

20 September 2018

Submissions

c/- Electricity Authority

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by email: submissions@ea.govt.nz

SUBMISSION ON DISTRIBUTED GENERATION ELIGIBLE FOR ACOT – UPPER SOUTH ISLAND

Introduction

- 1 Orion New Zealand Limited (**Orion**) welcomes the opportunity to comment on the “Draft list of distributed generation eligible to qualify to receive avoided cost of transmission payments under regulated terms – Upper North Island and upper South Island” consultation paper (the **paper**) released by the Electricity Authority (Authority) in August 2018.
- 2 This submission raises similar issues to those we raised with respect to the lower North Island (LNI) list – refer to our submission of 3 July 2018. Our comments in this submission focus on the upper South Island (USI).
- 3 In summary we remain concerned that the way the Authority’s decisions were implemented in the Code is leading to potentially inefficient and inconsistent outcomes.
- 4 Perhaps the most obvious observation about the USI list, particularly in contrast to the LNI list (and the previous LSI list) is that it is quite short. This may reflect the relatively small amount of DG in the area, but it seems a little odd that the area (USI) that is perhaps closest to needing grid investment to support growth seems to have the lowest value for avoiding that investment.
- 5 Assuming the list is confirmed, we will be ending the arrangement by which we pay DG to generate at times of peak network demand, and also reducing the transmission component of the credits we pay to customers who export at those times. Other things equal this will increase, admittedly by a small amount, peak demands in the USI. We do not know if this will lead Transpower to procure more demand response or bring forward grid investment in the USI as a result.
- 6 As we submitted last time, as we see it the fundamental problem here is the way the Authority changed the Code to achieve its objective of reducing ACOT payments. The Code requires (Schedule 6.4 clause 2A) reporting on eligibility in terms of DG that is “required” to meet the GRS, but this is not the basis on which transmission charges are set and applied, and nor is it a measurable ‘cost’ in any useful sense. It is also not the only way that DG might contribute to lower transmission costs, for example by helping to defer investment.
- 7 Moreover, the Code process does not, in our view, clearly allow consideration of alternatives – for example demand response - to meet the GRS at lower cost than the DG. Such alternatives would presumably make the eligible lists shorter.

- 8 A superior approach would have been to consult on how best the Code could be changed to meet the objective before actually changing the Code.

Concluding remarks

- 9 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

Appendix: Responses to specific questions

Submitter: Orion New Zealand

Number	Question	Response
Q2.	What, if any, changes should be made to the list of distributed generation in the upper South Island that is eligible to receive ACOT payments under the regulated terms? What are your reasons?	No comment.