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Submissions  
Electricity Authority  
PO Box 10041  
Wellington 6143

By email: [submissions@ea.govt.nz](mailto:submissions@ea.govt.nz)

Mighty River Power Limited  
Millennium Centre  
602 Great South Road  
Ellerslie 1051  
Private Bag 92008  
Auckland 1142

Phone: +64 9 580 3500  
Fax: +64 9 580 3501  
[www.mightyriverpower.co.nz](http://www.mightyriverpower.co.nz)

**Cross-Submission on decision-making and economic framework for  
distribution pricing methodology review**

Thank you for the opportunity to provide a cross-submission on responses to the Electricity Authority's (EA) consultation paper on the decision making and economic framework for the Distribution Pricing Methodology Review. No part of this submission is confidential.

The majority view from the submissions received support Mighty River Power's previous arguments that:

- A clear rationale for the implementation of the framework has not been established;
- Transmission and distribution networks have differing characteristics which makes the application of the framework problematic;
- The existing pricing principles are consistent with the Authority's statutory objective;
- The existing principles contain important references to the promotion of price stability and certainty for stakeholders which could be undermined; and
- There are other priorities that should be progressed ahead of implementation of the framework.

Based on the above Mighty River Power considers that its original recommendations still stand, specifically that the existing pricing principles and guidelines should be reviewed consistent with the existing regulatory process and timeframes. If material

inefficiencies are identified with the existing approach, they should be addressed within a cost benefit framework, and specific and targeted solutions adopted.

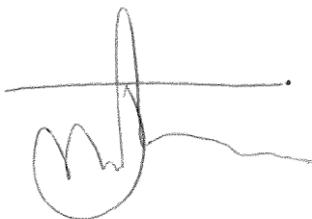
We note that there was clear support among several respondents for the EA to focus on other priority areas that are materially impacting on the industry. In particular, Mighty River Power supports the submission from the Electricity Network's Association (ENA) and others which advocate for changes to the Low Fixed Charge Tariff Option for Domestic Consumers Regulations 2004.

We agree with the ENA's observations that the Low Fixed Charge Regulations result in material impediments to more efficient pricing from both distributors and retailers. We also agree that as the regulations were introduced prior to the establishment of the EA statutory objective and the pricing principles they should be assessed against both of these frameworks. The EA has indicated in its 2012/13 work programme that it will potentially examine further impacts of the Low Fixed Tariff Regulations over the period to 2013/14. We support this process being completed as soon as possible and consider it could be usefully progressed through a request to the EA's Retail Advisory Group to undertake the analysis.

We also agree with the recommendation in the ENA submission that, given the pricing principles are considered consistent with the EA's statutory objectives, an appropriate and low-cost measure would be to apply a preamble to the pricing principles that they are to be interpreted in this manner.

Please direct any queries on this submission to Nick Wilson, Senior Market Regulatory Adviser on [nick.wilson@mightyriver.co.nz](mailto:nick.wilson@mightyriver.co.nz) or 09 580 3623.

Yours sincerely

A handwritten signature in black ink, consisting of a stylized 'N' and 'W' followed by a horizontal line and a small dot.

**Nick Wilson**  
Senior Market Regulatory Adviser