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25 June 2012

Karen Murray
Chief Advisor
Regulation Branch
Commerce Commission
PO Box 2351
WELLINGTON

Dear Karen

Re: Commerce Act (Electricity Distribution Services Input Methodologies) Determination 2010

Please find attached a submission from Vector in respect of two concerns we have identified with the drafting of clause 3.1.3 of the Specification of Prices input methodology applicable to electricity distribution services.

Our view, based on supporting legal advice, is that the input methodology, as drafted, would adversely impact non-exempt electricity distribution businesses in respect of the treatment of existing or future arrangements for the notional embedding of generation.

As you will be aware, notional embedding is specifically encouraged under the transmission pricing methodology (as reflected in Part 12 of the Electricity Code) where this would avoid inefficient bypass of transmission assets.

We also note that clause 3.1.3 employs the term "market operation service provider" from the Electricity Code (specifically referencing the definition of the term in the Electricity Code). In our view, this term has no relevance to the setting of a distributor's connection charges for distributed generation. We further note that the Electricity Authority has also questioned the relevance of this term and will consider addressing this in future changes to Part 6 of the Code.

Both existing and prospective notional embedding arrangements are adversely impacted by these drafting issues.

Accordingly, Vector requests that these issues are addressed in conjunction with current revisions to input methodologies.

To assist the amendment process, we have included proposed amendments to the drafting in our attached submission.

Vector's contact person in relation to this submission is Bruce Girdwood (04 803 9038) or you can contact me directly (09 978 8340) for any further information.

Yours sincerely



Allan Carvell
Group General Manager
Regulation & Pricing

Attached:

Submission- Request for an amendment to the Commerce Act (Electricity Distribution Services Input Methodologies) Determination 2010