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3 November 2022

## ACOT – proposed TPM-related amendments

We appreciate the opportunity to respond to submissions posted 21 October 2022 to the Electricity Authority's consultation on *Avoided cost of transmission ACOT – proposed TPM-related amendments*.

After careful considerations of these submissions, none have provided evidence that changes our position, as the system operator, that option 2 to phase out ACOT *"would help mitigate the risk of an impact on peak demand from the immediate removal of ACOT."*<sup>1</sup>

Both IEGA and Manawa Energy identified concerns with the Authority's statement that *"Transpower also retains the option to revisit the need for a transitional congestion charge if needed."*<sup>2</sup> These submitters reflected on the reasons that we did not propose a transitional congestion charge (TCC):

- IEGA *"the Authority also knows that after careful consideration Transpower advised the Authority that it could not design a TCC that would met [sic] the criteria or thresholds the Authority determined for this TCC charge"*
- Manawa Energy *"We do not believe the Authority can realistically rely on a transitional congestion charge as a mechanism to manage grid use. This is because the threshold for its deployment in the TPM Guideline sets the bar too high for the charge to serve any practical value."*

For completeness, our Checkpoint 1 re-submission to the Authority about the TCC (January 2021) stated:

*"A key take-out from our stakeholder engagement was that TCC may help participants to manage the behavioural and commercial transition from the current TPM to a TPM that does not have a permanent peak-usage charge. However, having considered the*

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<sup>1</sup> [Transpower submission](#) 20 October 2022

<sup>2</sup> Electricity Authority, [Avoided Cost of Transmission \(ACOT\) – proposed TPM-related amendments](#), page 16.

*Authority's feedback and clarification of its intent for any TCC, we have not been able to reasonably conclude that we can propose a TCC at this time on the basis of the Guidelines' requirements that:*

- there are geographic areas, circuits or other circumstances where there is a significant likelihood of congestion occurring without a TCC, and*
- we could not efficiently control grid demand using other means, and*
- consequently, that including a TCC would better meet the Authority's statutory objective.<sup>3</sup>*

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'Joel Cook', is positioned above the printed name and title.

Joel Cook  
Head of Regulation

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<sup>3</sup> TPM Development Checkpoint 1 resubmission: [Transitional Congestion Charge paragraph 38](#)