



**Report** 03.512  
**Date** 27 August 2003  
**File** B/06/07/01

**Committee** Utility Services  
**Author** R J Werry, Chairperson, Utility Services Committee

## Electricity Pricing in the Wellington Region

### 1. Purpose

- To propose that the Utility Services Committee ask Council to make a submission to the Commerce Commission on electricity network pricing.

### 2. Network Pricing

You will recall that Councillor Hugh Barr and I wrote a paper on electricity network pricing in the Wellington Region. This paper was presented to a Utility Services workshop held on 22 July.

Electricity retailer Genesis announced that electricity prices would be increased next month and it is almost inevitable that other retailers will follow. Murray Jackson, Genesis' Chief Executive Officer, was quoted in *The Dominion Post* on 6 August as follows:

*From October customers in Wellington, Porirua and the Hutt Valley will pay between 6 and 9 per cent more for their power. For the average household using 8,200 kilowat [sic] hours annually, this equates to about \$77.00 more a year and includes a \$25.00 increase in network charges as a result of recent utility rating increases by Wellington councils.*

There are 127,000 domestic consumers in the Wellington metropolitan region. This number multiplied by \$25 comes to \$3.2 million. However, after examining the rating records, it is apparent that the actual increase in rates payable by Vector Ltd is only \$273,000. This analysis is supported by the article written by Jim Chipp for the *Porirua News*, attached as Attachment 1.

### 3. Interest of Greater Wellington Regional Council (GWRC)

This Council is a major energy user and about \$1 million per year is paid to Vector Ltd in line charges.

While this amount has been locked in by a contractual arrangement until

1 April 2004, there is no doubt that GWRC has a serious interest in the network charge that will apply when the contractual period ends.

#### **4. The Commerce Commission**

The Commerce Commission has invited interested parties to make submissions on its proposed price control guidelines. The draft price control mechanisms or "threshold guidelines" are very complicated and it would be very difficult for this Council to write a submission on the detail of the guidelines. Nonetheless, it is considered that it would be appropriate for this Council to write a submission to the Commerce Commission which was based on the general principles of network pricing such as accounting transparency (for example, separate accounts for the Wellington network) and the prevention of transfer pricing. Submissions close on 8 September 2003.

#### **5. Recommendation**

*That the Utility Services Committee recommend that Council make a submission to the Commerce Commission on electricity network pricing.*

Report prepared by:

**R J Werry**  
Chairperson, Utility Services Committee