

Comment posted on *Newsroom* story “Gas and solar to help answer ‘power profiteering’ claims” 14 August 2024

The call to roll out rooftop solar on a grand scale is absolutely right – but it’s important to remember why it hasn’t happened already. New Zealand was level-pegging with Australia on rolling out new renewables until 2013, when part-privatisation killed new investment by the gentailers and anti-competitive market structures and pricing policies blocked private citizens from exercising their own initiative. (Besides which the installation cost of solar here is nearly double Australia’s because of the lack of scale and scope economies to date).

There are three key changes needed right now to unlock rooftop solar and battery backup:

1. Repeal the lines-energy split that was central to the Bradford reforms. That would mean that the local distribution companies (or new entrants!) could get back to their long-ago role of integrated operation of local energy systems and markets – both investing in, and coordinating, decentralised renewable generation and battery backup at community level.
2. End Transpower’s monopoly pricing arrangement under which all grid charges are compulsorily passed through to lines companies to pass through to all connected customers as (steadily rising) fixed charges. Those fixed charges really hurt the economics of rooftop solar (because even if you no longer require grid-supplied power you still carry the full grid costs unless you disconnect completely). Ideally, go back to the old Bulk Supply Tariff pricing arrangement under which the big gentailers would have to pay Transpower to carry their power to Grid Exit Points, where bundled wholesale supply would have to compete head-to-head with local distributed renewable generation. It’s called “competition for the market” and it has been completely stifled by the Bradford arrangements. Oil companies don’t (because they can’t) impose a fixed charge to drive into a petrol station. Supermarkets don’t (because they can’t) charge entry fees. They have to recover their fixed costs through variable charges.
3. Break up the gentailers to eliminate the self-hedging, barriers to entry and market-sharing that has kept independent retail confined to a tiny fringe. (And yes, the distribution companies, if freed from the lines/energy-split shackles, could be part of a retail revival).

As for Contact’s self-serving rhetoric about big balance sheets to fund investment, check out the last two decades. These fat cats didn’t get fat just yesterday – they got fat and stay fat by squatting on undeveloped investment opportunities that they control directly, while blocking entry by distributed generation. As for the Electricity Authority, the important thing to remember there is that as soon as it was set up in 2013 it demanded a memorandum of understanding relieving it of responsibility for regulating prices.