

Counties Power Submission on the EA Review of Transmission Pricing Methodology

24 February 2012

Counties Power is very interested in the impact which transmission prices and the method of calculating them have on our customers/owners. We look forward to reading submissions on the authority's review paper. At this stage we wish to make just one submission, and that is to stress the importance which the authority should ascribe to the point in para 3.3.5 of the review paper, re wealth transfers.

The paper quite properly makes the point that a stable and durable TPM is desirable, however the authority will not be making the first ever decisions on this topic. A couple of decades ago we went through tortuous debates on appropriate methodologies, with various parties advancing sophisticated arguments as to why they should be paying less and others should be paying more. The calculation methodology changed more than once, but it's difficult to believe that the nation benefitted any as a result.

For some years now we have had a stable TMP. It may not perfectly replicate the outcomes of a transmission services market (whatever one of those might look like), but it works. The prices resulting from it are built into existing electricity prices for every electricity customer in the country. In our view there is a very strong chance that the major impact of any change to the methodology will be to produce winners and losers – in other words to create wealth transfers.

We urge the authority to take a pragmatic approach to this review, to eschew any drive towards economic purity, and to recommend changes ONLY if it can be quite clearly demonstrated that these changes WILL produce a net national benefit AND that this will considerably outweigh the inconvenience that the inevitable wealth transfers will produce.

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