

25 October 2022

Andy Burgess  
General Manager, Infrastructure Regulation  
Commerce Commission

By email: [Andy.Burgess@comcom.govt.nz](mailto:Andy.Burgess@comcom.govt.nz)

Dear Andy

**Settlement Residual Allocation Methodology (SRAM) – Whether regulated under Part 4 of the Commerce Act 1986**

Following a recent consultation, the Authority is considering whether to incorporate into the Electricity Industry Participation Code 2010 (Code) provisions requiring grid owners, including Transpower, and distributors to allocate and pay settlement residue to their customers in accordance with a settlement residual allocation methodology (SRAM).<sup>1</sup>

Settlement residue is the loss and constraint excess and residual loss and constraint excess paid to a grid owner by the clearing manager under Part 14 of the Code. This is a surplus generated by the wholesale electricity market, less an amount used in the financial transmission rights (FTR) market.

In developing the Authority's proposal, Authority staff have been in discussion with Commerce Commission staff as to how Part 4 of the Commerce Act 1986 (Part 4) applies to the SRAM. We are grateful for this engagement.

Our understanding from these discussions is that the Commission is unlikely to consider administering the SRAM to be a regulated service under Part 4. This is because the Commission is likely to consider that administering the SRAM does not fall within the meaning of electricity lines services in section 54C of the Commerce Act 1986.

To provide the sector with certainty on this point, we would appreciate it if the Commission could provide a formal view on this point that we may publish alongside the Authority's decision paper on the SRAM, which we hoping to publish around mid-November.

Yours sincerely,



Tim Sparks  
Director Network Pricing

<sup>1</sup> The Authority's consultation paper is available here: <https://www.ea.govt.nz/assets/dms-assets/30/Settlement-Residue-Allocation-Methodology-consultation-paper.pdf>