

21 November 2022

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Head of Regulation
Transpower New Zealand Limited

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Response to Transpower New Zealand Limited's request for an exemption from reporting operating expenditure required by the Transpower Information Disclosure Determination 2014

1. We refer to your e-mail dated 28 September 2022, in which you requested that the Commerce Commission (Commission) grant Transpower New Zealand Limited (Transpower) an exemption from reporting its Operating expenditure (Opex) in the form set out in the Schedules required by clauses 8.2 and 8.4 of the Transpower Information Disclosure Determination 2014 (the ID Determination).¹

Background

2. Clauses 8.2 and 8.4 of the ID Determination require Transpower to publicly disclose information about its actual and forecast Opex. This information is required to be disclosed in the following Schedules:
 - 2.1 **Schedule F2 – Operating Expenditure (Opex): Actual** (Schedule F2); and
 - 2.2 **Schedule F4 – Comparison of Forecasts for Opex and Base Capex Commissioning** (Schedule F4).
3. Schedule F2 and Schedule F4 must be publicly disclosed by the Friday of the third complete week of October after the end of each disclosure year. For the disclosure year ending 30 June 2022 (the 2022 disclosure year), this would be 21 October 2022.
4. Transpower was granted an extension to the due date for certain disclosures, including those required by clause 8 of the ID Determination.² As a result, for the 2022 disclosure year only, Transpower must instead disclose Schedule F2 and Schedule F4 by the new deadline of 28 November 2022.

¹ *Transpower Information Disclosure Determination 2014* [2014] NZCC 5 (as amended).

² *ID Exemption – Transpower New Zealand Limited – Exemption from certain information disclosure and assurance requirements*, dated 20 October 2022.

5. Along with Information Disclosure (ID) regulation, Transpower is subject to price-quality regulation in the form of an Individual Price-Quality Path (IPP). The current IPP determination applies to Transpower in relation to the supply of electricity lines services for Regulatory Control Period 3 (RCP3).^{3,4}
6. The expenditure categories in Schedule F2 and Schedule F4 are aligned with the categories Transpower reported on during the previous regulatory period, Regulatory Control Period 2 (RCP2).⁵

Exemption request

7. On 28 September 2022, Commission staff received an e-mail from you, requesting that Transpower be granted an exemption from reporting Opex in the prescribed expenditure categories in Schedule F2 and Schedule F4.
8. Instead, you have proposed to report Opex in Schedule F2 and Schedule F4 against the RCP3 expenditure categories.
9. You acknowledged that reporting against the RCP3 expenditure categories may reduce the ability of some users to consider trends in expenditure areas. However, you noted that in your RCP3 proposal you provided mapping between RCP2 and RCP3 Opex categories. Further, you added that you could provide retrospective mapping if requested by the Commission.
10. You have sought an exemption for the entire period of RCP3, or until the IMs are amended to allow for more flexibility to report expenditure against Transpower's allowances.

Conditional exemption granted

11. By this notice, under clause 22.1 of the ID Determination, the Commission grants Transpower a conditional exemption from reporting Opex against the prescribed expenditure categories in Schedule F2(i), Schedule F2(ii), and Schedule F4(i).
12. The exemption is provided with three conditions attached:
 - 12.1 Transpower must report complete Opex information in Schedule F2(i), Schedule F2(ii), and Schedule F4(i) against the expenditure categories adopted for RCP3;
 - 12.2 Transpower must publicly disclose functional mapping between the prescribed ID expenditure categories set out in Schedule F2(i) and Schedule

³ Clause 3.1 of the Transpower Individual Price-Quality Path Determination 2020. The determination can be found [here](#) on our website.

⁴ RCP3 means the regulatory period from 1 April 2020 to 31 March 2025, provided that references to the final disclosure year in RCP3 means the disclosure year ending on 30 June 2025.

⁵ RCP2 means the regulatory period from 1 April 2015 to 31 March 2020, provided that references to the final disclosure year in RCP2 means the disclosure year ending on 30 June 2020.

F2(ii); and the RCP3 expenditure categories (forecast information under Schedule F4(i) is not required). This mapping of the ID to RCP3 expenditure categories must allow interested persons to carry out historic trend analysis across the different Regulatory Control Periods; and

- 12.3 Transpower must retain the information which would be required to produce the Opex information in the prescribed ID expenditure categories set out in Schedule F2(i) and Schedule F2(ii). We note that the Commission reserves the right to request this information at any time.
13. This exemption applies to the disclosure years ending 30 June 2022, 30 June 2023, 30 June 2024, and 30 June 2025.

Reasons for granting the exemption

14. We consider Transpower's request to align its Opex reporting for ID with its RCP3 proposal and allowances to be reasonable. However, changing how Opex is reported in ID will reduce the ability of interested persons to analyse historic Opex trends.
15. In our view, the mapping Transpower provided in its RCP3 proposal does not allow interested persons to carry out historic trend analysis for all expenditure areas. This is because the mapping does not disclose how some of the reclassified expenditure data has been calculated and uses some forecast information when reclassifying that expenditure.
16. Commission staff will work with Transpower to ensure the mapping tool it provides meets the requirements set out in paragraph 12.2 of this letter. Transpower can meet this condition by updating the mapping it provided to include:
- 16.1 formulas in the RCP3-mapped expenditure that link to the relevant RCP2 expenditure categories, clearly showing the proportion of RCP2 expenditure for each RCP3 expenditure item; and
- 16.2 actual Opex reported for ID during the RCP2 period.
17. Given the information set out above, we consider it appropriate to align the exemption period with the remaining disclosure years during the RCP3 period. If the prescribed expenditure categories in Schedule F2(i), Schedule F2(ii) and Schedule F4(i) are amended or replaced prior to the end of the RCP3 period, this exemption will not apply.
18. We consider the purpose of ID⁶ will still be met in granting this exemption because:

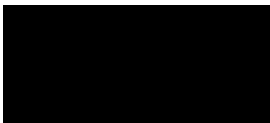
⁶ As specified in s 53A of the Commerce Act 1986.

- 18.1 Transpower is still required to publicly disclose actual and forecast Opex information, albeit in a different form than what is set out in Schedule F2 and Schedule F4;
 - 18.2 Transpower will be required to publicly disclose functional mapping between the prescribed ID expenditure categories set out in Schedule F2(i) and Schedule F2(ii), and the RCP3 expenditure categories. This will allow interested persons to carry out historic trend analysis against RCP3 expenditure categories; and
 - 18.3 Transpower will be required to record and maintain the information relevant to the prescribed ID expenditure categories set out in Schedule F2(i) and Schedule F2(ii) in the event that the Commission request this information in future, whether for the purposes of information verification or to serve the purpose of ID.
19. The Commission considers the combined requirements as listed above will provide interested persons with sufficient information regarding Transpower's Opex.

Further information

- 20. This exemption may be revoked or further amended by the Commission at any time in accordance with clause 22.2 of the ID Determination.
- 21. A copy of this exemption response letter will be published on the Commission's website.
- 22. If you have any questions regarding this matter, please contact Matthew Clark, Manager – Transpower and Gas, on [REDACTED] or at [REDACTED]

Yours sincerely



Vhari McWha
Associate Commissioner