



23 February 2017

Submissions
Electricity Authority
PO Box 10041
WELLINGTON 6143

Via e-mail: submissions@ea.govt.nz

Transmission Pricing Methodology: Second issues paper, supplementary consultation

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

The Southland Mayoral Forum represents Environment Southland, Gore District Council, Invercargill City Council and Southland District Council; the region's four local authorities. The Forum works to unify regional development in an area with a population of 96,300, encompassing 12% of New Zealand's landmass and producing 15% of New Zealand's tradable exports.

1. The Forum supports the submission made on behalf of the Southland Region submitted by Venture Southland.
2. We believe in the principle of user pays, if you are the customer that benefits from a service then you should pay for it. This is not what is happening with how the cost of New Zealand's national grid is now being met.
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.¹

¹ Second Issues Paper, paragraph 6.49(a)

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) 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 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 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 much higher than 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 and Otago are 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. The Southland Mayoral Forum would like to see a fairer method of allocating the cost of New Zealand's national grid in place as soon as possible.
13. The Southland Mayoral Forum is working hard to address local concerns about the region's social and economic viability and vulnerability. We seek a fair and equitable pricing methodology that properly reflects services received by the Southland population, to support rather than exacerbate issues we are working hard to address.

Yours faithfully

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Tracy Hicks; Mayoral Forum Chair
Mayor, Gore District Council

A handwritten signature in blue ink, reading 'Tim Shadbolt', written in a cursive style.

Tim Shadbolt
Mayor, Invercargill City Council

A handwritten signature in black ink, appearing to be 'GT', written in a cursive style.

Gary Tong
Mayor, Southland District Council

A handwritten signature in black ink, reading 'Nicol Horrell', written in a cursive style.

Nicol Horrell
Chairperson, Environment Southland