

19 December 2012

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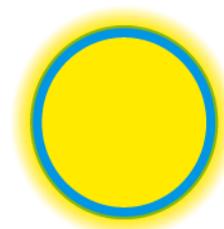
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Submissions
Electricity Authority
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POWERCO



Dear Sir/Madam

Re: Proposal to amend the Electricity Industry Act to enable the Authority to collect fees

This is Powerco Limited's submission on the Electricity Authority's consultation paper *Proposal to amend Electricity Industry Act to enable collection of fees*. Thank you for the opportunity to comment on this proposal.

We accept the Authority's argument that the current levy arrangements make it difficult to introduce incentive or penalty elements to the payments made to service providers, or to compensate service providers for additional costs they may incur in particular circumstances. Incentives, penalties and other adjustments could be more readily applied if the Authority were able to charge fees. We also agree that, if market service provider costs were funded via a fees mechanism, it would be easier to identify the costs of the Authority's annual work programme and its governance functions. Exposing these costs to greater scrutiny could make the annual appropriation process more useful and effective.

Against these benefits is the fact that any costs recovered by fees would not be identified and scrutinised as part of the annual appropriation request. However, the Authority has recognised this problem and proposed that any amendment to the Electricity Industry Act ("the Act") should require the Authority to identify and consult on the expected level of fee income and associated costs for the coming year. We also note that fees could only be imposed if specifically permitted by fees regulations, created by the Governor-General in Council on the recommendation of the Minister of Energy and Resources and subject to a Regulatory Impact Statement.

Given the protections noted above, we agree in principle that the Authority should seek an amendment to the Act to introduce a fee mechanism to the Authority's funding arrangements. We anticipate further consultation when the form of the proposed amendment is determined.

We do not expect this change to produce significant efficiency benefits, but agree that the ability to introduce more flexible charging arrangements, possibly with incentive and penalty elements, would be advantageous.

Yours sincerely

A handwritten signature in black ink, appearing to read "R Fletcher". The signature is written in a cursive, flowing style with a large initial "R" and a long horizontal stroke at the end.

Richard Fletcher
General Manager Regulation and Government Relations

Appendix: Consultation questions

Question	Powerco Response
<p>1. What comment do you have on the Authority's view that the introduction of fees could deliver efficiency gains as it would more readily support the introduction of efficient user-pays charges to recover some costs?</p>	<p>The main benefit would be the ability to tailor charges to service providers to include incentives, penalties and adjustments to compensate for additional costs that they may incur in particular circumstances. We do not expect this change to produce significant efficiency benefits, but agree that the ability to introduce more flexible charging arrangements would be advantageous.</p>
<p>2. What comment do you have on the Authority's view that the introduction of fees to recover some costs could deliver efficiency gains through the enhanced flexibility that a fee arrangement can provide relative to the rigidity of the annual Crown appropriations process?</p>	<p>See the response to question 1 above.</p>
<p>3. What comment do you have on the Authority's view that the introduction of fees to recover some costs could deliver efficiency gains through more effective engagement between the Authority as purchasing agent and its "client" industry users on key issues relating to service provision and the engagement of service providers?</p>	<p>There could be greater engagement in relation to the tailoring of particular charges to include incentives, penalties and other adjustments.</p>
<p>4. What other comments do you have on the Authority's proposal to seek an amendment to the Electricity Industry Act 2010 to allow for the Authority's activities to be funded by a mixture of fees and the industry levy?</p>	<p>If market service provider costs were funded via a fees mechanism, it would be easier to identify the costs of the Authority's annual work programme and its governance functions. Exposing these costs to greater scrutiny could make the annual appropriation process more useful and effective.</p> <p>The fact that any costs recovered by fees would not be identified and scrutinised as part of the annual appropriation request is a potential problem with the proposal, but the Authority has recognised this issue and proposed that any amendment to the Electricity Industry Act ("the Act") should require the Authority to identify and consult on the expected level of fee income and associated costs for the coming year. We also note that fees could only be imposed if specifically permitted by fees regulations, created by the Governor-General in Council on the recommendation of the Minister of Energy and Resources and subject to a Regulatory Impact Statement.</p> <p>Given these protections, we agree in principle that the Authority should seek an amendment to the Act to introduce a fee mechanism to the Authority's funding arrangements. We anticipate further consultation when the form of the proposed amendment is determined.</p>