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**Electricity Price Review Panel  
C/- Ministry of Business, Innovations and Employment,  
Wellington**

By email to [energymarkets@mbie.govt.nz](mailto:energymarkets@mbie.govt.nz)

## **Centralines Submission on the Electricity Price Review Options Paper**

### **Opening comment**

Centralines welcomes the opportunity to submit on the Panel's Option's Paper. We have contributed to the development of the ENA's submission, but wish to highlight two key issues for Centralines.

#### *A GPS for Transmission Pricing*

The Panel supports an option to recommend a Government Policy Statement on Transmission Pricing. It notes:

"A government policy statement is an effective way for the Government to express its policy objectives, in particular whether it is generators or residential and business consumers in poorer regions, such as Northland and King Country, that should benefit from lower charges under the Electricity Authority's proposed transmission pricing methodology.

Transpower's submission set out objectives that could help shape a policy statement, including that any change was simple to understand and implement, and was incremental, thereby minimising the real harm of price shocks. An overriding objective should be to avoid or minimise dramatic price increases. That means they should be phased in."

Centralines submits that a GPS on Transmission Pricing needs to be approached cautiously. It is important that the Authority remains a neutral decision-maker which tests proposals against its statutory objective. No matter what methodology arises from the review there will be parties that are disaffected. If there is no change, Centralines will remain highly disaffected by the current approach, given the significant investments that have been made which benefit the upper North Island, the costs of which are currently socialised across all New Zealanders. Centralines serves a relatively disadvantaged population, but since 2010 has seen a 50% increase in the transmission charges that it must recover from its consumers. Contrary to the Panel's view that the Government is best placed to choose the beneficiaries of transmission pricing reform, Centralines view is that it is best not to politicise wealth distribution issues.

By all means, the Government should express a view that change should be accompanied by suitable consumer protections and transitions, but it should not determine the incidence of wealth transfers. Centralines submits that a GPS on the TPM reform process and consumer protections associated with change should be the limit of Government direction.

### *Strengthen the Commerce Commission's powers to regulate performance*

Centralines serves around 8,500 customers in Central Hawke's Bay. It maintains a local workforce which carries out work on the network, but is managed by Unison Networks, which provides Centralines with access to specialisation and expertise to more effectively manage its network. We consider this is a highly effective operating model.

The Central Hawke's Bay Consumers Power Trust is the owner of Centralines. There are seven Trustees, of which four are elected and three are appointed by the highest electricity consumer, the Mayor and the local Council. By virtue of these appointments, Centralines is a non-exempt EDB. Centralines considers that this is a more balanced position than Consumer Trusts with only elected representatives as it provides a means for the wider community, represented through the Mayoral and Council appointments, and business to have a say.

As a result of its non-exempt status, Centralines incurs material compliance costs to comply with DPP price-quality regulation. This is a farcical process where the Commerce Commission has permitted Centralines to increase prices by CPI+7% per annum, which of course Centralines has declined to take advantage of, and is now more than 20% below the allowed cap. Centralines has consistently complied with its quality requirements.

The Panel has proposed that the Commission be given more powers to regulate currently exempt EDBs, but Centralines submits that the Panel should also recommend that the opposite should also be permitted: where an EDB has a clear track record of setting its prices below the permitted maximums the Commission should have the power to exempt that EDB. The same should apply to consistent achievement of the quality targets. This would have the benefit of reducing unnecessary compliance costs, as well as reducing the costs of regulation, which must be in the long-term interests of consumers.

### **Concluding comments**

If the Panel would like to discuss our views further, please contact Nathan Strong on 06 873 9406.

Yours sincerely,



Nathan Strong  
**GENERAL MANAGER, BUSINESS ASSURANCE**