



22 June 2022

Submissions
Electricity Authority

By email: TPM@ea.govt.nz

**Status of existing prudent discount agreements and notional embedding
contract under the new TPM**

Meridian appreciates the opportunity to provide feedback to the Authority on the status of the two existing prudent discount agreements (PDAs) and the notional embedding contract (NEC) under the new Transmission Pricing Methodology (TPM).

Meridian's comments are focused on the NEC as Meridian is a party to that contract along with Network Waitaki and Transpower.

Meridian agrees with the Authority that a Code change may be worthwhile to clarify the status of the NEC when the new TPM takes effect on 1 April 2023. The NEC was put in place because of the incentives created by the RCPD charge and HVDC charge under the existing TPM. In effect the NEC provided a discount to the parties to encourage them to remain connected to the transmission grid, rather than bypassing the grid through embedding generation within Network Waitaki. With the removal of the RCPD and HVDC charges under the new TPM, the NEC will become obsolete. In the Authority's words, "a core part of the bargain these contracts were based on effectively disappears".

The NEC includes regulatory change provisions that provide a right to terminate the contract if there is regulatory change (like the new TPM) that materially affects a party's obligations or the ability of a party to perform its obligations under the NEC. Meridian anticipated these

provisions being exercised so that the NEC is terminated with effect from 1 April 2023. The Code change now proposed by the Authority simply confirms that course of action. We appreciate that the Authority's preference is to "honour contractual bargains and risk allocations where possible" while not supporting any ongoing discounting that would be at odds with the new TPM. The proposed Code change achieves that intent and Meridian will work with Transpower and Network Waitaki to implement termination of the NEC.

Please contact me if you have any queries regarding this submission.

Nāku noa, nā



Sam Fleming
Manager Regulatory and Government Relations

Appendix A: Responses to consultation questions

	Question	Response
1.	Has the problem with the existing PDAs and NEC been correctly identified?	Yes.
2.	What are your views on the Authority's proposal to amend the Code so the NEC is no longer an exception to the general rule that Transpower must charge for transmission services only in accordance with the TPM?	Meridian agrees that it may be helpful to clarify the status of the NEC for Transpower. Meridian's assumption was already that the NEC would be obsolete upon implementation of the new TPM. We will work with Transpower and Network Waitaki to terminate the NEC ahead of 1 April 2023.
3.	Do you agree with the objectives of the proposed amendment? If not, why not?	Yes.