

20 June 2022

Submissions
Electricity Authority

By email: tpm@ea.govt.nz

Manawa Energy's Submission on status of existing prudent discount agreements and notional embedding contract under the new TPM

Manawa Energy Limited (**Manawa**) thanks the Electricity Authority (**the Authority**) for an opportunity to provide our views on the Consultation Paper: Status of existing prudent discount agreements and notional embedding contract under the new TPM (**the Consultation Paper**).

The Consultation Paper seeks to ensure equivalent treatment under the new TPM of the existing notional embedding contract (**NEC**) between Network Waitaki and Meridian Energy and the two existing Prudent Discount Agreement (**PDA**)'s of which Manawa is a party¹.

As currently drafted the Electricity Industry Participation Code (**the Code**) would treat the NEC as an exception to the general rule that Transpower must charge for transmission services in accordance with the new TPM. The Authority considers that clause 12.95 may suggest, all things being equal, the current NEC is to continue under the new TPM. This may result in pricing outcomes that are inconsistent with the intent of benefit-based charging. This issue does not arise for existing PDA's as they are not outlined as exceptions under clause 12.95.

We agree with the Authority that the status of these existing contracts under the new TPM needs to be resolved and that existing NEC and PDAs should be treated similarly given they both seek to achieve the same general outcome, i.e. provide prudent discounts on transmission charges. In terms of identifying the appropriate means for ensuring equivalent treatment, we think the best solution would be the Authority amending the Code so that the NEC is no longer a stated exception to clause 12.95 (Option 2).

We do not consider it would be appropriate for the Authority to intervene in the private contractual arrangements for a prudent discount between Transpower and others that were previously entered into in good faith, as could occur under Option 3. The original bargain and risk allocations within the contracts for a prudent discount need to be honoured and the regulatory change provisions within the contracts should be enabled to take effect, if required.

Finally, we support the Authority's approach of ensuring that any amendments to existing prudent discount arrangements (via a NEC or PDA) only take effect at the commencement of the new TPM, and no earlier.

If you have any queries regarding this submission please contact Fiona Wiseman, Regulatory Manager on [REDACTED]

¹ Further details of the contracts are outlined in paragraph 2.1 of the Consultation Paper.