



## Southland District Council

*Mayor's Office - Council Chambers - Invercargill - New Zealand*

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Submissions  
Electricity Authority  
PO Box 10041  
WELLINGTON 6143

Via e-mail: [submissions@ea.govt.nz](mailto:submissions@ea.govt.nz)

### **Transmission Pricing Methodology: Second issues paper, supplementary consultation**

Southland District Council is pleased to provide a submission to the Electricity Authority on its supplementary consultation on the Transmission Pricing Methodology: Second issues paper, supplementary consultation.

Southland District Council covers the largest geographical area, with 11% of NZ's physical land area, of any territorial local authority. We have a population of 29,613 (Census 2013), who predominantly live in either rural towns or on farms.

The way in which electricity transmission prices are spread out across New Zealand at present isn't fair or equitable. Even though much of New Zealand's electricity is generated here with some 22% of all electricity generated south of Cromwell, the people of the South are actually subsidising the transmission costs of people living in other parts of the country.

1. Council supports the submission made on behalf of the Southland Region submitted by Venture Southland. We also highlight the following points.
2. Council supports the principle that costs should be allocated to those who benefit from provision of the service. This does not happen at present.
3. More than **\$1.3 billion** of transmission investment has been commissioned in the upper North Island since 2004. But only **39%** of that investment is being paid for by the upper North Island. The remaining 61% of these upper North Island upgrades is being paid for by increased transmission costs in the lower North Island and South Island.<sup>1</sup>
4. We support the Electricity Authority's process of reforming how the costs of the national grid are charged to customers. We believe the Authority has run a good and inclusive consultation process, listening to the concerns of stakeholders and adjusting its proposals as a result.
5. We support the proposed Area of Benefit (AoB) approach outlined in the Authority's recent papers. This should see costs mostly fall to customers who benefit from the transmission services they receive. As far as possible the cost of the grid should be met under the proposed AoB, if a customer is able to benefit from a transmission

<sup>1</sup> Second Issues Paper, paragraph 6.49(a)

asset or infrastructure then that benefit and the cost of it should be allocated to that customer.

6. Transpower's unallocated overheads and expenses should also be allocated as much as possible to those customers who benefit from those costs.
7. In short any charges that relate to the provision of a service to a particular customer or group of customers should be identified and charged to that group of customers.
8. Remaining charges allocated via "the Residual" and allocated to customers should be minimised as much as possible. The costs that make up the total Residual should be clearly itemised for all customers to understand. Therefore it would be clear if it included costs that in fact benefit one customer or a group of customers over others and should be allocated via the AoB. If this is not done we once again could see a situation where one group of customers are in effect subsidising the service another group of customers receive.
9. If, despite reform of the transmission pricing methodology, it is obvious that a customer is still being charged significantly more than the actual cost of delivering the transmission service they receive, then we support the concept of a Prudent Discount Policy.
10. It is important that the Authority does not delay its work in reviewing the TPM. Customers in regions like Southland and Otago are currently facing transmission costs that are disproportionate to the services they receive. Any more delays mean we as Southern customers will be continuing to pay for investments that customers in other regions benefit from. We will never be paid back for that over payment – but we would like to stop paying for other regions' transmission grid infrastructure as soon as possible.
11. This situation is made even more unfair by the fact that Southland is geographically close to abundant hydro generation. This is something that should represent a global competitive edge as the world moves to a lower carbon future. To have that regional advantage undermined by transmission pricing does not deliver good economic outcomes for the whole of New Zealand.
12. We would like to see a fairer method of allocating the cost of New Zealand's national grid in place as soon as possible.

Southland District Council has been so concerned by this issue that we have worked together with our three southern councils – Environment Southland, Gore District Council and Invercargill City Council – to run a Facebook campaign to ensure our ratepayers and residents understand the impact of transmission pricing issues. We are encouraging them to submit to you as well.

The campaign has only been running since February 10 on all of the aforementioned Councils' Facebook pages, and on our page alone we had reached 7026 people by February 15.

We strongly encourage you to continue to seek fairer ways of allocating transmission costs between different consumers.

Yours in Southland



Mayor Gary Tong  
Southland District Council