



**Submission to the Commerce Commission  
on Recommendation to the Minister  
regarding the type of regulation to apply to  
Transpower**

From

**Contact Energy Limited**

19 February 2010

## **Introduction**

Contact Energy Limited (“Contact”) welcomes the opportunity to provide feedback to the Commerce Commission (“CC”) on Recommendation to the Minister regarding the type of regulation to apply to Transpower.

For any questions related to this submission, please contact:

### **Peter Macintyre**

Regulatory Affairs Manager

Contact Energy Limited

L 1 Harbour City Tower

29 Brandon Street

PO Box 10742

Wellington

Email: [peter.macintyre@contact-energy.co.nz](mailto:peter.macintyre@contact-energy.co.nz)

Phone: (04) 462 1399

Fax: (04) 499 4003

## **Comments**

Contact is mindful of the need for Transpower to maintain a secure, reliable electricity transmission grid that enables the efficient operation of the Electricity market. To this end Contact is supportive of the Commerce Commission's Draft Decisions. This is with regards to individual price-quality regulation being applied to Transpower and in this particular case, individual price-quality regulation which is likely to better promote the s 52A purpose statement than the default price-quality regulation.

With the Commerce Commission able to set long term performance incentives, including targeted incentive mechanisms on operating expenditure and/or parts of Transpower's capital expenditure any savings would be significant with the billion dollar Grid upgrade program that has already been approved by the Electricity Commission.

## **Input Methodologies section A22**

Contact acknowledges that the transmission pricing methodology is approved by the Electricity Commission, however, Contact believes that there are current issues with the cost allocation between HVAC and HVDC that need to be resolved as part of this process. For example in the 2010 – 11 pricing year within the Commerce Commission threshold Transpower made HVAC overhead cost savings (which is a small proportion of the HVAC costs) then used those savings under the threshold to increase the HVDC overheads (which is a significantly larger portion of the HVDC costs) resulting in increased HVDC charges to recover HVDC market reserve costs. To resolve this issue Contact believes that a greater level of transparency is required with respect to the price path determination around assets, by type (HVDC and HVAC).