

Proposal to amend the Electricity Industry Participation Code 2010

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This form is to propose:

- An amendment to an existing clause in the Electricity Industry Participation Code 2010; or
 A new clause in the Electricity Industry Participation Code 2010.

Please complete as many sections of this form as possible and email or fax it to the above number/email address. The more information you include in your proposal, the faster your proposal will be able to be assessed/progressed.

Proposer's details

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Signature:	
Date:	3 October 2022

The proposal / preferred option

<p>Suggested proposal name (please keep it short)</p>	<p>Transmission pricing methodology (TPM) – New distributor grid point of connection adjustment event</p>
<p>State the objective of your proposal.</p>	<p>To correct an omission in the TPM which creates an inconsistency in the way two equivalent scenarios are treated, and therefore provides for unwanted incentives and potential inefficiency. Specifically, a new distributor GXP is a BBC adjustment event but a new distributor GIP is not.</p>
<p>Does the proposal relate to an existing Code clause? If yes, please state the full clause reference.</p>	<p>Yes. TPM clauses 81(h) and 87.</p>
<p>Describe the specific amendment(s) that you propose be made to the Code <i>OR</i> attach a draft of the proposed Code amendment (optional). Note the Code drafting manual provides guidance on drafting.</p>	<p>The proposed amendments are tracked in the amended TPM accompanying this form.</p> <p>Currently, the TPM contains a BBC adjustment event for a distributor connecting its local network to a new GXP. However, it does not contain an equivalent adjustment event for a distributor connecting its local network to a new GIP.</p> <p>Transpower considers that the omission of GIPs was an error, as the adjustment event should apply to any new distributor grid point of connection, whether it is a GXP or GIP. Otherwise it is possible a distributor injecting into the grid at a new grid point of injection will not receive an allocation for a BBI even if the new grid point of connection puts the distributor in a regional supply group with positive RNPB for the BBI.</p> <p>In the Authority’s decision paper, the Authority accepted that the reasons for adjusting the BBC for a large generator or plant would seem to apply equally to a new distributor connection.¹ The Authority focuses on GXPs, however, it does not consider whether the same should apply for GIPs. We assume this was not intentional as the Authority’s reasons apply equally to GIPs.</p> <p>We propose replacing the references to “GXP” in the relevant clauses with “grid point of connection”.</p>

¹ [TPM Consultation Paper](#), paragraphs 8.24 to 8.26; [TPM Decision Paper](#), paragraphs 8.25 to 8.29.

<p>Identify how your proposal would support the Authority’s objective, as set out in section 15 of the Electricity Industry Act 2010 (Act)ⁱ, specifically addressing the competition, reliability and efficiency dimensions of the objective.</p>	<p>The proposed amendments will correct an omission in the TPM that could result in new distributor GIPs not receiving appropriate BBC allocations, which may (a) reduce incentives to scrutinise some proposed transmission investments, and (b) create inefficient incentives as to the location and mode of connection of new generation based on avoiding transmission charges. This will support the efficiency limb of the Authority’s statutory objective.</p>
<p>Which of the purposes listed in section 32(1) of the Act does your proposal most closely relate to?</p>	<p>32(1)(c): Efficient operation of the electricity industry 32(1)(e): Other matter specifically referred to in the Act as a matter for inclusion in the Code (section 32(2)(b): “pricing methodologies...for Transpower”)</p>
<p>Identify whether you consider your proposed change to be urgent, providing supporting rationale.</p>	<p>We consider the proposed amendments qualify to be, and should be, progressed under section 39 of the Act (being technical and non-controversial) assuming they can be made within the timeframe noted below.</p> <p>We consider the proposed amendments also qualify to be made urgently (under section 40). That is, the proposed amendments have potential implications for the calculation of transmission charges for pricing year 2023/24, and as a result, it is necessary and desirable in the public interest for the proposed amendments to be progressed urgently. We consider the proposed amendments should be progressed under section 40 if they would not otherwise be made within the timeframe noted below.</p> <p>The amendments would need to be confirmed by the end of October at the latest to be considered in our assurance process for transmission charges for pricing year 2023/24, which will be notified to customers in December. The amendments would need to take effect on 1 April 2023 to be part of the TPM when it comes into force</p>
<p>Please set out the expected costs and benefits of your proposal. These should include your assessment of the direct cost to develop and implement the proposed Code amendment, and the consequential costs and benefits as a result of the amendments, to all affected parties.</p>	<p>No material costs. Unquantified benefits for all consumers and other stakeholders from avoiding potential reduced scrutiny of proposed transmission investments and inefficient incentives as to the location and mode of connection of new generation.</p>
<p>Who is likely to be substantially affected by this proposal?</p>	<p>All distributors are likely to be substantially affected by the proposed amendments.</p>

<p>Identify whether you consider (providing supporting rationale):</p> <ul style="list-style-type: none"> (i) your proposed change to be technical and non-controversial; or (ii) there is widespread support for your proposed change among the people likely to be affected; or (iii) there has been adequate prior consultation so that all relevant views have been considered. 	<p>We consider the proposed amendments to be technical and non-controversial. The proposed amendments are consistent with the intent of the TPM.</p> <p>This is because the proposed amendments are consistent with the rationale for BBC adjustment events and the Authority’s previous reasoning regarding that rationale, and the omission is likely unintended (see above).</p> <p>This also means that the principles associated with the proposed amendments have effectively been consulted on during the TPM development process.</p>
<p>Why this is your proposed option?</p>	<p>The TPM needs to change to ensure all new distributor grid points of connection are captured as BBC adjustment events, not just some of them.</p>
<p>Any other relevant information you would like the Authority to consider.</p>	<p>The TPM is a complicated document and was drafted in a short amount of time. It was anticipated that some early changes to the drafting may be required. The Electricity Industry Participation Code Amendment (Transmission Pricing Methodology Related Amendments) 2022 was made with this in mind. Clause 12.94A(b) of the Code allows the Authority to make urgent changes to the TPM outside the normal TPM review and amendment process.</p> <p>The new distributor GXP adjustment event is not required by the TPM Guidelines and is included in the TPM as a departure under clause 2 of the Guidelines. Extending the adjustment event to new distributor GIPs is supported by the same analysis that supported the inclusion of the adjustment event for new distributor GXPs (TPM Consultation Paper, paragraphs 8.24 to 8.26; TPM Decision Paper, paragraphs 8.25 to 8.29).</p>

Assessment of alternative options

Please list and describe any alternative means of achieving the objective you have described for your proposal. For each alternative, please provide the information in the table below (i.e. repeat this table below for each alternative). The list of alternatives should include both regulatory (i.e. Code amendments) and non-regulatory options (e.g. education, information, voluntary compliance). If you have a preferred option please identify it and explain why it is your preferred option.

<p>Brief description of an alternative means of achieving the objective. Note if this is your preferred option.</p>	<p>We have not identified any alternative means of achieving the objective of the proposed amendments because this appears to be the case of an oversight or omission, rather than a scenario where there are several possible solutions to a problem.</p>
<p>The extent to which the objective of your proposal would be promoted or achieved by this option.</p>	<p>N/A</p>

Who is likely to be substantially affected by this option?	N/A
The expected costs and benefits of this option, including direct costs to develop it, and consequential costs and benefits to all affected parties.	N/A

ⁱ Section 15: Objective of Authority

The objective of the Authority is to promote competition in, reliable supply by, and the efficient operation of, the electricity industry for the long-term benefit of consumers.