

3 March 2020

Submissions
Electricity Authority
Wellington

tpm@ea.govt.nz

**Re: submission on Transmission pricing methodology 2019 issues paper dated
11 February 2020**

Thank you for the opportunity to comment on these possible refinements to the 2019 issues paper. The Authority is aware of the more substantive points New Zealand Steel has presented through the written and oral submission process in late 2019. We have since corresponded seeking an opportunity for follow-up on those points, and note the Board's keenness to do so expressed during our oral submission.

New Zealand Steel commends and supports the MEUG submission and accompanying NZIER report.

The refinement we want to specifically comment on is the proposal to adjust the initial allocation of the residual charge. The proposed refinement goes no way to address the overriding issues:

- The residual is disproportionately large.
- AMD is an arbitrary allocator and contrary to the objective of efficiency.
- The use of historic AMD raises more issues, and the proposed adjustment by four-year rolling average of gross annual energy usage does nothing to ameliorate the inadequacies of the original proposal.
- AMD applied at the GXP level is inappropriate and inequitable.
- The use of Gross rather than net, demand or throughput is inappropriate when there is cogeneration such as at New Zealand Steel.

We await further engagement on TPM proposals.

Yours sincerely

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