



MAJOR ELECTRICITY USERS' GROUP

29 August 2014

John McLaren
Regulation Branch
Commerce Commission

By email to regulation.branch@comcom.govt.nz

Dear John

Cross-submission on proposed DPP for EDB from 1 April 2015

1. This is a cross-submission by the Major Electricity Users' Group (MEUG) on the submissions of other parties that closed 15th August on the Commerce Commission paper¹ "Proposed Default Price-Quality Paths for Electricity Distributors from 1 April 2015", dated 4th July 2014, ie the "DPP Main Policy paper" plus companion explanatory papers, spreadsheets and databases.
2. Members of MEUG have been consulted in the preparation of this submission. This submission is not confidential.
3. There is no change in the submissions of MEUG dated 15th August.

Pragmatic approach for alternative rates of change to minimise price shocks

4. PricewaterhouseCoopers (PwC) (paragraph 38) "suggest that those EDBs which are potentially affected by the proposed 5% threshold, are consulted as to their preferred revenue recovery profile which reflects the needs of their consumers and own circumstances, subject to retaining present value equivalence, as proposed." Electricity Networks Association (ENA) (paragraph 68) makes the same suggestion. MEUG agrees this is a pragmatic solution provided any consultation by the Commission includes seeking the views of end customers of the EDB.

Treatment of demand for catastrophic events prior to a reset is supported

5. MEUG disagrees with ENA² (paragraph 128, p33) "Contrary to the proposal, the ENA also considers that demand effects that occur between the date of the event and the price path reset must also be considered." This issue was considered in the Orion CPP proposal and decision. We see no new evidence to support a change as ENA suggest.

¹ <http://comcom.govt.nz/regulated-industries/electricity/electricity-default-price-quality-path/default-price-quality-path-from-2015/> document <http://comcom.govt.nz/dmsdocument/12079>

² Other submitters agreed with ENA, notably WELL (p3, bullet point 6 and Vector (paragraph 107

Public safety issues with customer owned service lines

6. As ENA (paragraph 178, p43) note "customer service lines are emerging as a significant public safety issue". MEUG is unsure if this is an issue solvable solely in terms of the DPP or requires the Electricity Authority to be part of the solution. The latter may be more appropriate because the Electricity Authority has a broader scope covering all participants in the supply chain whereas DPP covers only non-exempt EDB.

Ensuring EDB price reductions are passed through to consumers

7. Vector (p4) says "We are concerned that nothing is being done to ensure any price reductions required by the Commission are passed on to consumers by retailers." MEUG does not support any mechanism for the DPP for this issue. MEUG supports the Electricity Authority work on the retail data project and stage I enquiry into claims by EDB and retailers about delivered price effects on 1st April 2014. MEUG understands the Commission, Authority and MBIE have good co-ordination on this important issue.

Yours sincerely



Ralph Matthes
Executive Director