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## **Submission on 'Exploring Digital Convergence' Paper**

The Energy Trusts Association – ETNZ - represents the trust owners of electricity distribution businesses throughout New Zealand, the largest of which is the Auckland Energy Consumer Trust and smallest of which is the Buller Electric Power Trust. The majority of the Trustees of these energy trusts are elected by electricity consumers who are the beneficiaries of the trusts. Accordingly, ETNZ has both an asset owner and a consumer perspective in addressing this topic.

In this submission we address the questions posed in the paper in the order in which they appear.

### ***1. Do you agree with the way this paper defines convergence?***

While we strongly agree with the definition we submit that the paper's focus on the TIME sectors is much too prescriptive. Convergence is bringing together all of the sectors that rely on the communication technologies that are having an impact on the TIME sectors, and the need for regulatory reform to recognise

convergence applies especially to the electricity distribution sector, where the focus of investment is shifting rapidly towards consumer empowerment through communication tools, and towards a broadening interface involving electric vehicles, distributed electricity generation and remote control and coordination systems.

The Ministry of Transport's Regulation 2025 project and MBIE's Telecommunications Act review (when it enters its next phase) are parallel exercises that should be considered in tandem with the issues covered in the paper, and the Commerce Commission's current review of the 'Part 4 Input Methodologies' in particular should be drawn into the convergence review.

Putting this succinctly, there is an immediate need for the various governmental workstreams focusing on regulatory reform to themselves be subjected to a convergence process, recognising the advantages to the economy and to society that emerging technologies offer.

***2. Do New Zealand's current regulations and policies need to change to account for convergence?***

Established regulatory processes in New Zealand have been dominated by economists' priorities, concentrating on income restraint and the associated ring-fencing of traditional monopoly activities. Emerging technologies are making these regulatory processes impediments rather than facilitators, and – given the central role of communication technologies in ushering transformative changes – it would be appropriate for the current review to be expanded to create a dialogue on reforming regulation in all areas where convergence features.

***3. Do you agree with the proposed convergence work programme?***

Yes but subject to broadening the exercise to cover all regulated sectors where convergence with communications technologies is becoming a significant feature.

**4. *Should the Government be doing anything else to address convergence?***

While the paper gives an excellent outline of the cyber security issues involved, we believe that the Government should move as quickly as possible to ensure that all regulatory regimes applying to sensitive infrastructures recognise and promote investment in effective and consistent cyber security mechanisms and processes.

In the electricity distribution industry very detailed information disclosure requirements are imposed by the regulators (the Commerce Commission and the Electricity Authority). For example, asset management plans must be publicly disclosed. Given the harm that a cyber intrusion could do regionally or nationally it would be sensible to promote an independent review aimed at identifying and addressing significant risks posed by regulatory requirements.

**5. *What barriers are you aware of that prevent you from benefiting from, or responding to, convergence?***

The regulatory ring-fencing of conventional electricity distribution activities under Part 4 of the Commerce Act, which is substantially unchanged since its introduction in 2008, is making it increasingly difficult for the companies that our members own to optimise their investment priorities in order to take advantage of emerging technologies.

Also, the separation of distribution from certain electricity generation and retailing activities imposed by the Electricity Industry Act 2010, along with ownership separation requirements under Part 3 of that Act, creates a number of uncertainties as converging technologies make investment in distributed energy generation and storage options viable. This is another legislative barrier that is becoming anachronistic.

Summing up, we are aware that moves are under way in many countries to ensure that regulation is reformed to recognise the benefits of

convergence, especially for the electricity industry. The following comment from a release on the 2015 Deloitte Power and Industry Outlook describes one of these many initiatives:

*New York's "Reforming the Energy Vision" plan to overhaul its utility regulatory system is the most comprehensive response yet. The plan brings utilities, regulators, government agencies, financiers, and innovators together to achieve system-wide efficiency, reliability, resiliency, fuel diversity, affordability, carbon reduction, and most importantly, increased customer choice and value. Other states, like Massachusetts, Georgia, North Carolina, and Minnesota, are experimenting with their own regulatory changes and more are likely to jump on board.*<sup>1</sup>

It would be timely for the discussion initiated by the paper to be opened up into a wider discussion around how the suite of regulatory regimes applying to all key services can be transformed and modernised.

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<sup>1</sup> <http://www2.deloitte.com/us/en/pages/energy-and-resources/articles/2015-power-and-utilities-industry-outlook.html>