

13 October 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 – Updated draft decision on cost allocation

Pioneer Energy Limited (Pioneer) appreciates the opportunity to make submissions on the Commerce Commission (Commission) draft decisions on cost allocation for EDBs.

Pioneer's perspective with respect to the Commission's regulatory regime is to ensure parties providing network services – whether owned by the EDB or not – are treated equally:

- 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.

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 a competing third party.

The regulated method of cost allocation to regulated and unregulated services could influence EDBs' decisions about whether to invest themselves or contract third parties. Pioneer does not have any experience of the implications of the different allocation methodologies but is focused at a 'principles' level to ensure that the cost allocation methodologies:

- do not create any bias towards regulated activities subsidising any unregulated activities,

- result in EDBs being indifferent to purchasing services from a competing third party or their own business,
- are applied transparently to the range of EDB activities, and
- result in cost reflective and service based prices.

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