



MAJOR ELECTRICITY USERS' GROUP

18 February 2011

Paul Melville
Regulation Branch
Commerce Commission
By email to regulation.branch@comcom.govt.nz

Dear Paul

Submission on Capital Expenditure Methodology for Transpower

1. This is a submission by the Major Electricity Users' Group on the Commerce Commission Discussion Paper Capital Expenditure Input Methodology (Transpower), dated 24th December 2010¹. The discussion paper sets out the preliminary views of the Commission. This submission makes some initial observations on the paper.
2. In the past GUP have been published with aggregate capital costs only. That has not been conducive to end consumers gaining an understanding of the change in transmission charges in their future invoices and service levels associated with each GUP. If end consumers and other parties were given both aggregate capital requirements and the forecast effect on transmission charges in future years we think a more active level of interest and possibly a better debate on alternatives might emerge. Therefore MEUG proposes that Transpower must provide each counterparty to a Transmission Agreement with an estimate of the incremental change in transmission charges for future years along with the incremental change in service levels that will accrue to that counterparty for each Major Capital Expenditure request. In turn distribution business counterparties should be required to inform their customers, either retailers or end consumers, of the future impact on transmission charges and quality associated with each discrete Major capital expenditure request.
3. The Input Methodology could also cover how Transpower de-commissions assets.
4. MEUG prefers the approach in paragraph 5.8.110 (c) (ie "only include costs and benefits in the electricity market which are able to be quantified with a reasonable degree of confidence") rather than the Commission's preliminary preference for the option in paragraph 5.8.110 (b). In our view claims of intangible benefits and costs by parties that

¹ Refer <http://www.comcom.govt.nz/assets/Pan-Industry/Input-Methodologies/Transpower-Capital-Expenditure-IM/Transpower-Capex-Input-Methodology-Discussion-Paper-Dec-2010.PDF>

are supposedly beyond any means of measuring must be treated with a high degree of scepticism. The Commission would be better off asking proponents that claim intangible effects to prove their case. The incentive should be on those proponents to justify their claims rather than the Commission having to subjectively compare quantitative and non-quantitative factors or trying to back-fill evidence of claims by vested interests.

5. This submission is not confidential.

Yours sincerely

A handwritten signature in black ink, appearing to read 'R. Matthes', with a stylized flourish at the end.

Ralph Matthes
Executive Director