



MP for Mana

Minister of Broadcasting, Communications
and Digital Media

Associate Minister of Housing (Public Housing)

Minister for Government Digital Services

Minister of Commerce and Consumer Affairs

10 DEC 2019

Anna Rawlings
Chair
Commerce Commission

Dear Anna

ELECTRICITY PRICE REVIEW: MINISTERIAL EXPECTATIONS

As you will be aware, the Government's Electricity Price Review ('the Review') has now concluded. Its final report makes 32 recommendations for improving the electricity sector, with a focus on outcomes for consumers, especially those in energy hardship. The recommendations represent a significant reform package and the Government is adopting a phased approach in its responses to them.

The Review's recommendations are directed at a range of parties, including the Government, industry and regulators. Some of these recommendations fall within the Commerce Commission's (the Commission's) mandate. I am writing to bring them to your attention for your consideration.

Strengthen the consumer voice

The Review found that consumers, particularly households and small businesses, struggle to make their voices heard and exert influence over decisions affecting them in the electricity sector. They struggle for various reasons, including the complexity of the sector, the lack of time and resources needed to get involved and cultural and language barriers.

The Government accepts this finding and the associated recommendations to:

- establish a Consumer Advocacy Council
- encourage the Electricity Authority and Commission to review, document and publish their consultation and stakeholder engagement processes.

I request that the Commission reviews its consultation and stakeholder engagement processes for its electricity work under Part 4 of the Commerce Act, with a focus on ensuring that the needs of consumers and small businesses are taken into account in the Commission's decision-making.

The Minister of Energy and Resources has also written to the Electricity Authority setting out her expectations on this matter.

As part of this review, I encourage the Commission to also liaise with the Ministry of Business, Innovation and Employment on the timing of its proposals to establish a Consumer Advocacy Council in so far as it impacts on the Commission's processes.

Preparing for a low-carbon future

The Review found that there is insufficient innovation taking place in the electricity sector and that increased innovation, research and development could assist in meeting the challenges of new technology, electrification and decarbonisation.

The Government accepts these findings and the associated recommendation that it should encourage more innovation in the energy sector, particularly new technologies and alternative business models that support a low-carbon future. To achieve this, I invite the Commission to implement regulation under Part 4 of the Commerce Act 1986 in a way that encourages innovation among electricity distributors.

If desirable, I may also transmit a statement of economic policy under section 26 of the Commerce Act 1986 to the Commission setting out this expectation.

Other recommendations relating to the Commission

Some other recommendations relating to Part 4 of the Commerce Act and institutional arrangements for energy policy and regulation are still being considered by the Government, and are expected to be progressed in stages over coming months. I encourage the Commission to participate in these reviews to make sure that the outcomes are workable and effective.

Links to the Commission's Annual Letter of Expectations

This letter supplements my annual letter of expectations, which presents my priorities for the Commerce and Consumer Affairs portfolio and the specific priorities for Commerce Commission.

In many respects the Review's recommendations complement these specific priorities, and I do not see any conflict. I also understand that some of these themes of enhanced consumer engagement and challenges imposed by technological change and the transition to a low carbon economy are to be considered by the Commission. If there are conflicts or concerns regarding the implementation and funding of any of these recommendations, please inform me in line with the Government's 'no surprises' policy.

Response

It would be appreciated if you could respond to this letter by 28 February 2020, including how you propose to implement the individual recommendations and your expected timeframe for this. I would also like to understand how these initiatives will work within your existing work programme and any trade-offs that may be required, and the extent to which funding implications for outcomes of the Review have been considered as part of the Commission's baseline review.

Yours sincerely



Hon Kris Faafoi
Minister of Commerce and Consumer Affairs

Copy to:

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