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Dear Dane Gunnell

Wellington Electricity's submission on Transpower IPP 2020 Issues Paper

Wellington Electricity Lines Limited (WELL) welcomes the opportunity to make a submission in response to the Commerce Commission's (Commission) issues paper "Transpower's individual price-quality path for the next regulatory control period" published on 7 February 2019. This submission refers to this paper as the "Issues Paper".

Customer consultation

The Issues Paper asks for feedback on the effectiveness of Transpower's customer consultation. WELL have concerns that Transpower has not always considered customer preferences in shaping its expenditure forecasts or the impact their investment decisions will have on the operation of their customers own network. The following examples illustrate WELL's specific concerns.

The treatment of disruptive technology and Transpower's DER programme

The industry has long been structured with clear physical and market boundaries between its participants. However, the uptake of disruptive technologies could blur these boundaries or create silos, and challenge the principles of the current industry structure.

Without a supply chain wide framework and set of clear principles, the adoption of new technology could result in unintended consequences - the industry needs to co-operate and coordinate to develop a joint framework.

Traditionally, Transpower's customers are electricity distribution businesses (EDBs), who in turn, have retailers as their customers. Retailers have residential and commercial consumers as their customers. The responsibilities and accountabilities are clear and enshrined in rules, codes and regulations.

It is unclear why Transpower appears to want the residential consumers as their own customer and proposes to 'over reach' the traditional physical and market boundaries when it comes to DER and DR. If Transpower requires a specific service from a distribution network, then the EDB can be contacted and the service arranged in a co-ordinated way.

Where new technology is purchased by consumers, the distributed generation regulations require they consult with their EDB to reach agreement on connection and operating standards so other connected consumers retain their quality of supply. EDBs are responsible for quality of supply on their distribution network. However, a Transmission company contracting directly to residential

consumers would not have a quality of supply responsibility. Furthermore, Transpower currently would not accept any liability to the contracted or uncontracted customer – they are not included in any Use of System Agreement obligation.

WELL is concerned that Transpower has not consulted with electricity distribution businesses (EDBs) on their strategy for integrating disruptive technology, like local distribution, electric vehicle batteries and local storage into their network.

Therefore, it is essential that Transpower consults and co-coordinates with EDBs, to ensure they are not 'over-reaching' directly into a distributor's network. Not only would directly connecting with customers in distribution network impact on an EDB's ability to ensure quality of supply, it would also impact an EDB's ability to smooth demand through future cost reflective price signals. EDBs offer lower distribution tariffs for the ability to control customer load in order to optimise distribution network capacity – Transmission over reach could result in mixed price signals and a reduction in an EDB's ability to manage congestion.

Lack of consultation around the removal of assets

WELL received a letter dated 22 November 2018 from Transpower informing us of a decision to shut down a spur because they believe it is uneconomic. The spur is currently a key asset used to supply electricity to 4,000 connections and so has significant economic value to these consumers. Another solution was not offered, nor does it appear in RCP3.

Other than our obvious concern about the legality of disconnecting consumers who continue to pay for the received service, we are not sure how this potential asset removal has been factored into Transpower's RCP3 proposal. WELL would have expected Transpower to consult on the proposed removal, especially given the impact its removal would have on a large group of connected customers.

2018 Transmission Planning Report

WELL is also concerned about the statement in the 2018 Transmission Planning Report which does not represent the position of the customer. The report says that it is unlikely to be economic to establish a new diverse grid exit point in the Wellington CBD. This view does not reflect the two options that Transpower has developed with its customer WELL. This will result in a transfer from RCP3 investment, to the EDB which is not the most economically viable solution for the customer.

WELL appreciates the opportunity to provide a submission on the Commission's issues paper "Transpower's individual price-quality path for the next regulatory control period". If you have any questions or there are aspects you would like to discuss, please don't hesitate to contact Scott Scrimgeour, Commercial and Regulatory Manager, at sscrimgeour@welectricity.co.nz.

Yours sincerely



Greg Skelton

Chief Executive Officer