

11 July 2019

Dane Gunnell
Manager, Price-quality Regulation
Commerce Commission
By email to regulation.branch@comcom.govt.nz

Dear Dane

Transpower IPP 2020 – cross-submission

1. This is a cross-submission by the Major Electricity Users' Group (MEUG) to the submission by Transpower on the Commerce Commission draft Individual Price-Quality Path decision published 29th May 2019.¹
2. MEUG members have been consulted in the preparation of this submission. This submission is not confidential. Some members may make separate submissions.
3. References to sections in brackets are those in the Transpower submission.

Quality standards

4. Transpower submitted (s1.3.2) that the proposed pooling rule should be changed from 2 out of 3 to 3 out of 6 to reduce the rate of 'false positives' to the level intended by the Commission. We could not replicate Transpower's estimates of the probability of 'false positives' and therefore do not support a change in the proposed pooling rule.
5. Transpower opposed (s.1.4) the setting of a quality standard for momentary interruptions (< 1 minute). Instead Transpower propose reporting on trends, insights and notable events. MEUG does not support the alternative proposed by Transpower because interested parties should have access to the granular raw data to make their own assessments of trends. If there is a greater count of momentary interruptions due to newer assets triggering an auto-reclose momentary interruption and that is viewed as a positive by Transpower, then Transpower should report that with evidence those interruptions have no detrimental effects on consumers. Similarly reporting that the cause and impact of many momentary interruptions is unknown is itself an interesting statistic. For example, are unknown events decreasing, increasing or numbers unchanged and are there variations across the country?

¹ Transpower submission: https://comcom.govt.nz/_data/assets/pdf_file/0021/157701/Transpower-Submission-on-Transpowers-IPP-reset-draft-decisions-and-reasons-paper-27-June-2019.pdf.

Maintenance Opex

6. Transpower submitted (s.6) new annual reporting times should be 120 days after the end of the reporting period, not 80 working days. MEUG appreciates Transpower agreeing in principle to the Commission's desire to increase visibility of Transpower's activities to stakeholders. That agreement does not match with the proposed longer reporting time. We think 80 working days is generous. A two-month requirement would fit with the need for timely reporting. If there are material costs or impediments to Transpower to revise Board meeting timetables and internal quality assurance processes, then Transpower should explain what those are. Recently Z Energy published audited financial statements within 1-month of the end of their financial year. That level of best practice is what regulated monopolies should be aiming for.
7. Transpower submitted (s.6.3) reporting on new trial measure CS1, post-interruption event survey results, should be annual and anonymised. MEUG agrees survey respondents should be anonymised if they wish. Respondents should be offered the choice. We do not understand why Transpower finds the current practice of having these surveys twice a year as being "valuable" but proposes making them available to interested parties only annually. MEUG sees no compelling reason why survey results should not be published at the same date they are received by Transpower because interested parties may also find timely publication valuable.
8. Transpower submitted (s.6.4) proposed reporting on progress for asset health models etc were too specific and need to be generalised. MEUG has expressed frustration with the slow pace of Transpower's development of asset health measures in previous submissions and supports the proposed reporting on asset health measure progress as it provides detailed information of Transpower's progress against its roadmap. Transpower's submission on the Commerce Commission issues paper suggested revenue-linked asset health output measures that would have required the identification of 'justified differences' from the target² which implies the need for reporting at least as detailed as that proposed by the Commission.

Grid output measures

9. Transpower submitted (s.7.2.3) normalisation mechanisms need to accommodate exclusions for points of service where Transmission Alternatives may operate in the future. MEUG agrees. The exact mechanism will depend on the terms and conditions of contracts with Transmission Alternative service providers. The form of those contracts including reliability and any strategies available to Transpower to offset possible difference in reliability compared to conventional transmission assets is work in progress.
10. Transpower opposed (s.7.3) reducing forced outage allowance from 0.5% to 0.25% (AP1). MEUG agrees with the Commission's argument that allowance for high impact low probability (HILP) events should not be included in the setting of forced outages and are better addressed through cable reliability design standards. We therefore support the reduction of the forced outage allowance to 0.25%.

² 'Transpower's individual price-quality path for the next regulatory control period: issues paper' 28 February 2019, section 6.4 page 15 to 16.

11. Transpower opposed (s.7.4) applying a target of 98.75% and netting-off the effect of the Pole 2 extension. Instead Transpower proposed a target of 98.5%, adjusted to 97.8% for the years affected by the Pole 2 replacement programme. MEUG agrees with Commission's suggestion to net out the impacts of Pole 2 extension up to a maximum of 0.7% rather than to make a blanket change to the target as this more closely matches the adjustment of the target with the direct cause of the need for adjustment.
12. Transpower opposed (s.7.5) retaining as a reporting requirement the extent customers are put on N security. MEUG is surprised this statistic is not reported to the Transpower Board. Having customers that have contracted for N-1 or higher security being provided service at N security would worry a business in a workably competitive market environment. The long-term solution for Transpower may be to revise the Transmission Benchmark Agreement to accommodate lower charges when service is less than N-1. We think there is merit in gathering this information and perhaps Transpower could consider automating collection of actual N security events to lower collection and reporting costs?

Yours sincerely



Ralph Matthes
Executive Director