REFINING NZ
Your Energy Hive

22 December 2021

Submissions
Electricity Authority
PO Box 10041
WELLINGTON 6143

By email to TPM@ea.govt.nz

Refining NZ Cross Submission on Proposed Transmission Pricing Methodology - Consultation Paper

Dear TPM Team

Thank-you for the opportunity to provide feedback on submissions related to Transpower's consultation paper "Proposed Transmission Pricing Methodology" dated 8th October 2021.

Refining NZ has the following comments on the submissions received and published by the Authority as part of its current round of consultation. We also note that nothing in our review of other submissions changes the comments that we made in our submission dated 2nd December 2021.

TPM is overly complex

We note and support a common thread between a number of submissions that the proposed TPM is overly complex with some submitters suggesting that it needs to be simplified to a more workable and understandable form. We believe that this complexity risks creating a situation of inequality between submitters and unfairness to submitters who may not be as well-resourced to fully interpret and comment on the potential impact and consequences to their business and their customers. We have further concern that this complexity may well lead to unintended consequences. This would suggest a careful and methodical review of all feedback is required to ensure a long and enduring TPM. It would seem prudent to schedule a post implementation review as proposed by Unison "to ensure that it is delivering outcomes that are consistent with the policy intents and delivering outcomes to consumers that are logical and durable".

Given this complexity and the breadth and depth of feedback, we do not believe that current decision and implementation timeframes are achievable. We believe that the Authority should give due consideration to delaying the proposed implementation timelines, as suggested by other submitters.

Impacts on future investments

A number of submitters also highlight the risk of the new TPM potentially constraining future investment if it cannot provide greater certainty and transparency of future costs. For example, the Mercury submission states that "For large generator-retailers, merchant generators and large loads alike it will become harder to make a solid business case for investments if reasonable estimates of future transmission charges are not straightforward". We share these concerns given the complexity of the proposed TPM.

Prudent Discount

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We reiterate our previous comments and support for prudent discount mechanisms. We support the joint submission from Northpower and Top Energy in terms of potential associated prudent discount issues that need to be addressed. These include having to re-apply for existing prudent discounts under the new TPM, being prevented from applying for new prudent discounts until the new TPM is implemented and providing more reflective maximum timeframes that are in line with the usable life of alternative new assets. We again highlight our other previous concerns in terms of the time and cost burdens on applicants. In addition, the delayed nature of any prudent discount applied due to having to align with a hypothetical construction time of the alternative.

Residual Charges

With regards to residual charges and the historic lag period used to assess these charges, we note and support the suggestion by Oji Fibre Solutions that a nearer term timeframe may better align current grid use with associated charges.

Oji Fibre Solutions also express concern that residual charges are paid by all transmission customers to the extent that they are load customers. In their submission, they suggest that generators use the interconnected grid equally and as such residual charges should be shared evenly between generators and load. We believe this would be a fairer approach and therefore support the Oji Fibre Solutions comments.

First Mover Disadvantage (FMD)

In terms of Type 2 FMD anticipatory capacity we note a number of objections were raised by submitters. Mercury do not consider there is an efficient or fair way for Transpower to invest in capacity above what a connection customer needs and apportion that additional capacity's cost to any customer(s). MEUG express concern over building any such capacity without first having supporting investment contracts in place. As a potential recipient of related charges, Refining NZ remains concerned that any such investments are suitably scrutinised and do not become an added and potentially unsustainable burden on our business. In this regard we reiterate our suggestion that any such costs associated with anticipatory capacity would be better absorbed by Transpower's shareholder (as also suggested by other submitters). In the event that the Authority remains of a mind to support over-build of anticipatory capacity we feel that these charges would be better spread across all transmission customers as proposed by Transpower and supported by the joint submission of Northpower and Top Energy (along with others).

Final Comment

We thank the Authority for the opportunity to provide feedback on submissions on the proposed TPM and are willing to discuss our submission further as required.

Our final comment is to reiterate the importance to our business of having certainty as to what transmission and distribution charges will be applied after we transition from a refinery to terminal operation. It is also vital that we are able to utilise appropriate derating and/or reduction clauses to ensure that interconnection charges (BBC and residual charges) be reset to a more equitable level before the TPM comes into force. In addition, we require a solution to the high connection charges and a mechanism under which these are reset to a more equitable cost.

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Yours sincerely

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