



TRANSPOWER

Keeping the energy flowing

Transpower House
96 The Terrace
PO Box 1021
Wellington 6140
New Zealand
P 64 4 495 7000
F 64 4 495 7100
www.transpower.co.nz

1st April 2015

Callum McLean
Acting Manager Market Operations
Electricity Authority

By email: callum.mclean@ea.govt.nz

Dear Callum

Disconnection of direct purchasers

Further to our conversation this morning, this letter responds to your email to Jim Tocher of 19 March about the transmission agreements between Transpower and direct purchasers that have disconnection provisions, as contemplated by new clause 14.49 of the Code.

Transpower has 12 **direct consumer** customers. Eleven of those are connected to the grid under default transmission agreements, and therefore the following clause of the benchmark transmission agreement applies (the **De-energise Clause**):

37.5 De-energisation:

Transpower's obligations under this Part are subject to any obligations or rights it may have under this Agreement to de-energise a Point of Connection or to require a Point of Connection to be de-energised. In addition, Transpower may de-energise a Point of Connection if directed to do so by the Board [*Authority*] or the **Rulings Panel** under the Electricity Governance Regulations or the Electricity Governance Rules [*Code*] or by the **clearing manager** or any other person authorised to do so by the Electricity Governance Rules or the Electricity Governance Regulations [*Code*] and Transpower will use reasonable endeavours to notify the Customer in advance of such de-energisation if it has received sufficient notice of the direction.

Transpower's other **direct consumer** customer is connected to the grid under a negotiated transmission agreement that includes a clause substantively identical to the De-energise Clause. "De-energisation" is defined in both the benchmark transmission agreement and the negotiated transmission agreement as including disconnection.

Accordingly, Transpower considers that the De-energise Clause fulfils the requirements of clause 14.49 of the Code. Transpower does not intend to seek any changes to the transmission agreements to give further effect to clause 14.49.

Policy and process issues

Although we are compliant with the requirements of the new clause 14.49 we remain unclear as to how the Authority intends to operate the disconnection policy. We have raised this matter with the

Authority repeatedly and shared our thoughts on the nature of issues that would need to be addressed for the disconnection provisions to operate smoothly.

Our understanding was that the Authority recognised these issues and, in December 2013, stated that it intended to consult on the disconnection policy early in 2014. Our expectation is that this consultation would address these issues and help establish the processes that the Authority and affected parties such as Transpower, distributors and connected parties should follow in the event of default.

Unfortunately the timing of the consultation slipped as 2014 progressed and, in December 2014, the disconnection policy consultation simply disappeared from the Authority's consultation calendar. The consequence of this, and our inability to progress the matter bilaterally with the Authority, is that we have no visibility of how the Authority intends to implement the disconnection policy or what it expects of Transpower.

I would welcome clarification of the Authority's implementation plans for this policy so that, if this policy is ever applied, it can be done smoothly without impacting other customers or risk to system stability, equipment (of Transpower or the customer) or safety.

Yours sincerely

A handwritten signature in black ink, appearing to be 'JC' followed by a long horizontal stroke.

Jeremy Cain
Regulatory Affairs Manager