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Submissions  
Electricity Authority  
Level 7, ASB Bank Tower  
2 Hunter Street  
P O Box 10041  
WELLINGTON

By email: [submissions@ea.govt.nz](mailto:submissions@ea.govt.nz)

## KCE SUBMISSION: LIST OF APPROVED DG IN LOWER NORTH ISLAND

King Country Energy (**KCE**) welcomes the opportunity to provide a submission to the Electricity Authority (**the Authority**) on its consultation paper on the *“Draft list of distributed generation eligible to qualify to receive avoided cost of transmission payments under regulated terms: Lower North Island”* (**the Consultation Paper**).

KCE owns and operates five hydroelectric power schemes which are all distributed generation. These schemes are:

Kuratau	6MW
Mokauiti	1.7MW
Piriaka	1.3MW
Wairere	4.6MW
Mangahao Scheme	36 MW

KCE notes that Transpower, in developing its recommendations on the distributed generation required to meet grid reliability standards in the Lower North Island pricing region in the period from 1 April 2017 to 31 March 2020, has largely followed the same methodology as in its previous Lower South Island eligibility assessment.

KCE supports a consistent approach and believes the methodology used is fit for purpose. KCE notes that its plant has been included on the Lower North island eligibility list. This is a positive outcome for the organisation.

However, we remain concerned about the policy process that has taken place and the prospect of ongoing regulatory interventions in this area. KCE did not support the Authority’s reform of the Distributed Generation Pricing Principles in the Code in 2016. In our submission on the Authority’s May 2016 Consultation paper, we noted that:

*“...payment structures agreed by Network companies and DG are a simplified, enduring methods for compensating for **all** benefits that DG provides without the complicated and expensive process of regular reassessment.*

*The benefits to an electrical system include delayed large generation and large grid upgrades, reduced grid and network losses, voltage support in remote areas, network support in managing maintenance outages for both GXP and network lines, black start, reactive power control.*

*The EA proposal is to disaggregate this approach and require each generator to prove its benefits to Transpower and Networks. This could be an expensive and laborious process, and rather like applying for resource consents there is no guaranteed outcome or whether the outcome will be economic. This will effectively act as a barrier for many applications and will lead to scenarios where DG is providing genuine benefits but not receiving compensation, particularly amongst the smaller generators.*

Transpower’s LNI analysis identifies distributed generation at thirty one locations as required to meet its grid reliability standards in the period from 1 April 2017 to 31 March 2020 (designated period).

Transpower and its experts Mitton ElectroNet further comment in their respective reports that the EA applies a narrow criteria to the assessment of the contribution distributed generation makes to the sector.

Transpower states that:

*“DG provides benefits that are not assessed as part of this report and confirm that DG in the LNI regions helps to mitigate the impact on consumers of grid outages (removing grid assets for maintenance or enhancement purposes)<sup>1</sup>*

This suggests that the implementation of the Authority’s reform of the Distributed Generation Pricing Principles is playing out largely as we expected.

After an expensive and laborious process, distributed generation has been established to be offering genuine benefits to the power system with some of those benefits being counted under the Authority’s criteria and others disregarded.

Regards,



Chris Fincham  
CEO

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<sup>1</sup> Transpower “Distributed Generation to meet grid reliability standards, :Lower North Island” page 6