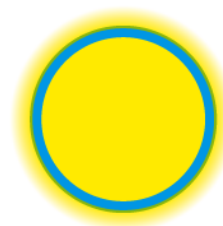


11 November 2011

Anna McKinlay
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POWERCO



Dear Anna

Information Disclosure: Approaches for Understanding EDB and GPB Efficiency

Powerco appreciates the opportunity to comment on the Commerce Commission's Technical Paper for consultation entitled, "Information Disclosure: Approaches for Understanding EDB and GPB Cost Efficiency (Consultation Paper), published on 7 October 2011.

Our submission, which is attached, builds on comments made at the Technical Reference Group workshop on the 31 October and 1 November 2011. We have also seen a copy of the Electricity Networks Association (ENA) submission and support its recommendations.

In summary, we concur with the Commission's general interpretation that some form of comparison of expenditure across operators and an examination of historic cost trends for individual companies may assist interested persons to assess whether the overarching Part 4 purpose statement is being met.

However, having set out this view we are concerned that the Commission has attempted to define a detailed set of information requirements and present various technical modelling approaches without addressing some important fundamental questions. In our view these are:

1. What is the overall purpose of the exercise and what criteria should be applied in order to assess different options for determining whether the objectives of Part 4 are being met?
2. What level of greater understanding is sufficient to inform interested persons and what outputs will be understood and meaningful to a broad range of stakeholders?
3. What information is already disclosed by companies, or required to be disclosed under the various Input Methodologies, and to what extent is this sufficient information (if summarised) to allow interested persons to assess whether the purpose of Part 4 is being met?
4. What is the distinction between the level of benchmarking which may need to be appropriately applied by the Commission to inform revenue setting (i.e. under a

Customised Price Path) and the information needed only for “informing interested persons” under the Information Disclosure framework?

5. What are the costs and benefits of seeking increased information disclosure as well as the ongoing costs of complex modelling and associated explanatory submissions which would inevitably be required to be provided by companies to set out company specific factors?

It is important that the Commission’s exercise is designed to address a clearly articulated purpose and doesn’t fall into the trap of seeking more and more information for the sake of it, or simply because there is a view that the data is able to be provided. The test should be what is sufficient to satisfy the information disclosure requirements at the lowest overall cost?

It is also important that the Commission understands what data is currently captured by different companies (given that the 29 EDBs vary significantly in size and ownership structure) and what are the practical (cost and timing) implications associated with any new obligations.

There is a risk that the exercise will become overly sophisticated, complex and costly (partly because the suggested approach borrows from practices applied in other jurisdictions where the analysis is used primarily to set revenues), and may not ultimately provide the kind of output that would promote greater understanding of comparative performance.

We note that the Commission’s views presented in the paper are only preliminary and in that regard the consultation has been useful in exposing some of the issues which we believe ought to be progressed before an enduring set of new obligations on both EDBs and GDBs is finalised.

We recommend that the Commission works closely with the sector to address the questions highlighted above prior to specifying the detail of the information disclosure requirements. Powerco would be happy to participate in such an exercise.

Yours sincerely



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