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Submissions
Electricity Authority
PO Box 10041
WELLINGTON 6143

Dear Sir/Madam

Re: 2012/13 Appropriations, Authority Path to CRE and EECA work programme

This is Transpower New Zealand Limited's submission on the Electricity Authority's 29 November 2011 consultation document *2012/13 Appropriations, Authority Path to CRE and EECA work programme*. We appreciate the opportunity to comment on the Authority's work programme and appropriations and related levy-funded work.

General Comment

Information on the size and estimated net public benefits of the planned projects is a useful innovation. However, some of the assessments are questionable, e.g. the transmission pricing investigation is rated as having a "high" net public benefit, although the quantitative analysis done by the Authority to date has demonstrated a range of net benefits varying from zero to small in relation to the size of the relevant value flows.

Additional information on the policy or operational problems that individual projects aim to address, and also how projects were initiated (whether by the Authority, by an industry participant or in some other way) would be helpful. An example is the "Transmission: new connection process" project (page 48), which the Authority has now deferred beyond the 2012/13 year. The description of the project is:

"Investigating and considering options for regulating the process and requirements for new connections to the grid."

This does not explain what the perceived policy or operational problem is, how the proposed investigation and consideration of options might help to address that problem or how this work was identified as a project suitable for inclusion in the Authority's work programme.

In terms of the evolution of the work programme, in future it would also be helpful if the Authority could include more information explaining why particular projects have been rescheduled or reprioritised. At present, it is not clear if changes of this sort are due to changed objectives, changes to the estimated net benefits of particular

projects, problems encountered as the projects have progressed, resource constraints or other factors.

Particular Projects

Transmission pricing investigation

We note the Authority's recent announcement that the transmission pricing investigation has again been extended. As a result, the opportunity that the final Transmission Pricing Advisory Group (TPAG) recommendations presented to provide the industry with certainty and stability with respect to future transmission pricing has been lost.

The separation of the review into two streams, one dealing with the proposed static reactive compensation charge and the other covering all other possible changes to the methodology, presents some problems for Transpower and the industry. The Code requires us to respond to each new set of transmission pricing guidelines by submitting a new proposed methodology to the Authority, with supporting documentation and indicative prices calculated using the new proposed methodology. The potential need to consult on and implement two revisions to the transmission pricing guidelines in succession would substantially increase the total costs and demands on staff resources imposed on Transpower and require two rounds of industry consultation – this is inefficient in our view. We would appreciate the opportunity to discuss this issue further with the Authority in the new year.

We also note that, if the introduction of a new static reactive compensation charge is to be accompanied by the amendment of the Connection Code¹ to remove or modify the unity power factor provision that currently applies to the Upper North and Upper South regions², this can only be done by way of a review of the Connection Code³. However, the 2012/13 Appropriations do not appear to include a review of the Connection Code as a project. This would seem to be an oversight.

Review of the value of lost load (VoLL)

We would like to see the review of VoLL completed as soon as possible – it has now been in train for about two years. VoLL is a key transmission investment input and is an important factor considered when assessing the price-quality trade-offs faced by our customers. Consequently, greater certainty in relation to the VoLL figure is highly desirable – hence our preference to see the review completed soon. The 2011/12 Authority appropriations classified the VoLL review as a priority 2 project with Code changes (if required) expected to be completed by June 2012. The current 2012/13 appropriations now propose consultation and completion of any Code amendments by the end of June 2013. We would appreciate the opportunity to discuss this project with the Authority with a view to expediting its completion.

¹ Schedule 8 of the Benchmark Agreement.

² Clause 4.4(a)(2)(i) of the Connection Code.

³ See clauses 12.18 to 12.25 of Part 12 of the Electricity Industry Participation Code 2010

Performance measures for proposed Authority outputs

We note that one of the performance measures (scope, quality and timeliness of Advisory Group support) is assessed by the independent chairs, but it is not clear if any are subject to independent audit or review, or tested by a stakeholder survey. In our view, it would be appropriate for at least some measures to be subject to independent audit or review, or tested via a survey of levy payers and other stakeholders.

System Operator

The System Operator (SO) will work with the Authority via its annual business planning process to agree a business plan that is aligned with industry needs. The SO business plan forms part of the System Operator Service Provider Agreement, with the 2012/13 business plan expected to be finalised in March 2012.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ross Weenink', with a stylized flourish at the end.

Ross Weenink
Acting Regulatory Strategy Manager