

4 April 2017

Mr John Rampton
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Electricity Authority
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CC: John.Rampton@ea.govt.nz

Dear John,

Transmission Pricing Methodology – cost benefit analysis questions and answers

1. Vector has been reviewing the Oakley Greenwood (OGW) question and answer (Q & A) session about its cost-benefit analysis (CBA) on the Electricity Authority's (Authority) Second Issues Paper proposal for the transmission pricing methodology (TPM).
2. We have found the Q & A session to be of limited value. The Authority's decision to confine the Q & A session to calculations used in the CBA and "not methodology" significantly limited the value of the session given several criticisms of the CBA were relevant to the OGW method.
3. Many OGW responses failed to address stakeholder questions or gave rise to more questions. The email format of the session severely impeded in our view any reasonable follow up with OGW especially where its responses warranted further explanation.
4. We believe the issues with the OGW CBA warranted a stakeholder workshop. This would have allowed OGW to discuss with industry its CBA in an open forum. A stakeholder workshop would have provided an opportunity for constructive engagement on all matters considered or omitted by the CBA and for OGW to demonstrate the reasonableness of its approach.

5. If you have any questions in relation to this letter, please contact me on Richard.Sharp@vector.co.nz.

Yours sincerely
For and on behalf of Vector Limited



Richard Sharp
Head of Regulatory and Pricing