

Terms of Reference

Review of Clause 62 Electricity Act 'Continuity of supply via lines'

Context

On 2 June 2005 the Minister of Energy announced a review would take place in 2007 of Clause 62 of the Electricity Act 1992. Subsection 6 of Clause 62, at 31 March 2013, repeals the obligation of lines companies to supply line function services to places supplied in April 1993. Lines built after April 1993 are not affected by this clause.

The review will be led by the Electricity group, Ministry of Economic Development.

Clause 62 mandates that electricity distributors continue to operate line services to areas supplied on 1 April 1993. The exceptions are:

- Where there is a provision under the Electricity Act or any regulations made under Section 169, or a written agreement with a particular consumer; or
- When the electricity distributor has prior consent of the Minister of Energy or of every consumer who would be affected by the cessation of those services; or
- Where the electricity distributor is entitled to cease supply due to the failure of the consumer to pay for the supply of those line function services (or the supply of electricity); or
- Where cessation of supply is rendered necessary for reasons of safety or in order for maintenance or upgrade work to be carried out; or
- Where cessation of supply is the result of circumstances beyond the control of the electricity distributor (e.g fire, earthquake, force majeure).¹

Proposed Scope for the 2013 review

The objective of the review is to consider what, if any, arrangements should be put in place to ensure affected communities continue to have an electricity supply after 2013.

The review will consider

- whether or not the obligation should be allowed to expire;
- If the obligation expires, whether there is a role for alternative provisions, for example, obligations on lines companies to assist remote areas to develop local generation if they want to cease providing line services.
- If the obligation continues, whether it should continue permanently, or be reviewed again at a later date

The timing of the review, through 2007, allows sufficient time for more detailed options to be canvassed and considered and for any legislative amendments to be made if necessary.

Matters that the review will examine to inform the options include:

1. The purpose behind clause 62 and if that purpose is still valid
2. Identifying consumers likely to be affected by the the expiry of section 62 and the manner in which they will they be affected

¹ If supply ceases for any of these last three reasons, supply must be resumed if the reason ceases to exist.

3. Reviewing the development of new technologies for alternative supply options not connected to the distribution network and the economics of those technologies.
4. Understanding the economics of rural or remote lines that may be affected by the expiry of section 62.
5. Understanding the implications for lines companies' business.
6. Assessing how the range of options will be affected by:
 - proposed changes to the Electricity Industry Reform Act 1998 (relaxing the restrictions on line companies generating or selling electricity).
 - Government policy that changes in rural line charges are kept in line with urban line charges (GPS paragraph 99)
 - Regulation of the electricity lines businesses under part 4A of the Commerce Act and
 - the Electricity Commission's model distribution pricing methodologies
7. How other infrastructure services (telecommunications, postal services) to remote communities are provided and whether there are applications to the provision of electricity.

NOTE the engagement process may raise additional matters that require examination.

Proposed review process and timeframe

The Electricity Group, Ministry of Economic Development, will initially engage with identified stakeholders for input. A full public consultation will be undertaken through the release of a discussion document canvassing options and issues to proceed with a formal submission process.

<i>Date</i>	<i>Action</i>
November 2006 - February 2007	Key stakeholder engagement Data gathering/research
March - June 2007	Policy development process, drafting discussion document
August 2007	Discussion document released for public consultation and submissions
September – October 2007	Analysis of submissions
End October 2007	Recommendations to Minister
End November 2007	Proposal to Cabinet