

21 February 2024

Commerce Commission
PO Box 2351
Wellington 6140

By email: infrastructure.regulation@comcom.govt.nz

Submission on: *Transpower's individual price-quality path for the next regulatory control period – issues paper*

Introduction

1. Thank you for the opportunity to make a submission on *Transpower's individual price-quality path for the next regulatory control period – issues paper*. This submission is from the Consumer Advocacy Council, the independent advocate for residential and small business electricity consumers in Aotearoa New Zealand.
2. If you have any questions regarding our submission, please contact:
 - Emma Sturfels, acting manager, Consumer Advocacy Council

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General comments

3. The proposed increase in Transpower's spending for the period 2025-2030 is significant, with a rise of 32% in capital expenditure and 20% in operating expenditure. This increase will ultimately be passed on to consumers in higher bills, at a time when many domestic and small business consumers face difficulties paying for power.
4. Our [consumer surveys](#) have found increasing concerns about power costs. [Research](#) by the Ministry of Business, Innovation and Employment also identified that in 2022 more than 110,000 households could not afford to keep their home warm. It is therefore essential Transpower's proposals are scrutinised to assess whether a spending increase is justified.
5. The Council agrees with the Commerce Commission's identification of the areas where further investigation is required or additional information is needed from Transpower before decisions can be made on the proposals and determine whether the proposed increase reflects necessary spending.
6. The commission's analysis must recognise that electricity is an essential service, which consumers cannot go without. Price increases will therefore have a financial impact on both household and small business budgets. For some, particularly those in energy hardship, rising costs will increase the risk they will not be able to access the electricity they need.

Asset management and capital expenditure

7. We support the commission's intention (para X26) to focus on Transpower's assessment of asset health and the risk modelling that underpins it. Robust assessment of the state of existing assets is essential to reliably forecast when these assets need to be replaced or refurbished. We agree this is an area that warrants the commission's attention.
8. We also agree with the commission's comment (para X34) that greater scrutiny should be applied to expenditure categories derived from less mature asset health models.

Quality standards and performance measures

9. Transpower has proposed removing the asset performance measure 2 (AP2) quality standard, which measures the percentage of time selected high voltage alternating current (HVAC) assets are available, and to remove the outage impact of planned major projects from the AP2 measure. Our initial view is that these measures should be retained.
10. We support the commission's preliminary view that the regulatory control period 3 (RCP3) asset health quality standards should be extended (para X30).

Operating expenditure

11. We also support the commission's preliminary view on the key areas of operating expenditure that warrant investigation. Given Transpower is proposing a 20% increase in operating expenditure, detailed analysis of the assumptions underpinning this increase is required to determine whether an increase of this size is justified.

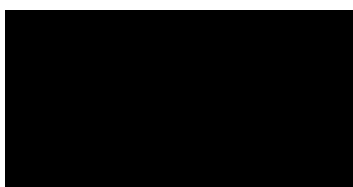
Deliverability

12. We agree with the commission's comments (para X46) that there are grounds for concern about Transpower's ability to deliver its proposed work programme, in addition to the major projects it has signalled. As the commission notes (para X47), projects planned but not delivered will result in elevated profits for Transpower. Consumers will also pay higher prices.

Revenue path

13. In principle, we agree with the commission's identification of the price path scenarios that merit further consideration. Given the limited time available for making submissions, we have not identified a preferred option. However, we would welcome future opportunities to contribute to this.

Yours sincerely,



Deborah Hart

Chair – Consumer Advocacy Council