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Submission on Improving pricing plan options for consumers: Time-varying retail pricing for electricity consumption and supply

26 March 2025

1 Submission and contact details

Consultation	Improving pricing plan options for consumers: Time-varying retail pricing for electricity consumption and supply
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 '*Improving pricing plan options for consumers: Time-varying retail pricing for electricity consumption and supply*' (**the paper**).

We support the overall intent of the paper in its proposal to ensure that all large retailers offer time-varying plans, noting the following key points:

- We support the requirement for large retailers to offer time-of-use consumption plans.
- We do not oppose time-varying buy-back plans but note that there may be no material network benefit in respect of distributor peak injection payments (refer to our '*Requiring distributors to pay a rebate when consumers supply electricity at peak times*' submission).
- We see the pass-through of our pricing signals as an important factor in shaping consumption habits. Retailers should ensure that their price signals match those of the local network.

Our responses to the consultation questions are set out below.

4 Consultation Questions

Questions	Comments
Q1. Do you agree the issues identified by the Authority are worthy of attention? If not, why not?	We agree. Time-varying plans support consumer choice and can provide the incentives needed to reduce electrical demand and potential network congestion; ultimately benefitting end-consumers. We see both time-of-use plans and time-varying buy-back plans as having potential to be advantageous for both consumers and local network operators (i.e. EDBs). However, in respect of buy-back plans, we do not see the proposed distributor peak injection payments (as put forward under the associated *Requiring distributors to pay a rebate when consumers supply electricity at peak times* consultation) as realistically contributing to any 'reward' that consumers may receive under a buy-back plan. Simply due to the size of the market for injection, there would not currently be any material network benefits associated with injection. For there to be a benefit, injection needs to be available on a consistent basis at the right quantities and the right times (during winter peak demand periods) such that it can be relied upon to defer future network investment. Otherwise, an EDB who is accountable for quality of supply will face penalties for non-performance. Ultimately, 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.

Q2. Which option do you consider best addresses the issues and promotes the Authority's main objective? Are there other options we have not considered?	We think that the proposed solution best addresses the issues and promotes the Authority's main objective, for the reasons outlined in the paper. While overly prescriptive pricing approaches could risk hindering retailers' ability to innovate, we see the pass-through of our pricing signals as an important factor in shaping consumption habits in such a way that network peaks can be effectively managed. In other words, while we agree in principle that there may be benefits to retailers packaging our lines charges as they see fit (for example, by promoting novel offers to encourage load shifting), we are concerned that lines charges could be packaged in such a way that our network pricing signals become overly diluted and thus ineffective in addressing network peaks. Should retailers not reflect network pricing, EDBs may need to manage consumption of large commercial and industrial loads through direct agreements with these consumers. In respect of the control-based plans option, we broadly agree with the EA's conclusion. However, regarding the statement "we support retailers and other aggregators in pursuing load and battery control options", we refer to our "Update to scarcity pricing settings" submission comments (dated 29 November 2024). Specifically, WELL is of the view that the ability for other parties to control hot water or other demand-side flexibility cannot be at the expense of EDBs' existing ripple control. If this was to occur, consumers would face substantial uplift in tariffs due to the cost of reinforcing the distribution network which has been designed and built on the basis that ripple control exists and is available to EDBs to manage peak network loading.

Q3. Should we require retailers to offer a price plan with time-varying prices for both consumption and injection? Why or why not?	As noted in our response to Q1, we see time-of-use consumption plans as being the most beneficial in terms of reducing peak demand and deferring or avoiding network investment that may not otherwise be required. While we acknowledge that injection price signals are likely to be acted on by consumers[1], we consider consumption behaviour changes as being the most accessible means of demand-side flexibility (given that this does not require consumers to own their home or invest in equipment)[2].
Q4. Do you have any feedback on the design requirements?	For the reasons outlined in our response to Q2, retailers should ensure that their price signals match those of the local network. However, we support the high-level design requirements put forward in the paper; specifically in respect of consumption rates being developed in such a way that reflects reductions in network costs.
Q5. Is there a risk that injection rebates will not be passed through to the consumers targeted? If so, how could we safeguard against this risk?	Yes. As noted previously, we believe that currently, there would be no material network benefit associated with injection (see our submission on *Requiring distributors to pay a rebate when consumers supply electricity at peak times*). As such, only injection rebates for reflecting the wholesale market value (i.e. traders' purchase of exported electricity) would be passed through.

[1] This is our current assumption, however we continue to study consumer responses and associated incentives through the Resi-Flex project.
[2] While this is the case, we also acknowledge that not all consumers are able to easily adjust their consumption habits for a range of reasons.

Q6. Which retailers should be captured by the proposal and why?	We see the EA's preferred option (placing obligations on retail traders with a market share of greater than five percent) as suitable. However, we recommend that the EA considers the alternative option of placing obligations on retail traders with a market share of greater than one percent. While we agree that excessive compliance costs may burden smaller retailers (hence hindering competition and innovation), we view many of the traders captured under this criterion as "major electricity retailers", as suggested in footnote 17 of the paper (although we acknowledge that some of the retailers listed here are 'small'). By way of example to support our recommendation, Nova Energy is only captured under the 1% market share proposal, yet Nova scored highest for customer support services (such as helping customers select appropriate plans) in Consumer NZ's 2024 energy survey[3]. Despite this, we note from the EA's findings that Nova does *not* already offer time-varying price plans. We also note that any new entrants to the retail market would unlikely be captured by the 1% threshold[4], meaning that smaller and potentially more 'innovative' retailers (who may be less constrained by system limitations than large retailers) would not be subject to the proposed compliance requirements under this criterion.
Q7. What are your views on the proposed timeframe for implementation of 1 January 2026? Would 1 April 2026 be preferable, and if so why?	From our experience, retailers have been slow to implement systems/processes unless required to. As an example, we introduced time-of-use prices to all residential consumers from 1 April 2021. By 2023, only

[3] Consumer NZ reveals the best and worst power companies | Consumer NZ https://www.consumer.org.nz/articles/consumer-nz-reveals-the-best-and-worst-power-companies

[4] For example, Octopus Energy, who commenced as a trader in 2021, has a 0.3% market share.

	40% of volumes on our network were being submitted as peak and off-peak consumption data. That number since increased to 70% in 2024 and 95% in 2025, but this demonstrates the time needed for retailers to implement pricing changes. That said, we think that retailers would be able to implement any required changes much quicker if required to under the Code. We therefore support implementation of the proposed requirements at the earliest possible opportunity, as long as the timeframe provided is reasonable and practicable for retailers.
Q8. What are your views on Part 2 of our proposal that would require retailers to promote the time-varying price plans?	We think that improved consumer awareness of time-of-use consumption plans can help reduce local network constraints to the ultimate benefit of all consumers.
Q9. What should the Authority consider when establishing the approach to and format of the reporting regime?	No comments.
Q10. Should the Authority include a sunset provision in the Code, or a review provision? Why?	No comments.
Q11. What are your overall views on Part 3 of the proposal?	No comments.
Q12. What are your views on Part 4 of our proposal to amend the Code to require that consumers are assigned to time-varying distribution charges, that retailers provide half-hourly data to distributors for settlement	We support this proposal and already utilise half-hourly data where available. Additional time may be required for EDBs to process this additional data, but we consider this to be manageable from WELL's perspective. However, we will need to fully explore any administrative implications. Note that we currently offer traders exemptions from applying time-of-use pricing if their billing systems and processes have been unable to provide the data needed to apply peak and off-peak prices.

Q13. Do you agree with the objective of the proposed amendment? If not, why not?	We agree with the objective of the proposed amendment. Encouraging consumers to adopt time-varying price plans can help them reduce their own costs in the short term, and reduce costs to all consumers in the long term.
Q14. Do you agree the benefits of the proposed amendment outweigh its costs?	Yes. While we anticipate that most – if not all – costs associated with the proposed amendment will sit with retailers, we see the resulting long-term savings to retailers, distributors, and consumers as worthwhile.
Q15. 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.	Yes, for the reasons outlined in our previous answers.

5 Closing

WELL appreciates the opportunity to provide a submission on the Electricity Authority's consultation paper '*Improving pricing plan options for consumers: Time-varying retail pricing for electricity consumption and supply*'. If you have further questions regarding any aspect of our submission please contact Peter Anderson, Commercial and Regulatory Analyst, at peter.anderson@welectricity.co.nz.