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Submission on the Benchmark Agreement and SRAM Related Code Changes

Introduction

1. This is Vector Limited's (Vector) submission on the Electricity Authority's (the Authority) consultation paper, *Benchmark agreement and SRAM-related Code changes* (the Consultation Paper), published on 17 May 2023.

SRAM implementation cost recovery

Q1. Do you have any comments on the problem definition in this chapter?

Q2. Do you have comments on our proposed funding of SRAM implementation?

Q3. Do you have comments on the proposed amendments to the benchmark agreement and the Code?

Q4: Do you have comments on anything else in this chapter?

2. Vector is comfortable with the Authority's proposal to allow Transpower to recover the reasonable settlement residue implementation and administration costs by amending the benchmark agreement and the Code.
3. However, Vector believes that the Authority's intention to seek assurance that SRAM implementation costs are efficient (or are expected to be efficient), by requiring Transpower to get an independent technical and legal review of the costs, once the timelines and work are defined, should be included in the Code for clarity.

Negative settlement residue

4. Negative rebates are not unprecedented and distributors used to be able to wash these negative rebates up with subsequent positive rebates. However, distributors must now pass through the positive rebates on a monthly basis. Distributors may adjust any payment to correct for a previous overpayment or underpayment but these provisions relate to any amount of settlement residue a distributor is "paid", not charged.

5. The Code, or at least the Authority's practice note (Settlement residual rebates pass-through – Guidance for distributors), should be amended to clarify that clause 12A.3(7) includes adjustments for negative rebates.

Focused changes to benchmark agreement

Q5: Do you have comments on the proposed amendments to the benchmark agreement and the Code?

Q6: Do you have comments on anything else in this chapter?

6. Vector is comfortable with the Authority's Stage 1 proposal to include the benchmark agreement in the Code as a new Schedule and renaming the benchmark agreement the default transmission agreement.
7. The benchmark agreement, including the Connection Code, is a complicated and technical document and has not been changed for a considerable time despite many changes in the industry. For the Stage 2 review, we urge the Authority to engage with stakeholders early and enable shared learning by the sector through multiple and varied rounds of engagement.

Embedded networks

Q2: Do you have comments on the options for addressing the embedded networks issue?

Q3: Which option best promotes the Authority's statutory objective? Please provide your reasons.

Q4: Would the "expanded pass-through option" be able to be implemented effectively and in a cost-effective manner?

Q5: What costs would embedded network service providers expect to incur in implementing the "expanded pass-through option" (including any significant additional system or assurance-related costs, if any)? Please quantify any significant costs.

Q6: Do you have any significant comments on anything else in this chapter?

8. Vector has no preference for new subdivision/apartment/retirement village connections to be set up as embedded networks (as a single Vector gate ICP) or as Vector networks (as multiple Vector individual customer ICPs). We have always accepted the customer/developer's preference as to whether they set up their new development as an embedded network or as Vector network. As such, Vector doesn't believe there is a significant competition issue.
9. As for implementation, of the three alternative options considered, the "exclude embedded networks" would be the most difficult to implement for Vector as we are unsure if all embedded networks are easily identifiable. It would also be problematic for Vector to allocate settlement residue to customers in proportion to the transmission charges paid by those customers if

embedded networks are excluded from settlement residue rebates but not from paying transmission charges.

10. We are currently preparing to pay settlement residue rebates to all customers who pay Vector line charges directly, including embedded networks. Vector directly bills only 13 embedded networks within its network footprint. All other embedded networks within Vector's footprint are charged on an interposed basis via an electricity retailer, i.e. all transmission charges and settlement residue payments related to the many "other" embedded networks are passed through to the electricity retailer in bulk. These are not easily allocated by Vector, and unlikely by the retailer, to individual embedded network ICPs.
11. If the Authority decides to go ahead with the "exclude embedded networks" option, then Vector would prefer a commencement date of 1 April 2024 to allow sufficient time for implementation and prevent any clawback of rebates paid to embedded networks.

Concluding comments

12. We are happy to discuss any aspects of this submission with the Authority. Please contact me at bas.vanesch@vector.co.nz in the first instance.
13. No part of this submission is confidential, and we are happy for the Authority to publish it in its entirety.

Yours sincerely



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