

4 March 2014

Submissions
Electricity Authority
PO Box 10041
Wellington 6143

Dear Authority

Re: Use of LCE to offset transmission charges

Thank you for the opportunity to comment on the *Use of LCE to offset transmission charges working paper (working paper)*.

In our last submission on this topic we did not disagree with the allocation of LCE received by Transpower to offset transmission charges and suggested that further work be undertaken by the Electricity Authority.

We agree with the preferred approach of option 2 –classifying LCE by asset class and applying LCE originating from connection assets against charges for individual assets with the remaining LCE credited against the Transpower’s maximum allowable revenue in bulk.

Our rationale for supporting this is that it is a simple pragmatic way to manage the downstream effect of the very complicated “Simple SPD Beneficiary Pays methodology” much like the existing Postage Stamp Methodology.

The two key issues raised by the Authority of muting of nodal price signals and gaming risk are low risk issues when compared to allocating costs to generators based on beneficiary pays by trading period. A much higher risk to consumers is the resulting impact on the spot market energy price as marginal generators have to estimate the very complex SPD charge and incorporate this cost as an addition to the existing SRMC.

Yours sincerely



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