

4 August 2016

Keston Ruxton
Manager, Input Methodologies Review
Regulation Branch
Commerce Commission
P O Box 2351
Wellington 6140

By email: im.review@comcom.govt.nz

Dear Keston,

RE: Input Methodologies Review – Draft decisions on Related Party transactions

Pioneer Energy Limited (Pioneer) appreciates the opportunity to make submissions on the Commerce Commission (Commission) draft decisions on related party transactions – Topic paper 7.

We agree:

- a) with the proposed process for reviewing related party transactions – the related party provisions in the IM and ID regimes must be considered together and be consistent; and
- b) that the policy intent of the related party provisions are still relevant – we are surprised by the quantum of related party transactions (around a third of opex and a quarter of capex).

From Pioneer's perspective the most relevant issue is Issue 3 and, in particular, the following questions identified by the Commission in paragraph 54:

54.1 Why has the value of related party transactions been increasing? Is this driven by genuine commercial efficiency or for regulatory reasons?

54.2 What is the impact and magnitude of the observed trends on the long-term benefit to consumers?

54.4 Are there policy, interpretation or compliance issues that need to be considered? What is the best response to these issues?

EDB's are monopolies and have the advantage of asymmetry of information. Pioneer's aim is to ensure that when EDBs undertake activities, such as aggregated demand management and/or activities that may arise from emerging technologies, the EDB's internal treatment of these activities is the same as if the EDB purchased these activities from an equivalent competing third party.

Pioneer's interest is to ensure a level playing field for all parties providing network services – whether owned by the EDB or not:

- at the time of an investment - EDBs may have more information about the customers on their network when investing in the competitive parts of the market than third parties,
- in the contracting terms and prices/charges paid by the EDBs to their own activities and third parties, and
- in the regulatory treatment of different activities undertaken by EDBs and third parties that achieve the same outcomes.

We note the Commission's comments about ACOT payments and would welcome the opportunity to discuss this topic with the Commission.

Pioneer is engaging in regulatory processes by the Commerce Commission and Electricity Authority to ensure, where possible, low entry barriers, equal access to network information and a regulatory regime that is simple enough to understand and ensure innovation by small companies.

Yours sincerely



Fraser Jonker
Chief Executive