

ADM 8/19/1

5 February 2004

The Manager
Network Performance Group
Commerce Commission
P O Box 2351
WELLINGTON

Dear Sir

AURORA SUBMISSION ON DRAFT HANDBOOK FOR OPTIMISED DEPRIVAL VALUATION OF SYSTEM FIXED ASSETS

This submission is provided on behalf of Aurora Energy Ltd.

We are pleased to enclose our submission on the Draft ODV Handbook and note that some improvements have already been made as a result of the earlier submission round.

Rather than restating the case for the many and more extensive changes that were detailed by many of the submitters at the time of submissions on the "Development of an ODV Handbook for System Fixed Assets", we have confined our comments to a few clauses where either we believe that urgent clarification is needed or inconsistencies arise that need to be addressed.

The detail of the submission is attached as Appendix A.

We trust that these comments are helpful and look forward to receiving the final ODV Handbook which has been amended to reflect our concerns.

Yours faithfully

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Encl

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Appendix

AURORA COMMENTS ON THE DRAFT ODV HANDBOOK DATED 3 FEBRUARY 2004

A9 Age of Overhead Lines

The Draft ODV Handbook proposes that the age of a line shall be the average age of the poles supporting a line and the Maximum Life shall be the weighted average of the maximum lives of wood and concrete poles on the line. In previous valuations, line ages were commonly based on the installation date of the conductor. The Draft Handbook methodology requires that the age and type of all poles be known in order to determine average age and maximum life of each section of line. This process will be more complicated to implement and more difficult to audit than the alternative of valuing the support structures and conductor separately.

Aurora proposes that the Handbook allow lines businesses to use a weighted valuation of conductor and poles (as approved by the auditor) or alternatively that the Handbook should prescribe the separate rates - such that the cost per km would be the same as the Draft Handbook rates for overhead lines. This would be done by determining the average number of poles per km separately in rural and urban areas. Insulators and cross arms would be assumed to be part of the pole. The RC values for under-built lines would remain as per the Draft Handbook.

Separate valuation of conductor and poles will give the most realistic value as it is not uncommon for lines with old conductor to have had many pole replacements over its life, and for lines with some replaced poles to have been re-conducted to increase capacity.

Aurora further proposes that a conductor TL of 60 years be used to match the life of concrete pole lines.

Table A1

Maximum Life of Zone Substation Buildings

Aurora considers that the maximum life of a Zone Substation building should at least match the maximum life of the most durable zone substation equipment to be housed within it. Modern sealed switchgear has a max life of 55yrs and power transformers can be extended to 60 years. Accordingly zone substation buildings to house such equipment would be designed for and should be allowed a life of 60yrs.

Zone Substation Switchgear

The Draft Handbook gives standard values for 33kV switchgear which Aurora considers to be too low. In Table A6 Transpower is allowed \$86,777 for an indoor 33kV circuit breaker whereas the Table A1 value is only \$40,000.

It would be appropriate to establish standard costs for 11kV feeder circuit breakers including associated protection.

Zone Substation Structures

There should be a separate maximum life for steel structures or it should be permissible to use a life of 60 years as set down for concrete pole structures.

LV Lines

Many line owners will not be able to economically identify the size of old LV circuits, as acknowledged in Section 31 of the PB report. Accordingly, for many lines owners the heavy/medium split can only apply to new assets where sizes are known. Additionally, the heavy/medium split conductor size criteria does not specify whether it relates to aluminium or copper conductor.

The LV cable heavy/medium split at 240mm^2 is too large a cross-sectional area. It is very unusual for LV cables with a larger cross-sectional area than 240 mm^2 Al to be installed. A more realistic split would be for underground heavy cables to be classified as those cables with a cross-sectional area $\geq 185\text{mm}^2$ Al.