

20 April 2022

Dr John Rampton
Regulation Branch
Commerce Commission
By email to regulation.branch@comcom.govt.nz

Dear John

EDB Targeted ID Review

1. This is a submission from the Major Electricity Users' Group (MEUG) on the Commerce Commission Process and Issues paper "Targeted Information Disclosure Review – Electricity Distribution Businesses" (TIDR EDB) dated 23 March 2022.¹
2. MEUG members have been consulted in the preparation of this submission. This submission is not confidential. Members may lodge separate submissions.
3. This is an important consultation for MEUG because most members have sites connected to EDB.
4. A recent new member of MEUG described the issues with EDB services as follows:

"Given the remote location of Seeka sites in Kerikeri, Gisborne and Coromandel, more focus needed on fixing the systemic weaknesses of some local electricity networks nationally."

MEUG will be working with Seeka and relevant EDB to analyse the types, causes and frequency events that have led to these concerns. We think analysing the experience of Seeka, that has connections with several EDB, will provide useful insights for the TIDR and other Commission reviews. Given concurrent other workstreams, MEUG has been unable to commence this work this month. We will do so soon and will report progress to the Commission.

5. MEUG acknowledges and agrees that EDB and the Electricity Networks Association (ENA) have and continue to play a helpful role in improving the ID regime as noted by the Commission in relation to quality of service:

"We have received useful and specific feedback on this area from a number of stakeholders, especially EDBs themselves."²

¹ Document https://comcom.govt.nz/data/assets/pdf_file/0033/279573/Targeted-information-disclosure-review-for-electricity-distribution-businesses-Process-and-Issues-paper-23-March-2022.pdf at <https://comcom.govt.nz/regulated-industries/electricity-lines/projects/targeted-information-disclosure-review-for-electricity-distribution-businesses>

² Process and Issues paper, paragraph [3.6].

6. MEUG understands and agrees with the rationale and description of three of the four key categories for potential changes to ID, i.e., “quality of service,” “asset management,” and “alignment of ID with other regulatory rules.” The fourth key category is titled “decarbonisation.” The legislative objective is for New Zealand to have or be lower than net zero greenhouse gas emissions by 2050.³ Having a net zero GHG target for 2050 allows emissions provided there are offsetting sinks. The term “Decarbonisation,” in our view, infers zero carbon and could inhibit EDB, Transpower and Gas Pipeline Businesses prioritising line services for new gas fired generation peaking or reserve plant or Carbon Capture and Sequestration projects. The primary policy tool to manage GHG is the NZ Emissions Trading Scheme (ETS). Irrespective of how greenhouse gas policy evolves, new technologies are expected to lower generation and electricity storage costs, lower the cost of alternatives to line services, and along with digitisation provide more choice for consumers. This wave of new technologies, digitisation of information, and ETS pricing will assist NZ meet the net zero greenhouse gas emissions by 2050 target. Accordingly, MEUG suggests the fourth key category be re-titled “net zero GHG 2050 target” or better still the broader opportunities and risks to meet that target of “technology and digitisation.”
7. For the potential ID changes related to quality of service (refer table 3.1, pp 25-27) MEUG recommends a top priority for Tranche 1 be amendment no. Q5, “Add ID requirements on information about customer charters and guaranteed service level (customer compensation) schemes, e.g., information about existing schemes, information that could be relevant to such schemes in the future.” MEUG’s cross-submission on the proposed 2020 default price-quality paths for EDBs noted the complexity of considering guaranteed service level (GSL) schemes.⁴ That cross-submission was intended as an initial checklist for what we believe is a worthwhile initiative by the Commission to further investigate GSL schemes as,

“An alternative or complementary mechanism considered in the Issues Paper to shift quality performance from a one-size-fits-all to a more targeted approach for similar types of customers was a Guaranteed Service Level (GSL) scheme.”⁵
8. For the potential ID changes related to decarbonisation (i.e., “net zero GHG 2050 target” or “technology and digitisation”) (refer table 3.2, pp 30-32) MEUG:
 - a) Suggests potential amendment D2 be changed to tranche 2. Amendment D2 could, for example, require EDB to report on the top ten fossil-fuel loads in their area that could electrify and the effect on the local network. MEUG suggests EDB are likely to be already aware of existing fossil-fuel load that may electrify and when that may occur. Those loads may be more or less than 10 customers as proposed, and the uncertainty on timing or electrification may not warrant urgency for inclusion in a list. Such a list if ranked by load may be miss-leading. Hence this proposal needs to be tested further and should be considered as part of the tranche 2 proposals.

³ Climate Change Response Act 2002, s.5Q.

⁴ https://comcom.govt.nz/data/assets/pdf_file/0019/120646/MEUG-Cross-submission-on-EDB-DPP-reset-issues-paper-31-January-2019.pdf

⁵ Ibid [4].

- b) Suggests potential amendment D6 be changed to tranche 1. Amendment D6 is to refine current ID disclosure of revenue by price category and component because those are currently not standardised. Improving pricing related information is critical because, as noted in paragraph 6 above, ETS prices are the main tool for GHG policy. Ensuring final delivered prices to consumers, including EDB pricing and ETS pricing, is critical for operating and investment decisions by consumers of line services. The latter comprise end consumers and suppliers of generation and battery and other storage services embedded in EDB networks. The importance of pricing is noted in the paper in explaining amendment D6:

“Understanding pricing performance is increasingly important given the increased demands on capacity during peak times due to increased electrification, and the ability of technologies to respond to price signals.”⁶

9. For the potential ID changes related to asset management (refer table 3.3, pp 34-37) MEUG notes that the tranche 2 potential options may be informed by the current Electricity Authority and System Operator work on Future Security and Resilience.⁷
10. MEUG has no comments on the potential ID changes related to aligning ID with other regulatory rules (refer table 3.4, p38).

Yours sincerely



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Executive Director

⁶ Process and Issues paper, p32.

⁷ <https://www.ea.govt.nz/development/work-programme/risk-management/future-security-and-resilience-project/>