



2000 NEWS ARCHIVE

GOVERNMENT INTRODUCES BILL

11 December 2000

Government has announced its decisions regarding further restructuring of the electricity sector and has introduced a Bill into Parliament to implement the decisions.

In February Government announced an Inquiry into the electricity sector, and the report on this inquiry was published in June. While Government decisions were expected during August, the Government-coalition's slim majority in Parliament resulted in much lobbying by coalition members for a more interventionist approach than the inquiry recommended.

The Bill proposes that the electricity industry be encouraged to self-regulate, but that the Minister be given "backstop" powers to regulate (both directly and through a Government-appointed "Electricity Governance Board") if the industry fails to self-regulate adequately. Submissions on the Bill will close on 14 February and the Minister expects it to be passed by May.

ENERGY CHARGES DRIFT UP, LINE CHARGES REMAIN STEADY

20 November 2000

The Ministry of Economic Development has released its latest analysis of electricity charges for residential supply, based on prices at 15 November 2000. As in previous analysis, this work confirms that line charges remain below the levels prior to line and energy separation.

The data shows a national average **1% decrease in line charges** to residential consumers since 1 April 1998, whereas national average energy charges have changed by between a rise of 9% and decrease of 6% - incumbent retailers charges have risen an average 9% (up 1% since August), but if all consumers switched to the lowest retailer active in their area then a 6% decrease (1% less than August) is apparent. This implies that if 20% of residential consumers have changed retailer then an average **6.0% increase in energy charges** has resulted.

This fact, that residential energy charges have significantly increased while line charges have not, continues to be ignored by those who call for price regulation of line companies.

Dunedin Electricity's 5% increase in line charge in Dunedin and 3% in Central over the period predominantly related to increased transmission charges by others. Four other networks have lower residential line charges than Dunedin's 5.88c/kWh, but none has lower total price (11.24c/kWh).

LINE CHARGES TO INCREASE

31 August 2000

Dunedin Electricity's line charges to electricity retailers will increase on 1 October 2000 by an average of 0.7% in the Dunedin network area and 2.9% in the Central Otago network area.

With these increases, and based on electricity price data from the Ministry of Economic Development's website, line charges for an average residential consumer in Dunedin will be the fifth lowest of New Zealand's 44 network areas, while average delivered energy price will be the third lowest.

The increases in Dunedin are **purely to recover cost increases to Dunedin Electricity resulting from Transpower price changes** on 1 April 2000. The Central Otago increases also provide for **additional transmission costs from Pioneer Generation** associated with the new Horseshoe Bend power station that have applied since 1 April 2000.

This is the fourth year in five years for which increases in Dunedin Electricity line charges have been solely to recover increased transmission costs.

As in past years, the increases have been delayed until after Winter, to coincide with the commencement of lower summer electricity prices for some retailers and with reduced electricity usage by most consumers.

Ray Polson, CHAIRMAN

LINE CHARGES REMAIN DOWN

23 August 2000

The Ministry of Economic Development has released its latest analysis of electricity charges for residential supply, based on prices at 15 August 2000. As in previous analysis, this work confirms that line charges remain below the levels prior to line and energy separation in late 1998/early 1999.

The data shows a national average **1% decrease in line charges** to residential consumers since 1 April 1998, whereas national average energy charges have changed by between a rise of 8% and decrease of 7% - incumbent retailers charges have risen an average 8%, but if all consumers switched to the lowest retailer active in their area then a 7% decrease is apparent. This implies that if 15% of residential consumers have changed retailer then an average **5.8% increase in energy charges** has resulted.

This fact, that residential energy charges have significantly increased while line charges have not, continues to be ignored by those who call for price regulation of line companies.

Dunedin Electricity's 4% increase in line charge in Dunedin and 1% in Central over the period predominantly related to increased transmission charges by others. Four other networks have lower residential line charges than Dunedin's 5.84c/kWh, but only one has lower total price

SURVEY RANKING SLIPS

24 July 2000

Market research carried out by Gary Nichol & Associates of Christchurch has seen Dunedin Electricity slip to 4th place in ranking for overall service. This is the sixth such annual survey, designed to measure;

- what it is that electricity retailers expect from a line business , and
- how New Zealand line businesses compare in meeting these expectations.

Introduction of effective retail competition from 1 April 1999 has seen a significant increase in the the number of line businesses on whose networks competition is very active. Consequently the number of line businesses able to be evaluated by retailers has increased this year. At the same time, all line businesses were scored lower than previous years and there was dramatic change in the scores of the previous leaders. Most of this can be attributed to the vast change that occurred in the retail market since 1998 - almost all retail businesses were acquired by new owners after September 1998, and staff and systems fundamentally changed.

Added to this, Dunedin Electricity's acquisition of the Central Otago distribution network in 1999 has resulted in it presently having two contrasting use-of-system arrangements, complicating life for itself and for retailers operating on its networks.

Results achieved by Dunedin Electricity in past years were as follows:

Year	1996	1997	1998	1999	2000
Dunedin Electricity Placing	2nd	1st	1st	1st	4th
Dunedin Electricity Score (out of 10)	8.4	9.3	8.6	8.8	7.1
No. of Distributors	40	38	36	31	30
No. of Distributors Scored by Retailers	10	13	12	12	17*

LINE CHARGES STILL DOWN

15 June 2000

The Ministry of Economic Development (formerly the Ministry of Commerce) has released its latest analysis of electricity charges for residential supply, based on prices at 15 May 2000. As in previous analysis, this work confirms that line charges remain below the levels prior to line and energy separation in late 1998/early 1999.

The data shows a national average **1% decrease in line charges** to residential consumers since 1 April 1998, contrasting with claims by many about "rampant line charge increases".

National average energy charges have changed by between a rise of 8% and decrease of 10% - incumbent retailers charges have risen an average 8%, but if all consumers switched to the lowest retailer active in their area then a 10% decrease is apparent. If 10% of residential consumers have changed retailer then an average **6.2% increase in energy charges** has resulted.

This fact, that residential energy charges have significantly increased while line charges have not, continues to be an embarrassment to the proponents of line and energy ownership separation and ignored by those who call for price regulation of line companies.

Dunedin Electricity's 4% increase in line charge in Dunedin and 1% in Central over the two years predominantly related to increased transmission charges by others. Five other networks have lower residential line charges than Dunedin's 5.84c/kWh, but only three have lower total price (11.91c/kWh).

INQUIRY TEAM REPORTS TO MINISTER

14 June 2000

The Ministerial Inquiry report was released yesterday, and greeted with considerable controversy. The report does not propose across-the-board "CPI-x" price control for line businesses, as was advocated by consumer interest groups.

The report recommends in favour of strengthening but persevering with the comparatively-light-handed regulatory regime that New Zealand has pioneered for electricity distribution. It does so on the basis that alternative regimes elsewhere have not proven to be superior. The strengthening recommended includes a formal role for the Commerce Commission, and amounts to a transfer of responsibility from the more political Ministry environment.

The Government is expected to take decisions on the recommendations in mid-August.

INQUIRY SUBMISSIONS CLOSE

22 March 2000

The Electricity Industry Inquiry received 476 submissions by the deadline of 21 March. A copy of Dunedin Electricity's submission is available for information.

GOVERNMENT ANNOUNCES INQUIRY

3 February 2000

The Minister of Energy has announced the terms of a Ministerial Inquiry into the electricity industry and the membership of the inquiry team. The inquiry will look into and recommend any necessary changes relating to the line business (transmission and distribution), wholesale electricity trading, and retail sectors. In addition to the 3-person inquiry team, former UK regulator Prof. Stephen Littlechild has been retained as "expert adviser".

Electricity generation has been excluded from the inquiry scope. It seems likely that any inquiry would recommend sale of Government's generation investments, and this has been neatly excluded, since such sale was specifically excluded in the Labour Government's election manifesto.

The inquiry team is required to report to the Minister by 21 June 2000.

DE TOP LINE BUSINESS AGAIN

2 February 2000

A report just released by international consultants Ernst & Young has again found Dunedin Electricity to be the best performing electricity delivery business in New Zealand, repeating its result of the last two years.

The report extensively examines the performance of the present 32 Electricity Distribution Businesses between 1995 and 1999, and ranks each according to performance on 10 key indicators. The total score on these indicators reflects overall performance, and the top ten performers for 1999 were as follows (with their previous scores also shown);

Placing	Company	1999	1998	1997	1996
1	Dunedin Electricity	84	82	89	85
2	Electricity Invercargill	78	76	73	87
3	Alpine Energy	77	68	79	74
4	UnitedNetworks*	74	*67	*61	*64
5	Orion	73	n/a	61	n/a
6	Waitaki Power	70	63	61	n/a
7	Waipa Networks	68	69	n/a	n/a
8	Northpower	65	n/a	69	69
9	Network Tasman	64	n/a	61	58
10	Powerco*	60	n/a	n/a	*60

n/a = not in top ten that year and score not disclosed by E&Y.

**this company merged with another which previously ranked as shown.*

This is the fourth year that Ernst & Young have compiled their **Line Business Performance Index**. Dunedin Electricity placed second in the inaugural year and first in subsequent years.

The fact that the top ten line businesses has always included both high density and low density networks demonstrates that consumer density is not an issue in regard to performance, as some detractors have claimed. More interesting is the fact that the average size of the top performing companies is increasing. In 1996 the average top company was 56% bigger than the average company - in 1999 they are 83% bigger. It seems that size does matter.

LINE CHARGES STAY DOWN

17 January 2000

The Ministry of Commerce has released its latest analysis of residential electricity charges and it confirms that line charges have not risen.

The Ministry of Commerce has studied the charges applying to residential supply in each network area in New Zealand and has posted on their website average costs based on annual usage of 8,000kWh. The report details costs at 1 April 1998 and at 15 November 1999 and shows the following changes over this period in the line and energy components:

- **Line charges fell by an 1.2%** over the period, from an average of 6.70 c/kWh to 6.62 c/kWh. This compares with a fall in line charges of 1.0% apparent in Ministry analysis of last September.
- **Retail charges rose by 3.7%**; from 13.55 c/kWh to 14.05 c/kWh.
- Thus **energy charges increased 8.5%** from 6.85 c/kWh to 7.43 c/kWh, over the period, though the report does not highlight this!

ALEXANDRA POWER FAILURE NOT Y2K-RELATED

1 January 2000

At 12.45am on 1 January 2000 power supply to Alexandra and the surrounding area was lost when a fault occurred on 33,000 Volt equipment, resulting in Transpower circuit breakers at Clyde transmission substation opening,

Supply was restored to Alexandra within 15 minutes, but supply to Omakau remained off for 90 minutes after a Dunedin Electricity 11,000 Volt circuit breaker failed to reclose.

Protection equipment indicates that the original fault was an earth-fault on one of the two Alexandra-Roxburgh 33,000 Volt lines and they will be patrolled in daylight to locate the cause. The failure of the Omakau breaker to reclose was due to a mechanical failure of the breaker.

"Neither fault involved computer chips, and 'Y2K' was not the problem" said *DELTA* CEO John Walsh. If it was not for the fact that we had plenty of staff on hand for Y2K problems then restoration of supply for this "normal" event would have taken longer he added.

POSTSCRIPT: The cause of the fault was located the following morning. A 33,000 Volt insulator had failed, allowing the conductor to drop onto the wooden cross-arm. By the time this was located the cross-arm had burnt halfway through and it was remarkable that another tripping had not occurred during the night.