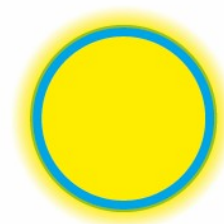


20 November 2009

David Healy
Chief Advisor
Network Performance Branch
Commerce Commission
PO Box 2351
Wellington



Dear David

Submission on Initial Reset of the Default Price-Quality Path for Electricity Distribution Businesses: Consultation Update Paper

1. Thank you for the opportunity to provide comments on the technical drafting of the Initial Reset Determination. Powerco has seen a copy of the Electricity Networks Association (ENA) submission and support its recommendations.
2. We would also like to specifically acknowledge the changes to the Draft Decisions Paper on:
 - updating quantities using a t-2 approach;
 - removing the separate reliability limits for non-contiguous networks; and
 - accepting the importance of including a revenue adjustment term.
3. There are however, three issues in the technical drafting that continue to concern us.

Definition of pass through cost

4. The Commission has added “to the satisfaction of the Commission” to this definition.

Pass-Through Costs means:

(a) the Transmission Charges, Rates, Electricity Commission Levies, and Commerce Act levies paid or payable by a Non-exempt EDB during an Assessment Period;

but does not include:

(b) any amounts described in paragraph (a) if the Non-exempt EDB demonstrates *to the satisfaction of the Commission* that those amounts were passed on transparently to its Consumers and/or electricity retailers.

5. We are unsure why the Commission feels this addition is necessary. A Non-exempt EDB will have to provide its auditor with evidence on amounts that have been omitted from Pass-Through Costs due to the transparent pass through to consumers/retailers. We do not understand how auditors will ensure that the level of evidence provided is to the satisfaction of the Commission. We agree with ENA's recommendation to remove this clause.

Price re-structure

6. Clause 8.5 describes the evidence a Non-exempt EDB must provide when it restructures its prices. We note that the move to the a t-2 approach potentially makes compliance with Clause 8.5 more difficult. We therefore recommend that the following provision is included in Clause 11.1(iii) to address this.

(b) Despite the other provisions of this clause, if because of lack of information, it is not practicable to comply with subclause (a), the Non-exempt EDB will be regarded as having complied with this clause by demonstrating compliance by use of an alternative approach that has the equivalent effect.

Multi Event Interruptions

7. The Update Paper has clarified that the quality limits and assessed values will be assessed on the basis that multi day events are to be attributed to the first day of the event. We recommend that it is clarified that where an event causes ongoing interruptions, these are also ascribed to the first day of the event, as follows:

Assessment Dataset means the set of daily SAIDI Values and SAIFI Values for an Assessment Period, with Interruptions that span multiple calendar days and all Interruptions attributable to the same event accrued to the day on which the Interruption began

Reference Dataset means the set of daily SAIDI Values and SAIFI Values for the Reference Period, with Interruptions that span multiple calendar days and all Interruptions attributable to the same event accrued to the day on which the Interruption began

Thank you for considering these comments.

Yours sincerely

[By email]

Paul Goodeve
Regulatory and Business Manager