

10 June 2020

Adrienne Meikle
Chief Executive
Commerce Commission
Wellington

By email

Dear Adrienne

Development of a proposed new transmission pricing methodology (TPM)

1. I am pleased to confirm that today the Electricity Authority's Board has published new TPM guidelines (2020 guidelines), along with a decision paper on the guidelines and future TPM development process. This follows a long and contentious review process.
2. The next phase of the TPM process is for Transpower to develop and submit a proposed new transmission pricing methodology to the Authority. This is required before or on 30 June 2021, though an earlier submission by Transpower would be welcome.
3. Under section 54V(2)(c) of the Commerce Act 1986, the Electricity Authority must advise the Commerce Commission as soon as practicable after issuing any guidelines that are likely to be relevant to the powers or functions of the Commission under Part 4 of that Act. The Authority considers that the 2020 guidelines are likely to be relevant to the Commission's powers and/or functions under Part 4 and therefore wishes to advise the Commission of their publication, in accordance with that section.
4. The Authority has also written today to Transpower to request Transpower develop a proposed new TPM in accordance with the process for TPM development set out in Chapter 17 of the TPM decision paper. The Authority considers that the cost to Transpower to develop and, if the Authority decides to include it in the Code, implement a new TPM are likely to be more than de minimis.
5. The Authority's Chair, Dr Brent Layton, has previously discussed the topic of Transpower's costs with the Commerce Commission's Deputy Chair, Sue Begg. It was agreed between them that the Commerce Commission is best placed to assess Transpower's extra costs in excess of what is already funded under their current Individual Price-Quality Path (IPP). Therefore, the Authority requests, under section 54V(5) of the Commerce Act 1986, that the Commission reconsider its section 52P determination on Transpower's IPP.
6. I look forward to continued progress on the proposed TPM and will ensure Authority staff are available to provide any relevant information to Commission staff as the IPP is reconsidered.
7. Finally, I would like to acknowledge the Commission's recent assistance in commenting on a draft of the TPM guidelines. The final 2020 guidelines reflect improvements suggested by the Commission's staff.

Yours sincerely

A handwritten signature in black ink, appearing to read 'J. Stevenson-Wallace', with a stylized flourish at the end.

James Stevenson-Wallace
Chief Executive, Electricity Authority

cc: Nick Russ, General Manager Regulation, Commerce Commission