

## Proposal to amend the Electricity Industry Participation Code 2010


Send to [info@ea.govt.nz](mailto:info@ea.govt.nz) or fax to 04 4608879

This form is to propose:

- An amendment to an existing clause in the Electricity Industry Participation Code 2010; or  
 A new clause in the Electricity Industry Participation Code 2010.

Please complete as many sections of this form as possible and email or fax it to the above number/email address. The more information you include in your proposal, the faster your proposal will be able to be assessed/progressed.

### Proposer's details

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Signature:	
Date:	6 October 2022

### The proposal / preferred option

Suggested proposal name (please keep it short)	Transmission pricing methodology (TPM) – <b>Appendix A correction</b>
State the objective of your proposal.	To correct an error in the BBC allocations in Appendix A of the TPM.
Does the proposal relate to an existing Code clause? If yes, please state the full clause reference.	Yes. TPM Appendix A

<p>Describe the specific amendment(s) that you propose be made to the Code <i>OR</i> attach a draft of the proposed Code amendment (optional). Note the <a href="#">Code drafting manual</a> provides guidance on drafting.</p>	<p>The proposed amendment is to replace the allocations in Appendix A of the TPM with the allocations in the attached spreadsheet.</p> <p>As referred to in clause 42(2) of the TPM, Appendix A was created based on Schedule 1 of the TPM Guidelines but with some adjustments to reflect customer-related changes before and after the Authority published the TPM Guidelines. We communicated the specific adjustments to the Authority before consultation on the proposed TPM. The changes included, for example, removing KCE Mangahao Limited from the list of customers and distributing its allocations, pro rata, to other customers.</p> <p>The per-customer allocations in Appendix A are built up from per-connection location allocations kept in a Transpower spreadsheet outside the TPM (which itself is derived from the Authority's data supporting its calculation of the allocations in Schedule 1 of the TPM Guidelines). All of the adjustments referred to above were made in the per-connection location allocation spreadsheet we prepared and provided to the Authority before consultation on the proposed TPM.</p> <p>However, not all of the adjustments are reflected in the per-customer allocations in Appendix A. This is because the per-customer allocation pivot table was inadvertently not refreshed using the final per-connection location allocation data before the proposed TPM was published.</p> <p>The allocations in the spreadsheet attached to this form are what the per-customer allocations should have been, and would have been if the pivot table had been refreshed. We understand the Authority has confirmed this by refreshing the table in the workbook in its files.</p> <p>The allocations in the attached spreadsheet are the same allocations we used for the (externally assured) indicative pricing we sent to customers earlier this year. The indicative prices were calculated using the (correct) per-connection location data, not the (incorrect) per-customer allocations in Appendix A. This means the correct allocations for the Appendix A BBIs have been communicated to customers in their indicative prices, so the proposed amendment will not result in unexpected pricing outcomes for any of them.</p> <p>The differences between the allocations currently in Appendix A and those in the attached spreadsheet are very small. The larger the allocation the more noticeable the difference is, but even the largest differences border on immaterial. For example, the largest allocations in current Appendix A are Vector's 50.97% shares of NIGU and UNIDRS. These shares are 51.07% in the attached spreadsheet – a difference of only 0.1%. For many allocations there is no difference at all (to four decimal places).</p>
<p>Identify how your proposal would support the Authority's objective, as set out in section 15 of the Electricity Industry Act 2010 (Act)<sup>i</sup>, specifically addressing the competition, reliability and efficiency dimensions of the objective.</p>	<p>The proposed amendments will correct an error made when the Appendix A allocations were added to the proposed TPM (and eventually carried through to the approved TPM). Correcting this error will result in Appendix A allocations more closely aligned to expected benefits, as assessed under the Authority's method for calculating expected benefits for the Appendix A BBIs. This will support the efficiency limb of the Authority's statutory objective (to the extent benefit-based charging supports that limb).</p>
<p>Which of the purposes listed in section 32(1) of the Act does your proposal most closely relate to?</p>	<p>32(1)(c): Efficient operation of the electricity industry  32(1)(e): Other matter specifically referred to in the Act as a matter for inclusion in the Code (section 32(2)(b): "pricing methodologies...for Transpower")</p>

<p>Identify whether you consider your proposed change to be urgent, providing supporting rationale.</p>	<p>We consider the proposed amendment qualifies to be, and should be, progressed under section 39 of the Act (being technical and non-controversial) assuming it can be made within the timeframe noted below.</p> <p>We consider the proposed amendment also qualifies to be made urgently (under section 40). That is, the proposed amendment has implications for the calculation of transmission charges for pricing year 2023/24 (as it stands, we would need to apply the incorrect per-customer allocations in Appendix A), and as a result, it is necessary and desirable in the public interest for the proposed amendment to be progressed urgently. We consider the proposed amendment should be progressed under section 40 if it would not otherwise be made within the timeframe noted below.</p> <p>The amendment would need to be confirmed by the end of October at the latest to be considered in our assurance process for transmission charges for pricing year 2023/24, which will be notified to customers in December. The amendment would need to take effect on 1 April 2023 to be part of the TPM when it comes into force.</p>
<p>Please set out the expected costs and benefits of your proposal. These should include your assessment of the direct cost to develop and implement the proposed Code amendment, and the consequential costs and benefits as a result of the amendments, to all affected parties.</p>	<p>No material costs. Unquantified benefits for all consumers and other stakeholders from avoiding potential disputes as to the accuracy of the Appendix A allocations.</p> <p>As noted above, the (correct) allocations in the attached spreadsheet are the same allocations we used for Transpower's (externally assured) indicative pricing model, and the indicative pricing we sent to customers earlier this year. The correct allocations for the Appendix A BBIs have been communicated to customers in their indicative prices, and the proposed amendment will not result in unexpected pricing outcomes for any of them.</p>
<p>Who is likely to be substantially affected by this proposal?</p>	<p>Several customers are likely to be affected by the proposed amendments, but we do not consider any are likely to be affected substantially.</p> <p>As noted above, the differences between the allocations currently in Appendix A and those in the attached spreadsheet are very small. The larger the allocation the more noticeable the difference is, but even the largest differences border on immaterial. For example, the largest allocations in current Appendix A are Vector's 50.97% shares of NIGU and UNIDRS. These shares are 51.07% in the attached spreadsheet – a difference of only 0.1%. For many allocations there is no difference at all (to four decimal places).</p>
<p>Identify whether you consider (providing supporting rationale):</p> <ul style="list-style-type: none"> <li>(i) your proposed change to be technical and non-controversial; or</li> <li>(ii) there is widespread support for your proposed change among the people likely to be affected; or</li> <li>(iii) there has been adequate prior consultation so that all relevant views have been considered.</li> </ul>	<p>We consider the proposed amendments to be technical and non-controversial. The proposed amendments are consistent with the intent of the TPM.</p>

Why this is your proposed option?	The TPM needs to change to ensure the Appendix A allocations are accurate.
Any other relevant information you would like the Authority to consider.	The TPM is a complicated document and was drafted in a short amount of time. It was anticipated that some early changes to the drafting may be required. <a href="#">The Electricity Industry Participation Code Amendment (Transmission Pricing Methodology Related Amendments) 2022</a> was made with this in mind. Clause 12.94A(a) of the Code allows the Authority to make technical and non-controversial changes to the TPM outside the normal TPM review and amendment process.

## Assessment of alternative options

Please list and describe any alternative means of achieving the objective you have described for your proposal. For each alternative, please provide the information in the table below (i.e. repeat this table below for each alternative). The list of alternatives should include both regulatory (i.e. Code amendments) and non-regulatory options (e.g. education, information, voluntary compliance). If you have a preferred option please identify it and explain why it is your preferred option.

Brief description of an alternative means of achieving the objective. Note if this is your preferred option.	We have not identified any alternative means of achieving the objective of the proposed amendment.
The extent to which the objective of your proposal would be promoted or achieved by this option.	N/A
Who is likely to be substantially affected by this option?	N/A
The expected costs and benefits of this option, including direct costs to develop it, and consequential costs and benefits to all affected parties.	N/A

### <sup>i</sup> Section 15: Objective of Authority

The objective of the Authority is to promote competition in, reliable supply by, and the efficient operation of, the electricity industry for the long-term benefit of consumers.