

16 November 2021

Chair of the Select Committee
c/o Economic Development, Science and Innovation Committee Secretariat
Parliamentary Buildings
Wellington 6160

Tēnā koe,

[Transpower submission on the Electricity Industry Amendment Bill](#)

Transpower New Zealand Limited (Transpower) appreciates the opportunity to make a submission on the Electricity Industry Amendment Bill (the Bill) that was introduced to Parliament on 9 September 2021.

The Bill builds on the recommendations from the Electricity Price Review report which we support. Several amendments are proposed that will affect how the electricity industry is regulated. As both the owner of the national grid and the system operator, Transpower plays a vital role in the electricity industry. An effective and transparent regulatory regime is essential for us to continue to efficiently deliver electricity across New Zealand.

Transpower supports the intent behind the Bill where it clarifies the regulatory role of the Electricity Authority (the Authority), addresses the need for a responsive regulatory regime, and provides a strengthened voice for consumers. In particular, we support the proposed changes to the Authority's functions to protect the interests of domestic customers and small business consumers, and the changes to section 11 of the Act that allows the Authority to provide an exemption where it better achieves the Authority's objectives. However, we have two key concerns with the Bill. These are set out below.

[Increased powers of the Electricity Authority](#)

As currently drafted, the Bill's proposed amendments to section 32 empowers the Authority to decide the structure of the electricity industry but provides no guidance on the policy settings and relevant considerations that should govern the use of that power. While we acknowledge the desired outcome of this amendment is to provide for the Authority to address competition-related problems, we consider that there should be more express guidance on how this power may be used.

Without this guidance we consider there is a risk that the Bill, as proposed, and the powers conferred to the Authority, may undermine the value of existing investments and deter future investment in emerging technologies and services.

[Quality standards](#)

The Commerce Commission is New Zealand's primary economic regulator of networks (such as the electricity, gas, airport and telecommunications sectors). The Commission determines quality standards in conjunction with approving the expenditure required to meet those standards. The Commission does this on an ex ante basis and in some cases well ahead of the expenditure being incurred. For example, Transpower's expenditure proposals to deliver its services are provided to the Commission for consideration up to eight years before we will incur the actual cost.

As the Authority has no role in approving expenditure, there is a risk that it may impose quality standards without any assurance that those standards will be adequately funded through regulated revenue or be sufficiently proximate to the time the expenditure is incurred. This could lead to breaches that are outside the control of a network operator or costs being borne by network operators that cannot be passed on to customers. This is inconsistent with the objectives of Part 4 of the Commerce Act. Therefore, the Authority should be expressly required to consider, and allow for, how new quality standards would impact a network operator's prudent and efficient expenditure, and how this will be compensated through the Part 4 regulation.

[Appearance before the Select Committee](#)

Transpower wishes to be heard by the Select Committee.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'David Knight', with a stylized flourish extending from the end.

David Knight

General Counsel and Company Secretary