

# TPM Submission

Thank you for the opportunity to submit on the Transmission Pricing Methodology. I have similar views and concerns as other submitters and wish to support others with the same views.

- I/we support reform of the transmission pricing methodology (TPM) and agree that reform is necessary and increasingly urgent.
- Consumers should pay for the transmission assets they benefit from and not pay for those they do not.
- The ability of an entity to take the funds it desires to operate its business has serious consequences. Those who pay rates feel the full effects of this type of behaviour. Although this is not a rate in terms of the Local Government act, the end result is similar. Consumers paying transmission charges are captive to this regime and in addition, pay significant LG rates. They are subsidising transpower 2 ways. The LG rates paid by Transpower in the southern region are trivial, and so the ordinary ratepayer subsidises the operation of their asset within their region as well as being charged incorrectly via inequitable splits.
- Consumers in the lower North Island and the South Island have for the most part been over charged over the past decade while Aucklanders in particular have been undercharged. This is because of the large investments in the upper North Island grid since 2008.
- In the case of the Tiwai Point aluminium smelter, it has faced nearly \$200 million in increased transmission costs since 2008. Much of this is to provide revenue to Transpower for assets in the north of the North Island. Overpayments will never be recouped by the smelter, and make it less commercially sustainable.  
In the event of Tiwai becoming unsustainable and closing operations there would be a loss of grid stability, an increased risk of black start failure, and a significant loss of market for electricity in the south island. Moving electricity north from the southern region is problematic and despite what some purport this would be unlikely to happen in an efficient manner.
- I/we agree with the introduction of a benefits based charge to recover the cost of new grid investments but believe it should be applied to future charges for major investments constructed in recent years.
- I/we believe the benefits based charge should be applied as widely as possible to all existing assets as until it is some consumers will continue to pay large amounts for transmission assets they don't benefit from.
- I/we acknowledge that for consumers who are enjoying subsidised rates for the assets they benefit from the increase in costs will be unwelcome, however they continue to be unwelcome for the consumers paying them now with no additional transmission benefit associated with the charge. Please give some thought to individuals and businesses who must operate and generate income by their own efforts to survive. They do not need the burden of others not paying their way. The southern consumers have operated under the existing regime and either survived, or in some cases fallen by the wayside. The same harsh

reality should be faced by 'the market' as soon as possible. It is not the place of the survivors to subsidise others further.

- For example the Tiwai Point aluminium smelter has used largely the same grid infrastructure since its operation began in 1971 but has faced huge increases in transmission costs since the implementation of the current TPM. Not only is this infrastructure primarily for the smelter, it is well utilized and runs at a high capacity for most of the time. Many other transmission services are poorly loaded for some periods of the day or weekends. I would suspect this gives a lesser return on investment and therefore is being carried by consumers with a smoother load profile.
- In 2014 Transpower's book value for the transmission lines connecting Manapouri power station with the Tiwai Point smelter was \$72 million – this means that transmission charges have been recovering almost the entire book value of the main piece of infrastructure the smelter uses year on year.
- The residual charge is too large as it is smeared across all users and does not deliver relief for the consumers who have been over charged for a decade and who under this proposal will continue to be overcharged for many years after it is implemented which is estimated to be 2024 at the earliest.
- The introduction of a price cap to soften price increases to consumers who have been not been paying for the assets they benefit from and in some instances avoiding interconnection charges altogether will need to be made up by other customers. It is a harsh blow to consumers who have faced large and unchecked increases over the past decade.
- In the case of the Tiwai Point aluminium smelter, which would contribute over \$1 million per annum to pay for the cap to other customers' prices, but did not enjoy the comfort of a price cap to soften the annual increases since 2008 of between three and \$30 million dollars per annum it has faced. As a trade exposed commodities business the Tiwai Point smelter can't pass those costs on to its customers and has no option but to absorb them. This makes achieving commercial sustainability very difficult.

I/we have been over paying for transmission assets for over a decade – this reform does not deliver the full relief we deserve from these over payments and with expected implementation not until 2024 and with the large amount of assets still deemed to fit within the residual charge we will continue to pay for grid assets we don't benefit from for many years to come.

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