

SUBMISSION BY THE AUCKLAND REGIONAL CHAMBER OF COMMERCE ON THE TRANSMISSION PRICING MECHANISM (TPM)

The Auckland Chamber of Commerce (the Chamber) would like to submit against the Electricity Authority's (the EA) proposal to raise Auckland businesses electricity bills. The Chamber understands the reason for the proposed change is largely due to the EA wanting to move away from its current model. The Chamber finds it unacceptable for Auckland electricity users bearing an extra forecast \$100 million dollars for Transpower's grid as proposed by the EA.¹

The Chamber has difficulty with following the EA's logic for why the pricing for national grid needs to be "redesigned". The Chamber's understanding of the current approach of charging a flat-rate across the country for the shared national grid appears to work well. Under the current methodology where parts of the national grid required upgrades or new assets in particular parts of the country then the costs are shared by everyone.

The Chamber notes that energy usage and economic growth have a strong correlation which has been observed by other regulators such as the Commerce Commission. Under the current approach, regional economic development is not compromised by poor quality electricity supply. Rather, regions where energy growth is occurring and likely to be supported by regional economic growth, then such regions can expect their grid to be reinforced to ensure regional development opportunities are maximised. Any over or under compensation in contribution to the national grid by different regions will end up smoothing out over time as different parts of the country have assets improved as they take advantage of regional development opportunities with the cost being shared across all grid users. I.e. the status quo allows any "cross-subsidy" to net off over time without compromising regional development.

The new approach will unequivocally stifle economic development especially for some New Zealand's poorer regions such as Northland and the West Coast. These regions will experience a significant increase in their national grid charges should the EA's proposal be implemented.

Michael Barnett

Chief Executive

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¹ Transmission Pricing Review: TPM Options Working Paper, p. 128 Table 15a