



Todd Energy

**Submission on Draft Policy Statement on Electricity
Governance**

17 March 2009

Introduction

- 1 Todd Energy appreciates the opportunity to provide comments on the Draft Government Policy Statement on Electricity Governance ("Draft GPS") and is in general support of the amendments.
- 2 Our submission is limited to the proposed amendments only on the basis that the merits or otherwise of the remaining clauses were considered following review of submissions received from the prior consultation on the GPS.

Submission

Deletion of section 2 and GPS references to the NZES and NZEECS.

- 3 Todd Energy supports the deletion of section 2 and all accompanying GPS references to the NZES and NZEECS, particularly as these are strategies are currently under review and otherwise do not need specific reference in the GPS. The NZES and NZEECS outline government energy initiatives that address significantly broader issues than need be considered under the electricity GPS, and actions are assigned to the relevant agencies via these strategy documents.
- 4 The Senior Energy Officials Group (of which the Electricity Commission is a member) was established by government to oversee implementation and coordination of NZES and NZEECS initiatives through relevant agencies, one of which is the Electricity Commission.
- 5 The GPS already incorporated the high-level initiatives around sustainability, efficiency, etc. There is no need to make explicit references to the NZES and NZEECS in the GPS.

Advisory groups

- 6 Use of advisory groups bring a broader industry perspective to the Electricity Commissions decision making process. We query the deletion of paragraph 7.

Security of supply

- 7 It is assumed the promotion of 'security of supply' from section 6 to section 2 of the GPS is indicative of the new government placing a higher priority on these provisions. We support government intention if this is the case.

Discount rate

- 8 We support the deletion of paragraphs 69 and 70. There was no adequate basis in support of the Government adopting a discount rate of 5% (NZES/NZCEES) for energy efficiency cost benefit analysis when the more widely accepted 10% discount rate is used for other Government analysis. Different discount rates are considered via sensitivity analysis in assessing cost benefits.

Integration issues

- 9 We agree with the deletion of paragraph 78. Market participants are in the best position and will ultimately decide the extent to which intermittent wind generation can be integrated with other forms of generation, and the future role of older thermal generation plant with carbon and other costs considered.
- 10 Transpower, as grid owner, grid planner and system operator, holds the responsibility for investigation and assessment of grid integration issues.

Investment in minor transmission works

- 11 Todd supports the addition of paragraphs 87 and 88 for the streamlining of EC approval of Transpowers more minor grid upgrade plans.

- 12 Further amendment of these paragraphs is required to clarify the ‘investments’, or rather the “grid upgrade plans”, that Transpower require prior Electricity Commission approval for in keeping with Transpower’s Formal Settlement Proposal (as at 12 May 2008) with the Commerce Commission. Under that settlement agreement there are a number of “non-Part F capex” categories of grid investment that Transpower need not seek Electricity Commission approval for. The GPS is not clear in this regard.
- 13 The process for EC approval in paragraph 88 is not clear where there are opposing views from submitters on Transpower’s preferred investment proposal under the grid upgrade plan. This may best be addressed via amendments to Part F of the EGR.

Minor corrections

- 14 Paragraph 58: contains invalid reference to paragraph 33 (this paragraph has been deleted).