

19 December 2023

Ben Woodham
Electricity Distribution Manager
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Byemail: infrastructure.regulation@comcom.govt.nz

Dear Ben

Re: Submission on EDB DPP4 reset

Flick welcomes the opportunity to make this submission on issues the Commerce Commission (Commission) has identified that are important to address for the DPP4 reset. Flick acknowledges the Commission's work on understanding and adjusting its approach to investment and uncertainty issues at this time when the sector is focused on supporting New Zealanders' efforts to decarbonise.

From Flick's perspective, as we communicate changes in distribution charges to our customers (and pass through these costs), we rely on the Commission's regulatory regime to ensure cost-efficient distribution revenue. We also support a regime that provides the opportunity for us and our customers to be able to take actions to reduce these costs (including avoiding investment in new capacity).

Flick was NZ's first retailer to offer an option of Time of Use pricing or Flat pricing in all regions delivering consumers choice and control. Flick suggests the Commission consider if and how its regulatory tools might encourage increased utilisation of existing network capacity. It is likely to cost less / be more efficient if existing assets can be used more.

Flick notes the Commission will assess price shocks for consumers using the real change in aggregate distribution revenue from year to year. This is complicated by the requirements from the Electricity Authority for EDBs to revise pricing methodologies / structures for different customer groups in the journey to cost reflective prices. Does the Commission have any interest in significant changes in charges for specific customer groups?

Flick disagrees that consumer expectations about reliability in the future can be based on historic experience.¹ Our reliance on electricity is increasing – but so is the cost and consumers may wish to trade off reliability against cost, especially when products and services offer them more opportunities to take control of how they use electricity.

¹ Paragraphs F102-103 of Issues Paper

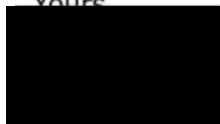
We support the Commission publishing the independent review of AMPs by IAEngg. It will be worthwhile understanding if EDBs are able to finance the significant increase in capex they, and others, are forecasting.

This is a difficult time for EDBs and for the Commission's efforts to regulate EDBs. We note the Commission's view that the threshold must be a high one before an EDB warrants accelerated revenue. And that EDB *"financial hardship will be 'undue' where it is to such an extent that it is inconsistent with the long-term benefit of consumers"*. Flick queries if the Commission will be able to react quickly enough to avoid some harm to consumers as an EDB's financial position deteriorates.²

Relatedly, we note the Commission proposes to compare quality standards against a 10-year reference period. It is well understood that network assets are aging. Quality performance is likely to deteriorate at a faster rate as assets get towards their end of life. We suggest a 10-year reference period will hide this deterioration.³ It may also be relevant to the Commission's approach to incentivising quality standards to understand that, in our experience, most EDBs removed any obligation for service quality payments to customers when the Distributor Default Agreement was adopted.

Flick would welcome the opportunity to discuss any of the topics covered in this submission. Feel free to contact me. No part of this submission is confidential.

Yours



Chief Executive Officer

² Financial management negatively impacted the quality of service for Aurora Energy customers. This was eventually resolved by Aurora seeking a Customised Price Path. We query if the legislation requires the Commission to be more pro-active in identifying actions that are inconsistent with the long-term benefit of consumers.

³ Paragraph F113 of Issues Paper