

18 January 2021

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

Dear Rebecca

TPM: Options paper cross-submission

1. This is a cross-submission from the Major Electricity Users' Group (MEUG) on the submissions of 18-other parties that closed 14th December 2020 to Transpower's "TPM Development, TPM Options" paper of 9th November 2020.¹ Attached and to be read as part of this cross-submission is a memorandum by Mike Hensen of NZIER "Cross-submission TPM Development Options Parts B and C" 16th January 2021.
2. MEUG members have been consulted in the preparation of this submission. This submission is not confidential. Members may also make separate submissions.
3. There was a high level of interest from parties in the supply chain with:
 - Nine submissions from Distributors and related industry association, the Electricity Network Association (ENA). Vector and Northpower jointly submitted an expert report by Axiom.
 - Seven submissions from energy suppliers including the related industry association, the Independent Electricity Generators Association (IEGA). Two expert consultant reports, one by Creative Energy Consulting (CEC) and the other by John Culy, were submitted by Trustpower.

Of concern there were:

- Only three submissions from consumers. Those were MEUG, NZ Steel (a member of MEUG) and Refining NZ. MEUG submitted an expert report by Mike Hensen of NZIER.

¹ URL for document with all submissions is https://www.transpower.co.nz/sites/default/files/uncontrolled_docs/All%20submissions%20on%20TPM%20Options%20Consultation.pdf at <https://www.transpower.co.nz/industry/transmission-pricing-methodology-tpm/tpm-development-tpm-options-consultation>.

4. MEUG's concern at the lack of engagement by consumers is because the allocation methodologies to be set by the new TPM effective 1st April 2023:
 - a) Will affect all consumers, small, large, urban, rural, location in New Zealand, predictable or unpredictable import and export power loads, and with or without behind the meter generation, smart energy management systems and or storage.
 - b) May indirectly affect distribution tariff design in the future also. Distribution charges currently are and are likely in the future to be at least twice as large as transmission charges for most household and SME consumers.
 - c) It is unrealistic to expect distributors and lines businesses and their agents to consistently have the interest of consumers at the heart of their submissions.
5. The TPM requires Transpower to articulate and estimate the relative share of benefits expected to accrue to different parties including suppliers on the one hand and consumers on the other hand. As we note in paragraph 5 a) above, consumers needs and benefits of being connected to the grid will vary widely depending on whether they are small, large, urban, rural, location in New Zealand, predictable or unpredictable import and export power loads, and with or without behind the meter generation, smart energy management systems and or storage. MEUG suggests the reason why there has been so little engagement by other consumers in the TPM Options consultation is because there were no dollar values that the range of consumers that will be affected could relate to.
6. The above point on lack of quantitative data was made in NZIER's submission on 14th December and reiterated in the NZIER cross-submission memorandum attached notes:

Key points

Our initial comment that Transpower has not provided sufficient quantitative data to compare the options has also been made by many other submitters. The absence of projections of future benefit-based charges (BBC) and the likely drivers of those charges from Part B and Part C have:

- Skewed the submissions toward qualitative discussion of the relative complexity of the options for the standard method when the simple method will be the allocator of increases in BBC. (The exception to this comment is the submission by John Culy on the benefit modelling of the Clutha Upper Waitaki Lines Project (CUWLP).)
- Hindered a quantitative assessment of the materiality of the differences in BBC allocations under the proposed methods given the underlying track of the switch from residual to benefit based recovery of transmission charges.
- Missed an opportunity to address the uncertainty many submitters expressed over the future level of BBC and their exposure to volatility in the BBC from re-allocation or adjustment.

Yours sincerely



Ralph Matthes
Executive Director