

**From:** [REDACTED]  
**To:** [Network Pricing](#)  
**Cc:** [REDACTED]  
**Subject:** Avoided Cost Of Transmission – feedback on Transpower response – grid reliability  
**Date:** Friday, 25 November 2022 3:58:53 pm  
**Attachments:** [image001.png](#)

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Hi,

Our comments on the Authority's questions to Transpower regarding ACOT, and on Transpower's response, are below.

### **Transpower's position**

The Authority states that Transpower's position on ACOT (as System Operator, from its recent submissions on the same) are:

- Transpower supports a phase-out of ACOT, and does not support the immediate removal; and
- While not intended to assist with system security, ACOT payments nevertheless provide a financial incentive for DG to operate at peak times, and there is a risk that their removal could impact system security.

Similarly, while the RCPD price signal under the TPM was not intended to provide a financial incentive to distributors to manage their load for the purposes of matching supply and demand of electricity generated at a national level, it did have this effect, and its removal is having an impact on system security. This is demonstrated by the "observed increase in peak loads" and the "number of grid emergency notices" cited by Transpower in its 2022 ACOT submission, as well as the Authority's consultation document issued today regarding this risks around meeting peak electricity demand in Winter 2023.

As such, we are confused as to why Transpower was not concerned about the removal of the RCPD price signal to distributors and its impact on system security, but it is regarding ACOT. On our network, there is significantly larger capacity to reduce load through ripple control, than there is to inject through distributed generation. In addition, looking back at the grid emergencies this year, it is likely the distributed generation was already running due to high spot prices, so paying ACOT would not have made a difference. However, we were not load controlling, as there were no constraints on our network even during the grid emergencies. A pricing signal to distributors to utilise load control would have made a big difference, as we can drop our peak demand by up to ~20% with no noticeable impact on consumers. If this was done across all EDBs, grid emergency notices could potentially be averted this year.

As above, we don't think paying ACOT to large DG will make any difference, as during the grid emergencies we expect they would have already been generating in response to high spot prices. However, distributors have a large capacity to assist, but at the moment the only signal distributors receive to use load control is a grid emergency notice – the solution is to send distributors a price signal to manage load when demand exceeds generation supply, whether this is through transmission pricing, or another market, but before a grid emergency notice needs to be issued.

## N-1 security to Far North

We understand that there is a constraint on the connection asset which between MPE and Kaikohe, which means that N-1 security of supply is not achieved at the Kaikohe GXP. Ngawha Generation appeared to suggest in its submission on ACOT that its generation improved security of supply for the whole of Northland, but in our view the constraint and therefore the security of supply benefit is only to the Kaikohe GXP. Transpower is required to achieve N-1 security on the core grid only, and if customers at Kaikohe require N-1 security on their connection assets, they are able to contract with Transpower to provide this, via lines upgrades or alternate solutions such as embedded generation.

### Timing

In terms of timing for distributors, we would usually receive draft transmission pricing around September, and finalise our pricing across October and November. Transpower would then confirm its pricing in early December, and we would communicate our prices to retailers before Christmas. We are legally required under the DDA to communicate our pricing changes to retailers by 30 January at the latest.

This year, Transpower has not supplied its customary draft pricing in September due to the implementation of the new TPM. We expect to receive transmission pricing in early December, which only leaves us a short period to prepare pricing (including modelling) before the deadline. As such, in order to meet our legal obligations under the DDA, we request the Authority confirms its decision on ACOT as soon as possible, along with any supporting information required to calculate and pay ACOT under the new TPM if the decision is to retain ACOT.

If you have any queries please let me know.

Kind regards

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be mindful be present be safe