Chairman: Warren McNabb, [redacted]
Secretary: David Inch, [redacted]

INDEPENDENT ELECTRICITY GENERATORS ASSOCIATION

18 May 2022

Submissions
Electricity Authority
P O Box 10041
Wellington 6143

By email: tpm@ea.govt.nz

Dear TPM team,

Re: Consultation Paper – TPM-related Code amendments

The IEGA welcomes the opportunity to make this submission on the Electricity Authority's proposed Code amendments that enable implementation of the new Transmission Pricing Methodology (new TPM).[1]

This consultation paper covers three issues:

1. requiring disclosure of historical generation quantities of behind-the-GXP of generation plant with capacity of 10MW or more and where the point of connection has a material amount of load;
2. to enable Transpower as Grid Owner to use information held by the System Operator for the calculation or adjustment of transmission charges;
3. providing the ability to amend the cost for minor issues associated with implementing the TPM without a formal Code amendment process.

The IEGA supports the Code amendment relating to issue 2. The remainder of this submission provides feedback on issue 1 and 3.

1. Historical generation volumes for embedded generation

The IEGA is concerned about the following aspects of the Code amendment (answer to question 9):

- The consultation paper refers to Transpower needing this information – but the Code amendment includes the Authority being able to identify and request the information. The draft Code is specific about what Transpower can use this information for but the Authority is

[1] The Committee has signed off this submission on behalf of members.

not named in this regard. If the information is only intended for use to implement the TPM why does the Authority need to be named in these clauses?

- The consultation paper states the purpose of this Code amendment is so that "*participants provide historical generation quantities for behind-the-GXP generation plant*" but the Code amendment (clause 12.102B(4)) is open ended "*trading period 1 on 1 July 2014 to 21 (and including) trading period 48 on the day immediately before the date of the request …"*. Is this Code amendment just for historic information or is it a method of collecting any data to any time in the future? The Authority has stated it plans to do another Code amendment consultation later in 2022: "*The Authority notes that at this time we consider such a Code amendment proposal would focus only on Transpower's future data requirements. The proposal would not seek to change obligations around the provision of historical information covered by the Code amendment proposed in this consultation paper*."[2] This aspect of the Code amendment would have to change when, as proposed, the Authority has amended the Code to enable ongoing collection of this data.
  If the current proposal is truly to apply to collection of historic information then the IEGA disagrees that this Code amendment "*may reduce undesirable incentives for new generation*". The Code amendment is retrospective. This 'benefit' is the only benefit identified in the cost benefit analysis and should only apply to any Code amendment to collect future generation volume information. The fact the Authority plans to ensure it can collect the relevant future generation volumes is the incentive not to invest in new generation plant – not the collection of historic information.
- The IEGA suggests the fallback mechanism must be more specific about "capacity" - the draft Code requires Transpower to calculate "*as if it were operating at its capacity*" (clause 12.102B(7)). What measure of "capacity" is compliant – nameplate, operational or any other type of capacity that might be relevant for the plant owner? We note that the Code amendment 12.102(B)(1) states that 'capacity' has the meanings in the TPM – but capacity is not defined and the only reference to capacity (rather than capacity measurement period) is in Schedule 12.4 clause 25(2)(c) in reference to the capacity of Transpower's connection asset.

Further, the IEGA agrees with the Authority that application of this requirement should be consistent with other obligations in the Code for embedded generation (paragraph 2.16(b) in clauses 8.25(5)(a) and 8.25(6) which apply to generation plant greater than 10MW and not plant that is 10MW.[3] That is, the draft Code should also apply to embedded generation greater than 10MW.

While the consultation paper indicates this Code amendment might apply to only 3 participants it is not clear what is meant by "*where the point of connection has a material amount of load*". Is this material load the load of a distributor or an industrial customer?

3. Ability to amend the Code without undertaking the statutory Code amendment process

The IEGA does **not** support the proposal for the Authority to have the discretion to be able to determine what is a 'minor' issue associated with TPM implementation and thus be able to amend the TPM Code without following the statutory Code amendment process.

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[2] Source: Footnote 20

[3] The Authority has also referred to these clauses in Appendix B of the consultation paper without noting the difference between greater than 10MW (existing Code) and 10MW or more (proposed new Code).

The consultation paper is written as though this Code change is relevant for the period to 1 April 2023. This tight timeframe for TPM implementation is a function of the Authority's own decision to impose a 1 April 2023 deadline. The Authority can make a decision to change this deadline.

But the proposed new clause 12.94A does not have an end date. How long does the 'implementation' process extend for? What impact does this have on the indicative prices that have been published or participants understanding of, what is, very complex future transmission charges?

The Authority is required to develop the TPM Guidelines; Transpower is responsible for implementation of these Guidelines. We query the role of the Authority making 'minor' Code amendments as Transpower implements the TPM. This may place the Authority in a position of undue influence over Transpower as they implement the Guidelines.

Further, we submit that 'minor' Code changes identified by the Authority are unlikely to be consistent with clauses 39(3)(b) and (c) of the Act (copied below) - the clauses the Authority is relying on to justify 'minor' Code changes without using any definition of 'minor'.

> (3) Despite subsection (1), the Authority need not comply with subsection (1)(b) or (c) if it is satisfied on reasonable grounds that—
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> (a) the nature of the amendment is technical and non-controversial; or
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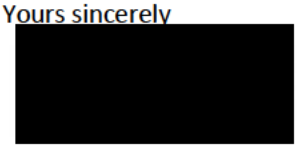
> (b) there is widespread support for the amendment among the people likely to be affected by it; or
>
> (c) there has been adequate prior consultation (for instance, by or through an advisory group) so that all relevant views have been considered.

The TPM Guidelines have been developed over numerous years and remain controversial. If there are issues during the implementation process (with an unlimited timeframe), stakeholders should have the confidence these are being appropriately dealt with by being engaged in developing solutions.

The TPM model is clearly very sensitive to any input or assumption changes so any changes, even if the Authority considers them to be minor, could or would have far reaching impacts. Without the transparency provided by the Code amendment process, stakeholders will be unaware of the number of 'minor' issues that are arising during the implementation process, if these are errors that have been made or indicate that the Guidelines should be changed, whether each or an accumulation of these 'minor' issues has an impact on the overall economic benefits expected from the new TPM or if, as these minor issues arise, they individually or cumulatively reveal the whole TPM is flawed.

We would welcome the opportunity to discuss this submission with you.

Yours sincerely



Warren McNabb
Chair