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Discussion Paper – Draft Distribution Pricing Principles and Methodology Requirements

Further to the 12 October workshop on this paper, Network Waitaki Ltd., makes the following submission. It authorises the Electricity Commission to publicly disclose this document.

NWL is supportive of the consensus that developed at the workshop for rationalising the pricing principles and methodological requirements. However, it considers that there is a need to be more specific with regard to definitions in order to ensure that pricing methodology disclosures deliver on their intent to demonstrate compliance with the pricing principles.

For example, NWL does not currently have any pricing differential between Urban and Rural users and is therefore already compliant with the proposed Pricing Principles. Accordingly it has no need to make a Load Group distinction in its Methodology Disclosure and therefore does not disclose cross-subsidy between Urban and Rural users. Even if it did, it could justify the different cost position on the basis of service so arguably there is no cross-subsidy as such.

Load groups can be defined on the basis of size (connection capacity), end user (domestic/non-domestic), application (irrigation, water heating, etc) or network segment (location –rural/urban, GXP). Unless the EC defines the Load Groups it wants disclosures based on, then line companies will have to test compliance by submitting their existing methodology and making changes only when the regulators assessment indicates what improvements are required.

This has been a similar process to Asset Management Plan disclosure which is actually quite prescriptive. This has proven unsatisfactory for both line company and regulator as it creates a moving compliance target.

If the EC doesn't know what it wants disclosed at this time then this exercise qualifies as regulation for the sake of regulation and a cost without justification.

Development of smart metering is another initiative the EC is currently addressing and is related to distribution pricing. NWL believes these two work streams could be coordinated as follows:

- Make smart meter ownership and reading the responsibility of line companies conforming to national technical standards, etc. There are economic efficiency benefits with respect to a national solution.
- Introduce a requirement to change out the existing metering base over the next 10year certification cycle.
- Networks could then price and bill on the basis of TOU meter readings. This would remove all issues regarding repacking and pass through of pricing signals. The consumer would benefit from the technology leap, better load control options, etc.

Further this initiative could support the Governments Fibre Optic Broadband initiatives by becoming a cornerstone user of a fibre based communications platform. Again delivering a faster deployment and investment efficiency, for a key strategy of the national economic development plan.

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