

7 February 2012

John Anderson
Chief Executive Officer
The Lines Company Limited
P O Box 281
Te Kuiti

Dear John

**Warning letter: Application of exemption granted under the Electricity
(Low Fixed Charge Tariff Option for Domestic Consumers)
Regulations 2004**

File reference: 1211LINE1

On 30 January 2013, the Authority's Compliance Committee (Committee) considered a complaint about The Lines Company Limited's (TLC) interpretation of its exemption under the Electricity (Low Fixed Charge Tariff Option for Domestic Consumers) Regulations 2004 (Regulations).

On 20 November 2012, the Authority received a complaint from Mr Clive Gifford, a TLC customer, relating to TLC's decision to take him off TLC's low fixed charge tariff option because TLC considered that he lived in an area covered by its exemption from full compliance with the Regulations. Mr Gifford was also concerned that TLC's interpretation of its exemption would affect a number of other customers within the TLC network area.

TLC has advised that, to determine whether the second component of its exemption applies to a particular home, it applies the following two step process:

- (a) the home must be supplied from a line from one of the feeders listed in the exemption; and
- (b) the home must be within the shaded area on the map attached to the exemption.

The Committee was advised that, following discussions with the Ministry of Business, Innovation and Employment staff who processed TLC's exemption application, the correct test to determine whether a home is covered by the second component of the exemption requires a three step process:

- (a) the home must be supplied from one of the feeders listed in the exemption; and
- (b) the home must be within the shaded area on the map attached to the exemption; and
- (c) the home must be supplied from a line serving few homes with no other significant electricity consumers.

The Committee agreed the above three step test was the correct test because it is consistent with the wording of the exemption, the criteria specified in regulation 28 of the Regulations for the Minister to grant an exemption and with TLC's application for the exemption.

The Committee considers that TLC has interpreted its exemption from the Regulations too liberally, and this denies some consumers the choice of the low fixed charge tariff option.

The Committee decided to warn TLC that it requires TLC to apply the correct three-step process when determining if the exemption is applicable to a particular home. The Committee also requires TLC to apply the correct three-step process to Mr Gifford's home in Owhango and report to the Committee on the action taken.

Please note that if TLC continues to operate outside the scope of its exemption, the Committee will have no option but to consider whether further action is required.

Your response to this warning letter would be appreciated by **22 February 2013**.

If you have any questions relating to this case, please contact Peter Wakefield at 04 460 8864 or peter.wakefield@ea.govt.nz.

Yours sincerely



Roger Sowry
Chair
Compliance Committee

cc
Malcolm Don
Chairman
The Lines Company Limited