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Electricity Authority

By email: taskforce@ea.govt.nz

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Requirement for distributors to pay negative charges when consumers supply electricity at peak times: definition of small business

1. This is Vector's submission on the definition of small business Code amendment proposal by the Electricity Authority (the Authority) in Aotearoa, New Zealand.
2. No part of this submission is confidential, and we are happy for it to be shared publicly.
3. Vector owns and operates the electricity distribution network within the wider Auckland region. This consists of more than 19,000 km of electricity lines and over 22,500 distribution transformers, delivering power to over 624,000 homes and businesses.
4. Vector's strategy for our electricity distribution business is to efficiently and effectively orchestrate distributed energy resources, such as commercial loads, manageable electric vehicle (EV) charging and hot water, to reduce the need for additional spend on infrastructure. This strategy reduces the traditional approach of constructing physical infrastructure, such as distribution transformers, to meet increasing peak demand.
5. We agree that rooftop solar systems with batteries (or other forms of flexible generation) are likely to play a significant role in the future energy system, and that they could deliver benefits to consumers both directly and indirectly.
6. We understand the Authority's intention is to target mass market consumers, households and small businesses in its requirement for electricity distribution businesses to pay negative charges (rebates) to consumers for supplying power to the network at peak times.
7. We agree with the Authority's proposed amendment and assessment on the definition of small business.

Kind regards



Chris Sweetman

Senior Economic Regulation and Pricing Specialist

Submitter	Vector
Questions	Comments
Q1. Do you agree with the issues that we have identified in meeting the policy intent to target small business consumers? Why or why not?	Yes, we agree with the issues with the criteria identifying small business consumers. We do not identify and/or classify consumers by their annual variable consumption but rather their fixed connection capacity.
Q2. Do you agree that applying the negative charge to business consumers below a given connection capacity, and limiting eligibility to distributed generation below that same level, will best achieve the original policy intent? Why or why not?	Yes, we agree with having the same eligibility level threshold for connection capacity and distributed generation. This allows for a straight-forward explanation for eligibility.
Q3. Are both limits required, or could the policy intent be achieved through just one of the proposed limits? Please explain your reasoning.	Yes, we agree that both limits are required. The connection capacity to identify small businesses and the generation capacity to identify large-scale generation that are outside the intent of targeting small businesses.
Q4. Do you agree with our assessment of the proposed threshold for connection capacity? Why or why not? Would you prefer an alternative threshold? Why?	Yes, we agree the 45kVA capacity limit is a suitable threshold. We currently have a 69kVA capacity limit between general and commercial. At this stage we are not considering adding an additional capacity threshold and would propose to use the higher 69kVA for our criteria.
Q5. Do you agree with our assessment of the proposed threshold for DG, and that this should apply based on the maximum deliverable generation capacity? Why or why not?	Yes, we agree with the 45kW generation limit is a suitable threshold. It is aligned with the proposed 45kVA connection capacity threshold and allows a straight-forward explanation for eligibility.
Q6. Do you agree with the objective of the proposed amendment? If not, why not?	Yes, we agree the proposed amendment makes the business consumer definition clearer, simpler to apply and targetable.
Q7. Do you agree the benefits of the proposed amendment outweigh the costs?	Yes, we agree the benefits of the proposed amendment outweigh the costs.

<p>Q8. Do you agree with our assessment of the alternatives? Please explain your reasoning.</p>	<p>Yes, we agree with the Authority's assessment of the alternatives. We believe the alternatives don't align as well as the proposed amendment, as they have additional issues targeting mass market consumers, with practicality or with consistency.</p>
<p>Q9. Are there other options or thresholds we should consider to better align the Code with the original policy intent?</p>	<p>We have not identified any further alternatives to better align the Code with the original policy intent.</p>
<p>Q10. Do you agree the proposed amendment is preferable to the other options? If you disagree, please explain your preferred option in terms consistent with the Authority's statutory objectives in section 15 of the Electricity Industry Act 2010.</p>	<p>Yes, we agree that the proposed amendment is preferable to the alternatives identified.</p>