

Interaction between the Electricity Authority and the Commerce Commission with regards to development of the Distribution connection pricing proposed Code amendment

Background

Both the Electricity Authority (the Authority) and the Commerce Commission (the Commission) have been asked questions regarding our engagement during development of the Distribution connection pricing proposed Code amendment.

We have set out an overview of our engagement at a high-level, so it is available to all stakeholders.

Overview of engagement

The Authority and the Commission are committed to working together to improve long-term outcomes for New Zealand electricity consumers, this commitment is reflected in our [memorandum of understanding](#).

The Authority and the Commission have engaged over an extended period during development of the Authority's proposed policy on connection charges, and we expect this to be on-going.

This has included multiple rounds of staff-level engagement on the [targeted distribution pricing reform issues paper](#), [independent consultant's report](#), and the consultation paper related to the [Distribution connection pricing proposed Code amendment](#).

We also engaged during the development of the Commission's [recent reset of the default price-quality path](#) about how the Authority's process and timeline related to connection pricing would be best accommodated.

The expectation of interaction between our regimes is reflected in section 54V of the Commerce Act which provides that the Authority must consult with the Commission before amending the Electricity Industry Participation Code (the Code) in a manner that will, or is likely to, affect the Commission in the performance of its functions or exercise of its powers in relation to electricity lines services.

Under section 54V, the Commission must take account of any provision of the Code that relates to pricing methodologies (among other specified matters) before exercising any of its powers or functions under Part 4 of the Commerce Act. If requested by the Authority, the Commission must reconsider (and to the extent the Commission considers necessary or desirable, amend) a section 52P determination (for example, a default price-quality path (DPP) determination), to take account of any of the specified matters.

The obligation to consult is reflected in the [Authority's letter to the Commission](#) provided under section 54V and the [Commission's response](#) which outlines the expectation of on-going engagement noting that "a number of technical issues relating to these proposed amendments are still being worked through by EA and Commission staff."

We are sharing the themes of the engagement which has occurred between the two agencies in respect of the consultation paper, noting that given there were subsequent engagements and revisions to papers which occurred after feedback had been provided, the representation of a theme does not necessarily mean that there is an on-going technical issue which requires further engagement between both parties on all topics.

Given engagement predominantly occurred at a staff level the themes outlined below are also not necessarily representative of the Authority's or the Commission's formal position. Rather, these identified themes are intended to be representative of the type of feedback provided rather than a full coverage of all points covered in all correspondence.

Key themes raised

Key themes raised during engagement on the consultation paper between both parties:

- Importance of developing a mutual understanding of interactions and impacts of the connection charges policy proposed between our respective regimes, including the timing of full reform and the uncertainty around this, how the reliance limit will apply in practice, and what the exemption process will look like
- Whether the reliance limit, exemptions, and the Commission's reconsideration of price-paths might cause difficulty for electricity distributions businesses (EDBs) that want to gradually transition towards 'better' connection pricing in a phased manner
- Whether the Commission may need to reconsider the price paths for other elements of the fast-track changes beyond the reliance limit
- Whether EDBs might need to change their connection pricing methodology to stay at the 2024 level required under the reliance limit, and consideration of how volatile the capital contributions time series is compared to the 2024 year
- How the DPP regime considers financeability
- Timeframes for decisions and how these can be accommodated within respective regulatory processes
- We noted that in the short term it is appropriate that the Authority deal with any additional information disclosure requirements and the Commission could consider integrating them into our these into its Information Disclosure requirements at a later date.

END