

# COUNTIES POWER CONSUMER TRUST

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## Submission by Counties Power Consumer Trust on Productivity Commissions “Technological change and the future of work” Issues Paper

**4 June 2019**

Counties Power Consumer Trust exercises ownership of the assets of Counties Power Ltd on behalf of approximately 100,000 electricity consumers (41,000 connections) in the supply area situated between Vector Limited to the north, and WEL Networks Limited to the south. As well as supplying a number of New Zealand’s most productive industries, our company also supports a rapidly growing consumer base.

### *Electricity distribution and technology*

The efficient and reliable supply of electricity is essential to the successful deployment of new technologies. Those technologies are also fundamental to, not only the efficiency of electricity distribution itself, but also to the interface between consumers and the various communication, collaboration and control systems that are emerging as key elements of 21<sup>st</sup> century business and household management.

Accordingly, our submission is focussed on ensuring that the role of electricity distribution is understood in the scenarios described in the issues paper, and that the path forward includes the optimal use of distribution systems and associated technologies.

### **Scenario One** - *Technology adoption accelerates in a way that creates at least as many jobs as it destroys*

If this scenario is to prevail then we believe that companies such as Counties Power will be required to play a leading role in investigating and investing in technologies that empower consumers. As households and businesses become more involved with technologies that reduce their energy costs and widen their opportunities, they can be expected to develop new activities many of which are likely to be ‘spin-offs’ from the systems put in place by their electricity distributor.

For example, as solar power and – conceivably – fuel cell technologies become commercially viable we would expect consumers would be attracted to a modern form of *cottage industry* and *community-level* investment, involving technologies such as 3-D printing and smaller scale specialised manufacturing. Investments of this type would utilise surplus and off-peak electricity supply, supported by battery storage, and would take advantage of the many on-line tools being developed that reduce the constraints created by economies of scale and distance from markets.

Electricity distributors are already preparing for transformative changes of this type, recognising that they need to evolve rapidly in order to remain commercially relevant. In particular, consumer-owned

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companies such as Counties Power (i.e. the majority of New Zealand's electricity distribution businesses) are taking the lead in looking for ways to match their forward investment plans with emerging consumer requirements.

**Scenario Two** – *Technology adoption accelerates and its overall effect is to replace labour*

The counterfactual to Scenario one would be Scenario two, where 'one size fits all' technologies are put in place by a relatively small number of centralised players (huge conglomerates such as Google and Amazon, perhaps working in conjunction with a few larger New Zealand companies), with some jobs moving off-shore and others disappearing and not being superseded by new activities.

Under this scenario wealth would likely be created overseas rather than in New Zealand. We consider that successful local businesses would tend to be taken over and 'rationalised' by foreign conglomerates and management structures and jobs would relocate to larger economies.

**Scenarios Three**

**and Four** - *Technology adoption slows, with less job churn and less change in the nature of work, or continues at a pace similar to the last two decades*

Both of these scenarios imply economic stagnation but we recognise that they incorporate quite seductive messages to conservative investors and managers. 'Wait and see' decisions have been a feature of quite a lot of commercial analysis in New Zealand, as has a level of cynicism about the pace and impact of technological change. In particular, larger vested interests may feel threatened by technologies that could disrupt orthodox production and supply chains.

For example, we are aware of the push from elements among the major electricity generator/retailers ('gentailers'), apparently supported by some regulators, to exclude companies such as Counties Power from "contestable markets" – i.e. from provision of new technologies that threaten the orthodox 'top-down' supply of electricity from those major national players.

This would lead to a 'business as usual' outcome for the established major gentailers. Consumers would remain locked into top-down arrangements, where the commercial priorities of the gentailers would tend to prevail over any significant roll-out of technologies that empower consumers. Companies such as Counties Power would be locked out of investments that empower their consumers, while their evolution from traditional *pole and wire providers*, as new technologies emerge, would be impeded.

***How might New Zealand chart its own future course through the development and use of technology?***

We agree with and support the comments in the Energy Trusts of New Zealand, (ETNZ), submission about the need to adopt a forward-looking regulatory approach, rather than remain locked into control and surveillance systems that emerged in the UK and other overseas jurisdictions in the 1980s and '90s.

We also support the points made by ETNZ about converging technologies, and about the associated need for an integrated focus on cyber security.

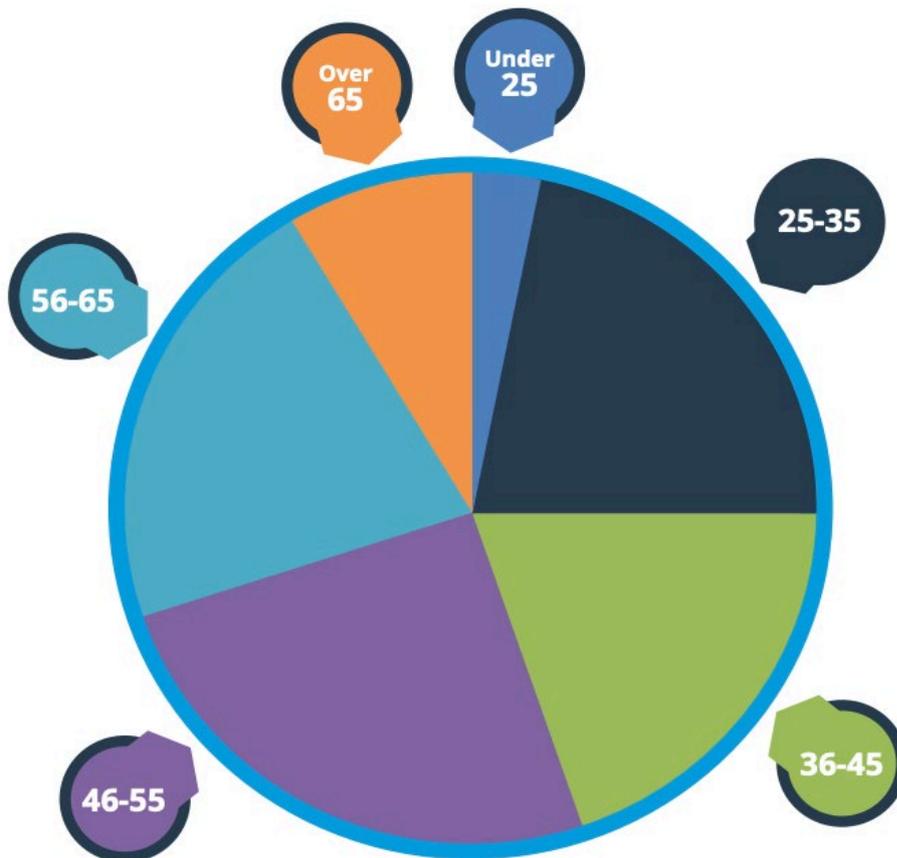
Like ETNZ we are aware of the workforce issues facing the electricity distribution industry, as linesmen, technicians and other key elements age, and as pressures from overseas threaten to draw younger workers away just as New Zealand's electricity distribution system faces renewal and transformation challenges.

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In order to provide for technological challenges, we believe it is important to reinforce the apprenticeship model to enable new people entering the workforce to be trained in new technologies. Our company actively participates in an apprenticeship scheme, across all sectors of its business and this has proven to be most beneficial to the company and new employees.

Given the ageing workforce, some form of upskilling and retraining of employees in this grouping is, we believe, important to tap into their knowledge and experience. The process must, however, be accessible and empowering.

#### Average age groupings: Registered electricity workers



Summing up, Counties Power Consumer Trust recognises the importance of the Issues paper in drawing out views on successfully transitioning to new technologies. We believe that the next phase of this work would benefit from a focus on electricity supply that recognises the contribution that electricity distributors can play in ensuring maximum consumer benefit from those technologies.