



By email: im.review@comcom.govt.nz

18 August 2016

Keston Ruxton
Manager, Input Methodologies Review
Regulation Branch
Commerce Commission
Wellington

Cross-submission: Input Methodologies Review – draft decisions (Topic 7: Review Party Transactions)

Thank you for the opportunity to make a cross submission on the input methodologies review.

Counties Power is a trust-owned electricity lines company based in Pukekohe in Auckland's rural south. The company distributes electricity to over 40,000 ICPs across a geographical region of some 2,250 square kilometres across a total circuit length of 3,125 kilometres. All shares in the company are held by the trustees of the Counties Power Consumer Trust on behalf of all local power consumers, comprising a mix of urban, rural and commercial customers.

As a consumer owned company, Counties Power is focused on delivering safe, low cost and reliable electricity. We respond to Asplundh's submission of 11 August 2016 that the Commerce Commission (Commission) should investigate competitive sourcing arrangements for vegetation management in the external market.

Like any good-practice company, Counties Power regularly reviews its sourcing, operating and engagement models to ensure best value for the company and its consumer-beneficiaries. For vegetation management, for example, we have improved value in our operation through use of a blended model comprising in-house crews supported by specialist external providers such as Asplundh. Today, this works well for us.

Good practice procurement takes a structured approach. Procurement strategy and the process of executing such strategy, is best determined by those with the deepest understanding of the business needs and the local market conditions, not determined by economic regulation nor the aims of a vendor.

We do not believe that a competitive market process is the only way to achieve value for money. This is because a good procurement strategy avoids supplier underperformance, high administration costs from repeated tendering, potential for a shrinking supplier market and will seek to achieve best value for money over whole of life. In our situation the blended model works well, but as growth and technology change shifts the landscape in our business over the next twenty years so will our sourcing model.

COUNTIES POWER LIMITED

We believe that the Asplundh submission also fails to note that sourcing arrangements are not all about cost, but also responsiveness, control, customer experience and risk management, in particular health and safety.

We do not believe that the Commission should investigate sourcing engagement models as part of the review of related party transactions. Overall cost to serve is already transparent through the disclosures process and any anomalies or inefficiencies should be obvious.

Yours sincerely

A handwritten signature in blue ink that reads "Andrew Toop". The signature is written in a cursive style with a large initial 'A' and a long horizontal stroke.

Andrew Toop
Commercial Manager