

15 December 2017.

Submission to the Commerce Commission

RE: Powerco's proposal to change its price and quality standards – draft decision 16 November 2017.

Thank you for the opportunity to comment on the Commission's draft decision on the Powerco CPP application.

We submit as owners of a holiday property on the Coromandel Peninsula and refer you to our submission dated 21 September 2017 on the Commission's paper dated 18 August 2017. We reiterate the comments we made at that time and contend these points have not been addressed in the draft decision. A copy is attached.

The Commission is to be commended on the thoroughness of evaluating the proposal for remedial work put forward by PowerCo. There now seems little doubt many of the network assets are in a run-down state and need urgent attention. What has not been addressed by the Commission is why this is the case and how this has reflected financially for PowerCo. Have PowerCo shareholders been advantaged financially through insufficient maintenance in past years? Did PowerCo purchase run-down assets at a reduced price and now need catch-up maintenance?

The fact network assets are in the condition described is surely an indictment on the Board and management of the day. Questions also arise as to the regulatory regime that has not previously identified the problems PowerCo themselves now seek additional funding to rectify.

These points lead back to our previous question as to why consumers should shoulder these increased costs? Corrective work is obviously required and this cost should be borne by the shareholders not by consumers.

We do not support the Commission's decision to allow increased revenue for PowerCo. Rather the quality monitoring regime should require the remedial work identified to be undertaken urgently at the cost of PowerCo shareholders.



Director

Kamanda Developments Limited.

Email: alan.eyes.nz@gmail.com

21 September 2017.

Submission to the Commerce Commission

RE: Powerco's proposal to change its price and quality standards.

Thank you for the opportunity to comment on the Powerco CPP application and in particular the Commission paper dated 18 August 2017.

We submit as owners of a holiday property on the Coromandel Peninsula:

- **Consumer consultation is a requirement of the application. As absentee property owners we have been unaware of any consultation and have only become aware of this process by indirect means.**
- **We note the evaluation criteria in section 5.2.1 and express concern the Commission may be restricted from considering the 'overall fairness' aspects this application. If this is the case we ask the Commission make it quite clear in its determination as to aspects they have not been able to take into account.**
- **We are not qualified to comment on the work proposed, but are particularly concerned at aspects covered in para 35-44 and para 131.**
 - **Para 35 "the bulk of this increase in spend is aimed at replacing and upgrading ageing assets and meeting system growth demand" . This is a network that has been in existence 80+ years. We would expect on-going upgrading of "aging assets". Why the big catch-up in such a short time? We know of on-going growth in the Tauranga area, but what makes the rest of the Powerco supply area special, especially when compared to growth in Auckland?**
 - **Para 38 "...degradation of its network operating position and condition, evidenced across a range of leading indicators (eg asset health)". This reads like poor asset management planning and is a financial issue for the shareholders, not us consumers.**
 - **Para 39 "Specifically Powerco proposes to maintain and replace a large proportion of its assets that were constructed from the late 1950s through to the 1970s". This is staggering to think there are overhead line assets that are over 40 year and potentially 60+ years of age for which there has not been an annual replacement programme, especially given the coastal location for some areas of the networks.**
 - **Para 42. An additional 33kV underground cable instal sounds like BAU to us.**
 - **Para 44. Why should consumers pay for " ...trials and pilots scheme..."? this should be down to the shareholders.**
 - **Para 131. "Our distribution conductor fault rate has been steadily climbing over the past decade, and our benchmark overhead line performance is poor compared to other EDBs. We have identified several types of conductor on our network that fail much more often than other types, and therefore carry increased risk of property damage or public injury. Our conductor investment plans are primarily centred on replacing this poor performing conductor. Though we have not quantitatively assessed this risk, our customers expect a safe and reliable network – something we are currently struggling to provide when compared to others."**

This is surely an indictment on the management and governance of Powerco. (I am not sure what their liability insurer thinks about it). Independent of the CPP process we expect the Commission is very mindful of the defined quality standards and is working with Powerco to urgently have the situation rectified irrespective of the decision as to who pays.

As a consumer we absolutely expect a safe and reliable network. We experienced interruptions to supply last New Year which the faultman put down to ageing equipment.

- No doubt Powerco has been recovering from consumers the maximum allowable revenue as determined by the Commission. It would appear they have been underspending on network maintenance and the shareholders pocketing higher than would be expected profits. Why should the Company now be permitted under a regulated regime to increase charges to pay for work that seemingly should have been carried out in the past?
- What is more it appears after the 'catch-up' work is completed and supposedly annual spend drops to below 'normal', Powerco can go back to the DPP regime with revenue greater than the sums required for maintaining the network. We request the Commission look at the CPP process being a one-way street ie once an application has been made under CPP provisions, that is the regime that remains for that EDB.

We are left wondering whether the Powerco application is an embarrassing admission of failure by management and the Board to properly maintain the assets OR just an audacious attempt to extract more money from consumers. Whichever, these costs should be met by the Shareholders, not consumers

We do not support the application.



Director

Kamanda Developments Limited.

Email: alan.eyes@ihug.co.nz