

22 March 2022

Cross Submissions  
Electricity Authority  
PO Box 10041  
Wellington 6143

By email: [network.pricing@ea.govt.nz](mailto:network.pricing@ea.govt.nz)

**Cross submissions – settlement residual allocation methodology (SRAM)**

Thank you for the opportunity to provide a cross submission on the consultation paper titled *Settlement Residual Allocation Methodology: principles, options, and pass-through*.

We agree that using rentals to help fund FTRs is appropriate as a means of facilitating retail competition across regions. We think a review of the performance of FTRs would help inform the discussion around rentals. If it can be demonstrated that retail competition has increased as a consequence of the introduction of FTRs (something we would assume is the case), then we think there is potential merit in allocating more of these rentals to new FTR arcs would be the best use of this money.

If additional FTR arcs and/or products are not possible, then we think a distinction should be made be made around rentals arising from losses and those arising from constraints.

For settlement residual rentals arising from losses (net of FTRs), we think the simplest approach would be to allocate this money to wholesale purchasers in proportion to their capacity or volume. By using capacity or volume as the allocator (and not price), the causal link between the rentals generated in the wholesale electricity market and the settlement residual being allocated is broken.

For settlement residual rentals arising from constraints (net of FTRs), we think the money could best be used to either:

- Reduce Transpower's annual costs, resulting in a reduction in transmission charges for all transmission customers; or
- Pay for transmission upgrades in the regions where the constraint rental was generated.

If you have any questions, please contact [David.Buckrell@contactenergy.co.nz](mailto:David.Buckrell@contactenergy.co.nz) or myself.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Chris Abbott'.

Chris Abbott  
Chief Corporate Affairs Officer