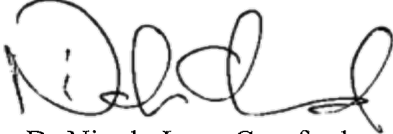# Electricity Industry Participation Code Amendment (Transmission Pricing Methodology Amendments) 2023

Under sections 38 and 39(3) of the Electricity Industry Act 2010, and having complied with section 39 of that Act, I make the following amendment to the Electricity Industry Participation Code 2010.
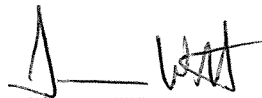
At Wellington on the __22__ day of June 2023

Dr Nicola Lane Crauford
Chair
Electricity Authority

Certified in order for signature:

Nicholai Mumford
Senior Legal Counsel
Electricity Authority

Simon Watt
Consultant
Bell Gully

__21__ June 2023

__20__ June 2023

Contents

Amendment

1 Title

This is the Electricity Industry Participation Code Amendment (Transmission Pricing Methodology Amendments) 2023.

2 Commencement

This amendment comes into force on 31 July 2023.

3 Code amended

This amendment amends the Electricity Industry Participation Code 2010.

4 Schedule 12.4, clause 2 amended

(1) In clause 2(a) of Schedule 12.4, replace "0" with "Part C".

(2) In clause 2(b) of Schedule 12.4, replace "0" with "Part D".

(3) In clause 2(e) of Schedule 12.4, replace "0" with "Part E".

5 Schedule 12.4, clause 3 amended

(1) In clause 3 of Schedule 12.4, revoke the definition of **avoided transmission charges**.

(2) In clause 3 of Schedule 12.4, definition of **capped charges,**—

    (a) in paragraph (b), delete "; and"

    (b) revoke paragraph (c).

(3) In clause 3 of Schedule 12.4, insert in their appropriate alphabetical order:

"**asseted** means, for an asset comprised in a **BBI**, that there is sufficient information about the asset in **Transpower's** fixed asset register for **Transpower** to calculate accurately the part of the **BBI's covered cost** for a **pricing year** that relates to the asset"

"**avoided charges** means—

    (a) for an **inefficient bypass prudent discount**—

        (i) the **transmission charges** the relevant **customer** would avoid paying if the relevant **alternative project** were implemented—

            (A) assessed relative to the **transmission charges** the **customer** would pay if the **alternative project** were not implemented; and

            (B) assuming none of the **alternative project costs** for the **alternative project** would be recovered through **transmission charges**; less

(ii) the absolute value of any reduction in **settlement residue** that would be paid to the **customer** if the **alternative project** were implemented, assessed relative to the **settlement residue** that would be paid to the **customer** if the **alternative project** were not implemented; and

(b) for a **stand-alone cost prudent discount**—

(i) the relevant **customer's connection charges, benefit–based charges** and **residual charge**; less

(ii) **settlement residue** paid to the **customer**"

6 Schedule 12.4, clause 25 amended

In clause 25 of Schedule 12.4, before "**Transpower**", insert "Except as otherwise required under any relevant **transmission agreement**, ".

7 Schedule 12.4, clause 26 amended

In clause 26(4) of Schedule 12.4, paragraphs (a) and (b), delete "anticipatory" in each place.

8 Schedule 12.4, clause 36 replaced

In Schedule 12.4, replace clause 36 with:

"**36 Start of Benefit-based Charges**

Transpower must start the **benefit-based charges** for a **BBI** from the **BBI's start pricing year**. To avoid doubt, this clause does not apply to charges under an **investment agreement**.".

9 Schedule 12.4, clause 39 amended

(1) In clause 39 of Schedule 12.4, subclauses (1) and (3), delete ", subject to paragraph (6)(e)," in each place.

(2) Revoke clause 39(6) of Schedule 12.4.

(3) After clause 39(7) of Schedule 12.4, insert:

"(8) This clause 39 is subject to clause 40A.".

10 Schedule 12.4, clause 40 amended

(1) In clause 40(1) of Schedule 12.4, delete ", subject to subclause 39(6),".

(2) After clause 40(4) of Schedule 12.4, insert:

"(5) This clause 40 is subject to clause 40A.".

11 Schedule 12.4, new clause 40A inserted

After clause 40, insert:

"**40A Commissioned Assets Not Asseted**

An asset that—

(a) is comprised in a **BBI**; and

(b) was **commissioned** at or before the end of the **financial year** preceding the **pricing year** for which **Transpower** is calculating the **BBI's covered cost**; and

(c) is not **asseted** at the time of that calculation,

must be ignored for the purposes of calculating the **BBI's covered cost** for the **pricing year**.".

12 Schedule 12.4, clause 43 amended

(1) In clause 43(2) of Schedule 12.4, replace "subclause (3)" with "subclauses (3) and (4A)".

(2) In clause 43 of Schedule 12.4, after subclause (2) insert:

"(2A) If **Transpower's** expectation as to whether a **post-2019 BBI** will be **high-value** or **low-value** when **fully commissioned** changes before—

    (a) the **post-2019 BBI's final investment decision date**; or

    (b) for a **post-2019 BBI** with a **final investment decision date** before the start of the **first pricing year**, the date the **post-2019 BBI** is **commissioned**,

Transpower may, but is not obliged to, change the method it applies to calculate **customers' BBI customer allocations** for the **post-2019 BBI** from a **standard method** to the **simple method** or vice versa in accordance with subclause (2). However, **Transpower** must not change the method if **Transpower** has already notified one or more **customers** of their **benefit-based charges** for the **post-2019 BBI** and its **start pricing year** under their **transmission agreements**.".

(3) In clause 43 of Schedule 12.4, after subclause (4) insert:

"(4A) If **Transpower**—

    (a) expects a **post-2019 BBI** to be **high-value** when **fully commissioned**; and

    (b) expects one or more **interconnection investments** comprised in the **post-2019 BBI** to become **connection investments** within 3 years of the **post-2019 BBI's full commissioning date**; and

    (c) would not expect the **post-2019 BBI** to be **high-value** when **fully commissioned** if those **interconnection investments** were excluded from the **post-2019 BBI** on its **full commissioning date**,

Transpower must apply the **simple method** to calculate **customers' BBI customer allocations** for the **post-2019 BBI**.".

13 Schedule 12.4, clause 61 amended

(1) In clause 61 of Schedule 12.4, replace subclause (4) with:

"(4) The values of $RNPB_g$ and SMF_g under subclause (1) are those that apply when the **BBI** is **commissioned**, and **Transpower** must use those values to calculate each **customer's individual NPB** and starting **BBI customer allocation** for the **BBI**. To avoid doubt, the **BBI customer allocations** for the **BBI** do not change merely because—

    (a) there are different values of **regional NPB** for a subsequent **simple method period**; or

    (b) there are different **simple method factors, individual NPBs** and starting **BBI customer allocations** for a subsequent **simple method period**; or

    (c) new or re-calculated **simple method factors, individual NPBs** and starting **BBI customer allocations** for a **simple method period** are calculated or re-calculated under paragraph (6)(a) or published under paragraph 64A(c).".

(2) Revoke clause 61(5) of Schedule 12.4.

(3) In clause 61 of Schedule 12.4, replace subclause (6) with:

"(6) If a **benefit-based charge adjustment event** in any of paragraphs 81(1)(b) to 81(1)(j) occurs, **Transpower** must—

    (a) calculate or re-calculate (as the case may be and to the extent affected by the **benefit-based charge adjustment event**) all **customers' simple method factors, individual NPBs** and starting **BBI customer allocations** for the current **simple**

method period, using estimated values for the **customers' intra-regional allocators** to the extent necessary; and

(b) subject to this subclause (6), apply the new or re-calculated starting **BBI customer allocations** to each **BBI** commissioned during the **simple method period** after the new or re-calculated starting **BBI customer allocations** are **published** under paragraph 64A(c).".

14 Schedule 12.4, clause 62 amended

Revoke clause 62(2) of Schedule 12.4.

15 Schedule 12.4, clause 64 amended

Revoke clause 64(1) of Schedule 12.4.

16 Schedule 12.4, new clause 64A inserted

After clause 64 of Schedule 12.4, insert:

"**64A** **Publication of Simple Method Information**

Transpower must—

(a) **publish** the **modelled regions, regional NPB** for each **modelled region,** starting **BBI customer allocations** and all inputs to the calculation of the starting **BBI customer allocations** for the first **simple method period** before the start of the **first pricing year**; and

(b) **publish** the **modelled regions, regional NPB** for each **modelled region,** starting **BBI customer allocations** and all inputs to the calculation of the starting **BBI customer allocations** for each subsequent **simple method period** before the start of the subsequent **simple method period**; and

(c) if **Transpower** calculates or re-calculates the **simple method factors, individual NPBs** and starting **BBI customer allocations** for a **simple method period** under paragraph 61(6)(a), **publish** the new or re-calculated starting **BBI customer allocations** and all inputs to their calculation or re-calculation.".

17 Schedule 12.4, clause 71 amended

In clause 71 of Schedule 12.4, replace subclauses (2) and (3) with:

"(2) A **load customer's** lagged average **total gross energy** for **pricing year** n (LATGE$_n$) is calculated as follows:

$$LATGE_n = \frac{1}{4} \sum_{m=n-8}^{n-5} F_m \times TGE_m$$

where

F_m is—

(a)   if—

(i)   the **load customer** is a **pre-existing load customer**; and

(ii)   there has been one or more **reduction events** for the **load customer** that occurred after the end of **financial year** m,

the **reduction event** adjustment factor for the **load customer** and **financial year** m calculated under subclause (3); or

(b)   otherwise, 1

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TGE$_m$ is—
    (a)   if—
        (i)   the **load customer** is a **pre-existing load customer**; and
        (ii)   there has been one or more **reduction events** for the **load customer** that occurred during **financial year** m,
        ATGE$_{after}$ as defined in subclause (3), immediately after the most recent such **reduction event**; or
    (b)   otherwise, the **load customer's total gross energy** for **financial year** m.

"(3)   The **reduction event** adjustment factor for a **load customer** and **financial year** m (REAF$_m$) is calculated as follows:

$$REAF_m = 1 - \frac{ATGE_{before} - ATGE_{after}}{ATGE_{before}}$$

where

ATGE$_{after}$ is the **load customer's** average **total gross energy** baseline immediately after the reduction under subclause 72(2) for the latest **reduction event** that occurred after the end of **financial year** m

ATGE$_{before}$ is the **load customer's** average **total gross energy** baseline immediately before the reduction under subclause 72(2) for the earliest **reduction event** that occurred after the end of **financial year** m.".

18   Schedule 12.4, clause 83 amended

In clause 83 of Schedule 12.4, replace subclause (7) with:

"(7)   An **Appendix A customer's benefit factor** for an **Appendix A BBI** and **connection location** (BF) is calculated as follows:

$$BF = \frac{CA}{E}$$

where

CA   is the part of the **Appendix A customer's Appendix A allocation** for the **Appendix A BBI** attributable to the **connection location** (which may be 0)

E   is—
    (a)   if the **Appendix A customer** is a **Schedule 1 customer**, and subject to subclause (7A), the **Appendix A customer's** average annual **offtake** (for a **connected asset owner**) or **injection** (for a **generator**) at the **connection location** over **CMP D**, being the period the **Authority** used to calculate the **Schedule 1 allocations**, adjusted as necessary to take account of any adjustments of the type referred to in subclause 42(2); or
    (b)   otherwise, the estimate of the **Appendix A customer's** average annual **offtake** (for a **connected asset owner**) or **injection** (for a **generator**) at the **connection location** over **CMP D** used to calculate the **Appendix A customer's Appendix A allocation** for the **Appendix A BBI**.

"(7A)   This subclause applies to an **Appendix A customer** and **connection location** if—
    (a)   paragraph (a) of the definition of variable E in subclause (7) applies to the calculation of the **Appendix A customer's benefit factors** for the **connection location**; and
    (b)   the **Appendix A customer**—

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is or was a **connected asset owner** at the **connection location** and had average annual **injection** at the **connection location** over **CMP D** that was greater than its average annual **offtake** at the **connection location** over **CMP D**; or
is or was a **generator** at the **connection location** and had average annual **offtake** at a **connection location** over **CMP D** that was greater than its average annual **injection** at the **connection location** over **CMP D**.

If this subclause applies, **Transpower** must—

(c)   if the **Appendix A customer** is or was a **connected asset owner** at the **connection location**—

<ol type="i" start="1">
use the **Appendix A customer's** average annual **injection** at the **connection location** over **CMP D** as the value of variable E in subclause (7), instead of its average annual **offtake** at the **connection location** over **CMP D**; and
treat the **Appendix A customer** as a **generator** at the **connection location** for the purposes of calculations under paragraph (6)(a); and

(d)   if the **Appendix A customer** is or was a **generator** at the **connection location**—

<ol type="i" start="1">
use the **Appendix A customer's** average annual **offtake** at the **connection location** over **CMP D** as the value of variable E in subclause (7), instead of its average annual **injection** at the **connection location** over **CMP D**; and
treat the **Appendix A customer** as a **connected asset owner** at the **connection location** for the purposes of calculations under paragraph (6)(a).".

19   Schedule 12.4, clause 87 amended

In the heading of clause 87 of Schedule 12.4, replace "**GXP**" with "**Grid Point of Connection**".

20   Schedule 12.4, clause 110 amended

Revoke clause 110(4) of Schedule 12.4.

21   Schedule 12.4, clause 112 replaced

Replace clause 112 of Schedule 12.4 with:

"**112**   **Cap Recovery Charge**

"(1)   Only **customers** who do not receive a **cap reduction** for a **pricing year** pay a **cap recovery charge** for the **pricing year**.

"(2)   A **customer's annual cap recovery charge** for a **pricing year** (ACRC) is calculated as follows:

$$ACRC = CR_{total} \times \frac{CRRC}{CRRC_{total}}$$

where

CR_{total} is the total of all **customers' cap reductions** for the **pricing year**

$CRRC$ is the **customer's cap recovery-relevant charges** for the **pricing year**

$CRRC_{total}$ is the total of all **customers' cap recovery-relevant charges** for the **pricing year**, excluding **cap-recovery relevant charges** for **customers** who receive a **cap reduction** for the **pricing year**.

"(3)   A **customer's monthly cap recovery charge** for a **pricing year** (MCRC) is calculated as follows:

$$MCRC = \frac{ACRC}{12}$$

where ACRC is the **customer's annual cap recovery charge** for the **pricing year**.

"(4)   Except as otherwise stated in this **transmission pricing methodology, cap recovery charges—**
   (a)   are calculated at the start of a **pricing year** only; and
   (b)   are not re-calculated during a **pricing year** if there is an adjustment to other **transmission charges** during the **pricing year**.".

22   Schedule 12.4, clause 118 amended

In clause 118 of Schedule 12.4, replace "**avoided transmission charges**" with "**avoided charges**" in each place.

23   Schedule 12.4, clause 128 amended

In clause 128(b)(i) of Schedule 12.4, replace "**avoided transmission charges**" with "**avoided charges**".

24   Schedule 12.4, clause 129 amended

In clause 129(e) of Schedule 12.4, replace "subclause 118(1)" with "clause 118".

Explanatory Note

This note is not part of the amendment, but is intended to indicate its general effect.

This amendment to the Electricity Industry Participation Code 2010 (the Code) comes into force on 31 July 2023.

The amendment amends Schedule 12.4 of the Code (the Transmission Pricing Methodology) in several places to correct errors and make technical improvements.

The amendment also makes permanent one amendment which was previously made urgently (clause 17 which was previously made under clause 4 of the Electricity Industry Participation Code Amendment (Residual Charge Adjustment Factor) 2023 and which would otherwise expire 9 months after the date it came into force under that amendment).

More information about the amendments is available on the Electricity Authority's website https://www.ea.govt.nz/development/work-programme/pricing-cost-allocation/transmission-pricing-review/development/