Entrust
Majority shareholder of Vector

Friday, 24 March 2017

Cross-submission to Electricity Authority TPM Second Issues Paper – supplementary consultation

Entrust does not support the Transmission Pricing Methodology (TPM) Guidelines prescribing the asset valuation method to be used to calculate area of benefit charges.

More importantly, Entrust supports a TPM that does not pander to the lobbying of well-resourced corporate interests. A TPM engineered to provide corporate welfare will come at the expense of consumers – including Entrust beneficiaries. This is especially concerning given Entrust's beneficiaries include many vulnerable electricity users and communities for whom their electricity bill is a significant proportion of their total income.

Poor process

It is concerning that the Electricity Authority (EA) has called for cross-submissions nine working days after submissions to the TPM supplementary consultation closed. This provides stakeholders with only ten working days to lodge a cross-submission without prior notice.

This is insufficient time to review the 200+ submission and expert reports submitted to the EA's supplementary consultation and also to review these submissions on the single technical issue the EA is requesting submissions on. This unreasonable time-frame places huge pressures on a small organisation such as Entrust. In the time available Entrust has not been able to engage with its consumer beneficiaries on the consequences of this highly technical issue.

We could not find strong concern across submissions on the matter the Authority is calling for submissions on. Rather, the only substantive submissions raising this issue are those from Meridian, Contact Energy and Pacific Aluminum (the majority shareholder of the aluminum smelter) all of whom are anticipating multi-million dollar gains.

Partisan interests

It is equally concerning that the EA has only called for cross submissions on a highly technical matter which will potentially negatively impact the organisations forecasting windfall gains from the TPM – Meridian, Contact Energy and Pacific Aluminum.

From our review of submissions there is no significant concern on asset valuation aside from these parties who are wishing to "lock in" an asset valuation approach to bank their windfall gains.

Our review of submissions found parties were more concerned about the EA being willing to create significant wealth transfers for miniscule or non-existent increases to community welfare. However, the EA has not decided to seek cross-submissions on this issue. We have concerns about the Authority's process being dictated by these parties.

Entrust also has concerns that Meridian's position on the TPM appears to be based on self-interest without any consistent application of principles. This is best exemplified by the following:

- Meridian supports adoption of area of benefit charges if this results in its transmission charges going down.

- Meridian does not support any proposed application of area of benefit charges which would result in it facing higher transmission charges than it otherwise would. This is why it wants lower depreciated asset values to be used for valuing "some" area of benefit assets.

- Meridian opposes the current treatment of HVDC on the basis that it is discriminatory, but favours a discriminatory approach between old and new interconnection assets.

The fact the biggest supporter of the Authority's TPM proposals is now threatening legal action if it does not get its own way ("the approach may be subject to legal challenge") undermines the Authority's position that the proposal would reduce disputes and improve the durability of the TPM.

For further information, contact:
Helen Keir, Chief Operating Officer, Entrust
Phone: 09 929 4567

Kind regards,

Karen Sherry
Chair Regulation and Strategy