

19 April 2021

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

Dear Rebecca

TPM: Cross-submission on Grid and EDB connected utility scale storage devices and residual charges

1. This is a cross-submission from the Major Electricity Users' Group (MEUG) on the submissions of thirteen other parties on Transpower's consultation paper "TPM Development, Residual Charges and the Treatment of Batteries Options Consultation" published 22nd March 2021.
2. MEUG members have been consulted in the preparation of this submission. This submission is not confidential. Members may lodge separate submissions.
3. There is no change in MEUG's view in the submission consultation round that option 1, no exemption, is the best option consistent with the TPM Guidelines and the statutory objective of the Electricity Authority (EA).
4. MEUG welcome the submissions of, in alphabetical order, Nova, Powerco, Trustpower and Vector, that also submitted a preference for option 1. Those submissions raised many additional points in support of option 1 over other options. By and large MEUG agrees with those additional lines of logic. For example, MEUG supports the Trustpower submission on process issues (paragraphs 4.1.4 and 4.1.6 of Trustpower submission, where BB refers to Benefit-Based).

"We are not sure why that with this matter not having been raised in those forums, the Authority and Transpower, think it is appropriate to spend time on it now TPM development has been compromised by very compressed timeframes.

Throughout the development of the new TPM there have been strong calls for more information, more consultation, and more time for submission responses on the TPM's main components. On every occasion these requests have been denied as a result of the timeframes afforded to Transpower in the Authority's TPM Development Process.

If time is scarce, and the Authority keeps claiming this reform is urgent, we think the matters which were raised in relation to the main components should be given priority. This includes further consultation on the Authority's flagship BB charge which

allocates, and needs to be seen to allocate, transmission charges for BB investments on a basis which is a realistic estimate of their lifetime private benefits from relevant BB investment.”

5. Another matter of process and governance that MEUG shares the concerns raised by Trustpower relate to the intent of the TPM Guidelines “Intent Clause” explained in paragraphs 7.1.1 to 7.1.4 of the Trustpower submission. Paragraph 7.1.4 concludes:

“Indeed, the Authority’s “letter of comfort” raises an interesting governance issue about the extent to which Transpower is to have any discretion in relation to the TPM or is simply to be subject to different types of directive “guidance”.

This is a regulatory risk which we are keen to avoid, irrespective of the merits or otherwise of Contact’s application.”

6. Of the remaining nine submissions, one had no preference for an option, one suggested an alternative option, five primarily preferred option 2 and two for option 3. While MEUG does not agree with the conclusions reached by those submissions, there were points made that MEUG agrees with. For example, MEUG agrees with Mercury Energy’s submission:

“Given the potential importance and wide role for batteries in the future, Mercury is of the view it is risky to design the cost regime for them in a short consultation process being run as part of a wider review. Ideally this would be done as a specific and separate policy review process which would include a full problem definition, options analysis and cost-benefit assessment.”

7. Mercury Energy helpfully raised possible issues that need further consideration and concluded by noting:

“Should responses to these possible issues materially change economic incentives we would possibly reconsider our support for Option 3 at that point.”

8. MEUG agrees with the questions Mercury Energy raised. Other submitters raised other details that we agree need consideration, such as Vector (paragraph 5):

“While Contact are expressing concern about grid connected batteries in general, we understand their concerns have come to light as they investigate a battery that they would be a significant beneficiary of. We are not privy to their business case and the alternatives they have considered (such as transmission upgrades), or the sources of revenue for the investment, including themselves as they would be one of the key beneficiaries if a transmission upgrade was undertaken in lieu of a grid battery asset.”

Yours sincerely



Ralph Matthes
Executive Director