

## Appendix A Format for submissions

<b>Submitter</b>	NewPower Energy Services Limited
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Questions	Comments
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### PROPOSED CHANGE TO CONNECTION CHARGE

**Questions 1, 2, 5, 6, 7, 8 and 13 relate to the proposed change in connection charges for shared connection assets.**

**We have grouped the questions together by topic.**

Q1. Do you agree with the proposed amendment for connection charges for shared connection assets?	<p>The proposal is to change the basis of charging for shared connection assets from</p> <ul style="list-style-type: none"> <li>• the sum of a customer’s maximum demand <u>and</u> injection</li> </ul> <p>to</p> <ul style="list-style-type: none"> <li>• the greater of either demand (AMDC) <u>or</u> injection (AMIC) for each customer.</li> </ul> <p>NewPower agrees with this change being applied to charges for all existing and new shared connection assets and all existing and new transmission connected customers.</p> <p>The proposal is a fairer allocation basis. Connection assets are unlikely to be sized to transfer both maximum demand and maximum injection at the same time.</p>
Q2. Will the proposed amendment have any unintended consequences for unusual connection arrangements, eg complex connections?	No comment
Q5. Do you agree with the objectives of the proposed amendment? If not, why not?	NewPower agrees with the objectives of this change as the change applies to all existing and new connections.
Q6. Do you agree the benefits of the proposed amendment outweigh its costs?	The proposal is a fairer allocation basis. Connection assets are unlikely to be sized to transfer both maximum demand and maximum injection at the same time.
Q7. Do you agree the proposed amendment is preferable to the other options? If you disagree, please explain your preferred option in terms consistent with the Authority’s main	No comment

statutory objective in section 15 of the Electricity Industry Act 2010.	
Q8. Do you agree the Authority’s proposed amendment complies with section 32(1) of the Act?	No comment
Q13. Do you have any comments on the drafting of the proposed amendment in Appendix A?	No comment
<b>PROPOSED CHANGE TO THE RESIDUAL CHARGE</b>	
<b>Questions 3, 4, 9, 10, 11, 12 and 14 relate to the proposed change to the Residual Charge annual adjustment.</b>	
<b>We have grouped the questions together by topic.</b>	
Q3. Do you agree with the proposed amendment to the residual charge annual adjustment?	<p>NewPower has an interest in the TPM as the option of connecting to the transmission grid or a distribution network is a valid consideration for potential projects.</p> <p>The clearest explanation of the proposed change appears to be in the spreadsheet issued with the consultation paper:</p> <p><i>“Uniform conversion factor applies where a load customer’s LAGEn is equal or greater than the load customer’s ATGEbaseline, and individual conversion factor applies otherwise”</i></p> <p>The individual conversion factors are a key component of the current Residual Charge methodology. This methodology requires</p> <ul style="list-style-type: none"> <li>i. Initial Residual Charges are paid by load customers in proportion to their anytime maximum demand measured in Megawatts (basically a capacity measurement) – baseline AMDR</li> <li>ii. An annual adjustment to the baseline AMDR based on lagged changes to the customer’s gross energy consumption<sup>1</sup></li> </ul> <p>The Authority is proposing a change to this methodology because the ‘conversion factor’ differs for each customer and “disproportionately affects the Residual Charge”<sup>2</sup>. The conversion factor is the ratio of energy (ii) to capacity (i).</p> <p>Under the current methodology existing transmission customers face a higher Residual Charge if their energy is a low proportion of their capacity. This higher relative charge will continue if this existing customer does not record an</p>

<sup>1</sup> Explained in more detail in paragraphs 3.4 – 3.7 of the consultation paper

<sup>2</sup> Paragraph 4.29 of consultation paper

	<p><i>“LAGEn that is equal or greater than the load customer's ATGEbaseline”.</i></p> <p>The Authority has identified the conversion factor has a perverse outcome and is proposing to address this for new transmission customers and customers experiencing an increase in energy consumption. The problem that has been identified is NOT being addressed for other existing customers.</p> <p>NewPower submits this is inequitable and not consistent with the Authority’s statutory objective to compete competition and efficient outcomes.</p> <p>The easiest way to address the problem that has been identified is to change the Residual Charge methodology to be <b>based only on gross energy consumption</b> (and remove any impact of capacity and the capacity factor). This will create a charge that is equal across all types of load customers, existing and new, and be equitable whether or not the customer is experiencing an increase in energy consumption.</p>
<p>Q4. The residual charge is intended to be non-distortionary and this proposed amendment is aimed at levelling the playing field and avoiding inefficient investment (irrespective of technology). Are there any other approaches the Authority should consider to address this issue?</p>	<p>NewPower disagrees with the proposed amendment. The proposal does NOT create a level playing field between existing transmission customers continuing to face a capacity based Residual Charge and new customers whose Residual Charge will only reflect energy.</p> <p>For example, if we have interpreted the data correctly, Table 2<sup>3</sup> shows a Generator pays \$1,394,813 under the Status Quo. The Status Quo continues to apply if this Generator does not experience an increase in gross energy consumption. So this existing Generator pays \$1,394,813 for the use of the same transmission assets while a NEW Generator pays \$110,778 under the Authority’s proposal.</p> <p>The proposal perpetuates the impact of the conversion factor on the Residual Charge when the Authority is recommending this impact be addressed for (only) new customers.</p> <p>This is not a level playing field.</p>
<p>Q9. Do you agree with the objectives of the proposed amendment? If not, why not?</p>	<p>The Authority states it is trying to address an issue with how a customer’s load factor disproportionately affects the Residual Charge. <sup>4</sup></p> <p>NewPower agrees the Residual Charge should be amended.</p> <p>We do not agree with the proposed amendment as this ‘disproportionate effect’ will continue to apply to some transmission customers.</p>

<sup>3</sup> Using the updated information in Table 2 from the online consultation paper (updated 3 September)

<sup>4</sup> Paragraph 4.29 of consultation paper

<p>Q10. Do you agree the benefits of the proposed amendment outweigh its costs?</p>	<p>No. The Residual Charge methodology is complicated and the proposal only compounds this complication.</p> <p>The most straightforward solution is to base the Residual Charge on a transmission customer's share of gross energy consumption (the method being proposed for only new transmission customers) and use a standard rate across all customers.</p>
<p>Q11. Do you agree the proposed amendment is preferable to the other option? If you disagree, please explain your preferred option in terms consistent with the Authority's main statutory objective in section 15 of the Electricity Industry Act 2010.</p>	<p>No. See answers to questions 4, 9 and 10 above.</p> <p>The proposed 'other option' is a further bandaid on a flawed underlying methodology. Removing the impact of the capacity factor altogether is the only sensible solution to create a level playing field, promote competition and achieve efficient outcomes.</p>
<p>Q12. Do you agree the Authority's proposed amendment complies with section 32(1) of the Act?</p>	<p>No. See answers to questions 4, 9, 10 and 11 above.</p>
<p>Q14. Do you have any comments on the drafting of the proposed amendment in Appendix B?</p>	<p>No comment as NewPower does not support the Authority's proposal.</p>