

Welcome to ERANZ's bi-monthly newsletter issue #7.

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Welcome from the Chief Executive

As we barrel along to the end of a busy year, this newsletter takes a moment, or two, to reflect. One from Jennie Langley, appointed in May 2016 as ERANZ independent Chair, reflecting on what is happening overseas and the other from outgoing Chief Executive of EECA, Mike Underhill after almost 10 years in the role.

We feature and in-depth look at smart meters, providing a look behind the screen on those machines which are integral to the electricity system, especially if cost reflective distribution pricing becomes a reality following the start of work on that path by the networks.

As always [feedback](#) welcomed.

Jenny Cameron
Chief Executive, ERANZ



ERANZ Independent Chair: home and away the issues are the same



Renewables build momentum and overtake coal in power capacity, consumers urged to switch retailers, help needed to increase energy efficiency in the home.

These newspaper headlines during a recent visit to Europe highlighted similarities to and challenges for the electricity sector in New Zealand and some other western countries. Renewable energy is becoming **the** focus for political platforms and delivery agencies, as is the need to assist consumers to become more efficient users and reduce power bills.

Highly visible wind turbines of varying heights, blade sizes and numbers can be seen along canals, to cities, remote highlands and rising from offshore coastal stretches. Large banks of solar panels, particularly on set-aside agricultural land and close to major energy users such as airports or processing plants are common. And charging points for the rapidly growing number of Electric Vehicles (EVs) can be found at inner city locations and motorway service areas.

Editorials and opinion pieces such as: "Turning the heat up on fuel poverty", "Fight to cut power bills begins in the home", "Solar panels spend 30 weeks every year lying idle", "Trials urged to test the use of hydrogen for heating homes" and "Renewables growth depends heavily on government policies that are shifting frequently", give the flavour of public discussion.

Conscious of New Zealand's level and variety of renewable resources, together with the development of game-changing new technologies, four questions came to mind during my travels:

1. Will Government push a renewable agenda, and how committed is it to maintaining but not stifling a fair, unsubsidised market to encourage all players to compete and be measured on their performance?
 2. What can be done to move consumers to a better understanding and increased interest and ability to use electricity most efficiently, and how does that change in a renewable context?
 3. If "here are winners and losers, will Government be tempted to regulate and/or introduce resource-heavy requirements to 'even the playing field?'"
 4. Where will value will be added - by energy consultants, advisors, associations, worthy pilot project task forces? Each has its place but with political and social pressures mounting, so too does the importance of sound, sensible, industry-led actions.
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Guest column

Industry must grab renewables opportunities

By Mike Underhill, Chief Executive, EECA



After a career in the energy sector and nearly 10 years leading the Energy Efficiency and Conservation Authority, it would be nice to think I'd fixed everything before retiring.

Unfortunately, I haven't. The key energy-related issue facing us today is climate change. The symptoms have become steadily worse since I joined EECA in 2007 – in fact 2016 is set to be the hottest year on record.

A main focus of my last year at EECA has been planning how to support New Zealand's transition to a low carbon economy. We have a great track record of delivering change and we intend to keep it up, this time with a focus on reducing emissions and increasing productivity.

This means a greater focus on the transport and process heat sectors. Assisting this are changes to the way EECA is funded and legislation is in train to broaden our sources of levy funding. For the first time in our annual consultation, which opens later this month, we will be asking for feedback on our proposed use of funds from three levies – not just the electricity efficiency levy, but the Petroleum and Engine Fuels Monitoring Levy (PEFML) and gas levy as well.

This opens the door for EECA to run a different mix of programmes that improve New Zealand's energy productivity and reduce emissions, as well as promote electricity efficiency.

With New Zealand's electricity supply already more than 80% renewable, it's logical to switch our fossil-fuelled activities to electricity. This holds great promise for the electricity industry but there are clearly two challenges. One is retaining the loyalty of the customers – the average punter's view of electricity companies is neutral at best. In my view, this will become increasingly difficult because of the growing choices people see in other electricity options.

The second challenge is that new technology undoubtedly looks exciting and, as in many cases in the residential market, choices are often made through emotion rather than rational thinking.

My advice is to learn from the ICT industry as to how they capture loyalty and enthusiasm with a customer-centric approach that tailors services and products to meets many types of household situations. I can also see obvious convergence opportunities for the electricity and ICT sectors.

The second opportunity is to focus strongly on the potential electrification of two key sectors – process heat and transport. Both of these potential markets are huge, and becoming more attractive all the time. Only last month, 30 of our largest companies pledged 30% of their corporate fleets would be electric by 2019 – that was unthinkable just a year ago.

The electricity sector must demonstrate to customers the value they can add to their lifestyle, so the consumer sees it as more than a price-based commodity.

SHORT UPDATES

Myth-buster: Electricity Retailers attract just 3% of complaints

Contrary to common perception, electricity retailers are close to the bottom of the complaints spectrum from customers. The [Commerce Commission's 2015/16 Consumer Issues report](#) shows they accounted for just 3%, or 126, complaints during the year. The highest offending industries were telecommunications providers and carriers, and domestic appliance/electronics/phones (9%, 459 complaints), motor vehicle retail (6%, 304), airlines (3%, 134), online retail only (3%, 127), and supermarkets (2%, 118). These seven comprised 35% of the total 5073 complaints. Of the electricity complaints, 55% were for contracts, including complaints about termination fees, and 46% were for perceived billing inaccuracies (the latter inflated by complications with Contact's new data processing billing system at that time which has now been resolved).

However, there is a difference of views as to the fairness of including in the numbers complaints that have not been upheld. Law firm [Russell McVeagh](#) said the naming and shaming *"risks reputational damage to businesses that outweighs any benefit to consumers."* It said the report's caveats – that bigger companies were likely to receive more complaints and that complaints did not necessarily mean any law had been broken – were not sufficient to protect reputations. Publishing the number of complaints gave the impression those companies had done wrong, or are more likely to have done wrong, than companies not listed.

But [ConsumerNZ](#) Chief Executive, Sue Chetwin (talking about insurance complaints) took a different tack, saying publishing which companies got the most complaints was *"a much-needed incentive"* for them to up their game. The [Insurance Council](#) responded that complaint data about particular insurers *"isn't meaningful"* because it doesn't take market share into account and doesn't describe how many were upheld or investigated by the Ombudsman.

Goodbye EGCC, Hello Utilities Disputes Ltd



The Electricity and Gas Complaints Commissioner Scheme on 1 November became the **Utilities Disputes Ltd**. The EGCC started life as the Electricity Complaints Commission in 2001. The move has been undertaken in order to effect governance structural changes, and also to gear up to apply for other disputes resolution schemes, particularly in UFB.

The Chair of the EGCC, Hon Heather Roy, noted that *"as providers innovate and expand their offerings, Utilities Disputes will provide a flexible and robust dispute resolution service for consumers of utilities."* The Minister responsible, Hon Paul Goldsmith, Minister of Commerce and Consumer Affairs, approved the changes on 27 September.

Changes will affect electricity retailers, including requiring a name and logo change on information provided to customers. The Utilities Disputes phone number will be the same as the EGCC number, emails will be forwarded and visits to the old website will be redirected.

Utilities Disputes will be providing further information, including the new identity standards.

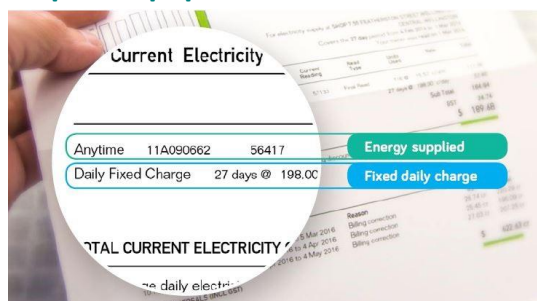
Setting a wider energy policy

The **Energy Innovation** (Electric Vehicles and Other Matters) Bill was introduced on 27 October 2016 to implement parts of the Government's [Electric Vehicles Programme](#). This is the latest signal of the shift in the Government's priorities from electricity targets to making efficiency and renewable gains in the wider energy sector. It ties in with the refresh of the [EECA Strategy](#) which is due out for public consultation before the end of the year.

The result will reduce the electricity levy and increase the petroleum and engine fuels monitoring levy (PEFML) and the natural gas levy. If \$6.5m extra was recovered from the PEFML levy it will add approximately 0.1c per litre to petrol and diesel and decrease the funding gathered from the electricity efficiency levy by half, or from an average \$2.33 per household each year to \$1.16.

The Government is not exactly declaring "mission accomplished" on electricity efficiency or its target of 90% renewables. However, it believes the current market settings and the increased bite of the emissions trading scheme are all pushing the trends in the right direction. Instead it believes greater gains for NZ Inc can be through a shift in emphasis particularly to transport and the industrial heat sector.

Electricity Networks Association (ENA) launches Future Pricing Options paper



The much anticipated [Future Pricing Options paper](#) was released by the [ENA](#) on 4 November. New Zealand's electricity distribution companies are looking at different ways of charging for the cost of supplying power through their networks.

In a technical discussion paper an ENA working group has considered new pricing options that would better reflect the actual costs of supply to individual consumers in each distribution network. ERANZ's Chief Executive presented an opening address on this topic at the Electricity Authority (EA) conference on 17 August and it is encouraging to see a number of points made in that presentation have been taken on board by the ENA and the EA, including publishing a roadmap towards cost reflective pricing by 1 April 2017.

ERANZ is engaging closely with ENA on this process as understanding the impact of these changes is of vital importance for our customers. A workshop is being held for members to discuss the options paper further ([see upcoming events](#)).

The Consumer Guarantees Act & Electricity



On 5 October 2016, the [Electricity and Gas Complaints Commissioner](#) (EGCC, now [Utilities Disputes Ltd](#)) and ERANZ co-hosted a forum on the Consumer Guarantees Act (CGA) and how it applies to electricity. The session provided a useful background as to why electricity had been brought under the CGA framework and how it is being applied with speakers the EGCC and MBIE.

With around 70 attendees in both Wellington and Auckland (via live video-link thanks to [MinterEllisonRuddWatts](#)) there was obvious interest from the electricity sector and the legal profession as to how the CGA is operating in practice. Of particular interest is how the guarantee of 'acceptable quality' for electricity is being interpreted and applied in force majeure situations. It is an area that will continue to develop and ERANZ looks forward to assisting as a platform for education for its members. A record of the session is available to EGCC & ERANZ members.

Callaghan Innovation - a focus on energy



Minister Steven Joyce announced on 6 October 2016, [three new accelerator programmes](#) for [Callaghan Innovation](#) to help develop early-stage start-up businesses in 2017, one of which will focus on the energy sector. These accelerators will be funded from the \$3 million for new accelerators set aside in the Innovative New Zealand package in Budget 2017.

"The New Zealand tech sector is growing rapidly and making a big contribution to our strengthening economy," Mr Joyce says. "These accelerators are all about growing the next generation of high-tech Kiwi start-ups."



The accelerator dedicated to start-ups in the energy sector will be delivered by [Creative HQ](#). The programme is in the early stages of planning and Callaghan Innovation and Creative HQ are talking with ERANZ to help coordinate the programme.

EECA launches solar calculator

EECA EnergyWise has just released a great new tool for those wondering whether solar power would economically stack up for them. It's called the [Solar Calculator](#) and has been developed by EECA Energywise in partnership with the [EPECentre](#) (New Zealand's centre of excellence in electric power engineering at the [University of Canterbury](#)). The calculator works to estimate how much value your household might get from solar. If you are looking at solar for purely economic reasons, then EECA strongly advises you do your sums carefully before you buy. The calculator is independent, provides a personalised assessment, and has been developed specifically for New Zealand conditions. The economic case will depend on where you are, how you use your electricity and whether you can vary that, and how you would finance installation of solar PV.

From the point of view of retailers we want to make sure that customers have all the necessary information about solar power and the whole cost of electricity in a New Zealand context, so that they can make a fully informed decision. This calculator is a welcome addition to the toolkit in that, very important, regard.

Inland Revenue looking at electricity rebates

A leaked Inland Revenue memo has revealed that the IRD has come to an initial view that lines companies' payments of discounts to electricity consumers are not deductible expenses. Customers pay a line charge as part of their power bill, with some lines companies offering a rebate if they collected more than what they needed. The IRD has interpreted the rebate as a distribution of profit, like a dividend, and therefore taxable.

Redistributing this excess has become somewhat of a tradition for lines companies over the last 15 years. The rebate is generally passed through to customers via their retailers.

The IRD has said it will not comment at this time. PriceWaterhouseCoopers Partner Todd Stevens estimated that the annual rebate paid to households and businesses across the country to be around \$87 million. A tax on that of 28c would generate an estimated \$24.4 million.

The change would not impact on all customers, but the 12-community owned trust portion of the total 27 lines companies in New Zealand. Affected lines companies have until 8 December to respond. Effective communication will need to be coordinated between electricity distributors and retailers to ensure customers are aware of the changes.

Accelerating the Electric Vehicle revolution - Plugshare launches in NZ



World leading EV charging station locator app 'Plugshare' has just launched in New Zealand. The beauty of the Plugshare site is that it provides a single app to connect all the EV charging stations around New Zealand (approx. 500), bringing everything together in one place as a way of coordinating the information for the benefit of the end-user – the driver. The other benefit is that it is a customer-led interactive app which allows EV-users to rate the experience of the charging station, thus providing valuable feedback for vehicle owners and charging station owners alike. The app rates the charging stations on reliability features, such as how many charging points there are, how many fast-chargers, how easy it was to find, what the hours of availability are and pricing.

Plugshare has been launched in New Zealand under a single [Electric Highway](#) brand. This has the support of **Mercury, EECA, and Contact Energy** working on the initiative through a collaborative approach to promoting and developing the Electric Highway for the benefit of New Zealand. The lead partners are inviting other organisations to join the initiative and add their own charging points onto the Electric Highway via PlugShare.



Politics: going for bust, clearing the decks, and new Opportunities

The Labour Party's recent conference in Auckland (4-6 November) was picked by some as playing a key role in Andrew Little's chances of success in next year's election. **Deputy Leader Annette King** told the conference that *"the caucus is united and focused in a way not seen since Helen Clark led Labour to victory in three successive elections"* so there is certainly a public projection of a united party. **Commentator Colin James** pointed out that Labour is relying for a boost heading into election year on some of New Zealand's (fragile) economic indicators – GDP, household debt, inflation, export receipts, the NZ dollar – turning the wrong way for the Government, distorting the economy and leading to a *"bust"*. He says if that happens in time, and if Andrew Little *"looks the rescuer part"* then it could be game on. Key to that is whether the *"direction of travel"* that finance spokesman Grant Robertson laid out at the conference around the *"future of work"* is a route that *"voters (a) can see and (b) want to go down"*. As policies start to become more concrete, such as the work for youth on the dole policy, there will be more for the voter to judge.

Meanwhile, the Government seems set on removing potentially controversial issues from its path heading into election year. Boosting social housing targets, putting RMA changes on the backburner, and rewriting the controversial Local Government Amendment Bill are among problem areas it has addressed. But one looming issue is that of a Cabinet reshuffle. PM Key likes to refresh things before elections, but the surprise departure of Hekia Parata raises the prospect of moves before rather than after Christmas as the list of possibilities grows. And it could involve three new Ministers. Some are picking that Foreign Affairs Minister Murray McCully will announce soon that he will not be standing, while the under-performing Sam Lotu Laga is tipped to go (even though he has been recently reconfirmed in his electorate). **Politik.co.nz** editor Richard Harman picks Alfred Ngaro to replace Lotu Laga, while Nicky Wager and Jo Goodhew, both ministers outside Cabinet, are both big chances to maintain Cabinet's gender balance with Parata gone and Nikki Kaye still on indefinite sick leave.

NZ First is continuing its strong focus on the regions where it hopes to shore up its base. Rt Hon Winston Peters presented his vision for provincial New Zealand on 6 November in Napier stating that his party would put provincial New Zealand on an equal footing with the big cities. The plans include shifting government jobs to the regions, boosting police numbers and matching regional transport spending to that invested in the major cities.

And every election now seems to need a multi-millionaire personality driven political party. On 4 November Gareth Morgan announced he is starting a political party called **'The Opportunities Party (TOP)'** to *"bring fairness back to New Zealand"*. Within two days the party already had 880 paid up members, with the entrepreneur saying he was *"overwhelmed"* at the response. TOP will release about six key policies, with the first a housing-related policy on 8 December. Morgan says that if public support looked to be forthcoming, the party would aim to register in March. If TOP does make it to the required five percent, Morgan will be looking for candidates to *"come out of the woodwork"*. If they don't he's said he'll do the decent thing and *"bugger off"*. Wanting to get away from the *"left/right thing"*, Morgan maintained that both main parties have their positives, but he wants TOP to be an agent of change to *"chivvy them along"* to make progressive policy. The launch was not without some controversy, with an outcry from the designers of the Red Peak flag that the TOP logo looks remarkably similar to their design.



FEATURE ARTICLE



"Bill accuracy is terrific – over 99% - and we get very few complaints regarding estimates, which used to be the bane of our lives"

Smart Meters - everything you need to know and more

New Zealand has the highest uptake – 72% - of electricity smart meters of any country in the world where installation has not been mandated. Much is made about the benefits that smart meters bring, but what does that really mean for the average customer? Is 100% rollout of smart meters on the horizon or even realistic? How is New Zealand doing compared to the rest of the world? How will smart meters become a tool to help change the way we use electricity and facilitate other new technologies such as batteries and electric vehicles? And why hasn't the NZSO yet performed an ode to old meters?

In this feature article, we take a closer look behind the screen of smart meters...

The benefits

Smart meters or “advanced meters” around the world work in the same way – simply put they measure electricity in more detail than older style meters. To do this they measure and record usage at half-hour intervals, and transmit the data to the retailer at least once a day. They range from half-hourly interval meters that generally transmit once per day to real-time meters with built-in two-way communication that is capable of recording and transmitting instantaneous data.

The most significant benefit of smart meters is no estimated billing. This alone is worth it for customers, but there is more to be discovered in the value of smart meters as technology develops and more cost-reflective pricing comes into play. The pricing that is likely to continue to develop ranges from standard total fixed price, to time of use (different prices at different times of the day) and spot or wholesale price linked. This is driven by a combination of the metering, wholesale market and distribution or lines company pricing.

“We once had contracted meter readers with vast numbers of keys to properties to access meters. Many of those have been returned and the number of complaints about readers stumbling in on peoples’ lives has drastically reduced”

The direct benefits for **customers** can also be no need for frequent visits from a meter reader; faster turnaround times for reconnection; they enable customers to keep a closer eye on how much electricity they use and when; and they enable retailers to use the data to create innovative ways to bill electricity by offering new services and plans.

This in turn has benefits to the **retailer** which get passed back to the customer: reduced costs from remote meter reading (including reduced health and safety issues, such as dog or human attacks on meter readers), less unaccounted-for energy/theft; more accurate bills, saves time and leads to fewer complaints; more innovation and opportunity to differentiate targeted services due to more accurate data; and retailers can get earlier notification of occupation of vacant properties, or identify tampering, as well as enact remote connection/disconnection.

Having said that, in some areas retailers have assessed the situation and have been able to maintain a lower cost by using legacy meter assets and meter readers than they could have achieved by deploying a smart meter solution 5-10 years ago. But those retailers will continue to monitor developments and would lift deployment of smart meters if it became more compelling for their customers. A recent example of this is Trustpower’s decision to trial smart meters in Tauranga over the next year. Trustpower had been a bit slower than the rest of the sector but said that *“their meter readers did such a fantastic job that building a business case to put in digital meters was more challenging for Trustpower because, unlike its competitors, it had not out-sourced the reading... Engaging with customers was a very positive thing because the meter readers had been doing it for so long.”*

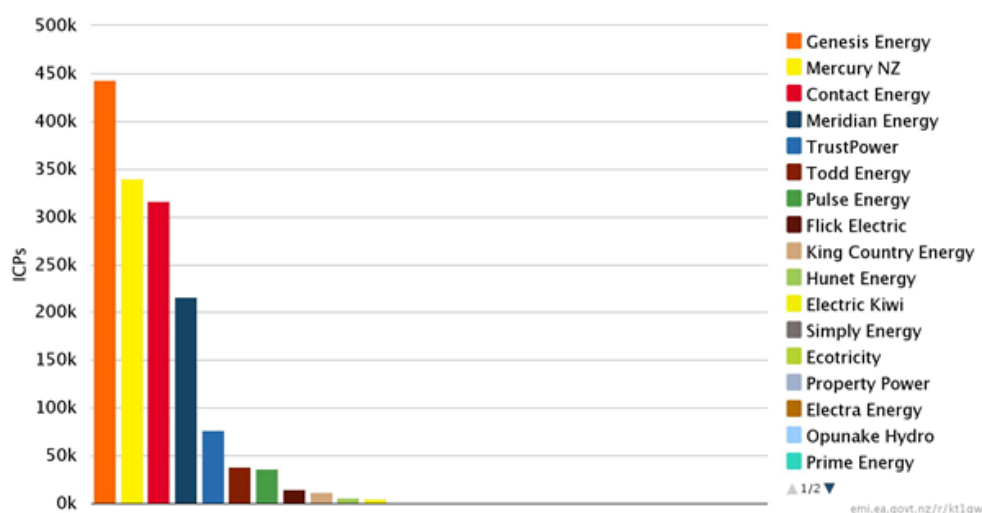
The New Zealand situation

New Zealand opted for a market-led approach to the roll-out of smart meters. The switch to smart meters has been driven by individual retailers with Genesis Energy, Contact and Mercury leading the way. Retailers contract with Meter Equipment Providers (MEPs) who charge the retailer for the use and maintenance of the meter at a property.

Over the last 12 years over 1.5 million smart meters have been installed. Latest Electricity Authority figures show that more than half of retailers have more than 80 per cent of their customers with smart meters, while for newer retailers it is 100 per cent as they build business models to take full advantage of the benefits and accept only customers who will use the new technology ([see graph below](#)).

By way of comparison, the Australian state of Victoria had a mandated roll-out, which proved to be disastrous. Issues including insufficient engagement and consultation with consumers, lack in choice of meter service, skyrocketing costs, flaws in cost-benefit analysis, up-front costs to consumers before any benefits seen, and lack of incentives for distributors to contain costs saw a huge backlash. Changes were made to the programme and they have moved to a market-led rollout.

Metering rollout snapshot



Costs have not been borne by the customer

Another plus for the New Zealand model has been that there has been no up-front cost to customers. New Zealand is one of the few countries where additional lease cost to consumers has not been incurred. Essentially, our structure means that costs and benefits fall on the same participant, and unrequired functionality has not been provided. The Smart Grid Forum reports that retailers have signed 8 to 15-year service agreements with MEPs with annual fees of around \$60 to \$120 per year. These lease costs do not appear on bills, but are absorbed by retailers – as they are a substitution for former costs to the retailer, the impact on the customer has been minimal. The Smart Grid Forum noted that the metering service provider or retailer, depending on their agreement, carries the risks of meter deployment and system cost overruns and the risks that their technology is superseded, or that their meter is switched out by a new retailer.

Are they “dumb” smart meters?

There is some criticism that retailers have not provided customers with the highest functioning smart meters available. Particularly those with In-Home Display (IHDs) which provide customers with close to real time information on their electricity consumption, or Home Area Network (HAN) interfaces which enable smart meters to communicate with customers’ digital devices such as computers, security systems and other “smart appliances” (e.g. heat pumps, washing machines) and control these remotely.

The NZIER prepared a report for the Electricity Authority on this point in 2009 which posed the questions whether the inclusion of these additional functionalities would be of net benefit to New Zealand as a whole and, if so, would the net benefits be greater from inclusion at the time of rolling out smart meters or retrofitting at a later time as consumers demand these additional functionalities?

"Smart data provides customers with greater visibility of their consumption and enables them to make savings by choosing a tariff that matches their usage profile"

The NZIER cost-benefit analysis concluded that the demand response to the additional functionalities would not be sufficient to offset the extra cost. I.E. until more New Zealanders have smart appliances and systems to manage their energy consumption, it would not be efficient to install those more expensive smart meters if people weren't going to use them. These issues will continue to be reviewed as technology develops, especially in light of changes forecast for distribution pricing models which will allow pricing that enables more informed consumption decisions.

It is important to note that the information smart meters can supply is generally only load or injection. Other information, such as spot price data or system information (e.g. generation source) would all be supplied by other market sources. Consequently, the most likely communication form is the internet/mobile technology and in home software to integrate the total information. International development is generally in this space.

Is 100% uptake realistic?

Smart meters are not universally welcomed and the data they provide needs careful management and is subject to regulation which retailers are bound to uphold. Three factors will ensure 100% uptake in New Zealand is not realistic, though it may come close to it.

There are groups that claim there are both health risks from electromagnetic fields or privacy issues through the shared information transmitted by the meters. The Ministry of Health (in line with findings overseas) has not found validity in the health claims, saying exposure to radio-frequency radiation is well below the radio-frequency exposure standard. The Electricity Authority has also released useful guidance on the matter.

The Privacy Commissioner has looked at issues around meters being used to work out times when houses are unoccupied, and warns that suppliers need to take additional care in how they use, store, and transfer information. The commissioner did also note that the introduction of smart appliances *"we believe ... has the potential to make the information from smart meters more valuable. We are keeping a watching brief as the technology develops and may adjust our view as necessary in future."*

The concerns exist in every country where the meters are being installed and groups exist to oppose smart meter installation. It is an individual's right not to have a smart meter if they so choose, and the concerns can be very real, but need to be balanced with the contractual rights of the retailer to access a property to install a modern meter. In some cases, where a customer is opposed to having a smart meter, retailers are cutting their losses and letting them know they can find a supplier that won't insist, rather than spend time arguing. As one retailer said: *"We have moved from trying to accommodate those customers who don't want a smart meter to instead encouraging them to find another retailer who does not have a smart meter programme. We have taken this stance as the scientific evidence on the comparable safety of smart meters and modems is overwhelming."* There is now, in fact, a company (The Legacy Metering Group) which exists to manage and install *"legacy meters"* where they are still required and requested by a Retailer.

The third reason that smart meters are unlikely to reach 100% roll-out is the suitability of the topography or the home. The topography means not every home in remote rural areas would be able to transmit or receive data. The suitability of the home means the ability to install on the meter board or the safety of the wiring. As this is the responsibility of the customer (providing space and safe wiring) there are instances where a meter cannot be replaced.

So long as customers can continue to be assured around privacy and health, and while efficiencies and benefits remain unchanged, uptake rates can be expected to continue to climb at pace. A best-guess would be an eventual uptake around the mid 90% range.

The role of retailers

Retailers are now offering new pricing structures using smart meters, including the availability of time-of-use pricing plans that use the half-hourly data provided. These plans are expected to be enhanced and increase as the distribution networks introduce more cost-reflective pricing. Some offer apps and website tools for this, which may allow customers to forecast monthly bills, helping to mitigating “bill shock”, particularly during the heavy-usage months of winter. Again, these sorts of options are not going to be something that each and every customer chooses or that each retailer provides, but the choice will be on offer.

New retailers are certainly taking advantage of the technology and bringing smart meters to the market by way of new deals and packages that give customers no option: like the deal, get the smart meter. While customer numbers for newcomers remain small compared to the more established players, they are attracting customers, particularly younger ones, to switch as the packages become more sophisticated.

Electricity Authority Chief Executive Carl Hansen sums it up best: *“Many of the new entrants in the electricity market over the last two years have built their business models on the basis of smart meter technology. This is creating new choices for consumers and further enhancing competition.”* But of course, in any competitive market, it isn’t all roses. One established retailer said such newcomers have *“piggybacked off the investment”* by established companies to build their business models and offerings. *“Without our investment ... the new boutique retailers would not have a business.”*

A requiem for old meters

And finally, as for whether the NZSO will perform an ode to old meters, well late last year the British Royal Philharmonic Orchestra performed [‘A Requiem for Meters’](#), a three-minute piece of music played entirely on instruments made from old gas and electricity meters. The Requiem was recorded at Abbey Road Studios and released for free on Spotify to raise awareness of the coming of smart meters. It is quite enchanting if you can spare 3min 18 sec.

Sources: ERANZ member companies, Smart Grid Forum, NZ Electricity Authority, Australian Energy Council, European Commission, US Energy Information Administration, Smart Energy GB.

Some international comparisons

The New Zealand retail sector can be proud of the uptake rate of smart meters, with only markets that have mandated their installation (such as Europe) doing better, as can be seen in the table below.

Country	Type of roll-out*	Total customers	AMI penetration	Notes
			(based on latest available information)	
Australia - total	Economic	5,535,203	12%	Data really hard to find. Power choice campaign has made the out and structure similar to New Zealand
Australia - Victoria	Large-scale	2,750,000	99%	Widely considered an unsuccessful roll-out due to cost overruns, redundant technology and unsatisfactory customer experience
Austria	Large-scale	5,700,000	Unknown	Rollout started 2010, expected by Dec 2020
China	Large-scale	500,000,000	66%	Difficult to get total consumer numbers
Estonia	Large-scale	630,000	Unknown	Expected 80% by Dec 2020
Finland	Completed	3,300,000	99%	
France	Large-scale	35,000,000	1%	Expected 95% by Dec 2020
Germany	Economic	47,900,000	0%	Possibly 80% by Dec 2020 - rollout just started, some articles quote by 2020
Great Britain	Large scale	30,000,000	1.20%	Expected 100% by Dec 2020, significant delays
Ireland	Large scale	2,200,000	0%	Expected 100% by Dec 2020
Italy	Large scale	36,700,000	100%	
Malta	Large scale	260,000	100%	
New Zealand	Economic	2,126,176	72%	Expected natural maximum of 100% by Dec 2018
Poland	Large-scale	16,600,000	5%	Expected 80% by Dec 2020
Romania	Large-scale	9,150,000	Possibly 5%	Expected 80% by Dec 2020
Sweden	Large-scale	5,200,000	100%	
United States	Varies by state – some subsidised	151,700,000	63%	Expected 90% by Dec 2021

Note: “Economic” roll-out means meters deployed only where cost-effective. “Large-scale” roll-out means deployed regardless of cost.

Source: Electricity Authority

A requiem for meters – recital

The Royal Philharmonic Orchestra has released its most unusual recital yet – a three minute requiem performed on instruments made from old gas and electricity meters – to mark the passing of analogue meters, the coming of smart meters and the end of estimated energy bills.



Policy work ERANZ is currently engaging on

Submission and cross-submission to the Commerce Commission on its updated decision on cost allocation for electricity distribution businesses (13 October & 25 October)

ERANZ supported the Commerce Commission's decision to remove the ACAM as a stand-alone cost allocation methodology for electricity distribution businesses. We agreed with the Commerce Commission view that this would ensure that consumers are not permanently precluded from sharing in efficiency gains from suppliers providing regulated and unregulated services together. ERANZ considers this is a step in the right direction to protect customers from inefficient cross-subsidisation, but continues to hold the view that arms-length provisions are preferable.

Feedback to the ENA consultation on the second version of pricing guidelines for electricity distributors

ERANZ is very supportive of the work being undertaken by the ENA on these pricing guidelines. Simplifying and standardising lines company tariffs and business rules is a means to improve retail competition, reduce retail costs and entry barriers, ultimately to the benefit of customers. We support the EDBs in pursuing compliance with these guidelines and requested a timeframe for adoption of the guidelines (in the form of a “dashboard” or “benchmark” to demonstrate transparency around when compliance would be achieved, or why it was not suitable in the particular circumstance of the EDB). This would certainly help to provide clarity for retailers, especially new retailers, looking to enter or make offerings in a wider range of regions.

Guidelines on Vulnerable Customers and Medically Dependent Customers

Work on the statistics, reporting and framework for these guidelines is continuing and we have some active sub-groups working on these matters. We are working to a Q4 time frame for progress on these which we will report at a later date.

Distribution pricing

We are engaging with the ENA on their “New Pricing Options for Electricity Distributors” technical consultation released on 3 November. ERANZ is supportive of the Electricity Authority recommendation that EDBs develop a roadmap for adapting to cost-reflective pricing and publish this by 1 April 2017. We agree with the ENA that a template for such a plan would be beneficial for effective communication across the sector and to the customer.

UPCOMING EVENTS

November 2016

- **10 November** | Revenue Assurance Retailer Forum meeting, Meridan office | Auckland
- **16 November** | The Energy Trader Forum meeting, Rydges Hotel | Wellington
- **17 November** | ERANZ Board and AGM stakeholder event with Minister Bridges | Wellington
- **18 & 19 November** | SEANZ, The Power Shift launch event | Christchurch. Details of the event can be viewed [here](#)
- **22 November** | ERANZ & ENA workshop on Future Pricing Options | 9.30am-1.00pm, MinterEllisonRuddWatts, Wellington
- **29 November** | "Energy Drives Business and Business is Brewing" stakeholder function with Brewers' Guild, ERANZ and MinterEllisonRuddWatts | 5.30-7.30pm, MinterEllisonRuddWatts, Wellington

Please note the ERANZ office will be closed from 23 December 2016 - 6 January 2017

March 2017

- **7-8 March** | Downstream conference | [Programme](#) is out now

Follow us on social media and via our soon to be launched website



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