

15 June 2022

James Stevenson-Wallace
Chief Executive
Electricity Authority
Wellington

Email: james.stevenson-wallace@ea.govt.nz

Dear James

A new Transmission Pricing Methodology

I am writing in response to your letter of 12 April 2022, advising us that the Authority has publicly released the new Transmission Pricing Methodology (**TPM**) and has incorporated the new TPM into the Electricity Industry Participation Code 2010 (**code**). Congratulations on achieving this and apologies for the delay in coming back to you.

In your letter, you asked:

1. us to reconsider the section 52P determination (Transpower's individual price path (**IPP**)) under s54V(5) of the Commerce Act, so that Transpower can recover the additional costs of implementing the new TPM; and
2. that the Commission and the Authority staff work together to facilitate provision of appropriate information by Transpower to potential stakeholders of non-core grid investments with anticipatory capacity.

Reopening the Transpower Individual Price-Quality Path

I confirm that we will reconsider Transpower's IPP under section 54V(5) of the Commerce Act so that Transpower can recover the costs of implementing the new TPM.

Information on future investments in anticipatory capacity

You also explained that the new TPM addresses the first mover disadvantage in relation to new grid investments with anticipatory capacity. We acknowledge that the approach of allocating 50% of cost of the investment to the potential regional beneficiaries and the rest to all transmission customers could result in Transpower delivering appropriate solutions for such investments.

We also agree with the Authority that for Transpower to deliver efficient solutions, the potential beneficiaries should be able to scrutinise the investment, evaluate the merits of anticipatory capacity, and provide information that will inform Transpower's consideration of the investment option. We welcome the idea of working together with the Authority to develop a set of requirements.

Our current input methodologies (**IMs**) require Transpower to consult with interested parties on new investments in the core grid. The IMs include consultation requirements for Transpower follow when it develops major capex proposals for our approval.

As we are currently reviewing the IMs, we will consider whether the consultation requirements in our IMs can be extended to investments in non-core grid with anticipatory capacity and involving multiple connected parties.

We plan to engage with your staff to discuss these as we progress through the IM review.

Yours sincerely,

A handwritten signature in blue ink that reads "Andy Burgess".

Andy Burgess
General Manager, Infrastructure Regulation
Commerce Commission
Phone +6449243713
Mobile +64220154877