

Electricity Industry Participation Code Amendment (Avoided Cost of Transmission) 2022

Under section 38 of the Electricity Industry Act 2010, and having complied with section 39 of that Act, I make the following amendment to the Electricity Industry Participation Code 2010.

At Wellington on the 14th day of December 2022



Dr Nicola Lane Crauford
Chair
Electricity Authority

Certified in order for signature:



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14 December 2022

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Amendment

- 1 Title**
This is the Electricity Industry Participation Code Amendment (Avoided Cost of Transmission) 2022.
- 2 Commencement**
This amendment comes into force on 1 April 2023.

3 Code amended

This amendment amends the Electricity Industry Participation Code 2010.

4 Clause 1.1 amended (Interpretation)

In clause 1.1(1), replace the definition of **incremental costs** with:

“**incremental costs**, for the purpose of Part 6, means:

“(a) the reasonable additional costs (which include any reasonable additional transmission costs) that an efficient **distributor** would incur in providing **electricity** distribution services to **distributed generation**; minus

“(b) the **distribution** costs (which do not include any transmission costs) that an efficient distributor would be able to avoid as a result of the **electrical connection** of the **distributed generation**.”

5 Schedule 6.4 amended (Pricing principles)

(1) In Schedule 6.4, clause 2, replace the words “to connect” with “as a result of connecting”.

(2) In Schedule 6.4, replace clauses 2(a) and (b) with:

“(a) subject to paragraph (i), connection charges in respect of **distributed generation** must not exceed the **incremental costs** of providing connection services to the **distributed generation**.

“(b) when calculating **incremental costs**, any costs that cannot be calculated must be estimated with reference to reasonable estimates of how the **distributor's** capital investment decisions and operating costs would differ, in the future, with and without the generation.”

(3) In Schedule 6.4, revoke clauses 2A, 2B, 2C and 4.

Explanatory Note

This note is not part of the amendment, but is intended to indicate its general effect.

This amendment to the Electricity Industry Participation Code 2010 (the Code) comes into force on 1 April 2023.

The amendment amends clause 1.1 and Schedule 6.4 of the Code to remove the obligation on distributors to net off the transmission costs that an efficient distributor would be able to avoid by connecting certain distributed generation (avoided cost of transmission) when calculating the maximum connection charges that may be applied to that generation under the regulated terms.

More information about the amendments is available on the Electricity Authority’s website <https://www.ea.govt.nz/development/work-programme/pricing-cost-allocation/transmission-pricing-review/development/>
