



MAJOR ELECTRICITY USERS' GROUP

7 March 2011

Commerce Act Levies Consultation
Ministry of Economic Development
By email to levy.consultation@med.govt.nz

Dear Madam/Sir

Submission on Revisiting Funding of the Part 4 administration

1. This is a submission by the Major Electricity Users' Group (MEUG) on the Ministry of Economic Development discussion paper, Revisiting Funding of the Regulation of Electricity, Gas and Airports under Part 4 of the Commerce Act 1986, published 27th February 2011¹. The discussion paper proposes an increase in funding above current Baseline levels for the Commerce Commission administration of Part 4, Regulated good or services, for years ended 30th June 2012 to 2016. Commission litigation costs are funded through a separate mechanism².
2. MEUG supports the proposed increase on the basis that prior appropriations were³ *"set in a piecemeal manner", "for the most part, set prior to the legislative changes in 2008"* and we agree with the observation in the discussion paper that⁴ *"the value of what is at stake is significant"*. The carried over Baseline appropriation levels are not fit-for-purpose and need to be increased.
3. If anything the discussion paper under-estimates the importance and quantum needed to adequately resource the Commission for three reasons:
 - Paragraph 57 of the discussion document lists some of the consequences of poor decision-making and delays resulting from inadequate levels of appropriation. We agree with those and would add the risk of the credibility of Part 4 being undermined. Short-cuts in analysis and decisions based on poor data may lead to outcomes either actually, or perceived to be, contrary to the long-term benefit of consumers. Parliament may then decide to replace Part 4 with a heavier handed regime.

¹ Refer http://www.med.govt.nz/templates/MultipageDocumentTOC_45674.aspx

² Refer footnote 7, p23 of the Discussion Paper

³ Ibid, paragraph 35

⁴ Ibid, Paragraph 18.

- To maintain high quality outputs and innovation in regulatory practice, the Commission needs to be properly funded. New Zealand cannot afford to be just one of the OECD pack when it comes to regulatory frameworks. We need to innovate our thinking on how to incentivise line monopolies to understand the needs of end consumers and to manage resources to meet those needs.

For example changing metering and communication technologies (particularly speed and reliability of communication systems and computing speed to process large volumes of real-time data) may significantly change electricity sector business models. The smart metering roll out in New Zealand is much less regulated than elsewhere in the world. There are therefore few precedents we can use from other countries to adapt Part 4 to take advantage of new and more timely information individual end consumers will have relating to the energy and line services they consume. The Commission needs to be adequately resourced to take advantage of such opportunities to innovate the regulatory framework.

- In several places the discussion paper notes the importance of stakeholder engagement between the Commission and Part 4 regulated entities. There is little recognition of the importance of engagement with end consumers. More engagement is needed to first, understand the needs of end consumers from more than just a theoretical construct, ie what are the real world issues for end consumers and can the regulatory framework evolve to meet those?

Second, the Commission needs to pro-actively communicate the results of information disclosure to end consumers. There may be insights end consumers will have on the performance of Part 4 regulated parties that the Commission may not be aware of.

4. This submission is not confidential.

Yours sincerely



Ralph Matthes
Executive Director