

Proposal to amend the Electricity Industry Participation Code 2010


Send to info@ea.govt.nz or fax to 04 4608879

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

Name:	Rebecca Osborne
Position in company:	Head of Grid Pricing
Company:	Transpower New Zealand Limited
Telephone:	04 590 8638
Email address:	rebecca.osborne@transpower.co.nz
Signature:	
Date:	5 May 2023

The proposal / preferred option

Suggested proposal name (please keep it short)	Minor changes to the transmission pricing methodology
State the objective of your proposal.	To correct typographical errors in, and make some other minor improvements to, the new transmission pricing methodology approved by the Authority on 11 April 2022, as subsequently amended (TPM).
Does the proposal relate to an existing Code clause? If yes, please state the full clause reference.	Yes. See below and the amended TPM accompanying this form.

<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, all of which are tracked in the amended TPM accompanying this form, are as follows:</p> <p>Clause 25: Make the rule that connection charges for a new connection investment start at the beginning of a pricing year (the start pricing year) subject to any contrary provision in the relevant customers' transmission agreements. This is to accommodate clause 41.7 of the benchmark agreement, which may require connection charges for new connection assets to begin immediately if the new connection asset results from certain types of replacement or enhancement or from a reconfiguration.</p> <p>Subclause 26(4): Change "anticipatory connection asset" in paragraphs (a) and (b) to "connection asset" (i.e. delete "anticipatory"). The subclause is circular as drafted currently – it assumes the subject connection asset has already been classified as anticipatory.</p> <p>Paragraph 83(7)(b) (definition of variable E): Record accurately that the Authority (not Transpower) calculated the BBC allocations in Appendix A. Also make some minor clarifying changes to assist readers to understand this input to the benefit factor calculation.</p> <p>Clause 87: Replace "GXP" with "Grid Point of Connection" in the clause title to accurately reflect the scope of the clause, which also captures GIPs.</p> <p>Paragraph 129(e): Change the cross-reference from "subclause 118(1)" to "clause 118" for consistency with the same cross-references in subparagraph 128(b)(i) and paragraph 134(1)(e).</p>
<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 result in a higher quality TPM with some improvement in clarity, including as to how the TPM interacts with transmission agreements. 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>Not urgent</p>

Proposal to amend the Electricity Industry Participation Code 2010

<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 or benefits other than the unquantified benefits noted above.</p>
<p>Who is likely to be substantially affected by this proposal?</p>	<p>No stakeholders 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 all of the proposed amendments to be technical and non-controversial. The proposed amendments are consistent with the intent of the TPM and none of them will impact the calculation of transmission charges materially.</p> <p>In relation to the change to clause 25: currently the TPM is unclear in that it does not address the possibility of a conflict between the timing for connection charges for a new connection investment to start set out in a transmission agreement and the timing specified in the TPM.</p>
<p>Why this is your proposed option?</p>	<p>The only other option is not to make the proposed amendments, which would make the TPM less clear and accurate.</p> <p>For clause 25, Transpower does not consider a workable alternative is to expressly provide for the TPM to override the timing set out in the transmission agreements. The transmission agreements should take precedence over the TPM, including because they have already been entered into and there is no good reason to override those settled contracts. The change is minor in that it is a matter of timing (up to a maximum of less than one year) rather than affecting substantive charges.</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(a) of the Code allows the Authority to make technical and non-controversial changes to the TPM outside the normal TPM review and amendment process.</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>As above, the only other option is not to make the proposed amendments, which would make the TPM less clear and accurate.</p> <p>For clause 25, Transpower does not consider a workable alternative is to expressly provide for the TPM to override the timing set out in the transmission agreements. The transmission agreements should take precedence over the TPM, including because they have already been entered into and there is no good reason to override those settled contracts. The change is minor in that it is a matter of timing (up to a maximum of less than one year) rather than affecting substantive charges (or other substantive matters).</p>
<p>The extent to which the objective of your proposal would be promoted or achieved by this option.</p>	<p>The other options would not achieve the objective of the proposal. In relation to clause 25, allowing the TPM to override the transmission agreements would not meet the objective to “improve the TPM” because it would undermine the transmission agreements without a corresponding benefit.</p>
<p>Who is likely to be substantially affected by this option?</p>	<p>No stakeholders are likely to be substantially affected by this option.</p>
<p>The expected costs and benefits of this option, including direct costs to develop it, and consequential costs and benefits to all affected parties.</p>	<p>No material costs or benefits other than the costs of not realising the benefits of the proposed amendments noted above.</p>

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.