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31 July 2018

Matthew Lewer  
Regulation Branch  
Commerce Commission  
**WELLINGTON**

By email: [regulation.branch@comcom.govt.nz](mailto:regulation.branch@comcom.govt.nz)

Dear Matthew

## Feedback on recent customised price-quality path processes

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Genesis Energy Limited (**Genesis**) welcomes the opportunity to provide comments to the Commerce Commission (**the Commission**) on its open letter *Requesting feedback on recent customised price-quality path processes* (**letter**).

We appreciate the Commission taking time to learn from each customised price-quality path (**CPP**) process with a view to making improvements that ensure CPPs are more efficient and effective. We consider this will improve confidence in the process for future electricity distribution business (**EDB**) applicants, retailers, and end consumers, the latter of whom ultimately pays for the increased revenue allowed under any CPP.

Generally, we agree with the Commission's views provided in the letter. Below as Appendix A we provide specific comments regarding long term pricing impact; delivery and accountability of CPP commitments; consumer consultation; and communicating changes in revenues and prices. If you would like to discuss any of these matters further directly with us, please contact me by email: [margie.mccrone@genesisenergy.co.nz](mailto:margie.mccrone@genesisenergy.co.nz) or by phone: 09 951 9272.

Yours sincerely

A handwritten signature in black ink that reads "McCrone".

Margie McCrone  
Senior Advisor – Government Relations and Regulation

## Appendix A: Responses to the Commission's views

ITEM	COMMENT
Table C: Long term pricing impact	<p>We support requiring a CPP applicant to consult on the long-term price impact of its proposal. As a retailer, we need to understand the indicative price impacts of any proposal over time so that we can understand how this will impact our customers (end consumers).</p> <p>We consider an EDB applicant should be able to provide high level details about its plans e.g. \$X will be recovered using a rate increase of Y% over #Z years.</p>
Table E: Delivery and accountability of CPP commitments	<p>We support requiring EDBs on a CPP to demonstrate how they are delivering their commitments. We consider an annual stakeholder delivery report should be mandatory, and that this report should be appropriate for each network's diverse stakeholders e.g. industry participants through to end consumers.</p> <p>We also support requiring CPP applicants to propose additional quality measures that are linked to key drivers of their proposals. We consider a link to revenue may be inappropriate because any penal revenue reduction will still need to be passed onto end consumers.</p>
Table G: Consumer consultation	<p>We support requiring a CPP applicant to consult appropriately with its stakeholders, and consider this will be context specific. Any EDB will have a diverse range of stakeholders and so consultation should be tailored to their particular audience(s).</p> <p>We appreciate it can be difficult to engage end consumers in the regulatory process but agree the Commission should explore ways this can be improved. As a retailer, we do our best to engage on behalf of our customers. We note that in our experience, Orion and Powerco did</p>

	engage with us on a number of occasions during their CPP application processes.
Attachment B: Communicating changes in revenues and prices	<p>We agree appropriate communication of revenue and pricing changes to end consumers is important. In our view, any such communication should be directed to retailers in the first instance. This is because retailers will receive any changes to pricing from EDBs and manage the pass through of costs to end consumers.</p> <p>In our experience, there have been a variety of communication approaches taken to-date, ranging from full transparency of revenue recovery to no information provided at all. Going forward, we support the Commission's view to providing a standardised approach as a minimum standard for communication as per the letter.</p>