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4 April 2008

Electricity Group
Energy & Communications Branch
Ministry of Economic Development
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Draft Government Policy Statement (GPS) on Electricity Governance – March 2008

Unison Networks Limited (Unison) is the fourth largest Electricity Lines Business (ELB) in New Zealand, providing electricity services to over 105,000 consumers in Taupo, Rotorua and Hawke's Bay regions.

Unison appreciates the opportunity to review the GPS, and would like to submit the following comments.

Pending Changes in the Regulatory Framework

Unison's key concern with the GPS is the lack of acknowledgement of the pending changes in the regulatory framework. Unison has viewed a copy of the submission prepared by Electricity Networks Association, and supports the recommendations contained within this submission. In particular, the recommended changes to paragraphs 120, 123A and 124 which reflect the legislative changes that are currently in process, such as Commerce Amendment Bill and Electricity Industry Reform Bill. In addition, Unison considers that it would be beneficial for all stakeholders to alter paragraph 125 to take into account of these legislative changes. This could be achieved by requesting that the Commerce Commission and the Electricity Commission review their Memorandum of Understanding once the new legislation has been passed.

Distribution Pricing

In respect to distribution pricing, Unison appreciates that simplification and standardisation are desirable outcomes. However, the distribution pricing must recognise the differing circumstances of the various distributors in New Zealand, and therefore the different customer groups and economic signals that they may need to deal with and send in the market place.

On the basis that the Electricity Commission is establishing model distribution pricing principles which are to be adopted by the distributors or mandated, Unison considers that it should be very clear that the Commerce Commission should not then be able to impose

alternative requirements on distributors, for example rural cross-subsidies versus cost reflective pricing. It would then follow that the Commerce Commission's ambit should not extend to pricing methodologies. Instead the Commerce Commission's view on cost reflective pricing should flow through from the Electricity Commission's model pricing principles, if this is what the Electricity Commission decide on following consultation.

Should you require further information or have the need to consult with Unison further on this submission, please contact Amanda Reid in the first instance on (06) 873 9372.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'A Reid', written in a cursive style.

Amanda Reid

Regulatory Affairs Analyst