

4 February 2016

Keston Ruxton (Manager, IM Review)  
Commerce Commission  
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## **Input Methodologies Review: Emerging Technologies Consultation**

Mighty River Power welcomes the opportunity to provide a submission to the Commerce Commission on its consultation following the workshop on the regulatory treatment of emerging technologies and in response to the pre-workshop paper “Input methodologies review: Emerging technologies pre-workshop paper” dated 30 November 2015. We appreciate the time taken and effort made by Commission staff to date to better inform electricity retailers’ understanding of the input methodologies.

As an electricity retailer with more than 385,000 retail customers via Mercury Energy, Mighty River Power is an advocate for ensuring electricity consumers get the best outcomes. This is most effectively delivered via competitive markets with regulation only considered where it is highly unlikely competition will emerge. Applying regulation to emerging technologies where competition exists is likely to result in unfair outcomes for consumers and a reduction in the long term quality of services they receive.

The Commission has taken an initial view that battery storage could form part of a regulated service as it provides functions similar to that of a traditional “poles and wire” service. As a result batteries would become subject to the cost allocation methodology and recoverable from electricity consumers.

Mighty River Power considers the definition of the regulated service should be consistent with the purpose of Part 4 of the Commerce Act 1986. Only those assets or activities where there is *‘little or no competition and little or no likelihood of a substantial increase in competition’*<sup>1</sup> should be treated under the Part 4 regime. Given there are many providers of battery storage in direct competition with each other, and this is expected to increase, we consider the only acceptable definition is that battery storage should be excluded from regulation. This is consistent with the views of regulatory bodies in other jurisdictions like the Australian Energy Market Commission and Ofgem in the United Kingdom.

Battery storage as well as other emerging technologies will have benefits for consumers which we support and welcome. Ensuring that competition is allowed to flourish is important for the long term interests of consumers as it will ensure the most efficient technologies are adopted and that consumers will have choice as to the range of technologies that will suit their individual needs and circumstances.

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<sup>1</sup> Commerce Act, section 52.

We are therefore concerned that the Commission's initial view could have the effect of stifling competition in an early stage of development of battery storage by conferring a regulated cost advantage onto a single part, electricity distributors.

We support a level playing field. Distributors should not be prohibited from investing in battery storage but rather any investment should be undertaken transparently via an arms-length transaction.

We appreciate that the Commission has requested views on what needs to change specifically with the input methodologies. We have given this significant consideration in via our involvement with other electricity retailers who advocate on behalf of consumers and are part of the Electricity Retailers Association of New Zealand (ERANZ).

To ensure the regulated service is not inappropriately defined through the impact of emerging technologies, a framework for assessing how investment by an distributor in an emerging technology should be treated needs to be formally developed and included in the input methodologies. We endorse the proposal put forward in the ERANZ submission to determine which assets/services should be included as regulated services. We also support the view that it is critical that this issue is addressed and resolved now before significant investments are undertaken in emerging technologies.

Please contact me on 09 580 3623 or [nick.wilson@mightyriver.co.nz](mailto:nick.wilson@mightyriver.co.nz) with any questions on the above.

Yours Sincerely,

A handwritten signature in black ink, appearing to read 'Nick Wilson', with a horizontal line drawn through the middle of the signature.

Nick Wilson  
**Manager Regulatory and Government Affairs**