



MAJOR ELECTRICITY USERS' GROUP

28 September 2007

Janet Humphris
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Electricity Group, Energy and Communications Branch
Ministry of Economic Development
WELLINGTON
By email to electricity@med.govt.nz

Dear Janet

Submission on s.62 of Electricity Act (2013 review)

1. This is a submission by the Major Electricity Users' Group (MEUG) on the discussion paper "Review of section 62 of the Electricity Act 1992 'Continuance of Supply' (2013 review)" published on 21 August 2007 by the Ministry of Economic Development (MED).
2. The discussion paper suggests some options and asks a number of questions. The obvious option that the existing s.62 provisions should stand, that is the obligation to supply lines services expires, needs to be considered. While this might not be politically correct, it is necessary for any Regulatory Impact Assessment as options are firmed up.
3. The answers by other parties to the questions in the paper will be useful in considering in more detail the options for the planned second consultation round. For example question f) in paragraph 60 asks "*what terms and conditions for continuance of supply do consumers that were connected after 1993 have in their contracts?*" MEUG would like to view the replies to this and other questions before making more detailed comments.
4. Overall MEUG accepts that all the options suggested in the paper, along with the status quo, should be further considered except for option (f) that requires a subsidy from all electricity users. Subsidies are appropriate where an identifiable market failure needs fixing and there are no other lower cost options available. The policy issue with s.62 isn't about market failure, it's about equity.
5. One aspect not mentioned in the paper is the length of service that different consumers have benefited. For example a customer that has been supplied from an uneconomic line since 1945 will by 2013 have had 68 years of line service; whereas a customer supplied since 1993 will have had 20 years of supply. From an equity perspective the customers that have been subsidised for 68 years have had a very good deal. The customers that have had line service surety for only 20 years may have a stronger equity case.

Yours sincerely

Ralph Matthes
Executive Director