

Eastland Network Limited – Submission to Electricity Authority on Transmission Pricing Methodology: Avoided cost of transmission (ACOT) payments for distributed generation.

1.0 Introduction to Eastland Network Limited

Eastland Network Limited, (ENL) owns and operates three electricity distribution networks which cover a total of 11,800 sq kms, and provides lines services to the greater Gisborne and Wairoa regions on the east coast of the North Island.

Currently a total of 25,538 ICPs having a coincidental maximum demand of 57MW are supplied with a total of 284GWhrs of energy distributed annually from ENL's networks.

ENL is 100% owned by the Eastland Community Trust.

ENL has for some time made payments to two owner/operators of distributed generation, (total installed DG capacity is 13MW), embedded within its networks. The structure of payments made to the individual DG owner/operators is in accordance with ENL's DG Policy which recognises both ACOT and ACOD benefits provided by their specific DG.

2.0 Submission Content

ENL is part of and supports the PWC submission from 22 Electricity Distribution Businesses on **Transmission Pricing Methodology: Avoided cost of transmission (ACOT) payments for distribution generation.**

Further to the content of the PWC submission, ENL submits additional commentary based on ENL's specific experience in;

- Operating distribution networks which are characterised by low ICP density, comparatively low capacity requirements, remoteness and reliance on constrained spurred Transpower transmission assets.
- Having DG embedded within its networks, the benefits of DG to consumers and the recognition of the benefits supplied by the owner/operators of DG.

3.0 DG Benefits

ENL submits that currently under schedule 6.4 of Part 6 of the Electricity Industry Participant Code that there is an obligation on distributors to recognise the benefits, (as described following) and costs associated with DG.

Avoided cost of transmission (ACOT);

- a) Avoided cost of Transpower interconnection charges - the reduction of RCPD.

Under the current Transmission Pricing Methodology and provisions of Part 6 of the Electricity Participant Code, ENL agrees that distributors, (and hence consumers at both a local and national level) are not currently benefiting from the capacity reduction benefits of DG and are paying over and above Transpower charges.

As the current Transmission Pricing Methodology is unlikely to change, ENL suggests that to ensure that consumers benefit from the RCPD reduction provided by DG;

- Consideration of avoided interconnection payments from schedule 6.4 be removed, and

- Transpower be required to pay avoided interconnection directly in the form of a rebate to distributors who would then make payment to qualifying DG owners/operators.

ENL also believes that to be consistent all mechanisms for delivering negative load, (eg. DG, demand side response and load control) should realise that benefits of reduced Transpower interconnection charges.

ENL currently makes payments to DG owner/operators in relation to the avoided cost of Transpower interconnection charges.

- b) Avoided/alternative cost of Transpower connection and new investment charges relating to the upgrading or renewal of ENL specific/dedicated spurred Transpower transmission assets.

ENL accepts that with reference to national grid/interconnection transmission assets that Transpower's reservations regarding the DG reliability and availability may be valid. However at a local transmission level ENL believes DG that meets particular reliability, availability and operational criteria, to be an economically efficient alternative to distributor's Transpower connection charges and/or the requirement for distributors to invest in the upgrade of specific Transpower transmission assets. Distributors should accordingly make payment to DG owner/operators who provide the service that results in economical alternatives and hence a benefit, (avoided cost) to the distributor/ local consumers.

ENL currently makes payments to DG owner/operators in relation to the avoided cost of Transpower connection and new investment charges.

Avoided cost of distribution (ACOD);

- a) Avoided/alternative cost of investment in distribution assets relating to the provision of network support services and/or security of supply within ENL's distribution networks.

Within its own distribution networks for the purposes of providing security of supply and network support, (eg. voltage support), distributors have the option to implement the use of DG as an economically efficient and sustainable alternative to "traditional" investment in upgraded or additional distribution assets.

Again DG that meets particular reliability, availability and operational criteria should receive payment for the service that results in economic alternatives and hence a benefit, (avoided cost) to the distributor/ local consumers.

ENL currently makes payments to DG owner/operators in relation to the avoided cost of distribution investment.

ENL submits that ACOT and ACOD benefits provided by DG result in direct benefits, (avoided costs) for consumers and the requirements of schedule 6.4 should remain – though be it with modification of the ACOT interconnection charge mechanism so that the current anomaly that results in additional costs to consumers is addressed.

4.0 Distributor owned DG

ENL submits that sufficient safeguards are in place that obligate distributors to ensure that any DG they own does not receive preferential treatment when formulating ACOT and/or ACOD payments.

The safeguards are encompassed in;

- Clause 6.11 of Part 6 of the Electricity Industry Participant Code
- Section 76 of the Electricity Industry Act 2010

- Section 24 of the Electricity Services Information Disclosure Determination 2012.

ENL suggests that the ineligibility of some DG, (owned by non-distributors), for ACOT/ACOD payments because it cannot deliver the service required, should not be confused as “preferential treatment” being given to distributor owned payment eligible DG that does deliver the service required.

5.0 Summary

ENL submits;

- Support for the PWC submission from 22 Electricity Distribution Businesses on **Transmission Pricing Methodology: Avoided cost of transmission (ACOT) payments for distribution generation.**
 - DG provides real economic benefits to distributors/consumers in the form of ACOT and ACOD.
 - Current obligations on distributors to recognise the benefits of DG should remain.
 - The ACOT interconnection charge payment mechanism is changed so that consumers are not disadvantaged as occurs currently.
 - Sufficient safeguards exist to prevent the preferential treatment of distributor owned DG.
-