

22 April 2005

Mr Paolo Ryan
Manager - Network Performance Group
Commerce Commission
PO Box 2351
WELLINGTON

Dear Paolo

Cross Submission on the Implementing Valuation Choice Draft Decisions and Discussion Paper

On 11 April, we presented our submission to the Commerce Commission Conference on Information Disclosure and Implementing Valuation Choice. During that submission, we were asked to provide a cross-submission on our views on whether a choice of valuation methodologies should be available to Distributors and Transpower.

Marlborough Lines is party to the PricewaterhouseCoopers (PWC) submission, and supports their cross-submission in this regard. That cross-submission supports removing the Indexed Historical Cost (IHC) option from the regulatory regime.

We do however have significant concerns regarding some of the assumptions and values in the current version of the ODV Handbook, and wish these to be addressed. In particular, we have concerns regarding the values and conditions attributed to valuing underground cables. If the Commission is not prepared to review and change the current requirement that effectively requires that cables laid on the same side of the street be optimised to a single trench, then Marlborough Lines would support retention of an IHC option, particularly for those companies with a significant portion of their network underground.

We are also concerned that the past performance of the Ministry of Economic Development in reviewing standard values in the ODV Handbook does not give us any comfort. Our support for retention of a single, ODV, valuation methodology is contingent on an undertaking from the Commerce Commission to carry out meaningful and regular (annual) revisions of the standard values incorporated in the ODV Handbook.

Marlborough Lines is also a member of the Electricity Networks Association (ENA), and supports their cross-submission regarding valuation choice. In particular, we commend to the Commission the suggestion in that ENA cross-submission that the Commission develop a

Guide to the Targeted Control Regime to include, among many other things, the approach the Commission intends to use to maintain the currency of the ODV Handbook.

Regarding Transpower, we support the PWC cross-submission. In particular, we believe it is important that, if an IHC method is adopted by Transpower, it would be important to ensure that the IHC valuation reflects the same principles underpinning the ODV valuation methodology.

We thank you for the opportunity to provide this cross submission, and apologise for failing to meet the Commission's deadline in this regard.

Yours sincerely

A handwritten signature in black ink, appearing to read 'DW', written in a cursive style.

David Waters
for Marlborough Lines