

Mr Peter Alsop  
Review of Valuation Methodologies  
Commerce Commission  
PO Box 2351  
Level 10, 44-52 The Terrace  
WELLINGTON

**Attention:- Mr Peter Alsop**

Dear Mr Alsop

**Re:- Review of Valuation Methodologies – Supplementary Submission**

Further to Enermet Ltd's written submission of 4<sup>th</sup> November, verbal submission of 27<sup>th</sup> November and Hawkes Bay Networks' comments on ripple control systems by way of right of reply immediately following Enermet's verbal submission on 27<sup>th</sup> November, Enermet would like to add the following.

1. Maximum Demand on any network system needs to be clearly defined in the ODV Handbook.
2. The Maximum Demand claimed by any network company requires the application of **Best Industry Practice** in the maintenance and use of any Demand Side Management facilities located on that network.
3. **Best Industry Practice** can be audited by statistical field survey of load control receivers, and direct measurement of the operability of any Demand Side Management facilities located on that network.

Note:- The Registry is now populated with ISP data, including the availability, or otherwise, of a controlled load application at that ISP. This provides a reference point for determining the amount of demand that should be able to be controlled by the Network Company.

4. Enermet Ltd would be happy to work with Commission officials to develop a workable interpretation of **Best Industry Practice**. In reality, this should not be difficult, since it has been the traditional practice of energy supply companies prior to deregulation to continuously monitor the performance of their load control systems for the purpose of prioritising maintenance and replacement projects.
5. Once the optimised Maximum Demand has been established, there will be a real incentive for the network company to encourage those retailers using the network to maintain their load management assets. The encouragement incentive would typically be by way of a reduced network tariff for all ISP's with operating controlled load. This should only be offered for the percentage of ISP's that have working load control receivers, as identified statistically by survey.
6. In his "right of reply" to Enermet's verbal submission, Mr Sutherland from Hawkes Bay Networks stated that he sees the provision of ripple control systems as contestable services, not monopoly services. He went on to say that he does not see it as a necessity to include (ripple control) costs in an ODV Handbook.
7. With respect to Mr Sutherland we disagree with this statement. The provision of a ripple control transmitter as an integral part of network assets at a GXP is just as much a monopoly supply as the provision of, for example, the transformer. The transmitter typically costs several hundred thousand dollars, so duplication of ownership by an alternative supplier would not be economically viable. It is clearly a monopoly asset which should be included in the ODV Handbook.

Thank you for the opportunity to provide these supplementary comments.

Yours sincerely

David Waugh  
General Manager  
**Enermet Ltd**