Question No.	General comments in regards to the following questions:	Response
1	What are your views about the materiality of changes in circumstances since the current TPM came into force in 2008?	The recent investment by Transpower is significant but as this is now a sunk cost like the other assets it is not seen as a material change in circumstances triggering a need to review pricing mechanism.
2	What comments do you have on the process that the Authority has outlined for developing and approving a new TPM? Describe and explain any variations to the process that you consider desirable.	The process started long ago with industry working parties that achieved agreement on the majority of issues. It is unclear why this work and agreement prior to the EA involvement has been ignored. Consider the rational for deviating from industry agreed approach for the modest theoretical benefits is unproven.
3	Do you agree with the Authority's view that the arrangements under the TPM for recovering connection costs are generally efficient? Explain your answer.	Yes. Recovery of connection charges as proposed appears to be efficient. Provides Transpower with the required return, provides price stability and it is not avoidable and forces users to consider how much they value any new investment prior to the investment being made.
4	What comments do you have about the potential for inefficient outcomes to arise from incentives to shift connection costs into the interconnection charge?	Under the example given it would appear any investment at Hangitiki should be recovered by the connection charge. This seems to be what has been agreed. Suggest any new regime accommodates a sensible outcome such as this under guiding principles.
5	Do you agree that there is the potential for inefficient outcomes to arise from incentives for connected parties to hold out for connection asset replacement to occur as a grid upgrade rather than under an investment contract? Explain your answer.	Clearwater isn't affected by this. Transpower a capable of managing this process.

6	Do you consider that there are any other problems with the connection charging arrangements under the current TPM? Provide a detailed explanation of the nature and materiality of the problem.	Generally the current regime is good.
7	What comments do you have about the Authority's analysis of the private benefits deriving from the HDVC link?	As more generation is built in the NI the North – South flow on the HVDC link is increasing. This means the benefits of the HVDC is more and more going from just SI generators to the entire market. Do not have a problem moving the HVDC recovery from just SI generator to the entire market. Recovery via SPD will lead to price volatility, risk and uncertainty for generators which will inevitably lead to higher consumer prices.
8	What comments do you have about the consequences of the material differences between private benefits from the HVDC link and HVDC charges?	No comment
9	What comments do you have about the Authority's analysis of the costs of inefficient generation investment resulting from the HVDC charge?	Agree the current HVDC charging regime can lead to inefficient behaviour. Spreading HVDC costs across the entire market will remove these incentives.
10	What comments do you have about the Authority's analysis of the costs of inefficient operation of South Island generation resulting from the HVDC charge?	No comment
11	Do you consider that there are any other inefficiencies arising from the HVDC charging arrangements under the current TPM? Provide a detailed explanation of the nature and materiality of the inefficiencies.	No comment

12	What comments do you have about a) the differences (including their materiality) between private benefits from interconnection assets and interconnection charges; and b) the consequences of those material differences?	Do not consider any distortion significant. The assets which TP is seeking a return on already exist. The value of dynamic pricing signals to recover a return on a fixed asset is far less relevant than the signals that lead to the initial investment. Generators location and the effect of transmission constraints is currently taken into account in the dispatch model. Generators take these into account prior to any investment in new generation. New investment decisions seek to maximise revenue and minimise costs. They also seek to minimise risk. Price certainty going forward reduces risk of new investment. Dynamic pricing via SPD increases uncertainty and hence increases risk which will lead to less investment and high consumer pricing Do not see material consequences of any mismatch.
13	What comments do you have about the Authority's analysis of the problems with interconnection charges?	The industry has been built around the current pricing regime with relatively strong incentives to reduce RCPD charges through load control and to maximise embedded generation during peaks. Not enough value has been attributed to the positive effects of these price responses and the potentially negative effect of reduction of these incentives will have. Investment in embedded generation has been undertaken based on the current pricing regime. Massive changes as proposed add uncertainty to the industry, will lead to less investment and higher consumer prices.
14	Do you consider that there are any other problems with the interconnection charging arrangements under the current TPM? Provide a detailed explanation of the nature and materiality of the problem.	Generally consider the current interconnection charge is good. It provides strong incentives to manage peak demand which governs system capacity. It is transparent and generally well understood. It provides a real incentive to control load. The cost of the interconnection charge while not fixed is certainly predicable and systems have been developed to make it manageable. Trade-offs can be made between costs and service level.
15	What comments do you have about the Authority's view that a prudent discount policy may be necessary after taking into account the incentives provided by the price components of any revised TPM?	A prudent discount policy should be part of any pricing regime.

16	Do you agree there would be efficiency gains from each of the components of the proposal for the connection charge, as outlined in paragraph 5.4.9? Please provide an explanation for your answer.	Seems sensible.
17	Do you agree that the proposal will address the problem identified in chapter 4 in relation to the connection charge? Please give reasons for your views.	No comment
18	What comments do you have about the Authority's assessment and conclusions about a kvar charge to recover static reactive support costs?	Reactive support is an issue that if managed poorly can add huge cost to the industry. As it is close to the TPAG's recommendation proposal is acceptable. If there was a case for dynamic pricing for any of the TP charges I would have thought kvar charge was it
19	Do you support: a) introducing a kvar charge based on off-take transmission customers' average aggregate kvar draw from the grid in areas where investment in static reactive support is likely to be required, at times of RCPD, at the long run marginal costs of grid-connected static reactive support investments? b) setting a minimum power factor of 0.95 lagging in the Connection Code for all regions?	Generally yes

20	Do you consider that there are alternatives to a kvar charge for recovering the static reactive support costs that the Authority has not identified that are practicable, would deliver a net benefit and would recover static reactive support costs? Explain your proposal.	Some form of the SPD model that took reactive power into consideration could be developed but the magnitude of the recovery is unlikely to justify the development costs.
21	What comments do you have about the Authority's assessment and conclusion about charging options for dynamic reactive support?	No further comment
22	What is your position on the Authority's proposal to codify that LCE or residual LCE received by Transpower from the clearing manager is to be used to offset the components of Transpower's transmission charges that correspond to the origination of the rentals?	Seems reasonable

23	What is your view of the Authority's assessment and conclusions about using the SPD or vSPD model to establish a beneficiaries-pay charge for recovering some or all HVDC and interconnection costs?	Flawed. Recovering revenue from a fixed infrastructure asset via a dynamic pricing regime seems flawed. TP has a fixed annual revenue target. Any short fall from SPD will need to be recovered via the RCPD/RCPI. Not all parties face both costs hence there is likely to be huge volatility. To recover cost via this mechanism injects a lot of uncertainty for very little benefit. Add risk which will flow to the consumer in the form of higher prices All of Clearwaters current assets are less than 10 MW and hence will not be seen by SPD model. If another embedded generator connects to the same GXP, if the total is greater than 10 MW as we understand it we may be seen by SPD model. If this is true this doesn't seem right. Why should the actions a new generator effect the classification of an existing generator. As long as any new generators were aware of the consequences of a decision to build then they can make an informed decision if they want to be exposed to these charges. Sunk assets do not have this opportunity. If SPD price is adopted, and we hope it isn't, we would like to ensure existing embedded generators less than 10 MW and hence not seen by the SPD model individually will not face these charges. Without this protection the risks on new investment will increase, reducing investment and increasing costs to consumers. This can't be an efficient outcome.
24	Do you agree with the Authority's conclusion that the most efficient beneficiaries-pay charging option for applying to HVDC and interconnection costs is likely to be the SPD method? Please provide an explanation for your answer.	No. HVDC is a sunk cost. Needs a stable annual revenue stream from this asset to give everyone certainty. Do not want to SPD pricing for AC assets so similarly do not want to SPD pricing for HVDC. Whatever regime is adopted for AC assets the same regime should be applied to HVDC assets but not SPD.
25	Do you consider that there are beneficiaries-pay options that the Authority has not identified that are practicable, would deliver greater net benefits and would recover HVDC and interconnection costs? Explain your proposal.	The working party could not decide on HVDC recovery but could decide on interconnection recovery. Listen to the industry. If There is general acceptance that HVDC should be recovered across the entire market, recover interconnection and HVDC via RCPD charges. They send the right signals, are easy to understand, regions can be sized to produce the right result, the costs are manageable and a long term reduction ion peaks generally will be good for the industry in terms of future investment.

26	Do you agree with the proposal to apply the residual charge to: a) generators and direct-connect major users; b) distributors, except where they opt out from the charge; and c) retailers, were distributors elect to opt out from the charge?	Generally yes.
27	Do you agree with the proposal that distributors may opt out from the residual charge: a) to the extent that they do not benefit from offering interruptible load on the wholesale electricity market; and b) provided they consult with retailers that may be affected before they opt out?	No. Adds a much greater level of complexity. Retailers will choose to stay off some networks due to the risks, costs and complexity making customers on these networks effectively non contestable. Networks have invested in load control and currently are incentivised to us it. Networks are the logic users of load control and they see the entire load on the network, retailers don't. Gentailers have mixed incentives as some times it may be in there interest for demand to rise, boosting the spot price. Giving the power to retailers without a balancing power from networks is extremely dangerous. Embedded generators will find it very difficult to recover Avoided Cost of Transmission (ACOT) from a group of retailer. Of all the proposals this represents the biggest risk to systems and network security

28	Do you consider that the proposed RCPD/RCPI charge, designed to encourage efficient avoidance of peak regional use of the grid, with half of the residual revenue recovered from load and half from generators, would best complement a beneficiaries-pay charge that calculates charges every trading period using the SPD model? Explain your response.	No. This proposal is of major concern to Clearwater. The proposal to both reduce the quantum recovered by RCPD and then splitting this between RCPD and RCPI will effectively reduce any Avoided cost of Transmission (ACOT) to a third of its current level. Part 6 of the rules recognised the value of embedded generation. EA staffs have been heard to expressing the view that ACOT paid to embedded generators is a subsidy. It is Clearwaters view that embedded generator has real value and is not a subsidy and I do not think the EA has the mandate from either the industry, or the Government, given its renewable energy goals, to reduce the incentives for embedded generation which this proposed regime will obviously do. For Clearwaters 3 existing schemes ACOT accounts for approximately 10% of its annual revenue. This is very significant and given the drop in energy prices is needed both to provide a return for existing assets and justify new investment. Given the volatile SPD revenue then RCPD/RCPI will both be more volatile further reducing the certainty for new embedded generation projects. To recover 50% of RCPD charges from generators does not appear to have any purpose. Consumes set the peak and it is the generators job to satisfy this demand. Generators have always been encourages to generate during peak demand periods. To penalise generators for meeting demand during high demand periods makes little sense.

29	Do you agree that the RCPD/RCPI charge would best meet the principles for an alternative charging option of: a) minimising the distortion in use of the transmission grid resulting from the imposition of charges; and b) ensuring the costs of providing the transmission grid, as approved by the Commerce Commission, are fully recovered so future investment is not stifled by concerns by investors that they will not receive a return on their approved investment? Explain your response.	No. How can an RCPI charge possible reduce distortions in the use of the transmission system. If the existing system is flawed by recovering some costs via RCPI may reduce the effect of that flaw but it will introduce other flaws. RCPI does not have a positive impact in itself. The quantum of the recovery is not the issue here it is how to achieve this in the most positive way that offers the right incentives and provides as much price certainty for long term investments as possible. The combination SPD and RCPI does non of these things. Transpower is seeking a revenue target. SPD will provide extremely volatile revenues. RCPD has traditionally been used to provide any shortfall in revenue. If the existing means of calculation is used going forward it will provide revenue certainty but for the following year. The total in any given year appears to still be at risk using SPD. The combination of SPD and RCPD/RCPI adds to the risk and uncertainty which will lead to increased customer pricing. Will transmission pricing the focus needs to be on sending the correct investment decision providing incentives to minimise constraints delaying the need for further investment rather than focusing on short term dynamic price signal
30	Do you agree that the Authority's preferred option for the residual charge should be an RCPD/RCPI charge designed to encourage efficient avoidance of peak regional use of the grid? Explain your response.	No. RCPD charges have always been used to recover any outstanding revenue shortfall in a way that encourages the most beneficial behaviour. Encouraging customers not to create peaks seems to offer very positive pricing signals which will be at best diluted and at worst lost with reduction of the quantum and splitting between RCPD and RCPI. Continued to use RCPD in this way makes sense. The introduce of RCPI does not.

31	What are your views about amending the existing prudent discount policy to provide that it: a) applies to disconnection of load as a result of investment in generation where this would not be privately beneficial in the absence of transmission charges; and b) may apply for the expected life of the asset to which the prudent discount applies? Explain your response.	Makes sense
32	Do you agree with the assessment of the economic costs and benefits of the Authority's TPM proposal versus the counterfactual? Explain your answer.	Agree with the approach but would have thought the proposal should have been compared with the next best alternative, which probably is TPAG not the status quo. Given that this approach wasn't taken it is good sensitivity against TPAG was done. Do not think enough effort have been put into quantifying the risks associated with the proposed regime or the cost of implementing it The economic benefits of this proposal, even if you accept the analysis, are modest. With expected annual benefits $12m pa represents 1.5% of Transpower annual revenue of approx. $800m, and only $8m pa ahead of the much lower risk TPAG proposal. The risks are huge and unqualified. The risks of reduced investment in embedded generation, the risk of distributors abdicating responsibility for load control, The risk of huge price volatility, The risk of lack of market competition all leading to the risk significantly increased prices to the consumer
33	Do you agree with the assessment of the costs and benefits of the TPAG majority proposal against the counterfactual? Explain your answer.	Agree TPAG is a good alternative. This has been developed by the industry with the except of HVDC. The New Zealand Electricity market approach of working collaboratively to find solutions to problems should not be lost in favour of imposed solutions.

34	Do you agree that the Authority's TPM proposal meets the Authority's objective? Explain your answer.	No. A narrow view of efficiency has been taken. Long term assets should have long term stable pricing. If an objective is to introduce volatility and uncertainty from a generator and consumers perspective, this has been very successful. The relative efficiency of embedded generation over grid connected has been ignored, and probably not accepted. These proposals are very negative for embedded generation and yet no work appears to have been done in this area. It appears to be a philosophical position. Suggest more work is needed in this area.
35	What comments do you have about the Authority's evaluation of alternative market-based and market-like approaches for the recovery of transmission costs?	It is not accepted that SPD is market like price. What market would purchase access to long term infrastructure assets using a dynamic half hourly mechanism? Transpower isn't exposed to the likely revenue fluctuations but the generators and consumers certainly are. These proposals ignore what a market needs to make long term investments, stability and certainty. It is interesting to note that charging based on MWh is considered more efficient than charging on demand for a transmission asset. MWh charging provides no signals regarding desirable behaviour and would lead to increased demand peak, need for more investment and a risk of system failure.
36	What comments do you have about the Authority's acceptance of the TPAG's evaluation of alternative exacerbators pay approaches for the recovery of network reactive support costs?	Agree
37	Do you agree with the Authority's assessment and conclusions about alternative beneficiaries pay options for establishing transmission charges to recover HVDC and interconnection costs? Please give reasons for your views.	6.5.12 (a) There appears to be no point in providing strong incentives to participate in investment when the majority of revenue goes to pay for sunk asset. Flow tracing appears to offer the best alternative to recover HVDC cost compared to the status quo as it can provide inter year price certainty, a methodology to migrating charges as the use of the system changes but still provide investor with price stability. Limits could be placed on inter year variability to provide stability.

38	Do you consider that the draft guidelines provide the guidance necessary for Transpower to develop a TPM that reflects the Authority's preferred option? Explain your answer.	As discussed disagree with using SPD to calculate interconnection charges 7.6.1, 7.6.2 Disagree with RCPI 7.7.2, and 7.7.3 and the ability to opt out 7.7.4
39	Do you have any suggestions for amendments to the draft guidelines to ensure that they provide the guidance necessary for Transpower to develop a TPM that reflects the Authority's preferred option?	Would like to see long term price stability/certainty in the guidelines.
40	Do you agree with the Authority's proposed process that Transpower should follow in developing the TPM? Explain your answer.	The process seems to make sense. The need for more than one option to implement each clause could be seen as a waste of time. 8.2.7 c
41	Do you agree that the Authority does not need to require Transpower to propose how costs related to revenue not subject to regulatory review by the Authority or the Commerce Commission would be determined and allocated? Explain your answer.	Yes. Unregulated is unregulated
42	Do you have any suggestions for amendments to the Authority's proposed process that Transpower should follow in its development of the TPM?	YES. No SPD, no RCPI. Listen to the Industry

43	Do you have any comments about the Authority's proposal that Transpower should propose a timeframe to the Authority that would achieve the Authority's objective of having the amended TPM in place in time for the April 2015 pricing year?	no
44	Do you agree with the Authority's proposal to decide on the consultation period after the proposed TPM has been received from Transpower?	