

<b>Submission On:</b>	Inefficient Price Discrimination in the Wholesale Electricity Market – Issues and Options
<b>From:</b>	Community Energy Network
<b>Contact:</b>	Gareth Cartwright
<b>Date Submitted:</b>	22 December, 2021

## Introduction

Community Energy Network (CEN) is made up of 19 members throughout the country who are deeply committed to improving the health and resilience of their communities. Our members are all charitable trusts and community/social enterprises that provide a healthy housing and other energy services. Over the past 15 years CEN members have insulated and heated more than 120,000 homes and completed over 250,000 healthy home assessments.

In 2018, CEN began implementation of a strategy that promotes and assists communities to assess, install, and operate locally owned energy resources. Alongside our work on all key elements of healthy homes, this work stream gives us the opportunity to develop integrated community energy programmes for each community we are working in. Through using a community enterprise model, CEN members work directly on most of the issues relating to energy hardship while also supporting community wellbeing, resilience, energy security, employment, and community investment.

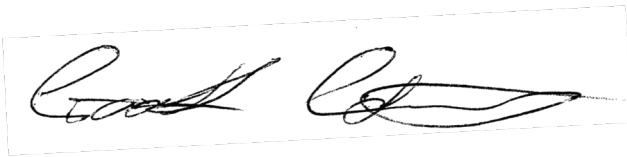
## Comments

CEN strongly supports the EA reviewing the pricing structure in the wholesale market. In the comments below, our motivation is focused squarely on ensuring that the cost of energy is minimised as a cause of energy hardship. We are also very aware that the country is in the process of developing a range of emission reduction and adaptation policies, strategies, and programmes. The overarching theme is that the energy required to ensure a home is warm, dry, and healthy is a basic human right and that this is required if we're going to achieve an equitable transition.

1. CEN submits that it will become increasingly important that communities are able to get directly involved in the supply of electricity to local households and businesses. This includes generation, storage, demand management and retailing. However, this isn't possible currently as it is too risky to purchase electricity on the wholesale market as a small community retailer cannot compete with gentailers in the hedge market.
2. Related to the comment above, it seems clear to us that gentailers can shift margins from their retailing business to their generation operations because they can control pricing through the hedge market as well as other mechanisms.
3. The impact of the above is that small community-based retailers cannot enter the market unless they also develop significant generation and storage assets at the same time. We note that it may be possible to negotiate small volume competitive pricing with the retailing arm of gentailers (based on a strong 'social licence' marketing position) but this would also be a largely one-sided negotiation and subject to change.
4. CEN submits that a FPVW Hedge product must be established that is available solely for community based and NFP retailers that are focussed on supplying households that are experiencing energy hardship.

5. Community Retailers are those that have the reduction or elimination of energy hardship as a core value. Any profit generated from retailer would therefore be funneled into supporting their community to reduce or remove other local issues related to energy hardship. As a minimum, this would include improving the quality of customer homes so that they are warm, dry, and healthy. Sustainability Trust, a member of CEN and longtime Warmer Kiwi Homes contract holder, is in the process of launching this type of retailer. CEN acknowledges that there is further work required to identify the criteria for what constitutes a community NFP retailer.
6. The market is also skewed in that there is no incentive for gentailers to move to low emission generation as retaining high-cost thermal generation creates greater profits for them. This must be addressed urgently if we are going to achieve our emissions reductions targets. Noted that based on the Climate Change Commission Advice Report and the draft Emissions Reduction Plan, the move to low emission generation must also allow for opportunities to ensure that there is an equitable transition for communities as well. That brings us back to the comments above regarding providing space for communities to engage in the sector at a meaningful scale.

CEN acknowledges the EA in providing us the opportunity to submit on this issue. We are committed to continuing this discussion and would welcome any opportunities in the future to engage with the EA further on this.

A handwritten signature in black ink, appearing to read 'Gareth Cartwright', enclosed in a thin black rectangular border.

Gareth Cartwright  
Executive Officer,  
CEN

027 655 8812

[gareth@communityenergy.org.nz](mailto:gareth@communityenergy.org.nz)