Electricity Industry Amendment Bill

Government Bill

As reported from the committee of the whole House

Key to symbols used in reprinted bill As reported from the committee of the whole House <u>text inserted</u>

Hon Dr Megan Woods

Electricity Industry Amendment Bill

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The Parliament of New Zealand enacts as follows:

1 Title

This Act is the Electricity Industry Amendment Act 2021.

2 Commencement

- (1) This Act comes into force on the day after the date on which it receives the 5 Royal assent.
- (2) However, **section 9** comes into force 4 months after the date on which this Act receives the Royal assent.

3 Principal Act

This Act amends the Electricity Industry Act 2010.

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Part 1 Amendments to principal Act

4 New section 2A inserted (Transitional, savings, and related provisions) After section 2, insert:

2A	Transitional, savings, and related provisions	15
	The transitional, savings, and related provisions set out in Schedule 1 have effect according to their terms.	

5 Section 5 amended (Interpretation)

In section 5, replace the definition of Code with:
 Code or Electricity Industry Participation Code means the

Code or **Electricity Industry Participation Code** means the Code administered by the Authority under subpart 3 of Part 2

- (2) In section 5, definition of **load aggregator**, replace "interruptable" with "interruptible".
- (3) In section 5, insert in their appropriate alphabetical order:

assets includes property of any kind, whether tangible or intangible, and 25 includes rights, interests, and claims of every kind however they arise

business means any undertaking that is carried on whether for gain or reward or not

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distribution agreement means an agreement referred to in **section 44A(1) manager**, in relation to a person,—

- (a) means a person who, whether alone or jointly with any other person, manages, or directs or supervises the management of, the whole or a substantial part of the business and affairs of the person; and
- (b) includes,—
 - (i) in relation to a trust, a trustee:
 - (ii) in relation to a local authority, a member; but
- (c) does not include,—
 - (i) in relation to a body corporate, a director of that body corporate: 10
 - (ii) in relation to a business in which a local authority or any other person has an interest, a member of that local authority or manager of that person only as a result of that person having that position

small business consumer means a consumer that is not a domestic consumer 15 and—

- (a) that is in a class specified in regulations made under **section 113A**; or
- (b) if no such regulations have been made, that consumes less than 40 MWh of electricity per year

6 New section 6A inserted (Meaning of involved in)

After section 6, insert:

6A Meaning of involved in

- (1) In this Act, unless the context otherwise requires, a person is **involved in** an industry participant if the person—
 - (a) carries on a business as an industry participant, either alone or together 25 with its associates and either on its own or another's behalf; or
 - (b) exceeds the 10% threshold in respect of a business that is an industry participant; or
 - (c) has material influence over a business that is an industry participant.
- (2) A person exceeds the 10% threshold in respect of a business if the person— 30
 - (a) has more than 10% of the control rights in the business; or
 - (b) has more than 10% of the equity return rights in the business; or
 - (c) is one of 2 or more associates who, in aggregate, have more than 10% of the control rights in the business; or
 - (d) is one of 2 or more associates who, in aggregate, have more than 10% of 35 the equity return rights in the business.
- (3) This section is subject to Schedule 2.

(4)	In thi	s section and in Schedule 2,—			
()	associate has the meaning given in clause 8 of Schedule 2				
		rol right has the meaning given in clause 5 of Schedule 2			
	direc	tor , in relation to a body corporate, means a person occupying the posof director of the body corporate by whatever name called	4		
		y return right has the meaning given in clause 6 of Schedule 2			
	-	cial year means a period of 12 months ending with 31 March			
		vement has a corresponding meaning to involved in			
		rial influence has the meaning given in clause 7 of Schedule 2			
	right	s means all rights, powers, privileges, and immunities, whether actual, ngent, or prospective.	-		
6A	Secti	on 7 amended (Industry participants)			
(1)	After	section 7(1)(i), insert:			
	(j)	any other person identified in regulations made under section 109(1)(ba) .			
(2)	In sec	ction 7(2)(h), replace "109" with "109(1)(a)".			
7	Secti	on 10 amended (Exemption from obligation to register)			
(1)	In sec	ction 10(2)(a) and (3)(b)(i), replace "objective" with "objectives".			
(2)	In sec	In section 10(1)(b) and (3), delete "in the <i>Gazette</i> ".			
(3)	Replace section 10(4) with:20				
(4)	A not	tice issued under subsection $(1)(b)$ or (3) must be published in the <i>Gazette</i> .			
8		on 11 replaced (Exemption from obligation to comply with Code) ace section 11 with:			
11	Exen	aption from obligation to comply with Code			
(1)	-	ite section 9(1)(b), an industry participant need not comply with the Code, ecific provisions of the Code, if—			
	(a)	it is a member of a class of industry participants identified in regulations made under section 110 as a class of industry participants that is exempt from the obligation to comply with the Code or specific provisions of the Code; or	-		
	(b)	the Authority exempts the participant by issuing an individual exemption notice that—			
		(i) identifies the industry participant that is exempt from the obliga- tion to comply with the Code or specific provisions of the Code; and			

(ii) gives reasons for the exemption.

- (2)The Authority may grant an individual exemption to an industry participant only if the Authority is satisfied that
 - it is not necessary, for the purpose of achieving the Authority's object-(a) ives under section 15, for the participant to comply with the Code or the 5 specific provisions of the Code; or
 - (b) exempting the participant from the requirement to comply with the Code or the specific provisions of the Code would better achieve the Authority's objectives than requiring compliance.
- (3) The Authority may grant an individual exemption on any terms or conditions 10 that it reasonably considers are necessary.
- (4)The Authority may amend or revoke an individual exemption, by issuing a notice that identifies the exempt participant and gives reasons for the amendment or revocation, but only if the Authority-
 - (a) has given notice of the proposed amendment or revocation to the exempt 15 participant and given the participant a reasonable opportunity to comment: and
 - in relation to an amendment, is satisfied that the amendment is necessary (b) or desirable for the purpose of achieving the Authority's objectives in section 15; and
 - in relation to a revocation, is no longer satisfied of the matters in sub-(c) section (2).
- (5) A notice issued under subsection (1)(b) or (4) must be published in the Gazette.
- (6) The Authority must publicise a list of all current class and individual exemp-25 tions.

Section 15 amended (Objective of Authority) 9

- (1)In the heading to section 15, replace "Objective" with "Objectives".
- (2)In section 15, replace "The objective" with "The main objective".
- (3) In section 15, insert as subsections (2) and (3):
- The additional objective of the Authority is to protect the interests of domestic (2)consumers and small business consumers in relation to the supply of electricity to those consumers.
- The additional objective applies only to the Authority's activities in relation to (3)the dealings of industry participants with domestic consumers and small busi-35 ness consumers.

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10 Section 16 amended (Functions of Authority)

(1)In section 16(1)(f), replace "such as" with "for example,".

(2) After section 16(1)(i), insert:

 (ia) to undertake measures aimed at protecting the interests of domestic consumers and small business consumers in relation to the supply of electricity to those consumers:

11 New sections 22A and 22B and cross-heading inserted

After section 22, insert:

Small Electricity Consumers Agency

22A Minister may establish Small Electricity Consumers Agency

- The Minister may establish a Small Electricity Consumers Agency by approving 1 or more persons to perform the function of the agency.
- (2) The Minister may approve 1 or more persons to perform the function of the agency, and each person approved may perform all or any part of that function.
- (3) In **subsection (2)**, **person** includes any instrument of the Crown (for example, a public service agency, as that term is defined in section 5 of the Public Service Act 2020).
- (4) In approving a person or persons under subsection (2), the Minister must be satisfied that the person has (or the persons collectively have) the ability to perform the function of the agency.
- (5) The agency may determine its own procedure, subject to any directions given to it by the Minister.

22B Function of agency

- (1) The function of the agency is to represent and advocate for the interests of domestic consumers and small business consumers in the electricity industry.
- (2) The agency may carry out its function by, for example,—
 - (a) promoting the interests of domestic consumers and small business con- 25 sumers to relevant public service agencies and Crown entities; and
 - (b) providing evidence-based advocacy on behalf of domestic consumers and small business consumers, whether in response to policy proposals or on its own initiative.

12 Section 27 amended (Register of industry participants)

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In section 27(3)(b), replace "involved" with "engaged".

13 Section 32 replaced (Content of Code)

Replace section 32 with:

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32 Content of Code

- (1) The Code may contain any provisions that are consistent with the objectives of the Authority and are necessary or desirable to promote any or all of the following:
 - (a) competition in the electricity industry:
 - (b) the reliable supply of electricity to consumers:
 - (c) the efficient operation of the electricity industry:
 - (d) the protection of the interests of domestic consumers and small business consumers in relation to the supply of electricity to those consumers:
 - (e) the performance by the Authority of its functions:
 - (f) any other matter specifically referred to in this Act as a matter for inclusion in the Code.
- (2) The Code may not—
 - (a) impose obligations on any person other than an industry participant or a person acting on behalf of an industry participant, or the Authority (other 15 than in accordance with subsection (3)); or
 - (b) purport to do or regulate anything that the Commerce Commission is authorised or required to do or regulate under Part 4 of the Commerce Act 1986 (other than in accordance with **subsection (4)**); or
 - (c) purport to regulate any matter dealt with in or under the Electricity Act 20 1992.
- (3) The Code may impose obligations on a specified person for the purpose of restricting relationships between 2 classes of industry participants, where those relationships may not otherwise be at arm's length.
- (4) The Code may contain provisions that do any of the following, regardless of 25 whether such a provision would otherwise be prohibited under subsection (2)(b):
 - (a) set quality or information requirements for Transpower or 1 or more distributors, in relation to access to transmission or distribution networks:
 - (b) set pricing methodologies for Transpower or 1 or more distributors.
- (5) **Subsections (3) and (4)** do not limit subsection (1).
- (6) In this section,—

pricing methodologies has the meaning given in section 52C of the Commerce Act 1986

specified person means a person (other than an industry participant) who is 35 involved in both classes of industry participant that are the subject of any provisions made in accordance with **subsection (3)**.

14 Sections 34 to 36 repealed

Repeal sections 34 to 36.

15 Section 40 amended (Urgent amendments to Code)

Replace section 40(2)(b) with:

(b) expires on the date that is 9 months after the date on which it comes into force, unless it is revoked earlier under section 40A.

16 New section 40A inserted (Revocation of urgent amendments)

After section 40, insert:

40A Revocation of urgent amendments

- The Authority may revoke an amendment made under section 40 without complying with section 39(1) if—
 - (a) the Authority considers that the circumstances that gave rise to the amendment no longer exist or have changed significantly; and
 - (b) the Authority considers that, as a result, the continued application of the amendment is not required.

(2) A revocation made under this section—

- (a) must be published (as required under section 33) with a statement of the Authority's reasons why the criteria in **subsection (1)** are met; and
- (b) is not subject to section 38(4).

17 Sections 42 and 43 and cross-heading repealed

Repeal sections 42 and 43, and the cross-heading above section 42.

18 Cross-heading above section 44 amended

In the cross-heading above section 44, delete "specific".

19 New sections 44A to 44F and cross-heading inserted

After section 44, insert:

44A Distribution agreements

- (1) Without limiting section 32, the Code may require a distributor and 1 or more other industry participants to enter into 1 or more agreements for connection to, and use of, the distributor's network (a **distribution agreement**).
- (2) The Code may prescribe default terms and conditions that are deemed to be 30 included in distribution agreements, including terms and conditions that relate to quality or information requirements.
- (3) The parties to a distribution agreement may, by mutual consent, agree to modify any default terms and conditions, but only if and to the extent that the Code permits those terms and conditions to be modified.

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- (4) A distribution agreement is binding on both parties and enforceable as if it were a contract between the parties that had been freely and voluntarily entered into.
- (5) If the parties do not comply with a requirement in the Code to enter into 1 or more distribution agreements, the default terms and conditions in the Code are binding on the parties and enforceable as if they were set out in a distribution agreement.

44B Minister may amend Code to include specified matters

- The Minister may amend the Code by including provisions for any matter specified in subsection (2) if the Minister—
 - (a) considers that the Code's provisions for the specified matter are not satisfactory; and
 - (b) is satisfied that the amendment will further the Authority's objectives in section 15.
- (2) The matters referred to in **subsection (1)** are as follows:

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- (a) requirements for retailers to process consumer requests for information about their electricity consumption in a timely way:
- (b) limitations on retailer saves and win-backs:
- (c) requirements for retailers to provide information to the Authority to enable the Authority to better direct its efforts under section 16(1)(i) 20 (which relates to promoting to consumers the benefits of comparing and switching retailers):
- (d) requirements for distributors to offer retailers standard terms for access to their networks:
- (e) requirements for certain categories of industry participant to make available information directed at improving the performance of the wholesale market:
- (f) requirements for certain industry participants to act as market makers in relation to the trading of some wholesale electricity contracts:
- (g) requirements for some or all industry participants that are both generators and retailers to release information about the profitability of their retailing activities.
- (3) The Minister may amend the Code under this section as if the Minister were the Authority, and sections 38 to 40 apply accordingly, with any necessary modifications.
- (4) Before amending the Code, the Minister must consult the Authority (in addition to any consultation required under section 39).

- (5) The power given by this section may not be exercised earlier than 1 year after, and not more than 3 years after, the date on which this section comes into force.
- (6) In this section,—

save, in relation to a retailer, means action taken by the retailer to initiate contact with a consumer that is intending to switch its electricity supply from the retailer to another retailer, in an attempt to retain the consumer's business

win-back, in relation to a retailer, means action taken by the retailer to initiate contact with a consumer that has agreed to switch its electricity supply from the retailer to another retailer, in an attempt to retain the consumer's business.

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Application of other Acts

44C Interpretation

In sections 44D to 44F, a provision in the Code—

- (a) relates to corporate separation if it requires corporate separation between classes of industry participants, or relates to such a provision; 15 and
- (b) **relates to arm's-length rules** if it requires a person to comply with arm's-length rules, or relates to such a provision.

44D Not interconnected under Commerce Act 1986

- For the purposes of Part 2 of the Commerce Act 1986 (other than sections 36 20 and 36A), businesses to which provisions in the Code relating to corporate separation or arm's-length rules apply are deemed to be separate bodies corporate that are not interconnected, despite the fact that they may have a common owner.
- (2) Subsection (1) applies despite section 2(7) of the Commerce Act 1986.Compare: 2010 No 116 s 92

44E Illegal contracts

- (1) An agreement lawfully entered into does not become illegal or unenforceable by any party by reason of the fact that its performance is in breach of a provision in the Code relating to corporate separation or arm's-length rules.
- (2) An agreement entered into in breach of a Code provision relating to corporate separation or arm's-length rules is voidable, at the option of any party to the agreement who is not in breach of the Code provision, by notice in writing to the other party or parties, at any time within 1 month after the innocent party has notice that the agreement is in breach of the Code provision. Compare: 2010 No 116 s 93

44F Substance matters, not form

Any question under a provision in the Code relating to corporate separation or arm's-length rules is to be determined according to the nature, substance, and economic effect of the relevant interest or relationship or other facts, and independently of form.

Compare: 2010 No 116 s 94

20 Section 45 amended (Purposes of exercise of Authority's monitoring, investigation, and enforcement powers)

- (1) In the heading to section 45, replace "and enforcement powers" with "enforcement, and review powers".
- (2) After section 45(b), insert:
 - (c) carrying out a review and producing a report in response to a request by the Minister under section 18.

21 Section 46 amended (Authority's monitoring, investigation, and enforcement powers)

In the heading to section 46, replace "and enforcement powers" with "enforcement, and review powers".

22 New sections 47A and 47B inserted

After section 47, insert:

47A Sharing of information and documents with public service agencies, statutory entities, gas industry body, and overseas regulators

- (1) The Authority may provide to a public service agency, a statutory entity, the gas industry body, or an overseas regulator any information, or a copy of any document, that the Authority—
 - (a) holds in relation to the performance or exercise of the Authority's func- 25 tions, powers, or duties under this Act or any other legislation; and
 - (b) considers may assist, as the case may be,—
 - the public service agency, statutory entity, or gas industry body in the performance or exercise of its functions, powers, or duties under any legislation; or
 - (ii) the overseas regulator in the performance or exercise of the overseas regulator's functions, powers, or duties under foreign law.
- (2) The Authority may provide information, or a copy of a document, under this section only if the Authority is satisfied that—
 - (a) doing so will not substantially affect the performance of its functions; 35 and

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(b)

- (b) appropriate protections are or will be in place for the purpose of maintaining the confidentiality of anything provided (in particular, information that is personal information within the meaning of the Privacy Act 2020).
- (3) The Authority may use any information, or a copy of any document, in the 5 Authority's performance or exercise of its functions, powers, or duties under any legislation if the information or copy is provided to the Authority—
 - (a) by a public service agency, a statutory entity, or the gas industry body under any legislation; or

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(4) In this section and **section 47B**,—

by an overseas regulator.

gas industry body means the industry body within the meaning of section 43D of the Gas Act 1992

overseas regulator means a body in another country that performs functions-

- (a) that are related to the regulation of New Zealand's electricity markets; or 15
- (b) that otherwise correspond with, or are similar to, any of those conferred on the Authority

public service agency has the meaning given in section 5 of the Public Service Act 2020

statutory entity means an entity or office named in Schedule 1 of the Crown 20 Entities Act 2004.

- (5) This section applies despite anything to the contrary in any contract, deed, or document.
- (6) Nothing in this section limits the Privacy Act 2020 or any provision of this Act or any other legislation that allows the Authority to use or disclose information 25 (for example, under section 17 of the Crown Entities Act 2004 for the purpose of performing its functions).

Compare: 1986 No 5 s 99AA; 2011 No 5 s 30; 2021 No 31 s 282

47B Authority may impose conditions on provision of information or documents

- (1) The Authority may impose any conditions in relation to providing information, or a copy of a document, to a public service agency, a statutory entity, the gas industry body, or an overseas regulator (whether provided in compliance with a request or otherwise).
- (2) The Authority must, in considering what conditions to impose, have regard to whether conditions are necessary or desirable in order to protect the privacy of any individual.
- (3) The conditions may include, without limitation, conditions relating to—

	(a)	maintaining the confidentiality of anything provided (in particular, infor- mation that is personal information within the meaning of the Privacy Act 2020):				
	(b)	the storing of, the use of, or access to anything provided:				
	(c)	the copying, returning, or disposing of copies of documents provided:	5			
	(d)	payment of the costs incurred by the Authority in providing anything or in generally complying with a request.				
	Compa	are: 1986 No 5 s 99AB; 2011 No 5 s 33; 2021 No 31 s 283				
22A	Secti	on 54 amended (Remedial orders for breach of Code)				
(1)	Repla	ace section 54(1)(d) with:	10			
	(d)	make a pecuniary penalty order requiring an industry participant to pay a pecuniary penalty to the Crown of an amount not exceeding \$2 million and a further amount not exceeding \$10,000 for every day or part of a day during which the breach continues (<i>see</i> section 56):				
(2)	After	section 54(2), insert:	15			
(3)	Two or more breaches relating to one event or series of closely related events arising from the same cause or circumstance must be treated as a single breach.					
(4)	The Rulings Panel may also decide to make orders regarding the reasonable costs of any investigations or proceedings on determining that an industry participant has not breached the Code.					
22B	Section 56 amended (Pecuniary penalty orders)					
		section 56(2)(i), insert:				
	(ia)	the impact of the penalty on the participant and on the electricity indus- try:				
22C	Secti	on 65 amended (Appeal against certain orders of Rulings Panel)	25			
	In see	ction 65(1)(e), after "section 54(1)(g)", insert "or (4)".				
23	Part 3 heading amended					
	In the	In the Part 3 heading, delete "and retailing".				
24	Subp	art 1 of Part 3 replaced				
	Repla	Replace subpart 1 of Part 3 with:				
	Sub	part 1—Separation of distribution from certain generation				
72	Purp	Purpose of this Part				
	from	burpose of this Part is to prohibit a person who is involved in a distributor being involved in a generator where that may create incentives and oppor- es to inhibit competition in the electricity industry.	35			

73 Ownership separation

- (1) A person who is involved in a distributor must not be involved in 1 or more generators that have a total capacity of more than 250 MW that is generated by 1 or more generating plants that are directly connected to the national grid.
- (2) To avoid doubt, generation connected to a distribution network is not directly 5 connected to the national grid.
- (3) In this section,—

nameplate means the full-load continuous rating of a generating plant under specific conditions as designated by its manufacturer and measured in megawatts in accordance with International Electrotechnical Commission Standard 10 60034-1 or any successor to that standard or any recognised equivalent standard

total capacity means the total nominal capacity of a generator in a financial year (determined according to the nameplates of all of the generator's generating plants).

Compare: 2010 No 116 s 75

25 Section 80 amended (Pecuniary penalties)

In section 80(3)(b)(ii), delete "and section 92".

25A Section 85 amended (Application of Commerce Act 1986 provisions) In section 85(f), replace "99A," with "99AA to 99P,".

Section 87 amended (Application to persons outside New Zealand)

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In section 87, replace "distributor, generator, or retailer" with "distributor or generator".

27 Sections 88 and 89 and cross-heading repealed

Repeal sections 88 and 89 and the cross-heading above section 88.

28 Section 90 amended (Exemptions)

In section 90(2)(b), delete "or a retailer".

29 Section 91 amended (Application of Commerce Act 1986)

In section 91, replace "Except as provided in section 92, nothing" with "Nothing".

30 Section 92 repealed (Not interconnected under Commerce Act 1986) Repeal section 92.

31 Section 94 amended (Substance matters, not form) In section 94, delete "or 3".

	Electricity Industry Amendm	ent Bill Part 1 cl 2	34		
32	Section 96 amended (Membership of disput	te resolution scheme)			
	Repeal section 96(6).				
<u>32A</u>	32A Section 102 amended (Procedures for annual meeting to appoint audito				
	After section 102(4), insert:				
<u>(5)</u>	Beneficiaries may attend and vote at an annual meeting in person or, subject to 5 the approval of the trustees, by audio link, audiovisual link, or other remote access facility.				
33	Section 108 amended (Application of other	enactments)			
	In section 108(3), after "for the purposes of Pa	art 3", insert "or the Code".			
33A	Section 109 amended (Regulations identifying industry participants and 10 market operation service provider roles)				
(1)	After section 109(1)(a), insert:				
	(ab) identifying which other persons whose city industry are material to the Autho are industry participants:				
(2)	After section 109(1), insert:				
(1A)	The Minister may make a recommendation (1)(ab) only if the Minister is satisfied—	for the purpose of subsection	'n		
	(a) that affected persons have been given r dation and a reasonable opportunity t tion; and	1 1			
	(b) that it is necessary or desirable, for the ty's objectives under section 15, for the made; and				
	(c) that the advantages and disadvantages have been considered.	of the proposed recommendation	on 25		
(1B)	Regulations under subsection (1)(ab) may industry participants for the purposes only of	• •			

- or the Code, but if not, the persons are industry participants for all purposes. 34 Section 113 amended (Regulations about tariffs and other consumer
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- (1)In section 113, replace "small businesses" with "small business consumers" in each place.
- (2) Replace section 113(5) with:
- (5) In this section, rural consumer means a consumer in a sparsely populated 35 area.
- Repeal section 113(6). (3)

issues)

35 New section 113A inserted (Regulations about small business consumers) After section 113, insert:

113A Regulations about small business consumers

- The Governor-General may, by Order in Council made on the recommendation of the Minister, make regulations specifying a class of consumers that are not domestic consumers as small business consumers.
- (2) Regulations made under this section are secondary legislation (*see* Part 3 of the Legislation Act 2019 for publication requirements).

36 Section 114 amended (Regulations promoting accountability in customer trusts and community trusts)

Repeal section 114(4).

37 Section 128 amended (Levies)

After section 128(3)(d), insert:

(da) the costs incurred by the person or persons performing the function of the Small Electricity Consumers Agency, or a portion of those costs, 15 where the size of the portion to be met by levies under this Act is determined by the Minister; and

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38 New section 129B inserted (Small Electricity Consumers Agency consultation about request for appropriation)

After section 129A, insert:

129B Small Electricity Consumers Agency consultation about request for appropriation

- The Small Electricity Consumers Agency must, before submitting a request to the Minister seeking an appropriation of public money for the following year, or any change to an appropriation for the current year, that relates to costs that 25 are intended to be recovered by way of levies under **section 128(3)(da)**, consult the following about that request:
 - (a) those industry participants who are liable to pay a levy under that section:
 - (b) any other representatives of persons whom the Small Electricity Consumers Agency believes would be significantly affected by a levy under that section.
- (2) The Small Electricity Consumers Agency must, when it submits the request, report to the Minister on the outcome of that consultation.
- (3) This section applies to requests in respect of the financial year beginning 1 July 35 2021 and later financial years.

39 New subpart 2B of Part 5 inserted

After section 131A, insert:

Subpart 2B—Material incorporated by reference

131B Material incorporated by reference

- This section applies for the purposes of section 66(2)(b) of the Legislation Act 5 2019.
- (2) If material incorporated by reference in secondary legislation made under this Act is amended or replaced by the originator of the material after the secondary legislation is made, legal effect may be given to that amendment or replacement material if—

(a) the amendment or replacement material is of the same general character as the original material; and

- (b) the maker of the secondary legislation issues a notice to adopt the amendment or replacement material as having legal effect as part of the secondary legislation.
- (3) If material incorporated by reference in secondary legislation made under this Act expires, is revoked, or otherwise ceases to have effect, the material ceases to have legal effect as part of the secondary legislation if the maker of the secondary legislation issues a notice stating that the material ceases to have that legal effect.
- (4) A notice issued under **subsection (2)(b) or (3)** must be published in the *Gazette* and publicised by the maker of the secondary legislation.
- (5) This section does not limit section 66(2)(a) of the Legislation Act 2019.
- (6) In this section, **material** has the meaning given in section 63 of the Legislation Act 2019.
- 40 Section 140 amended (References to Electricity Governance Rules 2003 and certain regulations)
- (1) In section 140, replace "regulations listed in section 34(1)" with "regulations listed in **subsection (2)**".
- (2) In section 140, insert as subsection (2):
- (2) The regulations are as follows:
 - (a) the Electricity Governance Rules made under section 172H of the Electricity Act 1992:
 - (b) subpart 2 of Part 1 and Parts 2, 2A, and 3 of the Electricity Governance Regulations 2003:
 - (c) subpart 2 of Part 10 of the Electricity Governance Regulations 2003 (the Comalco agreements exemptions):

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(d)	the Electricity Governance (Security of Supply) Regulations 2008:
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(e) the Electricity Governance (Connection of Distributed Generation) Regulations 2007.

41 Schedule 1 replaced

Replace Schedule 1 with the **Schedule 1** set out in **Schedule 1** of this Act. 5

42 Schedule 2 amended

- (1) Replace the Schedule 2 heading with "When person is involved in industry participant for purposes of section 6A".
- (2) Replace clause 1 and the cross-heading above clause 1 with:

Involvements that do not count for purposes of section 6A

1 Purpose of this schedule

The purpose of this schedule is—

- (a) to exclude certain interests from the application of Code provisions imposed under **section 32(3) and (4)**; and
- (b) to exclude certain interests from the application of the ownership separation rule in **section 73**; and

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- (c) to help in interpreting—
 - (i) any Code provisions referred to in paragraph (a); and
 - (ii) section 73.
- (3) In the heading to clause 2, replace "**Part 3**" with "**section 6A**". 20
- (4) In clause 2, replace "Part 3" with "**section 6A**".
- (5) In the heading to clause 3, replace "Part 3" with "section 6A".
- (6) In clause 3, replace "Part 3" with "**section 6A**".
- (7) In clause 3, insert as subclause (2):
- (2) In this clause, **nameplate** has the meaning given in **section 73(3)**. 25
- (8) In the heading to clause 4, replace "**Part 3**" with "**section 6A**".
- (9) In clause 4(1), replace "Part 3" with "section 6A".
- (10) In clause 4(1)(a), after "section 90", insert ", or section 11, if the exemption under section 11 is an exemption from a Code provision that relates to corporate separation or arm's-length rules (as defined in section 44C)".
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- (11) In clause 7(4), replace "the arm's-length rules (with all necessary modifications)" with "the Code provisions (if any) relating to arm's-length rules (as defined in **section 44C**)".
- (12) In clause 9(1), replace "section 74" with "section 6A".
- (13) Replace the heading to clause 10 with "Other interpretation rules".

(14) In clause 10,—

- (a) replace "Part 3, this schedule, and Schedule 3" with "**section 6A** and this schedule"; and
- (b) repeal the definition of **manager**.

43 Schedule 3 repealed

Repeal Schedule 3.

Part 2 Amendments to other enactments

Amendments to Commerce Act 1986

- 44 Principal ActSection 45 amends the Commerce Act 1986.
- 45 Section 54V amended (Impact of certain decisions made under Electricity Industry Act 2010)
- (1) In section 54V(1), after "performance of its functions or exercise of its powers", insert "in relation to electricity lines services".
- (2) In section 54V(2), replace "is likely" with "are likely".
- (2A) In section 54V(2), after "powers or functions of the Commission", insert "in relation to electricity lines services".
- (3) Replace section 54V(2)(c) and (d) with:
 - (c) undertaking any market-facilitation measures. 20
- (4) In section 54V(3), replace "Transpower or to any distributor or class of distributors" with "a supplier of electricity lines services".
- (5) Replace section 54V(4) with:
- (4) The Commission must take into account, before exercising any of its powers or performing any of its functions in relation to electricity lines services under this 25 Part,—
 - (a) any provision of the Code, or decision made under it, that relates to or affects—
 - (i) pricing methodologies that apply to a supplier of electricity lines services; or
 - (ii) quality or information requirements that apply to a supplier of electricity lines services:
 - (b) any market-facilitation measures of which it receives advice under subsection (2)(c):

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Electricity Industry Amendment Bill

(c)	the levy payable by a supplier of electricity lines services under section 128 of the Electricity Industry Act 2010:
(d)	the continuance of supply obligations imposed by section 105 of the Electricity Industry Act 2010.

- (5A) In section 54V(5), replace "subsection (4)" with "subsection (3) or (4)".
- (6) Repeal section 54V(6).

Amendment to Electricity Industry Participation Code 2010

46 Principal Code

Section 47 amends the Electricity Industry Participation Code 2010.

47 New Part 6A and Schedule 6A.1 inserted

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After Part 6, insert the **Part 6A** and **Schedule 6A.1** set out in **Schedule 2** of this Act.

Amendments to other enactments

48 Amendments to other enactments

Amend the enactments specified in **Schedule 3** as set out in that schedule. 15

	Schedule 1 Schedule 1 replaced \$ 41
	Schedule 1 Transitional, savings, and related provisions \$ 2A
Pı	Part 1 covisions relating to Electricity Industry Amendment Act 2021
1	Interpretation In this Part,— amendment Act means the Electricity Industry Amendment Act 2021 commencement date means the day after the date on which the amendment Act receives the Royal assent.
2 (1)	Existing material incorporated by reference This clause applies in relation to any written material that was, immediately before the commencement date, incorporated by reference into—
(2)	 (a) the Code; or (b) regulations made under section 113 or 114. On and from the commencement date, the material must be treated as having been incorporated by reference in accordance with section 64 of the Legislation Act 2019.
3	 Existing exemptions granted under section 11 An exemption granted by the Authority under section 11 that was in force immediately before the commencement date— (a) continues in effect until it is amended or revoked under section 11(3), or
	 (a) continues in effect until it is anended of revoked under section 11(5), of until it expires according to its terms; and (b) must not be treated as an exemption from any provision in the Code relating to corporate separation or arm's-length rules (as defined in section 44C); and
	 (c) must, on and from the commencement date, be treated as having been made under section 11 as replaced by the amendment Act.

Electricity Industry Amendment Bill

Schedule 1

4 Existing exemptions granted under section 90

- (1) This clause applies to an exemption granted by the Authority under section 90 and in force immediately before the commencement date, if it is an exemption from the obligation to comply with any of the following sections:
 - (a) section 76 (corporate separation and arm's-length rules applying to distributors and connected generators and connected retailers):
 - (b) section 77 (use-of-systems agreements):
 - (c) section 79 (no discrimination when paying rebates or dividends):
 - (d) section 88 (disclosure of information to Authority):
 - (e) section 89 (directors must report compliance with arm's-length rules). 10
- (2) On and from the commencement date, the exemption—
 - (a) must be treated as an exemption made under **section 11** (as replaced by the amendment Act) from the obligation to comply with the equivalent provision in the Code; and
 - (b) continues in force until it is amended or revoked under **section 11(4)**, 15 or until it expires according to its terms.

5 Applications for exemptions received before commencement date

- An application for an exemption made under section 11 or 90 that is received (but not granted) by the Authority before the commencement date must be considered under the relevant section as if the amendment Act had not been enacted.
- (2) If the application is granted by the Authority and is an exemption of a type described in **subclause** (3), it must be treated, after it comes into effect, as having been made under **section 11** as inserted by the amendment Act.
- (3) For the purposes of **subclause** (2), the relevant exemptions are as follows:

exemptions under section 11:

- (b) exemptions under section 90(1) that are exemptions from the obligation to comply with any of the following sections:
 - section 76 (corporate separation and arm's-length rules applying to distributors and connected generators and connected retailers): 30

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- (ii) section 77 (use-of-systems agreements):
- (iii) section 79 (no discrimination when paying rebates or dividends):
- (iv) section 88 (disclosure of information to Authority):
- (v) section 89 (directors must report compliance with arm's-length rules).

(a)

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6 Regulations regarding Small Electricity Consumers Agency Regulations made under section 128(3)(da) may provide for the recovery of costs incurred in the year ending 30 June 2022, even if the regulations come into effect after that date. 7 References to Authority's objectives (1) This clause applies before the commencement of section 9 of the amendment Act. (2) A references in this Act to the Authority's ehiestives under section 15 must be

(2) A reference in this Act to the Authority's objectives under section 15 must be read as a reference to the objective set out in section 15 before the commencement of section 9 of the amendment Act.

Schedule 2

New Part 6A and Schedule 6A.1 inserted into Electricity Industry Participation Code 2010

s 47

S	epara	tion	Part 6A of distribution from certain generation and retailing	5			
	-		nd outline of this Part				
(1)	The purpose of this Part is to promote competition in the electricity industry by restricting relationships between a distributor and a generator or a retailer,			10			
(2)	In ger	neral	terms, this Part imposes rules in respect of distributors as follows:				
	(a)	-	orate separation and arm's-length rules, if a person is involved both distributor and in either or both of—				
		(i)	a generator that generates more than 50 MW of generation con- nected to the distributor's network:	15			
		(ii)	a retailer that retails more than 75 GWh per year to customers connected to the distributor's network:				
	(b)	distr	ibution agreement rules, if—				
		(i)	a connected retailer retails more than 5 GWh per year to custom- ers connected to the distributor's local network; or	20			
		(ii)	a connected generator has a capacity of more than 10 MW of gen- eration that is connected to any of the distributor's networks:				
	(c)	·					
	 (d) no-discrimination rules that apply when distributors, or electricity trusts or customer co-operatives involved in distributors, pay dividends or rebates. 			25			
(3)	Subc this P		e (2) is intended only as a guide to the general scheme and effect of				
	Compa	re: 201	0 No 116 s 72	30			
6A.2	Interpretation						
	In thi	s Part	, unless the context otherwise requires,—				
	arm's	s-leng	th rules means the objective and rules set out in Schedule 6A.1				
	assets has the meaning given in section 5 of the Act						
	associate has the meaning given in section 6A of the Act						
	business has the meaning given in section 5 of the Act						

consumer has the meaning given in section 5 of the Act customer, in respect of a retailer, means a consumer to whom that retailer sells electricity director has the meaning given in section 6A of the Act financial year has the meaning given in section 6A of the Act 5 generator has the meaning given in section 5 of the Act involved in has the meaning given in section 6A of the Act **network** has the meaning given in section 5 of the Act retailer has the meaning given in section 5 of the Act 10 total capacity has the meaning given in section 73(3) of the Act. Compare: 2010 No 116 s 73 Corporate separation and arm's-length rules 6A.3 Corporate separation and arm's-length rules applying to distributors and connected generators and connected retailers The person or persons who carry on the business of distribution must carry on 15 (1)that business in a different company from the company that carries on the business of a connected generator or a connected retailer. Every person who is involved in a distributor, and every person who is (2)involved in a connected generator or a connected retailer, must comply, and ensure that the person's businesses comply, with the arm's-length rules. 20 In this clause, unless the context otherwise requires,-(3)connected generator, in relation to a distributor, means a generatorthat has a total capacity of more than 50 MW of generation that is con-(a) nected to any of the distributor's networks; and (b) in respect of which the distributor, or any other person involved in the 25 distributor, is involved connected retailer, in relation to a distributor, means a retailerthat is involved in retailing more than 75 GWh of electricity in a finan-(a) cial year to customers who are connected to any of the distributor's networks: and 30 in respect of which the distributor, or any other person involved in the (b) distributor, is involved. Compare: 2010 No 116 s 76

Other rules

6A.4 Distribution agreements

- (1) Every director of a distributor in respect of which there is a connected retailer or a connected generator must ensure that—
 - (a) the distribution business has a comprehensive, written distribution agreement that provides for the supply of line function services and information to the connected retailer or connected generator (as the case may be); and
 - (b) the terms of that distribution agreement do not discriminate in favour of one business and do not contain arrangements that include elements that 10 the business usually omits, or omit elements that the business usually includes, in distribution agreements with parties that are—
 - (i) connected or related only by the transaction or dealing in question; and
 - (ii) acting independently; and 15
 - (iii) each acting in its own best interests; and
 - (c) the business operates in accordance with that distribution agreement; and
 - (d) the business publicises that distribution agreement and provides it to the Authority.
- (2) A distribution agreement required by subclause (1)(a) must be entered into, 20 in the case of a business to which the corporate separation rule does not apply, as if the distribution business and the connected retailer or connected generator were separate legal persons.
- (3) In this clause, unless the context otherwise requires,—

connected generator, in relation to a distributor, means a generator—

(a) that has a total capacity of more than 10 MW of generation that is connected to any of the distributor's networks; and 25

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(b) in respect of which the distributor, or any other person involved in the distributor, is involved

connected retailer, in relation to a distributor, means a retailer-

- (a) that is involved in retailing more than 5 GWh of electricity on the distributor's local network in a financial year to customers who are connected to that network; and
- (b) in respect of which the distributor, or any other person involved in the distributor, is involved

local network means a network operated by a distributor in a contiguous geographic area or areas.

(4)	The directors of the distributor must ensure that there is also publicised, and provided to the Authority, a certificate signed by those directors stating whether, in the preceding calendar year,—		
	(a)	the terms in the distribution agreement are a true and fair view of the terms on which line function services and information were supplied in respect of the retailing or generating to which the agreement relates; and	5
	(b)	this clause was otherwise fully complied with.	
5)	A director breaches this Code if the director—		
	(a)	refuses or knowingly fails to comply with this clause; or	
	(b)	allows a distribution agreement or a certificate to be publicised or provi- ded to the Authority knowing that it is false or misleading in a material particular.	10
	Compa	re: 2010 No 116 s 77	
6A.5		on involved in distributor must not pay for transfer of retail mers to connected retailers	15
1)	A distributor, and any other person listed in subclause (2) , must not pay, or offer to pay, any consideration to a retailer in respect of the transfer to a connected retailer of any retail customers who are connected to the distributor's networks.		
2)	The persons are—		
	(a)	the distributor or any other person involved in the distributor:	
	(b)	a connected generator in respect of the distributor or any other person involved in the connected generator:	
	(c)	a connected retailer in respect of the distributor or any other person involved in the connected retailer.	25
3)	To avoid doubt, subclause (1) includes a prohibition on—		
	(a)	any agreement to acquire the assets or voting securities of another retailer (regardless of whether any, or only nominal, consideration is attributed to customers) as a result of which there is a transfer of respon- sibility for retailing electricity to customers; and	30
	(b)	any consideration that is directly or indirectly or in whole or in part in respect of the transfer of any of another retailer's customers or customer accounts.	
4)	A person who knowingly fails to comply with this clause breaches this Code.		
5)	In this clause,—		
	agreement has the same meaning as in clause 10 of Schedule 2 of the Act		
	conne	ected generator has the same meaning as in clause 6A.4	

connected retailer has the same meaning as in **clause 6A.4**. Compare: 2010 No 116 s 78

6A.6 No discrimination when paying rebates or dividends

- (1) This clause applies if a distributor has a connected retailer.
- (2) Every person listed in **subclause (3)** must ensure that any rebates or dividends or other similar payments paid do not discriminate between—
 - (a) customers of the connected retailer; and
 - (b) customers of other retailers where those customers are connected to the distributor's networks.

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- (3) The persons are—
 - (a) the directors of the distributor:
 - (b) the trustees of any customer trust or community trust that is involved in the distributor and the connected retailer:
 - (c) the directors of any customer co-operative that is involved in the distributor and the connected retailer.
- (4) In this clause, **connected retailer** has the same meaning as in **clause 6A.4**.
- (5) A director or trustee who knowingly fails to comply with this clause breaches this Code.

Compare: 2010 No 116 s 79

Disclosure and reporting to Authority

6A.7 Disclosure of information to Authority

- (1) Each director of a distributor referred to in **clause 6A.4(1)** (distribution agreements) must ensure that the distributor discloses the quantity of electricity sold each financial year by connected retailers to customers who are connected to its local network (within the meanings in that clause).
- (2) The disclosure must be made in a statement to the Authority within 2 months after the end of the financial year.
- (3) The statement must be in the form prescribed by the Authority from time to time.
- (4) The statement must be publicised by the Authority and the distributor. 30
- (5) A director breaches this Code if the director—
 - (a) refuses or knowingly fails to comply with this clause; or
 - (b) provides the statement to the Authority knowing that it is false or misleading in a material particular.

Compare: 2010 No 116 s 88

6A.8 Directors must report compliance with arm's-length rules

- (1) Each director of a business to which the arm's-length rules apply must provide to the Authority, no later than 31 March in each year, a statement confirming whether the director has complied with all of the arm's-length rules during the preceding calendar year.
- (2) The directors and the Authority must ensure that the statement is publicised.
- (3) A director breaches this Code if the director—
 - (a) refuses or knowingly fails to comply with this clause; or
 - (b) provides the statement to the Authority knowing that it is false or misleading in a material particular.

Compare: 2010 No 116 s 89

Schedule 6A.1 Arm's-length rules

cl 6A.2

- 1 **Objective**
 - The objective of this schedule is to ensure that businesses to which clause
 6A.3 applies operate at arm's length.
 - (2) Without limiting the ordinary meaning of the expression, arm's length includes having relationships, dealings, and transactions that, if the parties were in the position described in **subclause (3)**,—
 - (a) do not include elements that parties in that position would usually omit; and
 - (b) do not omit elements that parties in that position would usually include.
 - (3) The position of the parties referred to in **subclause** (2) is one in which the parties are—
 - (a) connected or related only by the transaction or dealing in question; and
 - (b) acting independently; and
 - (c) each acting in their own best interests.

2 Interpretation

(1) In this schedule,—

business A means a business that is required to be carried out in one company under **clause 6A.3**, and **business** B then refers to a business that is required to be carried out in another company under that clause

common parent, in relation to business A and business B, means a person that is involved in both business A and business B

electricity trust means a community trust or a customer trust or a customer cooperative 30

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Schedule 2

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parent, in relation to a business, means every person that is involved in the business.

- (2) In this schedule, a person is **interested** in a transaction if the person, or an associate of that person,—
 - (a) is a party to, or will derive a material financial benefit from, the transaction; or
 - (b) has a material financial interest in a party to the transaction; or
 - (c) is a director or manager of a party to, or a person who will or may derive a material financial benefit from, the transaction; or
 - (d) is otherwise directly or indirectly materially interested in the transaction. 10
- (3) Where this schedule applies to business A, it applies equally to business B, and vice versa.
- (4) References to trust A and trust B have corresponding meanings and application.

3 Arm's-length rules

The arm's-length rules are as follows:

Duty to ensure arm's-length objective is met

1 Business A and every parent of business A, and business B and every parent of business B, must take all reasonable steps to ensure that the arm's-length objective in **clause 1** is met.

Arm's-length test

2 Business A, and every parent of business A, must not enter into a transaction in which business B, or any parent of business B, is interested if the terms of the transaction are terms that unrelated parties in the position of the parties to the transaction, each acting independently and in its own best interests, would not have agreed to.

Duty not to prefer interests of business B

A director or manager of business A must not, when exercising powers or performing duties in connection with business A, act in a manner that the director or manager knows or ought reasonably to know would prefer the interests of 30 business B over the interests of business A.

Duty not to discriminate in favour of business B

4 Business A must not, in providing services or benefits, discriminate in favour of business B or the customers, suppliers, or members of business B.

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Duty to focus on interests of right ultimate owners

5 A director or manager of business A must, when exercising powers or performing duties in connection with business A, act in the interests of the ultimate members of business A in their capacity as such, and must neither subordinate the interests of those members to the interests of the members of business B nor, to the extent that the members or ultimate beneficial members of each business overlap, take account of that fact or have regard to their dual capacity as members of business B and business A.

Duty of directors and managers of parents of business A

6 A director or manager of a parent of business A must not, when exercising powers or performing duties in connection with business A, act in a manner that the director or manager knows or ought reasonably to know would favour the interests of business B, or of the customers, suppliers, or members of business B in that capacity, over the interests of business A or the customers, suppliers, or members of business A. 15

At least 2 independent directors

- 7 At least 2 directors of business A must—
 - (a) be neither a director nor a manager of business B; and
 - (b) not be an associate of business B, other than by virtue of being a director of business A.

No cross-directors who are executive directors

- 8 A director of business A may be a director of business B, but must not—
 - (a) manage business B on a day-to-day basis; or
 - (b) be an associate of business B, other than by virtue of being a director of business A or business B; or
 - (c) be involved in business B (other than by having material influence over business B by virtue of being a director of business B).

Separate management rule

- 9(1) This clause applies if business A is involved in—
 - (a) a generator that has a total capacity of more than 50 MW and that is connected to any of business A's networks; or
 - (b) a retailer that retails more than 75 GWh of electricity in a financial year to customers who are connected to any of business A's networks.
- (2) A manager of business A must not—
 - (a) be a manager of business B; or

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- (b) be an associate of business B, other than by virtue of being a manager of business A; or
- (c) be involved in the business of business B.

Directors and managers must not be placed under certain obligations

- 10(1) Subject to subclause (2), no person may place a director or manager of business A under an obligation, whether enforceable or not, to act in accordance with the directions, instructions, or wishes of business B, or any director or manager or associate of business B, or any parent of business B, and no director or manager may submit to any such obligation.
- A common parent, or a cross-director or a cross-manager, of both business A 10 and business B may place a director or manager under an obligation referred to in **subclause (1)** if doing so does not contravene another of the arm's-length rules.

Restriction on use of information

11(1) Business A must not disclose or permit the disclosure to business B, or use or permit the use for the purposes of business B, of restricted information of business A.

An electricity trust that is a parent of business A (**trust A**), business A, and every parent of trust A must not disclose or permit the disclosure to business B, an electricity trust that is a parent of business B (**trust B**), or any parent of trust 20 B, or use or permit the use for the purposes of business B or trust B, of restricted information of business A or trust A.

In these rules, **restricted information** is information received or generated, and held, by business A or trust A that is connected with its business, being information that—

- (a) is not available to the competitors or potential competitors of business B or trust B; and
- (b) if disclosed to business B or trust B, would put, or be likely to put, business B or trust B in a position of material advantage in relation to any competitor or potential competitor.
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- (2) This rule does not prevent cross-directors under **rule 8** from having access to normal board information.
- (3) A manager of business A who is not prohibited from being a manager of business B under rule 9 may use restricted information of both business A and business B, but only to the extent that the use does not contravene another of 35 the arm's-length rules.

Records

- 12 Every business to which this schedule applies must keep at its registered office a register of transactions entered into between business A, or any parent of business A, and business B, or any parent of business B.
- 13 Business A must, within 10 working days of entering into any such transaction, 5 enter in its register details sufficient to identify the nature and import of the transaction.

Practical considerations

- 14 Business A and every parent of business A must ensure that its practical arrangements, such as use of accommodation, equipment, and services, do not 10 contravene this schedule.
- 15 Business A and every parent of business A must ensure that its selection and appointment of advisors does not prejudice compliance with rules 7 to 11.

4 Rules do not limit objective

The arm's-length rules in **clause 3** do not limit the generality of the arm'slength objective in **clause 1**.

Schedule 3 Amendments to other enactments

s 48

Ombudsmen Act 1975 (1975 No 9)

In Schedule 1, Part 2, insert in its appropriate alphabetical order:

Small Electricity Consumers Agency

Legislative history

9 September 2021	Introduction (Bill 63–1)
29 September 2021	First reading and referral to Economic Development, Science
	and Innovation Committee
22 March 2022	Reported from Economic Development, Science and Innovation
	Committee (Bill 63-2)
17 May 2022	Second reading
23 August 2022	Committee of the whole House

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