



MAJOR ELECTRICITY USERS' GROUP

1 October 2013

Dr John Rampton
General Manager Market Design
Electricity Authority

By email to submissions@ea.govt.nz

Dear John

Consultation Paper - Draft decision on exemption application – classification of NAaN

1. This is a submission by the Major Electricity Users' Group (MEUG) on the Electricity Authority (EA) consultation paper¹ "Draft decision on exemption application – classification of NAaN assets under the TPM" dated 4th September 2013.
2. Members of MEUG have been consulted in the preparation of this submission. This submission is not confidential.
3. MEUG welcomes the Authority consulting on its proposal to decline the exemption request even though the Authority is not required to consult². The matters at stake are material in terms of dollars and ensuring consistency with the purpose of the Act.
4. Responses to questions in the consultation paper follow:

Question	MEUG response
1. Do you consider that the proposed decision to decline the exemption is correct? If not, please describe why you consider the exemption should be approved. If you support the decision, please provide any reasons that are additional to those discussed in this paper.	MEUG agrees the decision to decline the exemption is correct. We agree with the four reasons to decline the application listed in paragraph 3.4.1 of the conclusion section of the consultation paper. We have no further supporting reasons to decline the exemption.

¹ <http://www.ea.govt.nz/dmsdocument/15747> found at <http://www.ea.govt.nz/our-work/consultations/code-regs/draft-decision-on-exemption-application-classification-of-naaN-assets-under-the-tpm/>

² Consultation paper paragraph 1.2.2

Question	MEUG response
<p>2. Is there additional information that the Authority should have considered when making its decision, or errors of fact in the material presented in this paper, that may have affected the Authority's decision making? If yes, please provide the additional or corrected information.</p>	<p>None that we are aware of.</p>
<p>3. Do you agree with the approach the Authority has taken to considering this exemption application against the requirements for granting exemptions in Section 11(2) of the Act? If not, what approach do you consider should have been taken?</p>	<p>We agree with the analysis in paragraph 3.3.10 that declining the exemption will result in higher administrative costs for Transpower to put right having not followed the TPM as it stands. While a resource cost to the economy the incidence falls on Transpower's shareholders through lower profits. That though creates the correct incentive on Transpower to ensure they do not repeat their misinterpretation of the existing TPM in the future.</p> <p>MEUG also notes that even in the contrary case where the TPM was in error (we support the EA's rebuttal of this as noted above; but for illustrative purposes use this case now), an exemption request would not automatically be granted even though it would save higher administrative overheads because there is a larger detriment in the EA granting a retrospective exemption as requested³ by Transpower to be effective from 1st April 2013. In this case the EA would correctly start a process to change the Code to remove the error but we would caution any granting of retrospective exemptions.</p>

5. We look forward to viewing the final decision by the Authority on this matter.

Yours sincerely



Ralph Matthes
Executive Director

³ Refer Appendix A of the paper under heading "How long do you need the exemption for?", p5