

15 October 2012

Submissions
Electricity Authority
PO Box 10041
Wellington

By email to submissions@ea.govt.nz

SUBMISSION ON THE TRANSMISSION PRICING METHODOLOGY: CBA WORKING PAPER

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 working paper on the Transmission pricing methodology: CBA (the paper) of 3 September 2013. Nothing in this submission is confidential.

Discussion

2. The paper provides a good framework for constructing a CBA. Section 6 provides a useful discussion around problem definition and whilst Pacific Aluminium strongly asserts there are very material problems with the existing methodology, many other submitters do not. Therefore, this is a critical area for the Authority to focus on in its CBA. The Authority needs to clearly identify the problem and its root cause when establishing its

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baseline for comparison of options to address the problem.

3. Pacific Aluminium agrees that a top-down analysis using benchmarks from similar industries and other countries can be useful. However, it is important that this is done cautiously and the Authority needs to establish that any such benchmarks are appropriate for comparative purposes in the New Zealand electricity sector.
4. For this reason, Pacific Aluminium considers that the Authority should focus on a bottom-up approach. The extra prescription and transparency of assumptions will produce a more robust analysis that is likely to improve acceptance and durability.

General

5. 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