

Turangi/ Tongariro Community Board

Submission to the draft Decision for the 2010-15 Default price Quality path for Electrical Distribution.

This Ward of the Taupō District falls within the Lines Company Distribution network and mostly is supplied from the Tokaanu GXP.

Community Boards are mandated to consider issues, relevant to their ward, and how these issues affect their area for the Economic, Social, Health and Cultural wellbeing of the ward.

At a meeting of the Turangi/Tongariro Community Board held on 9 August, it was agreed that the Board make a submission on the Draft decision.

It is felt that the Commerce Commission has erred from its responsibilities, of protecting the general population from being overcharged by Monopolies, by proposing that the lines company would be allowed to increase its charges above the CPI.

1 Considering resetting the pricing 1.26:

Allowing for EDB's to request compensation for past investment:

In the case of the major Township, Turangi, the electrical system, as with the rest of the town was built with the view of a population of up to 10,000 and remains, in general, in good working order. The current population is approximately 4000 (the network is not under stress). This part of the network was prepared by the government of the time and no doubt gifted to the KCEPB. Many of the rural lines were originally built with Government subsidies and development levies also under the KCEPB regime.

There can be little argument for compensation of past investment in these assets.

2 Part 4 purpose 1.40

There is some public doubt as to the efficiency of the Lines Company operation, as a whole, with regard to OPEX and CAPEX. It is felt that the Commerce Commission must be certain that only OPEX and CAPEX related to the Lines Company Core Assets has been included in costings. Not funds invested in alternative sources of income such as private ventures, I refer in part to Clearwater Hydro and acquisition of an Electrical contracting firm.

It is also noted that "the lines company" appears to be operating without a filed constitution, according to the company's office records. It is also noted that many of the Directors are not resident within the lines company network area.

3 Transmission Lines and networks are 'inter-generational assets' and there must be certainty that the cost of these upgrades are not loaded directly on to a single generation, but spread over the life of the asset. (It is generally felt that they should be funded from borrowings and not directly from revenue).

4 Ref table C10 - Revenue weights of EDB's

It is noted that the Lines Company is peculiar in its charging with a small fixed charge and majority charge based on a calculated network demand with no variable charge.

Allowing this charging regime in isolation has created hardships for business's who are competing with others under other network billing systems. Any increase, as suggested, will compound this. The likely fallout could be that some larger users may drop off the network and the loss of revenue will have to be picked up by remaining network users compounding the hardship.

The Demand only charging is a separate issue that it is felt the commerce commission and indeed the Government should be investigating and rectifying.

Further to this the Turangi Tongariro Ward is a low income area with many residents on fixed incomes. It is also at altitude and thus has severely cold temperatures during the winter, when the lines Company calculate their Annual Charges. Most businesses are suffering lower profits under the effects of the global financial crisis (1 and 2). Now is not the time to be increasing line charges.

5 The Government, agencies, electricity retailers and heat pump retailers have, over the last decade, encouraged the population to install electrical heating, moving away from off peak heating and log fires, thus driving up peak demands and thus transpower and local EDB capacity requirements have had to be increased. This is a major driver in the cost of upgrades and should perhaps fall back on the agencies that have pushed this change of use.

Perhaps a remedy for this is to allow EDB's to charge a per Kwh levy onto electricity retailers using their network. There is competition between retailers and that may mean that some of the network cost would be carried by a competitive electricity supplier to gain market share. This would shift some of the cost from the consumer to the seller who currently get their product delivered at the purchasers cost.

Much of our rural land has had limitations imposed on land use because of Lake Taupō Protection measures. This has reduced the profitability of farming. An increase

in Electricity supply costs would be another blow to the economic viability of many private farms and Maori Incorporations, loss of profits, and increased cost may also have social and cultural implications to the rural communities of this District.

6 Ownership of the lines company by 2 trusts with the King Country Electric power Board owning 10% of the Company. Just 10 percent of Profits Generated within the Old King Country Electric power board Area from the Lines Company are returned to the KCEP trust, 90% to the Waitomo Electricity Trust. It is felt that there is a transfer of wealth from this area to The Northern consumers. Increases in charges will increase this transfer of wealth.

In Summary

Our lines charges are based on winter demand, the effect of increased prices may bring a reluctance, particularly for low income and elderly, to use their electrical heating during the coldest weather (indeed this trend is already becoming evident). The social and health issues that could result would be unacceptable with possible illness and deaths and also business closures and job losses.

It is also noted that 'The Lines Company' has not filed a constitution with the companies' office and it is concerning that the company is operating without a constitution. It is noted that all other networks with the exception of "Otagonet" have filed their constitutions'.

Considering the major impact the operation of Electricity supply, and the cost there of, has on our community perhaps 'the lines company' be restricted to the status quo until such time an acceptable constitution has been filed and then 'the lines company' should be restricted to increases of the CPI over the next 5 years.

It is felt there is a good possibility that the Health, Social, Cultural and Economic wellbeing of our community would be adversely affected by the proposed increases in lines charges as proposed in the Draft decision paper.

We ask you to consider the issues raised carefully before making your final decision.

Compiled by

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Elected member of The Turangi/Tongariro Community Board
On behalf of the Turgani/Tongariro Community Board