



**SOUTHERN
GENERATION**
LIMITED PARTNERSHIP

20 August 2020

Dane Gunnell
Manager, Price-Quality Regulation
Regulation Branch
Commerce Commission
P O Box 2351
Wellington 6140

By email: feedbackauraroplan@comcom.govt.nz

Dear Dane,

Re: Key Issues Paper on Aurora's Customised Price-Quality Path Application 2022-2024

The Southern Generation Limited Partnership (SGLP) appreciates the opportunity to submit to the Commerce Commission (Commission) on your key issues identified with Aurora's Customised Price-Quality Path Application for significantly increased expenditure in 2022 to 2024.

SGLP is owned by the southern lines companies The Power Company Ltd (TPC) and Electricity Invercargill Ltd (EIL), and Central Otago-based Pioneer Energy Ltd, and is a generation investment partnership. SGLP owns the Upper Fraser hydro scheme of 8MW, commissioned in July 2019, which is connected to Aurora's network.

SGLP does not support the CPP proposal

Aurora has indicated to SGLP that charges for connecting Upper Fraser to the Aurora network will double under the CPP proposal. This hydro scheme was commissioned about a year ago. There was no indication from Aurora of the likely magnitude of increase in connection charges when we were discussing construction of the Upper Fraser hydro scheme and connection to the Aurora network. In the context of long-life generation and network assets these discussions effectively only occurred yesterday.

We understand the Commission's review of the CPP Application, and any resulting approval, does not extend to regulating the consequent level of charges Aurora determines for specific customer groups. However, SGLP submit that any increase in connection charges breaches other statutory requirements on network companies that the Commission has an interest in.

SGLP does not support the CPP proposal if it is to result in a doubling of connection charges for the Upper Fraser hydro scheme. SGLP submits that this proposal is inconsistent with:

- a. Part 6.4 of the Electricity Industry Participation Code which states that "connection charges in respect of distributed generation must not exceed the incremental costs of providing connection services to the distributed generation". The connection assets for the Upper Fraser hydro scheme are to a large extent specific to this plant with no or few other customers connected to these lines. It is our view that there has been no change to the incremental costs of these connection assets.

- b. Distribution Pricing Principles finalised by the Electricity Authority in August 2019 that require distribution charges to:
 - signal the economic costs of service provision, including encouraging efficient network alternatives (a(iv)); and
 - be responsive to the requirements and circumstances of end users by allowing negotiation to enable price/quality trade-offs (c(ii)).
- c. Cost-reflective and service based pricing given the Central Otago and Wanaka network has not been disaggregated at all to allocate costs.

Aurora has not made us aware of any safety, reliability or resilience issues that require additional investment on these connection assets during development of this preliminary CPP proposal or, more importantly while we were planning and constructing the new hydro plant; and there is no growth investment associated with these lines.

Further, Aurora has not discussed with SGLP any alternatives to the proposed increase in connection charges. For example, our views on a price – quality trade-off or, more importantly, the potential for economic by-pass of Aurora’s network (which would have been easier to consider while planning the Upper Fraser hydro scheme).

General comments

SGLP supports the Commission’s consideration of whether expenditure might be deferred, reduced or recovered over a longer period to minimise price increases for consumers. We submit that Aurora’s investment programme should be planned over a longer period, say 10 years, with safety investments prioritised ahead of the other drivers of spend. A more measured investment programme over a longer time period would significantly change the future profile of charges for existing and new customers.

It would also ease the likely pressure on securing the necessary skilled labour force to undertake this work. The industry already suffers from a tight labour market and any excess pressure will increase labour costs across the sector.

In conclusion, SGLP would welcome the opportunity to discuss with the Commission the consequences of Aurora’s CPP application on SGLP and our Upper Fraser hydro scheme.

Yours sincerely,



Fraser Jonker
Managing Director

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