

CONSUMER COALITION ON ENERGY (CC93)

Spokesperson: David Russell

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The Coalition: Business NZ Inc
Consumers' Institute
Federated Farmers of NZ Inc
Major Electricity Users' Group Inc

12 July 2006

Mr Mark Franklin
Chief Executive Officer
Vector Limited
PO Box 99882
Newmarket
AUCKLAND

Dear Mr Franklin

Keeping the Vector Promise and pursuing damage claim

The Consumer Coalition on Energy represents a wide range electricity consumers' in New Zealand. The Coalition is frequently referred to as CC93 because it was formed in 1993. The fact that CC93 still exists shows how prolonged the reforms of the electricity sector have been. It also shows there are some common fundamental values and needs among each of our constituent groups.

CC93 is not a regular commentator on energy issues as each member tends to comment on particular areas of their interest and expertise. However, when an issue arises that is significant across all consumers, either directly or indirectly; then CC93 can express our concerns jointly.

The blackout in Auckland and other voltage related incidents throughout the North Island due to a failure at the Otahuhu substation on 12 June has been the subject of technical reports by Transpower. More technical reports and technical solutions to minimise the risk of similar repeat events are likely. This is useful and while consumers that were adversely affected because of the event will be relieved this work has commenced; there are unanswered questions about compensation, contractual liability and contractual incentives to minimise such risks in the future.

With respect to Vector, CC93 is concerned that the company has decided to retract the Vector Promise of paying consumers if restoration times for outages are excessive.

CC93 believe Vector should stand by the Vector Promise and in turn cover that liability to consumers by pursuing damages from Transpower. From the material made public to date there appears to be more than a remote chance of success of a damages claim against Transpower and or their contractors. If Vector decides not to stand by the Vector Promise and not to pursue a damages claim we believe Vector should explain to consumers why that decision is not in the best interest its customers.

Actual harm incurred by consumers is likely to be substantially greater than the compensation consumers would get if the Vector Promise is paid. CC93 suggest there may be also be a case for Vector assessing the actual harm to its customers and pursuing damages on that wider claim also. In aggregate end consumers do not have the technical expertise to mount a damages claim against Transpower but Vector does. Customers are looking to Vector as the counterparty to Transpower to pursue damages on behalf of customers that have been significantly harmed by events that appear to have been avoidable.

CC93 has also copied this letter to the Commerce Commission, Electricity Commission and Minister of Energy. Copies of those letters are attached for your information.

Yours sincerely



David Russell
Chief Executive
Consumers' Institute



George Riddell
Manager Energy, Environment & Infrastructure
Business New Zealand



Catherine Petrey
Executive Director, Policy
Federated Farmers



Ralph Matthes
Executive Director
Major Electricity Users' Group

cc Ms Paula Rebstock, Chair, Commerce Commission
Mr Roy Hemmingway, Chair, Electricity Commission
Hon David Parker, Minister of Energy