



ADHB Facilities Management
Building 16, 1st Floor
Greenlane Clinical Centre
214 Green Lane West
Epsom
AUCKLAND 1005

1st March 2013

Submissions
Electricity Authority
P O Box 10041
Wellington

By email: submission@ea.govt.nz

Dear Sir / Madam

Consultation Paper - Transmission pricing methodology review - issues and proposal

Auckland District Health Board is a significant electricity user with an overall electricity bill in excess of \$6million per annum. We have a strong interest in managing our loads efficiently and cost effectively.

To this end we established in 2003 a long term network connection and services agreement with our local network operator which includes direct pass-through of transmission charges. The agreement applies to our Auckland City Hospital campus and has enabled ADHB to make savings by operating its on-site generators and managing its load at times of peak demand on the regional transmission network. This has not only benefitted ADHB but has also benefitted the wider market by reducing load on the network at peak times.

The current transmission pricing methodology allows and incentivises such a response from ADHB - our actions have been an efficient response to a market signal. Having reviewed the proposed new pricing methodology we are concerned that both the clarity and the strength of this price signal appear to be reduced.

At present ADHB can respond to regional peak demands that are likely to be the in the 12 highest for the year and expect to achieve significant savings on its transmission costs in the following year. This is because the charging methodology is weighted primarily to ADHB's load coincident with these regional peaks. We understand that the proposed new methodology will reduce the weighting given to these peaks and that the weighting may also change from month to month.

Such changes would reduce the likelihood that ADHB would respond in an efficient manner. Firstly it will be less worthwhile to respond to peaks in general as the potential savings would be significantly reduced. Secondly it will be more difficult to predict which peaks to respond to, as the weighting of any particular peak in the pricing methodology will only be known post-event based on factors not directly related to the magnitude of the peak.

The proposal also allows distributors to opt-out of passing through transmission charges. If our network operator elected to opt-out this would negate a material portion of the benefits ADHB currently derives from its network services and connection agreement. There is no guarantee that we would be able to make similar pass through arrangements with a retailer.

We also have a long term relationship with our distributor, but can change retailers every few years. This means any pass through arrangement with retailers may need to be re-negotiated every few years. This would add more transaction costs to ADHB.

We acknowledge that this is a complex issue and not one in which we are experts. Our comments are simply those of a consumer who is able to respond efficiently to the current pricing methodology and who has concerns that this may not continue under the proposed new regime.

Yours faithfully,

Ewen McQueen
Planning & Project Manager
ADHB Facilities Management

ewen.mcqueen@adhb.govt.nz

Ph 09 630 9943 ext 28590