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## **Consultation on Avoided Cost of Transmission (ACOT) – proposed TPM related amendments**

1. This is Vector's submission on the Electricity Authority's (EA) consultation paper on removing the provisions for ACOT payments from the *Electricity Industry Participation Code 2010*.
2. As noted in the consultation paper, ACOT charges have historically been based on the interconnection charge which will be removed under the new TPM.
3. This consultation provides an opportunity for the Authority to consider incentives on Transpower to support the uptake and use of technologies that reduce the need for transmission upgrades – i.e. "transmission alternatives".
4. The consultation paper notes the Authority's view that, "*nodal prices send an efficient signal for co-ordinating usage, and investment is best coordinated through nodal prices and exposure to a (benefit-based) share of future upgrade costs.*"
5. We consider recent experience following the removal of the RCPD charge from the TPM suggests there are limitations to relying solely on the nodal price to manage peak demand in the transmission grid. The recent changes may well have caused distributed generation to operate differently as well.
6. Particularly given the removal of the RCPD, we recommend the Authority consider incentives for Transpower to contract with distributors, DER owners and aggregators of DER portfolios to provide services that assist Transpower avoid transmission investment.
7. Transpower has a significant upcoming investment programme planned for its fourth regulatory control period which Transpower has indicated will result in transmission prices increasing by 31% in nominal terms.<sup>1</sup> Accordingly, we consider work that facilitates the uptake of grid support technologies to reduce the need for traditional investment should be prioritised by the Authority. The Authority should regularly report on how Transpower's use of transmission alternatives is evolving over time.

Yours sincerely



**Richard Sharp**  
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<sup>1</sup> From RCP3 (2020 – 2025) to RCP4 (2025 – 2030)