



Report of the Profile Project Team

***Powerco's Submission in Response to the
Feedback Paper for Electricity
Commission, December 2004***

1. Introduction

- 1.1 Thank you for the opportunity to review and submit our comments on the report of the Profile Project Team
- 1.2 In general Powerco supports the recommendations of the paper with regards to the establishment of a library of profiles to be managed by the Electricity Commission.
- 1.3 Powerco disagrees with the premise that distributors share the benefits of profiling with retailers and generators.
- 1.4 Powerco believes that it passes appropriate signals through to retailers regarding network congestion via its own pricing methodology.
- 1.5 Profile costs should be funded by those that trade in the Electricity Market.
- 1.6 Powerco is concerned that there is a lack of quantitative analysis in the report to establish both the costs of its recommendations and the benefits.

2. Section 1.1 Overview

- 2.1 Powerco disagrees with the assertion in paragraph 5 that through the uptake of profiling, networks will have better management of network capacity and deferral of investment in further network infrastructure. This statement is only relevant where a network is constrained. Powerco has a number of networks with no constraints and spare capacity. In these cases profiling would not give any deferral of investment and in effect would raise the cost of supply.
- 2.2 Again in paragraph 6 it is inferred that since distributors share in the benefits of profiling then they should be required to finance profile development and maintenance. Powerco uses price signals to motivate changes in behaviour from retailers. Retailers should take account of the costs of profile development against the benefits of the network price signal when reviewing whether to request the development of an associated profile.
- 2.3 There is no evidence presented in the report that there is enough price elasticity in mass-market electricity consumption behaviour to recognise any of the profile application benefits identified.

3. Section 1.2 Recommendations

- 3.1 Recommendation 1 should include the requirement for retailers to use the library profile if they trade the associated consumer class.
- 3.2 Recommendation 2 is impractical as ripple-switching times are dynamic and not predictable.
- 3.3 Recommendation 9 is impractical as times are dynamic and not predictable.
- 3.4 Recommendation 10 requires a separate cost benefit analysis.

4. **Section 2.4 Profiles and Competition**

- 4.1 Paragraph 1 states that "transferring load away from peak periods alleviates network congestion, reducing the investment required in network capacity". This is incorrect where a network has spare capacity. No benefit flows to the distributor from the use of profiles.

5. **Section 2.6 Industry and Consumer Benefits from Profiling**

- 5.1 This section has no quantitative analysis, which is required before recommendations can be made with confidence.
- 5.2 Paragraph 7 notes that retailers have little commercial incentive to significantly invest in profiles. As retailers reflect the actual costs of supply through to end consumers, this statement calls into question whether the benefits from profile application outweigh the costs. It is therefore important that a more detailed cost benefit analysis be done.

6. **Section 3. Problems with Profiles**

- 6.1 Problem 7 states that "there is little effective compliance monitoring of profiles past the initial establishment process", however in Section 4.4 it is noted, "all retailers are concerned that their competitors do not obtain advantage through incorrect trading processes such as inappropriately or incorrectly applied profiles". It would seem likely that the concerns expressed in the latter statement would have addressed the former problems under the current processes available within the Electricity Governance Regulations or previously MARIA. Are the benefits subscribed to profile application commercially justifiable when compared to the costs?

7. **Section 4.2 A Process for Maintaining Profiles**

- 7.1 The major portion of controlled load is dynamically controlled. It would be impractical to continually reflect changes that occur on a daily basis.
- 7.2 The exception to the above would be street lighting and certain tariff categories, which can be profiled.

8. **Section 6 Cost Benefit Analysis**

- 8.1 Powerco disagrees that commercial benefits resulting from proposed changes could only be quantified once the changes have been implemented and believes that this analysis should underpin the reports' recommendations.

9. **General.**

- 9.1 The report should touch on what criteria should be met in order for a new profile to be developed. E.g. is there a minimum number of ICPs affected or do a minimum number of retailers need to support the development?


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