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Submissions
Electricity Authority
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By email to submissions@ea.govt.nz

Consultation Paper – Transmission Pricing Methodology: issues and proposal

1. This is a cross submission by Carter Holt Harvey Pulp & Paper Ltd on the Electricity Authority (EA) consultation paper "Transmission Pricing Methodology: issues and proposal" published 10th October 2012.

2. There only two areas on which we will comment as a result of reading some of the submissions.

3. **TPAG.** We note that there seems to be an attempt by some submitters to revisit the TPAG majority view of how to allocate HVDC charges in the future. This view as we understand it was never accepted or agreed by the wider industry and it is not now appropriate to attempt to revive it. Below is an extract from our submission in July 2011 on this issue which we consider is still quite relevant and explains in our view on this issue.

- *"We are not at all satisfied that there is a sufficient clearly identified opportunity for an efficiency gain to warrant analysis of alternative options for the allocation of HVDC.*
- *We are even less convinced that even if there were any efficiency gains to be had, that any net benefits would flow to the long term benefit of the consumer.*
- *We base these conclusions on a number of factors.*

  i) The work carried out by NZIER on behalf of MEUG provides a credible view that any efficiency gains suggested by the TPAG modelling work are based on questionable assumptions and analysis.

  ii) The wide range of efficiency gains ($11m to $96M NPV) suggested in the TPAG majority report indicates significant variability in the model output which in itself throws considerable doubt on the potential values suggested.

  iii) We read the comment on Page 5 of the discussion paper para 35 with dismay. "….it will provide efficiency gains with the least likelihood of dis-benefits to consumers". We believe that this provides a clear indication that the TPAG considers that efficiency benefits, if any are more likely to flow to the supply side of the electricity market than the consumer. "

4. **Embedded Generation.**

- We note that at least nine submitters made comments on embedded generation that generally reflected our concerns.

- Contact's arguments attempting to develop a link between embedded generation and whether zones are net exporting or importing assumes that embedded generation was established after the establishment of the investment in transmission and other generation. This is of course not necessarily the case at all. It does not follow at all that if an embedded generator is sited in a net exporting zone, that it rather than another generator would have been the cause of any increased load on the transmission system (if indeed there actually was any general overall increase rather than just within a zone).

- There can be no doubt that industrial plant embedded generation can only in general reduce transmission system load.

- We also note that in particular for industrial cogeneration embedded generation which is only in existence as a result of the industrial plant itself, there is no benefit " by virtue of offering to or purchasing from the wholesale market" . This is because as described more fully in our submission of 28 February, the generation and load of the plant are inextricably linked together and so must be seen as a net load.

Yours sincerely

Lyndon Haugh

Energy Manager

Carter Holt Harvey Pulp & Paper Ltd