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23 February 2012

Carl Hansen  
Electricity Authority  
2 Hunter Street  
WELLINGTON

By email: [submissions@ea.govt.nz](mailto:submissions@ea.govt.nz)

Dear Carl

## Support decision-making framework to progress transmission pricing decisions

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Genesis Power Limited, trading as Genesis Energy, welcomes the opportunity to provide a submission to the Electricity Authority (“the Authority”) on the consultation paper “Decision-making and economic framework for transmission pricing methodology review” dated 26 January 2012.

### **Support decision-making framework**

We support the decision-making and economic framework that the Authority has developed to progress the Transmission Pricing Methodology (TPM) review. The framework establishes a suitable hierarchy of preferred allocation methodologies that will assist the Authority in its subsequent assessment of TPM options.

### **Need for status quo bias**

We recommend that the Authority’s framework establish a status quo bias. We consider that the Authority must demonstrate that any alternative TPM approach has a clear and material efficiency gain over and above the status quo before it can proceed with a change. This approach is necessary for regulatory stability and is realistic, given that the benefits and merits of alternative approaches will always be contested and difficult to quantify.

### **Importance of finalising TPM decisions**

While supportive of the framework, we find it difficult to reconcile this approach with the Authority's stated timeframe. The framework essentially puts all options back "on the table" for consideration and may open the Authority up to continued lobbying and relitigation of participants' preferred methodologies. A bias towards the status quo, as discussed above, would assist here.

Genesis Energy strongly supports the Authority resolving this issue in a timely manner. Resolution of this long-standing issue is important for regulatory certainty and will support long term planning, contracting and investment decisions and other market activity. Completing the TPM review will also enable the Authority to focus resources on other priority projects, such as the retailer-distributor contracting environment, intra-island locational price risk and liberalisation of the load control market.

### **Do not support spreading HVDC costs across consumers**

Although we support the proposed framework and recognise that it puts all options back "on the table", we wish to restate our opposition to the Transmission Pricing Advisory Group (TPAG) majority recommendation to shift the costs of the HVDC link from South Island generators to electricity consumers.<sup>1</sup> We consider that removing the HVDC charge would be inconsistent with good regulatory practice and the wealth transfer from consumers to South Island generators (noting that Genesis Energy is a South Island generator) is not justified.

If you would like to discuss any of these matters further, please contact me on 04 495 6354.

Yours sincerely



Karen Collins  
Senior Regulatory Advisor

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<sup>1</sup> *Shifting HVDC costs to consumers not supported*, Genesis Energy submission to the TPAG chair, 14 July 2011.