

24 August 2007

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SUBMISSION ON THE BENCHMARK AGREEMENT REVIEW AND ASSOCIATED RULE CHANGES CONSULTATION PAPER

- 1 Orion welcomes the opportunity to submit on the benchmark agreement review and associated rule changes consultation paper (*the paper*).

General comments

- 2 Orion is concerned that, after the length of time devoted to consultation, at this late stage the Commission is seeking changes to the benchmark agreement and the rules. We are particularly concerned that changes to definitions are sought, as we raised the issue of an appropriate definition for 'point of connection'¹ during the consultation period.
- 3 We agree with Transpower that there are potential timing issues with the provision of data by Transpower, and accept that Transpower may have resource issues. We consider that these issues are best dealt with by the use of short-term transitional arrangements. We do not agree that there is a need to fundamentally reduce the reporting requirements for availability and reliability service measures from a point of connection basis to a point of service basis.
- 4 We consider that it is essential to maintain the status quo of reporting requirements for availability and reliability service measures at the point of connection level because:
 - 4.1 the availability of a feeder bay at the 'point of connection' can vary dramatically from the availability of the 'point of service' busbar.

¹ Orion's "Submission on transmission benchmark agreements July 2006".

Feeder bays are often taken out of service for maintenance and protection upgrades etc. Where practical, there is a need to encourage Transpower to consolidate multiple planned outages into a one bay outage. To encourage this approach it is necessary to require Transpower to report on availability down to the point of connection;

- 4.2 the reliability of a feeder at the point of connection can differ from the reliability of the supply bus (point of service). Line disconnector failures or false feeder protection operation are typical examples. If Transpower were to provide reliability results at the point of service only, then feeder unplanned outages would never be recorded and there is no incentive to remedy reoccurring issues.
- 5 Orion therefore does not agree with the Commission's proposals to amend the benchmark agreement so that:
 - 5.1 the availability and reliability service measures and reporting requirements are at a point of service level; but
 - 5.2 Transpower is required to provide, on request, calculations of expected overall connection asset performance for feeder branches.
- 6 We are also concerned that Transpower will have further resource issues following the release of the draft benchmark agreements, as potentially Transpower will have to discuss the schedules proposed under sub-paragraphs 3.1.3.2 (3)(b)(5) to (8) with all the designated transmission customers.
- 7 These discussions will have to be within the 20 business day timeframe that designated transmission customers have to either:
 - 7.1 agree to the schedules (or possible amendments) as a binding contract between Transpower and the designated transmission customer; or
 - 7.2 decide to take the matter to the rulings panel for determination, as required by rule 3.1.3.2(c) and (d).
- 8 We consider that as part of this review the Commission should ascertain whether Transpower has any other resource constraints in implementing the benchmark agreement and what how Transpower plans to address such resource issues.

Response to the Commission's questions

Question 4.1 Do submitters agree that service measures for availability and reliability should be specified at the Point of Service rather than the Point of Connection? Please provide reasons for your response.

- 9 Orion does not agree that service measures for availability and reliability should be at the Point of Service rather than the Point of Connection. We consider that setting service measures for availability and reliability at the Point of Connection (which as defined in Part A of the rules means "a point where electricity may flow into or out of the grid") captures the overall impact of all the availability and reliability of all the connection assets which provide that service.
- 10 Transpower's letter of 30 May 2007 states in reference to the requirements of rule 3.1.2.1(b) that:

"It is likely that the compilation of the data for these service levels will take approximately two months and therefore Transpower is unlikely to be in a position to have service levels for availability and reliability completed prior to November 2007."

and

"If the five year period referred to is intended to mean financial years then Transpower could use the data for the five year period immediately prior to the financial year ending 30 June 2007. However, this data and the resources to complete the service levels will not be available until at least 31 August 2007."

This appears on the face of it to indicate that Transpower can supply the necessary data required under the benchmark agreement but it has a resource problem. This lack of resource does not provide an appropriate reason to alter the position at which the service measures for availability and reliability are set.

Question 4.2 Do submitters agree that Transpower should be required to provide information on expected overall connection asset performance for feeder branches? Please provide reasons for your response.

- 11 Orion does not agree with the Commission's suggestion that Transpower be required to provide, only on request, calculations of expected overall connection asset performance for feeder branches. The Commission suggests that those customers that require feeder information can request it, while other customers who choose not to get feeder information will help to avoid the cost of Transpower developing systems to provide feeder availability and reliability information.

- 12 We consider that information on availability and reliability at feeder level is fundamental – all transmission customers should expect this information as of right. We accept that it may be difficult to provide this information in the timeframes required by the current rules; however this is not a reason to remove the information requirement. Rather there is a timing issue as to when the information can be provided.

Question 5.1 Do submitters agree that a transition period should be introduced within which Transpower will not be required to report separately on the reliability of connection and interconnection assets? Please provide reasons for your response.

- 13 As Transpower has stated that it is not in a position to supply the relevant information, clearly some transition arrangement must be entered into. We support the Commission's proposal to allow Transpower 12 months to establish the necessary systems to meet the reliability service measures. This should clearly be a maximum timeframe, and Transpower should be encouraged to comply at an earlier stage.
- 14 Note that while we agree that an extension of up to 12 months to split the information between interconnection and connection could be necessary, we do not agree that service measures for availability and reliability should be specified at the point of service rather than the point of connection.
- 15 We consider that the Commission should reflect the temporary nature of this transitional arrangement by altering rule 3.1.3.4 to clarify that the arrangement is only binding for 12 months.
- 16 The Commission has proposed changes to Part F section II of the rules to reflect its proposal. While we agree with proposed rule 3.1.7 (to provide a 12 month transition period) we do not agree with proposed changes to Part F section II rule 3.1.3 and its sub-clauses (to change the provisions for the service measures for availability and reliability to be specified at the point of service rather than the point of connection).
- 17 We have not extensively identified any issues in each rule set out in appendix 3 of the paper, however for the avoidance of doubt and for the reasons explained above, we do not agree with the proposed changes to setting the availability and reliability levels in 3.1.3.3.(d) (1) and (2).

Question 6.1 Do submitters agree that minor changes should be made to clarify the terminology in certain parts of the benchmark agreement? Please provide reasons for your response.

18 Orion agrees that the various references in the benchmark agreement to 'point of connection', 'connection assets', and 'point of service' could be improved. We consider that any changes should seek to improve the clarity of the intent of the existing benchmark agreement rather than redefine where the service measures for availability and reliability should be specified.

19 In respect to other sections of the benchmark agreement, again clarifying the original intent of the agreement should be the only reason for change. For example the proposed change to paragraph 16 of the benchmark agreement changes the meaning from:

19.1 an obligation to continue paying continuing charges for a point of connection that has been de- energised; to

19.2 an obligation to pay any continuing charges for the remaining point(s) of connection at the connection location.

We believe that the proposed change completely alters the context of the original version.

20 We consider the impact of specific changes below.

Definitions

Point of connection

21 Orion does not agree with the proposed definition of 'point of connection'. We have previously raised the issue of the appropriate definition for point of connection². We noted that the previously proposed definition conflicted with the point of connection definition in section A of the rules. We see no reason why the definition of point of connection as set out in section A should not be used in the benchmark agreement. It is this definition that is contained in rule 4.2 of section II of part F (principles of benchmark agreements) and in the existing rule 3.1.3.2 (b)(7) of section II of part F.

22 We note that the principles of benchmark agreements mentioned in the preceding paragraph require that benchmark agreements should:

² Orion's "Submission on transmission benchmark agreements final July 2006"

*Be appropriate to the technical requirements of services provided at the **point of connection** to the **grid**.*

23 The definition of 'point of connection' in these principles is the 'point of connection' definition contained in part A of the rules.

24 Also rule 3.1.3.2 (b)(7) of section II of part F requires that the draft transmission agreement be completed in accordance with the benchmark agreement which must include:

*...a draft Schedule 5 setting out proposed service levels for each **point of connection** listed in schedule 1 determined in accordance with rule 3.1.3.3.*

25 Again, 'point of connection' is defined in part A of the rules. We **recommend** that the Commission avoid creating a further definition of 'point of connection' – any reference to 'point of connection' in the benchmark agreement be a reference to 'point of connection' as defined in part A of the rules.

Point of service

26 The proposed definition is in effect the same as the current definitions of 'point of service' and 'connected party'. We have no objection to this suggested concatenation and inclusion in Part A of the rules.

Connection location

27 This definition is unclear. It also differs from the definition of 'connection location' in the transmission pricing methodology. We suggest the following alternatives:

27.1 **Connection location** means the set of Transpower's connection assets that form the interface between Transpower's interconnection assets and the point of connection as set out in schedule 4; or

27.2 **Connection location** means the **substation** or other location at which the **customer's assets** are directly connected to the **grid**.

Substation, means a substation, including all land and buildings, switches transformers, revenue meters and all other assets comprising or located at that substation, as defined in the TPM. **Customer assets** does not appear to be defined in the TPM but is defined in the BA.

Circuit branch

- 28 We note that there does not appear to be a definition of 'circuit branch' – this term needs to be defined. We consider that the paper³ presented by Transpower at the benchmark agreement conference provides a starting point in determining an appropriate definition. For the avoidance of doubt we consider that individual feeders would be classed as 'circuit branches'.

Proposed changes to the benchmark agreement

- 29 The following indicated where we agree agree/disagree with the proposed drafting changes to the benchmark agreement. As indicated above, our overall objective is to clarify the original intent of the benchmark agreement.
- 30 Note that where we suggest using the term 'connection location', we are referring to the definition that we propose and outline in paragraph 27 of this submission, not as defined in the paper.
- 30.1 paragraph 10.3.(e) – we agree with the change of 'point of connection' to 'connection location';
- 30.2 paragraph 15.1.(b).(1).C – we **do not** agree with the change of 'point of connection' to 'connection location';
- 30.3 paragraph 16.(a) – we **do not** agree with the change, see our reason in paragraph 19 of this submission;
- 30.4 paragraph 19.2.(b) – we agree with the proposed addition of the words 'for the relevant connection location';
- 30.5 paragraph 35 – for the definition of 'capacity service levels', we agree with the change of 'point of connection' to 'connection location(s)'. For the definition of 'unserved energy', we **do not** agree with the change of 'point of connection' to 'point of service';
- 30.6 paragraph 36.2: , we **do not** agree with the change of 'point of connection' to 'point of service'
- 30.7 paragraph 37.1:
- (a) we agree with the change of 'customer point of service' to 'connection location' in the first paragraph;

³ Asset Capability Information Electricity Commission Conference 13 February 2007

(b) we do not agree with the proposed changes in subclause 37.1(b)(1), (2) and (3). We consider that 'point of connection' is not appropriate in these clauses and should be changed to 'circuit branch'.

(c) we agree with the deletion of the words 'of connection assets' in subclauses 37.1(c)(1), (2) and (3);

30.8 paragraph 37.2. – we agree with the change of 'point of connection' to 'connection location';

30.9 paragraph 37.4 – we **do not** agree with the change of 'point of connection' to 'point of service';

30.10 paragraph 39.2(d) – we agree with the change of 'substation' to 'connection location';

30.11 paragraph 40.1.(c) – we agree with the change of 'point of connection' to 'connection location';

30.12 paragraph 40.2.(d)(1) and (d)(2) we **do not** agree with the change of 'point of connection' to 'connection location';

30.13 paragraph 41.2(a) and 41.3(a) – we agree with the change of 'point of connection' to 'connection location';

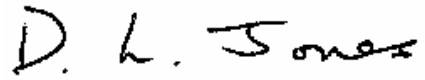
30.14 paragraph 41.4(a) – we agree with the change of 'substation' to 'connection location';

30.15 schedule 4 – we agree with the change of 'point of connection' to 'connection location';

30.16 schedule 5 – these changes should reflect our comments in relation to paragraph 37 of the paper as outlined in paragraphs 30.7 to 30.9 above.

31 Thank you for the opportunity to make this submission. Orion does not consider that any part of this submission is confidential. If you have any questions, please contact Dennis Jones (Industry Developments Manager), DDI 03 363 9526, email dennis.jones@oriongroup.co.nz.

Yours sincerely

A handwritten signature in black ink that reads "D. L. Jones". The letters are cursive and slightly slanted to the right.

Dennis Jones
Industry Developments Manager