Transmission Pricing Methodology Consultation

Cross-Submission to the Electricity Authority

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Rob Bernau
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Electricity Authority

By Email: TPM@ea.govt.nz

Dear Rob

Proposed Transmission Pricing Methodology (TPM) Cross-Submission

The Electricity Authority has invited cross-submissions for the consultation 'Proposed Transmission Pricing Methodology' and Buller Electricity Limited (BEL) appreciates the opportunity to make a submission.

Coincident Measurement of AMDR for Points of Connection at the same Physical Location

BEL would like to take this opportunity to draw the Authority's attention to submissions which have identified the determination of Anytime Maximum Demand (Residual) (AMDR) using a non-coincident methodology for Points of Connection at the same physical location as being a significant oversight in the proposed TPM. The submissions were from:

- New Zealand Steel
- Oji Fibre
- Major Energy Users Group (MEUG)

These submissions as well as our own clearly highlight the reasons why the TPM needs to differentiate between multiple Points of Connection at the same physical and multiple Points of Connection at different physical locations, with a coincident AMDR being used in the case of the former rather than a non-coincident AMDR. As it currently stands the use of a non-coincident AMDR for Points of Connection at the same physical location results in an unfair and inconsistent treatment of the connected customers compared with the situation where the physical arrangement and/or ownership of the connection assets means that there is only one Point of Connection at a physical location. Given that this issue has been repeatedly raised in submissions since at least the 2016 TPM consultation it is disappointing that this inconsistency remains in the current TPM proposal. Furthermore, it raises the question if the Authority fully understands the details of the matter being raised.

The decision for BEL to invest in the building, ownership & operation of the Robertson St Substation (ORO GXP) in 2004 was made based on providing a reliable supply to consumers at the lowest possible cost which clearly met the Authority's objectives. At the time this decision was made BEL considers it to be a fair and reasonable expectation that the common transmission services provided to us in the future would not be materially impacted (in terms of reliability and charging) by whether our GXP substation was BEL or Transpower owned/operated. This is not the case under the proposed TPM where a non-coincident AMDR methodology is used for Points of Connection at the same physical location, the consequences of which will add substantial costs to consumers rather than the benefits determined in the original investment case. Furthermore, we are unsure as to how the large differential which exists between our coincident and non-coincident AMDR (11MW vs 19.6MW) gives a reason to justify that our size and ability to pay Residual Charges is aligned with 19.6MW rather than 11MW (BEL's maximum network demand).

This issue also has implications for the establishment of new connections to the transmission network as there would be an inconsistent treatment in how the AMDR for new connections are determined. Given that new N-1 security GXP substation connections which are not Transpower owned require 2 Points of Connection at the same physical location, if a non-coincident AMDR methodology is used there will be a heavy disincentive for customers to own GXP substation assets. As Transpower ownership of these assets is given favourable treatment this clearly results in an anti-competitive outcome.

The current proposal defies logic, is unacceptable, and this situation needs to be resolved without further delay.

Yours sincerely

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