



Electricity Authority
P.O. Box 10041
Wellington
Via email

20 December 2012

Dear Authority

Re: Proposal to amend Electricity Act to enable collection of fees

This submission responds to the Electricity Authority's (**Authority**) proposal to make a recommendation to the Minister of Energy and Resources to amend legislation to introduce a fee mechanism into the Authority's funding arrangements.

Contact **does not** support the proposal because the case for change has not been made out. Additionally the Authority acknowledges at paragraph 4.5.2 of the Consultation Paper that there may be some scope to address the issues it has identified within the existing legal framework. In our view this option should be pursued in advance of any legislative change.

As we have noted previously,¹ over the next 12 months we would like to see the Authority focus on concluding its current work streams and undertaking post implementation reviews before further changes are embarked upon. In our view, seeking to enable the collection of fees should not be a priority for the Authority, particularly when big ticket items such as the Transmission Pricing Methodology remain on the table. Consultations such as this are distracting for both the Authority and market participants.

Were this proposal to be represented in the future we would ask that the Authority provide evidence of the benefits that would be produced were the proposal to be enacted. In this instance the increased efficiency benefits that would result from the proposal are not sufficiently clear to us.

Yours sincerely.

Louise Griffin
Competitive Intelligence and Regulatory Affairs Advisor

¹ Please see Contact's response to the Authority's appropriations document dated November 2012.

Questions

- 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?
- 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?
- 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?
- 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?

Contact Energy Response

We are not convinced by the efficiency gains arguments set out in the proposal.

We are not convinced by the efficiency gains as they are set out in this paper.

While there may be some merit in the Authority's statement that "*a fee mechanism could improve the Authority's ability to enter into longer term commitments where these are efficient, as it is not driven by the Crown's annual appropriations cycle*" no examples are provided of what this could comprise, hence we are unable to agree with what is proposed.

We do not believe heavy-handed legislative change is required in order to achieve this.

One of the benefits of the current appropriations method is the transparency it brings to both generators and consumers i.e. it is clear what is being recovered, the amount payable and why (in particular on a retail bill). The proposed move to a fee/levy structure would result in an added level of complexity and possibly lead to confusion which we would not like to see.

Our understanding is that the key driver of this proposal is the Authority's desire to incentivise more efficient behaviour by providers of services to the Authority/industry. This however is not clear from the Consultation Paper. If this

is the case then it would have been useful for the Authority to narrow the scope of the Consultation Paper.

Once again we note we do not support the proposal at this time.