There are 21 regions listed on the Consumer Institute’s Powerswitch website. In 14 of these regions the cheapest electricity company is privately owned, in 1 the cheapest company is owned by a council, and in the other 6 an SOE is cheapest.

In Auckland (central/Manukau) the cheapest electricity companies are currently Pulse ($1,946) and Contact (privately owned - $2,020). The cheapest SOE is Meridian ($2,046) - 5.1% more expensive than the cheapest private company.

In Christchurch Contact ($1,955) is the cheapest. The cheapest SOE is Genesis ($2,007) - 2.7% more expensive than the private company.

In Hamilton Nova Energy is the cheapest ($1,818) and Contact is the second-cheapest ($1,946).

In Wellington City, Energy Direct NZ (owned by Wanganui District Council - $2,065) and Trustpower ($2,098) are the two cheapest.

In Nelson Pulse ($1,951) and Just Energy ($2,088) are the two cheapest.

In Dunedin Contact ($1,958) is the cheapest.

Going through all of the other regions listed on the Powerswitch website, private companies are also currently the cheapest in Northland, Whangarei, Drury, Counties, Waikato, Hutt Valley/Porirua, Golden Bay, Marlborough, and Tasman/Nelson.

Private companies are not the cheapest in Wellsford (Pulse slightly more expensive than Mercury), Whangaparaoa (the same), Auckland (North/West - the same), Whakatane (Contact and Trustpower slightly more expensive than Energy Online, a Genesis subsidiary), Hawke’s Bay (Pulse more expensive than Genesis) and Otago (Contact more expensive than Meridian and Genesis).

All figures are the latest prices from the Powerswitch website and are “based on an average annual consumption for a medium sized household” (the exact consumption figure varies by region).

http://powerswitch.co.nz/powerswitch/site-info/price-trends

“On average, privately-owned electricity companies charge 12% - 3 cents per kilowatt hour - more than publicly-owned electricity companies”.

This is not a like-for-like comparison. Different companies have customer bases in different areas - for example Trustpower’s customers are primarily in smaller provincial cities and rural areas. Electricity costs more in these areas regardless of who the retailer is. So a weighted average power price for Trustpower will be biased upwards because of this.

Some of the figures quoted by the Green Party demonstrate the effect of this. Tiny Mighty Power is listed as the highest priced “public” company. But this is because Tiny Mighty Power specifically targets smaller provincial cities where the cost of electricity is higher for all retailers. Tiny Mighty Power’s prices are actually competitive in the regions in which it operates - the figures quoted by the Green Party don’t show this.
“If National pushes ahead with asset sales, our publicly-owned power companies would be legally obliged to meet the interests of their private shareholders and increase their profits by lifting their prices.”

This is factually incorrect. Boards are legally obliged to act in the best interests of their companies, NOT their shareholders, or any subset of their shareholders. Minority private ownership of the electricity companies will not change the best interests of these companies or the obligations of their boards.

The point about “private investors have a higher cost of capital than the Crown” is also misleading in the context of this issue, but probably a bit technical to get into that.

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-----Original Message-----
From: Chris Major
Sent: Monday, 18 June 2012 10:31 a.m.
To: Juston Anderson
Subject: FW: National’s Asset Sales Would Mean Higher Power Prices

Can you help with this? Or too swamped?

Thanks

-----Original Message-----
From: Jackie Maher (MIN) [mailto:Jackie.Maher@parliament.govt.nz]
Sent: Monday, 18 June 2012 10:29 a.m.
To: Chris Major
Cc: Andrew Blazey; AssocMoF: Angus White
Subject: FW: National’s Asset Sales Would Mean Higher Power Prices

Hi - could you please check this for me? Give me a call on it.

Thanks

Jackie Maher
Press Secretary Hon Tony Ryall I MP Bay of Plenty, Minister of Health, Minister of State Owned Enterprises I +64 4 817 9788 I +64 21 243 7803 I

-----Original Message-----
From: NewsRoom [mailto:newsmail@newsroom.co.nz]
Sent: Monday, June 18, 2012 10:16 AM
To: Jackie Maher (MIN)
Subject: National’s Asset Sales Would Mean Higher Power Prices

National’s Asset Sales Would Mean Higher Power Prices
http://newsroom.co.nz/stories/national-s-asset-sales-would-mean-higher-power-prices

Private power companies charge more than publicly-owned ones and partially-privatising our public power companies would only drive prices up further for everyone, Green Party Co-leader Russel Norman said today.

On Q+ A yesterday, Tony Ryall denied that private electricity companies charge more for electricity than the publicly-owned SOE electricity companies saying, “I’ve seen those numbers that have been quoted by the Green Party in that case, and what’s clear in that is there are a number of private companies that are cheaper than the state companies.” However, Ministry of Economic Development figures (see table below) show that each privately-owned company is more expensive than each publicly-owned company, with the tiny exception of Nova Energy.

“Mr Ryall needs to look again,” said Dr Norman.

“On average, privately-owned electricity companies charge 12% - 3 cents per kilowatt hour - more than publicly-owned electricity companies.

“That’s around $275 a year more for the average household.

“The reason is simple - private investors have a higher cost of capital than the Crown, so they need bigger profits to make a return on investment.

“If National pushes ahead with asset sales, our publicly-owned power companies would be legally obliged to meet the interests of their private shareholders and increase their profits by lifting their prices.

“The demands of private investors would force our public power companies to charge higher us more for electricity,” said Dr Norman.

There is evidence that the publicly-owned power companies also force the private companies to charge lower prices than they would prefer to remain competitive - Contact CEO Dennis Barnes recently said that prices need to rise for private investors to make a profit, and Trustpower has accused Genesis of not making a commercial return saying, “no wonder you’re charging such cheap prices.”

“If asset sales go ahead, the partially-privatised companies would lift their prices and that would allow the private companies to lift their prices even higher,” Dr Norman said.

“National’s asset sales programme would remove the anchor that has held down electricity prices and given us some of the cheapest power in the developed world.

“Asset sales would mean higher power prices,” said Dr Norman.

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