

# Local lines companies' performance trends

## The Commerce Commission has released performance trends for New Zealand's local lines companies

We have released a breakdown of revenue and reliability trends that help to explain why local lines company charges in New Zealand have been increasing over the 12 years since 2008. The analysis also gives insight into the frequency and duration of power cuts (outages) local lines companies have experienced over the same period.



## Profitability has been reasonable

While there are differences between each local lines company, the level of profitability or return on investment across the industry has generally been around 5% to 6% between 2013 and 2020. That is below the estimates of reasonable returns that we have used for setting price limits for some of the local lines companies (7.8% for 2010-2015 and 6.4% for 2016-2020). The lowest annual return on investment averaged over the period was 2.1% by Marlborough Lines and the highest was 7.2% by Electra.



## Interactive dashboard and report now available

You can learn more about the industry and your local lines company on our new dashboard and in our report.



## Lines charges have increased to support investment in infrastructure

The chart below shows that annual lines charges have increased by \$350 for each customer on average between 2008-2020. This equates to an inflation adjusted increase of 1.2% per customer each year (average inflation over the period was 1.8% per annum). A key driver of the increase in lines charges has been to pay for increased investment in the national transmission network. Network costs have also increased because local lines companies have been investing in their networks to support growth and replace aging assets.

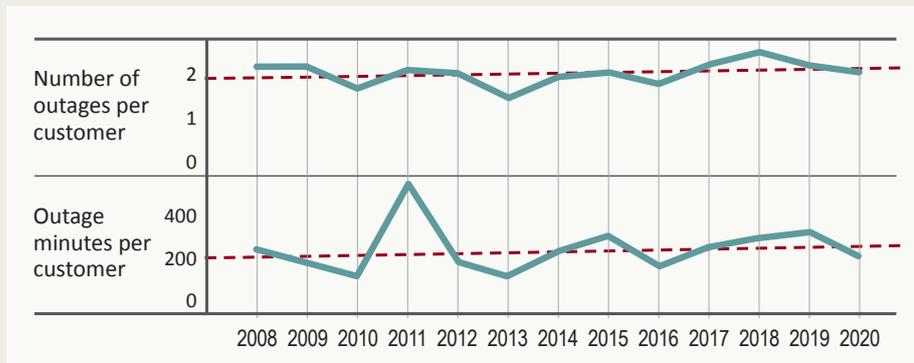


## Little change to reliability

The average number of outages that each customer experiences has remained similar over time—while there are more outages in total, they tend to be smaller in scope, each one affecting fewer customers. We also found that outages tend to last slightly longer than they used to. Our results include some major events, such as earthquakes and storms.

Outage performance varies by lines company and by customer. Customers on many networks will have experienced some improvement in reliability. While the trends for unplanned outages are different across each of the lines companies, the number and duration of planned outages has increased for almost all lines companies. This reflects the high levels of investment to improve and replace assets. It may also have been affected by changes to health and safety practices, which aim to improve safety for lines workers but can mean longer outages.

Vector and Aurora lines companies have had significantly worsening reliability, for which they have been penalised in Court. We continue to investigate other lines companies where we are concerned about poor reliability outcomes.



Average number of outages per customer per year

**1.9**

This represents an annual increase of **1%** per year

Average total length of outages per customer per year

**235 minutes**

This represents an annual increase of **2%** per year

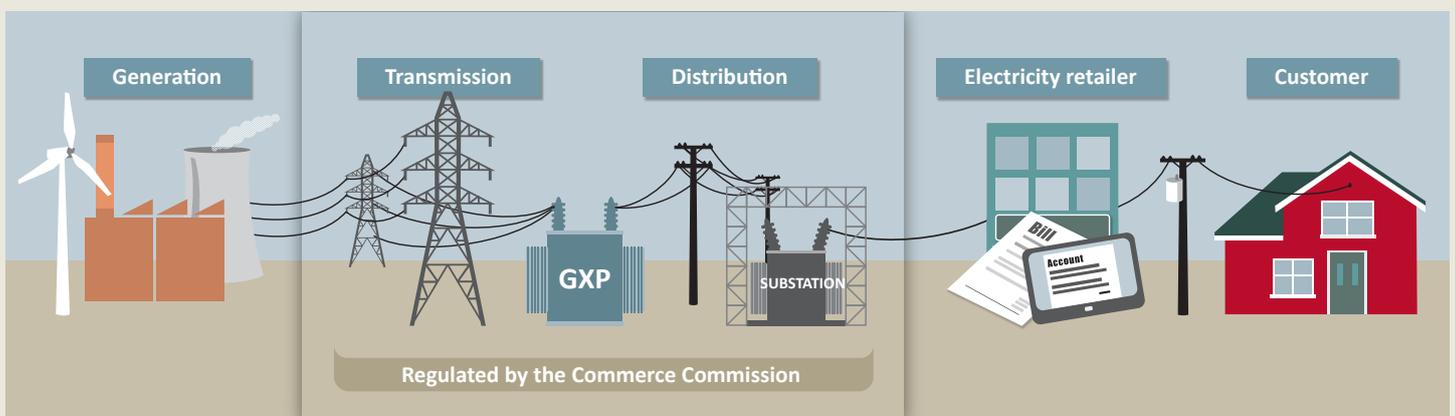
Biggest improvement in reliability  
**Nelson Electricity**

Biggest deterioration in reliability  
**Aurora**

## What makes up my electricity bill and what portion does the Commerce Commission regulate?

Under Part 4 of the Commerce Act, we have a role regulating markets where there is little or no competition

(and little prospect of future competition). Local lines companies and our national transmission network operator, Transpower, fall into that category. Combined transmission and distribution lines charges make up approximately 38% of the average consumer electricity bill. There are 29 local lines companies and one transmission company.



## Why did the Commerce Commission conduct this analysis?

Part of our role is to require the lines companies to disclose information about their performance and for us to share our analysis of that performance. This set of analysis looks at the changes in prices over time and explores the causes of those price changes. It also assesses the changes in reliability over time.