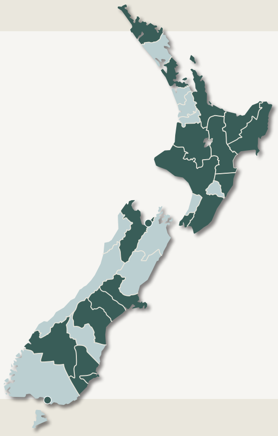
# Regulation for electricity lines companies

## What is regulation?

We regulate markets with little or no competition and little prospect of future competition, including electricity lines companies. The aim of this regulation is to mimic the effects seen in competitive markets so regulated companies are limited in their ability to earn excessive profits, as well as having incentives to innovate, invest, and provide services at a quality consumers expect.



## Price-quality regulation

We set price and quality controls for 17 local lines companies. These controls involve capping the total revenue the companies can earn from their consumers and requiring them to maintain their average quality to certain levels. The other 12 are exempt as they meet community-ownership criteria.

## Quality standards

Quality standards are focused on the reliability of the electricity network. For each of the 17 companies, we set annual limits for the average number and duration of power outages across the region. Electricity lines companies breach their quality standards if the number or duration of power outages exceeds their annual limit in 2 out of 3 years.

## How we set the standards

The current limits are based on each company's historic performance. In calculating and assessing their compliance with the standards, our rules limit the impact of one-off events like significant storms, in order to consider the performance of the network as a whole over the year.

This helps focus the quality standards on the company's performance in ensuring reliability does not reduce over time.

## Breaching the standards

Each year electricity lines companies must report to us on whether they have complied with the rules. If not, we can take a range of enforcement steps including a formal warning, or court action seeking penalties.

Find out how your lines company is performing at **www.comcom.govt.nz**

COMMERCE COMMISSION
NEW ZEALAND
*Te Komihana Tauhokohoko*