



Richard Fletcher
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John Groot
Regulation Branch
Commerce Commission
PO Box 2351
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Dear John

Re: Information Disclosure Regulation Process and Issues

This is Transpower New Zealand Limited's submission on the Commerce Commission's 23 February 2011 discussion paper *Information Disclosure Regulation Electricity Lines Services and Gas Pipeline Services – Process and Issues Paper*.

We appreciate that the focus of this consultation is the process the Commission will follow to determine how information disclosure requirements will be applied in the future. In this regard we recommend that the following two issues of substance be considered at the discussion stage:

- 1) The degree to which the information that is required to be disclosed actually provides any utility to interested parties and to what extent elements of the requirements could be simplified or eliminated.¹
- 2) The degree to which particular information disclosure requirements duplicate information that Transpower already makes publicly available pursuant to other processes or its specific individual regulatory requirements.

With respect to issue 1) above, we recommend that the Commission include in the discussion consultation a review of the degree to which the information that is currently required to be disclosed by Transpower is actually used by interested parties and provides utility to them. Anecdotal evidence suggests that substantial parts of the information currently disclosed are not actually used by or useful to interested parties and may therefore represent opportunities for the current requirements to be rationalised. Reiterating previous comments which we have made to the Commission, we note that in Transpower's corporate memory we cannot recall receiving any comments, questions or engagement on any aspect of our annual Information Disclosures.

With respect to the issue of duplication (issue 2 above), we are pleased to note that the Commission will be considering the current Grid Upgrade Plans and the development of

¹ Transpower considers it essential that this exercise inform any cost/ benefit analyses of information disclosure requirements undertaken by the Commission. Should the Commission decide not to progress this recommendation Transpower would be happy to conduct such an exercise to assist the Commission's process.

the Transpower Capital Expenditure Input Methodology (Capex IM) with a view to deciding whether or not also requiring Transpower to submit an Asset Management Plan would be an unnecessary duplication of requirements. In this regard, we note that an Asset Management Plan forms part of the Revenue Reset Submission produced at the commencement of each Regulatory Control Period. Transpower suggests that the Commission carefully consider the extent to which it requires information made available by way of the regulatory reset process to be separately disclosed annually, in order to limit compliance costs. As part of the discussion consultation, the Commission might wish to canvass whether information provided as part of the revenue submission should simply be referenced in annual disclosures.

One area of concern to us in the proposed process is the separate Stage 2 step of the Commission's proposed consultation process: "Stage 2: Transpower – Forecast Information". The body of the discussion paper indicates that this step will involve the development of additional requirements for Transpower which will be determined in 2012. The paper also notes that, as both the Individual Price-Quality Path Determination and the Capex IM will require Transpower to submit information, the Commission will review all information requirements for Transpower to "align" the disclosure and provision of information where possible. We recommend that the Stage 2 step and the "alignment" process should involve a substantial element of rationalisation of these requirements and careful consideration of the costs and benefits of any possible new requirements. We look forward to commenting further on these concerns as part of the "Discussion" stage of the process and liaising informally with Commission staff on the precise nature of this work as it develops.

In response to possible concerns that reducing the information disclosure requirements might lead to inadequate regulatory scrutiny of Transpower, we note that the information disclosure regime is a legacy of the former "light handed" regulatory regime that existed prior to the creation of the Electricity Governance Rules 2003 (now incorporated into the Electricity Industry Participation Code 2010), the Commerce Act (Transpower Thresholds) Notice 2008 and Part 4 of the Commerce Act 1986. The theory behind the "light handed" approach was that opening all the business activities of the firms subject to this form of regulation to public scrutiny would quickly expose any inappropriate behaviour and, by way of various forms of informal or formal pressure, including legal action, correct such behaviour.

Now that we have moved beyond "light handed" regulation (specifically in the case of Transpower's Individual Price-Quality Path) to what approximates to control, it would seem reasonable to examine, as part of the discussion consultation, whether or not substantial elements of the information disclosure regime are actually still appropriate or achieve their original purpose.

Yours sincerely



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