

3 November 2022

Dr Tim Sparks
Director, Network Pricing Directorate
Electricity Authority
By email to network.pricing@ea.govt.nz

Dear Tim

Cross-submission on ACOT payments to distributed generation

1. This is a cross- submission from the Major Electricity Users' Group (MEUG) on the submissions of nineteen other parties to the Electricity Authority consultation paper "Avoided Cost of Transmission (ACOT) – proposed TPM-related amendments" of 16 September 2022. Submissions closed 20 October.¹
2. MEUG members have been consulted in the preparation of this submission. This submission is not confidential. Members may lodge separate submissions.
3. Submissions broadly fell into three groups:
 - Nine submitters, including MEUG, supported removal of ACOT effective 1 April 2023 and opposed the option of a two-year phase-down.² Some of those submitters suggested policy issues requiring further work; though addressing those issues was not sufficient to justify delaying removal of ACOT.

Meridian Energy in supporting removal of ACOT noted (p2) "We accept that these changes may mean ACOT payments in respect of Meridian's Te Uku and Mill Creek wind farms are no longer required." MEUG welcomes Meridian supporting a principled approach even at the expense of a direct financial cost.
 - Nine submitters, to varying degrees, did not support immediate removal of ACOT:
 - ~ Powerco was open to considering the views of other submitters on the merits of a transition to reflect the current potential reliability value of DG that may not be available if ACOT were not paid. MEUG agrees this was a reasonable approach at the submission phase. Having now seen the views of other parties on reliability risks, MEUG is not persuaded that a delay to removal of ACOT is necessary.

¹ ZIP file <https://www.ea.govt.nz/zipcontroller/download/0713e29f6c00c70f09acb7f7aeefbe5a> at <https://www.ea.govt.nz/development/work-programme/pricing-cost-allocation/avoided-cost-of-transmission-payments/consultations/#c19238>.

² Refer Aurora, Horizon Networks, Meridian Energy, MEUG, Network Tasman, Northpower, Powerco, The Lines Company, Unison and WEL Networks.

~ Transpower supported a phase-out to mitigate near-term system (energy) security. MEUG does not support this view because suppliers should be held accountable if there is a near-term energy security event and continuing ACOT will water down and delay imposing strong incentives on suppliers to improve management of energy security. The latter includes contracting for energy security with DG.

If there is a near-term system security risk due to unplanned transmission outages, then Transpower should put in place ways to manage those risks including contracting with DG and other transmission alternatives.

~ Ngawha Generation Ltd, suggested ACOT should not be removed entirely but refocused to allow for avoidance of future transmission costs. The change in TPM from 1 April 2023, coupled with nodal prices, is designed to give Transpower's customers appropriate signal and trends in probable future transmission costs. MEUG is wary of modifying ACOT to add into that mix, especially if that additional signal is RCPD-like or based on LRMC of transmission costs.

~ Six submitters firmly opposed the proposed code change or the alternative phase-out.³ One of those submitters, Manawa, would accept the proposed phase-out if their suggested option for a phased transition from the RCPD charge over a five-year period was not accepted.

- Two submitters had no view on the proposal to remove ACOT. First EA Networks considered how the proposed code changes might affect the remaining code. Second Vector commented on the need to facilitate transmission alternatives.

4. Having considered the views of other parties, MEUG's view remains unchanged in support of the immediate removal of the ACOT provisions effective 1 April 2023.

Yours sincerely



Ralph Matthes
Executive Director

³ Refer Electra, Energy Trusts of NZ, Independent Generators Association, King Country Energy, Manawa Energy and Top Energy.