



**Submission to the Ministry of Economic  
Development on its Review of Section 62 of  
the Electricity Act 1992 'Continuance of  
Supply' (2013 review) Discussion paper:  
August 2007**

From

**Contact Energy Limited**

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## **Introduction**

Contact Energy welcomes the opportunity to provide feedback to the Ministry of Economic Development of its Discussion paper. By way of background, Contact Energy is a major electricity and gas retailer with customers in both the North and South Island.

Contact's specific comments about the Discussion paper follow over the page.

For any questions related to this submission, please contact:

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## **General Comments**

As Contact is not a lines company, it cannot comment on many of the specific questions posed by the Ministry.

Contact supports any option that gives the electricity consumer greater choice. As the discussion paper mentions, there are a number of alternatives available to the consumer which can substitute for some or all electricity delivered by the grid. It appears though (from the Ministry's analysis in Section 6 of the Discussion paper) that currently many of these alternatives are not economically viable. Contact believes that this may not always be the case however. Advances in technology may in the future reduce the cost of micro-generation and on the other hand, the cost of electricity delivered by the national grid will likely increase (the increase at least partly being from government initiatives like the New Zealand Emissions Trading Scheme).

Contact considers that the Ministry, when selecting an option to recommend, should be careful not to select one which discourages future investment in alternative energy sources, especially investment in renewable micro-generation like micro-hydro, geothermal, solar photovoltaic and micro-wind. Promoting renewable energy alternatives such as these will also likely be in line with the New Zealand Energy Strategy.

Option (a), the continuance of obligation to maintain line function services with no expiry date, makes it very difficult to economically justify a switch to any alternative supply, both now and in the future. It also discourages research and development into alternatives.

Options (b) – (e) are better, as these all to some extent encourage the use of alternative energy sources.

Contact strongly disagrees with option (f), as the bureaucratic and compliance costs associated with setting up a levy are likely to far outweigh any benefit that it might provide. Contact draws a parallel to the Telecommunications Service Obligations ("TSO") levy on telecommunications companies, in order for Telecom to facilitate the supply telecommunications services to commercially non-viable customers. The Commerce Commission has expended a significant amount of resources and has taken a considerable amount of time to administer the TSO. Contact is of the view that this should not take place in the electricity industry.

## **Closing Remarks**

Whatever option the Ministry chooses to recommend, Contact considers that it must be careful not to discourage investment in alternatives, especially renewable alternatives. Lines companies, and perhaps also energy retailers like Contact, can work with customers to facilitate these alternative sources of energy.