COUNTIES POWER CONSUMER TRUST

Web Site: http://www.countiespowertrust.org.nz **Email:** secretary@countiespowertrust.org.nz

The Trust Office is situated at
Unit 6,
2nd Level
23 Hall St
PUKEKOHE 2120

Postal Address
P O Box 580
PUKEKOHE 2340

Contact Details

Telephone	(09) 238 3780
Secretary Mobile	0274 777 033
Chairman	(Home) 09 238 9992
Chairman	Mobile 0274 987 364

SUBMISSION TO THE ELECTRICITY AUTHORITY

on

TRANSMISSION PRICING METHODOLOGY REVIEW

CONTACT: The contact for any enquiries on this submission is:

Gail Riddell

Secretary, Counties Power Consumer Trust,

Ph 09 238 3780

Email: secretary@countiespowertrust.org.nz

11 August 2015

There is no confidential information contained in this submission.

Counties Power Consumer Trust (Trust) welcomes the opportunity to submit on the Electricity Authority's (EA) consultation paper Transmission Pricing Methodology Review: TPM Options (EA Paper) dated 16 June 2015.

Counties Power Consumer Trust owns 100% of the shares in the electricity distribution company (EDB) Counties Power Limited. We are a consumer trust (as opposed to a community trust) which means that the company's goal is to maximise the benefits to the persons (or entities) who have premises connected to the Counties Power network.

The Trust does not support the proposed Application A transmission charges outlined within the EA Paper. The Trust believes that the economic argument regarding improved efficiency is flawed. In particular, the new complex charging arrangements will reduce the efficiencies gained from Transpower's central transmission planning and be subject to lengthy dispute. This will serve to create further compliance costs, complexity and reduce transparency for energy providers and consumers and, thus, will not serve the overarching aims of the EA to 'promote competition in, reliable supply by, and the efficient operation of, the New Zealand electricity industry for the long-term benefit of consumers'.

We also note with concern that the Application A transmission charging option proposed by the EA will impose a significant increase upon a large area of low socioeconomic consumers of Counties Power, many of whom being those least in a position to afford an increase in the price of one of their highest monthly bills. This is a "Robin Hood" in reverse situation where you are planning to rob the poor to support the overseas multi-nationals. While the Company will undertake steps to minimise the impact on its consumers including changes to its network configuration in some areas, many of these steps will not support improved efficiency to national grid management or to the New Zealand common good. This highlights a fundamental weakness in the EA's overall philosophy and is a risk to national competitiveness.

In addition, while the proposal results in an increase in Counties Power's transmission charges by $5.37m (75%) per annum New Zealand Steel's transmission charges are reduced by $7.2m (81%) per annum despite being within the Counties Power region[1]. How is this possible if both companies are obtaining the same transmission benefits being in the same area and so obtaining from the transmission grid? We also note that New Zealand Steel's maximum annum electricity demand is 15% greater than Counties Power so we would have expected New Zealand Steel's charges to be approximately 15% greater. Instead New Zealand Steel's annual transmission charge is $10.6m per annum (85%) less than Counties Power under Application A. How could this be an efficient allocation of transmission grid costs or send correct price signals?

No methodology or proposal to address the light industrial company's transmission charges which could lead to them under Application A to bypass Counties Power distribution network and directly connect to the transmission grid. This is of particular concern to the Trust given the large greenfield industrial developments at Pokeno and Drury South. This will also affect our Trusts' area of competitiveness to encourage industrials to locate or construct in our area.

Furthermore, the EA's Application A proposals are seeking dynamic efficiencies for investment decisions already made and where costs cannot easily be avoided. From the Working Paper it is unclear how these efficiency gains can be obtained. In addition, the transmission network has been designed by Transpower to maximise national utility. However, if the charges are implemented as proposed the opposite may occur as locally owned EDBs seek to minimise the financial impact on their consumers, thus diffusing the behavioural change impact of any price signals.

Under Application A, there is no incentive to manage peak demands, load controls or encourage energy efficiency. Currently the load control is also used in the interruptible reserves market as security for the national grid. Under the current proposals this available load shedding wouldn't be financially viable.

Also under Application A there is an assumption that the charges will apply to the regions benefiting from network upgrades, however, the consumers in these areas have not benefited. In particular, Counties Power has not benefited from the $1.3 billion investment in the Upper North Island since 2004 because the Company's transmission supply is from existing old transmission assets. Counties Power's old transmission assets have resulted in increased outages and spot prices that have recently been very high at Bombay because of transmission constraints.

Consequently, the Trust expects that the EA clearly defines and quantifies the problem it seeks to solve and undertakes detailed options analysis under a number of long term market scenarios before making any further decisions upon the need for any change from the current state.

[1] Figures from Table 15a of the EA paper 'TPM options working paper and related documents – revisions to indicative modelling', 30 July 2015.