

21 September 2011

Anthony Merritt  
Manager Electricity & Gas (Regulation Branch)  
Commerce Commission  
PO Box 2351  
Wellington

Dear Anthony

### **SUBMISSION ON ELECTRICITY VOLUME PROJECTIONS**

On 15 September 2011 the Commerce Commission released a consultation paper proposing that regional electricity volume forecasts from Transpower are used in Default Price Quality Path Reset process.

PowerNet Limited, Electricity Invercargill Limited and The Power Company Limited support the submissions by the Electricity Networks Association (ENA) and PricewaterhouseCoopers (PwC) made on behalf of 19 Electricity Distribution Businesses.

In addition to these submissions we wish to bring the Commissions attention to the following matters:

#### **Tiwai Point Aluminium Smelter**

In November 2008 the smelter operation was severely affected by the failure of a rectifier on site and this impacted on the Otago / Southland data for the 2008/09, 2009/10 and 2010/11 years. The failure has reduced Transpower GXP throughput data for the region in 2008/09 and 2009/10 and predominantly accounted for the 11.7% increase in 2010/11 which has been used in the Commissions models.

The removal of the Tiwai GXP from the data is necessary to provide any consistency in the outcome of the model. In addition other direct supply customers operate throughout New Zealand and it would be inappropriate to not remove these from the data.

#### **Embedded Generation and Peak Demand and Volume**

There are significant levels of embedded generation in the Otago / Southland area with hydro and wind farms operated by a number of generators who have incentives to maximise generation at peak times were possible. In addition these generators are governed by water and wind availability and generation may fluctuate significantly as a result.

We are of the view that the Commission should carefully consider the impact of embedded generation on any models the Commission uses.

Yours sincerely



Greg Buzzard  
Chief Financial Officer