

20 October 2022

Submissions
Electricity Authority

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

Network Tasman appreciates the opportunity to make a submission on the Electricity Authority's (the Authority) Consultation Paper: 'Avoided Cost of Transmission (ACOT) – proposed TPM-related amendments' – September 2022 (the Consultation Paper).

Network Tasman is a distributor (EDB) located at the top of the South Island. We are host to a number of distributed generators (DG). Some of these are included in the Authority's list of eligible DG. We have been making ACOT payments to eligible DG, either according to Part 6 of the Code or by contractual arrangement which has been based on the prevailing regulatory framework at the time of the agreement. We are host to one DG which we believe is considered to provide reliability services in our region.¹

Agreement in Principle

We acknowledge and agree with the principle in amending the ACOT provisions under Part 6 to reflect recent changes to the TPM. However, we see two key issues which have not been addressed adequately by the Consultation Paper:

1.) Legacy Contracts

Although the Consultation Paper references the possibility that some EDBs may still have contractual obligations which survive the removal of any obligation under the Code, it provides no consideration of the impacts of these on EDBs and their consumers. These contracts were negotiated within a statutory regime where there would otherwise have been an imperative to compensate DG and for these to now be considered the sole responsibility and liability of the EDB is a lapse in completeness of regulatory response. We would expect at least a statement from the Authority in the final decision on the economic principles for ACOT going forward and the expectations of participants under these circumstances. This could be used to guide a negotiation out of any historical obligation which was made based on a set of regulatory principles which will now become obsolete.

2.) Grid Support

There has been a confusing approach taken in the TPM to DG which provides grid support. We understand that the Manawa owned Cobb power station (Cobb), which we host, has been modelled by Transpower as grid-connected for the purposes of determining benefits under the new TPM.² This is consistent with its identification as providing reliability services in the Nelson Marlborough region (see below an excerpt from the 2021 Transpower Planning Report).

¹ Transpower's Transmission Planning Reports 2021 and 2022

² Transpower's BBC Assumptions Book 2022

15.1 Regional overview and transmission system

The Nelson-Marlborough region includes a mix of significant and growing provincial cities and towns (Nelson, Blenheim and Richmond) together with smaller rural localities (Picton, Tasman Bay and Golden Bay area).

Local generation at Cobb, embedded behind the Stoke 66 kV grid exit point, provides important voltage and load support to the region.

Yet as its host, we have solely been allocated its benefits and charges under the new TPM. We see this as inconsistent with the objective of the Code and we are concerned about the position this has put us in with regard to ACOT. Except for the purposes of network security, we have no control over the operation of Cobb. If there are benefits to, or from, Cobb, this is something that the grid owner should be responsible for negotiating. There needs to be some consistency in the regulatory approach to DG that provides such services and this needs to align Authority's statutory purpose to promote reliability of the electricity system for the long term benefit of consumers.

Summary

Although we see no impediment to the proposed changes being made, we strongly advocate for the Authority to conduct and commit to further work to provide regulatory certainty for the legacy and peripheral issues we have identified above for the treatment of DG under Part 6.