



NEWSLETTER

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Welcome from the Chief Executive

Winter and elections are always a time when there is a renewed focus on energy prices. In this edition of the ERANZ newsletter we have a feature article on prices in New Zealand in an international and local context. What we found may surprise some, but it helps to cement the fact that New Zealand has one of the most reliable, renewable and affordable electricity systems in the world.



Among the industrialised countries that make up the OECD, we have the 11th lowest cost of electricity out of 31 countries. We are cheaper than Germany, Japan and the UK. Contrary to common belief of high and further increasing prices is that the real cost of electricity per unit actually dropped in 2016 for the first time since at least 2003 (the earliest available figures), and has been relatively flat for the past 4 years.

According to the Statistics NZ's Household Expenditure Survey for 2015/16 spending on electricity is only around 3% of average household expenditure. This is around four times less on average than people pay on groceries. What might surprise some even

more is that in fact, over the last 20 years, electricity as a proportion of average household expenditure has remained relatively constant between 3-4%. For a service that provides the facilities to cook our food, heat our water and our homes, provides lighting and power for our home entertainment, and drives our businesses and economy, it's a pretty good deal.

But we also know that keeping the bills down is of importance for electricity customers. That's why we know that importance of getting the basics right in the home, such as insulation, removing damp, having the right appliances and of course, being on the right pricing plan or structure for your lifestyle and needs. We've include some information on what ERANZ members and other key partners, like ConsumerNZ, are doing in that space.

May your winter be warm, and dry (*except your lakes - may they be full!*)

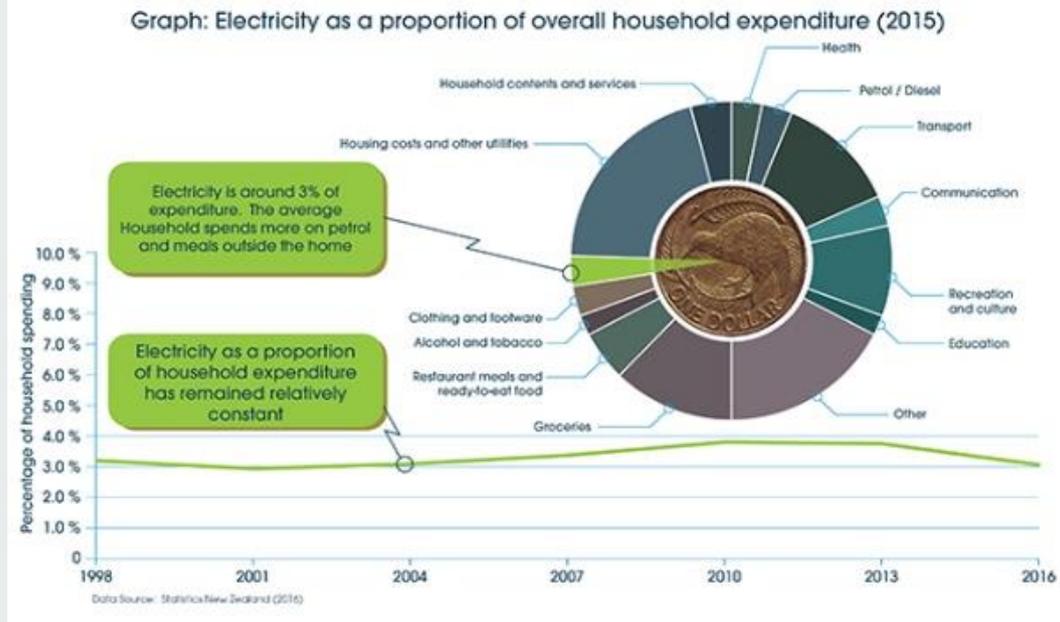
Featured Article

Electricity prices in New Zealand - busting some myths

As we head into winter, electricity prices will again be on people's minds. In this feature article, ERANZ focuses on 6 facts to dig a little deeper and find out what's really going on with electricity pricing in New Zealand.

[Read full story here](#)

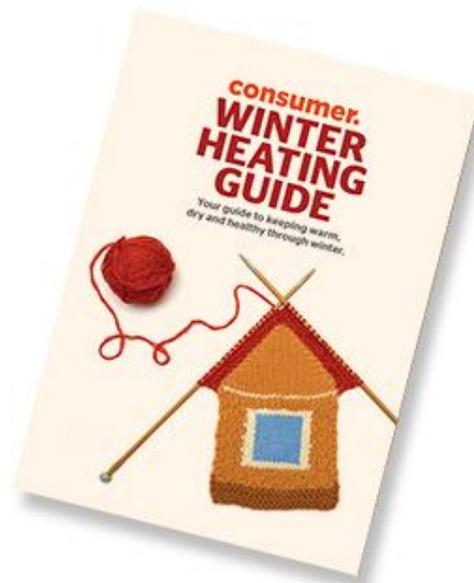
Electricity is a relatively small component of the average household budget



Getting the most from your power ahead of winter

Here at ERANZ we think that all New Zealanders should be able to enjoy a warm and dry home, especially over winter. Beyond the price you pay for the energy, getting the basics right in the home can go a long way to achieving a warmer and healthier home, and ERANZ and its members have lots of tips and tools to help.

[Read full story here](#)



Launch of the ERANZ Talking Heads Series



As Chief Executive of ERANZ I have the benefit of being involved in, or listening to, many and varied discussions with interesting speakers and experts. Many topics are of wider interest beyond the day to day operation of the electricity retail market, but are important to consider for strategic planning, and to make sure we are in touch with the issues of the day.

With that in mind, ERANZ has created a “Talking Heads series” to serve as a forum to share insights, and discuss issues of today and the future that may affect the electricity sector. There will be a range of speakers and topics, some will be only open to ERANZ members, and others will be open to others who are interested in the same areas. These forums will also serve as a networking opportunity for those in the sector.

[Read full story here](#)

ERANZ Board Changes

ERANZ has had two changes in member representation on the Board.

Kevin England has replaced Andrew Peckham as Mercury’s Executive Director and Charles Teichart has replaced Terry Barstead as Nova’s Executive Director.

Both Andrew and Terry were instrumental in the establishment of ERANZ and we thank them for their time, skills and leadership.

[Read full story here](#)



Little Sparks from the Electricity Sector

Movement on the Low Fixed Charge?

ERANZ welcomes the statement from Minister Collins that she has asked MBIE for advice on the effectiveness of the low-fixed charge tariff. Retailers, and distribution companies, have been calling for some time for low fixed charges to be looked at, so asking the Ministry of Business, Innovation and Employment (MBIE) to review it is a welcome development.

The fact that some of the poorest New Zealanders are cross-subsidising wealthier households because of the low-fixed charges is the opposite of what was intended when they were introduced in 2004. It is a complex issue that is linked to income, housing quality, appropriate appliances, as well as education and behaviour. We hope that a cross-sectoral, targeted investment approach will be adopted to address this important issue.

ERANZ and members looks forward to working with MBIE in their review of the charges.

Advice on use and protection of data from the Office of the Privacy Commissioner

The [Office of the Privacy Commissioner](#) has recently released advice to the energy sector about the collection and use of customer data. Retailers had been concerned about the increase in frequency and quantity of customer consumption data being requested from some lines companies, without appropriate protections or assurances being put in place. Retailers have a strong interest (and legal requirement) to ensure customer data is only used for the purposes for which it was collected, and to ensure any third parties are adequately protecting that data also.

In order to mitigate risks from infringing individual privacy, and damaging public trust in how the sector uses data, the Privacy Commissioner has recommended that lines companies adopt measures to mitigate privacy risks arising from these disclosures, namely:

- reviewing their privacy statements;
- updating them, where necessary, to include appropriate assurances regarding the use of smart meter data; and
- aggregating meter information where access to ICP level data is not required for network planning purposes.

ERANZ will be working with the Office of the Privacy Commissioner, the Electricity Authority, as well as the Electricity Networks' Association, lines companies and others in

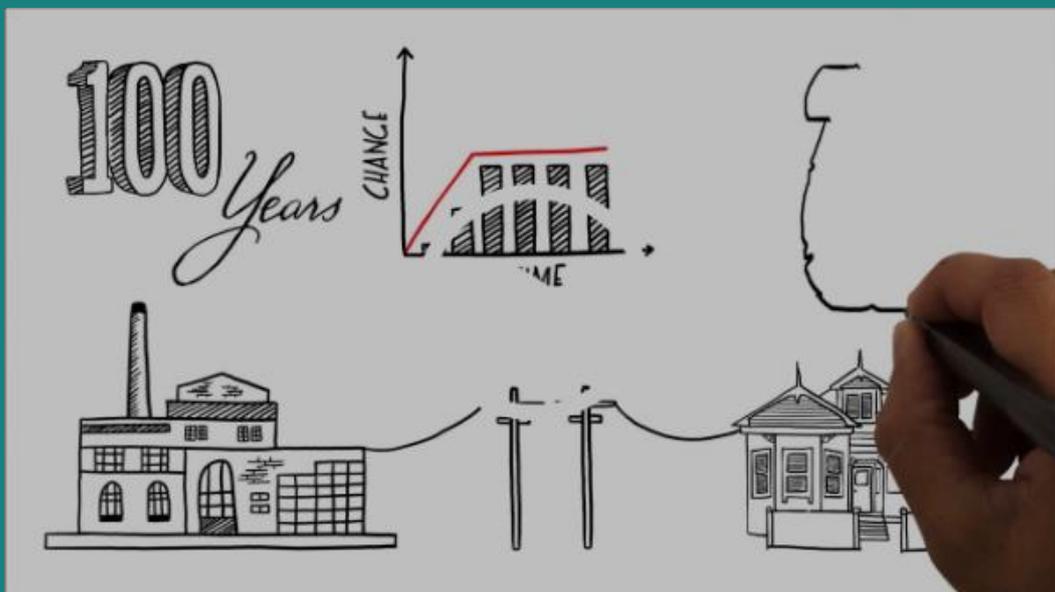
the sector to ensure that these issues around data can be addressed whilst also allowing for innovation, planning and distribution pricing reform to occur.

See the Office of the Privacy Commissioner website for a copy of the letter:

<https://www.privacy.org.nz/>

Comfort, control ... and batteries. Genesis Energy creates a reimagined energy world

Want to understand how our largest retailer is considering the opportunities from how customers can use technology to get comfort from and control of their energy? Check out this lovely [little video from Genesis Energy](#)



ERANZ activity - latest submissions



Related Party Transactions

17 May 2017 | Commerce Commission

ERANZ has recently submitted to the Commerce Commission on related party transactions.

Related party transactions are defined as those when a regulated business transacts with an entity which is related to it by a common shareholding or other common control. Many electricity distribution businesses (EDBs) have non-regulated entities - typically things like vegetation control, maintenance contracting, broadband installation, IT and payroll services, but some are moving into other areas of activity such as solar and battery providers. Related party activity is growing. In 2016 EDBs paid about \$360 million for services from related firms. That has risen from about \$200 million in 2012 - an increase of 80% in just four years.

At this juncture, the Commerce Commission is seeking submissions on the problem definition. They will be inviting further submissions later in August on their draft decision. The Commission is reviewing the way it requires firms to report those transactions. It is concerned that the application of the rules around related party transactions may not always be consistent with the intent, and some are not able to be verified as being akin to an arm's-length basis. This could mean that competition is stifled and may lead to higher costs for end consumers than would otherwise be the case.

ERANZ submitted to this process as we have an interest whenever costs for consumers may not be as efficient as they could be, through costs from the regulated and unregulated parts of monopoly services not being apportioned within the intent of the legislation. We also have a strong interest where there is an impact on competition, especially in areas of generation (solar and

batteries), or in end-services to customers (such as home energy management services) where the market can deliver innovative solutions and services. We are advocating a tightening of the disclosure requirements and believe EDBs should be required to be more transparent about their procurement processes for contestable goods and services.

[Read the submission here](#)

