically negligible. This would encourage prosumers to use the system by exporting rather than investing in batteries at a higher cost.



In the first instance, for further discussion relating to any and all parts of this submission please contact brendan@seanz.org.nz