

3 August 2018

Micky Cave
Senior Regulatory Analyst
Transpower
By email to micky.cave@transpower.co.nz

Dear Micky

Transmission Alternatives

1. This is a submission by the Major Electricity Users' Group (MEUG) on the Transpower consultation paper, Transmission Alternatives (TA) engagement process, dated 29th June 2018.¹
2. MEUG members have been consulted in the preparation of this submission. This submission is not confidential. Some members may make separate submissions.
3. Thank-you for the helpful meeting with you and Rebecca Osborne, MEUG advisors Mike Hensen and Garth Ireland and me on 20th July.
4. Responses to questions in the consultation paper follow in the sections that follow.

Question 1: What comments do you have on the principles we apply when assessing potential TA services?

5. The principles are reasonable.
6. Principle xiii could be explicitly aligned with principle v to be technologically agnostic. In addition, principle xiii could reflect the possibility of differing service quality specifications for different consumer in the future. The latter point could also be reinforced by a modification to principle viii. Suggested text changes, under-lined, follow:
 - “viii. Transmission assets deliver reliable, high quality supply to meet demand. Consequently, TA service provision is likely to require similar reliability performance characteristics. We are open to considering how TA might allow consumer preferences for differentiated quality requirements.”
 - “xiii. We are actively exploring transmission alternative approaches to specific transmission issues, including where we see potential to defer new transmission investments by procuring storage services. This means exploring new commercial models and collaboration with our transmission customers and wider interests. New commercial models may also be appropriate with conventional forms of TA and for contracted differentials in quality requirements.”

¹ webpage <https://www.transpower.co.nz/resources/transmission-alternatives-engagement-process-consultation-paper>

Question 2: During an investigation, what information would help to determine whether TAs could be an option?

7. The consultation paper recognises early notice of possible TA opportunities would assist TA providers identify projects they could firm-up to offer as TA. The options for improving earlier notification are covered in question 3 below.
8. Given the market for TA is in its infancy, there is uncertainty about the reliability and longevity of TA and how Transpower will make commercial decisions comparing conventional lines solutions versus TA. Some worked examples would help market understanding. At the next level of detail there is uncertainty what terms and conditions (T&C) might apply and apportionment of risk and reward. Another example of detail is whether there would be a difference in the treatment of how TA reduce or defer operating and capital expenses?
9. T&C may be like the existing Grid Support Contract. If the service provided by the TA is for a shorter time duration, will T&C be like those for the Demand Side Response (DSR) Trial? There is uncertainty if or what form the DSR Trial might take beyond RCP2. Firming up on the likely contractual form for different types and service delivered by TA would reduce uncertainty that may be inhibiting the TA market developing. We acknowledge the consultation paper notes the next steps are likely to include consideration of commercial arrangements.² Noting T&C in this submission is to emphasise the importance of that next step.

Question 3: Do you think the simple changes we have suggested would help enable greater visibility of TA options for our grid planning processes and investment decisions?

10. The proposed changes are welcome.

Question 4: What level of information do you think we should hold on a register – if you are potential TA provider what would you want to provide?

11. MEUG supports having non-commercial information in the publicly available register as a means of facilitating the TA market to develop. A regular review of the performance of TA solutions would also help to expand the scale and scope of TA options.
12. Parties that register but fail to make the cut when projects are being finalised would benefit from understanding what the clearing price for TA that were accepted was. This will assist the market develop an understanding of market supply, demand and price. In the absence of any other market price or forward curve information this historic information would be useful.

Question 5: Do you think the methods we propose for engaging with potential TA providers during investigations will help us identify TA options when we need them? Do you have other ideas?

13. See response to question 2 above.

² Consultation paper, p4.

Question 6: Are there other options or initiatives we should consider to facilitate or better utilise TA to reduce transmission costs over time?

14. In response to question 4 above we suggested a regular review of the performance of TA solutions would also help to expand the scale and scope of TA options. That suggestion was part of our feedback on the register and would be based on actual performance of TA implemented. We think there is also value in Transpower formalising on an annual basis a report for the market on broader perspectives and insights on the state of and possible trends foreseen for the TA market. This would be more of a narrative looking forward compared to the performance of projects in the register or contracted suggested in response to question 4. This forward looking narrative could be incorporated within the existing Transmission Planning Report.

Yours sincerely



Ralph Matthes
Executive Director