19 May 2022, South Island EDB CEs - Various TPM topics

Questions and responses:

1) The estimated charges seem to have changed a lot. Why the changes? Should we expect further substantial changes or are we getting close?

- We published an indicative pricing update on 17 May. These are:
    - an estimate of transmission charges only
    - based on the new TPM (approved by the Electricity Authority on 12 April 2022 to take effect 1 April 2023), applied to the pricing year commencing 1 April 2022.
- The drivers for change between the April and May indicative price calculations are as described in the change log on page 2 of this document: Pricing year 2022/23 Indicative Prices 17 May 2022:
    - a correction to the transitional cap calculation (see IPM change log)
    - the CPI for 2022Q1 was updated to replace RBNZ MPS forecast with Statistics NZ's published outturn figure
    - an update to the AMDR inputs for Electricity Ashburton (EASHASB)
    - a correction to the covered costs inputs for HVDC Schedule A BBI.
- We will re-publish as and when corrections are required with appropriate version and change control so customers can track changes over time.
- Nothing in the 17 May indicative pricing update is a formal calculation of a customer's charges for any pricing year. Actual charges may be different to the indicative charges.

2) Overview of timing – when will pricing decisions/determinations be known?

- As we do each year, we expect to consult with customers (bilaterally) about inputs to the next pricing round in September 2022 and then communicate final pricing to customers in December 2022.

3) Timing for the Trustpower judicial review?

Unknown.

4) What happens when we get a big solar farm that means that Ashburton GXP exports energy at times during the year. What do we pay? How do we get some certainty on these types of questions?

A new large embedded solar farm will impact the host customer's transmission charges as follows:

Connection charges: The host customer's offtake at one or more connection locations will reduce. This will reduce the host customer's share of connection charges for any shared connection assets at

the connection location(s) for future pricing years. This effect will be partially offset by any excess electricity injected into the grid at the connection location(s).

Benefit-based charges (BBCs): The connection of the solar farm will be a BBC adjustment event for existing benefit-based investments (BBIs), which may increase the host customer's BBCs for those BBIs (depending on whether the generator would have been a beneficiary of the relevant BBI if it had connected directly to the grid). The connection of the solar farm will not reduce the host customer's BBCs for existing BBIs.

The connection of the solar farm will tend to decrease the host customer's BBCs for future BBIs by reducing the host customer's offtake-based intra-regional allocators for those BBIs. However, the opposite could happen if the new generation means the host customer persistently injects at a former GXP.

Residual charge: The connection of the solar farm will not have any impact on the host customer's residual charge because residual charges are allocated base on gross load.

The size of these changes (if any) will need to be assessed by individual customers on a case-by-case basis. We are considering what further information we might usefully publish to assist customers with their assessments.

5) Communications – what is TP proposing to do for stakeholder and wider customer comms? (context: for us who have material % increases, are we going to be left to sell the issue, or will TP be preparing material to assist our customers and other stakeholders understand)

We have published a short guide to the TPM which provides an overview of the changes between the current TPM and new TPM. We are working on providing further support customers, including:

- Ongoing stakeholder engagement
- Further explanatory material on each of the main component of the TPM: this material is currently in development
- Consultation on pricing inputs in September 2022 (as noted above).

EDBs may also wish to approach the Electricity Authority for support regarding communications with customers about the policy intent of the new TPM.

6) Material changes to AMD – what is the process for resetting AMD for material load changes e.g. new large load arrives, large load disappears (e.g. plant closure), or a new injection from a generator connecting

We assume this question is referring to AMDR (i.e. the type of AMD relevant to residual charge allocation).

There are no residual charge adjustment events for new or exiting gross load, except if a customer disappears altogether (in which case its AMDR and residual charge goes to zero). Instead, the change in allocation will have to wait until the change in gross load comes through in the lagged adjustment factor (RCAF) which will happen 5 to 8 years later. A new customer's residual charge will ramp up over the same period (and for the initial years be zero).

Injection from a new embedded generator will not change the host customer's gross load or residual charge allocation, except possibly to increase it slightly if the new generating plant sometimes consumes electricity.

7) Prudent Discount – overview of process for applying for prudent discounts under the new TPM

We will be consulting later in 2022 on a draft first edition of a Prudent Discount Practice Manual. The first edition will focus on prudent discount application requirements, processes and fees.