



1 March 2013

Electricity Authority
Level 7, ASB Bank Tower
2 Hunter Street
Wellington

Via email: submissions@ea.govt.nz

Dear Electricity Authority

Transmission Pricing Methodology

Alinta Energy welcomes the opportunity to make a submission in response to the *Transmission Pricing Methodology: issues and proposal*, released by the Electricity Authority in October 2012.

Alinta Energy is an active investor in the energy retail, wholesale and generation markets with significant generation facilities in Australia and approximately 700,000 retail energy customers. Alinta Energy also owns and operates generation assets in New Zealand which form an embedded component of the New Zealand Steel facility at Glenbrook.

Alinta Energy appreciates that it has had limited involvement in the development of the review to date and hence the purpose of this submission is to outline Alinta Energy's initial high-level perspectives on the proposal.

Nevertheless, Alinta Energy is aware that transmission pricing in New Zealand has been beset by controversy and on that basis the current proposal is unlikely to reverse this trend. In Alinta Energy's view the proposal is particularly complex and creates significant uncertainty in how costs will be recovered from users of the transmission system.

Further, it is not clear how existing embedded generation will be treated or the benefits to the market or participants from changing existing arrangements for existing generation.

The proposal has the potential to allocate the costs of inefficient investment to parties who can not respond to any purported signal - the arrangements are complex and expose loads and generation to highly variable charges over which they have little control.

Existing nodal pricing and direct connection charges already provide a clear signal at the point an investment decision is made and it is not clear to Alinta Energy how the new arrangements are likely to improve on the status quo for load or generation.

For investments which are delivered via the transmission approvals process there seems little value, if any, in applying charges to sunk assets when these costs cannot be changed. Alternatively, the proposed model is likely to create uncertainty and volatility. Revenue and cost uncertainty is a key disincentive for new entry especially where costs cannot be hedged or effectively responded to.

For these reasons, the Electricity Authority's cost benefit analysis should be revisited and does not address a range of concerns arising from the proposal itself.

Alinta Energy acknowledges it is not an expert on New Zealand transmission arrangements and therefore notes that these initial perspectives need to be supported by a deeper analysis. Nonetheless, Alinta Energy remains interested in investment opportunities in New Zealand and it is certain the proposal adds further uncertainty to an already complex market. Thus from Alinta Energy's limited perspective there are a range of issues that require more immediate attention.

Alinta Energy appreciates the significant work undertaken by the Electricity Authority in relation to this issue and looks forward to further engagement moving forward.

Yours sincerely,



Jamie Lowe
Manager, Market Regulation