

2 June 2015

Submissions
Electricity Authority
PO Box 10041
Wellington 6143
by email: submissions@ea.govt.nz

SUBMISSION ON TRANSPOWER'S PROPOSED VARIATION TO THE TPM

- 1 Orion New Zealand Limited (**Orion**) welcomes the opportunity to comment on "Transpower's proposed variation to the Transmission Pricing Methodology" consultation paper (the **paper**) released by the Electricity Authority (Authority) in April 2015.
- 2 Our submission is limited to comments on:
 - N=100 for all regions (section 4)
 - Shortening CMP to 1 May to 31 October (section 5)

N=100

- 3 As we have indicated in earlier submissions on this issue we consider that all the regions should have the same value of N. If there is a difference between 'Ns' across regions, the regions with smaller 'Ns' face a slightly higher share of the total interconnection cost than is appropriate, and equalising 'Ns' is one way to deal with this inequality. The next question is what is a reasonable value of N.
- 4 We expect to be actively managing load, both locally and as part of the coordinated USI programme, for many more than 12 half hours in each year, and over the last 5 winters we have controlled for between 60 and 300 half hours. It is for this reason that we consider that a choice of N = 100 much better aligns RCPD price signals and the practicalities and economics of load management and demand response.
- 5 We therefore support the proposal that the RCPD allocation should be based on 100 peaks per year for all four regions (UNI,LNI,USI,LSI).
- 6 We would also note that existing demand and investment projections in the USI reflect significant *existing* demand response, any reduction in this demand response will increase the possibility of capacity constraints and bringing forward transmission investment.

- 7 We remain concerned that some of the Authority's work around demand response may impact on our ability to maintain our current demand response levels and therefor bring forward Transmission investment.

Shortening CMP to 1 May to 31 October

- 8 We disagree with the proposal to limit the CMP to peaks occurring between 1 May and 30 October. This proposal appears to be introducing a generic change to all parties as a means to address the issue that NZAS may have with their summer peaking load.
- 9 The basis for this generic approach appears to be that the Authority does not consider a proposed bespoke option for NZAS acceptable. This option would allow them to increase electricity consumption from 572 MW to 636 MW in summer months without this being reflected in the calculation of RCPD.
- 10 The Authority indicates that it considers that bespoke options hinder dynamic efficiency by encouraging participants to lobby for special treatment.
- 11 We consider that artificially reducing the CMP period to effectively exclude a specific demand (NZAS) is poor regulatory practice.

Concluding remarks

- 12 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 Bruce Rogers (Pricing Manager), DDI 03 363 9870, email bruce.rogers@oriongroup.co.nz.

Yours sincerely



Bruce Rogers
Pricing Manager