

***Big Picture Issues for New Zealand
in the Future
A Model for Co-operation/Collaboration***

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**BIG PICTURE ISSUES FOR
NEW ZEALAND IN THE FUTURE**

A model for cooperation/collaboration

Changes in the Industry

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ELECTRIC LINES COMPANIES

- 28 lines companies manage 43 regionally separate utilities
- Distribute power from Transmission Grid Exit points to final consumers
- 3 companies listed on NZSE, remainder predominantly local Trust owner
- Largest 6 represent 68% of total industry size

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CHANGES IN THE INDUSTRY

- Line-energy separation has led to the following:
 - > Focus on line performance (lines used to be an after-thought in power companies)
 - > Separation from final customer
- Lines seen as monopoly - hence regulated
 - > Regulatory environment focusing on price, value, return, efficiency, quality
- Ongoing endless reform
 - > Governance and management distracted
- Widespread use of contractors
 - > WEL contracted out all of its field & design services in 1990

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LINE COMPANY – KEY DRIVERS

- Return on investment - $< WACC + \text{margin}$
- Price
 - Benchmarked comparison – within general CPI-X framework
 - Price control for miscreants
- Quality
 - Frequency of faults – SAIFI
 - Time to fix faults – CAIDI
 - Waveform purity
- Efficiency
 - Cost/connection
- Safety
- Service

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The Physicals

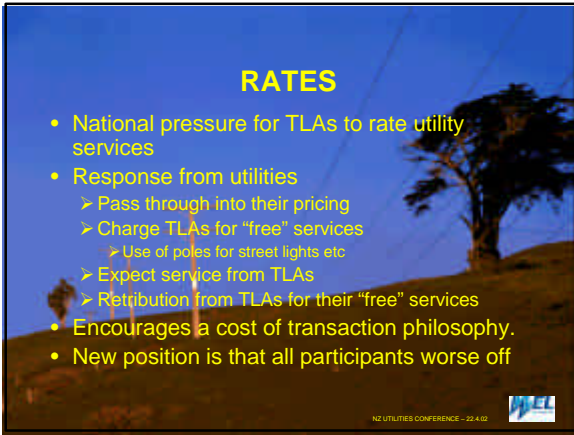
- High voltage cables need physical clearance
- Heat dissipation
- Access for joints or faults.
- Protection of corridor & cover

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Our Problems

- Rates
- Contractors
- Damage
- Traffic management
- Corridors

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RATES

- National pressure for TLAs to rate utility services
- Response from utilities
 - Pass through into their pricing
 - Charge TLAs for "free" services
 - Use of poles for street lights etc
 - Expect service from TLAs
 - Retribution from TLAs for their "free" services
- Encourages a cost of transaction philosophy.
- New position is that all participants worse off

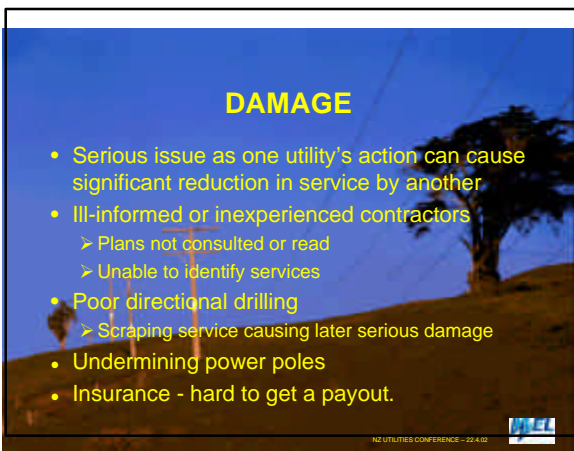
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THE USE OF CONTRACTORS

- Most lines companies contract most or all of field services
- Can lead to a diminished sense of responsibility by people in the field
- Harder to get adherence to standards and processes
- Exacerbated when most other utilities use contractors.

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DAMAGE

- Serious issue as one utility's action can cause significant reduction in service by another
- Ill-informed or inexperienced contractors
 - Plans not consulted or read
 - Unable to identify services
- Poor directional drilling
 - Scraping service causing later serious damage
- Undermining power poles
- Insurance - hard to get a payout.

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Traffic Management

- Safety is really important
- Requirement for high level of road signage
- Where were the tradeoffs assessed in original cost benefit analysis
- The current stricter practice causes:
 - Increased outage times
 - Significant added costs
 - Additional contractors to be called out
 - Downgraded public respect

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Cooperation / Collaboration

- Contractor / field staff training
- Common mapping system
- Identification of services
- Utility liaison
- Pragmatism

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Training

- Joint utility/TLA training for:
 - Contractors & field staff
 - Managers & project managers
- Coverage should include:
 - Plans
 - Identification
 - Standard practices
- Certification of participants

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Common Mapping

- We all have GIS systems
 - Increasingly can be accessed in the field
- Lets standardise our systems
 - At least ensure compatibility
- This should not be held up by:
 - Unwarranted fears of competition
 - Engineering parochialism

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IDENTIFICATION OF SERVICES

- Difficult to identify the wide range of services
- Made more difficult by inexperienced contractors with a lack of local knowledge
- Investigate different colours or marking for different services
 - Even overlaying each service with tape
- Existing services
 - Free access to plans
 - Regular multi-utility training sessions for contractors/field staff
 - Route marking identification
 - Critical areas free

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Utility / TLA Liaison

- Most areas have regular multi-utility meetings
 - Establish locations in corridors
 - Coordinate future work
 - Forum for resolving issues
 - Bring into line new or misbehaving utilities or contractors
 - Address developing regulatory or technology issues.
- Must have climate of good will
- Recognise the benefit from common good.

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COMMON GOOD VERSUS TRANSACTION PURITY

- Utilities provide range of free services to each other
 - Minor cost significant benefit
- Pressure to charge for services
 - Economic purity, potentially high transaction costs, net value loss
 - Common space should be driven by common good

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Pragmatism

- More services in increasingly congested corridors
 - Either competitive bidding for space
 - Or work for common good
- We are all interdependent
- Every utility or TLA must weigh up carefully the consequences of taking a unilateral charging or “regulatory” action

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Conclusion

- Many challenges face the participants
- Serious damage and significant costs can be inflicted by poor work practices or revenue creation policies
- Goodwill & a common-good approach is needed to address the issues
- Remember, we all promise customer service. **DO NOT COMPROMISE THIS BY IGNORING OTHER UTILITIES.**

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