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Submissions
Electricity Authority
P O Box 10041
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By email: network.pricing@ea.govt.nz

Dear team,

Re: Consultation Paper— Amendments to correct issues in the new TPM

The IEGA welcomes the opportunity to make this submission on the Electricity Authority's proposed Code amendments that correct issues in the new TPM identified after implementation.¹

This submission provides short feedback on the ten proposed changes to the Code.

Chapter 2: Do you agree with the proposed amendments for issue 1 - Minor typographical changes to the TPM?

Response: No comment

Chapter 3: Do you agree with the proposed amendment for issue 2 - Workability problem with the cap recovery charge calculation?

Response: No comment

Chapter 4: Do you agree with the proposed amendment for issue 3 - Changing the BBC method for post-2019 BBIs?

Response: This issue could relate to a BBI that changes in value from being less than \$20m to being (well) over \$20m. Transpower is already consulting on the allocation of charges for any BBI. Does the proposed change in the Code require Transpower to consult again once Transpower has disclosed that the BBI has been classified as high value? We suggest this additional consultation should be required by the Code.

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

Chapter 5: Do you agree with the proposed amendment for issue 4 - Benefit factors to calculate starting allocations for new customers?

Response: The Authority states that “there are nine connection locations and Appendix A customers for whom this is the case”². And that “We note that Transpower has already published benefit factors calculated in line with the proposed changes”³. We query whether the customers were informed that Transpower had applied a different methodology from the Code and is it appropriate that the Code was not followed?

Chapter 6: Do you agree with the proposed amendment for issue 5 - More flexibility in the calculation of regional net private benefit?

Response: We suggest this is more than a ‘technical’ correction to the Code. A worked example would be useful to demonstrate the impact on transmission customers. Further consultation is warranted.

Chapter 7: Do you agree with the proposed amendment for issue 6 - Treatment of non-asseted commissioned assets?

Response: The proposed approach seems reasonable and may incentivise Transpower to update its Asset Register more quickly in order to be able to fully recover costs.

Chapter 8: Do you agree with the proposed amendment for issue 7 - Publication of simple method allocators? Do you prefer the alternative approach to publish both the changes to simple method inputs during a period as well as changes to allocations?

Response: We support Transpower continuing to publish the information that is currently available as well as publishing the resulting allocators. All of this information should be publicly available for all transmission customers. We support the information continuing to be available in the Assumptions Book – it is easier to know that one document will provide all the information that might be needed.

The Authority refers to the opportunity to see the allocation calculations during the consultation process – this does not mean that the final allocations (post consultation) will be the same.

Chapter 9: Do you agree with the proposed amendment for issue 8 - Corrections to reduction event adjustment factor (REAF) formula?

Response: This is so technical we are not in a position to comment.

Chapter 10: Do you agree with the proposed amendment for issue 9 - Allocations of high-value investments that are expected to change from interconnection to connection?

Response: The proposal is to apply the Simple Method (rather than the required Standard Method) to recover the costs of an interconnection asset (costing more than \$20m) when the classification of the asset is expected to change to a connection asset within 3 years of commissioning (this occurs because other existing assets are decommissioned).

² Paragraph 5.6

³ Footnote 17

The proposal allows discretion relating to the method of recovering the cost of this Major Capital asset. The requirement that the costs of the project excluding the cost of the interconnection asset are less than \$20m is irrelevant.

The proposed Code amendment does not cover what happens if the interconnection asset remains an interconnection asset – that is, the other assets are not decommissioned in the following 3 years (or a decision is made during those three years that the proposed decommissioned assets are still required) due to a change in demand or other unknown factors. If the assets remain interconnection assets – will Transpower be required to redo the allocation of the cost of this high value investment using the Standard Method?

Chapter 11: Do you agree with the proposed amendment for issue 10 - Consideration of settlement residue payments in prudent discounts?

Response: While this proposal makes sense, Settlement Residue amounts fluctuate from year to year and are difficult to forecast. We submit there must be a way for the prudent discount applicant and Transpower to agree a fair value of Settlement Residue payments over the life of the prudent discount. That is, a differing view about the level of Settlement Residue payments cannot be an issue that stalls or disqualifies a prudent discount application.

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

Yours sincerely

A handwritten signature in black ink, appearing to read 'Warren McNabb', written in a cursive style.

Warren McNabb
Chair