wellington electricity™

Submission on Requiring distributors to pay a rebate when consumers supply electricity at peak times

26 March 2025

1 Submission and contact details

Consultation	Requiring distributors to pay a rebate when consumers supply electricity at peak times
Submitted to	Energy Competition Task Force c/o Electricity Authority
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2 Confidential information

There is no confidential information provided in this submission. This submission can be publicly disclosed.

3 Introduction

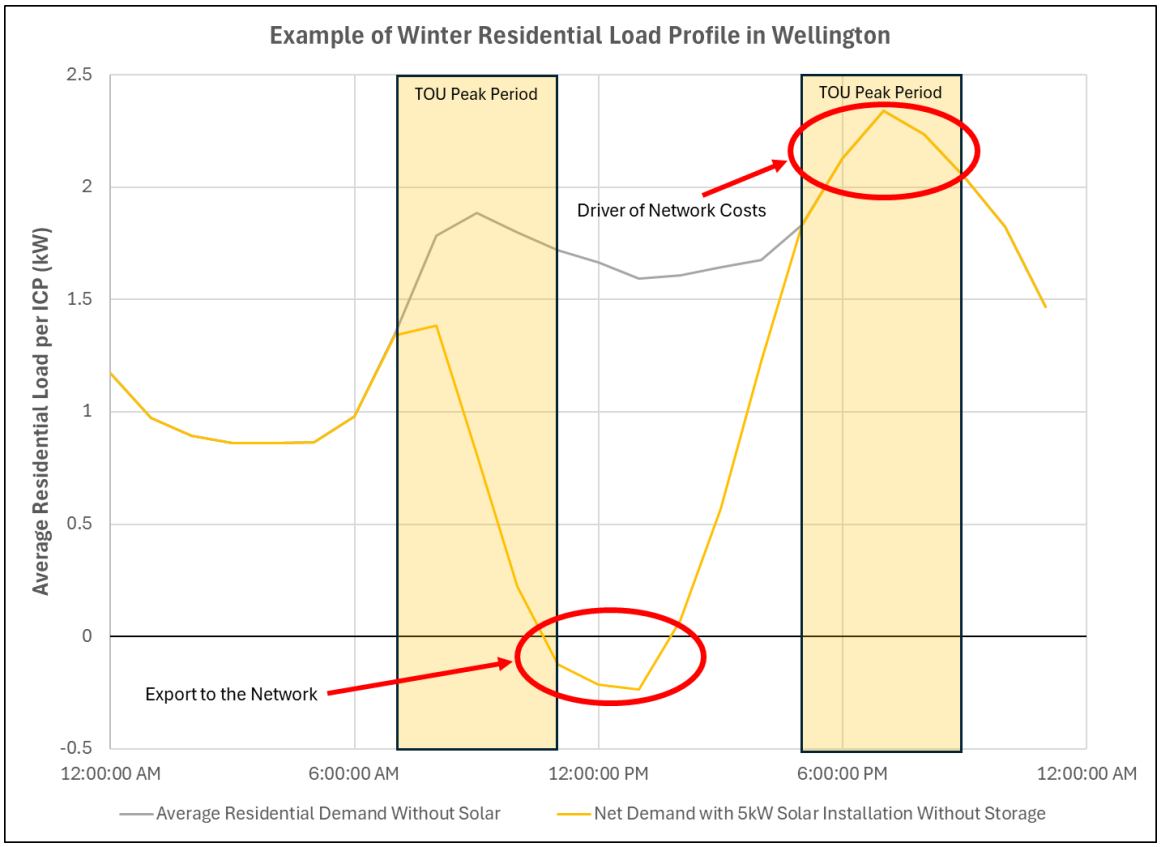
Wellington Electricity Lines Limited (**WELL**) welcomes the opportunity to provide a submission on the Electricity Authority's (**EA**) consultation '*Requiring distributors to pay a rebate when consumers supply electricity at peak times*' (**the paper**).

We support the intent of the paper and agree that customers should be recognised for using their devices in a way that provides a network benefit. However, we view that price signalling of network constraints at a consumption level would provide greater value than injection rebates, in terms of the deferral of future capital expenditure. We also note that currently there would be no material network benefit associated with injection due to the following reasons:

- The only benefit to the network of injection is through the time value of money associated with the deferral of future capital expenditure that the EDB must make to continue meeting its responsibilities for power quality.
- For EDBs to have confidence to rely on injection that would allow the deferral of network investment, the injection needs to be reliably available on a predictable and consistent basis

at the right times. If the injection is inconsistently available, then the EDB will need to make the investment regardless, with the result being that the EDB's customers must pay for both the investment and the injection.

- Our network is predominantly winter evening peaking and has been built to manage that existing winter peak, which does not align with the availability of solar generation. The figure below presents an example of a residential winter load profile in Wellington. The analysis takes a typical residential ICP load profile and gives the net demand if that ICP has a 5kW solar installation, noting that the output of the solar panels is significantly reduced from their theoretical capacity due to the reduced availability of sunlight in winter.



- The lack of direct visibility that most EDBs have of demand on their LV networks, prevents them from identifying areas where injection would provide a network benefit and calculating the value of that injection to the network.

- With the GXP being the reconciliation point for energy rather than the ICP, the value of the injection needs to account for the network cost of transfer from the ICP to the GXP.

Regarding the specific areas of the proposal set out in the paper:

- We do not support cross-subsidisation between customer groups. If there is a network benefit realised, it should be shared across all customers to avoid wealth transfers. Households that cannot afford solar and battery systems, or are unable to install them due to renting the property, should not be subsidising those that can afford the systems necessary to inject energy into the network.

- We would like to see more support provided from the EA to quantify the network benefits that it sees eventuating over time. There will be costs that EDBs incur under the proposed requirements set out by the EA in this paper, and so the value of deferred network investment would need to outweigh those costs. WELL's view, as discussed above, is that currently there would be no material benefit for the network owner.

- The Code amendment, if implemented, should be delayed until 1 April 2027 to align with the 2027-2028 pricing year. The proposed date of 1 April 2026 does not provide sufficient time for EDBs and Retailers to implement the required processes to identify and value any potential network benefits, and to incorporate export tariffs into their systems that are time-based, seasonal, and location specific.

- The principles-based approach should be preferred to the prescribed rebates and consumption-linked injection tariffs presented in this paper. However, we believe voluntary principles could be the best option as an interim measure. Voluntary measures would allow EDBs to work with retailers to trial different options, assess their effectiveness, develop tools to value the benefits, and determine how this could be included in network pricing schedules. It could then be reviewed whether the principles should be incorporated within the Code in the future.

Our responses to the consultation questions are set out below.

4 Consultation Questions

Questions	Comments
Problem definition	
Q1. Do you agree with the problem definition above? Why, why not?	While we agree that DG customers (apart from retail energy payments) are currently not rewarded for injecting into the network at times and locations where this would provide network benefits, we disagree that the scale of this problem warrants the proposed requirements on EDBs. Implementation is a key area of concern. More detailed analysis needs to be done to assess the upfront and ongoing costs of implementing these price signals and whether there would be a benefit of a delayed network investment which outweighs those costs, noting that there will be a degree of uncertainty around these estimates. We believe that currently there would be no material network benefits associated with injection because our network is built to the winter peak (while solar export is provided primarily in summer and apart from wind is the other source of injection on our network); and injection needs to be available on a consistent and predictable basis at the right times in order to defer future network investment.
Proposed solution: principles-based rebates	
Q2. Do you agree with these principles? Why, why not?	Generally, yes. However, principle (b)(i) should be reworded so that it clearly states that customers are only rewarded for injection that is consistently available on a

Questions	Comments
	predictable basis at peak demand times (otherwise there is no network benefit present).
Q3. Do you agree that the principles should only apply to mass-market consumers, or should they apply to larger consumers and generators also? Why, why not?	Agree that the principles should only apply to mass-market consumers. The value of injection for a large individual customer can be negotiated directly with that customer.
Q4. Do you agree the principles should apply to all mass-market DG, including inflexible generation (noting that the amount of rebate provided will still be based on the benefit the DG provides)?	Yes, we agree that the principles should apply to all mass-market DG, including inflexible generation. Inflexible generation could, in some instances, provide a network benefit and therefore should be rewarded for it.
Q5. Do you agree with the direction of the guidance that would likely accompany the principles? Why, why not?	We tend to agree with most of the direction of the guidance that would accompany the principles. We agree that "As a starting point, distributors should therefore offer rebates at times where injection will affect future demand forecasts – for example, if peak demand in summer is never high enough to drive future investment, rebates should not be offered in summer." We disagree with 5.7 (c). Injection should only be rewarded where there is a clear constraint or soon-to-be constraint on that part of the network, rather than an assumption that that part of the network could, at some point in the future, become constrained.
Q6. Are there any additional issues with the principles where guidance would be particularly helpful?	Identification of a network benefit should refer directly to a deferral of network investment. Reducing peak demand occasionally has no network benefit, because the network must still be sized to manage the peak demand when the injection is not available. Injection must be reliably

Questions	Comments
	available on a predictable and consistent basis in order to defer network investment. EDBs have regulatory accountability for network quality under the Commerce Act, Electricity (Safety) Regulations and Consumer Guarantees Act, with significant penalties for breaches. Due the consequences of breaching, it is unlikely that EDBs will have sufficient confidence in mass market injection to rely on it instead of traditional investment as a means of meeting these regulatory obligations. We would like to see this more clearly stated in the principles and guidance.
Q7. Do you agree the principles should be incorporated within the Code, rather than being voluntary principles outside the Code? Why, why not?	We believe voluntary principles have significant advantages as an interim measure. Voluntary measures would allow EDBs to work with Retailers to trial different options, assess their effectiveness, develop tools to value the benefits, and determine how this could be included in network pricing schedules. It can then be reviewed whether the principles should be incorporated within the Code in the future.
Q8. Do you agree with the proposed implementation timeline for this proposal? If not, please set out your preferred timeline and explain why that is preferable.	We disagree with the proposed implementation timeline for this proposal. The proposed timeline does not allow for sufficient time for EDBs to undertake the work on identifying and valuing potential constraints, and both EDBs and Retailers setting up the systems and processes required to implement locational export tariffs. If the Code amendment is implemented, we would prefer to see it come into effect no sooner than 1 April 2027.

Questions	Comments
Q9. Do you agree the proposal strikes the right balance between encouraging price based flexibility and contracted flexibility? Why, why not?	We do see contracted flexibility as having a role to play in supporting networks, however this is likely to be limited to larger consumers who have the scale of demand and/or generation at a single location in the network, and the means of contractually guaranteeing delivery, that will ensure that network benefits can be realised. We do not think that contracted flexibility is likely to be feasible at a mass market level due to the small quantities of generation presently connected to each low voltage circuit, and the challenge of guaranteeing delivery of the required volume of injection at the required times. We believe that price signalling of constraints to Retailers through locational tariffs will be most appropriate for reflecting the network value of export by mass market customers. As such, with the proposal being targeted at mass market customers, we believe the proposal is correct in focusing on price-based flexibility.
Q10. Do you agree the proposal will lead to relatively minor wealth transfers in the short term, and will lead to cost savings for all consumers in the longer term?	We agree that the proposal will lead to wealth transfers. We would like to see any potential network benefits shared across all customers, even in the short term, rather than the benefit being captured by those that can afford to and/or are able to install the systems required (being solar and battery systems for a winter evening peaking network). It is unclear that it will lead to cost savings for all consumers in the longer term. This is especially true if the injection is not consistent enough to give the EDB sufficient confidence to defer investment in light of their regulatory obligations for network quality.

Questions	Comments
	We would like to see more evidence provided by the EA to quantify the network benefits that it sees eventuating over time. Being able to prove the network benefit is also essential to avoiding consumer cross subsidisation.
Alternative option: prescribed rebates	
Q11. Do you agree that more prescriptive requirements to provide rebates will be less workable than a principles-based approach, and therefore should not be preferred? Why, why not?	The principles-based approach is preferred. The problem statement laid out in this paper is that "existing distribution pricing arrangements do not provide an efficient incentive for mass-market customers with DG to inject at times and locations where this would provide network benefits". We believe the prescriptive requirements might provide too much structure, and assume all EDBs are effectively the same, to the point where it would be less efficient than a principles-based approach.
Alternative option: consumption-linked injection tariffs	
Q12. Do you agree that a consumption-linked injection tariff would not be sufficiently targeted, and therefore should not be preferred? Why, why not?	We agree that the consumption-linked injection tariff is not sufficiently targeted and is therefore not preferred. We believe it would lead to rebates being paid in many cases where a network benefit was not realised, and with that worsen the wealth transfer.
Q13. If this approach was progressed, do you think: a. injection rebates should perfectly mirror consumption charges? **b.** there are sufficient safeguards in place that would allow distributors to avoid over-incentivising	a. No, they should not be mirrored. If demand response is over-incentivised, it may stop providing network benefits, but it will not cause any additional costs. Injection, on the other hand, could cause additional costs due to export congestion or voltage rise issues. As such, we also support that EDBs should be able to charge customers for injecting at times

Questions	Comments
injection to the extent that it incurs additional network costs?	and locations that increase future network investment costs (for example, when there is a large amount of solar generation, combined with low demand, leading to network constraints caused by high export in the middle of the day). We agree with the EA that injection price signals are more likely to be acted on by consumers, while consumption is still driven more by habit and necessity. b. We do not believe the safeguards proposed are sufficient. While they go some way to reducing the issues discussed in Q12, we still see those issues remaining even with the safeguards in place. For example, the adjustment factors quoted range from 9% (Ausgrid) up to 73% (Endeavour Energy), suggesting that there is significant variation in views in the market for those currently operating consumption-linked injection tariffs.
Regulatory statement	
Q14. Do you agree with the objective of the proposed amendment? If not, why not?	Agree, although we view that price signalling of network constraints at a consumption level would provide greater value than injection rebates, in terms of the deferral of future capital expenditure. We also find it difficult seeing any network benefits likely to be realised from injection at this current time.

Questions	Comments
Q15. Do you agree the benefits of the proposed amendment outweigh the costs?	We disagree and would like to see more evidence provided by the EA to quantify the the network benefits that it sees eventuating over time. Our view is that there would be no benefit from deferred network investment in the near future.
Q16. Do you agree the proposed amendment is preferable to the other options? If you disagree, please explain your preferred option in terms consistent with the Authority's statutory objectives in section 15 of the Electricity Industry Act 2010.	We disagree that the proposed amendment is preferable to the other options discussed in this paper. Maintaining status quo should be the preferred option, or adopting a similar approach to Australia which has implemented voluntary principles. Voluntary principles could have advantages in that it would allow EDBs to trial different options in the interim, assess their effectiveness, and then review whether the principles should be incorporated within the Code in the near future.
Proposed amendment Code drafting	
Q17. Do you have any comments on the drafting of the proposed amendment?	While we do not support the proposed amendment, its drafting appears to reflect what has been proposed by the EA in the paper.

5 Closing

WELL appreciates the opportunity to provide a submission on the Electricity Authority's consultation paper '*Requiring distributors to pay a rebate when consumers supply electricity at peak times*'. If you have further questions regarding any aspect of our submission please contact Peter Anderson, Commercial and Regulatory Analyst, at [redacted]