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TRUSTPOWER SUBMISSION: NEW PRICING OPTIONS FOR ELECTRICITY DISTRIBUTORS

1 Introduction and overview

- 1.1.1 Trustpower Limited (Trustpower) welcomes the opportunity to provide a submission to the Electricity Networks Association (ENA) on its *New Pricing Options for Electricity Distributors* discussion paper (the Paper).
- 1.1.2 We understand that the main intent of the Paper is to outline the reasons for moving to cost-reflective pricing (CRP), as well as going through various identified options.
- 1.1.3 Of these options, the Paper then explores and recommends five different approaches for networks to adopt. Our submission focusses on the overall intent of the Paper and provides some commentary on the five recommended options.
- 1.1.4 Our answers to the specific questions posed in the Paper are attached in Appendix A.
- 1.1.5 For any questions relating to the material in this submission, please contact me on 021 242 9401.

2 Intent of Paper

- 2.1.1 The Paper at times seems to have two intentions – discussion around putting in place pricing structures that better reflect costs, to give correct signals to consumers, and on the flip side, actively encouraging consumers to respond to signals.
- 2.1.2 As the distributors' customers are the retailers, Trustpower feels distributors should be concentrating on the former (i.e. providing the correct signals), without being overly concerned about whether consumers' behaviour changes immediately and obviously in response to the signal.
- 2.1.3 It is possible that a cost-reflective structure will not provide the signals required to drive an immediate and obvious change in end consumer behaviour, and thus if striving to encourage an overt change in end consumer behaviour, there is a risk that a distributor may look to sharpen the signal beyond what is cost-reflective.
- 2.1.4 In addition, the main intent should be to signal the cost of the service being provided, and if the consumer is happy to pay the true cost for the convenience of consuming electricity, how and

when they want, then that is fine. The signal should not be a deterrent to usage, whereas some of the language suggests that customers are to be discouraged from using electricity at certain times. A move to cost-reflective pricing should be based on a desire to increase efficiency, not necessarily drive conservation.

- 2.1.5 Distribution costs are one of many wholesale costs to retailers, who then determine the pricing for their customers, depending on a variety of factors (differing wholesale costs, cost to serve, metering costs, market conditions etc.). Thus, there should be a distinction that while the distributor can create cost-reflective pricing, this potentially may not be passed on to consumers – if there is a reasonable signal creating an opportunity, then market forces will lead to this being passed on.
- 2.1.6 Note that, in this respect, Time of Use style pricing has the potential to be less likely to be passed on, as it can be more readily absorbed than demand based or booked capacity pricing, where the difference in structure may be enough for retailers to look to package it differently within their pricing.
- 2.1.7 The Paper mentions broadband usage as a comparison – Trustpower feels this is an apt one to compare. Similar to the electricity market, broadband has a number of wholesale costs. Similarly, some costs are driven by the peak demand an ISP faces, comparable to distribution networks. However, retailers package these costs in with other costs, and have landed primarily on a fixed price construct based on ‘booked capacity’. While there are Time of Use cost drivers on the wholesale side, these are not passed on. (Albeit the technology does not exist for customers to make use of in this space as compared with electricity, and broadband has a comparatively low and declining cost of usage).

3 Service-based pricing for distributed energy resources

- 3.1.1 We note that the primary focus of the Paper, and of the collective efforts of the ENA to date, is on introducing cost-reflective and service-based pricing for the distribution services provided to end consumers.
- 3.1.2 We understand that the ENA will shortly begin considering how to price the services provided by networks to distributed energy resources ((DER), including distributed generation and batteries), and the services provided by DER to networks. This is an area in which we have a strong interest and have been devoting resource to considering solutions.
- 3.1.3 We look forward to engaging with the ENA in the near future, to continue to develop the industry’s thinking in this area.

Regards,



GARETH BANKS
MANAGER PRICING AND COMMERCIAL ANALYSIS

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Appendix A: Responses to consultation questions

Question	Response
<p>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.</p> <p>a) Are there any features which you consider should be added, removed or changed in the above list? Please explain your reasons.</p> <p>b) Which of the above features are the most important in determining future distribution pricing</p>	<p>1.1 Trustpower does not believe any features should be added to this list. While we understand the intent behind the “service-based” concept, we do not believe the services being provided have been clearly defined in the Paper, nor have the linkages between these services and the pricing structures been adequately explained. It will be important for the ENA to more accurately define the similarities and differences between service-based and cost-reflective. For DER in particular, the services provided to the network, and by the network, are important to define and price appropriately.</p> <p>1.2 The features that Trustpower believes are most important in determining future distribution pricing (henceforth the “desired features”) are:</p> <ul style="list-style-type: none"> i. Actionable – there is no point in having a structure that cannot be implemented, or adds significant cost to the industry, and customers should be able to respond to the structure if they wish (if it is passed on by the retailer in an actionable form); ii. Cost-reflective – the customer should be paying their share, and this should be reflecting the long term cost, not just a sunk asset view. This should help feed into stability and durability as income reflects costs; iii. Stability and durability – this allows for investments to be made with enough certainty to achieve a return in the medium to long term; iv. Predictability – if price signals are not predictable, or at least notifiable in advance, it will become difficult and expensive for retailers or end consumers to respond to them, and they will be treated as a random, custom fluctuation that just needs to be absorbed. <p>1.3 As discussed above, we are unable to comment on the applicability of the “service-based” principle to the ENA’s Paper and options, as we do not believe the ENA has clearly discussed what the services are that are being provided, and how the pricing structures proposed relate to this principle.</p>

	<p>1.4 It is key to note, that to support stability and durability, the pricing needs to cater for impending or upcoming costs, not just those that exist now, and should take into account emerging technologies.</p> <p>1.5 Trustpower appreciates that each distributor faces different demand and cost drivers, and to ensure that distributor pricing structures are cost-reflective in the long term they will likely differ in their application of a given template to account for the desired features. However, we stress that this must be carefully considered against consistency across distributor pricing structures, as ultimately retailers will need to understand the pricing methodology.</p>
<p>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.</p>	<p>2.1 The five pricing types considered look to be actionable (depending on how the distributors implement them), but leaving cutting edge options for later consideration suggests that there may be further change in future, going against the desired features of stability and durability, as well as suggesting the first tranche of options are not as cost-reflective as they could be.</p> <p>2.2 Further to this, a significant number of end use TOU consumers have had experience with critical peak and real-time pricing (given as examples of ‘cutting edge’ pricing options in this question) for many years. Examples include Orion and Aurora Energy network charging, spot pricing for consumers, as well as the reserves market for very large industrial consumers. As such, we think it prudent that the full range of possible options be discussed now and not left until a later date.</p> <p>2.3 If the ENA believes that there could be a move to cutting edge options in future, they should be looking to implement this, rather than implement a short-term step that may provide incorrect investment signals to end consumers.</p> <p>2.4 The ENA should not underestimate the likely costs that would be incurred by the industry to implement cost-reflective pricing, especially if all five pricing types are used, with differing variations of them between distributors. To then repeat this exercise a few years down the track would lead to excessive costs being incurred by the industry, which will ultimately be passed on to consumers.</p> <p>2.5 In our view, any pricing structure implemented should be based on it being the long-term solution for a distributor.</p> <p>2.6 Regarding the five pricing types, customer demand, while at least understandable, does not appear to be particularly cost-reflective – the customer’s peak may bear no relation to networks</p>

	<p>costs (even at lower voltages). This seems to be a method to try to move towards capacity pricing without being capacity pricing. This can also be a more difficult signal to respond to. Rather than being a ‘should I put the dinner on, no, it is during a peak time’ response that network demand pricing will encourage, it becomes a question of ‘I have the washing machine going, so I better not put the dryer or oven on’, and so is less actionable by consumers as well as potentially less predictable. In our view, network demand is superior to customer demand on the basis of cost-reflectivity.</p> <p>2.7 Installed capacity, on the other hand, seems more of a pure fixed cost, unless trying to limit fuses on installations, and so (notwithstanding our response to question 37 of the Paper) does not fit with the current regulations. While very slightly variable, in theory, it would be virtually indistinguishable from a fixed charge to the end consumer. Unless the Low User Fixed Charge (LFC) Regulations change, we don’t believe this is workable.</p>
<p>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.</p>	<p>3.1 Yes.</p> <p>3.2 As long as the distributor is recovering its costs in a cost-reflective manner, it should not necessitate end consumers to face the signals. However, if the signals are right, and encourage customers to shift behaviour as they will receive a net benefit for doing so, then the opportunity will arise for a retailer to pass this signal on and get the consumers who want to participate. This will eventually leave the remainder of end consumers to pay the cost of their behaviour, whether directly through appropriate signals or indirectly via a higher packaged price. Note, the latter would be an acceptable outcome, as the distributors will be recovering their costs reflectively, and consumers will be choosing not to participate.</p> <p>3.3 We think an important point to note is the fact that some retailers will almost certainly pass on at least a form of the new tariff structure (especially those that elect not to face any financial risk from re-bundling), and as such some consumers are likely to face the new tariff structures straight away. This could help to accelerate uptake overall (including pass-through by second-mover retailers) if the new structures are seen to be accepted by the end consumers that face them.</p>

<p>4. Do consumers see value in load control and ripple control, and is this likely to change in future?</p>	<p>4.1 Yes, some consumers do see value in getting a lower rate in return for load control. This is likely to continue unless distributor pricing replaces this with other pricing structures.</p>
<p>5. Do you agree that distributors should engage with end consumers about distribution pricing? Why/ Why not? Please provide your reasons.</p>	<p>5.1 No, it is up to the retailers to engage with end consumers on distribution pricing, if and when they decide to pass the change of distribution pricing on. When the distributor is making the changes, we believe it is fine for them to include explanations in the material that they would normally produce for price changes, but do not agree that they should be engaging directly with individual consumers to let them know of price changes. If distributors did go out to end consumers, this could create a false expectation for consumers as to what will occur. If the structure is ultimately unacceptable to end consumers, retailers will repackage the charges and so end consumers will never see the forecast signals, although distributors will still receive their income cost-reflectively.</p> <p>5.2 If a distributor is looking to survey potential options for what consumers may react to, making it clear that the retailers may not pass it on, then this would be acceptable. However, distributors should look to consult with retailers before doing so, so retailers are aware if their customers contact them about the survey, and some retailers may already have information that the distributors are after.</p>
<p>6. Is there additional information that should be included in this paper about stakeholder engagement? If so, please explain what should be addressed.</p>	<p>6.1 It would be useful to have information around what the distributors are doing to ensure consistency, reducing retailer administration costs. A possible approach here would be for the network to seek approval from the ENA regarding what it is looking to implement, to try to prevent a scenario of 29 different distributors coming up with 29 different pricing structures.</p>
<p>7. How should distributors balance feedback from different stakeholders?</p>	<p>7.1 The feedback should be measured against the features the ENA is looking to achieve, i.e. Actionable, Cost-Reflective, Stable, Durable and Predictable.</p> <p>7.2 As retailers are ultimately the distributor’s customers, distributors need to take into account any issues retailers may raise around implementation – there is no point trying to implement a structure that retailers cannot handle and cannot provide required information to distributors on.</p>

	<p>7.3 If there is a desire for the pricing to be actionable by end consumers, then distributors need to have assurance that some consumers will react to the system.</p>
<p>8. Do you prefer two rate or three rate ToU pricing plans (or any other alternative)? Please provide your reasons.</p>	<p>8.1 Trustpower believes it is too early to determine a preference in this regard. In addition to what we have noted in paragraph 1.5, it should ultimately come down to which method best matches the desired features for each distributor, and is implementable by retailers. Only examining two or three rates may be too great a level of prescription.</p>
<p>9.</p> <p>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.</p> <p>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.</p>	<p>9.1 Similar to question 8 above, it should come down to which method best matches the desired features for each distributor, and is implementable by retailers. Note, Trustpower believes that, as long as the pricing is implementable by a retailer (from the perspective of the retailer-network interface, as opposed to the retailer-consumer interface), then the other features should take precedence over simplicity. It is critical that the retailer, as the customer of the distributor, can understand the methodology, predict what the charges might be for its consumers, and can then package the charges in such a way that the end consumer can understand and respond to, if desired.</p>
<p>10. 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.</p>	<p>10.1 As with the questions 8 and 9, we believe it should come down to which method best matches the desired features for each distributor. Ultimately, it should be clear that any seasonality or the like makes sense for the distributor in question.</p>

<p>11. Do you agree with the ToU consumption pricing template? Please explain why/why not.</p>	<p>11.1 The ToU consumption pricing template seems fair (noting our above responses about some of the specific details). In order to support consistency between distributors, fewer (if any) alternatives against the template would be preferred. We would suggest the inclusion of summer/winter pricing, and peak/off peak/shoulder in the template, even if for some distributors the price is the same across the different slots.</p>
<p>12. Do you agree with the Customer Demand template? Please explain why/why not.</p>	<p>12.1 Notwithstanding our issues with this method (as it doesn't appear to be particularly cost-reflective), there should be some direction with regard to the number of half hours used in order to help provide consistency. Also, as with Network Demand pricing below, we believe monthly would be better than annual.</p>
<p>13. If Network Demand pricing is used, should it be based on fixed or dynamic network peak pricing? Please provide your reasons.</p>	<p>13.1 Both fixed and dynamic network peak pricing methods have benefits and weaknesses. Dynamic network peak pricing would require sufficient warning in place for end consumers to ultimately respond to, if they choose to (and should be at a minimum 12 hours warning). Using fixed, constant periods may be easier for retailers to implement in the short term, but may result in the signals being diluted too far, in comparison with a smaller number of dynamic peak periods.</p> <p>13.2 There should be consistency across distributors in implementation of this, and if it is determined that dynamic peak pricing better supports the desired features of stability and durability, then it is better to go down this route.</p>
<p>14. Are annual or monthly resets for demand pricing more appropriate? Please provide your reasons.</p>	<p>14.1 While annual charging could address seasonality concerns, and would arguably be more cost-reflective, we believe this is outweighed by the negatives of this approach. A single isolated extreme half hour can have a long term impact if costs are recovered on an annual basis, e.g. the customer chose the wrong time to have their washing machine, dryer and oven on together, and would wear it for an entire year. Further, their peak demand may not bear any relation to the network's overall peak demand/cost.</p> <p>14.2 If implemented in a similar way to Aurora Energy's current approach then, as the consumer is paying for what occurred in a previous year, there will be less incentive for them to actually respond to the signal. In addition, switching could lead to new consumers wearing costs incurred by previous consumers, for a long period of time (and we note that switching risks are something that needs to be considered throughout the ENA's proposals). Monthly resets divides these risks</p>

	<p>by 12. If there are seasonal issues to be concerned with, then potentially there could be different prices across the year to address this concern.</p>
<p>15. What tools might consumers need access to be aware of Network Demand pricing signals?</p>	<p>15.1 This is up to retailers – a retailer may repackage the pricing into a fixed charge even if it is charged by the distributor on a dynamic basis, alleviating the need for tools. Otherwise, retailers offering such a pricing signal to customers will determine the tools that consumers may need access to, in order to engage with the signals provided. As we have noted in our response to question 13, if peaks were determined on a dynamic basis, retailers would need at least 12 hours’ notice of a peak demand period (ideally 24 hours), which would support this. The need to predetermine peaks to an extent, and provide this notice, may be slightly less efficient but will be considerably more actionable for consumers, than finding out that there was a peak last night (or last month), i.e. after the fact.</p>
<p>16. Do you agree with the Network Demand template? Please explain why/why not?</p>	<p>16.1 As with question 11, the template appears satisfactory, but for consistency, fewer or no alternatives would be preferable.</p>
<p>17. When consumers are moved to a booked capacity plan for the first time, who should choose their plan?</p> <ul style="list-style-type: none"> 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 <p>Please provide your reasons.</p>	<p>17.1 None of the above – how this choice is made should be the retailer’s decision to begin with, possibly in discussion with the distributor. The retailer is the customer of the distributor, and pays for the booked capacity and excess (regardless of whether the retailer charges the end consumer), so it is the retailer’s purchasing decision. The retailer has the motivation to get the number right, in order to win customers and not lose money.</p>

<p>18. 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.</p>	<p>18.1 We do not believe banding would be particularly efficient. Instead, we propose that this could be a \$/kW or \$/kVA type of charge, so that one price category can cater for all. Having bands/plans would require multiple price categories, which increases the administrative burden upon retailers.</p>
<p>19. 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.</p>	<p>19.1 We believe changes to booked capacity plans should be allowed once per year; however, if consumer changes at the property, retailers should have the ability to reset the booked capacity at such time. What would need to be determined is if there is a set annual period, or if a consumer can be allowed to change plans at any time. If at any time, then it would need to be determined how quickly this change can take effect, whether it takes effect mid-month or start of month etc.</p>
<p>20. 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</p>	<p>20.1 Assuming the first two options meet the desired features, then whatever is simplest to administer is fine – retailers can then choose to repackage as they see fit (e.g. could be getting a rebate, but opting to charge an excess charge to consumers – or vice versa, so retailers receive an overage charge but opt to repackage as a rebate to their customers).</p> <p>20.2 It is also important to note that there must not be a lag between a consumer exceeding their booked capacity and being informed that they have done so. We know from our experience in telecommunications service retailing that, to have a consumer constantly exceeding their booked capacity and incurring significant overage charges, but not realising this until their bill arrived after the end of the month, would create an extremely poor consumer outcome. Warnings if and when booked capacity are in danger of being breached would be preferable, if not essential. This will clearly require adequate metering technology, and the provision of data in a timely fashion.</p> <p>20.3 Automatically moving to a higher plan would be more difficult to handle administratively, and one event could trigger this and change the consumer’s pricing out of step with the effect of the</p>

<p>Please provide your reasons.</p>	<p>one event. Excess charges or rebates should be priced at a point to make it a deterrent to go over, but without being punitive; moving to a higher plan appears to simply be punitive.</p>
<p>21. Do you agree with the Booked Capacity template? Please explain why/why not.</p>	<p>21.1 There could be more clarity provided around what the period of measure is actually indicating – we would interpret this as being for determining excess/rebate etc. Further, with respect to providing a rebate, this should be driven by the outcome of question 20.</p>
<p>22. Do you agree with the list of pricing assessment criteria presented in Section 9.2? a) If not, what criteria should be considered? What are the most important assessment criteria and why.</p>	<p>22.1 While the assessment criteria listed in section 9.2 are reasonable, there should also be a more direct link to the desired features that the pricing structures are trying to achieve i.e. rather than grouping by consumers, retailers etc., group by actionable, cost-reflective, durable etc.</p>
<p>23. 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?</p>	<p>23.1 The high level assessment of each pricing option appears to be based on the end consumer facing the entirety of, and only the entirety of, the distributor pricing signal. This does not consider that what a customer faces can and will be quite different, as it does not reflect that distribution charges are only a portion of a retailer’s costs.</p>
<p>24. What do you consider is the optimal combination of pricing components?</p>	<p>24.1 Straight Booked Capacity and Network Demand look to best meet the desired features. 24.2 Beyond this, provided the structure matches the desired features, then Trustpower would strongly support consistency across distributors, to avoid a myriad of structures being implemented.</p>
<p>25. Do you foresee any challenges to obtain and supply required data for</p>	<p>25.1 Currently, the main challenge is obtaining validated half-hour data. The majority of the price structures proposed require half-hour data, and this is not available for all ICPs (and may never be, for a material proportion of ICPs). Where half-hour data is available, it can still be difficult to</p>

<p>implementation of preferred price structures? Please provide your reasons.</p>	<p>obtain validated data. Once half-hour data is obtained, retailers should then be able to transform this into the format required for sending to distributors.</p>
<p>26. 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?</p>	<p>26.1 Trustpower believes that there should be a minimum proportion of ICPs in a distributor’s network with validated half-hour information available, before the new pricing structures become ‘mandatory’ – i.e. before all ICPs will be charged to retailers on the basis of the new pricing structure. We propose that this threshold should be around 80%.</p> <p>26.2 At this stage, a general profile should be used for consumers where half-hourly data is unavailable – over time if fewer and fewer consumers use this profile, it can be adjusted to reflect the costs of the remaining consumers if necessary. However, if the consumers on half-hour metering end up on different profiles, then the general profile should be cost-reflective. Regarding gaps in half-hour data, we will have a firmer view on how this should be addressed once we have more certainty around what pricing structures are being implemented.</p>
<p>27. What are the potential changes that could be required by Registry because of moving to service-based price structures?</p>	<p>27.1 The Registry as it stands should be able to support most of the requisite information – holding capacity, demand and pricing category. New fields could potentially be added to explicitly cover some of the new pricing structure information (e.g. bookable capacity).</p>
<p>28. What are the potential challenges to Electricity Information Exchange Protocols (EIEPs) because of moving to service-based price structures?</p>	<p>28.1 There are a number of potential challenges to EIEPs, which vary with each option; as the use of EIEPs is mandatory, we believe it would be necessary to have an industry wide working group look into the impacts of each option before this is implemented. It is difficult to see how the current As-Billed or Incremental Normalised methodologies could be used with the suggested cost-reflective approaches.</p>
<p>29. What are the potential challenges for your data management and billing systems in implementing service-based price structures?</p>	<p>29.1 The main challenge here is around getting validated half-hour data. As this is likely to fall upon the retailers, this is a significant change that will take time – at least two years, and probably considerably longer.</p>
<p>30. What other technical implementation challenges do you foresee that can</p>	<p>30.1 As well as accessing validated half-hour data as described in our response to question 29, communicating relevant information to end consumers in a way that they will understand and</p>

<p>impact on implementation of service-based price structures?</p>	<p>engage with (if they choose to do so) will be a challenge. For example, we believe it is vital that distributors understand the challenges involved in educating a retailer's call centre on the different types of tariff structures, particularly if there are large variations from network to network.</p>
<p>31. 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 (e.g. see figures 43 and 44)? What other matters do distributors need to consider under each?</p>	<p>31.1 Once there is a sufficient proportion of ICPs with validated half-hour data available (i.e. 80% of ICPs), distributors should make cost-reflective pricing mandatory (with profiling that does not materially disadvantage consumers on legacy metering). Note, this is mandatory insofar as the distributor effectively makes all their pricing cost-reflective, but we stress that it should never be mandatory for a retailer to pass this on to end consumers.</p> <p>31.2 Ahead of this threshold being reached, the cost-reflective pricing should be opt-in. If there is an opportunity present for consumers/retailers to make use of the cost-reflective pricing, this will drive uptake, and potentially speed up the availability of validated half-hour data.</p>
<p>32. What is a reasonable timeframe over which to shift to cost reflective pricing?</p>	<p>32.1 Without having certainty around what distributors are planning with regard to pricing structures, it is difficult to estimate a reasonable timeframe; however, it is likely to be at least 2020 before cost-reflective pricing could become mandatory. We would need to know which options and variants distributors will choose, how these will be applied, the information that would be required from retailers etc. before we are able to suggest a reasonable estimate.</p>
<p>33. What are your preferred approaches to managing adverse price changes (e.g. see types of pricing presented in pages 72 to 74) and why? What other approaches should be considered?</p>	<p>33.1 Managing adverse price changes upon implementation of new distribution pricing is ultimately up to the end consumer's retailer to consider, if the network is charging the retailer rather than the consumer directly.</p>
<p>34. What transition issues or challenges do consumers face in the move to cost reflective pricing?</p>	<p>34.1 As it is the retailer facing the challenges of transition to cost-reflective pricing initially, the retailer will be best placed to determine how to transition consumers if they elect to do so.</p>

<p>35. 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?</p>	<p>35.1 As with our response to question 34, communication and engagement with the end consumer during the transition period is the retailer’s responsibility. We would expect that a retailer would engage with the distributor if a retailer requires the distributor’s assistance.</p>
<p>36. What issues or challenges arise for other stakeholders (i.e. 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?</p>	<p>36.1 The biggest concern of distributors during the transition period should be retailers, and their capability in this regard to provide the information required. Distributors need to provide clear information on what they are doing, what they are trying to achieve (as retailers can provide feedback on whether it will work), and need to be engaged with retailers to gain an understanding of what is actually achievable from the retailers’ perspective, i.e. retailers need to have evidence that the proposed pricing structure is meeting the goals of being actionable, durable, cost-reflective etc.</p> <p>36.2 Transpower will also be an interested stakeholder – their pricing could shift over time, thereby leading to costs from Transpower running counter to the distributor’s method of pricing.</p>
<p>37. Are there any matters not covered in this paper that the industry needs to consider in relation to distribution pricing?</p>	<p>37.1 One constraint underlying the options available is the LFC Regulations, as it appears some of the options are being designed in a way to try to address the same costs that a high fixed charge would achieve. More work should be done in this space to try to address this issue.</p> <p>37.2 Another matter, as per our answer to question 6, is that a third party (for example the ENA) should have some involvement to try to support consistency between distributors’ pricing structures.</p>