

Right balance for electricity transmission pricing

Media Release

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The decision by the Commerce Commission on the forecast price increases that Transpower will charge for the next three year period starting April 2012, strikes the right balance between the need to keep prices as low as possible whilst allowing Transpower the revenue stream to invest in much needed electricity transmission infrastructure, says NZCID CEO Stephen Selwood.

The decision gives Transpower the ability to recover critical investment over the next three years including large capital expenditure projects planned by Transpower such as the HVDC (High Voltage Direct Current) Pole 3 project , the North Island Grid Upgrade and North Auckland and Northland projects which are currently taking place.

For the average consumer the monthly power bill will show little change and the transmission charges will continue to be below 10% of the total power bill.

That's a pretty good outcome for a \$5billion investment programme.

Unless other additional capital works are approved, the cents per kilowatt charges for electricity transmission will return to approximately 1994-1998 levels, once these major upgrades have been completed.

Determining electricity pricing is always a tricky business. On the one hand it is desirable to keep prices down so that electricity is affordable, but on the other hand unless the prices are set at a level that allows appropriate investment in future infrastructure, consumers are affected by the risk that the transmission grid will not have the level of security and reliability that is required.

While I am sure the negotiations between the Commerce Commission and Transpower would have been rigorous, the result is an example of good regulatory process, enabling investment to proceed at the lowest cost to consumers in the long term, Selwood says.