



MAJOR ELECTRICITY USERS' GROUP

24th March 2016

Keston Ruxton
Manager, IM Review
Commerce Commission
By email to regulation.branch@comcom.govt.nz

Dear Keston

Submission on emerging views on opportunities to improve the way default and customised price-quality paths work together

1. This is a submission by the Major Electricity Users' Group (MEUG) on the Commerce Commission paper "Input methodologies review – Emerging views on opportunities to improve the way default and customised price-quality paths work together" dated 29th February 2016¹.
2. MEUG members have been consulted in the preparation of this submission. This submission is not confidential. Some members may make separate submissions.
3. MEUG agree, subject to viewing the total draft IM package mid-June, with the eight emerging views described at a "high-level at this stage"² in the emerging views paper. Those are list below with MEUG comments inserted:
 - ***Emerging view 1: We are open to taking a more tailored approach to setting the DPP where this can be done without significantly increasing cost.***
MEUG agrees provided any increase in costs will clearly, that is quantifiably, be less than preferably short-term benefits to consumers and definitely less than the present value of long term benefits to consumers.
 - ***Emerging view 2: We consider that 'single-issue' CPPs are not appropriate.***
MEUG agrees.
 - ***Emerging view 3: We should apply a proportionate scrutiny principle in continuing to refine the CPP requirements and in assessing CPP proposals.***
MEUG agrees.

¹ URL <http://www.comcom.govt.nz/dmsdocument/14102> at <http://www.comcom.govt.nz/regulated-industries/input-methodologies-2/input-methodologies-review/interactions-between-dpps-and-cpps-and-the-requirements-for-cpps/>

² Ibid, paragraph 2.

We are particularly interested in work on “clarifying our consumer consultation expectations” (paragraph 47.3). In the long term benefits to consumers and the economy as a whole are, in the view of MEUG, likely to be higher if we can lift the level of engagement between monopoly service providers and end consumers and steer the response by the monopolies to that engagement towards that found in service based sectors compared to refining either:

- ~ Information Disclosure requirements (paragraph 47.1); or
- ~ The roles of verifiers, auditors and independent engineers (paragraph 47.2).

The activities of the above two sub-bullet points we think should be designed to facilitate effective engagement with end consumers not a means in their own end. If that approach were taken then rather than the summarised emerging views on the last page of attachment A having themes such as not “significantly increasing costs” and CPP requirements being “simpler and more cost-effective”; the summarised views would have outcomes for effective consumer engagement. That may require more costs for both EDB and consumers in the CPP process but the benefits for both suppliers and consumers, may be commensurately higher and or achieved earlier.

- ***Emerging view 4: We are open to expanding the role of DPP reopeners.***

MEUG agrees.

- ***Emerging view 5: The quality-only CPP option should be replaced with a DPP reopener.***

MEUG agrees.

- ***Emerging view 6: We are open to considering a CPP reopener for contingent and unforeseen projects.***

MEUG agrees.

- ***Emerging view 7: We are open to considering approval of net additional costs incurred prior to CPP approval.***

MEUG agrees provided any increase in costs will clearly, that is quantifiably, be less than preferably short-term benefits to consumers and definitely less than the present value of long term benefits to consumers.

- ***Emerging view 8: We are open to providing for the expansion of the range of pass-through costs that can be added when setting the DPP.***

MEUG agrees provided the Commerce Commission are also open to considering removing existing pass-through costs if it can be shown that EDB can influence those costs.

4. We look forward to viewing the agenda to be published 30th March 2016 for the workshop in mid-April to discuss potential revisions to the information requirements for CPPs to help address some of the cost/complexity concerns highlighted by interested parties in relation to the EDB input methodologies, in particular Schedules D and E.

Yours sincerely



Ralph Matthes
Executive Director