

21 June 2016



**Vector Limited**

101 Carlton Gore Road  
PO Box 99882, Newmarket  
Auckland 1149, New Zealand  
[www.vector.co.nz](http://www.vector.co.nz)

Corporate Telephone  
+64-9-978 7788

Corporate Facsimile  
+64-9-978 7799

Mr Carl Hansen  
Chief Executive  
Electricity Authority  
Level 7 ASB Bank Tower  
2 Hunter Street  
PO Box 10041  
Wellington 6011

By email: [Carl.Hansen@ea.govt.nz](mailto:Carl.Hansen@ea.govt.nz)

Dear Carl,

**Request for extension for transmission pricing methodology (TPM)  
submission**

1. On 17 May 2016 the Electricity Authority (the Authority) released its Transmission Pricing Methodology (TPM) Issues and Proposals – Second Issues Paper (the TPM Second Issues Paper). The TPM Second Issues Paper is 409 pages in length and, if implemented, will radically alter the manner in which Transpower sets transmission charges on an annual basis. This could occur from as early as 1 April 2019.
2. This consultation is a marked departure from other approaches the Authority has considered for redesigning the TPM and introduces a range of new principles that were not used in previous TPM consultations. Accordingly, for stakeholders to understand the impact of the complicated levers that are a feature of the new proposal they require a significant commitment of resources and time that is not available in the current consultation time. Stakeholders are not helped by the Authority's piecemeal release of supporting modelling documentation eight days after the consultation document.
3. We are concerned about the presumption that interested and affected parties will have adequate opportunity to sufficiently understand the 400+ page consultation and accompanying economic modelling to represent their view on the proposed changes. This concern is magnified by the novel concepts included in the proposed TPM, such as significantly increasing the scope of the prudential discount policy. The timing is even more contentious given many of the TPM concepts have not been socialised with industry, even confidentially, before being released. We would also like to have more detail on the modelling and assumptions used to ascertain beneficiaries for the area of benefit charge.

4. The timing of the TPM Second Issues Paper coincides with the Authority releasing its Distributed Generation Pricing Principles consultation – a consultation document that is also 100+ pages in length and is due on the same day as the TPM. Both consultations also coincide with the release of the Commerce Commission's (the Commission) Draft Decision for Input Methodologies, a once in seven year review, which sets the economic framework for businesses regulated under Part 4 of the *Commerce Act 1986* and is due two days after the Authority's current TPM deadline. The Commission's Draft Decision for Input Methodologies is also almost 800 pages in length. These multiple consultations will significantly stretch the limited resources and time that we have to respond meaningfully to each of these consultations.
5. The Authority estimates the proposed changes to the TPM will increase the annual contribution of Vector's Auckland and North Auckland customers by over \$78 million dollars per annum. Accordingly, Vector has a significant interest in being fully informed about the changes being proposed by the Authority and the reasons for change. The magnitude of this change for customers cannot be underestimated.
6. Therefore, Vector requests the opportunity to have an extension until 6 September 2016 to provide our response to the Authority's TPM Second Issues Paper. Any less time will not provide sufficient opportunity for Vector to address the issues raised in the paper. Given the Authority's TPM review is not under any legislative time constraint we recommend the Authority provide stakeholders an adequate opportunity to provide fully informed view to the TPM Second Issues Paper.

Yours sincerely

For and on behalf of Vector Limited



Andre Botha  
**Chief Networks Officer**