

14 December 2020

Rebecca Osborne
Head of Grid Pricing Strategy
Transpower
By email to TPM@transpower.co.nz

Dear Rebecca

TPM: Options paper submission

1. This is a submission from the Major Electricity Users' Group (MEUG) on Transpower's consultation paper "TPM Development, TPM Options" published 9th November 2020¹. Attached and to be read as part of this submission is a report by Mike Hensen of NZIER 'TPM Development Options, Comment on TPM Options Parts B and C, 14 December 2020'.
2. MEUG members have been consulted in the preparation of this submission. This submission is not confidential. Members make also make separate submissions.
3. The key points from the NZIER report follow:

Part B and Part C are generally written at a conceptual level and provide a short qualitative description of the proposed approaches or alternatives. This makes it difficult to quantify the differences between the BBC allocation that would be expected under a continuation of the Schedule 1 allocation method used by the EA and Transpower's proposals.

Over the next five years the Schedule 1 allocation will be the main driver of benefit based charges. After this the 'simple' method rather than the 'standard' method will be used to allocate most of the BBC across generators and load customers.

Transpower's proposals for aggregation did not include sufficient detail for the criteria used to group generation and load customers or the netting off of benefits to compare the proposed approach to Schedule 1. The aggregation approach also

¹ web site <https://www.transpower.co.nz/industry/transmission-pricing-methodology-tpm/tpm-development-tpm-options-consultation> containing Parts A, B and C, URLs https://www.transpower.co.nz/sites/default/files/uncontrolled_docs/TPM%20Options%20Consultation%20-%20PART%20A.%20Overview.pdf, https://www.transpower.co.nz/sites/default/files/uncontrolled_docs/TPM%20Options%20Consultation%20-%20PART%20B.%20Benefit-based%20charge.pdf, and https://www.transpower.co.nz/sites/default/files/uncontrolled_docs/TPM%20Options%20Consultation%20-%20PART%20C.%20Adjustments%20to%20charges.pdf respectively.

seems to lead to a more permissive offsetting of 'disbenefits' against benefits than is contemplated in the guidelines.

The value of reliability benefits for individual BBI will need to recognise the different reliability values for different customer types in different curtailment situations and should not be based on a single or small number of generalised VoLL estimates.

Transpower proposes to depart from the requirements of clause 33(c) for reallocation of the residual charge to avoid unfairly disadvantaging new offtake customers but does not make a compelling case for this proposal.

4. Finally, in terms of process, we appreciate and think the Transpower weekly updates, online sessions, open invitation to ask Transpower questions, prompt publication of submissions and Transpower material have worked well considering the complexity and tight timelines. We look forward to an opportunity to read and make cross-submissions on the views of other parties.

Yours sincerely



Ralph Matthes
Executive Director