

**From:** Julia van Eeden [mailto:juliavaneeden@hotmail.co.nz]

**Sent:** Tuesday, 1 October 2019 4:51 PM

**To:** Submissions Mailbox

**Subject:** Consultation Paper – Transmission pricing methodology: 2019 Issues Paper

To whom it may concern,

I am writing to submit my support for the reform of the transmission pricing methodology.

Living majority of my life in the South Island I feel it is unfair that the distribution of costs for the transmission assets are not spread evenly across those who benefit.

I moved back down to Invercargill last year to accept a job at the Tiwai Aluminium Smelter. Having grown up here and now working full time at the plant I understand first hand the importance of the business on the region. I have only recently become aware of how much the smelter is paying for transmission costs. This is not at all in proportion to the maintenance work that is actually performed on the lines supplying power to the plant. Each year Tiwai is paying almost equivalent to the entire book value of the main piece of infrastructure in transmission costs (Transpower's book value was \$72 million in 2014) which is going into other assets we don't benefit from.

Since 2008 Tiwai has faced nearly \$200 million in increased transmissions costs. Much of this is to provide revenue to Transpower for assets in the north of the North Island. This puts a large amount of strain on our profit margin. Our raw material and power costs is 85% of our total operating costs. As an engineer on site that leaves a small 15% margin to try and make operational improvements. There's no shortage for aluminium supply currently and a reduced market for the high purity product that separates Tiwai from other smelters. Given our geographical location, unless we are given some kind of relief from our high power costs we could be at risk of closing.

I agree with the introduction of a benefits based charge to recover the cost of new grid investments, but believe it should be applied to future charges for major investments constructed in recent years. This should be applied as widely as possible to all existing assets because until this happens, some consumers will continue to pay large amounts for transmission assets they don't benefit from. I acknowledge that for consumers who are enjoying subsidised rates for the assets they benefit from the increase in costs will be unwelcome, however they continue to be unwelcome for the consumers paying them now with no additional transmission benefit associated with the charge.

The residual charge is too large as it is smeared across all users and does not deliver relief for the consumers who have been over charged for a decade and who under this proposal will continue to be overcharged for many years after it is implemented which is estimated to be 2024 at the earliest. In the case of the Tiwai Point aluminium smelter, which would contribute over \$1 million per annum to pay for the cap to other customers' prices, but did not enjoy the comfort of a price cap to soften the annual increases since 2008 of between three and \$30 million dollars per annum it has faced. As a trade exposed commodities business, the Tiwai Point smelter can't pass those costs on to its customers and has no option but to absorb them. This makes achieving commercial sustainability very difficult. **We have been over paying for transmission assets for over a decade** – this reform does not deliver the full relief we deserve from these over payments and with expected implementation not until 2024 and with the large amount of assets still deemed to fit within the residual charge we will continue to pay for grid assets we don't benefit from for many years to come.

Kind regards,  
Julia van Eeden