



20 October 2022

Submissions
Electricity Authority

By email: network.pricing@ea.govt.nz

ACOT: proposed TPM-related amendments

Meridian appreciates the opportunity to provide feedback to the Authority on its proposal to clarify that avoided cost of transmission (ACOT) payments will no longer be required under the new Transmission Pricing Methodology (TPM).

Meridian understands that ACOT payments are based on interconnection charges avoided by distributors, especially regional coincident peak demand charges under the current TPM. Meridian agrees that such payments are inefficient subsidies to distributed generators and generally fund transmission charge avoidance rather than cost reduction. The costs of the transmission grid are merely passed on to other grid customers because of ACOT payments. Furthermore, consumers fund the ACOT payments themselves through an uplift in lines charges because ACOT payments are a recoverable cost under the Commerce Commission's Input Methodologies.

The interconnection charge that was the basis for ACOT payments will no longer exist under the new TPM. Meridian agrees that the Authority should take this opportunity to clarify Part 6 of the Code to ensure ACOT payments are not required and that price-quality regulated monopoly distributors will not treat ACOT payments as a recoverable cost to be passed on to consumers.

In Meridian's opinion, the transition away from ACOT payments will not pose any material risks and the full benefits to consumers should be realised from day one of the new TPM in

April 2023. The change has been well signalled and it was widely expected in the industry that the 2016 lists of distributed generation eligible for ACOT payments would only be an interim step. Therefore, further phasing out over time does not seem necessary.

Meridian agrees that continuation of ACOT payments would create an uneven playing field between pre-2017 distributed generation and distributed generation built after that date as well as grid connected generation. Like the Authority, we doubt that removal of ACOT payments will affect the operation of existing distributed generation and we concur with the statements to the effect that Transpower can contract with distributed generation directly if situations arise where distributed generation may be an efficient alternative to grid investment.

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.

Please contact me if you have any queries regarding this submission.

Nāku noa, nā



Sam Fleming
Manager Regulatory and Government Relations