

2019 issues paper

Transmission pricing review

QUESTIONS TO HELP SUBMITTORS

Consultation paper

23 July 2019

Appendix I Questions to assist submitters

You are welcome to comment on any matter relevant to the Authority's proposal, including on any part of the issues paper, including the appendices and supporting technical materials.

We have posed some questions throughout the 2019 issues paper including in the appendices to help prompt answers to specific details. These questions are repeated here.

Please do not feel that you need to limit your responses to the consultation questions or that you need to answer them all. Instead these questions can be treated as a guide and you may wish to answer any you consider are important. Please explain your answers in terms consistent with the Authority's statutory objective in section 15 of the Electricity Industry Act 2010.

Chapter 2

- I.1 Have the problems with the current TPM been correctly identified? In what ways does the current TPM work well?

Chapter 3

- I.2 What are your overall views on the Authority's proposal for changes to the TPM guidelines?

Chapter 4

- I.3 Does the CBA provide a reasonable estimate of the costs and benefits of the proposal? If not, what changes to the methodology and / or assumptions would improve the estimate?
- I.4 Do you have any comments on the matters covered in chapter 4?

Chapter 5

Refer Questions I66-I67.

Chapter 6

- I.5 How long should Transpower have to complete its development of the TPM and why?
- I.6 What checkpoints (if any) should the Authority set in the TPM development process?
- I.7 How should Transpower best engage with its stakeholders during its development of the TPM and how regularly should that engagement occur?
- I.8 In addition to the specific questions above, do you have any further comments on the matters covered in chapter 6?

Appendix A

- I.9 What are your comments on the drafting of the proposed guidelines? Are any aspects unclear or unworkable? Do the guidelines clearly convey the policy set out in appendix B?

Appendix B

General matters

- I.10 Do these provisions give Transpower sufficient flexibility to develop the TPM while ensuring that the intent of the guidelines is followed and that the interests of designated transmission customers are protected?

Connection charge

- I.11 Should the current guidelines on connection charges be largely retained or are changes required?
- I.12 Should first-mover disadvantage be addressed in the TPM, and if so, how?

Benefit-based charge

- I.13 Do you think introducing a benefit-based charge for future grid investments will promote efficiency and the long-term benefit of consumers?
- I.14 Should the cost of pre-2019 investments be recovered in some other manner than through the residual charge, and if so how? Which pre-2019 investments should be recovered in this manner? In particular, do you consider that the cost of some past investments should be recovered through a benefit-based charge?
- I.15 Assuming that a benefit-based charge is to apply to at least some pre-2019 investments, to which such investments should it apply?
- I.16 How should the covered cost of the investment be defined?
- I.17 How should the covered cost of a benefit-based investment be recovered over time for pre-2019 investments and post-2019 investments? How much discretion should Transpower have to determine the method?
- I.18 Should the guidelines require Transpower to adopt a net load or a gross load approach in determining customer benefits, or should flexibility be allowed?
- I.19 Should the guidelines distinguish between high-value and low-value investments?
- I.20 If so, should the costs of low-value investments be allocated via the residual charge or via the benefit-based charge using a simple method?
- I.21 What is an appropriate threshold between low-value investments and high-value investments? Does it depend on whether the cost of low-value investments is recovered through the benefit-based charge?
- I.22 What are your views on the Authority's proposal to determine a benefit allocation for seven major existing investments (including the proposed and alternative methods)?
- I.23 How should the costs of the investments that are not covered by the benefit-based charge be allocated?
- I.24 Should charges be revised if there has been a substantial and sustained change in grid use? If so, what threshold would be appropriate to define such an event?
- I.25 Should the implementation of the charges for low-value post-2019 investments be deferred, and if so, for how long?
- I.26 Should the guidelines allow for reassignment of costs from the benefit-based charge to the residual charge? What are your views on the proposed reassignment provisions?

Residual charge

- I.27 Should the guidelines provide for a single residual charge or multiple residual charges?
- I.28 Should any remaining MAR be recovered through a fixed residual charge? Should the residual charge be allocated based on a customer's historical electricity demand?
- I.29 Should the residual charge be allocated based on AMD, annual consumption, a mixed approach, or some other approach?
- I.30 If the residual charge is to be allocated based on AMD, how should multiple points of connection be treated?

- I.31 Should demand be measured using a net load or gross load approach for the allocation of the residual charge?
- I.32 If a gross load approach is used for the residual charge, should injection by both distributed generation and behind-the-meter generation be taken into account, or distributed generation only?
- I.33 Is there any other available data that should be used to allocate the residual charge instead of data from the Reconciliation Manager?
- I.34 Should the Authority determine the initial allocation of the residual charge in advance as a default or required allocation in the guidelines?
- I.35 Should a customer's residual charge allocation be adjusted to account for a substantial change to demand due to factors over which it has no control?
- I.36 Should the residual charge apply to both generation and load customers, or only to load customers?

Other

- I.37 Are the proposed provisions relating to adjustments appropriate?
- I.38 Should the guidelines specify that a prudent discount applies for the life of the relevant asset unless the parties agree otherwise? Should they specify a different period?
- I.39 Should the TPM include a price cap? Does a price cap of 3.5% of total electricity bills provide a reasonable balance between the desirability of limiting price shocks and the desirability of transitioning to the new TPM?
- I.40 Should the price cap be specified as a percentage of electricity bills or in some other way?
- I.41 Should the price cap apply only to load customers, or to generators as well?
- I.42 How should the price cap be funded?
- I.43 Are the proposed additional components appropriate? If not, what changes should be made?
- I.44 Should the guidelines include a peak charge? If so, should it be a core component of the proposal or an additional component?
- I.45 Should the peak charge be applied only where the grid would otherwise be congested?
- I.46 Should the peak charge be permanent or should it be phased out? If the latter, should the default phase-out period be over 5 years, 10 years or some other period?
- I.47 Should the guidelines make applying the benefit-based charge to additional and potentially all pre-2019 investments a core component?
- I.48 In addition to the specific questions above, do you have any further comments on the matters covered in this appendix B?

Appendix C

- I.49 Do you have any comments on the matters covered in this appendix C?

Appendix D

- I.50 Do you agree that the analysis presented in chapter 5 of the second issues paper remains appropriate?
- I.51 Do you agree that workably competitive markets provide an appropriate analogy for deriving principles for efficient pricing of the interconnected grid?
- I.52 Do you agree with the conclusions of appendix D?
- I.53 Do you have any comments on the matters covered in this appendix D?

Appendix E

- I.54 Do you agree with the conclusions we draw from Transpower's report *The role of peak pricing for transmission*?
- I.55 Do you agree that nodal prices enhanced by RTP, and supplemented if necessary with administrative demand control, are the most efficient means of constraining grid use to capacity?
- I.56 Do you agree that the benefit-based charge, in conjunction with the Commerce Commission regulatory regime and nodal prices, is sufficient to ensure efficient investment in the grid and by grid users?
- I.57 Do you agree that nodal prices (supplemented if necessary by administrative load control) will be allowed in practice to efficiently restrain grid use to capacity?
- I.58 Do you agree that it would not be efficient to provide for a permanent peak based charge in addition to nodal prices?
- I.59 Do you agree that the proposed transmission charges are more efficient than the options discussed here? Are there any other options we should consider?
- I.60 Do you have any comments on the matters covered in this appendix E?

Appendix F

- I.61 Should LCE be allocated to the specific investments to which it relates? If not, how should it be allocated?
- I.62 Would the proposed ACOT Code change be desirable to clarify the situation for payment of ACOT under the TPM proposal? Would the resulting code provisions in relation to ACOT be efficient?
- I.63 Do you agree that this potential Code amendment to ensure the workability of the TPM will reduce uncertainty? If not, do you think it can be modified so as to ensure uncertainty is reduced? If so, how?
- I.64 In addition to the specific questions above, do you have any further comments on the matters covered in this appendix F?

Appendix G

- I.65 Do you have any comments on the matters covered in this appendix G?

Appendix H

- ☒ I Over what period should we undertake the vSPD modelling?
 - ☒ I Should the vSPD modelling adopt a fixed VPO or a variable VPO? In either case, what is the appropriate level of the VPO?
 - ☒ I Do you agree with the approach we have taken to net distributed generation? Do you agree with the application of our netting policy for particular generator(s)? If not, please provide details of particular generator(s) so that we can consider whether to amend our netting arrangements.
 - ☒ J Do you consider that the data used in the impacts modelling (in particular, demand and generation volumes) should be adjusted? If so, please provide reasoning/quantitative calculations.
- I.70 In addition to the specific questions above, do you have any other comments on the matters covered in Chapter 5 and this appendix H, including in particular: the indicative year-one transmission charges in chapter 5; and the allocation of annual benefit-based charges for the seven major investments included in schedule 1 of the proposed guidelines (appendix A).