

# Questions and responses

## Decision-making and economic framework for transmission pricing review consultation

29 February 2012

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A number of parties have requested clarification, or raised questions, with regard to the decision-making and economic framework for transmission pricing review consultation.

### **Q1. Is a copy of the 'A4 GIT' provided to the Transmission Pricing Advisory Group (TPAG) available?**

The 'A4 GIT' (Grid Investment Test) is a one page overview of the benefits of the HVDC upgrade. It was originally provided to the Electricity Commission Board, for discussion, in June 2008. The Authority provided a print out of this document to TPAG. It is available at the following link:

<https://www.ea.govt.nz/document/15958/download/our-work/advisory-working-groups/tpag/tpag-meeting-28-march-2011>

### **Q2. Was the flow tracing work undertaken by the Electricity Commission trying to attribute transmission to load and generation? Is a copy of a report on the work available?**

The Commission's flow tracing work sought to attribute transmission to load, but could be used in the same way for generation. Here are links to two papers providing background on flow tracing.

The Commission provided a flow tracing paper to the Transmission Pricing Technical Group in December 2010:

<http://www.ea.govt.nz/document/12160/download/our-work/advisory-working-groups/tptg/7Dec10/>

The Commission provided an update of the flow tracing data during its stage 2 transmission pricing review consultation in November 2010. This update includes a 2-page overview of flow tracing:

<http://www.ea.govt.nz/document/11801/download/our-work/programmes/priority-projects/transmission-pricing-review/stage2/>

### **Q3. TPAG recommended that the Authority replicate its work on the efficiency impacts of the HVDC charge using its Generation Expansion Model (GEM). Has the Authority undertaken this work and is it public?**

The Authority has undertaken modelling work to replicate TPAG's work using GEM, but this work is not documented and is incomplete. We have provided some GEM data for the work completed to date and can provide this data by e-mail. If you would like copies of this data, please e-mail [submissions@ea.govt.nz](mailto:submissions@ea.govt.nz).

**Q4. Will the Authority meet with participants during the cross-submissions process, and will the Authority meet with groups of participants?**

We plan to meet with participants on a one-to-one basis after the cross-submissions process, to give both us and participants time to review submissions. We are open to meeting with one or more participants jointly.

**Q5. Are there any Prudent Discount Policy agreements in place? Are details of any agreements available?**

An overview of the Prudent Discount Policy is given in section 2.5 of the consultation paper. Paragraph 2.5.4 of that section states that the Authority understands that there have been several successful prudent discount applications. This statement may be confusing. The Prudent Discount Policy was preceded by Notional Embedding Agreements. Both arrangements operate under the same principle; to ensure that the transmission pricing methodology (TPM) does not provide incentives for uneconomic bypass of existing grid assets. Whilst there are no current Prudent Discount Agreements there are seven current Notional Embedding Agreements. One Prudent Discount Policy Agreement is under negotiation between Transpower and a customer, following expiry of a Notional Embedding Agreement.

**Q6. Could you please advise whether the current review of transmission pricing is limited to a review of the transmission pricing methodology (TPM), which is a methodology for allocating Transpower's regulated revenue, or whether its scope also extends to include a review of the legal framework that determines Transpower's regulated revenue and capital expenditure?**

The current review is a review of the TPM, and not a review of the legal framework that determines Transpower's regulated revenue and capital expenditure which are determined by the Commerce Commission under the Commerce Act. If there are any implications from the review for aspects of Commerce Commission or other aspects of Electricity Authority regulation, the Authority will need to consider these as they arise.

**Q7. Do submitters need to cross-submit on all issues covered by submissions?**

No. Submitters may prefer to provide cross-submissions on some but not all of the issues. The subject of the consultation paper is the 'decision-making and economic framework for the transmission pricing methodology review'. Some submitters have chosen to provide information that is more likely to be of relevance to the application of the framework and selection of a preferred option, which will be the subject of subsequent consultation. At this point the Authority's focus is on the framework and the questions we raised, and cross-submissions should focus on this.

**Q8. Will the Authority publish a list of meetings requested by submitters, the dates of those meetings, meeting attendees, any additional material tabled by submitters at those meetings, and minutes or actions agreed by the parties and the Authority attendees at those meetings?**

The Authority will publish information on the schedule of meetings and attendees. Attendees from the Authority will be Authority staff. However, as the purpose of the meetings is to provide clarification – both on the part of the Authority and of submitters – rather than to elicit new information, the Authority does not intend to publish minutes of the meetings. We would like to better understand participant views of the proposed decision-making and economic framework, and provide an opportunity for participants to ask questions about the submission process. If new information emerges that is material to the consultation process, either through these meetings or through other avenues, we will invite further submissions on the information.