

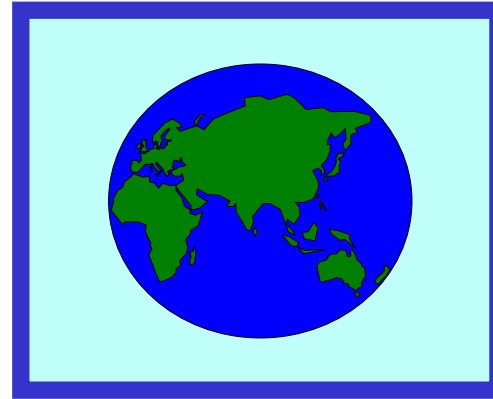
**A submission by
Enermet Ltd
to the
Commerce Commission**

**Review of Asset Valuation
Methodologies Conference**



**David Waugh
General Manager
Enermet Ltd**

The Enermet Group of Companies

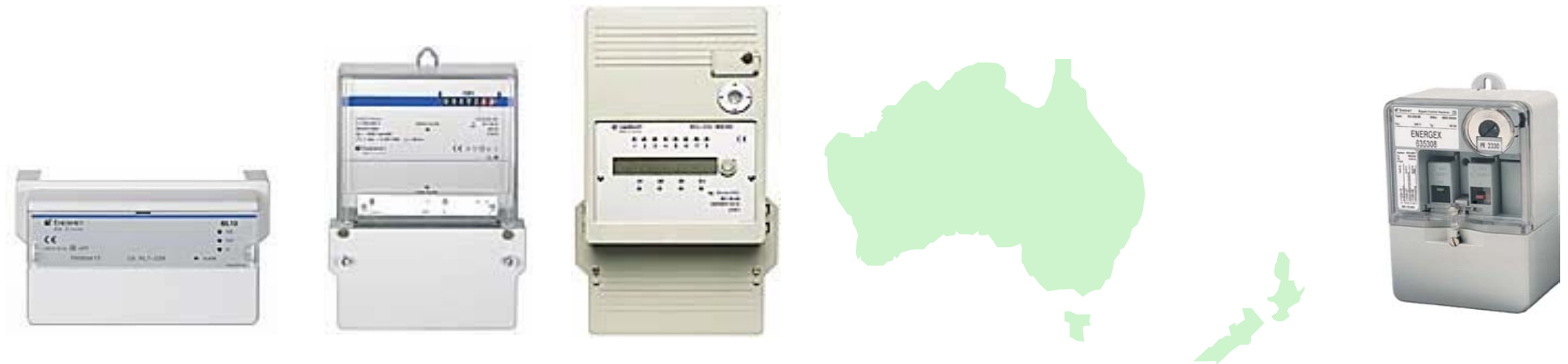


And Enermet in New Zealand



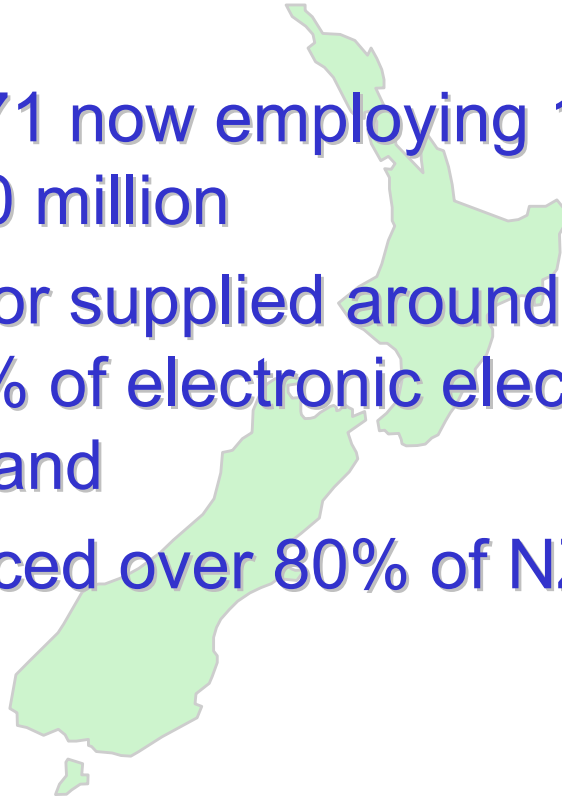
The Enermet International Group

- Core activity is producing metering and ripple control solutions
- Headquarters in Finland with activities in Scandinavia, Central Europe and Australasia
- Marriage in 1995 between Enermet meters and Zellweger ripple control from Switzerland
- 550 Employees in 10 countries with agencies in most other countries world-wide

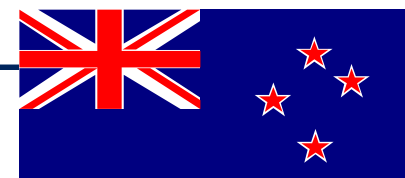
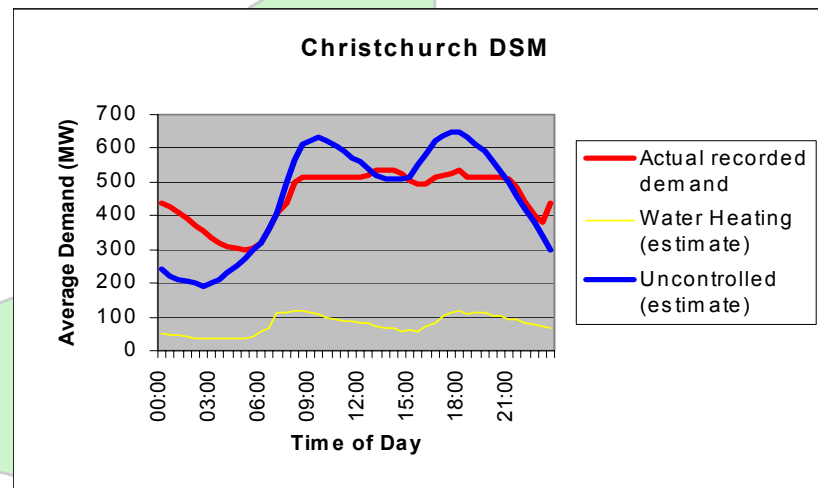


Enermet Ltd in New Zealand

- Local company since 1971 now employing 15 staff and an annual turnover of NZ\$10 million
- Have manufactured and/or supplied around 75% of ripple control receivers and 50% of electronic electricity meters that are installed in New Zealand
- Commissioned and serviced over 80% of NZ's ripple control systems

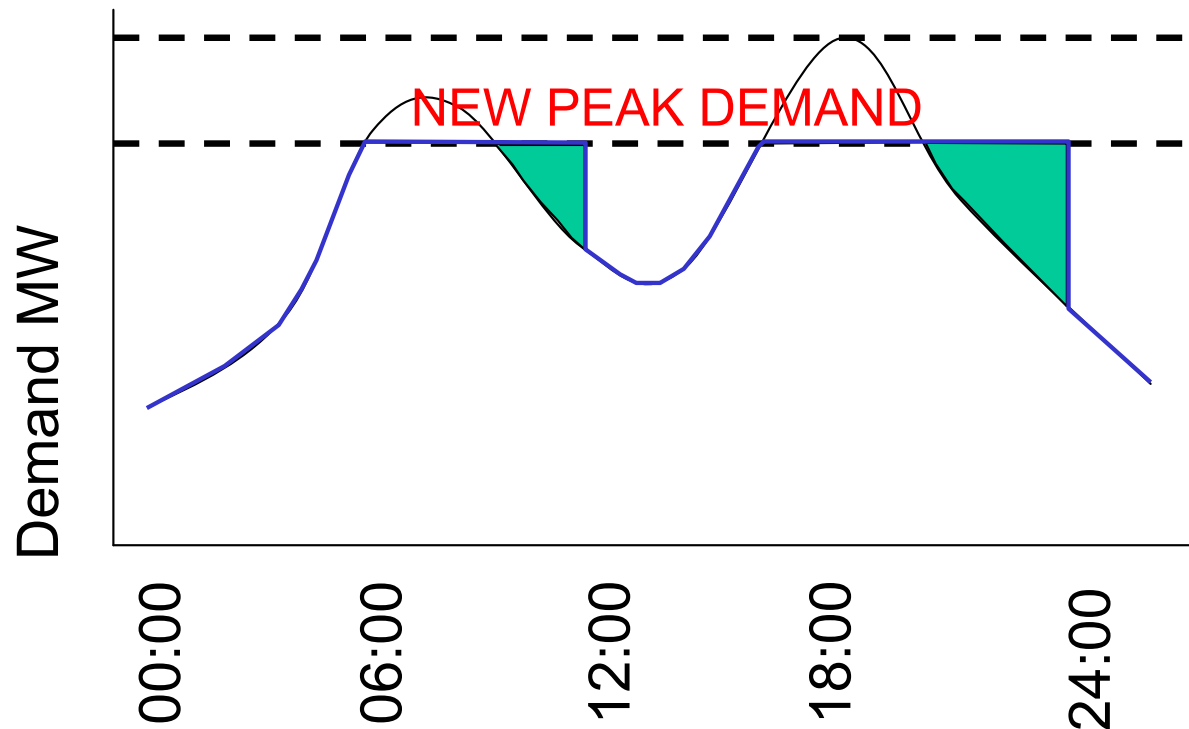


Load control in New Zealand



Peak Lopping

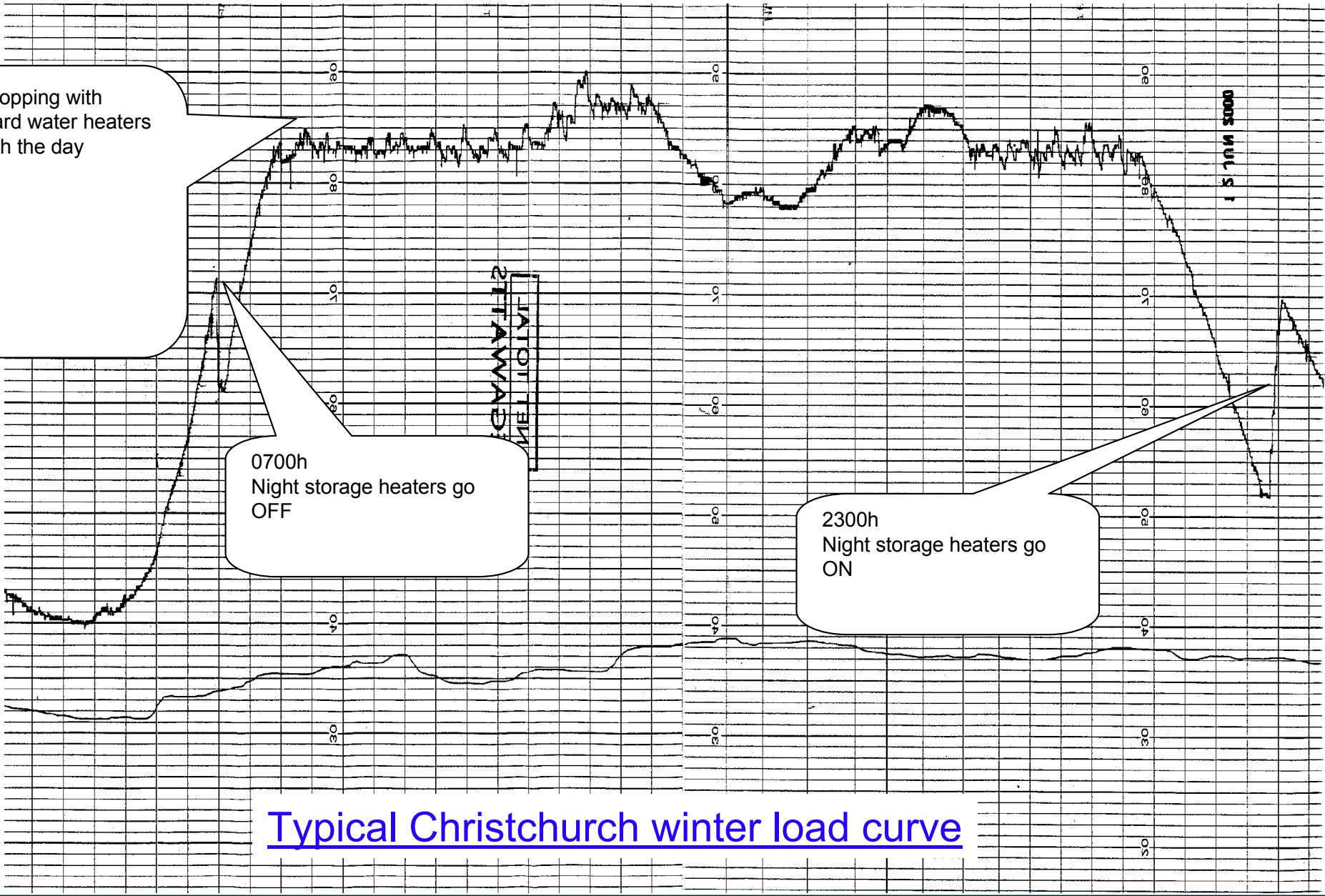
- Shift load into day valleys
- Use standard water heaters



Peak lopping with standard water heaters through the day

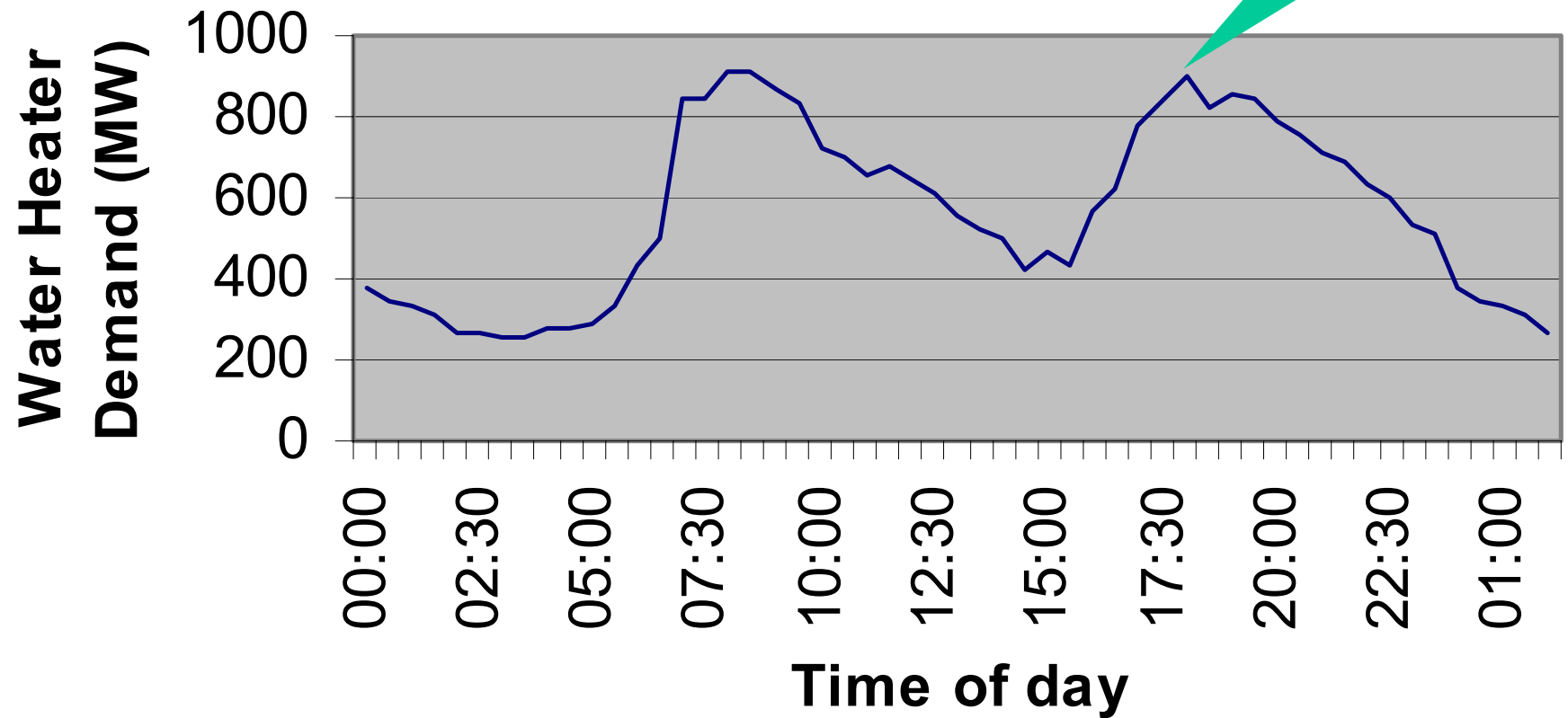
0700h
Night storage heaters go OFF

2300h
Night storage heaters go ON



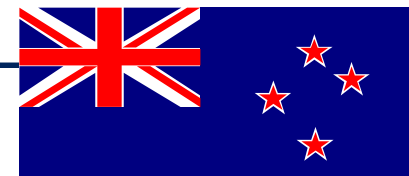
Typical Christchurch winter load curve

NZ total winter WH demand



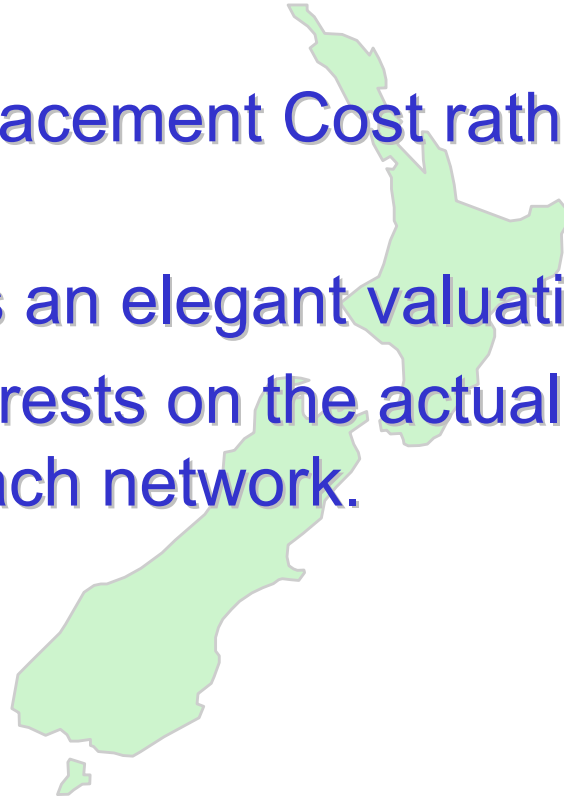
New Zealand Statistics

- Of the 1.7 million dwellings in NZ, 1.5 million have controlled water heating.
- Total controlled water heating load at peak time is 800 MW.
- Calculated national benefit of ripple control is \$149,000,000 per year.
- Gross NZ network asset value would have to increase by some \$1,200,000,000 to support the additional Maximum Demand if ripple control was not used.



Valuation Methodology

- Enermet supports a Replacement Cost rather than Historic Cost method.
- Enermet believes ODV is an elegant valuation method.
- Current ODV calculation rests on the actual and projected Maximum Demand for each network.



The Problem

- The ODV handbook assumes that Maximum Demand is uncontrollable.
- Nowhere in the ODV handbook is Maximum Demand defined.
- The reality in NZ is that network companies have excellent control over Maximum Demand.
- By increasing Maximum Demand network companies can justify an inflated capital works program and increase their gross revenue.

The Solution

- The ODV handbook should include a definition of Maximum Demand that requires the application of best industry practice for control of water heating and other controllable demand.



Time End

