Summary of submissions

List of distributed generation eligible to qualify to receive ACOT payments under the regulated terms in the lower North Island

9 August 2018

Introduction

Under Part 6 of the Code, distributed generation (DG) is eligible to receive ACOT payments under the regulated terms only if it was connected to the distribution network as at 6 December 2016 and is on a regional list published by the Authority.

In May 2018, the Authority published for consultation a proposed list for DG in the lower North Island that would be eligible to qualify to receive ACOT payments under the regulated terms. The consultation paper is available at https://www.ea.govt.nz/development/work-programme/pricing-cost-allocation/acot-code-change-implementation/consultations/#c17067.

The Authority received submissions by the due date[1] on its consultation paper from the parties listed below.

1. Drysdale Hydro Company
2. Genesis Energy
3. King Country Energy
4. Mercury
5. Meridian Energy
6. Orion New Zealand
7. Southern Generation Limited Partnership supported by Horizon Networks
8. The Lines Company
9. Unison
10. WEL Networks

This paper provides a high-level summary of the key issues raised by submitters.

---

[1] In addition the Authority received two late submissions, from Trustpower and Tilt Renewables. The late submissions are not summarised in this paper but are published as late submissions alongside the others so that the views of these parties are publicly available.

Summary of issues raised

Submitter	Comments
Drysdale Hydro Company	Drysdale Hydro Company states that it objects to the list on the basis that its 100 kW hydro station, connected at the Marton GXP, was not included. It suggests all plant that generates during winter evening peaks should be eligible to qualify for ACOT because: • ACOT payments would reflect the impact in reducing transmission losses from South Island generation • The DG may have been built at a time when lines were more constrained • The DG should be entitled to attract a return for reducing peak load, as hot-water load control does.
Genesis Energy	Genesis Energy states that it generally supports the Authority's ACOT approach. It is of the view that ACOT payments should only be made when transmission investment is actually being avoided and there are demonstrable benefits for consumers. It supports the draft list, and specifically the inclusion of Hau Nui wind farm, embedded at Greytown GXP.
King Country Energy (KCE)	KCE notes Transpower's approach was consistent with that used for its lower South Island report, which it supports. However, KCE states its concerns with the policy process and prospect of ongoing regulatory interventions. It views existing payments between networks and DG owners as covering broader benefits of DG, and disaggregating this approach will be laborious, expensive, and a barrier to entry for new DG. It suggests Transpower's report confirms that DG provides broader benefits, and suggests some benefits are disregarded under the revised ACOT approach.
Mercury	Mercury states it agrees with the list and does not consider any changes necessary.
Meridian Energy	Meridian Energy states its view that the ACOT eligibility process should include: 1. a significantly higher minimum size threshold for eligibility – it specifically suggests a 100kW minimum. It does not accept Authority comment from the lower South Island decision paper that small DG may collectively defer or reduce grid investment, suggesting DG of that size would not impact Transpower decisions. 2. usage of DG level, not GXP level, assessments. It states its view that the Code provisions contemplate assessment at a plant-level. It suggests a GXP-level assessment results in a binary determination, and the effectiveness factor may not be sufficient to distinguish the effect of DG and nearby grid-connected generation. 3. strictly defined eligibility time periods, limited to any timeframes over which assessed grid reliability impacts will lapse. It suggests payments will otherwise continue indefinitely, at cost to consumers. Overall, Meridian Energy considers the basis for measuring ACOT is highly inaccurate, and results in subsidies that ultimately create costs for consumers. It supports further investigation of the ACOT approval arrangements.

Orion New Zealand (Orion)	Orion outlines its view that: 1. The list is too long and counter-intuitive in that it includes all DG at a GXP even though not all may be required. 2. The list may create confusion because inclusion on the list may make owners of DG feel that they are entitled to payment based on their nameplate capacity, even though they may not meet the criteria set by their distributor. 3. If distributors were to strictly follow the pricing principles, ACOT payments may increase overall, because they would be paid to all DG on the list at their nameplate capacity. Not all distributors set additional criteria as the Authority's consultation paper supposes, and Orion considers such criteria to be at odds with the pricing principles in Schedule 6.4 of the Code. 4. The Code does not allow for consideration of alternatives (such as demand response) that may support the grid reliability standards (GRS) at lower cost to DG. 5. These problems could have been avoided if the Authority had consulted on how best the Code could be changed to meet the objective before actually changing the Code. Orion commented on Transpower's methodology, suggesting that: • Transpower should have started with measured load and progressively added back DG in order of size, to determine the point at which the GRS would no longer be met. • It appears random to assume that all generation in place at 6 December 2016 contributes to meeting the GRS. • The methodology likely under-estimates the contribution of DG behind load if it relies on reconciliation data, or over-estimates it if it uses nameplate capacity. • It does not identify the actual costs being reduced by DG, which would be of value to distributors making ACOT payments.
Southern Generation Limited Partnership (SGLP), with a letter from Horizon Networks	Pioneer submits on behalf of SGLP that the Aniwhenua hydro station's 25 MW ICP should be on the list based on its 33 kV connection to the Horizon network behind Edgecumbe GXP, which is identified in Transpower's analysis as being required to meet the GRS. The plant is also notionally embedded, and subject to a Prudent Discount Agreement between Transpower and Horizon Networks, but its submission does not apply to that connection. The ICP in the registry is recorded as inactive, but this is a result of complex reconciliation requirements of the plant. In support of its submission, GSLP provides ICP identifiers, a line diagram for Horizon Networks, an information paper from the Electricity Commission describing the plant's status, and a letter from Horizon Networks supporting and confirming SGLP's submission.
The Lines Company	The Lines Company questions the list generally. It expected a more stringent test. It submits that that further refinement of the ACOT arrangements is needed soon, to align ACOT payments better to where the transmission benefits are located and to reduce the over-payment by consumers for the services provided by DG. As an example The Lines Company notes some DG at Ongarue was identified as needed for grid backbone support, yet The Lines Company's consumers have to solely bear the cost of these ACOT payments. If the benefit is to the grid backbone, The Lines Company submits that Transpower should pay.

Unison	Unison submits that a future review of the ACOT policy and methodology should be undertaken and given priority, to determine: • the workability and fit with any new Transmission Pricing Methodology (TPM) that is implemented • that the outcome is meeting the policy requirement of helping to avoid transmission costs and investment • whether the costs of ACOT are being paid to the right parties, and at the correct amount. The process for review and assessing the connection of new DG needs to be flexible and adaptable to be able to meet the GRS, rather than done at arbitrary points in time (e.g. five years after implementation). Unison seeks two technical clarifications: 1. DG at Wheao (Rotorua) is not considered necessary to meet the GRS until after 2020. Unison queries whether: a. This is due to Wheao not being recorded as DG, but rather as embedded generation, since it is connected at 33 kV or above b. Wheao should be included in the list for the Rotorua GXP, as it supports the 110 kV Rotorua-Tarukenga circuit, which the ACOT analysis treats as a local constraint, despite it being a Connection Asset supplying Unison. 2. Should DG located at Fernhill GXP be included as mitigation for the constraint of the Hawke's Bay 110 kV network, given that Fernhill is connected to that network.
WEL Networks	WEL Networks believes that the material produced to date meets the Code obligations but not the Authority's objective of reducing inefficient ACOT payments. It notes the following key issues with the assessment methodology: • DG for local supply, regional supply, and grid backbone support are all treated equally despite delivering vastly different levels of benefit, particularly to consumers that pay for the ACOT payments. DG that provides grid backbone support should not be paid by consumers on a single network. A grid backbone upgrade made now would be paid for through higher transmission charges to all consumers. • Supply from intermittent DG cannot be assured to support N-1 security and hence cannot prevent or defer transmission investment. However, the methodology means they are likely to continue receiving ACOT payments inefficiently. WEL Networks submits that the current assessment methodology results in a gross overstatement of the DG which should be eligible for ACOT payments. It is strongly opposed to consumers continuing to be liable for inefficient ACOT payments being made to DG operators who do not actually offset transmission investment, and suggests a qualitative analysis of the DG required could avoid this.