



3 July 2018

Submissions  
Electricity Authority  
PO Box 10041  
By email: [submissions@ea.govt.nz](mailto:submissions@ea.govt.nz)

**Lower North Island DG eligible for regulated avoided cost of transmission (ACOT) payments –  
Meridian submission**

Meridian appreciates the opportunity to submit on the above paper.

As per our Appendix A responses to consultation questions, Meridian remains of the view that certain changes are required to the current ACOT eligibility process, namely:

1. A significantly higher minimum size threshold for eligibility;
2. Usage of DG level, not GXP level, assessments; and
3. Strictly defined eligibility time periods, limited to any timeframes over which assessed grid reliability impacts will lapse.

Introduced as transitional only<sup>1</sup>, we submit in addition that the arrangements require revisiting. The current arrangements are strongly deficient in that they continue to base payments on what is currently a highly inaccurate measure of any avoided costs of transmission (i.e. with current transmission charges, not costs, used as the basis for payment). The ultimate costs to consumers of the inefficient subsidies that result are significant. Given the delays in correcting for these inefficiencies through Transmission pricing reforms, we request further investigation by the Authority of the ACOT approval arrangements.

Please contact me if you have any questions regarding this submission.

Yours sincerely

Alannah MacShane  
Regulatory Analyst

DDI     **04 381 1378**  
Email    [alannah.macshane@meridianenergy.co.nz](mailto:alannah.macshane@meridianenergy.co.nz)

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<sup>1</sup> See for further discussion Meridian's submission dated 30 January 2018, '*List of distributed generation eligible to receive ACOT, lower South Island*' available: <https://www.ea.govt.nz/dmsdocument/23010>

## Appendix A – Responses to consultation questions

Question	Response
<p>1. What, if any, changes should be made to the list of distributed generation in the lower North Island that is eligible to qualify to receive ACOT payments under the regulated terms? What are your reasons?</p>	<p>On the actual list itself, and as per our previous submission<sup>2</sup>, Meridian remains of the view that:</p> <ol style="list-style-type: none"> <li>1. Low capacity DG should be removed. The Authority’s assertion that inclusion of DG with generation capacity of less than or equal to 10 kW is justified on the basis that “collectively it <i>may</i> [emphasis added] defer or reduce grid investment”<sup>3</sup> is not accepted by Meridian. From Meridian’s standpoint, there is no real prospect of DG of this scale impacting decisions by Transpower to defer or reduce investment, negating the Authority’s claim. Subsidising such small-scale DG runs counter to the Authority’s statutory objective, providing no resulting benefits for the system or consumers, and may also be unnecessary, to the extent ACOT is not already being obtained. We consider the Authority should consider 100kW as a starting point for the specific minimum threshold that could apply.</li> <li>2. DG level determinations are required. Relevant Code provisions contemplate assessment at the level of specific DG plant, not aggregated GXP level, in our view.<sup>4</sup> The GXP by GXP approach adopted in preparing the draft list will in a number of instances overstate the potential impact on reliability standards attributable to specific DG plant. By its very nature, this approach will return only binary determinations – namely that either all or none of the DG at a GXP will be considered needed for grid reliability standards to be achieved. Further, Transpower’s adoption of the ‘effectiveness hurdle’ makes for a similar approach to that used to assess causers / alleviators of transmission constraints but, at the aggregated GXP level, won’t always allow contributions of DG (including at Wilton, for instance) to be distinguished from the contributions of grid-connected generators (West Wind, for example). The inaccuracies ultimately will come at a cost to consumers.</li> <li>3. Eligibility periods must not exceed the period of assessed reliability impact. DG located at Bunnythorpe and Haywards, for example, is assessed in Transpower’s report as having no impact on grid reliability standards beyond winter 2018. Unless eligibility for regulated payments is expressly limited to the period of reliability need, perverse outcomes will result – namely, the indefinite continuation of</li> </ol>

<sup>2</sup> Meridian’s submission dated 30 January 2018, ‘List of distributed generation eligible to receive ACOT, lower South Island’ available: <https://www.ea.govt.nz/dmsdocument/23010>

<sup>3</sup> Refer paragraph 4.12 of the Authority’s “List of distributed generation eligible to qualify to receive ACOT, lower South Island” Decision paper, available: <https://www.ea.govt.nz/dmsdocument/23228>

<sup>4</sup> Meridian’s 30 January 2018 submission cited above provides further details. In short, we consider (a) clause 2A(2) Schedule 6.4 requiring the preparation of reports by Transpower identifying “which (if any) distributed generation [emphasis added]...is required by Transpower to meet **grid reliability standards...**” and (b) distributed generation as defined by the Code (that is, “...generating plant that is connected, or that a distributed generator proposes to connect, to a distribution network or to a consumer installation that is connected to a distribution network...”) read together suggest the Authority’s intention was for granular assessments, at the DG level, were to be undertaken where possible.

Question		Response
	cont.	<p>consumer-funded subsidies beyond the point of assessed need / potential benefit.</p> <p>As discussed in our cover letter, the current “transitional” Authority approval arrangements are operating to the significant detriment of consumers. We reiterate the arrangements need to be revisited, as per our prior request.<sup>5</sup></p>
2.	<p>If you own generation identified in Transpower’s report as “notionally embedded” and you consider your plant is distributed generation, please provide information to show that the capacity of your plant and where / how it is connected to a distribution network.</p>	N/A.

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<sup>5</sup> Refer Meridian’s 30 January 2018 submission, referenced above.