

## 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

Name:	Rebecca Osborne
Position in company:	Head of Grid Pricing
Company:	Transpower New Zealand Limited
Telephone:	04 590 8638
Email address:	<a href="mailto:rebecca.osborne@transpower.co.nz">rebecca.osborne@transpower.co.nz</a>
Signature:	
Date:	5 May 2023

### The proposal / preferred option

Suggested proposal name (please keep it short)	Change in high-value/low-value expectation for post-2019 BBIs
State the objective of your proposal.	To further amend the transmission pricing methodology approved by the Authority on 11 April 2022 ( <b>TPM</b> ) to clarify what happens if Transpower's expectation as to whether a post-2019 BBI will be high-value or low-value changes.

**Proposal to amend the Electricity Industry Participation Code 2010**

<p>Does the proposal relate to an existing Code clause? If yes, please state the full clause reference.</p>	<p>Yes, clause 43. See the amended TPM accompanying this form.</p>
<p>Describe the specific amendment(s) that you propose be made to the Code OR attach a draft of the proposed Code amendment (optional). Note the <a href="#">Code drafting manual</a> provides guidance on drafting.</p>	<p>For a post-2019 BBI close to the base capex threshold (currently \$20m) in terms of its expected fully commissioned value it is possible new information may change Transpower's expectation as to whether the BBI will be high-value or low-value when fully commissioned. We consider the TPM should clarify that Transpower may change the BBC allocations calculation method it applies to the BBI in this case, subject to limits.</p> <p>We propose adding a new subclause to clause 43 saying that Transpower may change from a standard method to the simple method (or vice versa) for calculating starting BBC allocations for a post-2019 BBI if Transpower's expectation as to whether the BBI will be high-value or low-value when fully commissioned changes, provided this happens:</p> <ul style="list-style-type: none"> <li>• before the BBI's final investment decision date; or</li> <li>• before the BBI's commissioning date, if the BBI's final investment decision date was before the start of the first pricing year (i.e., before 1 April 2023),</li> </ul> <p>and provided the BBI's BBCs for its start pricing year have not already been notified to at least one customer.</p> <p>We note:</p> <ul style="list-style-type: none"> <li>• Even if Transpower has already calculated and consulted on starting BBC allocations for a BBI under a standard method at the time Transpower becomes aware the BBI will be low-value, there are still likely to be benefits in changing to the simple method. This is because changing to the simple method will avoid having an additional high-value post 2019 BBI on the books and the administrative effort and cost of having to process adjustments for that BBI individually when relevant adjustment events occur in future.</li> <li>• If Transpower changed from the simple method to a standard method, Transpower would need to comply with all requirements for the standard method in the TPM, including individual consultation on the proposed starting BBC allocations under clause 15 before finalising those allocations.</li> </ul> <p>We consider this a clarifying change only because the TPM is not specific about when Transpower's expectation as to the fully commissioned value of a post-2019 BBI needs to crystallise.</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 amendment will clarify an issue not addressed in the TPM that has the potential to generate disputes. A dispute may arise if Transpower changes its high-value/low-value expectation for a post-2019 BBI having already indicated a different expectation. Avoiding the potential for such disputes will support the efficiency limb of the Authority's statutory objective.</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>Not urgent</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. Potentially material benefits from avoiding disputes about Transpower’s discretion to use the most appropriate method in the TPM to calculate a post-2019 BBI’s starting BBC allocations, and from avoiding unnecessary high-value post-2019 BBIs whose BBC allocations will need to be adjusted individually in future.</p>
<p>Who is likely to be substantially affected by this proposal?</p>	<p>No stakeholders are likely to be substantially affected by the proposed amendment. The proposal aligns with the way Transpower currently applies the TPM, given the TPM is silent on this issue.</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 amendment to be technical and non-controversial. The proposed amendment clarifies an issue on which the TPM is silent currently, and one we expect will arise only rarely.</p>
<p>Why this is your proposed option?</p>	<p>The only other option is not to make the proposed amendment.</p>
<p>Any other relevant information you would like the Authority to consider.</p>	<p>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.</p>

## 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.	The only other materially different option is not to make the proposed amendment.
The extent to which the objective of your proposal would be promoted or achieved by this option.	This option would not achieve the objective of the proposal in that the TPM would be less clear and transparent.
Who is likely to be substantially affected by this option?	No stakeholders are likely to be substantially affected by this option given, as above, the TPM is silent on this issue and the proposal reflects how Transpower would implement the TPM.
The expected costs and benefits of this option, including direct costs to develop it, and consequential costs and benefits to all affected parties.	No material costs or benefits other than the costs of not realising the benefits of the proposed amendment noted above.

---

***<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.