

# COUNTIES POWER CONSUMER TRUST

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## **Transmission pricing methodology: second issues paper supplementary consultation**

Counties Power Consumer Trust (CPCT) is pleased to have this opportunity to provide feedback on the Electricity Authority's (Authority) consultation paper *Transmission Pricing Methodology: Second Issues Paper, Supplementary Consultation*.

CPCT owns 100% of the lines company Counties Power Limited (CPL). We are a consumer trust (as opposed to a community trust) which means that any distributions (in whatever form) go to the persons (or entities) who have premises connected to the Counties Power network irrespective of their dwelling or postal address.

This submission from CPCT supports the submission of the network distribution company CPL which will cover the detailed consultation issues in its own separate submission.

## **Opposition to proposal**

CPCT remains opposed to the Authority's proposal to charge the cost of national infrastructure to individual beneficiaries of certain core transmission assets on the basis that the transmission grid forms a national electricity market that benefits all parties in the national electricity market. While recent investments may have benefited certain parties more than others, the scale brought by having a national market equally benefits all customers where their main investment objective may not be an immediate obvious beneficiary. An example of this is the mechanism by which South Island consumers are supplied in 'dry years' from generation in the North Island, for instance, South Island generators being able to bid into a nationwide interruptible reserves market or even the fact that the Auckland market enables the economies of scale that enables the market for the larger South Island generation projects and transmission grid.

The Authority in its zeal to impose theoretical pricing models has erroneously dismissed these factors in its effort to justify a complex set of pricing guidelines. This complexity comes with significant issues of durability and practicality, which was illustrated by the Authority itself when it recently reported a 33% error in the calculation of CPL's transmission charges under the proposal.

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Chair: Mrs C P Rupp

Secretary: Miss G Riddell

## John Small report

These fundamental concerns around the theoretical nature of many of the Authority's underlying modelling and the nature of the consultation process is why CPCT joined a group of stakeholders to engage John Small to consider the extensive expert advice provided to the Authority since the TPM consultation commenced. We believe that this report identified critical issues in the Authority's consultation process, including:

- The Authority's failure to place sufficient weight on experts' submissions and so appear to have not considered issues with an open-mind;
- The Authority has not adequately and robustly considered alternatives and developed a robust cost benefit analysis as required under the Act;
- The Authority has placed significant weight on experts disagreeing with fundamental aspects of the proposed TPM guidelines like the inclusion of historical assets for the AoB charge; and
- The Authority's process has swung the impact of the TPM guidelines widely through the process creating uncertainty on what the Authority's final position will be.

## Transmission assets to rural South Auckland

CPCT is doubly frustrated with the proposal because the Authority is requiring Transpower to charge our region in rural South Auckland for recent transmission assets that CPCT didn't support. Furthermore, with the latest revision of the TPM impacts, rural South Auckland is being charged more than the rest of Auckland despite being supplied from older transmission assets.

These older transmission assets supplying our consumers well predate the Authority's guideline that transmission assets built since 2004 should be captured in the Area of Benefits (AoB) charge. In particular, the Bombay substation which was built in the 1920's and at the end of life. The fact that despite this our transmission charges are increasing shows that the Authority's modelling is fundamentally flawed.

## Conclusion

The report from John Small means that CPCT is now firmly of the opinion that improved government policy and regulations are now required from the Ministry of Business, Innovation and Employment (MBIE) in order to improve the legislation that mandates the Authority on transmission pricing guidelines. CPCT also believes that the poor consultation process followed by the Authority has resulted in a significant cost burden that is ultimately recovered from all power users now needs to stop.

For any enquiries on this submission, please contact the Secretary in the first instance.



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Cc: Hon Judith Collins, Minister of Revenue, Minister of Energy and Resources, Minister for Ethnic Communities, and the Member of Parliament for Papakura in the New Zealand National-led Government.

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