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Dear Sir

Information Paper: Industry and Market Monitoring: Competition

Thank you for the opportunity to comment on the Electricity Authority's discussion paper outlining its approach to monitoring competition in the electricity industry.

Mighty River Power supports the Authority's goal of enhancing competition and contributing towards a better understanding of the performance of the market amongst both industry participants and the public. However, we believe that the monitoring activities need to be tightly focused and carefully managed to ensure levy payers receive value for money and to avoid imposing significant compliance costs on participants.

From this perspective, we have outlined comments and suggestions below.

Structure Conduct Performance Framework

The Electricity Authority's proposed monitoring approach is based on the Structure-Conduct-Performance (SCP) framework. While this framework is widely adopted and may provide a useful framework to organise the Authority's thinking about competition, it also has limitations which need to be considered. Examples include:

- The SCP model implies that concentration is indicative of inefficiency and monopolistic behaviour which reduce consumer benefit. However, as noted on Page 13 of the information paper it is also possible that concentration can lead to efficiencies that benefit consumers.
- Behaviour is likely to be driven by more than just structure. For example, organisational culture can be a driver of behaviour.
- The inclusion of income distribution as an indicator of market performance in Figure 1 on Page 11 of the paper is questionable. Income distribution is unlikely to be a good indicator of industry performance.

