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Aurora ENERGY

23 October 2018

Electricity Price Review
Secretariat, Ministry of Business, Innovation and Employment
15 Stout Street
WELLINGTON 6140

ELECTRICITY PRICE REVIEW – FIRST REPORT FOR DISCUSSION

Aurora Energy welcomes this opportunity to submit on the Electricity Price Review – First Report for Discussion, released on 30 August 2018.

Aurora Energy is New Zealand's seventh largest electricity network by customer connections, supplying electricity to close to 90,000 homes, farms and businesses in Dunedin, Central Otago and Queenstown Lakes.

No part of our submission is confidential and we are happy for it to be publically released.

If the review panel has any queries regarding this submission, please do not hesitate to contact:

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Yours sincerely

Shaan Ross
Regulatory Manager

ELECTRICITY PRICE REVIEW

SUBMISSION FORM

How to have your say

We are seeking submissions from the public and industry on our first report into the state of the electricity sector. The report contains a series of questions, which are listed in this form in the order in which they appear. You are free to answer some or all of them.

Where possible, please include evidence (such as facts, figures or relevant examples) to support your views. Please be sure to focus on the question asked and keep each answer short. There are also boxes for you to summarise your key points on Parts three, four and five of the report – we will use these when publishing a summary of responses. There are also boxes to briefly set out potential solutions to issues and concerns raised in the report, and one box at the end for you to include additional information not covered by the other questions.

We would prefer if you completed this form electronically. (The answer boxes will expand as you write.) You can print the form and write your responses. (In that case, expand the boxes before printing. If you still run out of room, continue your responses on an attached piece of paper, but be sure to label it so we know which question it relates to.)

We may contact you if we need to clarify any aspect of your submission.

Email your submission to energymarkets@mbie.govt.nz or post it to:

Electricity Price Review

Secretariat, Ministry of Business, Innovation and Employment

15 Stout Street

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Use of information

We will use your feedback to help us prepare a report to the Government. This second report will recommend improvements to the structure and conduct of the sector, including to the regulatory framework.

We will publish all submissions in PDF form on the website of the Ministry of Business, Innovation and Employment (MBIE), except any material you identify as confidential or that we consider may be defamatory. By making a submission, we consider you have agreed to publication of your submission unless you clearly specify otherwise.

Release of information

Please indicate on the front of your submission whether it contains confidential information and mark the text accordingly. If your submission includes confidential information, please send us a separate public version of the submission.

Please be aware that all information in submissions is subject to the Official Information Act 1982. If we receive an official information request to release confidential parts of a submission, we will contact the submitter when responding to the request.

Private information

The Privacy Act 1993 establishes certain principles regarding the collection, use and disclosure of information about individuals by various agencies, including MBIE. Any personal information in your submission will be used solely to help develop policy advice for this review. Please clearly indicate in your submission whether you want your name to be excluded from any summary of submissions we may publish.

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Summary of questions

Part three: Consumers and prices

Consumer interests

1. *What are your views on the assessment of consumers' priorities?*
We actively engage with our consumers to capture their preferences, bearing in mind that what each consumer values will differ. While the review panel (the Panel) has identified that consumers are becoming more environmentally conscious, the feedback that we are receiving from consumers on our network is that they value the following: • a safe network; • a reliable, consistent supply of electricity; • value for money; • timely and accurate information about their supply, including information on planned outages; and • a quick response to network issues to reduce consumer impact and lessen potential safety and reliability risks.

2. *What are your views on whether consumers have an effective voice in the electricity sector?*
As the Panel has identified in its report, *"The electricity sector is complex. This makes it difficult for consumers to understand and express their views about, all the factors affecting their monthly power bill"*[1]. Giving consumers an effective voice is a challenge faced across the sector. We agree that certain large commercial and industrial consumers are well represented by the Major Electricity Users' Group (MEUG) and that many consumers aged over 55 years have the benefit of association with Grey Power. The challenge comes in engaging with consumers that do not have the benefit of a collective voice. In terms of distribution, it can often be very difficult to provide opportunities for consumers to have a say when, in many instances, consumers are either not aware of what part their distributor plays in the electricity supply chain, or matters are technical and complex making it difficult for distributors to effectively engage. There can also often be a lack of interest from time-poor consumers to engage on many issues. The distribution sector acknowledges that consumer engagement is an area that requires development and that it is important for consumers to be provided with opportunities to voice their views, and for their preferences to be heard. The Electricity Network Association (ENA) has a working group dedicated to consumer engagement and distributors themselves are seeking more innovate ways to effectively and meaningfully engage with consumers. Aurora Energy has established Customer Voice Panels, consisting of members of the public, which cover a range of topics. The Customer Voice Panel will meet three to four times a year to help us understand what our consumers expect from us and how we can best communicate the information they need. While we acknowledge that it can be difficult to engage consumers, we feel that their interests in terms of distribution pricing and quality of supply, are considered and protected by the Commerce Commission in its application of Part 4 of the Commerce Act 1985 (the Commerce Act).

[1] Electricity Price Review Hikohiko Te Uira. First report for discussion, 30 August 2018, pg 16.

3. *What are your views on whether consumers trust the electricity sector to look after their interests?*
It is important that consumers trust the electricity sector. Ensuring that that trust is earned and retained requires good communication by, and transparent information from, all participants. Alignment of messages between the various industry participants is also important in earning and retaining that trust. Industry regulators have a key role in the collection and reporting of meaningful information so that consumers can exercise choice.

Prices

4. *What are your views on the assessment of the make-up of recent price changes?*
It is a matter of fact that prices overall for residential consumers have risen in real-terms over the past 28 years. We therefore agree with the Panel's conclusions. However, the rate at which different components of an average electricity bill have increased varies significantly across the electricity sector and for the distribution sector in particular. Of note is that the 1990's were a time of significant industry reform and using this period of time as a time series comparator, without that accompanying context, does not necessarily lead to an accurate reflection of the price increase. Analysis was recently undertaken by PricewaterhouseCoopers Consulting (New Zealand) LP on behalf of ENA members. That analysis focused on electricity prices between 2004 and 2017, which we believe to be a more reliable time period to use as a basis for comparison given the ability to use information published by the Ministry of Business, Innovation and Employment. The analysis demonstrated that (in real terms) the rate of price increase has been the greatest for transmission prices at 4.4% per annum. Retail prices followed with an average price increase of 2.3% per annum and distributors demonstrated the lowest rate of real price increase, sitting at 1.4% per annum. Retail prices, however, demonstrated a marked increase during the period 2004 to 2008, at which point they tended to flatten off. Transmission prices have escalated from an historic position over the last six years, which is a direct reflection of the step change in grid investment undertaken by Transpower and the corresponding commissioning of major grid upgrades. Distributors are restricted, under the Commerce Act's default price-quality path (DPP) and customised price-quality path (CPP) frameworks, from making excessive profits. The effect of these frameworks is evident from the relatively low and consistent increase in distribution prices over recent years.

5. *What are your views on the assessment of how electricity prices compare internationally?*
We believe that the Panel should exercise caution when drawing international comparisons. There are a number of localised factors that impact on electricity prices, and which can be unique to each country. Such factors include the granting of subsidies, differing regulatory schemes and resilience afforded by neighbouring countries.

6. *What are your views on the outlook for electricity prices?*
We think that the Panel has correctly identified that, while electrification will see an increase in the demand for electricity, it will not necessarily lead to major price rises. An increased use of electricity distribution networks does not necessarily mean that substantial network investment will be required. Instead, it will be important for distributors to educate consumers on how they can most efficiently and effectively use the existing network so that the need for greater network investment is minimised. The Panel has touched on this in its report where it identifies that *"Charging electric vehicles at off-peak times will avoid the need for major network investment, lowering average network charges"*[2]. Distributors are already working together, through the ENA's distribution pricing working group, to identify and consider more durable and efficient pricing structures. One desired outcome of those structures is to provide effective incentives to consumers to shift electricity usage to outside of peak hours. This means that peak demand on a network would be minimally impacted by an increased use of electricity if that usage is spread more evenly throughout each 24 hour period. Ultimately this will help in reducing the likelihood of increased network costs which would ultimately be passed to consumers. More cost-reflective distribution pricing will also mean that those consumers who can afford to invest in new technologies do not unduly transfer network costs to those consumers who are unable to invest in such technologies.

Affordability

7. *What are your views on the assessment of the size of the affordability problem?*
We do not have any specific views on the size of the affordability problem.

8. *What are your views of the assessment of the causes of the affordability problem?*
We do not have any specific views on the assessment of the causes of the affordability problem.

9. *What are your views of the assessment of the outlook for the affordability problem?*
We do not have any specific views on the assessment of the outlook for the affordability problem.

[2] Ibid at 1, pg 24.

Summary of feedback on Part three

10. *Please summarise your key points on Part three.*
• We acknowledge that consumer engagement is an area that requires development. Giving consumers an effective voice is a challenge faced across the sector, however, we are taking steps to more effectively engage with our consumers. • It is important that consumers trust the electricity sector. Ensuring that that trust is earned and retained requires good communication by, transparent information from, and alignment of messages between, all participants within the electricity sector. • Distributors are restricted, under the Commerce Act's default DPP/CPP frameworks, from making excessive profits. The effect of these frameworks is evident from the relatively low and consistent increase in distribution prices over recent years. • Caution should be exercised when drawing international comparisons. • An increased use of electricity distribution networks does not necessarily mean that substantial network investment will be required. • Educating consumers as to how they can most efficiently and effectively use the network will be important. • Adpotion of more durable and efficient pricing structures is likely to cause peak demand on a network to be minimised in the event of increased use of electricity.

Solutions to issues and concerns raised in Part three

11. *Please* briefly describe any potential solutions to the issues and concerns raised in Part three.
We agree that the needs of vulnerable consumers need to be considered and protected. However, we believe that this is not an issue that the electricity industry alone can tackle. Issues such as these are social in nature and require a collaborative, whole of government approach. The engagement of social welfare agencies will be vital to ensuring that the needs of vulnerable consumers are addressed. While the electricity industry can take steps to ensure that it is acting in a way that ensures that consumers' needs as a whole are paramount, including those of vulnerable consumers, industry participants have no way of understanding the particular financial situations that consumers find themselves in, which is where the appropriate welfare-based government agencies need to take responsibility. Considering further regulation of one industry is not going to address what is ultimately a wider social issue.

Part four: Industry

Generation

12. *What are your views on the assessment of generation sector performance?*
We do not have any specific views on the assessment of generation sector performance.

13. *What are your views of the assessment of barriers to competition in the generation sector?*
We do not have any specific views of the assessment of barriers to competition in the generation sector.

14. *What are your views on whether current arrangements will ensure sufficient new generation to meet demand?*
We do not have any specific views on whether current arrangements will ensure sufficient new generation to meet demand.

Retailing

15. *What are your views on the assessment of retail sector performance?*
We do not have any specific views on the assessment of retail sector performance.

16. *What are your views on the assessment of barriers to competition in retailing?*
We do not have any specific views on the assessment of barriers to competition in retailing.

Vertical integration

17. *What are your views on the assessment of vertical integration and the contract market?*
We do not have any specific views on the assessment of vertical integration and the contract market.

18. *What are your views on the assessment of generators' and retailers' profits?*
We do not have any specific views on the assessment of generators' and retailers' profits.

Transmission

19. *What are your views on the process, timing and fairness aspects of the transmission pricing methodology?*
The process of developing the transmission pricing methodology (TPM) guidelines has proven to be a prolonged and arduous process, which has inevitably created 'winners and losers'. Ultimately, however, resolution of the TPM guidelines without further delay would serve to create certainty for stakeholders within the industry, and would also expedite reforms in distribution pricing structures. We would welcome a timely resolution to the TPM review.

Distribution

20. *What are your views on the assessment of distributors' profits?*
We agree with the Panel's assessment that it has found nothing to suggest that *"distributors are making excessive profits"*[3]. As the Panel has outlined in its report, 17 of the 29 distributors in New Zealand are subject to DPP regulation under the Commerce Act. Section 52A(1) of the Commerce Act specifically states that the purpose of Part 4 of the Commerce Act is to: *"promote the long-term benefit of consumers in markets … by promoting outcomes that are consistent with outcomes produced in competitive markets such that suppliers of regulated goods or services - … (d) are limited in their ability to extract excessive profits"*. We believe that Part 4 of the Act is operating effectively to ensure that distributors are not making excessive profits and that the Panel has correctly drawn this conclusion.

21. *What are your views on the assessment of barriers to greater efficiency for distributors?*
The Panel has identified the following areas that are potentially barring greater efficiency for distributors: **Price structures:** The distribution sector has been actively engaged in considering and developing new pricing structures that would better reflect costs and incentivise consumers to change their consumption behavior. The ENA has a dedicated distribution pricing working group and individual EDBs are working towards reform in the coming years. Aurora Energy is looking to collaborate with other distributors to create a unified approach to certain aspects of pricing structures, which would ultimately benefit consumers. While current pricing structures may be seen as a barrier to greater efficiency, there are inherent barriers to changes in pricing structures that also require addressing; for example, access to metering data (discussed below) and the Electricity (Low Fixed Charge Tariff Option for Domestic Consumers) Regulations 2004 (the LFC Regulations). Without good regulatory support in these areas, pricing reform will be difficult.

[3] Ibid at 1, pg 5.

Efficiency pressures: While each distributor operates its network independently, the distribution sector is by and large collaborative. All 29 distributors are members of the ENA and there are numerous working groups that see collaboration by its members on issues including distribution pricing, vegetation management, consumer engagement, regulatory issues, smart technology, quality of service and resource and environmental planning. Consultants are often engaged on a group basis to minimise the potential for the same costs to be incurred on the same matter across a number of distributors at the expense of their consumers. The Panel has identified a number of other ways in which distributors are collaborating[4].

Business size: A number of retailers and distributors recently commissioned TDB Advisory Limited (TDB) to undertake an independent analysis of the scope for efficiency gains from amalgamating distributors, which was then shared with the Panel. TDB concluded that *"overall the potential gains from EDB amalgamation are relatively small"*[5]. Ultimately, while there could be some potential gains from amalgamation, these gains, given their nature (for example, reduced management and procurement costs and improved strategic capability), could be achieved through contracting arrangements, sharing of services, strategic alliances or joint ventures[6]. Collaboration instead of amalgamation is, in our view, likely to be a better solution for the distribution industry. We note that the TDB report did not consider the cost of amalgamation, but considered that those costs may outweigh any benefit.

Metering data: We, too, see merit in having an open-access regime for meter data and agree that it should be made available on reasonable commercial terms. We are strong advocates of a central repository for data. If distributors were able to access half-hourly consumption and demand data for all consumers (where possible), this would enable better network planning and asset management, as well as facilitating more efficient pricing and billing practices.

Asset management and planning: While we agree that longer-term scenario planning is desirable to help drive strategy, preserve options and support investment decision making, the inherent uncertainties associated with long-term planning in a sector experiencing rapid technological change need to be recognised.

Ageing assets: The Panel has stated in its report that *"for now, we do not consider there are grounds for concern over the replacement of assets"*[7]. We disagree with this view. Powerco's recent successful CPP application is an example of a distributor needing to address its ageing network infrastructure and Aurora Energy is also preparing for a CPP application for the reason that our network requires significant investment as a result of ageing assets. Given the asset age profiles of most of the New Zealand electricity distribution businesses are comparable, we anticipate that other companies will face similar upward investment pressure in the foreseeable future.

22. *What are your views on the assessment of the allocation of distribution costs?*

Business versus residential: We acknowledge that there is a disparity in costs between residential and business consumers. This, however, reflects the different ways in which residential and business consumers use the distribution system.

Business consumers tend to make more efficient use of a distribution network, with many large industrial consumers connected directly to the high voltage components of a network. This means that there is often less network infrastructure costs (on a c/kWh basis) associated with supplying commercial consumers.

[4] Ibid at 1, pg 58.
[5] TDB Advisory Limited, Estimated Efficiency Gains from Amalgamation of Electricity Distribution Businesses, 31 August 2018, pg 25.
[6] Ibid at 5, pg 6.
[7] Ibid at 1, pg 60.

In comparison, the network infrastructure required to supply residential consumers is considerably greater, including low voltage infrastructure, and accordingly requires more investment by distributors.

The notion of fairness in the allocation of these costs is difficult to ascertain. It is a matter of weighing up whether these costs should be shared amongst all consumers, to the point where some commercial consumers may be subsidising the development and maintenance of a low voltage network, or whether costs should remain allocated based on the way in which a consumer uses the network. As discussed above, distributors are currently considering different pricing structures which may see a shift to more cost-reflective pricing.

We note that the evidence for residential/commercial cost allocation is based on energy consumption. This is an outdated paradigm discussed widely in distribution pricing reform, and is not a robust basis for considering whether allocations are fair.

23. *What are your views on the assessment of challenges facing electricity distribution?*
We agree that one of the greatest challenges facing distributors is the impact that emerging technologies will have on distribution networks. Distributors will need to consider the use of their networks not only by themselves, but by consumers too and will need to be able to adapt and adopt new thinking and strategies to cope with those challenges. Distributors will also face challenges of preempting rapid technological advances when making network planning decisions. With emerging technologies comes a challenge in ensuring that consumers are adequately informed of the part that they play in the changing landscape and of the impacts of their consumption behaviour on network costs and on other consumers. Distributors are aware of the need to increase consumer consultations and engagement and distribution pricing reforms could go some way to encouraging a shift in consumption patterns.

Summary of feedback on Part four

24. *Please summarise your key points on Part four.*
• The timely resolution of the TPM guidelines would create certainty for stakeholders and may expedite reforms in distribution pricing structures. • We agree with the Panel's assessment that distributors are not making excessive profits. Part 4 of the Commerce Act is operating effectively to achieve this. • The consideration and development of new distribution pricing structures is underway within the distribution sector. • Inherent barriers to changes in pricing structures include access to metering data and the LFC Regulations. • Collaboration exists across the distribution sector in a number of areas. • Efficiency gains from amalgamating distributors are relatively small, and are unlikely to outweigh the costs of amalgamation. • We see merit in having an open-access regime for meter data. We are strong advocates of a central repository for data. • While longer-term scenario planning is desirable, it comes with inherent uncertainties. • We disagree with the view that there are not grounds for concern over the replacement assets, Powerco's recent successful CPP application and our own upcoming CPP application examples of needing to address ageing network infrastructure.

- We acknowledge that there is a disparity in costs between residential and business consumers, however, this reflects the different ways in which residential and business consumers use the distribution system. Further, the evidential basis for the cost allocation debate is not robust.
- We agree that the impact of emerging technologies on distribution networks is a challenge faced by distributors. There will also be challenges of preempting rapid technological advances and challenges in ensuring that consumers are adequately informed of the impacts of their consumption behaviour.

Solutions to issues and concerns raised in Part four

25. Please briefly describe any potential solutions to the issues and concerns raised in Part four.

Part five: Technology and regulation

Technology

26. *What are your views on the assessment of the impact of technology on consumers and the electricity industry?*

We agree that emerging technologies will have a significant impact on consumers and the electricity industry.

Consumers will have more choices available to them, and more ability to influence the way in which distribution networks are used, as identified by the Panel.

The challenge for distributors will be ensuring that less affluent consumers are not disadvantaged or denied access to new technologies due to their financial circumstances. While affordability is, in our view, a social issue (as we touched on at question 11 above) ensuring that the costs of utilising distribution networks remain fairly allocated will be a significant challenge for distributors.

27. *What are you views on the assessment of the impact of technology on pricing mechanisms and the fairness of prices?*

As discussed above, distribution pricing mechanisms are in need of reform, and the distribution industry in particular is actively taking steps to address this issue through the development of new pricing structures. Such pricing structures will need to:

- take into account the impact of new technologies (for example electric vehicle uptake); and
- be structured in a way that will incentivise consumers to change their consumption behaviour. This should help ensure that less affluent consumers do not end up subsidising those who are more affluent, and who have been able to invest in new technologies (which could otherwise see those more affluent consumers avoiding their share of network costs).

28. *What are your views on how emerging technology will affect security of supply, resilience and prices?*
One challenge with emerging technology is a distributor's ability to rely on emerging third-party network solutions, while being confident and assured that the use of any third-party network solution will not compromise the regulatory limits within which the distributor must operate, mainly (but not exclusively) in relation to supply reliability under DPP/CPP regulation. Allowances in the regulatory framework for a distributor's liability when relying on third party network solutions, over which they have little to no operational control (only contractual recourse), could help overcome this challenge.

Regulation

29. *What are your views on the assessment of the place of environmental sustainability and fairness in the regulatory system?*
Electrification and decarbonisation of the economy will, as discussed above, impact on the distribution sector. While facilitating the electrification and decarbonisation may have regulatory impacts on the sector, we do not believe that environmental sustainability of the distribution sector needs to be regulated per se. The distribution sector has a very small carbon footprint, and the uptake of emerging technologies will likely be driven by consumer choices and changes in consumption behaviour. Regulation, once enacted, is entrenched and the process to amend is not expedient. Environmental issues are often political and with the potential for governments to have a relatively short term, environmental policy may change at a more rapid pace than regulation. The potential risk, then, is that regulation does not reflect policy. We agree with the ways in which the Panel has identified that fairness is present in the current regulatory system. We also believe that fairness extends to the even-handed treatment of regulated businesses by regulators. Fairness is, however, a subjective concept and it is important that it is not applied to one industry in particular as a social reform tool (see our response to question 11 above in relation to the need for a whole of government approach). It is also a concept that is open to interpretation and if considered in a regulatory framework, would need to be accompanied by a very clear definition so that there is no uncertainty as to its application.

30. *What are your views on the assessment of low fixed charge tariff regulations?*
We agree with the Panel that *"the regulations are poorly targeted at only one type of household in need of help, and to that extent they have unintended consequences"*[8]. We also agree with other distributors' comments that the LFC Regulations are discouraging more efficient distribution pricing. The ENA recently published an article on its website[9] advocating for the removal of the LFC Regulations and we agree with this view. We believe that the LFC Regulations need to be removed as soon as possible to, firstly, remedy the unintended effects that the LFC Regulations are having on some vulnerable consumers and, secondly, to facilitate the reform of distribution pricing.

[8] Ibid at 1, pg 76.
[9] https://www.ena.org.nz/news-and-events/news/why-the-low-fixed-charge-regulations-should-be-removed/

31. *What are your views on the assessment of gaps or overlaps between the regulators?*

We do not necessarily agree that there needs to be one single regulator for energy in New Zealand. We do, however, believe that there are regulatory overlaps between the Commerce Commission and the Electricity Authority (for example in relation to network access, which the Panel has identified and discussed in its report, and pricing methodologies).

The overlap could be addressed by reallocating responsibility for regulating:

- the contestable market to the Electricity Authority; and
- the monopoly markets to the Commerce Commission.

This would see the Commerce Commission taking responsibility for, and ultimately regulating, network access and pricing methodologies, removing the regulatory overlap.

We also believe that the Commerce Commission should consider whether market power in the metering sector exists and, if so, whether it should be subject to regulation under Part 4 of the Commerce Act.

32. *What are your views on the assessment of whether the regulatory framework and regulators' workplans enable new technologies and business models to emerge?*

We agree that the *"regulatory framework was largely designed for yesterday's technologies and business models"*[10]. The challenge, as with any legislative instrument, is to ensure that legislation and regulation are sufficiently flexible to accommodate changing landscapes. The potential emergence of peer-to-peer trading provides a good example.

While not directly related to emerging technologies or business models, the LFC Regulations are an example of regulation that is difficult to amend or repeal once enacted, now that the outcomes are not consistent with those originally desired.

33. *What are your views on the assessment of other matters for the regulatory framework?*

Authority's functions: We see merit in the Authority's roles of developer and enforcer of rules being separated. This would ensure any potential for prejudice is removed from the process, and would make the development and enforcing of rules more transparent.

Authority's decision: While we agree that challenging regulatory decisions, especially through the courts, can be a long and costly process, we believe that the ability to do so provides necessary checks and balances, and ultimately creates greater certainty for stakeholders.

Price-quality regulation: We agree that the disincentive to apply for a CPP may be too strong. The cost and complexity of preparing an application is significant and may be a deterrent for smaller distributors at the expense of what may, in the long term, be in the best interests of consumers.

We disagree with two-tiered regulation, where some distributors are exempt from the full regulatory framework. We consider that a unified regulatory framework could be in the better interests of consumers. This would ensure that all consumers, regardless of where they are located in New Zealand, are afforded the same regulatory protection.

[10] Ibid at 1, pg 78.

Summary of feedback on Part five

34. *Please summarise your key points on Part five.*

• We agree that emerging technologies will have a significant impact on consumers and the electricity industry.
• Ensuring that the costs of utilising distribution networks remain fairly allocated will be a significant challenge for distributors.
• Pricing mechanisms are in need of reform, and the distribution sector is considering and developing new pricing structures as a result.
• Distributors face a challenge in finding the balance between their ability to rely on emerging third party network solutions while ensuring that they continue to comply with industry regulation.
• The environmental sustainability of the distribution sector does not need to be regulated, per se.
• Fairness is a subjective concept, and it is important that industry regulation is not used as a social reform tool.
• We also agree with other distributors' comments that the LFC Regulations are discouraging more efficient distribution pricing.
• Regulatory overlap between the Electricity Authority and the Commerce Commission could be addressed by reallocating responsibility for regulating:
  ○ the contestable market to the Electricity Authority; and
  ○ the monopoly markets to the Commerce Commission.
• The challenge for the existing regulatory framework, in light of new technologies and business models, is to ensure that legislation and regulation are sufficiently flexible to accommodate changing landscapes.
• We see merit in the Electricity Authority's roles of developer and enforcer of rules being separated.
• We believe that being able to challenge the Electricity Authority's decisions would provide necessary checks and balances and create greater certainty for stakeholders.
• We agree that the disincentive to apply for a CPP may be too strong.
• We disagree with two-tiered forms of regulation and consider that a unified regulatory framework, which does not see some distributors exempted, could be in the better interests of consumers.

Solutions to issues and concerns raised in Part five

35. *Please briefly describe any potential solutions to the issues and concerns raised in Part five.*

Additional information

36. *Please briefly provide any additional information or comment you would like to include in your submission.*