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14 December 2020

Rebecca Osborne
Head of Grid Pricing Strategy
Transpower New Zealand Limited
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Wellington

By email: TPM@transpower.co.nz

Dear Rebecca,

Re: TPM Development: TPM Options

The Independent Electricity Generators Association Incorporated (IEGA) welcomes the opportunity to make this submission on Transpower's proposals to implement the TPM Guidelines in respect of calculating benefit based charges (BBC) (Part B) and options for residual charge reallocations, adjustment triggers and reassignment (Part C).

Obviously distributed generation is by definition not connected directly to the transmission grid. However, we have an interest to ensure consistent treatment of distributed generation across the various components of transmission charges and triggers for changes to transmission charges.

Firstly, we request Transpower engages meaningfully on the draft TPM prior to submitting your proposals to the Electricity Authority (Authority) on 1 March 2021. Considerable effort is going into these 'initial thinking' consultations – both on Transpower's behalf and in stakeholders' responses. It seems reasonable to request stakeholders are aware of, and has the opportunity to comment on, the position Transpower has taken based on these consultations.

In particular, the IEGA urges Transpower to consult on where it has got to with respect to the Transitional Congestion Charge. We note from the Development Timeline that under Checkpoint #1 the Authority is due to provide Transpower with feedback on its 23 November TCC submission on 14 December. There appears to be sufficient time for a short consultation on the TCC taking into account Authority feedback prior to sending the total proposal to the Authority on 1 March 2021.

We provide the following feedback on aspects of the proposals in Part B and C of the TPM Options consultation.

Part B

Section 2 on Standard method for calculating BBC

- The methodology for calculating a BBC charge should align with the methodology for determining the benefit based investment (BBI) is required (using the grid investment test). This includes aligning the inputs for a BBC calculation with the inputs for the GIT as much as possible as well as the discount rate (q 2.10).
- An aggregate regional load and generation approach is appropriate (section 2.2.5). This approach lines up with what we understand may be considered for a Transitional Congestion Charge prior to a BBI being commissioned.
- A BBC should be allocated to load based on their actual use of the transmission grid – that is historic net demand /energy / injection and not on a capacity measure. This was widely submitted on during the Authority's consultation process and our view remains unchanged. Use of any other measure than net demand will misallocate the benefits of a BBI to its beneficiaries.

Section 4 on benefit-based investments

- IEGA agrees that BBC charges be determined at the same time and based on the same information that is available to inform the GIT– otherwise beneficiaries could relitigate values or assumptions used when the Commerce Commission approves a BBI (q4.1).

Appendix 4 Counterfactual principles

- We note the proposal for estimating the value of lost load in the counterfactual for a grid reliability investment (paragraph 243). With the information currently available it is not clear how or if this approach is relevant to the Transitional Congestion Charge proposal.

Part C

Section 2 Residual charge reallocation

- The IEGA notes we submitted to the Authority against the use of a gross Anytime Maximum Demand allocator for the Residual Charge (RC) during development of the TPM Guidelines.
- We agree with Transpower that there should not be a step adjustment to the RC allocation when large consumer plant is connected or disconnected from the grid by an existing consumer or when there is a large upgrade or de-rating of existing grid-connected consumer plant (q2.1). Load and generation should be treated consistently (whether grid connected or embedded).

Section 4 Adjustment triggers

- We query whether a trigger for reallocating BBC to a distributor when there is an upgrade of the GXP transformer capacity is equivalent to the threshold of 20% or 5MW for reallocating BBC to load/generation on top of existing 25MW capacity (section 4.6). We don't have enough information about the 'usual' size of a GXP transformer upgrade.
- Using a threshold of 10MW for large plant disconnecting or derating that is consistent with other parts of the Code appears sensible (q4.24)

Section 5 Reassignment

- The IEGA disagrees with the proposed approach to reassignment. A step is missing. If an "investment turns out to be a 'white elephant' and customers make significantly less use of it than Transpower anticipated initially"[1] the asset should be revalued and the lower asset value be recorded in the Regulatory Asset Base. The lower allowable revenue for this BBI asset should still be recovered by the beneficiaries – this retains consistency between the recovery of the investment and the revised estimate of its benefit to transmission customers. The Authority's objective of the TPM is that of beneficiaries pay. It is not appropriate that the full value of a BBI be allocated to the residual after the event just because the full value of the investment is not being realised – it must still have some (lower) value to beneficiaries.

The IEGA would welcome the opportunity to discuss this submission with you in more detail.

Yours sincerely

Chris Fincham
IEGA Committee

[1] Paragraph 136 of Part C