

# Electricity Networks Association

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Levy Regulations Review – Part 4 of Commerce Act  
Energy and Communications Branch  
Ministry of Economic Development

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## Response to Discussion Document on Funding the Regulation of Electricity, Gas and Airports under the revised Commerce Act

### Questions for consultation – Electricity Lines Businesses Design of Levy

***47. Do you consider that the proposed allocation of costs for different activities (only lines businesses subject to price-quality regulation pay for the costs of this part of the regime, all lines businesses pay for all other activities) is appropriate?***

We agree that this split is appropriate.

***49. Do you consider that share of valuation of fixed assets (calculated using the methodology required by the Commerce Commission - currently ODV) is a reasonable basis to use to recover costs, within activities?***

We agree that appointing the levy on the basis of the asset valuation methodology.

***51. Do you have any other comments regarding the design of levy regulation for electricity lines businesses?***

We submit that the costs of the levy should, ultimately, be met by the beneficiaries of the regime, i.e. electricity consumers. The mechanism for ensuring that the Commission recognises the levy as a cost pass-through is unclear. Possible this could be achieved through a clause in the regulations, or through a section 26 letter to the Commission.

The Commission's regulatory regime is being applied on the assumption that it will deliver customers economic and service quality benefits. Accordingly, it would be consistent for the beneficiaries – customers – to pay for the costs of regulation.

On this point we also submit that the companies facing control and/or meeting the information disclosure requirements are also incurring significant additional compliance costs, apart from the levy. We recommend that it become a policy

objective to ensure that the full compliance costs of a regulatory regime are identified and met by the ultimate beneficiaries. As well as being consistent with the economically sound principle of 'beneficiaries pay' this would place a reasonable and useful check on the tendency for regulatory creep to occur because the incremental costs in relation to benefits would be clearly recognised.

Regards

Alan Jenkins  
Chief Executive