

CONSUMER COALITION ON ENERGY (CC93)

Spokesperson: David Russell

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Consumers' Institute
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David Healy
Chief Adviser, Network Performance Branch
Commerce Commission
PO Box 2351
WELLINGTON
Delivered by email to david.healy@comcom.govt.nz

Dear David

Facilitating consumer advocacy for forthcoming threshold reset process

The Consumer Coalition on Energy (CC93) represents a diverse and significant electricity end consumer constituency. We have and wish to continue to provide credible evidence in submissions to and representations at Commerce Commission conferences.

The Commission paper titled "Regulation of Electricity Lines Businesses, Reset of Thresholds, Process Paper" released on 28th May 2007 includes:

- Four steps where submissions on significant consultation papers are to be sought, ie:
 - Options paper (September 2007);
 - General issues and initial options for pricing component (November 2007);
 - Methodology paper (May 2008);
 - Draft decision (September 2008);
- A conference where interested parties have an opportunity to present and be questioned by the Commission, followed by cross-submissions (October 2008); and
- A final step providing for comments on the draft Gazette notice (February 2009).

The analytical options that are likely to be covered include the existing regime as well as others signalled in the consideration of options for the current thresholds, ie Total Factor Productivity Analysis, Stochastic Frontier Analysis and Data Envelope Analysis¹. There is also likely to be greater consideration given to contractual mechanisms to better align the needs of end consumers with the incentives on line companies to meet those needs. These are complex matters that will require specialised expertise to consider.

The lines companies can sustain the resources to engage with the Commission on this reset process; mainly because they have the opportunity to pass the cost of their campaign through in line charges. End consumers though cannot pass the costs of employing expert advisors to provide some counter-balancing views. As a result there is a risk that for the reset process end consumers will be unable to effectively engage and provide credible comments to the Commission.

CC93 suggests that the Commission as part of the reset process consider establishing a mechanism whereby bona fide requests by consumer groups for assistance to engage expert advisors can be considered. In Australia the National Electricity Consumer Advocacy Panel (refer <http://www.advocacypanel.com.au/default.htm>) has been providing such funding since 2002/03. For 2006/07 funding totalled Au\$1.925m.

While the specifics of the Australian model may not be appropriate for New Zealand, what's important is that the Commission recognise that unless a mechanism is found to ensure end consumers have access to expertise, then the threshold reset process will be very much one-sided in favour of the lines businesses.

We would welcome an opportunity to discuss this further with the Commission. This submission is not confidential.

Yours sincerely



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¹ These were discussed in the Commerce Commission discussion paper, Resetting the Price Path Threshold, 30 May 2003, refer <http://www.comcom.govt.nz/IndustryRegulation/Electricity/ElectricityLinesBusinesses/TargetedControl/ContentFiles/Documents/pricpathreset30may2003.PDF>