Minutes

Customer Advisory Panel

When: 2:00pm – 4:00pm, Friday 28 May 2021

Where: Waimakariri Room, Orion

Attendees: **Geoff Ball,** Managing Director, Hagley Windows and Doors; **Michaela Blacklock**, GM, Canterbury Employers' Chamber of Commerce; **Dennis Carter,** Managing Director Carter Seed Management (NZ) Ltd; **Abigail Field**, UC Electrical Engineering student; **Bebe Frayle**, Burwood and Coastal Community Board; **Matthew Mark**, CEO/City Missioner at Christchurch City Mission; **Caroline Shone**, CEO Community Energy Action; **Simon Templeton**, CEO Age Concern; **Cherie Tirikatene**, CEO SEED New Zealand; **Danny Wilson,** Head of Operations and Commercial Meridian Energy.

Orion: **David Freeman-Greene**, Interim Orion CEO; **Jono Brent**, Group Transformation Lead; **Paul Deavoll**, GM Customer and Stakeholder; **Alex Nisbet,** Pricing Manager**; Linda McGregor**, External Engagement Lead; **Michelle Flanagan**; Community Engagement Lead.

Apologies: **Janetta Skiba**, Director of Nursing / Education Coordinator at Rural Canterbury**; Dayle Parris**; Interim GM Commercial

Item	Item overview
Welcome and Introduction	Linda McGregor welcomed everyone to the meeting and welcomed our new member Dennis Carter from Carter Seed Management. We had a round of introductions, sharing a little about ourselves. Linda passed the coordination of the Customer Advisory Panel onto Michelle Flanagan, Orion's new Community Engagement Lead.
What's on your mind?	Paul Deavoll led a session asking the Panel what they wanted to know about Orion and our business. We asked Panel members to write their thoughts down on sticky notes. These notes indicated the Panel would be keen to understand more about the following: **Climate change:** • What is Orion doing to support and promote decarbonisation? • Currently Huntly is burning imported coal, this has impacts on our carbon footprint and a clean future • What is Orion doing to encourage solar power uptake? • Mapping the degree to which investment in, and in combination with other key stakeholder groups, impacts the strategy – investment versus impact. **Supply:** • We need think big schemes back – what is happening with planned hydro power? • The key is to have power supply – what is Orion doing about supply now and in the future? • Renewable energy sources (water and wind) – how Orion encourages this? • How has the at home electricity generation trend changed?

	Electricity industry: • Greater transparency in power structures needed • Changing the pricing model and structure • Is the current industry system the best way of working, are sector reforms needed? • Investigation on influence of the retail sector • How does Orion prioritise meeting the consumers environmental needs and the consumers cost wants/needs? • What is Orion doing to increase energy usage efficiency? • Orion tree cutting subsidy, what are the cost savings for Orion? **At home:** • Orion and CCC encourage electricity as a heating source – this has good and bad elements to it • Information on energy smart and saving appliances • Advice and support on home insultation **Power poverty:** • What is Orion doing to combat power poverty? • What is Orion doing to provide additional layers of support to others in the sector that understand vulnerable families? • Need to be on the ground to understand what is affecting our vulnerable families • Working across all sectors, saying and doing the same thing, what should we all do? **Working together:** • How can the activities/initiatives/key areas of focus across the city agencies (e.g. Enable) be leveraged to turn the dial faster (integration, collaboration, co-creation)? • What information/communication measures can we both be saying to improve regional prosperity and leadership? • What can we as a group do to work in a collaborative partnership to achieve better climate change outcomes? From these suggestions we have drawn the following key questions or topics for potential future Panel sessions: • What more can the electricity industry and Orion do to support and promote decarbonisation? • What should be Orion's position on the electricity industry and Orion encouraging growth in renewable supply? • How can Orion and the electricity industry increase energy efficiency? • Does the Panel think the current electricity industry set-up is the best model? • Does the Panel think sector reforms are required? • How can Orion and the industry resolve power poverty? • Should Christchurch City Holdings Group companies work together to realise better decarbonisation opportunities for our communities?
Let's talk about pricing	The theme for this Panel session was pricing. Electricity regulators are looking at changes in how electricity is priced. Consumers are also changing how we use electricity, for example sharing home generated renewable energy.

Conversation #1 – Universal Pricing versus Locational Pricing	Alex Nisbet talked us through two different pricing models: Universal versus Locational or User Pays pricing. **Background** Currently, customers in low density locations pay the same network costs as those in high density locations. This means that customers in urban areas pay the same as customers in rural areas even though it costs more to supply a low-density area. Also, customers using the network to share generation pay as though the electricity has flowed through the whole network when it might have just travelled next door. Why is this important: • Some investment in the Orion network may only benefit some people but everyone pays equally • Universal pricing may be a barrier to the sharing of electricity generated by a home or business as it does not provide any incentive to share • Efficient pricing helps people make decisions on alternative supply If we move away from Universal pricing, where everybody pays the same, to Locational or User Pays pricing, where those that benefit pay: • Rural customers pay the cost to supply electricity to a low-density area – this would be a cost increase • A large increase for rural customers would see a small cost decrease for urban customers **Question – Do you favour Universal Pricing or Locational Pricing?** We asked the Panel whether they favoured Universal or Locational pricing. The feedback was a preference for Universal pricing with the following comments made in support: • Overall it is more acceptable, fair and equitable • It is easier for people to understand, and lets people compare retailers to get the best deal • Electricity is a need for all, by spreading the cost a few are not heavily disadvantaged • Locational pricing will force our rural food producers to either absorb increased costs or pass these onto consumers – everybody loses • Those living rurally already suffer higher costs to live in those locations • Locational pricing will cause inequality for the most vulnerable in our community • Locational pricing could create an unfair charge/monopoly • Universal pricing will help rural communities where it would normally cost more • To achieve the collective aims of the community to reduce emissions and move to greater equity there are other actions we could take. Without due consideration of other options to achieve the same ends the decision to pursue Locational pricing is flawed. • The regulators argument (to move to Locational pricing) is economically based. This lack of an integrated argument (lack of regard for the vulnerable) makes it too challenging to support Location pricing. The Panel did provide one comment in support of Locational Pricing: • Locational Pricing would encourage private investment in electricity generation (e.g. solar and wind)

Conversation #2 – Low fixed charge pricing	Alex talked us through low fixed charge pricing.
	
	Background
	
	Your electricity bill shows two charges:
	
	• Daily fixed charge - a fixed rate per day
	• Variable charge - based on electricity used
	
	Households that use less that 9,000kWh per year can chose to go on a low fixed charge price. This caps the fixed charge to 30 cents per day. This low fixed charge does not cover the costs of connection to the network and these costs are recovered through the variable charge. This means that households that use more power are subsiding households that use less power.
	
	Low fixed charge pricing benefits small households (who typically use less than 9,000 kWh/year). These are generally high-income households, in newer, well insulated housing with efficient heating and appliances. These households also have options for alternative electricity generation such as home solar.
	
	Low fixed charge pricing does not benefit larger households (who use more than 9,000kWh/year). These are generally low-income households in older rental housing with poor insulation and inefficient heating and appliances. These households also typically can't afford alternatives such as home solar.
	
	The regulations are set to change, with the low fixed charge requirement being phased out. Orion thinks carefully about the balance between fixed and variable charges and the impacts of any change. A higher fixed charge and lower variable charge will encourage our customers to use the network to share energy resources, encourage the uptake of EV, and benefit high users in hardship. However, this will also make solar generation less attractive and will hurt people, particularly the elderly, living alone.
	
	Question – Should Orion adjust the balance between fixed charges and variable charges?
	
	We asked the Panel where they sat on a spectrum between higher variable charges and lower fixed charges at one end, which is the current situation, and lower variable charge and higher fixed charges at the other end. There was a wide discussion around this and a general feeling that the issue is much more complex than an either/or decision. General comments from the Panel included:
	
	• There are vulnerable people that are affected at both ends of the spectrum – the elderly benefit from a low fixed charge model, and larger families would benefit from a lower variable rate model
	• Home solar generation is low now but will increase over time. A higher fixed charge could bring more pain later after people have invested (this means the payback periods on home solar may make it uneconomic).
	• Asking us to favour or benefit one sector of the community over another
	• Does this need to be an either/or decision, can there be a mixed model that benefits all? Is there a more flexible model?
	• Are there changes outside pricing that can help achieve the social and environmental outcomes?
	  • Education to change power use behaviour
	  • Subsidies or financial support
	  • Energy assistance
	• Can there be a pricing model for necessary electricity use, as a basic human right, and pricing for discretionary use above that?

	• Can the pricing model change?
Wrap up and close	David Freeman-Greene summarized the discussion on the two aspects of pricing we discussed. Paul Deavoll gave an overview of the Orion Energy Accelerator: https://www.orionaccelerator.nz/.