

Several submitters urge the authority to determine the future TPM quickly and to avoid perpetuating market uncertainty through a long drawn out debate. We concur.

Several submitters make the point that there has been much thought on this topic in recent years, and they urge the authority to build on this work rather than starting afresh. We concur.

Several submitters make the point that market mechanisms are desirable where they are practical, but that they would be impractical or at best highly complex in this case. We concur.

Several submitters point to the stability of and the reasonably widespread acceptance of the present methodology, and they urge the authority to adopt a status quo bias. We concur.

Few submitters have mentioned the issue of static compensation. At paragraph 2.6.3 of its consultation paper the authority acknowledged that the unity power factor requirement for UNI and USI off-take customers is “impractical”. At paragraph 7.7.3 (b) of its report the TPAG recommended changing this to align with the LNI and LSI power factor requirement. We concur.

Perhaps not surprisingly the one real point of contention in the submissions is the appropriate charging methodology for the HVDC link. Leaving aside the historic reasons for the present methodology, there seems to be wide acceptance among submitters that **if** the authority was now introducing a methodology for the first time, then it would be appropriate to treat the HVDC link in the same way as the AC network. We concur.

Further, there seems to be wide acceptance that **if** the authority resolves to move the HVDC cost to form part of the interconnection postage stamp recovery, then there should be a transition period. We concur; this will both smooth the impact of any wealth transfer and allow time for the anticipated countervailing energy market benefits to develop.

Following this logic, we submit that the authority only needs to decide:

- Are the inefficiencies listed in paragraph 22 of the TPAG report real and significant?
- If so, will a move to demand side postage stamp pricing for the HVDC link eliminate them, and will there be a significant net national benefit from such a move?
- If so, what is the appropriate period of transition?

If the authority cannot provide clear evidence that the answer is definitely “yes” on the first two points, then the status quo bias should operate to leave the present methodology in place.

Finally, several submitters emphasised the importance of a stable transmission pricing methodology as a condition for informed investment decisions. We concur. Whatever decisions the authority makes, we suggest that they should be entrenched for a least ten years.