

1 March 2022

Electricity Authority
PO Box 10041
Wellington 6143.

By email to Networkpricing@ea.govt.nz

Submission to the Electricity Authority on Settlement Residual Allocation Methodology

The Electricity Networks Association (ENA) appreciates the opportunity to submit to the Electricity Authority on its consultation on the Settlement Residual Allocation Methodology (SRAM). This submission is on behalf of ENA's members (listed in the appendix to this submission), the electricity distribution businesses of New Zealand. This submission is not confidential.

ENA acknowledges the proposed transmission pricing methodology will necessitate changes to the allocation of the settlement residual. ENA members have an active interest in ensuring that this is done equitably and efficiently to ensure long-term benefit to consumers.

SRAM Principles

The ENA is broadly supportive of the SRAM principles set out in the consultation paper. ENA's view is that, at its core, the SRAM must encourage the effective use of the transmission grid, be cost-effective, and avoid needless complexity.

Integrity of the WEM nodal transport charge and (proposed) TPM benefit-based charge

ENA strongly supports the principles that the SRAM support the integrity of the WEM nodal transport charge and the proposed TPM benefit-based charge.

Mitigation of volatility

The ENA does not support the mitigation of volatility principle. Which would be in direct conflict with the principle that the SRAM support the integrity of the WEM nodal transport charge. Volatility is inherent in nodal prices, to mitigate it via the SRAM would undermine the WEM.

Full cost recovery

The principle of full cost recovery needs to be considered in more detail. There are many costs associated with grid access and operation, and the settlement residual could have a role to play in defraying these costs.

Cost and practical considerations

ENA supports the intent of the cost and practical considerations principle. However, in its current form, is an implementation/development issue. The principles should guide the EA to make a correct decision for all involved (especially consumers). Therefore, the ENA recommends the principle be changed “to minimise transaction and administration costs”

We look forward to engaging with the Electricity Authority on the options for the SRAM and the proposal for the passthrough of settlement residual rebates to distributors’ customers at the appropriate time. It would be inappropriate for the ENA to comment on either at this time without full details on the nature, cost and benefits of each including, most importantly the cost-benefit to the consumer.

Please don’t hesitate to get in touch with ENA if you’d like to discuss our submission. Contact Keith Hutchinson (keith@electricity.org.nz, 021 0849 9419) in the first instance.

Yours sincerely,



Keith Hutchinson

Regulatory Manager

Electricity Networks Association

Appendix A – ENA Members

The Electricity Networks Association makes this submission along with the support of its members, listed below.

Alpine Energy
Aurora Energy
Buller Electricity
Counties Power
Eastland Network
Electra
EA Networks
Horizon Energy Distribution
Mainpower NZ
Marlborough Lines
Nelson Electricity
Network Tasman
Network Waitaki
Northpower
Orion New Zealand
Powerco
PowerNet
Scanpower
The Lines Company
Top Energy
Unison Networks
Vector
Waipa Networks
WEL Networks
Wellington Electricity Lines
Westpower