

File 5/25

17 October 2011

Electricity Authority  
Wellington  
(by email to: [submissions@ea.govt.nz](mailto:submissions@ea.govt.nz))

### **Consultation paper – Criteria for Assessing Alignment against Information Disclosure Guidelines and Pricing Principles**

Northpower is a party to a submission by PricewaterhouseCoopers (PwC) on behalf of 21 Electricity Distribution Businesses on this consultation paper. As such, we are not proposing to duplicate PwC's work in that submission. However, there is one specific issue on which Northpower would like to submit.

From Northpower's perspective, it appears that the Electricity Authority has compiled the assessment criteria as if the Electricity Authority's Pricing Principles were the only criteria that are applicable in the setting of pricing for line charges. However, in practice, there are several (sometimes competing) criteria, including the following:

#### **Commerce Commission**

- For Electricity Lines Businesses (ELB's) that are regulated, the requirements of the Default Price Paths and Customised Price Paths have an influence on line charge pricing.
- In addition, the requirements of the Commerce Commission's Information Disclosure requirements currently have implications on all ELB's – for instance, there is currently a requirement to disclose information (including revenue) on groups of connections using classifications of "Small", "Medium", "Large" and "Top 5".

#### **Low Fixed Charge regulations**

- The Low Fixed Charge regulations impose specific requirements on line charge pricing for domestic connections. For most ELB's, domestic connections comprise more than 50% of the connections. The regulations not only define the requirements for the domestic connections eligible for the low fixed charges but also for any alternative pricing plans for domestic connections.

So we submit that any Information Disclosure guidelines and Pricing Principles set by the Electricity Authority must acknowledge the tensions that exist on ELB's in terms of the requirements of other regulatory authorities (especially the Commerce Commission) and regulations such as the Low Fixed Charge regulations. In addition, a hierarchy of compliance needs to be established because compliance to the Electricity Authority's Pricing Principles may be compromised by the need to comply with requirements set by the Commerce Commission and the Low Fixed Charge regulations.

Regards

A handwritten signature in black ink, appearing to read 'MH' followed by a flourish and a period.

Mike Hayes

Network Commercial Manager.