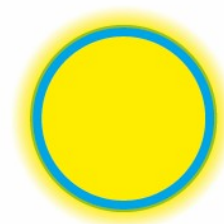


19 March 2010

Matthew Lewer
Senior Analyst
Network Performance Branch
Commerce Commission
P.O. Box 2351
Wellington

POWERCO



Dear Matthew

Powerco Submission on Further Work for the Reset Default Price-quality Path for Electricity Distribution Businesses

Thank you for the opportunity to comment on the process and timeline for resolving the remaining issues with the default price-quality path (DPP) for Electricity Distribution Businesses (EDBs).

Scope of further work

Powerco supports further work on the six issues listed in paragraph two. They are all important matters that have a significant impact on incentives, efficiency and delivering the Part 4 regulatory purpose statement.

We note that in paragraph 4.39 of the DPP Decision Paper¹ the Commission committed to further consult on avoided transmission costs.

Further to the pass-through of avoided transmission costs, the pass-through of avoided transmission charges (i.e., those charges that would have been paid to Transpower) may provide a more direct incentive for EDBs to own and operate assets acquired from Transpower at a lower cost than those avoided charges for equivalent services. [...] The Commission will include this issue in the areas of further work to be initiated early next year and will consider the issue in light of relevant input methodology determinations.

This issue should also be included in the General Issues Discussion Paper, scheduled to be published in June/July 2010.

Timeline

We have a number of comments on the timeline. We welcome the Commission completing further work on the revenue adjustment mechanism and energy efficiency in 2010/11. Implementing the revenue adjustment in particular, should be viewed as a high priority.

As noted before, we have limited capacity to respond to multiple consultation documents in a short period of time, so careful scheduling of release dates and long windows is very important for effective consultation.

¹ Commerce Commission, Initial Reset of the Default Price-Quality Path for Electricity Distribution Businesses: Decisions Paper, 30 November 2009.

We also have concerns about the final publication of the Enforcement Guidelines. While Powerco does not intend to breach the default price path, it is important that our management team and Board understand the implications of breaches and we have more certainty about how breaches would be treated by the Commission. Publication of the Enforcement Guidelines should be as soon as practicable.

Thank you for considering these comments.

Yours sincerely

A handwritten signature in blue ink that reads "Charlotte Salathiel". The signature is written in a cursive style and is contained within a light grey rectangular box.

Charlotte Salathiel
Regulatory Manager