



MAJOR ELECTRICITY USERS' GROUP

17 August 2007

Jenny Walton
Electricity Commission
By email to info@electricitycommission.govt.nz

Dear Jenny

Submission on the calculation of loss factors and the use of loss factors for reconciliation purposes

1. This is a submission by the Major Electricity Users' Group (MEUG) on the Electricity Commission (the "Commission") consultation paper, *The calculation of loss factors and the use of loss factors for reconciliation purposes*, published 20 July 2007.
2. Answers to the nine questions in the consultation paper are set out in the appendix to this letter.
3. This submission is not confidential.

Yours sincerely

Ralph Matthes
Executive Director

Appendix

	EC question	MEUG comment
Q1	Do you agree with the definitions and uses of reconciliation, technical and non-technical loss factors set out in this paper? Please give reasons for your view. (See paragraphs 18, 19, and 21.)	Yes, agree.
Q2	Do you agree with the criteria developed by the project team against which proposed loss factors arrangements should be assessed? Should one or more criteria be added or deleted? Please give reasons for your view. (See paragraph 42.)	The criteria look reasonable subject to consideration of weighing the benefits of any change to the status quo against the costs of making that change.
Q3	Are there any options for future loss factor arrangements other than the four options identified in this paper? Please give reasons for your view.	Unaware of any other options.
Q4	Do you agree that Option Three should be implemented (mandatory estimation of both technical and non-technical loss factors)? Please give reasons for your view.	Agree option 3 is the preferred approach on the basis of the decision criteria in the paper. As noted in the MEUG reply to question 2 above, another important criterion to be assessed is which of the options has the greatest net benefit. It appears that the largest Electricity Line Businesses already estimate fixed technical losses and therefore meet the requirements of option 3. The question regarding benefits and costs therefore is only relevant to the smaller Electricity Line Businesses.
Q5	Are one year (for non-technical loss factors) and five years (for technical loss factors) the appropriate timeframes within which to review loss factors? Please give reasons for your view.	The review periods seem reasonable. The 5 year reset for technical loss factors could be aligned with any asset and network configuration base used by the Commerce Commission as part of 5 yearly threshold resets.
Q6	Do you think that the loss category code needs to be standardised? Please give reasons for your view.	MEUG strongly endorse further investigations into standardising loss category codes.
Q7	Do you agree with the methodology for the derivation of loss factors in the draft guidelines? Please give reasons for your view.	MEUG agree with the guidelines in that they are voluntary and therefore there is no barrier to an Electricity Line Business using a different approach if it is more efficient.
Q8	Are there any other comments or concerns you wish to raise about the draft guidelines?	Paragraph 20 a. of appendix 4 of the consultation paper asks Electricity Line Businesses to declare that the guidelines have been used. MEUG suggest that if the guide lines not have been followed (and there may be good reason for that), then the Electricity Line Business be required to detail the differences between the methodology used and that in the guideline. MEUG also suggest an amendment be made to the Electricity Information Disclosure Requirements issued by the Commerce Commission pursuant to Part 4A of the Commerce Act to require detailed disclosure of loss calculation methodologies and any difference from guidelines published by the EC.
Q9	The calculation of reconciliation loss factors, and hence non-technical loss factors, relies on the availability of retailers' records of how much electricity has been consumed. Do distributors have access to this information from retailers?	This is a question for Electricity Line Businesses to answer