15 March 2024

Commerce Commission
PO Box 2351
Wellington 6140

By email: infrastructure.regulation@comcom.govt.nz

Submission on: *DPP4 reset – Financeability of electricity distribution services in the default price-quality path issues paper*

Introduction

1. Thank you for the opportunity to make a submission on this issues paper. This submission is from the Consumer Advocacy Council, the independent advocate for residential and small business electricity consumers in New Zealand.

2. If you have any questions regarding our submission, please contact:
   - ➢ Emma Sturmfels, acting manager, Consumer Advocacy Council
   - ➢ Email: [redacted]
   - ➢ Phone: [redacted]

Comments

3. The issues paper notes that some electricity distribution businesses (EDBs) have voiced concerns about their ability to attract capital to finance new investments. We agree with the Commerce Commission that it is not the regulator's role to accelerate revenue recovery from EDBs' existing customers to provide funds for these investments.

4. As the consultation paper notes, the commission may take financeability into account where relevant to its decisions, but only to the extent that doing so would assist in promoting the Part 4 purpose of the Commerce Act—that is, promoting the long-term benefit of consumers (not the short-term financial interests of individual lines companies).

5. We also consider EDBs' concerns about financeability may be overstated. In general, we agree with the commission that investment in regulated monopoly companies "involves 'patient capital' and attracts investors that have long horizons for recouping their investment (generally over the expected physical lives of the long-lived assets)".

6. To the extent that EDBs recognise and respond to growing demand for ethical or responsible investment opportunities, we note they have the potential to attract new sources of funding. Money in ethical investment funds has been growing and this pattern is expected to continue (albeit there are varying definitions of what qualifies as 'ethical' investment).

7. As noted in our previous submission on this price-quality path reset, demand-side management and energy efficiency initiatives also have the potential to defer or avoid investment that would otherwise be required, hence reducing the need for EDBs to raise capital and reducing overall costs to consumers.

8. We reiterate the view we expressed in our previous submission that a strong focus on controlling costs is essential in this price-quality reset, particularly given concerns about energy hardship. We consider strong incentives for EDBs to control costs are appropriate to help ensure consumers' bills are kept to a minimum.

9. We note the commission is proposing to carry out a financeability 'sense check' to assist it in understanding the extent to which financeability issues may or may not be relevant to this reset, and to inform how it might take financeability into account in decision making. The Council considers this approach is appropriate.

10. We further note that financeability can be affected by factors outside the regulator's control, such as poor management by the company or decisions regarding dividend payments. Consumers should not be expected to bear the costs of problems caused by an EDB's bad business decisions.

Yours sincerely

[redacted]

Deborah Hart
Chair, Consumer Advocacy Council