

3 May 2013



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Carl Hansen  
Chief Executive  
Electricity Authority  
PO BOX 10041  
WELLINGTON

Sent by email to: [chief.executive@ea.govt.nz](mailto:chief.executive@ea.govt.nz)

Dear Carl

### **Transmission Pricing Methodology Conference**

1. Vector is writing to record its views about the Transmission Pricing Methodology (TPM) Conference the Authority has scheduled as the next step in the TPM review.
2. Vector is supportive of conferences and hearings when appropriate. However, for the reasons outlined in this letter, we question the efficacy of the proposed TPM conference.
3. We sympathise with the view expressed by Contact Energy that "Given the level of discontent with the current proposal, Contact sees no merit in an industry conference until a revised proposal with an appropriate set of options is put on the table."
4. The Authority has stated that the purpose of the Conference is "to advance its understanding of the key points of difference between submitters", but it is clear that there is near unanimous agreement amongst submitters (including consumers) on most matters, including that the October 2012 proposal should not be adopted. The area of contention continues to be whether the HVDC charge is inefficient and how the cost of the HVDC link should be allocated.
5. It is our view that the submissions and cross-submissions in response to the Authority's October 2012 proposal are comprehensive and contain extensive expert advice to enable the Authority: (i) to come to a view about the viability of its single option proposal; and (ii) if the Authority is to continue a review of the TPM conclude that it must consider a wider range of options, and in more detail, than it has so far.

6. We observe that consumers and industry participants are largely agreed on the reasons why the proposed TPM should not be adopted. It is therefore our view that the proposal is not sustainable and should not be pursued.
7. Notwithstanding our views above, should the conference proceed we:
  - a. **Support** our industry colleagues in requesting that the Electricity Authority release a summary of submissions/cross-submissions and a list of specific questions to individual submitters in advance of the conference. This information would enable submitters to determine the value of their attendance and how best to address the Authority's concerns and questions.
  - b. **Propose** that the Authority refocus the conference to place greater emphasis on what pricing methodology options should be considered and on how (and whether) the Authority should progress the TPM review.
8. If Vector attends it will not incur unnecessary cost by commissioning its consultants to participate without a clear understanding of the nature and extent of the Authority's intended engagement with them.
9. If you have any queries please do not hesitate to contact me.

Yours sincerely



Bruce Girdwood  
**Manager Regulatory Affairs**