

Chairperson
Commerce Select Committee
c/o Parliament Buildings
WELLINGTON 6011

1 February 2017

Energy Innovation (Electric Vehicles and Other Matters) Amendment Bill

The Electricity Retailers' Association of New Zealand (ERANZ) welcomes the opportunity to provide a submission to the Commerce Select Committee on the omnibus bill entitled 'Energy Innovation (Electric Vehicles and Other Matters) Amendment Bill' ("the Bill"), which had its first reading in the House on 8 November 2016. ERANZ made a submission to MBIE on 4 August 2016 on this matter during their initial consultation.

Introduction

ERANZ was established in August 2015 to promote and enhance a competitive and sustainable electricity market that delivers value to New Zealand electricity consumers. ERANZ represents Genesis Energy, Contact Energy, Mercury, Meridian Energy, Trustpower, Nova Energy, Pulse Energy, Prime Energy, Powershop, Black Box Power, Bosco, Energy Online, Just Energy, King Country Energy, Globug, Grey Power Electricity, Powershop, and Tiny Mighty Power, equating to around 98.5% of the market by ICP count. Electricity retailers are the energy point of contact for over 1.7 million New Zealand households and businesses, and the electricity market conducts \$7billion worth of transactions every year.

Summary: Why are electricity retailers interested in this Bill?

ERANZ is submitting on this Bill to the Commerce Select Committee for two reasons:

- (A) Electricity retailers wish to support initiatives that help New Zealand transition to a low-emission economy. Efforts that help to reduce emissions from transport through the uptake of electric vehicles are a no-brainer for New Zealand given our renewable electricity generation profile. Electricity retailers are strongly positioned to make a difference by being at the forefront of the conversation with customers— at home and in businesses.
- (B) ERANZ has an interest in how legislation affects our part of the sector and we want to ensure it is open, fair and competitive. Further work needs to be done by regulatory agencies to ensure that business has the confidence to invest. We have concerns that the competitive market is being affected by the current regulatory settings around emerging technology, and we seek a review.

Recommendations

ERANZ recommends that:

- The Select Committee support the Bill
- The Select Committee requests the Government to facilitate cross-agency assessment (MBIE, Commerce Commission, Electricity Authority) of the regulatory setting for electric vehicles, and other emerging technology in energy, to ensure an open, safe, accessible and competitive market can develop in New Zealand.

A) Electricity retailers wish to support initiatives that help New Zealand transition to a low-emission economy. We agree that uptake of electric vehicles is one such measure.

1. We agree that speeding the uptake of electric vehicles in a targeted way is worthwhile to help New Zealand transition to a low-emission economy. Over 80% of our electricity generation is from renewable, reliable sources, therefore the “electrification” of high carbon emission sectors (transport and industrial heat) is the biggest ‘bang for buck’ in the New Zealand context to achieve this goal.
2. It is likely to be a challenge due to supply and demand issues, therefore clear thought, leadership and coordinated efforts from business and government will be required.
3. Electricity retailers are strongly positioned to make a difference by being at the forefront of the conversation with New Zealand consumers – at home and in businesses. Customers need help to make the informed, sustainable choices, and electricity retailers are well positioned to be trusted and influential sources of information about low emission products.
4. In fact, this is already happening. Mercury and Contact Energy partnered with Air New Zealand and 30 other organisations to commit to transition at least 30 percent of their company vehicle fleets to plug-in electric vehicles by 2019. Mercury is backing up its leadership in electric bikes and vehicles by investing in enablers like EV charging networks, such as the Plugshare app which allows a person to find and rate EV charging stations nationwide. Many companies have moved their own fleets to electric vehicles, including Pulse Energy and Mercury. Meridian has partnered with Kiwi Property, one of the country's biggest shopping centre owners to roll out 16 EV charging stations across the country, and they have also partnered with MEVO an electric car-sharing company. Meridian and Mercury are now offering night time charging tariffs with reduced rates for their residential customers to incentivise EV ownership.

B) ERANZ has an interest in how legislation affects our part of the sector and we want to ensure it is open, fair and competitive. Further work needs to be done by regulatory agencies to ensure that business has the confidence to invest. We have concerns that the competitive market is being affected by the current regulatory settings around emerging technology, and we seek a review.

5. The Electricity Authority has clarified that participants that provide an electric vehicle charging service are retailers, therefore ERANZ has an interest in how legislation affects our part of the sector. We consider that Parliament needs to make sure that the regulatory environment is fit for purpose for

the energy future that is developing and we believe that further work needs to be done by agencies to ensure business has the confidence to invest.

6. Emerging technologies are, and will increasingly, shape markets and services. This is true as much in energy as it is in other areas, from postal services, to telecommunications, to air travel. Competition is required and encouraged in the retail and generation parts of the energy market, and we support this. ERANZ, however, has strong concerns when regulated monopoly parts of the market, ie. the lines companies, are able to participate in the competitive parts of the market, but are not under the same competitive pressures.

7. ERANZ wants to ensure the regulatory settings are such that there are not unwarranted barriers to entry to those seeking to enter the EV charging market because the playing field is not level. We also want to ensure that there is sufficient investment in maintaining the EV infrastructure, and there is a level of coordination of installation of the right amount of EV charging infrastructure in the right place. All of these things make a significant difference to the customer experience and the impression of electric vehicle uptake.

8. ERANZ believes that MBIE, the Commerce Commission and the Electricity Authority have both the ability and the responsibility to preserve efficient competition through the structure of the market. The regulatory framework is specifically designed to ensure there is not abuse of monopoly power, and inefficient cross-subsidisation across consumers that have no choice. Caution needs to be especially taken to avoid cross subsidisation from lower income households to high income households.

9. ERANZ is not satisfied that the regulatory agencies have got the settings right in respect of ensuring an open, accessible and competitive market therefore our recommendation is for the Select Committee to request the Government to facilitate cross-agency assessment (MBIE, Commerce Commission, Electricity Authority, NZTA) of the framework for electric vehicles, and other emerging technology.

10. In particular, this relates in the case of electric vehicles to whether the Electricity Industry Act 2010 needs to be amended as is proposed in this Bill. In our submission to MBIE on 4 August, ERANZ had submitted that we did not consider there was a need to change the definitions of works and electrical installations in the Electricity Act 1992 but we did call for a more considered and fuller review of the various electricity-related statutory provisions. This was to ensure that the emergence of new technologies was appropriately catered for and facilitated by those provisions. We cautioned that an ad hoc or piecemeal approach could have unintended consequences.

11. We continue to stand by this position that a more considered and fuller review is necessary. We do note, however, that others that are closer to the practical experience of owning, installing, or coordinating the rollout of EV charging infrastructure seem to be erring on the side of the need to make a clear determination that the charging infrastructure are “installations”, and not “works”. Those others include, TRAFINZ (The New Zealand Traffic Institute Inc representing a wide grouping of NZ local authorities), Christchurch City Council, Auckland Transport, Spark, Unison, Northpower, ChargeNet, and NZTA.

12. We continue with our view that the issue needs more consideration and the regulators should not be complacent in this space. On this point, Chargenet (the only non-utility charging infrastructure provider) raised concerns that *“to give lines companies the privileged access to roadways for EV charging because of their existing works rights would explicitly allow the electricity distributors to leverage their market power in contestable markets”*. The Electricity Engineers Association (EEA) also raised this point in their submission to MBIE: *“If classified as a works an electricity operator may be able to leverage*

certain access rights to place chargers in road reserve. While this may reduce the barriers to the development of publically [sic] accessible chargers it could have implications for the competitiveness of the car charging market that MBIE might want to consider.”

13. We therefore encourage the Select Committee to request the relevant regulatory agencies to review the settings so that businesses have clarity and confidence to invest, and there is an open, accessible and competitive market in which to do so.

Other matters

Levy funding for EECA

14. ERANZ has taken a pragmatic approach when it comes to the fundraising for EECA’s mandate, but in principle, we do support BusinessNZ and the Major Energy Users Group’s (MEUG) position that how levy funding is appropriated and applied needs to be carefully considered and reviewed. The support and facilitation for electric vehicles is a public good, due to the widespread benefit that a reduction of carbon emissions would have. Therefore raising the money from general taxation would be more in accordance with the principles of cost-recovery for Government Agencies, as opposed to through a levy.

The consultation process

15. We would also agree with the EEA and the Electricity Networks’ Association (ENA) that *“the narrow scope of this consultation and relatively short timeframe do not permit consultees to provide suitably considered submissions regarding these potential wider impacts”*. These matters are complex and are not to be rushed. This, however, should not be a deterrent for not taking a certain course of action, as no action in this respect (ie. maintaining status quo) is already having an impact on the competitive market.

Yours sincerely



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