

Transpower Post-Breach Inquiry
Network Performance Group
Networks Branch
Commerce Commission
By email to electricity@comcom.govt.nz

Submission on Intention to Control Transpower

Pacific Steel Group (of Fletcher Steel Limited a Subsidiary of Fletcher Building) has an interest in transmission because our transmission costs are currently approximately \$2.3 million per annum. The recently announced transmission price rises to us of approximately \$2.8 million effective 1 April 2006 came as a surprise. Although we were generally aware that Transpower were proposing a significant grid investment programme, we had anticipated:

- transmission charges would comply with the CPI-1% threshold; and
- that only approved investments would form part of any new pricing structure.

We were never briefed by Transpower in advance of it announcing transmission price increases effective 1 April 2006.

We rely on the regulators to ensure efficient and least cost solutions (covering transmission options and transmission alternatives) are approved because end users' ultimately pay. The Commerce Commission's discussion paper on the Intention to Control Transpower is therefore welcome as it has assisted to focus attention on whether current transmission price levels, the 1 April 2006 increases and forecast future price increases signalled by Transpower are justified. The report also brings to our attention the need for regulators to be vigilant and for the regulatory regime itself to adapt as experience is gained.

Pacific Steel Group (of Fletcher Steel Limited a Subsidiary of Fletcher Building) support the more detailed submission being made by MEUG on the Commission discussion paper. In particular we agree that on the evidence in the Commission report Transpower has breached its thresholds and control is desirable in advance of Transpower's response to the Commission.

We also support a review of the regulatory framework as applied to Transpower in due course.

Yours sincerely

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