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Anna McKinlay
Commerce Commission
44 The Terrace
WELLINGTON

By email: regulation.branch@comcom.govt.nz

Dear Anna

Distribution business cost efficiency

Genesis Power Limited, trading as Genesis Energy, welcomes the opportunity to provide feedback to the Commerce Commission (“the Commission”) on its technical paper “Information Disclosure: Approaches for Understanding EDB and GPB Cost Efficiency” dated 7 October 2011.

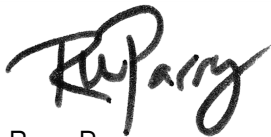
As New Zealand’s largest energy retailer, we have a strong interest in the cost efficiency of the electricity and gas distribution sectors. Distribution charges set by individual firms make up a significant portion of the costs that we must recover from our customers, but the overall structure of the distribution sector also has a significant bearing on our cost to serve. As such, we are interested in whether the information disclosure regime can help us (and our customers and policy makers) understand whether sector structure is efficient in terms of firm scale and transaction cost considerations.¹ We also consider that these matters are important for the consumer-beneficiaries of exempt electricity distribution businesses given that the policy approach relies on these parties to discipline the cost efficiency of these businesses.

¹ We note that our concerns centre on the electricity distribution sector where we transact with 55 firms (including embedded networks).

The technical work by the Commission to date is largely focussed on whether a firm is efficient once its scale is taken as fixed. Given this, we have asked Castalia to prepare a brief technical report that examines scale and transaction cost considerations. Castalia's report is attached and we trust that it will be helpful in developing the Commission's thinking.

We would welcome further opportunities to engage with the Commission on this matter. We have appreciated the open, proactive and accessible approach that the Commission has adopted for its information disclosure work to date. I can be contacted on 04 495 3348.

Yours sincerely



Ross Parry

Regulatory Affairs Manager