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IPAG – submissions@ea.govt.nz

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IPAG request for views on access arrangements for transmission and distribution networks

ETNZ has the following concerns arising from the access arrangements discussion, focussing in particular on the objectives of promoting competition, innovation and mass participation:

1. Regulatory uncertainty is a major barrier to commercial initiatives where other risks are apparent, notably investment in new technologies, and entry into new markets.

2. Most of the distribution industry is owned by consumer trusts, whose beneficiaries are the potential 'mass participants' that IPAG hopes to promote. Trust-owned companies are very interested in developing and encouraging local options that bring benefits to their shareholders and their communities, and have strong incentives to promote these outcomes.

   The ongoing Electricity Authority focus on the supposed advantages of limiting distributors to a role as 'platforms' for retailers and other parties to use to provide innovative technologies raises serious uncertainties for trusts. While our members would like to support their distribution companies in moving forward with trials and other investments in new areas, the prospect of a further '1998-style' regulatory initiative is a major impediment to such moves.

3. The protracted and inconclusive process of transmission pricing reform creates considerable uncertainty, particularly in parts of the country where competition amongst and with retailers is weakest. The one transmission pricing initiative that has made progress – the EA's preference for removing the ACOT arrangements – would have the effect of removing the only current material incentive (in terms of section 54Q of the Commerce Act) for mass participation in local energy markets.

4. While the original rigid line/energy separation rules introduced in 1998 have been broken down progressively through successive reforms, they still remain as a disincentive to a large segment of the electricity industry entering the energy market. It is questionable whether any significant benefits are delivered by the remaining separation requirements, and a hard look at the case for abolishing them completely would be useful.

5. Entry by 'mass participants' – such as households and community groups - into any part of the electricity market governed by the Authority's Code is a very demanding process unless some other agency with the industry knowledge and resources needed to understand and comply with the Code provides a simplified entry facility. With the bulk of the energy market controlled by combined generator/retailers (who have clear incentives to maximise returns for their own investments) we envisage that the most effective competitive moves involving mass participation will come from local developments such as community projects and distributor-led ventures. Facilitating moves of this type, rather than attempting to find some other formula for achieving mass participation, would seem to be the correct regulatory approach.

   ETNZ is not aware of any robust evidence that distributors are discriminating significantly against other parties in the introduction and connection of new participants. If they were to, then this would be a matter where the Commerce Act provides for policing and enforcement. We could see a role for the Electricity Authority in notifying the Commission of any such irregularities it observes but we do not accept that the Authority should attempt to pre-empt such irregularities by seeking structural changes such as enforced exclusion of distributors from certain activities.

6. We note the minuted IPAG discussion on interaction between the Commerce Act/Commission and the EA's responsibilities. As parties subject primarily to the Commission's regulatory oversight, distributors and their owners value transparency on all regulatory interface issues that have an impact on their businesses. For example the point made in '3' above, about the clash between the proposal to remove ACOT incentives and the requirements of *section 54Q*, stands out. In this, and in any similar interface situations, a joint discussion document between the two regulators contrasting the expectations of each, and open for public submission, would seem sensible.

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Chair, ETNZ