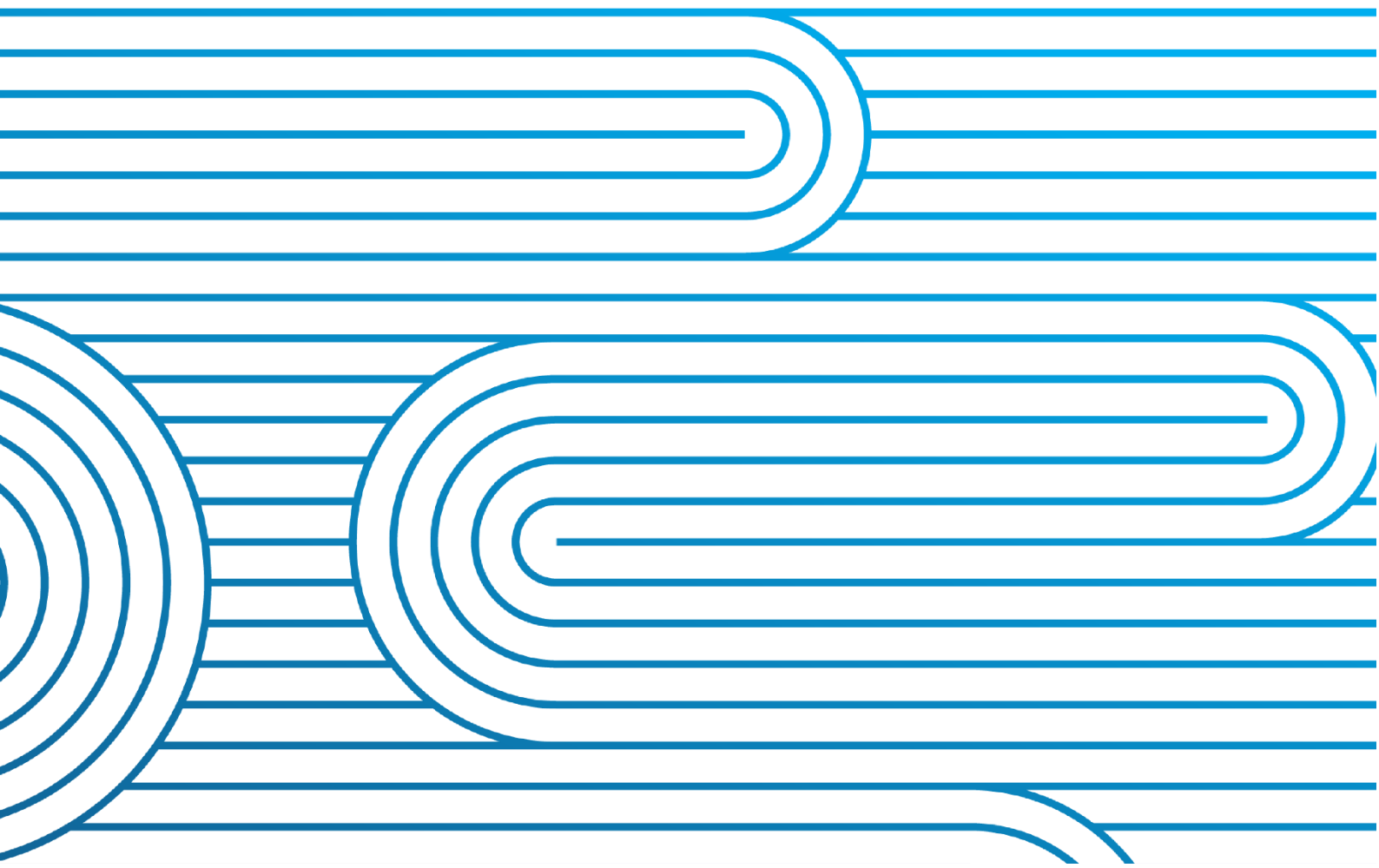


# Code amendments to support the implementation of the new TPM

Transpower's submission to the Electricity Authority's consultation

**Version: 1.0**

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1. Transpower welcomes the Electricity Authority's (**Authority's**) consultation on Code amendments to support the implementation of the new transmission pricing methodology (**TPM**).
  2. The Authority has proposed Code amendments as follows:
    - *Information about embedded generation*: to enable the Authority to obtain information on generation activity "behind" grid points of connection
    - *Information held by the system operator*: to enable Transpower, as the grid owner, to use information held by the system operator for the calculation or adjustment of transmission charges
    - *Amending the TPM*: to clarify that the process requirements in Part 12 of the Code applicable to a full review of the TPM do not apply to urgent and/or non-controversial amendments of the TPM by the Authority.
  3. In general, Transpower supports these proposals. We suggest only minor changes to the proposed drafting.
  4. Transpower also proposes extending the system operator information amendment to allow Transpower as the grid owner to access and use information from the system operator for system planning purposes.

## 1. Information about embedded generation

5. We propose two minor changes to the Authority's proposed clause 12.102B.
  - **Clause 12.107(7)(b)**: The words "to the extent required" at the start of clause 12.107(7)(b) are not needed and can be deleted. This is because subclause (8) already deals with situations where the Code, including the TPM, specifies that information from a specific clause must be used. If those words are deleted then there is an opportunity to combine paragraphs (a) and (b) of clause 12.107(7) to make the drafting simpler and more efficient.
  - **Clause 12.107(8)**: The words "or the transmission pricing methodology" in clause 12.107(8) are not needed and can be deleted. This is because the TPM is part of the Code. Alternatively, this could be changed to "including the transmission pricing methodology".

## 2. Information held by the system operator

6. Transpower, as system operator, currently has information relevant to calculating transmission charges that Transpower, as the grid owner, does not have. As we have noted previously,<sup>1</sup> and consistent with the Authority's consultation paper:

177 ... It would be useful if the System Operator were expressly able to disclose to the Grid Owner information about matters that may be relevant to the calculation or adjustment of transmission charges. For example:

177.1 We may need to use SCADA data to calculate gross load for some customers in some situations. SCADA data is provided by participants to the System Operator under Part 8 of the Code and therefore resides with the System Operator.

177.2 It is possible the System Operator will know about proposals to connect large embedded plant, or even that large embedded generating plant has already been connected, before the Grid Owner does.

7. We agree with the Authority that having access to this information, and potentially other information held by the system operator, would better enable:

- the correct application of adjustment events (Part F of the new TPM)
- the correct calculation of gross energy.

### Extension to allow use of information for system planning purposes

8. We consider the Authority should extend the grid owner's right to access and use information from the system operator to permit that information to be accessed and used for system planning purposes:

- Accurate power system modelling for system planning is essential to ensure our investments in the grid or transmission alternatives are in the right place at the right time, more effectively meeting the needs of current and future grid users and leading to lower transmission charges for all parties over the longer term. Our ability to do this is enhanced when we have access to all relevant information, which includes SCADA and asset capability statement and modelling information.
- We note that under the benchmark agreement (clause 2 of the connection code)<sup>2</sup> customers are required to provide Transpower, as grid owner, with their asset capability statements and other asset-related information (in the same manner in which it provides the asset capability statement to the system operator).<sup>3</sup> However, this does not apply to embedded generators or consumers. It seems inefficient for

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<sup>1</sup> Transpower submission to the Electricity Authority's Transmission Pricing Methodology Consultation, December 2021, paragraph 177, <https://www.ea.govt.nz/assets/dms-assets/29/Transpower-TPM-submission-2021.pdf>.

<sup>2</sup> Clause 2.1 refers to when the connectees must provide us with the ACS. The Benchmark agreement is on the Authority's website here: <https://www.ea.govt.nz/code-and-compliance/the-code/documents-incorporated-into-the-code-by-reference/>.

<sup>3</sup> We note that while the Benchmark Agreement itself is part of the Code, it does not bind Transpower or a customer until it is entered into as a contract between them.

customers to provide the same information to the system operator and grid owner separately. Our proposed extension would also avoid the grid owner having to seek, and possibly not receive, individual participants' approval for information to be shared for grid planning purposes.

- We do not consider that sharing this information would confer any competitive advantage on Transpower. The consultation paper raises the prospect of a competitive advantage but does not explain what this may be.
9. In our view, the Authority should consider this extension as part of its next package of TPM-related Code changes or as a separate exercise. This could include adding a clause similar to proposed clause 12.102A to Subpart 3 of Part 12 of the Code. One of the purposes of Subpart 3 of Part 12 is to *“facilitate Transpower’s ability to develop and implement long term plans...for investment in the grid”* but the subpart does not provide Transpower with any rights to access or use information relevant to that very important task.
  10. Without this extension we consider there will be a potential disconnect between the inputs to the investment approval for a benefit-based investment (BBI) and the inputs to the calculation of the BBI’s starting BBI customer allocations. This outcome would be contrary to the general rule in clause 43(5) of the new TPM. If Transpower is required to use one set of data to calculate charges and another set of data (although with overlap) to determine what future investments to make, this could lead to inefficient investment decisions, meaning higher transmission charges over the longer term.

### System operator considerations

11. For completeness we have considered whether, by requiring the system operator to provide this type of information to Transpower as grid owner, there is a risk of compromising customer confidence in the system operator’s handling of confidential information.
12. We consider this risk can be addressed effectively by the system operator:
  - introducing appropriate controls and oversight for the release of information to the grid owner for the permitted purposes
  - when the new requirement commences, informing participants including communicating the controls in place.
13. In addition to the restriction in clause 3(2) of Technical Code A, we note the system operator receives information from asset owners or their vendors through individual non-disclosure agreements which limit disclosure and use to system operator purposes. A legal obligation to disclose the information for other purposes, for example in the Code, is therefore necessary if the information is to be used for those other purposes. The system operator will not disclose the information otherwise.
14. As the system operator will simply be passing on information, it will not be responsible or liable for the accuracy or completeness of that information.

## 3. Amending the TPM

15. The new TPM is a major change from, and significantly more complex than, the current TPM. There is little or no international precedent that can be drawn on for its implementation, and the timeframe for development of the proposed new TPM and then its implementation (circa 12 months for each), was and is tight.

16. This creates risk the new TPM could have as yet unidentified workability or practicability issues that may require (potentially urgent) changes or corrections to the TPM.
17. Since the Authority approved and published the new TPM, we have noticed a number of minor drafting anomalies in the TPM (none of which create immediate workability problems). In due course we will package those up into a Code change request and submit them to the Authority. The clarification in proposed clause 12.94A will be helpful to progress these minor amendments.
18. It is possible we will discover other issues in the TPM over the next few months, including through our consultations on the draft assumptions book and proposed starting BBI customer allocations for CUWLP. This may include issues impeding our ability to calculate prices consistent with the new TPM for April 2023.

#### **Provision for the Authority to confirm an urgent amendment before expiry**

19. Proposed clause 12.94A does not address what will happen when an urgent TPM amendment (i.e. one to which proposed clause 12.94A(b) applies) is approaching its nine-month sunset date under section 40(2)(b) of the Act, and the Authority wishes to confirm the amendment. In this situation, it may not be desirable, or even possible, to follow the full Part 12 process for confirming the amendment.
20. We suggest the Code include an additional provision for the Authority to confirm an urgent amendment to the TPM before it expires through the normal Code-change process under section 38 of the Act.



