



COMMERCE COMMISSION

**Reset of 2010-15 Default Price-Quality Path for
Electricity Distribution Businesses**

Consultation Paper on Electricity Volume Projections

Purpose

1. The Commission's proposed approach for resetting prices for 2012-13 uses projections of electricity volume (referred to as 'throughput' in our draft decision paper) developed by the Electricity Authority (EA).¹ A number of submitters to the draft decision paper expressed concern that the forecasts of electricity volume were out-of-date. Some submitters mentioned demand forecasting work undertaken by Transpower New Zealand Limited (Transpower).
2. The purpose of this consultation paper is to:
 - present draft regional electricity volume forecasts prepared by Transpower and the Commission's proposal to use the final version of these forecasts to develop electricity volume projections for individual electricity distribution businesses (EDBs); and
 - ask interested parties for their views on the suitability of Transpower's regional electricity volume forecasts for informing the price reset.

Transpower's regional electricity volume forecasts

3. Our draft decision paper included a proposal to use the EA's regional electricity volume forecasts prepared for the 2009 Statement of Opportunities and match these regional forecasts to EDBs' distribution areas. Submissions on our draft decision suggested populating the EA's forecast model with more up-to-date information. We discussed this proposal with the EA, who advised that it currently has no plans to update its model or forecasts.
4. We are therefore interested in views about using Transpower's electricity forecasts to inform our decisions.

¹ Commerce Commission, *2010-15 Default Price Quality Path for Electricity Distribution, Draft Decisions Paper*, July 2011.

5. Transpower is currently consulting on its electricity volume and peak demand forecasts for 2011 to 2030, which in some aspects is similar to that used in the EA's 2009 modelling.² Transpower has provided us with its draft regional electricity volume forecasts, which are published alongside this paper. Transpower expects to publish its final forecasts by early October.
6. Transpower's forecasts are discussed in its May demand forecast paper. Among the information used in the forecasts are NZIER's real GDP forecasts (these are taken from December 2010) and NZ Statistics population forecasts.³
7. We propose using Transpower's regional volume forecasts as finally published and convert them to March year forecasts as per the attached spreadsheet. For some regions we observe that in the transition from actual (2010 calendar year) to forecast (2011 calendar year), electricity volumes change by up to 10%. Such changes are not unexpected. There is a range of drivers of electricity demand, some of which are more predictable (e.g. population or GDP growth) than others (e.g. weather), whereas the forecasts relate to the median expected volume.
8. We propose matching regional forecasts to EDBs' areas using weights calculated from historic GXP level electricity volumes from the EA's centralised dataset.⁴
9. Transpower also produces peak demand forecasts by GXP which it will make available on its website in early October. While the theoretical relationship between peak demand and volume could be used to develop electricity volume forecasts at a GXP level, the Commission considers the relationship is not sufficiently stable to provide reliable forecasts for electricity volumes at this disaggregated level. However, we are interested in views on whether the peak demand-volume relationship may be useful in developing volume projections.

Submissions

10. We invite submissions on the suitability of Transpower's regional electricity volume forecasts for informing the price reset. Any submissions on this matter should be received by the Commission no later than **5 pm Wednesday, 21 September 2011**. All submissions should be supported by documentation and evidence, where relevant.

² Transpower, *Draft demand forecast*, May 2011.

<http://www.gridnewzealand.co.nz/f4847,54542693/transpower-demand-forecast-May-2011.pdf>

³ See Appendix A5 in Transpower, *Draft demand forecast*, May 2011.

⁴ <http://www.ea.govt.nz/industry/modelling/cds/centralised-dataset-web-interface/electricity-demand-by-gxp/>

11. To foster an informed and transparent process, we intend to publish all submissions on our website. We therefore request that submitters provide electronic copies of their submissions and in an accessible form (i.e. the electronic copies are ‘unlocked’ and text can be easily transferred). If the submission contains confidential information or if the submitter wishes that the published version be ‘locked’, an additional document labelled ‘public version’ should be provided. Submissions should be sent to:

regulation.branch@comcom.govt.nz

or Matthew Lewer
Regulation Branch
Commerce Commission
P.O. Box 2351
Wellington

Confidentiality

12. We discourage requests for non-disclosure of submissions, in whole or in part, as it is desirable to test all information in a fully public way. We are unlikely to agree to any requests that submissions in their entirety remain confidential. However, we recognise that there will be cases where interested parties making submissions may wish to provide confidential information to the Commission.
13. If it is necessary to include such material in a submission the information should be clearly marked and preferably included in an appendix to the submission. Interested parties should provide the Commission with both confidential and public versions of their submissions. The responsibility for ensuring that confidential information is not included in a public version of a submission rests entirely with the party making the submission.
14. Parties can request that the Commission makes orders under s 100 in respect of information that should not be made public. Any request for a s 100 order must be made when the relevant information is supplied to the Commission and must identify the reasons why the relevant information should not be made public. We can provide further information on s 100 orders if requested by parties. A key benefit of such orders is to enable confidential information to be shared with specified parties on a restricted basis for the purpose of making submissions. Any s 100 order will apply for a limited time only as specified in the order. Once an order expires, the Commission will follow its usual process in response to any request for information under the Official Information Act 1982.