

3 March 2020

Submissions
Electricity Authority
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Powerco submission on *TPM – Supplementary Consultation Paper*

Thank you for the opportunity to submit on the Electricity Authority's supplementary TPM consultation paper. Our submission on the 2019 TPM consultation focused on the benefit-based charge and the residual charge which are included in this supplementary consultation. Our view is that a durable TPM must accommodate changes to the form and use of the grid over time. Some of the proposed changes are trying to capture this need. Our comments on the proposals are:

Benefit-based charge	The approach should be applicable and neutral to all parties paying a benefit charge. This is not limited to when plant closes, but also when one opens, and when generation units open/close (if they are paying the charge).
Residual charge allocation	We prefer an allocation closer to gross AMD than gross GWh. We have submitted in the past that a gross demand measure is preferable because it's a driver of the original transmission investment. For distributors translating the charge to a distribution price, a gross GWh allocation would logically flow through to a volumetric distribution price ie c/kWh which isn't ideal. The Authority has noted in the past that consumption-based pricing creates incentives for consumers to make decisions that lead to significant economic costs for society ¹ .
Prudent discount	If implemented, we suggest the stand-alone cost assessment be for a practical and workable alternative, rather than a hypothetical one. The approach should align with Transpower's regulatory settings administered by the Commerce Commission.

Please contact me if you have any questions about this submission at Andrew.Kerr@powerco.co.nz.

Yours sincerely



Andrew Kerr
Head of Policy, Regulation, and Markets

¹ Electricity Authority, Implications of evolving technologies for pricing of distribution services, Consultation Paper, 3 November 2015, para 5.1.8.