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19 December 2017

Robert Bernau  
Regulation Branch  
Commerce Commission  
**WELLINGTON**

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

Dear Robert

## Priorities for the electricity distribution sector for 2017/2018 and beyond

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Genesis Energy Limited (**Genesis**) welcomes the opportunity to provide a submission to the Commerce Commission (**the Commission**) on its open letter concerning priorities for the electricity distribution sector dated 9 November 2017 (**open letter**).

As a participant in the highly competitive electricity retail market, where decisions made by electricity distribution businesses (**EDBs**) have flow on consequences for our customers' bills, Genesis supports the Commission prioritising the need for a deeper understanding of the performance of EDBs; contemplating whether changes to regulatory approaches are required concerning investment and quality; and making information about EDBs available to a wider audience in an accessible and engaging way.

We also support the submission provided by the Electricity Retailers' Association of New Zealand (**ERANZ**).

Our comments below reinforce our firm view that any network investment decision must deliver net benefits to consumers, with regulation providing the necessary tools to determine whether an EDB is in fact delivering the services consumers demand at an appropriate price level.

We believe a fit for purpose regulatory toolkit is important as the sector moves into an environment where the 'poles and wires' paradigm is changing and access to information is critical to comprehend the opportunities for, and lessons learned from, emerging

technologies. We request the Commission has one eye to the future as it expands on what its open letter priorities mean in practice for 2017/2018 and beyond.

### **Shining the light on EDB investment**

Genesis agrees the time is right for the Commission to pursue the priorities it has outlined as it moves beyond making rules to ensuring they are delivering as intended by enforcing them.

We believe the Commission's focus must include greater scrutiny of the information disclosed by EDBs under Part 4 of the Commerce Act 1986, which as so-called 'sunshine regulation' will provide the tools interested persons (e.g. a consumer) need to have confidence that spending on network infrastructure is appropriate and efficient over time. This is particularly important to enable a future where consumers have access to affordable and transparent technology solutions to meet their energy demands.

Unfortunately, we have concerns that information disclosed by EDBs currently has not evolved to meet the wider needs of a competitive market as it is insufficiently targeted or granular to allow useful analysis of whether an EDB is appropriately and efficiently investing in its network, including in respect of procurement choices it makes, and any related-party transactions it undertakes.<sup>1</sup> It is also presented in a format (e.g. asset management plans (**AMPs**)) that make it difficult for non-technical but interested persons to engage.

We appreciate the Commission has already undertaken work to improve the accessibility of the information by publishing one-page summaries of each EDBs performance and developing a new web-based performance accessibility tool. In our view, while worthwhile, this addresses part but not all of the problem with current information disclosure requirements.

First, there is information absent from AMPs that would be useful for interested persons wanting to understand how an EDB has performed to-date or what future investment it will require. The ERANZ submission explores this in detail and we encourage the Commission to refer to this. Secondly, we consider at a minimum a robust, biennial external audit of EDB regulatory asset bases is necessary to confirm EDBs are in fact funding network investments that deliver net benefits to consumers.

### **Are EDBs prepared for future investment challenges?**

Genesis accepts the Commission is prioritising whether existing network investments are performing appropriately, but looking to the future, we request the Commission works with EDBs to determine how to leverage innovative consumer-focussed technology solutions.

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<sup>1</sup> See Genesis Energy submission on *Proposed amendments to information disclosure determinations* dated 28 July 2017.

To Genesis, this means being alert to any competition issues around the procurement and use of new technologies, but also the extent to which smaller EDBs lack the ability to adapt for the future of the electricity sector

We are concerned that some EDBs might not have the scale necessary to keep up with changing consumer preferences and that those networks will suffer from a lack of future-fit infrastructure investment as a result. Rationalisation of EDBs, joined up back office processes such as procurement to gain greater scale, or greater standardisation among the 29 is needed in our view as priority if consumers are to benefit from the range of products and services that are available now or yet to come.

If you would like to discuss any of these matters further, 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, appearing to read 'M. McCrone'.

Margie McCrone  
Regulatory Advisor