



**SOUTHERN
GENERATION**
LIMITED PARTNERSHIP

2 December 2021

Submissions
Electricity Authority
P O Box 10041
Wellington 6145

By email: tpm@ea.govt.nz

Dear TPM team,

Re: Consultation Paper – Proposed Transmission Pricing Methodology

The Southern Generation Limited Partnership (SGLP) appreciates the opportunity to provide the Electricity Authority (Authority) with feedback on the Proposed Transmission Pricing Methodology (Proposed TPM).

SGLP consists of southern lines companies The Power Company Ltd (TPC) and Electricity Invercargill Ltd (EIL), and Central Otago-based Pioneer Generation Investments Ltd, and is a generation investment partnership. SGLP owns two windfarms – Mt Stuart, near Milton and Flat Hill near Bluff. In December 2015 SGLP purchased the Aniwhenua hydro power station from Nova Energy. SGLP has also purchased two new hydro power stations constructed by Pioneer Generation – the Upper Fraser power station (8 MWe) in late 2019 and Matiri power station (5 MWe) in late 2020. Upper Fraser was the only new generating capacity added to New Zealand’s generation asset base since 2014 with Matiri coming onstream as Genesis’ Waipipi wind farm was also being commissioned. SGLP purchased The Lines Company three hydro assets of which 2 are based in the King Country and one in the Bay of Plenty. Total annual output of SGLP’s distributed generation plant is over 260GWhs per annum.

SGLP supports the submissions by the Independent Electricity Generators Association (IEGA) and Pioneer Energy Ltd.

A key focus of this submission is on the treatment of the Aniwhenua power station under the Proposed TPM.

We acknowledge Transpower has updated its TPM modelling to take account of the connection of Aniwhenua with Horizon networks (an issue we also highlighted to the Authority in October 2019).

The Indicative Charges provided with this consultation include transmission connection costs for Aniwhenua as if the current Prudent Discount Agreement does not continue.

SGLP notes the Authority’s advice to wait until the Code amendment has actually been approved by the Authority’s Board (expected by the end of March 2022) before engaging with Transpower about a Prudent Discount under the approved new TPM. By that stage it will be 8 months before Transpower publishes its charges for the period from 1 April 2023, expected in the first week of December 2022. These residual and benefit-based charges would have to take into account the existence of any Prudent Discounts.

This timing is exceedingly tight.

SGLP notes that under the Proposed TPM Transpower *may* publish a prudent discount practice manual (PD practice manual) and that the Authority is seeking feedback on whether the Proposed TPM should state Transpower *must* publish a PD practice manual. SGLP agrees a PD practice manual with prescribed minimum content could provide applicants with more certainty. However, SGLP submits Transpower must be able to dedicate the required resources to process applications for prudent discounts as soon as the Code amendment is approved. The aim should be that Transpower has assessed applications for prudent discounts to replace current prudent discounts (if applications are received) before setting any charges for the year starting 1 April 2023.

There has been no change to the location and connection of generation, distribution or transmission assets that influence whether a prudent discount is appropriate. It is only the fact that the Authority is imposing a new way of recovering transmission costs that has the follow-on consequences of resetting the prudent discount arrangements.

SGLP strongly submits the Authority should not require Transpower's limited resources to be distracted to preparing a PD practice manual while any applications for reset prudent discount arrangements are under consideration.

We note the Authority's consultation paper states "Transpower intends to publish the application requirements and application fee for prudent discounts before any new TPM comes into effect"¹. The proposed TPM is also fairly prescriptive about what must be included in the TPM in relation to prudent discounts². This information as well as engagement with Transpower should provide sufficient information to make quality applications for a prudent discount.

A PD practice manual might be useful at a later date. Transpower is due to publish information about each application which will also provide valuable information for potential applicants.

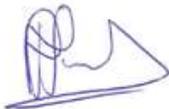
SGLP supports transmission customers applying for a prudent discount for a term longer than 15 years (with 15 years being the default maximum period). The most efficient term of a prudent discount should be revealed during the application process.

The Authority justifies being able to negotiate the term of a prudent discount beyond 15 years as the transmission customer will not face "uncertainty over whether a prudent discount would be renewed"³. SGLP suggests the Authority has imposed this uncertainty on holders of existing prudent discounts which have years to run on the agreements.

SGLP suggests there is still the option of grandfathering the existing prudent discount agreements under the new TPM. This would dramatically reduce uncertainty for transmission customers and the pressured timeframes on Transpower as they implement any approved TPM by 1 April 2023.

Please contact me if you require further clarification in relation to the Aniwhenua hydro power station.

Yours sincerely,



Fraser Jonker
Managing Director

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¹ Paragraph 9.15, page 79, of Authority's consultation paper

² Ibid, Paragraph 9.8, page 78

³ Ibid Paragraph 9.28, page 82