



**SUBMISSION TO  
Ministry of Economic Development  
On the**

**REVIEW OF SECTION 62 OF THE ELECTRICITY ACT 1992 'CONTINUANCE OF  
SUPPLY' (2013 REVIEW)**

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1. The Lines Company is a party to a regional submission from King Country region district councils i.e. Ruapehu, Waitomo and Otorohanga.
2. We are also aware of the submission from Federated Farmers and the submission from ENA.
3. The Lines Company is a combination of three power boards and a MED; Waitomo, Wairere, King Country and Taumarunui MED.
4. Two of those power boards received relatively large funding from the old RERC for the extension of their networks into uneconomic areas. The combined area is acknowledged in the MED paper as being the third highest recipient of RERC funds, and we believe that we have the most kilometres of line funded by the RERC.
5. The information supplied by MED shows that six lines companies have a significantly higher proportion of RERC funded lines than the rest. Price analysis will probably show that these six companies also have relatively higher prices, even without factoring in the replacement of uneconomic line post 2013. Industry performance measures is also likely to show that relative performance of those companies is likely to suffer because of the inclusion of the remote lines.
6. The lines continue to be uneconomic. Growth in the area has tended to concentrate around the industrial core, holiday home areas, and the Otorohanga / Whakamaru dairy country. There has been little, or even negative, growth in the remote rural areas.
7. The advent of the Distributed Generation Regulations is likely to exacerbate the situation. The high-fall streams that are ideal for small hydro tend to be in the remote areas of the network. The regulations oblige us to provide line services to distributed generation at its marginal cost. The company will therefore receive little extra income from distributed generation and, to the extent that remote customers save on their line charges by using distributed generation, income is likely to decrease from these lines in the future rather than increase.

8. We acknowledge the national benefit in maintaining a secure supply to remote rural areas. We support Federated Farmers observations of the unproductive time that non-grid energy supply can consume, and believe that it would be more productive for the nation if that time was spent on activities that add to the GDP.
9. Ultimately the paper comes down to the question of who pays for supply to remote areas. There would appear to be permutations of four options:
  - a. The customers themselves
  - b. The customers of the local lines company
  - c. The nation ( by way of levy or tax)
10. We submit that option b is not equitable. Lines company boundaries are often arbitrary and bear little relationship to any community of interest. There appears to be little reason why the citizens of New Plymouth get to subsidise the remote Raetihi consumers, the citizens of Wellington who own holiday homes in Ohakune get to subsidise remote National Park consumers, while the citizens of Auckland subsidise no-one. Our Otorohanga area borders Waipa networks. There appears to be little logic why a dairy farm that is in our area has to subsidise a remote farm, while its neighbour in Waipa does not. The cost of such subsidisation should not fall upon the citizens of the low decile rural towns, who can least afford to bear such cost.
11. If as is submitted, the continuance of a supply to remote areas is in the national interest, both in getting electricity in and distributed generation out, then we submit the nation should be funding the cost. As submitted by Federated Farmers that would be in line with telecommunications and other subsidies.
12. We do not believe that there needs to be a special levy to raise the funds. The cost is relatively small and could be funded from general tax funds.
13. Finally, there is some time before 2013. Accordingly we recommend that:
  - a. A policy be established now for the nation to fund supply to remote areas, where it is in the national interest.
  - b. That a working party be established as recommended by ENA to work through the detail of such a policy and to review all legislation and regulation concerning remote supply to ensure it is consistent with the policy.