

REGULATION OF ELECTRICITY LINES BUSINESSES

ODV HANDBOOK CONFERENCE

Follow-up Submission

From

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To

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1.0 Introduction

The Administrative Arrangements and Procedures for the ODV Conference issued on 6 April 2004, provided the opportunity for cross-submissions on the Conference to be provided by interested parties. The Chair also noted this opportunity on occasions during the Conference.

This submission addressing three issues is made in response to that invitation.

The issues to be addressed are;

- The period allocated to carry out the valuations
- The life of concrete poles
- Regional differences in construction costs

2.0 Valuation Update Period (Day 2 transcript p 336-28)

2.1 Overview of Comment

Prior to 1 April 2004, the Electricity (Information Disclosure) Regulations 1999 and subsequent amendments, required valuations based on the ODV methodology to be disclosed within 5 months after the end of each financial year. Reg 16A(1) and Reg 20(1).

On 31 March 2004 the Commission issued Commerce Act (Electricity Information Disclosure Requirements) Notice 2004 as NZ Gazette No 38 effective as at 1 April 2004.

This latter notice also requires the disclosure of the valuation report, and with a valuation date no more than 3 years before the beginning of the relevant financial year.

Reg 19(9)(a), & (b) state the time permitted to make the disclosure as;

(a) 5 months after the end of the relevant financial year, or

(b) 4 months after the date the new ODV Handbook is issued.

It is our submission that the period allowed for the preparation of the valuation report and making the disclosure is insufficient to adequately fulfil the demands imposed by the new Regulations.

2.2 Historical Position

Prior to the Recalibration of valuations undertaken as at 1 April 2001, ODV valuations were made of various Electricity Line Businesses about every 3 years, but with approximately one third of the valuations being undertaken in any one year. At that stage, the time to complete the valuations for disclosure was 5 months after the end of the relevant financial year.

The Recalibration at 1 April 2001, created extreme pressure on financial and engineering resources, since it required the preparation of all the valuations in the same year, rather than spread over a three-year cycle.

2.3 Current Situation

With the issue of a revised Handbook due to be released in May 2004 and to be applied to all disclosed valuation as at 1 April 2004, all valuers, financial and engineering advisors are being placed in a position similar, but worse, than that which occurred in 2001.

It is worse, since the time to complete the disclosure is being reduced to 4 months, and there are additional demands to be met in regards to the amount of information to support valuation decisions and compile the valuation report.

There are a limited number of personnel in New Zealand with the experience and background available to undertake these tasks, and if the quality is to be maintained of the information to be provided by the Regulations, then my opinion is the time period for preparation needs to be restored to a minimum of 5 months.

2.4 Future Situation

In order to minimise the excess overload situation on the personnel resources every 3 years, I recommend that action be taken to break the current cycle whereby all ELBs need to carry out their valuations in the same year. It is my opinion that this would not be detrimental to the aims of the Commission, since the other measures put in place for compliance with Regulations will permit appropriate monitoring to occur. Any apparent benefits from performing all ODVs at the same date are now less relevant.

3.0 Life Extension of Concrete Poles (Day 2 transcript p 237-11)

3.1 Background

In 1999 Powerco Ltd commissioned Opus International Consultants Ltd for a study of concrete poles in their Taranaki, Egmont, Wanganui and Wairarapa Regions. The study was for a Condition Assessment and Remaining life Estimate for Concrete Power Poles in the four Regions stated above.

The studies (four in all, one for each region) each comprised three parts, being;

- The selection of a statistically representative sample of poles by both age and geographic distribution.
- Inspection and assignment of a condition rating to each pole.
- Detailed evaluation of a smaller sample of poles within different decades of pole construction to determine the effects of chloride contamination, atmospheric CO₂ (carbonation), “concrete quality” and reinforcing cover.

Out of 91,000 concrete poles, over 1,000 were inspected and 51 subject to the detailed examination.

The life of a concrete pole is largely governed by the extent of salt contamination, as this leads to corrosion of the steel reinforcing. Hence the proximity to the coast and the prevailing winds are a significant (but not the sole) factor in assessing the life a concrete pole.

The study found that where poles were more than 5km inland from the west coast and 0.5km inland from the east coast, the estimated service life of prestressed concrete poles was 80-100 years. Reinforced concrete poles were estimated to have a life of 55-80 years. These distances from the coast were selected to coincide with the Exposure Classifications adopted in AS/NZS4676:2000 Structural Design Requirements for Utility Services Poles.

As noted in my submission dated 14 November 2003, full details of the study were made available to the Ministry of Economic Development in May 2000.

3.2 Proposal

It is my submission that the case exists for an increase in the total life of concrete poles located inland from the coastal band (as defined by the above Standard) to not less than 70 years.

4.0 Regional Differences in Construction Costs

There were a number of submissions made which indicated that construction costs among the various ELBs varied, and so any attempt to establish a ‘standard cost’ is going to be a compromise, with few ELBs being comfortable with the outcome.

This variation in costs from region to region throughout New Zealand is very real and is clearly illustrated by reference to many publications on construction cost statistics available.

One of the better-known references is ‘Rawlinsons’ which is widely used as a guide to construction pricing in New Zealand. This clearly demonstrates the differences by region of various construction costs across the country. The following shows the indices given in their ‘2000’ issue for total project costs. Auckland is taken as the base at 100.

Auckland	100	Nelson	100.7
Hamilton	100	Westport	106.6
Tauranga	98	Christchurch	97.8
New Plymouth	93.5	Timaru	99.8
Wanganui	93.5	Dunedin	98.0
Hastings	95.4	Queenstown	106.8
Palmerston North	96.4	Alexandra	105.8
Masterton	93.5	Tekapo	102.7
Wellington	98.4	Invercargill	96.0

5.0 Summary of Recommendations

- 5.1 A minimum 5 month review period for ODV valuations be reinstated.
- 5.2 The present 3 year cycle of all ELBs being valued in the same year be broken.
- 5.3 Concrete poles inland for the ‘coastal’ regions have their life extended up to 70 years.
- 5.4 Allowance for regional variations in construction costs be permitted.