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Dane Gunnell
Manager, Price-quality Regulation
Commerce Commission
P O Box 2351
Wellington 6140

By email: regulation.branch@comcom.govt.nz

Dear Dane,

RE: Transpower IPP 2020 – Issues Paper

The Independent Electricity Generators Association (IEGA) welcomes the opportunity to make this submission on the issues identified by the Commerce Commission (Commission) in its consideration of Transpower’s IPP 2020 application.

The IEGA comprises about 40 members who are either directly or indirectly associated with predominantly small scale power schemes connected to local networks throughout New Zealand for the purpose of commercial electricity production.¹

Distributed generation competes with transmission (and distribution) infrastructure to deliver electricity to end consumers. The plant of some of our members was in place prior to the transmission grid; in other areas our distributed generation has deferred or avoided the need for transmission investment.

As you know the Input Methodologies require Transpower to consider alternatives to traditional transmission infrastructure. Transmission alternatives, such as investment by third parties in distributed generation, provide Transpower with flexibility to manage uncertainty about the future need for, or timing of, transmission investment.

The Commission has identified ‘Customer consultation’ as a” key focus area” in its paper, namely²:

¹ The Committee has signed off this submission on behalf of members.

² Page 7 and Chapter 4 of the Commission’s Issues Paper
https://comcom.govt.nz/data/assets/pdf_file/0023/120785/Transpower-IPP-reset-Issues-paper-7-February-2019.PDF

Customer engagement

X10 Transpower's approach to customer consultation is one of the key focus areas for our review of the RCP3 proposal. We expected Transpower to take into account customers' preferences in shaping its RCP3 proposal, and to effectively engage with stakeholders *during* RCP3, including when it considers transmission alternatives and prioritises projects.

Transpower recently published its response to consultation on how to engage with potential providers of transmission alternatives³. Transpower propose a number of new processes which the IEGA support.

The purpose of this submission is to request the Commission:

- monitor Transpower's proposed engagement on transmission alternatives as part of its overall approach to ensuring effective engagement; and
- provide for sufficient funding in the RCP3 decision for this engagement.

Previous comments by the IEGA to the Commission remain important to maximise the potential contribution of transmission alternatives to deferring or avoiding transmission investment during the RCP3 period and beyond:

- being able to negotiate and sign a contract with Transpower that is manageable for smaller potential alternative providers: IEGA members are, and other owners of transmission alternatives maybe, small businesses with limited resources to apply to complex negotiations with a large corporate entity with asymmetry of information. IEGA submits that the process negotiating and signing a contract should be proportionate to the scale of the alternative provider or size of investment. A standard form contract would be attractive.
- ensuring distributed generation contracted as an alternative to transmission investment is compensated on the same basis as Transpower's transmission assets for the life of the investment. Once signed up as an alternative to investing in transmission infrastructure, the cost of this alternative must be recovered in the same way as Transpower's transmission assets and for the life of the investment. The alternative forms part of the integrated transmission grid. The value of the alternative is not eliminated when the next tranche of transmission assets are installed even if that tranche of transmission investment results in excess capacity. In addition, a peak demand price signal is important to signal the upcoming need for more capacity – which could be provided by a transmission alternative. This price signal (has been the RCPD charge and maybe an LRMC charge) would incentivise third parties to investigate options to be paid or avoid the LRMC charge.

We would welcome the opportunity to discuss this submission with you.

Yours sincerely



Warren McNabb
Chair

³ See this page on Transpower's website: <https://www.transpower.co.nz/keeping-you-connected/industry/transmission-alternatives>