

4 April 2017

John Rampton
Electricity Authority
P O Box 10041
Wellington 6143
By email: submissions@ea.govt.nz

Dear John,

RE: CBA questions

Pioneer Energy (Pioneer) appreciated the opportunity to engage in the on-line Q&A session with Oakley Greenwood (OGW) relating to the TPM CBA.

We note there was considerable interest in this opportunity to ask OGW specific questions about the CBA analysis, with over 60 questions. This indicates to us that there was probably value in the Authority undertaking this interaction much earlier in the TPM process than just prior to when the Authority has said it is due to make a decision on the Guidelines.

We note that there was limited time for parties to consider others' questions and OGW answers and place questions based on this information – the first question was answered with just over three hours to the deadline for submitting questions and only eight questions were answered by this deadline.

Without some iteration or further scenario testing by OGW or the Authority, it is unclear to Pioneer how the information arising from this CBA Q&A session is being incorporated by the Authority in its decision making process.

Pioneer observes that:

- many of the questions posed were seeking more detailed or specific information than in the submissions or reports. However, a number of the answers from OGW only repeated the information provided in response to prior submissions. There seemed to be a reluctance by OGW to really test their own assumptions, given their experience in this market was clearly limited;
- consequently, despite the many detailed questions about the assumptions in the CBA modelling, these questions did not result in any re-running or testing of the 'model' by OGW and this was disappointing;
- the answers, however, did confirm our and others' views that the TPM CBA does not actually model the Authority's TPM proposal. The 'model' uses LRMCs to indicate the long-term economic implications of investments in transmission versus generation and many of those LRMC assumptions do not reflect market realities; and
- the answers also confirmed much of information provided to OGW by the Authority was not adequately tested, nor sufficiently up to date, to be considered robust for a statutory CBA analysis and your conclusion of a positive net value and long term benefit to consumers.

We emailed OGW and the Authority during the Q&A process with further questions and also stating that it was clear from the answers that OGW's model was more of a scenarios tool than a serious CBA analysis. We are interested in seeing how different submitters' views could be modelled by OGW as scenarios with this tool. However, you advised us that our further questions did not meet your deadline. It is impossible to resolve submitters' issues when the feedback loops are artificially closed down. This is very disappointing as it can only lead to issues escalating which seems an inevitable outcome of this TPM consultation process.

As outlined in our TPM cross-submission, we feel that both the weight of expert evidence and the value sensitivities relating to the CBA analysis highlight the need to revisit your Code Amendment Principles and tie breaker provisions to empirically test your proposal against Transpower's recommended simplified and staged alternative and a modified BAU scenario.

Yours sincerely



Fraser Jonker
Chief Executive