

3 July 2018

Submissions
Electricity Authority
PO Box 10041
Wellington 6143

Via email: submissions@ea.govt.nz

Consultation Paper - List of distributed generation eligible to qualify to receive ACOT, lower North Island

1. Introduction

- 1.1** We thank the Electricity Authority (the Authority) for the opportunity to provide comment on the draft list of distributed generation eligible to qualify to receive avoided cost of transmission (ACOT) payments under regulated terms, lower North Island.
- 1.2** The Code change is intended to better ensure that distributors will not be required to make payments under the regulated terms, unless the distributed generation provides some genuine grid support services (i.e. where distributed generation avoids some transmission costs).
- 1.3** The draft list surprised The Lines Company Limited (TLC) as the communication we understood coming from the Authority was that the testing methodology would be stringent to provide a draft list that met a high threshold for the benefits provided and was for the long-term benefit of consumers.
- 1.4** TLC is of the view that further refinement of the ACOT arrangements need to occur to ensure the rate of ACOT payments is better aligned to the level of transmission benefits and to reduce the over-payment by consumers for the services provided by distributed generation. We believe this work should be expedited.

2. Issues Identified

- 2.1** ACOT payments made by a distributor are borne by that distributor's consumers. Where the benefit of distributed generation provides genuine grid support services to a GXP not on the distributor's network or to the Grid backbone, it is unreasonable for that distributor's consumers to solely bear this cost.

For example, distributed generation located at Ongarue (required in summer 2017, from summer 2021) is required initially for contingencies of 220 kV lines local to Bunnythorpe and security of the Hamilton interconnecting transformers in later years. ACOT for this distributed generation is paid only by TLC customers, but provides support beyond the TLC network.

- 2.2** TLC believes that where a direct benefit to TLC consumers is not evident, and other GXP's or the Grid backbone is being supported by distributed generation originating from the TLC network, Transpower should assess and pay the relevant ACOT and this is recovered in the interconnection charge.

2.3 TLC believes that to address the perverse incentives that the interconnection rate has created, that the Authority regulate the rate to closer align the level of transmission benefits and to reduce the over-payment by consumers for the services provided by distributed generation.

As per Appendix F of the Consultation Paper, please find answers to questions below:

Submitter	The Lines Company Limited, King Street East, Te Kuiti
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Question	Comment
Q1. 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?	We question the list, generally, with the apparent abundance of distributed generation that is said to support the grid and are then eligible to qualify to receive ACOT payments under the regulated terms.
Q2. 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 the capacity of your plant and where / how it is connected to a distribution network.	No comment.

Yours sincerely

Craig G. Donaldson
Pricing Manager