



Corporate Office

Powerco Limited
Level 2
NPDC Civic Centre
84 Lizardet Street
Private Bag 2061
New Plymouth 4342

☎ 0800 769 372

🌐 powerco.co.nz

15 February 2019

New Zealand Productivity Commission
PO Box 8036
The Terrace
Wellington 6143

POWERCO – Submission on local government funding and financing inquiry

We welcome the opportunity to submit on the local government funding and financing inquiry.

We are mindful of the impact that input costs have on costs to our customers. Keeping these costs at an efficient level can help to keep utilities bills as low as possible. For Powerco, the \$3.5m we pay for rates is around 60% of the 'pass through'¹ costs that we recover each year. These costs contribute to the rates revenue of 22 territorial local authorities around New Zealand and relate to provision of electricity and gas networks. Attachment A provides more information about Powerco.

We support the BusinessNZ submission on this topic. Specifically, we endorse their recommendation to focus local government on activities that are core to local government functions, and agree with the discussion around high business multiples.

If you have any questions on this submission, or would like to discuss these issues further, please contact Owen Matthews (Owen.Matthews@powerco.co.nz).

Yours sincerely

A handwritten signature in blue ink, appearing to read "Stuart Marshall".

Stuart Marshall
General Manager – Regulation and Commercial

¹ For Powerco and other regulated utilities the regulatory regime treats rates as a 'pass-through cost'. This which means that 100 percent of our rates bill ends up being passed on to the local consumers and businesses via the gas and electricity prices we pass on to retailers.

Attachment A: About Powerco

Powerco is a dual energy distributor with electricity lines and gas pipelines. Powerco is New Zealand's largest electricity distributor in terms of network length (28,000km) and has the second largest number of electricity connections (338,000). The company also has the second largest gas distribution network (6,000km) and the second largest number of gas connections (107,000).

- *Electricity distribution.* Powerco's electricity networks are in the Taranaki, Wanganui, Rangitikei, Manawatu, Wairarapa, Bay of Plenty, Coromandel and Waikato regions, including the urban centres of New Plymouth, Wanganui, Palmerston North, Masterton and Tauranga.
- *Gas distribution.* Powerco's gas networks are in the Taranaki, Manawatu, Hutt Valley, Porirua, Wellington City, Horowhenua and Hawke's Bay regions

