

# *Smart Power Ltd*

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## Total Energy Management

28 July, 2006

Commerce Commission  
PO Box 2351  
Wellington

Smart Power has been asked by the Major Electricity Users' Group (MEUG) to produce this submission on the "Revised Information Disclosure Requirements and New Section to the Information Disclosure Handbook on Pricing Methodology and Line Charges" consultation paper.

Late last year Smart Power produced a paper for MEUG titled "Distribution Line Companies Pricing Methodologies," October 2005. In commenting on the consultation paper we have referenced the applicable recommendations made in the paper for MEUG.

**Smart Power Recommendation - Pricing methodology disclosure is a critical tool to enable consumers to assess that network charges are being fairly assigned. MEUG should press the Commerce Commission to take action to ensure that distribution line companies meet their requirements to disclose this information fully.**

We believe that the existing disclosure regulations are reasonably clear on what ELB's should disclose in terms of pricing methodology. While the proposed changes are helpful we believe the underlying problem is an unwillingness to provide this information. For this reason we support the focus on compliance provided in point 17 of the consultation paper and believe this should be extended (in a new point 18) to what the Commission will do if ELB's continue to not adequately disclose their pricing methodology.

**Smart Power Recommendation - MEUG should be concerned that larger users may have assets that they are not using being apportioned to them.**

This issue is not dealt with at all in the consultation paper. For example ELB's will still be able to assign costs associated with, say, their 400V network assets to 11kV customers who do not use those assets. As long as the process is disclosed it does not seem to matter if the process is fair or not. Compare this to the very prescriptive requirements laid out for setting ODV's.

## Smart Power Recommendations

**The Commerce Commission should consider altering the Information Disclosure regulations to include explicitly how loss ratios are to be calculated.**

**The Commerce Commission should consider altering the Pricing Methodology Disclosure regulations so that distribution line businesses are required to outline the rational for, and the methodology used to, develop different loss factors for different load groups.**

The consultation paper makes no reference at all to how loss ratios are calculated or the methodology used to develop different loss factors for different load groups. We believe this is part of ELB's pricing as they are calculated by the ELB and provided to retailers who then use them in calculating individual consumer bills in much the same way as other network charges. Therefore the methodology they use should be disclosed in the same way as for other network charges.

How loss ratios are calculated should also be defined more explicitly including exactly what consumption data to use in the calculations.

## General Comments on the Consultation Paper

We believe that it is a very good step to bring the disclosure of the pricing methodology and the line charges disclosure together.

However we see no reason why the pricing methodology disclosure should be delayed. The ELB's will have needed to know the pricing methodology to arrive at the prices and we believe these should be published at the same time (20 working days before the prices are introduced) to give consumers some time to study the changes (and the reasons for them) and to challenge the changes if they wish before they take effect. If consumers don't have the explanation of the pricing methodology at that time then challenging the price changes is almost impossible.

Thank you for providing the opportunity to make this submission. If you have any questions feel free to call me on (021) 470 309.

Yours sincerely

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Director  
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