



# MAJOR ELECTRICITY USERS' GROUP

29 August 2014

John McLaren  
Regulation Branch  
Commerce Commission

By email to [regulation.branch@comcom.govt.nz](mailto:regulation.branch@comcom.govt.nz)

Dear John

## **Submission on type 2 IM amendments to implement DPP for RCP2**

1. This is a submission by the Major Electricity Users' Group (MEUG) on the Commerce Commission consultation paper<sup>1</sup> "Proposed Amendments to Input Methodologies for Electricity Distribution Services", dated 18<sup>th</sup> July 2014. These are often referred to as type 2 IM amendments. This consultation paper seeks feedback on text changes to DPP, CPP and Information Disclosure IM's to give effect to policy proposals in the DPP Main Policy paper dated 4<sup>th</sup> July 2014.
2. Members of MEUG have been consulted in the preparation of this submission. This submission is not confidential.
3. Comments on each of the proposed type 2 IM amendments follow:
  - a) Agree with table 2.1 (p7) amendments to give effect to the proposed quality incentive scheme because this is a pragmatic approach to the 2 year lag between actual outcomes and when they are calculated. As submitted on the DPP Main Policy paper MEUG is opposed to any incentive rewards for quality achieved above targets.
  - b) Agree with table 2.2 (p9) amendments to give effect to incentives for energy efficiency and demand side initiatives because this is a pragmatic approach to the 2 year lag between actual outcomes and when they are calculated. This mechanism to manage timing lags does not change the other submissions MEUG has already made on the DPP Main Policy paper on s.54Q proposed changes.
  - c) No comments on table 2.3 (p12 to 14) amendments to give effect to wash-ups for forecast capital expenditure and forecast spur assets purchases.
  - d) Agree with table 2.4 (p16 and 17) amendments to give effect for recovery of prudent expenditure incurred because of a catastrophic event.

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<sup>1</sup> <http://www.comcom.govt.nz/regulated-industries/input-methodologies-2/amendments-and-clarifications/> document <http://www.comcom.govt.nz/dmsdocument/12122>

- e) Agree with table 2.5 (p18) amendments to give effect to pass-through of any levy or other charges or costs associated with AUFLS (extended reserves) made under regulation by the Electricity Authority. MEUG's agreement is for pragmatic reasons only. As a principle we do not support automatic pass-through of such costs because EDBs should be treated as any other consumer and no other consumer can simply pass through costs. In this case it is also unsatisfactory that we don't know the nature of the future regulations. It is therefore a pragmatic solution to agree this amendment now though MEUG may, after considering the future regulations gazetted by the Electricity Authority, propose an amendment to the IM in relation to extended reserve costs for EDB.
- f) Agree with table 2.6 (p20) amendments to give effect to an update to the recoverable cost term for transmission costs.
- g) Agree with table 2.6 (p22) amendments to give effect to a one-off recovery of additional revenue for Alpine Energy, Centralines and Top Energy.
- h) Agree with table 2.7 (p23 and 24) amendments to give effect to limiting risk of under or over recovery of transmission recoverable costs.

Yours sincerely



Ralph Matthes  
Executive Director