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Tēnā koe

EDB DPP 2025 Process Paper

Thank you for the opportunity to provide a submission on the 2025 EDB DPP Process Paper. The paper describes a robust process, and we look forward to engaging on behalf of our consumers. At this stage of the process there are two matters we would like to raise:

1. The Commission's role in informing consumers of the price changes
2. The importance of minimising price shocks for consumers

As noted by the Commission, 'it is likely that DPP4 revenue will be materially higher than EDB revenue in DPP3'. This will in large part be driven by an increased cost of capital reflecting market conditions. The EDBs also have a significant role in supporting the electrification of the economy, which will drive higher capital and operating costs. However, this should not mean that the Commission is any less vigilant in ensuring good value for money for consumers.

Given the likely magnitude of the upcoming price changes, it is absolutely critical that the Commission provides some leadership in explaining to New Zealand households the price changes coming, and why they are necessary. Communicating to consumers about lines company price changes has largely fallen to retailers in the past. While we certainly have a role to play, consumers will be looking for a credible independent party like the Commission to reassure that these changes are necessary and not taking advantage.

We would like to see the Commission add to its process a public campaign informing households about the changes, and why they are necessary. This will provide a credible source of information for consumers, reduce surprises, and maintain trust in the system.

The price pressures noted by the Commission facing EDBs are also facing the rest of the electricity industry. The need to decarbonise and the costs of fossil fuels are driving higher wholesale prices, and labour cost and inflationary pressures are adding further cost pressures at a retail level. To date the industry has largely protected consumers from these price pressures, but competitive markets will usually pass on cost rises eventually.

The competitive retail sector has been very careful to avoid price shocks to consumers. We provide a critical service to the everyday lives of New Zealanders, and we seek to manage that relationship for the long term. We are also conscious of the challenges many consumers face with energy hardship,¹ and the disproportionate impact price shocks can have on those households.

¹ <https://www.mbie.govt.nz/building-and-energy/energy-and-natural-resources/energy-hardship/energy-hardship-expert-panel-and-reference-group/>

We therefore consider that one of the most important issues for DDP4 is maintaining the Commission's 10% price shock threshold, and to give further thought on how to protect consumers in energy hardship from steep price rises.

We note that average price increases for gas pipeline services following the 2022 price reset have been many multiples higher than the Commission's price shock thresholds. This outcome would be completely unacceptable in the electricity market and must be avoided at all costs. We therefore also ask that the Commission further consider how to ensure that the price shock thresholds are applied in practice, for example considering the impact of changes in recoverable costs, and changes in customer volumes.

Please contact me at [REDACTED] if you wish to discuss further.

Ngā Mihi



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