



30 June 2023

The Electricity Authority
Wellington
New Zealand

Email: network.pricing@ea.govt.nz

Consultation Paper - Benchmark agreement and SRAM

Introduction

1. Orion appreciates the opportunity to provide feedback on the Electricity Authority (the Authority) consultation where the Authority is seeking feedback on the benchmark agreement and Settlement Residual Allocation Method (SRAM) from industry stakeholders.
2. The Consultation Paper¹ included a list of Code² amendments in Appendix B, on which the Authority is seeking feedback.

Summary

3. We have reviewed the Consultation Paper request which was published on the Electricity Authority's website on 17 May 2023. We have responded in the requested format below.

Other Feedback

4. In principle, Orion supports the Electricity Network's Association's submission.

Feedback on the consultation paper

Orion's responses are included in the following table.

¹ https://www.ea.govt.nz/documents/3039/Consultation_paper-benchmark_agreement_and_SRAM_related_Code_changes.pdf

² https://www.ea.govt.nz/documents/899/Electricity_Industry_Participation_Code_2010.pdf



Clause	Reason for change	Orion's feedback
1.1 Definition of connection code	Amended to reflect that the connection code will no longer be a document incorporated by reference (it will be included in a Schedule of the Code).	Agree
1.1 Definitions of default transmission agreement, default transmission agreement template	Replacement of the benchmark agreement naming convention with default transmission agreement template (the default terms and conditions which must be included in transmission agreements in new Schedule 12.6) and default transmission agreement (the agreement once entered into). Further amendments to make this change are not set out below but can be seen in the draft amendment.	Agree that the naming convention of the Default Transmission Agreement (DTA) makes sense to align with other default agreements.
1.1 Definition of submission expiry date	Consequential changes removing references to Code provisions that are deleted (12.6 and 12.32) as described below.	Agree
1.1 Definition of transmission agreement	Addition of reference to default transmission agreement for clarity.	Agree
12.4	Consequential changes to reflect the amendments set out below.	
12.5 and 12.6	Deleted as redundant – there is no need to prescribe a structure for agreements.	Agree
12.10(1)	The terms of the default transmission agreement (other than those which are incomplete – i.e., those that need to be populated with details) now apply as soon as a participant becomes a	Agree – it should be done from the point when the participant becomes a

	designated transmission customer (whereas this currently happens after 2 months).	transmission customer.
12.16	Deleted as with the connection code being moved into a Schedule of the Code these provisions are redundant.	Agree
12.17	This amendment clarifies that compliance with the connection code is under the transmission agreement rather than under the Code.	Agree
12.25 and 12.26	Deleted as with the connection code being moved into a Schedule of the Code these provisions are redundant.	Agree
12.27 and 12.28	Deleted as with the benchmark agreement being moved into a Schedule of the Code (as the default transmission agreement template) these provisions are redundant.	Agree
	The normal Code amendment requirements of the Act will apply as well as the process requirements in new clause 12.51 (requirement to have regard to the purpose, principles, and content of default transmission agreement templates).	Agree

Clause	Reason for change	Orion's feedback
12.31	Amended to clarify that the default transmission agreement must include recovery of settlement residue processing costs and any negative settlement residue.	Agree that Transpower should be able to recover processing costs.
12.32 to 12.34	Deleted as with the benchmark agreement being moved into a Schedule of the Code (as the default transmission agreement template) these provisions are redundant.	Agree

	The normal Code amendment requirements of the Act will apply.	Agree
12.45	Amended for clarity (to reflect that Transpower may amend the referenced schedules).	Agree
12.49(1)	Provides that existing agreements may be overridden when clause 12.52 applies (see below).	Agree
12.5	Amended to remove certification requirements on Transpower and the obligation on the Authority to publish agreements, these being considered excessive process requirements that do not need to be prescribed in the Code.	Agree
12.51	New simplified provisions specifying the requirements for amendments to the default transmission agreement template (in addition to the usual Code amendment requirements which will apply with the template now being included as a Schedule in the Code).	Agree
	This clause sets out what happens to existing transmission agreements that parties have entered into before an amendment to the default transmission agreement template in the Schedule to the Code comes into force, when that amendment comes into force.	
12.52	Existing transmission agreements and earlier pre-2008 agreements preserved under clause 12.49(1) (pre-2008 agreements) will be amended to reflect amendments to the default transmission agreement template, except where the amendment specifies otherwise.	Agree
	In terms of the transmission agreements, other than the pre-2008 agreements, this provision	Agree

simply replicates the status quo in the current benchmark agreement as clause 4.3 (benchmark agreement reviews) but with out-of-date references to Ministerial involvement in benchmark agreement reviews being removed.

Note: The only amendment the Authority is proposing to apply to pre- 2008 agreements at this stage is the amendments relating to the recovery of settlement residue processing costs and any negative settlement residue (the provisions in the replacement Part D of the benchmark agreement/default transmission agreement template).

14.35A(1)	This amendment clarifies that the requirement on Transpower to pay settlement residue to its customers is subject to anything contrary in transmission agreements. This is to clarify that settlement residue may be withheld to pay for settlement residue processing costs and any negative settlement residue owing by a customer.	Agree
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We also note that the Authority has asked specific questions which are listed below:

- Q1. Do you have any comments on the problem definition in this chapter? **No**
- Q2. Do you have comments on our proposed funding of SRAM implementation? **No**
- Q3. Do you have comments on the proposed amendments to the benchmark agreement and the Code? **No**
- Q4. Do you have comments on anything else in this chapter? **No**
- Q5. Do you have comments on the proposed amendments to the benchmark agreement and the Code? **No**
- Q6. Do you have comments on anything else in this chapter? **No**

Note: the numbering started at Q2 so we have kept the numbering consistent with the consultation document

- Q2. Do you have comments on the options for addressing the embedded networks issue? **No**

- Q3. Which option best promotes the Authority's statutory objective? Please provide your reasons.

Option 4.8 (c) – at least cost to customer. There would be less admin if Embedded Networks were not included in the disbursements and better aligns with the Authority's objective.

- Q4. Would the "expanded pass-through option" be able to be implemented effectively and in a cost-effective manner? **Yes**

- Q5. What costs would embedded network services providers expect to incur in implementing the "expanded pass-through option" (including any significant additional system or assurance - related costs, if any)?
Please quantify any significant costs.

It would only amount to the disbursement, with minimal additional costs for EDBs and other participants to distribute the LCE Payment. Orion's bundled charges to Embedded Networks includes a transmission component. We are unsure how Embedded Networks account for transmission as they are not regulated and therefore, how they would distribute it amongst their ICPs behind the gate meter.

- Q6. Do you have comments on anything else in this chapter? **No**

- Q7. Do you agree the benefits of the proposed amendments outweigh the costs? **Yes**

- Q8. Do you agree the proposed amendments are preferable to the other options? If you disagree, please explain your preferred option in terms consistent with the Authority's statutory objectives in section 15 of the Electricity Industry Act 2010. **Agreed**

- Q9. Do you agree the Authority's proposed amendments 1 and 2 comply with section 32(1) of the Act? **Yes**



Concluding Remarks

Orion agrees that overall, the benchmark agreement and code changes ensures alignment and reduces any ambiguity going forward. We also support Transpower being allowed to recover their costs as outlined in the paper.

Orion's preferred option in respect of the Alternative Options under 4.8 would be "(c) exclude embedded networks – change the Code to require that distributors must not pass-through settlement residual rebates in respect of embedded networks (and would instead distribute all of the settlement residue they receive proportionally amongst their other customers" which is the simplest and most cost-effective solution to allow to distribute the transmission rebates.

Thank you for the opportunity to provide feedback. We do not consider any part of this feedback as confidential.

If you have any questions or queries or aspects of the submission which you would like to discuss, please contact me on 03 363 9898.

Yours sincerely

Tarryn Butcher
Pricing Manager

