



8 June 2017

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By email: Tim.Sparks@ea.govt.nz

Dear Tim

Clarification request for timing of implementation of ACOT Code amendments

Subject to the Authority's final published lists of ACOT qualifying distributed generation under clause 2C(1) of Schedule 6.4 of the Code, Meridian may shortly need to [] implement the ACOT Code amendments. To assist with this Meridian is seeking direction on the Authority's intent in terms of timing.

Below are two clarifications that Meridian would appreciate feedback on.

Clarification #1: Code amendments taking effect on 1 April 2018 (Lower South Island) or 1 April 2019 (Upper North Island)

The date of 1 April coincides with the start of a new Transpower Pricing Year (1 April to 31 March), but does not necessarily sit well with the way that ACOT payments are made in arrears (i.e. the payment for the RCPD reduction delivered by our plant in respect of the last 7 months of the 2017/18 Pricing Year and the first 5 months of the 2018/19 Pricing Year is not made until the 2019/20 Pricing Year and using the 2019/20 Interconnection Rate as a proxy). The payment is also made or apportioned as a series of 'smoothed' monthly payments (rather than a single, lump sum payment for the year). Read in combination with Schedule 6.4 clause 2(c) of the Code¹, our interpretation is that the amended DGPPs allow for continued settlement of payments:

¹ I.e. which incorporate specific provision for ex post adjustment of estimated costs. Our understanding is that such ex-post adjustments will still be able to be recovered by a distributor from its consumers even after the relevant DGPP amendments come into force.

1. Calculated based on the Capacity Measurement Period immediately prior to relevant 1 April start date² but that do not fall due and are not paid until after that date by virtue of the 'payment in arrears' and 'smoothed' payment methods or conventions that [] govern those payments.
2. Accruing from earlier Capacity Measurement Periods prior to the commencement of the 9 January 2017 DGPP amendments and that, again, fall due after the relevant 1 April start date even if the payments are not made until after 31 March 2018.

Recovery by distributors of contractual entitlements arising from Capacity Measurement Periods after 1 April 2018 (in the case of the Lower South Island) and 1 April 2019 (in the case of the Upper North Island) is, however, prohibited by virtue of the 9 January 2017 DGPP amendments and accordingly we would not expect these payments to be made to generators unless the relevant plant appears on one of the Authority's final published lists of ACOT qualifying distributed generation.

Applying our interpretation to [] Lower South Island DG plant, [] for instance would ensure full payment of contractual entitlements arising from the RCPD reduction delivered in respect of the period 1 September 2017 – 31 March 2018³ prior to the new DGPP amendments coming into effect.

Can you please confirm our interpretation is correct?

Clarification #2: Code amendments taking effect on 1 October 2018 (Lower North Island) or 1 October 2019 (Upper South Island)

The date of 1 October is exactly half way through a Pricing Year. ACOT calculations for this Pricing Year will not be completed and agreed with the lines company until the following year (for the 11 month period to 31 August) and the year after that (for the one month period 1 to 30 September).

Consistent with the interpretation above, it would seem that for [] Lower North Island DG plant, [] there would be full payment of contractual entitlements arising from RCPD reductions delivered during the period up to and including 30 September 2018, prior to the new DGPP amendments coming into effect, even if the relevant calculations are not carried out and payments

² For example, 1 April 2018 for DG in the lower South Island.

³ Excluding from within this period any relevant summer months required by upcoming charging adjustments arising from TPM operational review amendments.

not made until after 1 October 2018. To be clear this would allow payment after 1 October 2018 of ACOT in respect of:

- the RCPD reduction delivered in respect of the period of 1 September 2017 to 31 August 2018 (this won't be calculated until after 31 August 2018 and paid until after 1 April 2019);
and
- the RCPD reduction (if any) delivered in respect of the period 1 September 2018 to 30 September 2018 (this won't be calculated until after 31 August 2019 and paid until after 1 April 2020).

To assist with these clarifications a time line diagram has been included in Attachment 1

Yours sincerely,

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Attachment 1 – ACOT amendment Timeline diagram

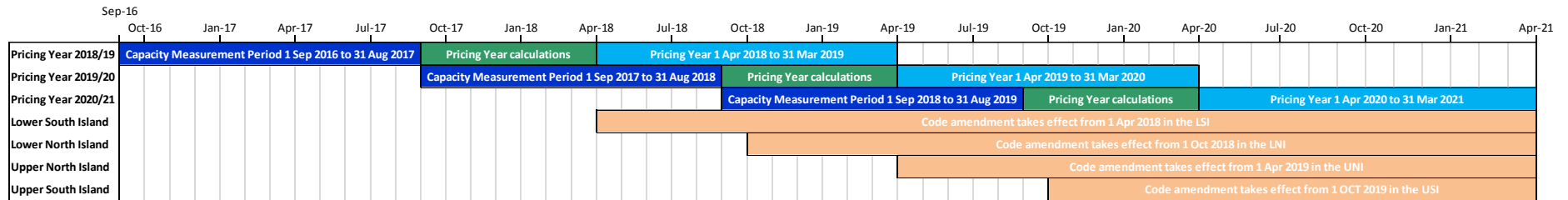


Figure 1: ACOT amendment timeline diagram