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Digest No. 1718

Electricity (Continuance of Supply) Amendment Bill 2008 (2009 No 296-2)

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| Date of Introduction: | 09 September 2008 |
| Portfolio: | Energy |
| Select Committee: | Commerce |
| Date report presented: | 28 July 2009 |
| Published: 16 October 2009 Prepared by John McSoriley BA LL.B, Barrister Legislative Analyst P: (04) 471-9626 (Ext. 9626) F: (04) 471-1250 | Caution: This Digest was prepared to assist consideration of the Bill by members of Parliament. It has no official status. Although every effort has been made to ensure accuracy, it should not be taken as a complete or authoritative guide to the Bill. Other sources should be consulted to determine the subsequent official status of the Bill. |

Purpose

The aim of the Bill is to amend the Electricity Act 1992 (the Act) to alter the continuance of supply provisions, which are due to expire in 2013, to place a continuing obligation on electricity distributors to supply all places supplied as at 01 April 1993, using either line function services or electricity supplied from an alternative source.

Main changes to the Bill

Restructuring of the Bill

The Select Committee has recommended the restructuring of the Bill into two parts, to accommodate the amendment to the Commerce Act 1986 (see below).

Point of supply

The Select Committee has recommended the redrafting of the obligation to maintain line function services so that it would apply to a "place" supplied rather than to a "point of supply" as this wording is more in tune with the policy intent of the Bill, which is simply to maintain the current supply obligation¹ (*Part 1, Clause 4, inserting New Section 62 into the Act*).

Consent to be given by the landowner

The Select Committee has recommended that consent to cessation of supply must be given by the landowner of a property, or, if the owner is not the electricity consumer, the landowner and consumer, rather than by every consumer who would be affected (*Part 1, Clause 4, inserting New Section 62 into the Act, subsection (3)*).

Retailer and landowner to be informed of proposal to use alternative source

The Select Committee has recommended that, with any proposal to supply electricity from an alternative source, a lines company should give notice to relevant electricity retailers, as well as to affected consumers and the public, and should make reasonable endeavours to notify the landowner where the landowner is not the consumer (*Part 1, Clause 4, inserting New Section 62B into the Act*).

Comment

The term "alternative source" is neither defined in this Bill nor in the Act and is therefore only limited by technology.

"Alternative source" to be an "electricity line service" under the Commerce Act 1986

The Select Committee has recommended amending the Commerce Act 1986 to regulate supply of electricity from an alternative source within the same framework as supply by lines by widening the definition of "electricity lines services" in Part 4 of the Commerce Act to include the supply of electricity from an alternative source (*Part 2, Clause 7 amending Section 54C of the Commerce Act 1986 by inserting new subsection (2A)*).

Comment

"If supply from an alternative source were not a regulated activity under the Commerce Act, it would have to be charged separately only to the recipients of that supply, who are likely to be predominantly in remote rural areas. This would be likely to conflict with Government policy that the prices charged to rural users be kept in line with those charged to urban users. It could also mean that lines companies were less likely to take up the option of fulfilling their obligation through supply from an alternative source. By providing for the costs of supply from an alternative source to be included by the Commerce Commission in the regulated revenue of lines companies, the proposed amendment would enable lines companies to spread these costs across all users of their services. This outcome would accord with the Government Policy Statement on Electricity Governance". "The proposed amendment

¹ Electricity (Continuance of Supply) Amendment Bill, 2009 No 296-2, As reported from the Commerce Committee, Commentary, p. 2.

would also have the effect of making supply from an alternative source subject to the information disclosure regulations of the Commerce Act².

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² Electricity (Continuance of Supply) Amendment Bill, 2009 No 296-2, As reported from the Commerce Committee, Commentary, p. 3.