

Submission to MBIE on proposed Terms of Reference for the Electricity Pricing Review

Counties Power Consumer Trust supports the Government's move to hold a full-scale review into retail power pricing and are pleased to be able to make a submission on the proposed Terms of Reference for this review.

Our trust ownership means we have a strong interest in ensuring good outcomes for consumers and our local community. If the electricity pricing review results in stronger competition and greater consumer choice, this would, we believe, be a favourable outcome for our constituency. In this regard, the Terms of Reference should direct the Electricity Pricing Review that one of the prime focus areas should look at the competitive aspects of pricing.

We have read and support Entrust's submission on the draft Terms of Reference and, like Entrust, we firmly believe that the Electricity Pricing Review should be undertaken by an independent taskforce and not by an existing regulatory or Government agency.

Of particular interest is the wholesale market and vertical integration of retailers and generators. We believe that because of the existing market vertical integration there is less independent generation coming onto the market and reduced retailer competition. In large part we believe that this is because of the hedge market that enables gentailers to earn higher generation revenues and pass this cost on to retailers as an 'insurance cost' to manage their exposure to the spot market. Retailers with generation cover do not need to need to incur the additional 'insurance cost', which we believe is a material amount higher than independent retailer margins. We would like to see this aspect addressed in the Terms of Reference.

From our understanding, the coalition Government's energy policies, amongst other things, are to ensure lines companies play a positive role in local energy solutions and reducing costs for consumers. We believe that this should be recognised in the Terms of Reference.

We would also like to see the Terms of Reference direct the Electricity Pricing Review to consider whether the transfer of some Electricity Commission functions to the Commerce Commission, under the last Electricity Review, went far enough.

Thank you for considering our submission.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'C. Rupp'.A small handwritten word 'for' in blue ink.

Christine P Rupp
Chair - Counties Power Consumer Trust

22 January 2018