
Cross Submission to the Electricity Authority

on

Transmission Pricing Methodology
Review: Second issues paper
Supplementary consultation

*PwC submission on
behalf of a group of 13
EDBs*

Made on behalf of 13 Electricity Distribution Businesses

24 March 2017

Cross submission on TPM supplementary consultation

1. This paper forms our cross submission on the Electricity Authority’s (Authority) consultation paper, “Transmission pricing methodology review: Second issues paper, Supplementary consultation” (the supplementary paper) released on 13 December 2016. This cross submission has been prepared by PricewaterhouseCoopers (PwC) on behalf of the following 13 Electricity Distribution Businesses (EDBs or distributors):
 - Alpine Energy Limited
 - Aurora Energy Limited
 - EA Networks Limited
 - Eastland Network Limited
 - Electra Limited
 - Mainpower Limited
 - Marlborough Lines Limited
 - Nelson Electricity Limited
 - Network Tasman Limited
 - The Lines Company Limited
 - Top Energy Limited
 - Waipa Networks Limited
 - Westpower Limited.
2. The Authority has called for cross submissions on one issue addressed in the supplementary paper – the valuation method for determining the total and annual amount to be recovered under the proposed area-of-benefit charge for an investment.
3. In the supplementary consultation paper, the Authority proposed that the valuation method would be the indexed historical cost or another method that was service-based and cost-reflective, if that would better promote the statutory objective.
4. In our submission on the supplementary paper¹ we supported the proposal to reject the initial plan to use replacement cost (for new investments) and depreciated replacement cost (for historical investments) for this purpose and instead to propose that both new and historical investments are valued at indexed historic cost (IHC). We also supported the option for Transpower to alter the time profile of capital recovery if charges under the IHC method would not reflect the services provided by the investment at different times in its life.

¹ Refer Submission to the Electricity Authority, on Transmission Pricing Methodology Review: Second issues paper Supplementary consultation

PwC submission on behalf of a group of 14 EDBs, February 2017

5. The EDBs which support this cross submission confirm that there is nothing that we have seen in the submissions on the supplementary paper which has caused us to change our view. We continue to support the use of a time neutral valuation method, such as IHC for this purpose. We also agree that it may be appropriate for Transpower to refine this method, and adopt an alternative approach which better meets the statutory objective and any relevant guidance from the Authority.
6. We would be happy to answer any questions you may have regarding this cross submission.
7. The primary contact for this cross submission is:

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