

28 September 2007

Post 2013 review
Electricity Group
Energy and Communications Branch
Ministry of Economic Development
P O Box 1473
Wellington

Dear Sir / Madam

Post 2013 review

Meridian Energy Ltd ("Meridian") appreciates the opportunity to make submissions on the Review of section 62 of the Electricity Act 1992 'Continuance of Supply' (2013 review) discussion paper released by the Ministry of Economic Development.

While Meridian is not directly affected by this section of the Electricity Act, we have a retailer relationship with rural communities and are the contact point for these electricity consumers if there is a disruption to supply. As such we have not directly answered the questions in the discussion paper but have the following comments. If there are issues raised in submissions in response to these questions where input from a generator / retailer would assist officials we would be very happy to discuss.

Exceptions to efficient price signals

We note that the lines company threshold regime and ODV methodology enables lines companies to adjust the value of assets if they are uneconomic so that the return on those assets can be reasonable.

It is unclear if there is currently a subsidy (or the level of subsidy) between different locations within a network area. Meridian supports the underlying assumption in this paper that consistent with the Government Policy Statement

"The Government expects distribution companies to keep any changes to rural line charges in line with urban line charges." (paragraph 99)

However, rural electricity consumers may not be receiving economically efficient signals about the true cost of line supply versus other supply alternatives. We query whether there are any learnings from the lines companies' approaches to rural connections since 1993 that can be applied to the connections before 1993 that could be shared with the wider group providing submissions on these options.

Meridian submits that there is insufficient information provided about the potential level of the existing subsidy to rural electricity consumers on which to comment on the proposed levy. For example, the discussion paper states the costs to set up and administer a levy are expected to be

significant – will the benefits exceed these costs? If a levy was introduced we submit that the treatment of these lines in the threshold regime would have to be amended. A levy regime would also be a markedly different and transparent treatment of pre-1993 lines compared with lines installed since 1993.

Links to Electricity Industry Reform Act

It is not clear what is meant by lines companies “assisting” the transition from line function services to alternative supply – would this involve lines companies purchasing generation equipment for these rural consumers, and retailing electricity to these consumers. We imagine one of the implications of this option will be the need for officials to monitor the level of retailing by lines companies to ensure this activity is compliant with EIRA.

Alternatives to line services

Meridian notes the information provided in the discussion paper on the current cost of alternatives to line function services. From Meridian’s perspective there is a range of products and associated costs that could provide alternative forms of supply – we are happy to discuss these with you.

Advising rural electricity consumers

Whatever changes are made, Meridian submits that rural electricity consumers must be engaged in discussions regarding the level of service or reliability they would receive or be prepared to pay for.

In addition, the decisions from this review must be notified to rural electricity consumers and Meridian suggests at least three years notice be provided of any change to arrangements for line function services supply. We submit that this notification should be annual from 2009 to minimise the risk of consumers not being informed of the changes.

Please contact me if you want to discuss any issues.

Yours sincerely



Mary Ann Mitchell
Regulatory Policy Manager

DDI 04 381 1380
Fax 04 381 1287
Mobile 021 302 152
Email maryann.mitchell@meridianeenergy.co.nz