

**Transmission Pricing Methodology: Second Issues Paper – Supplementary Consultation
Cross-submission on a valuation method on behalf of Northpower**

24 March 2017

1. INTRODUCTION

- 1.1. On 10 March 2017, the Electricity Authority (EA) invited cross-submissions on one specific matter raised in relation to the supplementary consultation paper.
- 1.2. The matter relates to the valuation method used in paragraphs 3.37 to 3.67 of the supplementary consultation paper.

2. NORTHPOWER'S RECOMMENDATION

- 2.1. Northpower considers that Transpower is the most appropriate industry participant to decide on valuation methods relating to the grid. Northpower therefore strongly urges the EA to step back from this issue and allow flexibility in the TPM guidelines for Transpower to consult on and make the decision when it develops the TPM.

3. CONCLUSION

- 3.1. In our submission on the Second Issues Paper – Supplementary Consultation paper, we urged the EA to pause and reconsider its approach to the entire TPM process. We remain unconvinced of a need for change because the status quo is well understood by transmission customers and has the lowest transaction costs. With further shortcomings in the EA's Cost Benefit Analysis (CBA) coming to light through recent independent analysis, the merits of a significant pause and a radical shift in approach to the process are now even stronger.
- 3.2. If the EA is intent on pursuing change, then careful consideration needs to be given to the views of experts and the industry to design TPM guidelines that are durable, have clear benefits over the status quo and are in the long term interests of NZ electricity consumers.
- 3.3. In addition, we would respectfully remind the EA that its role is to set high-level guidelines for the TPM and leave considerable latitude for Transpower, as the industry experts on the transmission grid and transmission pricing, to consult with its stakeholders and design a durable workable TPM.

The primary contact for this submission is:

Josie Boyd

General Manager Network Assets / General Counsel

josie.boyd@northpower.com