

4 February 2016

Keston Ruxton (Manager, IM Review)  
Commerce Commission  
**By email: [regulation.branch@comcom.govt.nz](mailto:regulation.branch@comcom.govt.nz)**

Electricity Retailers  
Association of  
New Zealand

C/- Minter Ellison Rudd  
Watts  
Level 18, 125 the  
Terrace Wellington

Dear Keston

## **Submission on Emerging technology pre-workshop paper: 30 November 2015**

The Electricity Retailers Association of New Zealand ("ERANZ") represents retailers providing electricity to 98% of New Zealand households and businesses.<sup>1</sup> The purpose of ERANZ is to promote and enhance a sustainable and competitive retail electricity market for New Zealand consumers. ERANZ will identify common issues that affect all our retailer members and advocate for solutions which benefit sustainable retail competition.

ERANZ welcomes the opportunity to participate in the Commerce Commission's process on emerging technologies. This debate is important. How the Commission treats regulated business investment in emerging technology is an important question which will have significant and lasting consequences for consumers.

*Attached* to this letter is ERANZ's detailed submission on the Emerging technology pre-workshop paper on the proposed treatment of emerging technology investment by regulated monopoly Electricity Distribution Businesses ("EDBs"). In addition to this paper a number of ERANZ members are making their own individual submissions.

### **Storage cannot be included in the RAB for regulated businesses**

The market for storage technology in New Zealand is currently competitive. A range of businesses are exploring emerging energy technology, including retailers, new energy service providers, and EDBs.

The proposed inclusion of battery storage (or similar emerging technologies) in the Regulated Asset Base (RAB) for EDBs will detrimentally affect this competitive market landscape. One group of market participants will have conferred on them a significant advantage over others: the ability to invest in such technologies free from the competitive market pressures and disciplines to which others are exposed. This will undermine the ability for non-EDB businesses to compete in the provision of such technologies, reducing the range of market participants capable of supplying the innovation necessary to realise the benefits of emerging technology for consumers.

As detailed in our Paper, ERANZ considers that emerging technologies such as storage must be excluded from the RAB for the following reasons:

---

<sup>1</sup> EMI Market Share Data as at 1 December 2015. ERANZ Members are Prime Energy, Nova Energy, Pulse Energy, Trustpower, Meridian Energy, Might River Power, Contact Energy, Genesis Energy.

- The regulated service provided by EDBs is “conveyance of electricity by line” and, emerging technologies, such as batteries, do not have the same characteristics as traditional monopoly pole and wire networks. They are much more akin to competitively-provided services.
- Including storage effectively re-defines the regulated service undermining the purpose of Part 4 of the Commerce Act.
- In the specific case of batteries, the regulated service, properly interpreted, excludes storage.
- Internationally regulators have concluded that it would be detrimental to consumer welfare to include emerging technologies in the regulated service (i.e. they should not be included in the RAB for regulated network businesses). ERANZ sees no reason why this international approach should not be applied in New Zealand.

ERANZ also says that excluding emerging technologies, such as storage, from the RAB does not prevent EDBs from investing in these technologies. It simply means that EDBs invest on the same basis as other participants.

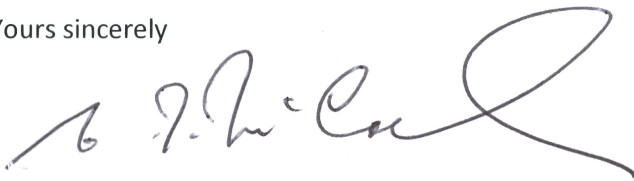
### **Next steps: cross-submissions and further workshops**

As set out in more detail in the attached Paper, the potential impact of emerging technologies – particularly future storage technologies – on regulated businesses is a complex issue that merits a clear and transparent process. Therefore, ERANZ asks that the Commission:

- Provide a cross-submission process that allows submitters to note their support for or questions with the positions taken by others in the process. This will provide the Commission a clearer picture of where there is consensus across submitters and where there is disagreement.
- Consider a further workshop and/or seminar prior to any decisions.

ERANZ looks forward to working with the Commission on this issue as the debate continues.

Yours sincerely



**Alan McCauley**  
**Chairperson**  
**Electricity Retailers Association of New Zealand**