

Electricity Industry Participation Code Amendment (Settlement Residual Allocation Methodology) 2022

Under section 38 of the Electricity Industry Act 2010, and having complied with section 39 of that Act, I make the following amendment to the Electricity Industry Participation Code 2010.

At Wellington on the 14th day of November 2022



Dr Nicola Lane Crauford
Chair
Electricity Authority

Certified in order for signature:



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14 November 2022

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Amendment

1 Title

This is the Electricity Industry Participation Code Amendment (Settlement Residual Allocation Methodology) 2022.

2 Commencement

This amendment comes into force on 1 April 2023.

3 Code amended

This amendment amends the Electricity Industry Participation Code 2010.

4 Clause 1.1 amended (Interpretation)

In clause 1.1(1), insert in its appropriate alphabetical order:

“**settlement residue** is the **loss and constraint excess** and **residual loss and constraint excess** paid to a **grid owner** by the **clearing manager** under Part 14”.

5 Part 12A heading amended (Distributor agreements and arrangements)

In the heading to Part 12A, replace “and arrangements” with “, arrangements, and other provisions”.

6 Clause 12A.1 amended (Contents of this Part)

(1) In clause 12A.1(c), after “**default distributor agreement template**”, insert “; and”.

(2) After clause 12A.1(c), insert:

“(d) contains other provisions related to **distributors**.”.

7 Clause 12A.2 amended (Participants to which this Part applies)

In the heading to clause 12A.2 replace “this Part applies” with “the schedules to this Part apply”.

8 New clause 12A.3 inserted (Distributors must pass-through settlement residue)

After clause 12A.2, insert:

“**12A.3 Distributors must pass-through settlement residue**

“(1) The purpose of this clause is to allocate **settlement residue** to customers in proportion to the transmission charges paid by those customers in respect of each **connection location**.

“(2) A **distributor** that is paid any amount of **settlement residue** under clause 14.35A(1) of Part 14 must, on a monthly basis, allocate and pay this amount to its customers that pay **lines** charges directly to the **distributor** (“distribution customers”) in accordance with a methodology developed under subclause (3).

“(3) Each **distributor** to whom subclause (2) applies must develop a methodology for allocating **settlement residue** to its distribution customers that gives effect to the purpose described in subclause (1) and reflects the information provided to the **distributor** by **Transpower** under clause 14.35A(6) of Part 14.

- “(4) A **distributor** must publish the methodology developed under subclause (3), including an explanation of the rationale for the methodology.
- “(5) A **distributor** must publish annually a breakdown of payments made under subclause (2) by **connection location** and type of distribution customer (for example retailer, direct generation customer, direct load customer).
- “(6) From time to time the **Authority** may prescribe the form that the annual breakdown of payments must take when **distributors** publish this breakdown of payments under subclause (5).
- “(7) A **distributor** may adjust any payment made under subclause (2) to correct for a previous overpayment or underpayment under that subclause.
- “(8) A payment required under subclause (2) may be met by way of a credit against any amount owed to the **distributor** by the customer.
- “(9) This clause applies to **settlement residue** paid to a **grid owner** in respect of any **trading period** on or after 1 April 2023.”.

9 New clause 14.35A inserted (Allocation and payment of settlement residue by grid owner)

After clause 14.35, insert:

“14.35A Allocation and payment of settlement residue by grid owner

- “(1) Each **grid owner** must allocate and pay any **settlement residue** to its customers on a monthly basis in accordance with a methodology developed under subclause (2), or if the **grid owner** is **Transpower**, subclause (3).
- “(2) Each **grid owner** must develop a methodology for allocating **settlement residue** to its customers such that the amount allocated to any customer is in proportion to that customer’s share of the total charges for using the **grid owner**’s part of the **grid**.
- “(3) **Transpower** must develop a methodology for allocating **settlement residue** to its customers such that the amount to be allocated to any customer is calculated by—
 - “(a) dividing the **settlement residue** into portions related to—
 - “(i) each connection asset; and
 - “(ii) the interconnection assets in each modelled region under the simple Method; and
 - “(b) allocating **settlement residue** related to each connection asset to the **designated transmission customers** connected to it; and
 - “(c) allocating the **settlement residue** related to each modelled region under the simple method to the beneficiaries of transmission investments in the modelled region under the simple method.
- “(4) A **grid owner** may adjust any payment made under subclause (1) to correct for a previous overpayment or underpayment under that subclause.
- “(5) A payment required under subclause (1) may be met by way of a credit against any amount owed to the **grid owner** by the customer.
- “(6) **Transpower** must disclose monthly to a **distributor** the following information about any payment made to the **distributor** under subclause (1)—
 - “(a) the **connection location** it relates to; and
 - “(b) where applicable, whether it relates to **offtake** or **grid injection**.
- “(7) In subclause (3)—
 - “(a) “beneficiaries”, “connection asset”, “interconnection asset”, “modelled

- region”, “simple method” and “transmission investments” have the meanings set out in the **transmission pricing methodology**; and
- “(b) whether a **designated transmission customer** is “connected to” a connection asset is determined under the **transmission pricing methodology**.
- “(8) This clause applies to **settlement residue** paid to a **grid owner** in respect of any **trading period** on or after 1 April 2023.”.
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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 comes into force on 1 April 2023.

The amendment requires grid owners and distributors to develop methodologies for allocating to their customers settlement residue, and to allocate and pay settlement residue in accordance with these methodologies.
