

18 December 2023

Ben Woodham
Electricity distribution manager
Commerce Commission
PO Box 2351
Wellington 6140

By email: infrastructure.regulation@comcom.govt.nz

Submission on: *Default price-quality paths for electricity distribution businesses from 1 April 2025*

Introduction

1. Thank you for the opportunity to make a submission on the *Default price-quality paths for electricity distribution businesses from 1 April 2025*. This submission is from the Consumer Advocacy Council, the independent advocate for residential and small business electricity consumers in Aotearoa New Zealand.
2. Given the limited time available for making submissions, we have focused our comments on key areas of concern. We would welcome the opportunity for further discussion with the commission on these issues and opportunities to ensure effective consumer representation in this default price-quality path (DPP) process.
3. If you have any questions regarding our submission, please contact:
 - Emma Sturmfels, acting manager, Consumer Advocacy Council
 - Email: [REDACTED]
 - Phone: [REDACTED]

General comments

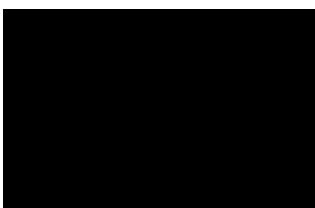
4. The Consumer Advocacy Council welcomes the recognition in this consultation paper of the major changes facing the electricity sector as the country responds to climate change and moves to renewable generation to meet consumers' energy needs.
5. Our survey research with households and small businesses shows many consumers are already making changes to their electricity use, motivated often by concerns about reducing environmental effects and saving money.
6. By way of example, our July 2023 (published in December) behavioural survey found one third of consumers and small businesses are thinking about buying an electric vehicle in the next 12 months. Over the next five to 10 years:

- almost one in two (48%) consumers think their home will have switched to mostly electric power tools and equipment, such as electric lawnmowers
 - four in 10 (42%) think their household will have an electric car and a similar number (40%) think they will have an electric bike, scooter or motorbike
 - about one in three (32%) of those with mains gas expect to swap gas appliances for electric ones.
7. The survey also found significant interest from both households and small businesses in new technology:
 - 71% of domestic consumers and 75% of small businesses were interested in this technology to help manage power bills
 - 70% of both domestic and small business consumers were interested in learning about new ways of generating, storing and distributing electricity
 - about four in 10 considered themselves “early adopters” of new tech.
 8. Changes in behaviour, including moves by consumers to install their own electricity generation and storage (such as solar panels and batteries), are important to understand as they will have major implications for electricity distribution businesses (EDBs).
 9. As the consultation paper notes (para X10), new technologies have the potential to contribute significantly to demand management. This in turn will provide the opportunity to reduce network costs for all consumers, contributing to making the electricity system affordable, reliable and sustainable.
 10. The Council broadly agrees with the commission’s commentary on the changes facing the sector. However, we consider there should be a greater focus on demand management and that this must be integral to EDBs’ forecasting.
 11. We agree with the commission’s comments (para X33) that demand-side management and energy efficiency initiatives have the potential to defer or avoid investment that would otherwise be needed to meet peak demand, hence reducing costs to consumers.
 12. We also agree that EDBs must adapt to emerging consumer preferences and recognise the role of distributed energy resources (DER) in managing electricity peaks. As our survey research shows, there is already considerable interest from consumers in using new technologies.
 13. However, we disagree with the commission’s initial view (para X34) that a specific incentive for demand-side management and energy efficiency is not required. We believe this needs to be considered to help control costs and ensure EDBs are not just taking a “business-as-usual” approach.
 14. The Council considers a strong focus on controlling costs is essential, particularly given the commission anticipates (para X35) inflationary pressures will see consumers’ bills “increase significantly” in the regulatory period. Strong incentives are therefore appropriate to help ensure EDBs keep consumers’ costs to a minimum.
 15. If the long-term interests of consumers are to be met, the Council considers demand management and reshaping the demand side of our electricity system must be given at least the same importance as investment in network infrastructure.

- 16.** EDBs have an important role to play in this shift, supporting consumers' participation in demand-side management and use of DER, as well as helping consumers understand the cost implications of different decisions about electricity use.
- 17.** We note the commission is awaiting the findings from an independent review on the reasonableness of EDBs' demand and expenditure forecasts for capital expenditure for 2025-2030. The Council looks forward to seeing the results of this review and to be able to comment in more detail.
- 18.** We are also aware of the commission's previous comments regarding increases in some areas of EDBs' operating expenditure. In its [July 2022 report](#) on EDB performance, the commission stated companies were spending more on non-network operating expenditure, noting:

operating expenditure for "business support" and "system operations and network support" respectively comprised about 34% and 24% of total operating expenditure from 2013-2021 and that "a greater understanding" of these costs and scope for efficiency should be an area of future work.
- 19.** The Council agrees the reasons behind these cost increases, and whether they were warranted, requires investigation. Scrutiny of EDBs' costs is essential in order to ensure consumers can have confidence that regulatory settings are providing appropriate checks on lines companies' expenditure.
- 20.** We note the commission's comments (para 5.41) regarding the importance of communicating clearly and accurately the likely impact on consumers' bills from this DPP reset. The Council welcomes the commission's focus on providing clearer information. Transmission (11%) and distribution (27%) charges comprise 38% of a typical power bill and increases in these charges can therefore have a substantial effect on consumers' budgets.

Yours sincerely,



Deborah Hart

Chair – Consumer Advocacy Council