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Ministerial Inquiry
NZ Electricity Sector Enquiry
11th floor, Ministry of Commerce Building
PO Box 1473
WELLINGTON

PERSONAL SUBMISSION TO ELECTRICITY SECTOR ENQUIRY

As a member of a small Incorporated Society, whom runs a small hydro generator, I wish to highlight the problems we have incurred with the changes to the structure of the electricity industry.

Historically we had an agreement with our local energy supplier, whom purchased our total output at a fixed price per kwh. This suited our situation as our output was small in relative terms to the large generators (250 kwh), and dealing with one client (consumer) and the small requirements for administrative infrastructure made economic sense.

With the reforms our energy supplier made the decision to become a line company and sold its energy division to another energy company. The new Energy Company refused to carry on the agreement we had and instead offered us the average monthly price of the Electricity Pool. We had no option but to accept this in the short term while we investigated our options. Economically this has effectively halved our annual income.

Our first option was the status quo. This could of been economic if we could obtain a better rebate for the Transpower component of line costs, for being an embedded generator. Of the 1.9c per unit we pay, for Transpower lines we dont use, we only get a rebate of 0.5c per unit. Our output is technically deemed to travel the length of the South Island to the pool, whereas it is actually used entirely within the local Lines Company system it is embedded in.

Our second option was to deal with the pool directly and take advantage of the peak prices , to further increase our income base. This option was not availible because the cost of joining the pool exceeded our total annual income!

The third option is to retail our own energy. This is still under investigation, but initial problems are directly related to the economics of scale. With the added disadvantage of being unable to store water, we are unable to match our output to the consumers demand, and therefore have to sell more energy than we can generate and be able to purchase our under supply from another energy retailer (with not being able to afford to access the pool). It is our aim to retail entirely within the embedded system we are in. With this senario we **should not have to pay any** component of the Transpower line costs we are presently lumbered with for our own generation. That energy that we purchase from another energy retailer will of course have the full transpower component included. **We feel confident we can retail electricity to the local consumers cheaper than they presently pay, and still retain an adequate return on our own generation, if this anomaly of Transpower costs is addressed.**

There is a place in the electricity sector for small competitive and enviromentally friendly generators like ours, if the regulations are altered to take the barriers away.

With respect to the terms of reference of the enquiry;

Transmission and generation

Transmission line losses should be capped by regulation to an achieviable percentage. At present Line Companies can pass on all losses to the consumer without the incentive to maintain their equipment to a high standard or investigate the source of these losses.

Under the present reforms, there is the possibility of line companies being put under pressure by their urban consumers, to not want to subsidise line installation or maintenance in remote areas. This could result in the line companies forcing the consumers in these remote areas to buy the lines and the inherent maintenance, or lose them. While it is not desirable to further regulate a free market, an alternative would be to make small generation easier and economic to set up as it is often these remote areas that have the generation opportunities.

Wholesale market

There should be easy access to this market by small generators. They are currently excluded by cost.

Retail

If generators are retailing entirely within the system they are embedded in, then they should not have to pay any component of the transpower transmission costs they presently incur. To make the reforms fair and equitable this needs to be addressed. In practice this would be limited to small scale generation, and would put them on a level playing field with the large generators operating on economy of scale.

At present there is no consistency in who owns the meters on a consumers premises. The future development of meters will encourage consumers to own their own, but at present if the energy supply company owns them then it becomes a barrier to the efficient change to another energy supply company. If the Line Company were to own them then there would be no problems with the consumer changing energy supplier with ease.

Yours sincerely



Paul Lenz