



21 September 2011

Regulation Branch
Commerce Commission
PO Box 2351
WELLINGTON

ATTENTION: Mathew Lewer

By email to: regulation.branch@comcom.govt.nz

Dear Mathew

Submission to the Commerce Commission on Reset of 2010 -15 Default Price-Quality Path For Electricity Distribution Businesses – Electricity Volume Projections

Our Submission

1. We appreciate the opportunity to comment on the Commission's most recent paper on this matter.
2. We support the submission by PricewaterhouseCoopers (PWC) on the 2010 -15 Default Price Quality Path Reset - Draft Decisions dated 21 September 2011 which is made on behalf of 19 EDB, of which we are a party. The views expressed in that submission are expressly incorporated in this our submission.
3. This submission includes analysis specific points applicable for NEL and proposes that the volume forecast methodology be amended to deliver a suitable low cost regulatory solution for NEL.
4. This submission set out our particular views on:
 - a. Transpower forecasts
 - b. Peak Demand by GXP
 - c. The Utilisation of the Transpower regional forecasts

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Transpower forecasts

- The forecasts prepared by Transpower are undertaken to ensure adequate capacity in the Grid and not for establishing electricity volumes.

For this reason we would not see them as generally fit for purpose. Embedded generation also needs to be taken into account when looking at the relationship between GXP volume and Network volumes.

Peak Demand by GXP

- We concur with the Commission's preliminary thoughts that the relationship between peak demand and volume is unstable. We therefore do not support the use of Transpower's peak demand forecast as a way of developing volume projections.
- The relationship between peak loads and energy volumes is very poor and distorted by the use of load control as well as the operation of distributed generation. For example, looking at the load factor for Marlborough Lines, there is a considerable amount of variation. In 1999 the sale of the Branch (notionally embedded) and Waihopai (embedded) power schemes altered the way load control was undertaken and caused an increase in load factor. More recently, the introduction of RCPD charges based on the highest 12 peaks for interconnection resulted in a decrease in load factor, i.e. an increase in peak load as load control was only utilised to control the Upper South Island (USI) load, not the loading at the Blenheim GXP.
- The table below looks at the volume, peak demand and load factors over an extended time frame and demonstrates the unstable relationship between volume and peak demand.

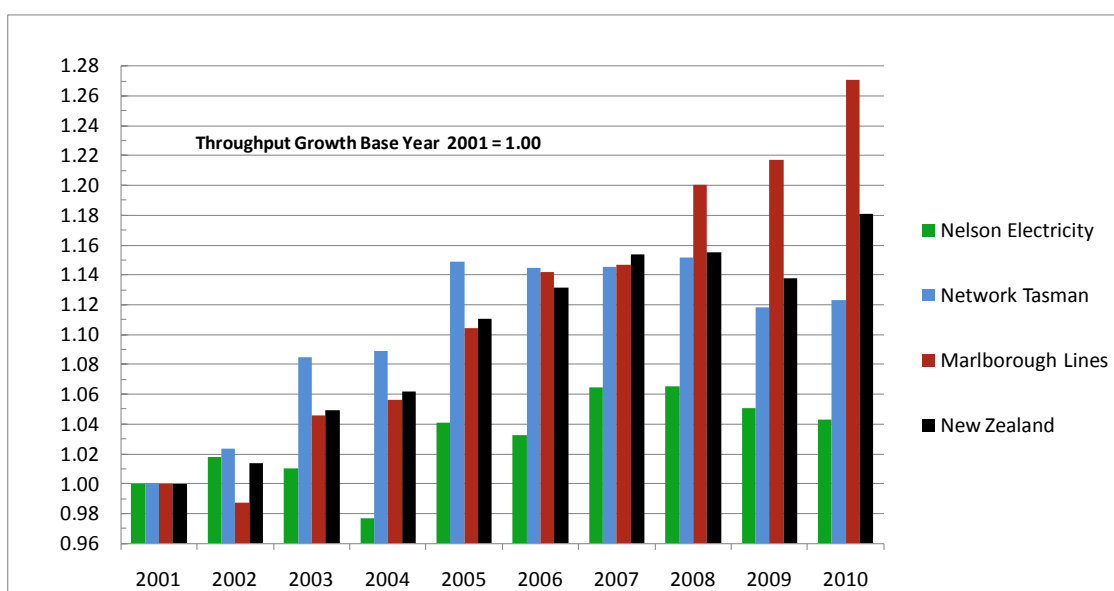
Table 1: Example of Variation in Load Factor

Year	Volume	Peak	Load Factor
1994	247.2	46,488	60.6%
1996	277.8	54,249	58.4%
1998	296.6	54,845	61.7%
2000	290.5	52,533	63.1%
2002	303.6	55,609	62.3%
2004	325.7	53,396	69.6%
2006	350.2	58,226	68.6%
2008	372.7	70,054	60.7%
2010	391.8	72,073	62.0%

The Utilisation of the Transpower regional forecasts

9. Nelson Electricity supports the view outlined in the PWC submission that historical EDB volume data be used for the throughput growth. If regional information is ultimately used we submit that Nelson Electricity be separated from the Nelson/Marlborough region to reflect the very different growth patterns observed within the region.
10. The throughput growth drivers for each region are very different. Graph 1, which was included in our previous submission, is further included here demonstrating the extremely different growth patterns within the region.

Graph 1: Throughput Growth New Zealand & Tasman /Marlborough Region



11. The utilisation of historical GXP information for the throughput weighting of the regional growth rates for EDB's is also not an appropriate method to measure Nelson Electricity's growth rate. The Stoke GXP STK0331 supplies the Nelson City and eastern Tasman district areas supplied by both Network Tasman and Nelson Electricity networks. Nelson Electricity derives its transmission services through Network Tasman and has three dedicated 33kV feeders connected to the Stoke GXP. The Nelson Electricity volumes are metered as a notional GXP HVN0331. This historical information is readily available and should be the primary source considered as appropriate to use to measure the Nelson Electricity growth.
12. Nelson Electricity supports the view outlined in the PWC submission that historical EDB volume data be used to inform projections of

General and Contact Details

13. Thank you for the opportunity to consider the revised proposal. We trust this submission provides some useful analysis and views that can be considered by the Commission.
14. We would be happy to answer any question you may have regarding the issues raised in this paper. Please direct any questions in the first instance to Phil Goodall, General Manger, Nelson Electricity.

The Contact details for this submission are:

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