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Vector Limited
101 Carlton Gore Road
PO Box 99882, Newmarket
Auckland 1149,
New Zealand
www.vector.co.nz
Corporate Telephone
+64-9-978 7788
Corporate Facsimile
+64-9-978 7799

Electricity Authority
PO Box 10041
Wellington

Sent by email to: submissions@ea.govt.nz

2013/2014 Appropriations and work priorities

Introduction

1. Vector welcomes the opportunity to respond to the Electricity Authority's (Authority) consultation paper *2013/2014 Appropriations and Work Priorities, and EECA Work Programme*, dated 25 September 2012. No part of this submission is confidential and we are happy for it to be publicly released.
2. Vector's contact person for this submission is:
Ian Ferguson
Senior Regulatory Advisor
09 978 8277
ian.ferguson@vector.co.nz

Expenditure

3. Vector appreciates the proactive approach that is being taken to the 2013/2014 consultation round by publishing the consultation two months earlier than in previous years. The timeliness allows parties to properly provide useful and constructive feedback on the forthcoming work programme and allocation of expenditure.
4. Vector notes the statement made in paragraph 2.2.2 that "a detailed budget has not yet been prepared for the 2013/2014 year". This is cause for concern as it is unclear how robust levies can be set, and consultation can be properly undertaken, without an underlying detailed budget. Vector recommends the Authority clarify the basis of its levy proposals.

5. Vector supports the Authority's effort to build its internal capability and reduce reliance on consultants. However, it is unclear why this does not reduce operation costs to below the status quo. Intuitively, we would expect that a reduction in expenditure on external consultants would lead to overall cost savings, even after allowing for wage increases after inflation. Therefore it is not clear that there is justification for operation costs to remain unchanged.

Project priorities

6. The following are Vector's comments on the Authorities proposed prioritisation for 2013/2014:

Table A

7. Vector agrees with the prioritisation of the transmission pricing and retailer default projects and acknowledges the significant progress made in these work streams over the past year. However, the Authority ought to recognise the degree of additional work involved should any of the transmission pricing proposals be adopted. For instance, implementation of proposals is likely to require contractual and/or Code changes between retailers and Transpower, as well as changes to distributed generation rules, which will require significant time and resourcing to develop and implement in practice.
8. Vector disagrees with the placement of the "more standardisation" programme and the metering (Part 10) impact review in Table A. Vector supports a review of these programmes; however, we recommend that they are delayed by one year each to allow for the impacts of the programmes to become more apparent before the reviews are conducted.

Table B

9. Vector disagrees that the extended reserves project should be the top priority project of 2013/2014. Paragraph E23 states that the projects in Table B have a "compelling net public benefit". This has not been proven for the extended reserves project (at least based on the current consultation paper¹), and its placement at the top of the list cannot therefore be justified.

Table C

10. As illustrated in Vector's recent pre-consultation submission on Part 6, Vector considers the review of distributed generation pricing principles to be highly important, as currently it results in inefficient outcomes. Accordingly, it should be given greater prioritisation and listed in Table B – to be addressed in 2013/2014.

¹ Electricity Authority, *Efficient procurement of extended reserves: consultation paper*, 2 October 2012.

11. In relation to the third priority projects, Vector considers that the value of lost load (VoLL) project should be accorded higher priority. The VoLL number is critical to key decisions and there is value in completing the review earlier.
12. Any attempt to extend the Consumer Guarantees Act indemnity to Transpower now seems unnecessary given the recent Select Committee report on the Consumer Law Reform Bill. This item could be removed from the work programme.

Table D

13. Vector queries why the under-frequency management technical review is not given greater priority. Given the importance of the management of AUFLS, one would expect such a review to be undertaken earlier.

Table E

14. The first and third items in Table E require greater priority than currently assigned. The low fixed charge user regulations are causing inefficient and unintended outcomes for the sector, which need to be addressed to better meet the Authority's efficiency objective. Consumer lines issues affect consumers and should be resolved as soon as practicable.

Yours sincerely,

A handwritten signature in blue ink that reads "B. Girdwood".

Bruce Girdwood
Manager Regulatory Affairs