



TRANSPOWER

Keeping the energy flowing

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Electricity Levy Regulations
Energy and Communications Branch
Ministry of Economic Development
PO Box 1473
Wellington

By email: electricity@med.govt.nz

To whom it may concern

Response to Discussion Paper on Levy Arrangements for the Electricity Industry

This is Transpower's response to the MED's discussion paper on levy arrangements for the electricity industry in the new governance regime.

Transpower is generally supportive of the proposals in the paper and the principles at paragraph 40 on which the proposals are based. However, Transpower does not agree with the proposals for allocating the costs of MED's supply and demand forecasts and applications for EIRA exemptions. Transpower supports option 1 (status quo) for the allocation of non-GUP related Commerce Commission costs.

Enclosed are Transpower's responses to the specific issues raised in the paper that are of interest to Transpower, in the format requested. We have also made some other observations about the transition from the Electricity Commission to Electricity Authority levy regimes.

Nothing in this response is confidential.

Yours faithfully

Chris Browne
Corporate Counsel

Enc. Comments on specific issues

Subject (paragraph reference)	Proposal	Do you agree with the proposal? Which option do you prefer? Any additional comments?
Definitions (42)	<p>New EA Levy: That the current participant class definitions are checked for consistency with current practice, the Electricity Industry Act and the Code, and amended as required.</p> <p>CC Levy: No changes proposed</p>	<p>Care needs to be taken to ensure that adopting definitions from the Electricity Industry Act does not have the effect of changing the cost allocations in significant ways.</p> <p>We note in particular that the Bill's definition of "retailer" excludes suppliers of electricity for resale, whereas the current levy regulations capture retailers who supply to other retailers.</p>
Allocations (43)	<p>New EA Levy: That the allocation of costs between individual participants within each class remains the same as in the existing regulations.</p> <p>CC Levy: No changes unless option 2 for Transpower regulation is preferred.</p>	Agree
Method of Collection, Adjustment and Reconciliation (44)	<p>New EA Levy: That the existing methods of collection, adjustment and reconciliation contained in the current EC levy regulations are retained in the new EA levy regulations.</p> <p>CC Levy: No changes apart from the proposed technical amendment (refer paragraphs 82-85)</p>	Agree
Existing Functions (48-49 and 72-74)	<p>New EA Levy: That the existing levy allocation remains the same for the set of functions currently performed by the EC which are to be performed by other agencies (including the EA, EECA and MED).</p> <p>The current allocations for these functions are well-</p>	<p>We agree, except in relation to the cost of the MED's supply and demand forecasts.</p> <p>The cost of supply and demand forecasts is proposed to be allocated as "transmission operations", which means solely to Transpower. That would appear to</p>

	founded and have been consulted on previously.	<p>be a legacy of the Electricity Commission's role in developing statements of opportunity, which in the Electricity Governance Rules are relevant, specifically, to grid planning decisions.</p> <p>In contrast, the purpose of the MED's supply and demand forecasts will be to assist electricity industry planning in general. This is evident from clause 126(3)(g) of the Bill, which anticipates that the forecasts will be relevant to all industry participants, not just Transpower.</p> <p>Given that it is intended that all industry participants will benefit from the supply and demand forecasts, all industry participants should be allocated the cost. This can be achieved by categorising this activity as an "other activity" in the new regulations.</p>
Fund to Promote Customer Switching (54-56)	New EA Levy: That retailers should be levied the full cost of the customer switching fund.	Agree
Establishment Costs (57-59)	New EA Levy: That the three participant classes of: generators, purchasers and distributors (which includes Transpower) be equally levied for the establishment of the EA (i.e. one third to each class).	Agree
Transpower Grid Upgrade Approval (60-70)	<p>CC Levy: It is proposed that Transpower continue to pay the cost of grid upgrade approvals.</p> <p>With regard to the CC's costs for other work related to Transpower under Part 4 of the Commerce Act, there are two options: Option 1: Status quo</p>	<p>We agree that the cost of grid upgrade approvals should be met by Transpower.</p> <p>We support option 1 for the other CC costs.</p>

	<p>Option 2: Allocating some (or all) of the CC's other Transpower related costs solely to Transpower.</p> <p>Views are sought on the relative merits of these two options.</p>	
<p>EIRA Exemptions (75-79)</p>	<p>EA Levy: That that the cost of assessing applications for exemptions to retained "EIRA" provisions is allocated to "other activities" and paid for by all industry participants.</p>	<p>We do not agree there needs to be any departure from the status quo for this cost. That is, the cost of each application should be met by the applicant, who will be the beneficiary if the application is approved.</p> <p>The new regulations could set a fixed application fee to be paid by the applicant in advance (as applies currently under the EIRA (Fees) Regulations) and then reconcile for the actual cost incurred at the end of the levy year. Alternatively, there could be no application fee and all the costs could be allocated to the relevant applicants through the reconciliation process.</p>
<p>Undertaking reviews on written request of the Minister (80-81)</p>	<p>EA Levy: That the costs of any requested review are allocated to the particular function/activity that the review relates to, and is therefore paid for by the relevant participants. Otherwise, if the review is of a more general nature, it is allocated to "other activities" and therefore paid for by all participants.</p>	<p>Agree</p>
<p>Other comments</p>		<p>As well as putting in place the levy structure for the Electricity Authority, the new levy regulations will need to do the following:</p> <ul style="list-style-type: none"> • Repeal the current levy regulations. The Electricity Industry Bill as drafted does not do this.

		<ul style="list-style-type: none">• Cancel payers' 2010/2011 debts to the Electricity Commission under the current levy regulations for the period after 1 October 2010. Those debts have already accrued (albeit they are paid in instalments) and unless cancelled will likely continue under section 17(1) of the Interpretation Act 1999 despite the repeal of the regulations. Any surviving debts under the regulations will be owed to the Electricity Authority under clause 131(1)(d) of the Electricity Industry Bill.• Provide for a reconciliation of payments under the current levy regulations as at 1 October 2010. This could be achieved by preserving regulations 11 to 13 of the current regulations for the purposes of a 1 October reconciliation on the basis of the Electricity Commission's closing accounts.
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