

Electricity Industry Participation Code Amendment (Benefit-based Charge Adjustment Event: New Customer) 2024

Under sections 38 and 39(3) of the Electricity Industry Act 2010, I make the following amendment to the Electricity Industry Participation Code 2010.

At Wellington on the 26 day of February 2024

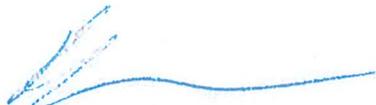


Anna Kominik
Chair
Electricity Authority

Certified in order for signature:



Nicholai Mumford
Senior Legal Counsel
Electricity Authority



Rachael Brown
Partner
Bell Gully

23 February 2024

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Contents

1	Title	1
2	Commencement	1
3	Code amended	2
4	Clause 3 of Schedule 12.4 amended (General Definitions)	2
5	Clause 83 of Schedule 12.4 amended (Benefit-based Charge Adjustment Event: New Customer)	2

Amendment

- Title**
This is the Electricity Industry Participation Code Amendment (Benefit-based Charge Adjustment Event: New Customer) 2024.
- Commencement**
This amendment comes into force on 10 April 2024.

3 Code amended

This amendment amends the Electricity Industry Participation Code 2010.

4 Clause 3 of Schedule 12.4 amended (General Definitions)

In clause 3 of Schedule 12.4, insert in its appropriate alphabetical order:

“**simple method BBC cap** has the meaning in subclause 83(5B)”.

5 Clause 83 of Schedule 12.4 amended (Benefit-based Charge Adjustment Event: New Customer)

- (1) In clause 83(3)(a)(ii) of Schedule 12.4, replace “**beneficiaries of the relevant post-2019 BBI**” with “**customers**”.
- (2) In clause 83(5) of Schedule 12.4, replace “**post-2019 BBI where regional customer group Y is not a future regional customer group and the post-2019 BBI is not a resiliency BBI**” with “**post-2019 BBI under the price-quantity method where regional customer group Y is not a future regional customer group**”.
- (3) In clause 83 of Schedule 12.4, after subclause (5) insert:
“(5A) Subclause (5C) applies to the new **customer’s benefit-based charges for post-2019 BBIs under the simple method** if—

$$BBC_{(3) \text{ total}} > SMBC$$

where

$BBC_{(3) \text{ total}}$ is the new **customer’s total benefit-based charges** for relevant **post-2019 BBIs** under the **simple method** if calculated under subclause (3)

$SMBC$ is the new **customer’s simple method BBC cap**.

“(5B) Subject to subclause (9A), the new **customer’s simple method BBC cap (SMBC)** is calculated as follows:

$$SMBC = E \times \frac{1}{J} \sum_j \frac{BBC_{j \text{ total}}}{E_j}$$

where

E is **Transpower’s estimate of the value of the new customer’s intra-regional allocator** for the relevant **regional customer group** under paragraph 83(3)(a)

J is the number of **customers** of the same type as the new **customer (generator or connected asset owner)**—

- (a) at the new **customer’s connection location**; or
- (b) if there are no such **customers** at the new **customer’s connection location**, at the **connection location** electrically closest to the new **customer’s connection location** at which there is 1 or more such **customers**, as determined by **Transpower**,

each such **customer** being **customer j**

$BBC_{j\ total}$ is **customer j's total annual benefit-based charges for BBIs under the simple method** for the current **pricing year** and **regional customer group** in which **customer j's connection location** is located

E_j is the value of **customer j's intra-regional allocator** for the current **simple method period** and **regional customer group** in which **customer j's connection location** is located.

“(5C) If this subclause applies under subclause (5A), **Transpower** must, instead of applying the new **customer's benefit-based charges** for the relevant **post-2019 BBIs** under the **simple method** calculated under subclause (3)—

(a) attribute part of the new **customer's simple method BBC cap** to each **investment region** in respect of which the relevant **regional customer group** has positive **regional NPB** as follows:

$$SMBC_{region} = SMBC \times \frac{BBC_{(3)}}{BBC_{(3)\ total}}$$

where

$SMBC_{region}$ is the **part of the new customer's simple method BBC cap** attributed to the **investment region**

$SMBC$ is the new **customer's simple method BBC cap**

$BBC_{(3)}$ is the part of the new **customer's annual benefit-based charges** for the relevant **post-2019 BBIs** under the **simple method** attributed to the **investment region** if calculated under paragraph 83(3)(e)

$BBC_{(3)\ total}$ is the new **customer's total annual benefit-based charges** for the relevant **BBIs** under the **simple method** if calculated under paragraph 83(3)(e); and

(b) calculate the new **customer's BBI customer allocation** for each relevant **post-2019 BBI (CA)** as follows:

$$CA = \frac{SMBC_{region}}{CC_{region\ total}}$$

where

$SMBC_{region}$ is the part of the new **customer's simple method benefit cap** attributed to the **investment region** in which the relevant **post-2019 BBI** is located under paragraph (a)

$CC_{region\ total}$ is the total **covered cost** of all relevant **post-2019 BBIs** under the **simple method** located in the **investment region** for the current **pricing year**; and

(c) scale down all **beneficiaries' (including the new customer's) BBI customer allocations** for each relevant **post-2019 BBI** by a factor (F) calculated as follows:

$$F = \frac{1}{1 + CA}$$

where CA is the new **customer's BBI customer allocation** for the relevant **post-2019 BBI** calculated under paragraph (b); and

- (d) calculate or re-calculate (as the case may be) all **beneficiaries' benefit-based charges** for each relevant **post-2019 BBI** based on the **beneficiaries' BBI customer allocations** calculated under paragraph (c)."
- (4) In clause 83(6)(a) of Schedule 12.4—
(a) before “calculate” insert “subject to subclause (9A),”; and
(b) in the definition of BF_j, after “**connection location**” insert “(or the electrically closest connection location, as the case may be)”.
- (5) In clause 83 of Schedule 12.4, after subclause (9) insert:
“(9A) Despite subclause (5B) and paragraph (6)(a), **Transpower** may exclude from the calculation under subclause (5B) or paragraph (6)(a) (as the case may be) any other **customer's generating plant, consuming plant or local network** that is not reasonably comparable to the new **customer's generating plant, consuming plant or local network**, whether by reason of different expected operating modes or otherwise.”.

Explanatory Note

This note is not part of the amendment, but is intended to indicate its general effect.

This amendment to the Electricity Industry Participation Code 2010 (the Code) comes into force on 10 April 2024.

The amendment amends Schedule 12.4 of the Code (the Transmission Pricing Methodology) to correct an issue with the way the benefit-based charge adjustment event is calculated when a new customer connects to the grid in circumstances where that new customer is joining a regional customer group with low intra-regional allocator values, which results in the new customer receiving disproportionately high benefit-based charges. The amendment caps the simple method charges calculated under this adjustment event provision in these limited circumstances to ensure charges are proportionate to the expected net private benefits received by the connecting party.

More information about the amendments is available on the Electricity Authority's website <https://www.ea.govt.nz/development/work-programme/pricing-cost-allocation/transmission-pricing-review/development/>
