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Andy Burgess  
Head of Energy, Airports and Dairy  
Commerce Commission

via online portal

## **Review of the Commerce Commission's funding for the regulation of electricity and gas networks under Part 4 of the Commerce Act 1986**

Thank you for the opportunity to provide feedback on your discussion paper, *Review of Commerce Commission's funding for the regulation of electricity and gas networks under Part 4 of the Commerce Act 1986* (the Act), published 10 December 2020.

The points we wish to emphasise are set out in this letter and so we have elected not to respond to the detailed consultation questions.

### **1. Changing energy landscape**

Consumers' requirements of the type and volume of services from the energy sector will change significantly over the coming decades. The recently published Climate Change Commission's consultation document, and our own analysis of future scenarios,<sup>1</sup> emphasise the changes that are required in the energy sector to support decarbonisation in New Zealand. This includes, but is not limited to, the need to electrify process heat and transport.<sup>2</sup> To enable this transition, energy networks throughout New Zealand will need to undertake significant levels of investment.

The Commerce Commission (the Commission) plays a critical role in balancing the three aspects of the energy trilemma (equity, sustainability and security) amid this rapidly changing energy landscape. Accordingly, we support the Commission being appropriately resourced to ensure that it can effectively and quickly assess energy networks' proposed consumer outcomes and associated investment plans.

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<sup>1</sup> See '[Whakamana i te Mauri Hiko – Empowering our Energy Future](#)', published in March 2020.

<sup>2</sup> See '[Electrification Roadmap](#)' launched on 10 February 2021.

## 2. Asset stewardship

The increasing demands on electricity networks, alongside an existing asset base that requires significant refurbishment, place further pressure on network owners to appropriately balance the costs and risks in their investment decisions.

The Commission has a critical role in incentivising effective asset stewardship in electricity and gas networks. It is essential that the Commission has the capability and capacity to assess, and engage with consumers on, network owners' asset management plans. This will enable the Commission to create the right outcomes and incentives, and to monitor the implementation of those plans.

## 3. Review of Input Methodologies

The review of the Input Methodologies (IMs) is an important workstream. The review is an opportunity for the Commission to evolve the IMs so that they are flexible enough to enable the electricity and gas sectors to meet the requirements of our changing energy landscape.

We support the Commission being funded to undertake its upcoming review thoroughly. If additional funding is not provided, there is a risk that aspects of the IMs will act as a barrier to the sector's transition, rather than as an enabler. The review will also allow the Commission to make incremental improvements to the existing rules, which is important to ensure the rules operate as intended, with clarity and certainty.

Overall, we support the Commission's request to increase its funding, particularly to ensure that the IM review is undertaken in a thorough way that covers all the opportunities and challenges facing the industry. We do not consider it appropriate for us to comment on the specific level of funding the Commission is seeking, but we do agree with the Commission that expectations and demands of regulating the sector are increasing.

Yours sincerely,



Joel Cook

Regulatory Affairs and Pricing Manager