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Electricity Group
Energy & Communications Branch
Ministry of Economic Development
33 Bowen Street
PO Box 1473
Wellington
New Zealand

WEL Networks Limited
Corner London and Victoria Streets

PO Box 925
Hamilton
New Zealand

Telephone +64 7 838 1399
Fax +64 7 858 1447

Email connect@wel.co.nz
www.wel.co.nz

DRAFT GOVERNMENT POLICY STATEMENT ON ELECTRICITY GOVERNANCE

WEL Networks Limited is in support of the Electricity Networks Association's submission on the draft GPS.

We would also like to submit specifically on two statements within the GPS. These being:

64. *The Commission should promote and facilitate the efficient use of electricity by end users. It should pursue this objective in multiple and mutually-reinforcing ways, including:*

- *By facilitating the progressive introduction of advanced/smarter meters for consumers, through publishing technical guidelines, and reporting on the need for regulations by December 2009*

109 *In addition, the Government requests that the Commerce Commission and the Electricity Commission review their Memorandum of Understanding by 30 November 2008 to specifically address the following matters in relation to improving incentives for electricity lines businesses in respect of:*

- *Facilitating the uptake of advanced metering infrastructure and more efficient distribution pricing*

We have been in discussion with and written to the Electricity Commission on the subject of advanced metering and also to Ministers. Our concern is that the current proposed roll-out of advanced metering by retailers alone will be a cost to consumers and prevents, or at least increases the cost a great deal of, achievement of the full benefits of smart metering to New Zealand. We are convinced, as are most overseas jurisdictions, that smart metering facilitation should be lead by Distribution companies, within geographically defined network regions, as the majority of the advantages to be obtained are to these companies. However to date the retailers seem committed to a roll-out based on their own needs, the primary focus being more accurate monthly meter reads. This seems contrary to the above statements and we would suggest that the SOE's be directed to adapt their meter roll-out programmes so as to

allow sufficient time for the two Commissions to complete the work required by the GPS as mentioned above.

As outlined in our letters to the Ministers and the Electricity Commission our analysis indicates that the currently proposed roll-out by retailers will cost more than the current cost of metering, but that including the distribution benefits from a roll-out that achieves the additional functionality brings this cost down to a similar or lower cost than current dumb metering. It is only now as the technology is developing into a viable service that these options can be fully evaluated. Whilst the technology applied is common to retailer and distributor needs, the functionality differs in that retailer needs are based on batch processing, whereas distributor access to advanced metering is more on a real time basis. We would contest that the current roll-out, if taken across the country, would cost in the order of \$1 billion, with the cost of the added functionality being little if anything more if it forms part of the initial roll-out. To do it later would be very expensive.

We are very supportive of the proposed requirements in the GPS as encapsulated in the above statements and believe that they are in the best interests of New Zealand and the consumer. We would be happy to discuss with anyone the benefits that could be obtained. However without stronger direction to the Electricity Commission to restrain the current Retailer proposals until full consideration is given to an improved solution we believe that these GPS statements will be bypassed and may be rendered ineffective.

Yours faithfully

A handwritten signature in black ink, appearing to read 'J Elder', written in a cursive style.

JULIAN ELDER
Chief Executive