

Amendments to correct issues in the TPM

Decision paper

7 June 2024

Executive summary

The Electricity Authority Te Mana Hiko (the Authority) has decided to amend the Code to correct four issues with the new transmission pricing methodology (TPM) that were identified by Transpower during implementation and submitted to the Authority in October 2023.

We consider that these amendments meet the requirements of clause 12.94A of the Electricity Industry Participation Code 2010 (the Code) and section 39(3) of the Electricity Industry Act 2010 (the Act) and therefore do not require consultation. We nevertheless consulted on the four proposed Code amendments on 27 February 2024.

The issues these TPM amendments address are as follows:

1. Minor corrections to the transmission pricing methodology, such as typographical errors
2. Clarifying the continuing benefit-based investment mechanism for low-value investments and anticipatory benefit-based investments
3. Correction to the calculation of Appendix A benefit-based investment allocations for new customers
4. Correction to the funded asset component and funded rebate mechanism for connection charges.

We received no submissions in response to this consultation paper.

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1. Introduction

- 1.1. On 27 February 2024, the Authority consulted on amendments to the TPM to correct for four issues identified by Transpower during implementation.¹
- 1.2. The Authority considers that these proposed amendments meet the requirements of clause 12.94A of the Electricity Industry Participation Code 2010 (the Code) and section 39(3) of the Electricity Industry Act 2010 (the Act), including because the amendments are technical in nature and non-controversial, given that they generally address minor drafting issues, correct mistakes in formulae or address small omissions, while otherwise ensuring that the TPM achieves its policy intent
- 1.3. The above means that the amendments can be made without the Authority meeting the requirements for reviewing the TPM in the Code, and the requirements in the Act to publicise a regulatory statement and consult on the statement and proposed amendment.
- 1.4. The Authority nevertheless consulted on the amendments for feedback.
- 1.5. The Authority received no submissions in response to our consultation.

¹ Refer to: [Amendments to correct issues in the TPM \(ea.govt.nz\)](https://www.ea.govt.nz/consultations/amendments-to-correct-issues-in-the-tpm/)

2. Assessment following consultation

2.1. This section summarises the rationale for our decisions.

Issue 1: Minor corrections to the transmission pricing methodology, such as typographical errors

Our decision for issue 1

2.2. The Authority has adopted the Code amendments to correct various minor issues with the TPM (such as typographical errors) that were proposed in the February 2024 consultation paper.

What we proposed

2.3. The rationale for the proposed amendments is described in the consultation paper and supporting documents.²

2.4. These amendments will correct typographical errors and make some other minor improvements to the TPM.

Submitter views and assessment

2.5. We received no submissions on issue 1.

2.6. The Authority considers all the amendments under issue 1 satisfy section 39(3) (technical and non-controversial and/or adequate prior consultation) as these are minor changes to the TPM, to:

- (a) improve the clarity of language
- (b) fix minor errors
- (c) clarify the intended meaning of the TPM.

2.7. The Authority has decided to implement the amendments as proposed in our consultation paper.

Issue 2: Clarifying the continuing benefit-based investment mechanism for low-value investments and anticipatory benefit-based investments

Our decision for issue 2

2.8. The Authority has adopted the Code amendments to clarify the continuing benefit-based investment (BBI) mechanism for low-value post-2019 BBIs under the simple method. A minor tweak to the drafting has been made to further clarify that the TPM requires Transpower to group BBIs for each simple method period separately for the purpose of the continuing BBI mechanism.

² Refer to <https://www.ea.govt.nz/projects/all/tpm/consultation/amendments-to-correct-issues-in-the-tpm-24/>

What we proposed

- 2.9. The Authority proposed to amend TPM clauses 84(5) & (6) – which provide for adjustments to benefit-based charges if a customer exits – and 85(4) & (5) – which provide for adjustments to benefit-based charges following a large plant closure.
- 2.10. The changes clarify that, for the purposes of applying the continuing BBI mechanism in Part F, all low-value post-2019 BBIs under the simple method within a particular investment region (excluding anticipatory BBI and high-value intervening BBI under the simple method) are to be treated as a single BBI for that investment region during the relevant simple method period.
- 2.11. Additionally, the Authority proposed an amendment to clarify that anticipatory BBIs are excluded from the scope of the continuing BBI mechanism. Anticipatory BBIs do not relate to interconnection assets and allocations for these are only determined under the simple method in order to recover the portion of their covered cost which is not recoverable through connection charges.

Submitter views and assessment

- 2.12. We received no submissions on issue 2.
- 2.13. The Authority considers the proposed amendments satisfy section 39(3)(a) (technical and non-controversial). The Authority has decided to implement the amendments as proposed in our consultation paper.

Issue 3: Correction to the calculation of Appendix A benefit-based investment allocations for new customers

Our decision for issue 3

- 2.14. The Authority has become aware that the new clause 83(9A) was incorrectly included in a previous Code amendment consulted on by the Authority in January 2024.
- 2.15. Transpower had proposed two amendments at that time, and both affected the same clause 83. The Authority chose to progress one of the amendments before the other, but this decision was not reflected in the proposed Code drafting which dealt with both amendments.
- 2.16. Following the January consultation, the new clause 83(9A) was then included in a final Code amendment made in February 2024 and which came into effect on 10 April 2024; however, the Authority understands that no decisions have been made by Transpower in reliance on the amendment as of yet.
- 2.17. The Authority has now fully considered the second amendment (this Issue 3), noting that it has received no submissions on clause 83(9A) as part of either the consultation in January or its March consultation which preceded this decision paper, and has decided to proceed with it for the reasons set out below. However, since the relevant clause has already been included in the Code, the Authority's decision does not require a further Code amendment to implement it.

What we proposed

- 2.18. The Authority proposed a new clause to the TPM (83 (9A)) that provides Transpower discretion to exclude the benefit factors of the non-comparable

Appendix A customer(s) from the calculation under subclause 83(6) and instead identify a comparable customer at the electrically closest connection location.

Submitter views and assessment

- 2.19. We received no submissions on issue 3.
- 2.20. The Authority considers the proposed amendments satisfy section 39(3)(a) (technical and non-controversial), and section 39(3)(c) (there has been adequate prior consultation so that all relevant views have been considered). The Authority has decided to implement the amendments as proposed in our consultation paper.

Issue 4: Correction to the funded asset component and funded rebate mechanism for connection charges

Our decision for issue 4

- 2.21. The Authority has adopted the Code amendments to address an unintended consequence in the funded asset component (FA component) and funded asset rebate (FA rebate) mechanism in the calculation of connection charges.

What we proposed

- 2.22. The Authority proposed to amend Clause 28(2) of the TPM to ensure that where a customer funds a funded asset it will not be connecting to, the FA component contribution and FA rebate mechanism is not triggered. This will avoid any potential revenue over-recovery by Transpower and allow the proper operation of the FA component and FA rebate mechanism for its intended purpose.

Submitter views and assessment

- 2.23. We received no submissions on issue 4.
- 2.24. The Authority considers the amendments satisfy section 39(3)(a) (technical and non-controversial). The Authority has decided to implement the amendments as proposed in our consultation paper.