



MAJOR ELECTRICITY USERS' GROUP

30 January 2018

Jo Mackay
Project Manager
Electricity Authority
By email to submissions@ea.govt.nz

Dear Jo

Consultation Paper – List of distributed generation eligible to receive ACOT, lower South Island

1. This is a submission by the Major Electricity Users' Group (MEUG) on the Electricity Authority (EA) consultation paper "List of distributed generation eligible to qualify to receive ACOT – Lower South Island" including appendices with reports from Transpower and Mitton ElectroNet.¹
2. MEUG members have been consulted in the preparation of this submission. This submission is not confidential. Some members may make separate submissions.
3. MEUG appreciates time spent discussing the consultation paper with Authority staff and the assistance of Transpower in responding to questions from MEUG. Transpower's letter in reply dated 23 January 2017 to the latter is attached for information.
4. The methodology is a good starting point with improvements likely over time.² We are interested in the views of other submitters on the decision to select the forecast top seasonal (winter and summer) 20 trading periods (n=20) to assess required DG.³ The consultation paper notes and we agree there are trade-offs and complexities in choosing n=20 for this exercise compared to the n=100 used for the lower South Island TPM. In the case of the lower South Island with fewer DG and little expected demand growth compared to other regions a pragmatic approach is appropriate. For estimating DG eligible for ACOT in other regions sensitivity analysis of the effect of choosing different "n" may be appropriate.

¹ <https://www.ea.govt.nz/development/work-programme/pricing-cost-allocation/acot-code-change-implementation/consultations/#c16927>

² For example, refer EA consultation paper, paragraph 2.15. "The Authority expects that further refinement of the ACOT arrangements will occur over time to ensure the rate of ACOT payments is better aligned to the level of transmission benefits and to reduce the over-payment by consumers for the services provided by distributed generation."

³ Transpower report, s. 2.2, p10 and appendix A.2, pp18-20.

5. Another complexity to be considered is whether the grid planning criteria using a prudent demand forecast level of P90 could be reduced where there are high levels of DG expected to meet future demand growth and or substitute for grid renewals. Transpower describe the use of P90 as the level required to be prudent for forecasting demand as follows:

“The prudent forecast is defined so as to identify issues with enough time to complete upgrades without exposing New Zealand consumers to excessive risks of unserved energy.”⁴
6. New DG can have a much shorter lead-time to construct and commission compared to lines and therefore the risk to consumers of unplanned outages due to construction delays is materially reduced. Accordingly, in those cases the prudent planning level for forecasting demand can be reduced from P90.

Yours sincerely



Ralph Matthes
Executive Director

⁴ Transpower, Electricity Peak Demand Forecasts – Overview of our peak demand forecast methodology, September 2016, Appendix K, section K7, p59, document URL https://www.transpower.co.nz/sites/default/files/plain-page/attachments/Transpower%20National-Regional%20Peak%20Demand%20Forecasts%20Jul-2016%20Information%20Document_0.pdf