

Rio Tinto Alcan New Zealand
Level 16, 2 Hunter Street
Wellington 6011
New Zealand
Postal Address:
GPO Box 1665
Wellington 6140
New Zealand
T +64 (0) 4 471 1527
F +64 (0) 4 472 8041

23 December 2011

Submissions
Electricity Authority
PO Box 10041
Wellington

By email to submissions@ea.govt.nz and levyconsultation@eeca.govt.nz

SUBMISSION ON THE 2012/13 APPROPRIATIONS FOR THE ELECTRICITY AUTHORITY AND EECA

Introduction

1. This submission is made by Rio Tinto Alcan (New Zealand) Limited (RTANZ), on behalf of RTA Power (N.Z.) Limited and New Zealand Aluminium Smelters Limited (NZAS). It is made in response to the Authority's paper on the '2012/13 Appropriations, Authority Path to CRE and EECA work programme' (the paper) of 29 November 2011. Nothing in this submission is confidential.

Comments

2. The general thrust of the work programme is appropriate and our comments relate to points of detail. As always, it is important to maintain a strong focus on cost control and expenditure on consultants and service providers. It is therefore disappointing to note that the System Operator is able to lock-in revenue increases through CPI adjustments in its Service Provider Agreement with the Authority.
3. We agree with the priorities listed in Appendix D of the paper. Our view is that the ancillary services projects are very important for consumers and especially large ones like us. This has been a long-

neglected high-cost area and it is pleasing that the Authority is according it a high priority for 2012/13.

EECA Funding

4. Taxing all consumers of electricity to subsidise investments in improved efficiency for some consumers is a flawed policy. If these improvements are truly as cost-effective as EECA makes out then it is difficult to understand why the investments are not being made autonomously by the parties being subsidised. Is EECA claiming some businesses are irrational? In other words, where is the market failure that this intervention is correcting?
5. NZAS, as would be expected, has a huge focus on improving electricity efficiency. The tax extracted from us for EECA's redistribution would be more efficiently left with us to manage and implement our own efficiency improvement projects. We therefore do not support the continued funding of EECA's electricity efficiency programme through the compulsory tax of the Electricity Levy. We also do not support the 20% increase in this fund for 2012/13.

General

6. We would be happy to discuss any questions or comments you may have in relation to the points made above. If you would like to discuss our comments further, please contact me.

Yours sincerely



Ray Deacon
Manager Regulatory and Government Affairs