

MINISTERIAL INQUIRY INTO THE ELECTRICITY INDUSTRY 040

21st. February, 2000.

544 Lowe Street,
Hastings, 4201.
Ph.(06)876 8630,



To "THE MINISTER OF ENERGY,"
Parliament Buildings,
W E L L I N G T O N,

Dear Sir,

SUBMISSIONS:Re. INQUIRY INTO THE ELECTRICITY SUPPLY INDUSTRY.
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Having spent well over thirty years at the technical coal face of the Electricity Supply Industry, with one of those years in the U. K., I feel I am in a position to comment constructively.

The first comment I wish to make is; I believe your inquiry is more than ten years too early. Out there in the practical world everything was done so well for so long, that it will take more than twenty years to start falling apart.

I also believe this comment applies equally to the former N. Z. Electricity Department, former Power Boards, and also ordinary Electrical Wiring, throughout Commercial and Domestic New Zealand.

Maintenance has been pruned, major spares have been sold to overseas utilities, technical staff training has almost been abandoned, and safety has been compromised.

Managements shift to the Corporate Culture, or Core Business dogma, sees these people happily insulating themselves from accountability in every available way.

Contracting out is certainly attractive to these people, as it enables them to avoid many difficult decisions, while insulating themselves from such responsibilities as the dreaded O. S. H. Regulations.

Of course these hassles can be nicely shed, without any corresponding reduction in their own salaries.

Replacing inhouse staff with outside contractors is not producing savings previously claimed. Avoidable cock-ups have increased, followed by lower standards and quality of work. Let us not forget, that contracting out some of the 1998 Mars Probe cost NASA over One Billion Dollars in one year. This additional cost would have been avoided, had they retained their Inhouse Staff, rather than contracting out this work. Unfortunately an Accountant sees contracting out Technical Work, as being the same as contracting out Office Cleaning.

\* The Bradford Fear of an Accurate Cross-Check.

There are at least two former Power Boards, which still retain public ownership of their Network Shares. Our local Line Company here in Hawke's Bay is one of these, and during the Elections of Trustees, the voters have always shown a strong bias towards candidates promising retention of Local Ownership. I believe that at least Two of these Trusts should be encouraged to buy back their former retail companies, to then be administered by an elected board. Hopefully operating on a non-corporate basis. Free of Directors, and with the Previous Balanced Budget Principles. In future, this should provide good comparative data, for the study of benefits, regarding public or private ownership. Otherwise politicians and economists will continue to espouse their theories with increasing public mistrust. The existing synopsis of dogmatic sameness is to everyone's disadvantage.

Today we are in a ridiculous situation, where privately owned electricity companies naturally try to persuade their customers, to increase their power consumption, in order to increase their company profits.

While for conservation reasons, Government spends tax-payers money to encourage these same consumers, to conserve power. Perhaps the children who have read about Dr. Dolittle's Push me Pull you, are the only ones who appreciate this scenario.

\* The Smart Meter Hoax.

During the lead up to the Electrical Industry De-Regulation, an aggressive P. R. Campaign was mounted promising lower prices resulting from competition. This campaign stressed that the consumer, would be able to negotiate with various Electricity Retailers for a best deal. This would be achieved by the use of Smart Meters, recording various load patterns, while the consumer shifted their usage into selected time zones, nominated by the retailer. This system to encourage flat loads, has been in use since the Nineteen Thirties, for the mutual benefit of both the Large Use Industrial Consumers, and the Generators. Naturally Large Consumers pay lots of dollars on account, so it follows that out-laying a few thousand dollars on a comprehensive metering system is an economical proposition. In recent years new technology has progressed to the point where a smart meter can be bought in a price range around say \$800 to \$1000. This does not include the additional installation costs, involving telephone interrogation.

As an every-day Domestic Consumer only provides a profit return to a retailer of less than \$50 a year the outlay on additional metering and administration was obviously not a viable proposition. From the outset most people in the industry could see this eventuality, and now the present day results show their suspicions were well-founded. The whole exercise was pushed along primarily to transfer the cost burden away from the commercial customer, and onto the domestic customer.

\* Increased costs to the Consumer.

Lets look at some of the Free Services formally an integral part of the Unit Charges, prior to the Industry reforms. But now paid for by consumers as additional fixed charges. Incredibly we still have some reformists with the hide to compare the old unit charges with today's charges, as if they are still the same apples.

- 1 ) Free Line and Transmission Charges.
- 2 ) Free or low charge New Connection.
- 3 ) Rent Free Meters supplied with free follow on upgrades.
- 4 ) Free Supply of Standard Consumer Service Mains. And, Free Maintenance, Fault Location, Repair, or Replacement
- 5 ) Free Investigation of, and in some cases correction of Miscellaneous Consumer Problems.
- 6 ) Free Inspection, and Safety Checks, within Consumers Premises
- 7 ) Free Consumer Advisory Services.

All of these are now transferred into the User Pays Category.

Now the Additional Company Costs since the Reforms.

- 1 ) Dividends to Company Shareholders.
- 2 ) Dividends to Contractors Shareholders.
- 3 ) Company Tax to Government Coffers.
- 4 ) High Administration Costs of Simulated Competition.  
(Multiple Players)

False Short Term Savings.

- 5 ) Income from Asset Stripping, must eventually dry up.
- 6 ) Saving from Reduced Maintenance, will be short lived.

I must close wishing you good luck, support and resources.

Yours faithfully,

Garth Spooner,

