



MAJOR ELECTRICITY USERS' GROUP

18 February 2008

Mr David Healy
Chief Adviser
Network Performance Branch
Commerce Commission
By email to electricity@comcom.govt.nz

Dear David

Submission on Threshold Reset 2009 Discussion Paper

1. This is a submission by the Major Electricity Users' Group (MEUG) on the Commerce Commission paper, "*Regulation of Electricity Lines Businesses – Targeted Control Regime, Threshold Reset 2009 Discussion Paper*," dated 19th December 2007 (the "discussion paper"). A number of very useful supporting reports by Farrier Swier Consulting, Meyrick and Associates and Parsons Brinkerhoff Associates were also released.
2. The discussion paper discussed four broad areas for the reset, ie efficient operation (ie productivity and profitability) of Electricity Distribution Businesses (EDBs), efficient infrastructure investment, appropriate service quality and refinements to the overall arrangements¹. MEUG's only comment on the general direction for these broad areas relates to service quality.
3. In the absence of competing suppliers to meet the needs of consumers, MEUG suggest empowering consumers through contractual rights and obligations will create more innovation and efficiencies than a regulator "standing-in" for consumers. MEUG accept that requiring EDBs to have an active engagement process with consumers and ultimately to offer different service levels at different prices is not easy. However it is possible as Orion² demonstrated when offering a lower reliability to new subdivisions in Christchurch in return for lower line charges than would otherwise have been the case. This type of innovation needs to be fostered. The existing consumer engagement threshold is valuable because it stretches EDBs to think more about costs and quality trade-offs for consumers than if that measure were simply part of the information disclosure requirements.
4. We look forward to the next round of consultation on the 2009 threshold reset.

Yours sincerely

Ralph Matthes
Executive Director

¹ Refer discussion paper, pp iii to v for a summary overview of each of these

² Refer <http://www.oriongroup.co.nz/publications-and-disclosures/consultation/security-of-supply-standard.aspx>