



17 October 2011

Submissions

Electricity Authority

By email submissions@ea.govt.nz

Distribution Pricing Principles and Information Disclosure Guidelines

Meridian welcomes the opportunity to submit on the Authority's paper "Criteria for assessing alignment against the Information Disclosure Guidelines and Pricing Principles".

Meridian notes that the intent of the distribution pricing principles, information disclosure guidelines, and associated reviews of distributors' performance is to facilitate improved pricing approaches amongst electricity distribution businesses (EDBs). Meridian supports this intent.

As a major retailer, Meridian is a customer of multiple EDBs and is subject to varying distribution pricing arrangements. Greater transparency and consistency of pricing arrangements across EDBs would lower transaction costs and further facilitate distributor-retailer relationships, particularly when considered along with parallel proposals to require consultation on changes to distribution tariffs and to standardise the way that information on tariffs is exchanged.

Furthermore, Meridian considers that regular published reviews of EDB performance will encourage best practice in distribution pricing, leading to improved efficiency and ultimately lower costs for consumers. Nevertheless, we consider that the less competitive environment faced by EDBs may mean the publication of comparative reviews will provide a weaker incentive to undertake improvements in their pricing methodologies than would be the case for companies operating in a more competitive market (e.g. retail). As such, we believe that the Authority should closely monitor progress following the implementation of this proposal, and consider further actions if progress proves inadequate.

Meridian recognises that EDBs will be the parties responsible for complying with the pricing principles and information disclosure guidelines set out in the consultation paper. As such, EDBs will be best placed to comment on their reasonableness. We have not made comments on the detailed guidelines, but note that they generally appear comprehensive. Brief responses to the other consultation questions are set out below.

If you have any queries regarding this submission please contact me.

Yours sincerely



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Q1. Do you consider the type of analysis suggested is appropriate given the pricing principles, and are there important aspects which have been omitted?

The indicative evaluation approach appears comprehensive and useful.

Q2. Do you consider that the Commerce Commission's template for gas distribution businesses would be an appropriate guide?

The template for gas distribution businesses appears to be a suitable guide for electricity distribution requirements.

Q3. To what extent do the constraints listed in paragraph 3.2.10 impact on your ability to align your pricing methodologies with the pricing principles?

As a retailer, Meridian recognises that adjustments to pricing methodologies may create near term transaction and compliance costs. However, we believe that such costs will be outweighed by longer term benefits arising from more transparent, consistent, and efficient distribution pricing. We are very unlikely to oppose changes which achieve these long term goals.

Q4 - Q12. Do you agree with the assessment criteria for Guideline x?

As noted above, Meridian considers that the proposed criteria for assessing the information disclosure guidelines are comprehensive, but considers that the EDBs will be best placed to comment on the workability of individual criteria.