



Richard Fletcher
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7 March 2011

Commerce Act Levies Consultation
Ministry of Economic Development
PO Box 1473
WELLINGTON 6140

Dear Sir/ Madam

Re: Revisiting funding of the regulation of electricity, gas and airports under Part 4 of the Commerce Act 1986

This is Transpower New Zealand Limited's submission on the Ministry of Economic Development's February 2011 discussion paper *Revisiting Funding of the Regulation of Electricity, Gas and Airports under Part 4 of the Commerce Act 1986*. We appreciate the opportunity to provide this input and wish to make the following brief comments:

- While the requirements of the new Part 4 framework justify some increase in appropriations for the Commission, it is difficult for us to comment on the specific budget proposals based on the level of information disclosed. However, we note that funding for 30 FTEs is a substantial increase compared to previous levels.
- Incremental increases in expenditure on regulatory functions can produce net national benefits up to a certain point but there is the risk of excessive regulatory activity which is counterproductive adding both to regulator costs and to regulated entities' costs of compliance.
- Our primary concern in respect of the regulation of Transpower is to avoid an overly intrusive form of regulation that results in such inefficiency. The higher level of proposed appropriation is more likely to result in a greater level of regulatory intervention and further unnecessary refinements to the regulatory framework at a time when the focus should be on implementing the new Part 4 regime.
- The Commission's request for additional appropriations does not appear to include any provision for the new function of assessing Transpower's capital expenditure proposals and related input methodologies. This is an area where the level of funding may in fact drive the level of regulation that is applied. The Commission should be at pains to avoid resourcing up to undertake a parallel "transmission planning" role to that of Transpower, which occurred under the previous regulatory arrangements and should seek to pursue all opportunities to further streamline its current processes and reduce overly intrusive regulation.¹

¹ An example would be to increase the level of the "capex" threshold which determines which of Transpower's investments are required to be subject to individual scrutiny and approval by the Commission. This is currently set too low at \$5m which results in inefficient costs being incurred by both Transpower and the Commission. We have advocated for this threshold to at reset at \$40m in the first instance..

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- We assume the Commission will be seeking a separate appropriation for this purpose at some time in the future and given that this to some extent will have an influence on the regulatory work that the Commission will pursue, we would welcome the opportunity to provide comment at that time.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Richard Fletcher', with a small dot at the end.

Richard Fletcher
Regulatory Strategy Manager