



Press Release

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Electricity distribution pricing change a must, say retailers

The 29 electricity network companies responsible for delivering the power within towns and cities must work with the sector and move quickly on reform of their charges to enable better outcomes for New Zealanders, especially those on lower incomes.

This is one of the conclusions that can be drawn from the latest Concept Consulting Group report into new technology uptake.

Electricity retailers say the report is a very useful addition to the discussion around pricing reform of the electricity distribution network, and confirms much of what they suspected.

The Chief Executive of the Electricity Retailers Association of New Zealand (ERANZ), Jenny Cameron, says the report highlights something the sector has been saying for some time – the need to get rid of the low fixed-charge tariff scheme and the need for lines charges to change to avoid perverse results for customers.

“This low-user fixed-charge scheme is poorly targeted and doesn’t do what was intended. While the tariff helps some poorer consumers, most of the benefit goes to middle- and higher-income consumers. “As the report says, it’s a blunt instrument that also hurts those poorer households that have average or above-average levels of power usage, such as those with bigger families. It needs to be reviewed, with a pathway to replacing it, and we think the sooner the better.”

Ms Cameron says improved tariff structures from the lines businesses are also required. The Concept Consulting report highlighted that current tariff structures are out of date – with costs borne by those who can least afford it – and need to be revised so that customers, and others, can make sound investment decisions on new technology.

“Without distribution pricing reform, inefficiencies and costs will fall on New Zealand’s poorest consumers, which is something we should all be seeking to avoid. Lines companies must work with retailers to help communicate and coordinate these changes to our customers.

“It is also essential for lines companies to standardise their terms and conditions and coordinate pricing structures across the country to allow more retailers to enter their regions. Small irregularities and inefficiencies like this can make a big impact for a retailer looking to expand to offer more choice for customers.

“Retailers see many positives from new lines charges provided by retail competition.

“Customers generally want choice, control and certainty, and improvement of the lines charges tariff structures will increase and improve the variation in pricing models offered by retailers.

“For consumers who are interested in controlling their demand – when and how they use their electricity – there will be plenty of products to help with that. For consumers who aren’t interested in doing that, retailers will offer options to help smooth their bills, or at least lessen any impact of bill increases over time, so they can have certainty over costs.

“Customers already have significant choice as to how they want to engage with their electricity usage. For example, some of the models available now include fixed-term pricing through to more variable time-of-use pricing, plans and packages to suit different lifestyles.”

The Concept Consulting report is available [here](#)

About ERANZ

The Electricity Retailers Association of New Zealand was established in August 2015 to represent the electricity retail industry on important sector-wide issues such as delivering value to stakeholders and consumers, and supporting the continued development of an open, competitive, sustainable and effective electricity market.

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