

# **Information Disclosure (Transpower) Amendment Determination 2024**

## **Final Decision – Reasons Paper**

**Date of publication:** 13 November 2024

## Associated documents

Publication date	Reference	Title
28 February 2014	[2014] NZCC 5	<a href="#">Transpower Information Disclosure Determination 2014</a>
28 February 2014	ISBN 978-1-869453-54-1	<a href="#">Information Disclosure Requirements for Transpower – Reasons Paper</a>
2 November 2017	NZCC 25	<a href="#">Transpower Information Disclosure Amendments Determination 2017</a>
14 November 2019	NZCC 19	<a href="#">Transpower Individual Price-Quality Path Determination 2020 (including amendments)</a>
13 December 2023	[2023] NZCC 38	<a href="#">Transpower Input Methodologies (IM Review 2023) Amendment Determination 2023</a>
13 December 2023	[2023] NZCC 39	<a href="#">Transpower Capital Expenditure Input Methodology (IM Review 2023) Amendment Determination 2023</a>
13 December 2023	ISBN 978-1-991085-68-9	<a href="#">Transpower investment topic paper Part 4 Input Methodologies Review 2023 - Final decision</a>
13 December 2023	ISBN: 978-1-991085-66-5	<a href="#">Financing and incentivising efficient expenditure during the energy transition topic paper Part 4 Input Methodologies Review 2023 – Final decision</a>
13 December 2023	N/A	<a href="#">Part 4 IM Review 2023 Transpower investment topic paper ACA Accounting guidance for Transpower’s Anticipatory Connection Asset ACA capacity</a>
14 December 2023	ISBN: 978-1-991085-61-0	<a href="#">Part 4 Information Disclosure Reviews Framework paper</a>
17 April 2024	N/A	<a href="#">Notice of intention to consider amendments to the Input Methodologies – Transpower RCP4 price-quality path reset 2024</a>
29 August 2024	ISBN 978-991287-81-6	<a href="#">[Revised draft] Transpower Individual Price-Quality Path Determination 2025</a>
29 August 2024	ISBN 978-1-991287-74-8	<a href="#">Amendments to input methodologies for Transpower New Zealand Limited related to the Transpower individual price-quality path from 1 April 2025</a>
29 August 2024	[2024] NZCC 19	<a href="#">Transpower Input Methodologies Amendment Determination 2024</a>
29 August 2024	N/A	<a href="#">Transpower’s individual price-quality path for the regulatory control period commencing 1 April 2025</a>

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## Glossary

Acronyms	
<b>ABAA</b>	Accounting-based allocation approach
<b>ACA</b>	Anticipatory connection asset
<b>Capex</b>	Capital expenditure
<b>Capex IM</b>	Transpower Capital Expenditure Input Methodology Determination 2012
<b>CPI</b>	Consumer price index
<b>DY</b>	Disclosure year
<b>EDBs</b>	Electricity distribution businesses
<b>EA</b>	Electricity Authority
<b>FCM</b>	Financial capital maintenance
<b>GDBs</b>	Gas distribution businesses
<b>GPBs</b>	Gas pipeline businesses
<b>HVAC</b>	High voltage alternating current
<b>HVDC</b>	High voltage direct current
<b>ID</b>	Information Disclosure
<b>ID Determination</b>	Transpower Information Disclosure Determination 2014
<b>IMs</b>	Part 4 input methodologies
<b>IM Determination</b>	Transpower Input Methodologies Determination 2012
<b>IM Review</b>	Input Methodologies Review 2023
<b>IPP</b>	Individual price-quality path
<b>NIC</b>	New investment contract
<b>MCP</b>	Major capex proposals
<b>Opex</b>	Operational expenditure
<b>POS</b>	Point of Service
<b>Part 4</b>	Part 4 of the Commerce Act 1986
<b>RAB</b>	Regulatory asset base
<b>ROI</b>	Return on investment
<b>TPM</b>	Transmission Pricing Methodology
<b>Transpower</b>	Transpower New Zealand Limited

## Executive summary

### Changes to information disclosure requirements for Transpower

- X1 We have reviewed the information disclosure (**ID**) requirements for Transpower New Zealand Limited (**Transpower**) to:
- X1.1 ensure that ID requirements are aligned with the changes arising from the Input Methodologies Review 2023 (**IM Review**);<sup>1</sup> and
  - X1.2 ensure that ID requirements are aligned with the new Transmission Pricing Methodology (**TPM**).<sup>2</sup>
- X2 As part of this review, we have changed some existing requirements, added some new requirements and removed some ID requirements for Transpower. These changes will align Transpower's ID requirements with the Input Methodologies (**IMs**) and updated TPM and enable stakeholders (including consumers) to better understand how Transpower is performing.
- X3 This paper outlines our final decision for changes we have made to the Transpower Information Disclosure Determination 2014 (**ID determination**), including the schedules, and our reasons for the changes made.<sup>3</sup> The Transpower Information Disclosure (amendments related to IM Review 2023 and Transmission Pricing Methodology Amendment 2022) Amendment Determination 2024 and the amended schedules published alongside this paper gives effect to these decisions.
- X4 The structure of this paper is as follows:
- X4.1 Chapter 1 sets out the purpose and context of this paper.
  - X4.2 Chapter 2 discusses our final decisions which follow from the draft decisions we consulted on, as well as additional amendments we have made which were suggested by submitters on our draft decisions.

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<sup>1</sup> [Transpower Input Methodologies \(IM Review 2023\) Amendment Determination 2023](#) [2023] NZCC 38 (**IM Determination**); Commerce Commission, [Transpower investment topic paper – Part 4 Input Methodologies Review 2023 – Final decision](#), (13 December 2023); Commerce Commission, [Financing and incentivising efficient expenditure during the energy transition topic paper – Part 4 Input Methodologies Review 2023 – Final decision](#), (13 December 2023).; [Transpower Capital Expenditure Input Methodology \(IM Review 2023\) Amendment Determination 2023](#) [2023] NZCC 39.

<sup>2</sup> Electricity Authority, [Electricity Industry Participation Code Amendment \(Transmission Pricing Methodology\) 2022, Amendment 2022](#), (21 November 2022), Schedule 12.4.

<sup>3</sup> [Transpower Information Disclosure Determination 2014](#) [2014] NZCC 5. A copy of the current consolidated determination (eg, including subsequent amendment determinations for ease of reference), which is not the legal authority, can be accessed via our website: Commerce Commission, [Transpower Information Disclosure Determination 2014](#), (3 April 2018).

X4.3 Chapter 2 discusses our final decisions which follow from the draft decisions we consulted on, as well as additional amendments we have made which were suggested by submitters on our draft decisions.

X5 Our final decision has been informed by feedback received from stakeholders in the submissions process following the publication of our draft decision, as well as our own analysis on how we can improve Transpower's ID requirements.<sup>4,5</sup>

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<sup>4</sup> Commerce Commission, [Information Disclosure \(Transpower Amendment Determination 2024\) Draft Decision – Reasons Paper](#), (2 July 2024), Commerce Commission, [\[Draft\] Transpower Information Disclosure \(amendments related to IM Review 2023 and Transmission Pricing Methodology 2022\) Amendment Determination](#), (2 July 2024).

<sup>5</sup> [Submissions](#) can be found on our website.

## Chapter 1 Introduction

### **We have made changes to Transpower’s information disclosure requirements to align with the IM Review and the TPM**

- 1.1 We have made changes to the ID requirements that apply to Transpower under Part 4 of the Commerce Act 1986 (**Part 4**). The changes reflect decisions made as part of the IM Review, the new TPM, and other amendments which were proposed in either the draft decision or were suggested by submitters during the consultation process. This is not a full review of Transpower’s ID requirements.

### **We set ID requirements to enable stakeholders to assess Transpower’s performance**

- 1.2 ID is a regulatory tool provided for under Part 4. We use it to regulate certain markets where there is little or no competition (and little prospect of future competition) by requiring suppliers in those markets to publicly disclose information about their performance.
- 1.3 The purpose of ID regulation is to ensure that sufficient information is readily available to interested persons (stakeholders) to assess whether the purpose of Part 4 is being met.<sup>6</sup>
- 1.4 An effective ID regime provides transparency to stakeholders on the performance of regulated suppliers. Information is disclosed regularly, to provide an ongoing source of information so that multi-year trends can be identified and monitored over time. This allows stakeholders to assess whether, in relation to a regulated supplier, outcomes are broadly consistent with what is expected in a competitive market.
- 1.5 Apart from ID regulation, Transpower is also regulated by way of individual price-quality regulation.<sup>7</sup> The individual price-quality path (**IPP**) governs Transpower’s revenues and quality standards for each pricing year, with the paths being reset every five years.

### **We have reviewed our information disclosure requirements to ensure our regulation remains fit for purpose in respect of the IM Review and TPM**

- 1.6 Our changes are focussed on amendments to the Transpower’s ID Determination and relevant schedules that are required as a result of:
- 1.6.1 the decisions made as part of the IM Review;<sup>8</sup> and

<sup>6</sup> Commerce Act 1986, Section 53A.

<sup>7</sup> We published our draft decisions for Transpower’s individual price-quality path for the regulatory control period starting 1 April 2025 (**RCP4**) on 29 May 2024. On 29 August 2024 we published our RCP4 Final Decision on expenditure allowances, quality standards, compliance obligations, IPP-specific information disclosure requirements, and the revenue path design. The Final IPP Determination will be published in November 2024. For more information, see our [website](#).

<sup>8</sup> With a focus on amendments that need to be implemented for DY2026.

- 1.6.2 the updated TPM set by the Electricity Authority (EA).
- 1.7 We have also made other amendments which were proposed in either the draft decision or were suggested by submitters during the consultation process to remove errors and increase clarity of requirements.
- 1.8 In coming to our final decision on the above amendments, we have considered the requirements of the Transpower IMs (following our IM Review decisions) and the Part 4 Information Disclosure Reviews – Framework paper. While the framework paper largely focuses on electricity distribution businesses (EDBs), the paper provides a broad overview of the ID regime, making it applicable to Transpower as well.

### **Our final decision reflects feedback from stakeholders and our analysis**

- 1.9 Our draft decision for this review was published in July 2024.<sup>9</sup> We received two submissions and no cross submissions on this paper.
- 1.10 Our final decision is informed after considering the feedback received from stakeholders and our analysis on how we can align Transpower’s ID requirements with the IM Review and the TPM, as well as more broadly meet the purpose of ID.

### **Interaction with other regulatory projects**

- 1.11 We also acknowledge the process of determining the price-quality path for Transpower’s fourth regulatory period to apply from 1 April 2025 to 30 March 2030 (**RCP4**) and amendments to the Transpower IMs as part of the RCP4 price-quality path reset. Our RCP4 final decision on expenditure allowances, quality standards, compliance obligations, IPP-specific information disclosure requirements, and the revenue path design were published on 29 August 2024, with the final IPP Determination expected to be published in late 2024.<sup>10</sup>
- 1.12 Additionally, there is a project underway reviewing the ID requirements for EDBs, gas distribution businesses (**GDBs**) and gas transmission businesses (**GTBs**) to ensure that ID requirements are aligned with the IM Review. The final decision for this project is also expected to be published in late 2024.

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<sup>9</sup> Commerce Commission, [Information Disclosure \(Transpower Amendment Determination 2024\) Draft Decision – Reasons Paper](#), (2 July 2024).

<sup>10</sup> More information on the price-quality reset is available on our [website](#).



## Chapter 2 Reasons for our final decisions

- 2.1 The purpose of this chapter is to explain our final decisions to change the ID requirements for Transpower which:
- 2.1.1 were proposed in the draft decision; and
  - 2.1.2 were included after considering submissions.
- 2.2 In this chapter, we discuss the key considerations behind our final decision, and summarise for each amendment:
- 2.2.1 our final decision and its purpose;
  - 2.2.2 stakeholders' views (if any) on our proposal based on submissions on the draft decision; and
  - 2.2.3 any key changes in the final decision from the draft decision, if relevant.

### Final decision on issues consulted on in the draft

- 2.3 We have set out our final decision for each of the following issues:
- 2.3.1 Issue #1: indexing the regulatory asset base (**RAB**) to inflation;
  - 2.3.2 Issue #2: aligning regulated revenue disclosure to the updated TPM;
  - 2.3.3 Issue #3: disclosing anticipatory connection asset (**ACA**) capacity;
  - 2.3.4 Issue #4: applying the accounting-based allocation approach (**ABAA**) to adjust the total costs associated with supplying regulated services;
  - 2.3.5 Issue #5: updating assurance standards; and
  - 2.3.6 Issue #6: other proposed minor amendments.
- 2.4 After considering the submissions and conducting our own analysis, we consider that the final decision to amend the ID Determination as discussed below better promotes transparency, the Part 4 purpose under s52A, and the ID purpose under section 53A.<sup>11</sup>
- 2.5 Table 2.1 shows our entry into force dates for this decision. For issues #1, #3 and #4 these dates align with the entry into force dates from the IM Review for changes related to ID regulation, being the commencement of DY2026.

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<sup>11</sup> Commerce Act 1986, sections 52A and 53A.

**Table 2.1 Application dates**

Issue	Application dates
Issue #1: Indexation the RAB to inflation	1 July 2025 (DY26)
Issue #2: Aligning regulated revenue disclosure to updated TPM	1 January 2025 (DY25)
Issue #3: Disclosing ACA capacity	1 July 2025 (DY26)
Issue #4: Applying ABAA to adjust the total costs associated with supplying regulated services	1 July 2025 (DY26)
Issue #5: Updating assurance standards	1 January 2025 (DY25)
Issue #6: Other minor amendments	1 January 2025 (DY25)

**Issue #1: Indexing the RAB to inflation**

- 2.6 As discussed in our draft decision, changes arising from the IM Review require that Transpower’s RAB be indexed to inflation from RCP4 onwards.<sup>12</sup> Indexing the RAB to inflation maintains the value of Transpower’s RAB in real terms over time. It also helps to support a relatively flat price profile in real terms and delivers an ex-post real return (things other than inflation being equal).<sup>13</sup>

*Our final decision and reasons*

- 2.7 To give effect to the decision we made in the IM Review, our final decision is to require Transpower to, alongside its calculation of its vanilla return on investment, disclose the revaluation of its RAB and its opening RAB value.
- 2.8 After considering Transpower’s submission on this issue and conducting our own analysis, our final decision is the same as our draft decision.<sup>14</sup>
- 2.9 To give effect to this final decision, we have:
- 2.9.1 amended clause 8 in the ID Determination to require Transpower to disclose its opening RAB value and the revaluation of its RAB;

<sup>12</sup> Commerce Commission, [Financing and incentivising efficient expenditure during the energy transition topic paper – Part 4 Input Methodologies Review 2023 – Final decision](#), (13 December 2023), para 3.152

<sup>13</sup> For an in-depth explanation of our rationale to index Transpower’s RAB, see Commerce Commission, [Financing and incentivising efficient expenditure during the energy transition topic paper – Part 4 Input Methodologies Review 2023 – Final decision](#), (13 December 2023), paragraphs 3.51-3.77.

<sup>14</sup> Commerce Commission, [Information Disclosure \(Transpower Amendment Determination 2024\) Draft Decision – Reasons Paper, \(2 July 2024\), p.11](#)

- 2.9.2 added a new section, being F1(iii): Calculation of Revaluation Rate and Revaluation of Assets, to Schedule F1. This section requires Transpower to disclose its revaluation rate and revaluation of asset calculation. The revaluation rate and revaluation of asset calculations will use the formula set out in clauses 2.2.8(2) – (4) of the IM Determination;<sup>15</sup>
- 2.9.2.1 under F1(iii), Transpower is required to disclose the CPI for the quarter that coincides with the end of the disclosure year, as well as the CPI for the quarter that coincides with the end of the preceding disclosure year. These values can be obtained from Statistics NZ's website;<sup>16</sup> and
- 2.9.2.2 under F1(iii), Transpower is also required to disclose the opening value of assets with nil physical life, and disposed, and lost assets as per clause 2.2.8(3) of the IM Determination.
- 2.10 Our approach aligns with the final decision made in the RCP4 IM amendments, which requires Transpower to apply revaluation to the opening RAB after applying depreciation and write-downs for disposed assets and lost assets to the opening RAB.<sup>17</sup>
- 2.11 Our final decision relating to this issue will increase transparency, consistency and will help stakeholders with monitoring Transpower's performance in a way that is consistent with the price-quality path requirements. For further information on how indexing Transpower's RAB to inflation promotes the Part 4 purpose, please see our IM Review final decisions.<sup>18</sup>

#### *Submissions we received on this issue*

- 2.12 We received one submission relating to this issue. Transpower made the following submission:<sup>19</sup>

[Draft] ID Amendments 2024, Schedule F1 In row 48, total revaluation is determined formulaically by multiplying the 'revaluation base' (i.e., opening RAB less existing asset depreciation) by changes in CPI. This is consistent with how revaluations are to be applied in the IM. In practice, total revaluations will not exactly equal this simple derivation. There are a number of circumstances that will lead to minor differences (such as the effect of accruals, prior period adjustments etc.).

<sup>15</sup> [Transpower Input Methodologies \(IM Review 2023\) Amendment Determination 2023](#) [2023] NZCC 38.

<sup>16</sup> Stats NZ, [Stats NZ Infoshare](#).

<sup>17</sup> Commerce Commission, [RCP4 Final Decision on IM Amendments reasons paper, \(29 August 2024\), p.5.](#)

<sup>18</sup> Commerce Commission, [Financing and incentivising efficient expenditure during the energy transition topic paper – Part 4 Input Methodologies Review 2023 – Final decision, \(13 December 2023\), paragraphs 3.5 – 3.11.](#)

<sup>19</sup> [Transpower New Zealand Limited, "Submission on Information Disclosure Review 2024" \(30 July 2024\), p.2.](#)

We recommend hardcoding total revaluations in row 48, retaining the simple calculation, and then using it as a comparator to our actual reported (and audited) revaluation.

*Our response to submissions on this issue*

- 2.13 We considered Transpower’s submission regarding revaluations in Schedule F1 and our final decision is to not further amend Schedule F1(iii) as submitted by Transpower.
- 2.14 The formula for revaluations, alongside the formula for vanilla return on investment, in the ID Determination and Schedule F1 is accurate and aligns with the Transpower IM calculation methodology specified for price path purposes.<sup>20</sup> Adopting Transpower’s alternative would result in the calculation method not being compliant with the IMs. For this reason, we do not consider it appropriate setting out, as Transpower suggests, an alternative approach in Schedule F1(iii) by comparing the total revaluations in row 48 with Transpower’s actual reported (and audited) revaluation.
- 2.15 Transpower has not provided sufficient evidence regarding the materiality of the issue that would cause us to consider a departure from the IMs.
- 2.16 Asset costs per our IMs are based on GAAP asset costs, so to the extent that there are relevant cost accruals under GAAP, these should be accounted for in the IMs asset values. Given there are only two inputs, the asset value and the revaluation rate, the range of other possible accrual adjustment are likely to be limited.
- 2.17 We also consider there are existing mechanisms allowing prior period adjustments to be accounted for, minimising divergence between the RAB and the asset register. If there is an error, it can be corrected in the current period. If the error is material to the calculation of revaluations in a previous period’s reporting, such that it might give rise to material divergence, then that reporting should be corrected and reissued. This process is consistent with a process for an error occurring in any other section of the disclosures. The error reopener is also available for material errors that have been relied upon in setting allowable revenue.
- 2.18 We note that Transpower may still disclose its ‘actual reported (and audited) revaluation’ outside of Schedule F1(iii). Under clause 26 of the ID Determination, the disclosure obligations in the ID Determination and schedules are the minimum information requirements. Transpower can explain and make additional disclosures when it provides its mandatory financial information disclosures under clause 8.<sup>21</sup>

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<sup>20</sup> *Transpower Input Methodologies (IM Review 2023) Amendment Determination 2023 [2023] NZCC 38*, p.36.

<sup>21</sup> *Transpower Information Disclosure Determination 2014 [2014] NZCC 5*. A copy of the current consolidated determination (eg, including subsequent amendment determinations for ease of reference), which is not the legal authority, can be accessed via our website: Commerce Commission, [Transpower Information Disclosure Determination 2014](#), (3 April 2018), p.17.

## Issue #2: Aligning regulated revenue disclosure to updated TPM

- 2.19 As explained in our draft decision, the updated TPM, set by the EA, came into effect on 1 April 2023.<sup>22</sup> The TPM aims to encourage more efficient use of the grid, and more efficient investment in transmission and generation assets.<sup>23</sup>
- 2.20 The TPM sets out how Transpower will recover its maximum allowable revenue from its transmission customers and the latest amendment has introduced new transmission charges. These new charges are connection, benefits-based and residual charges. These new charges have replaced the charge types from the previous TPM.
- 2.21 As a result, transmission charges and revenue are no longer split by high voltage alternating current (**HVAC**) and high voltage direct current (**HVDC**) charge types.
- 2.22 The updated TPM has also introduced a transitional price cap. This limits the overall increase for some customers, providing them time to adjust to the implications of the new transmission charges.

### *Our final decision and reasons*

- 2.23 Our final decision is to require Transpower to disclose regulated revenue information in alignment with the updated TPM.
- 2.24 After considering Transpower's submission on this issue, our final decision is mostly the same as our draft decision. Transpower's submission and our response, as well as an explanation of the difference between the draft and our final decision, are discussed below.
- 2.25 To give effect to this final decision, we have:
- 2.25.1 amended the definition of 'revenue' in Attachment A of the ID Determination by replacing the 'HVAC transmission revenue plus HVDC transmission revenue' component with 'actual transmission revenue'. 'Actual transmission revenue' is a defined term in the IPP Determination.<sup>24</sup>

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<sup>22</sup> Electricity Authority Electricity Industry Participation Code Amendment (Transmission Pricing Methodology) 2022, Amendment 2022, (21 November 2022), Schedule 12.4.

<sup>23</sup> Electricity Authority, [Transmission Pricing Methodology, 2022, Decision paper](#), (21 June 2022).

<sup>24</sup> *Transpower Individual Price-Quality Path Determination 2020 [2020]* NZCC 19. A copy of the current consolidated determination (eg, including subsequent amendment determinations for ease of reference), which is not the legal authority, can be accessed via our website: Commerce Commission, [Transpower Individual Price-Quality Path Determination 2020](#), (14 November 2019), Part 2: Defined terms.

- 2.25.1.1 we have further amended the definition of ‘revenue’ from our draft decision by replacing the word ‘plus’ with ‘including’ in relation to recovered pass-through costs and recovered recoverable costs in our final decision.
- 2.25.2 amended the Appendix of the ID Determination by adding the location of the definition for the term ‘actual transmission revenue’.
- 2.25.3 amended sections F6(i), F6(ii) and F6(iii) of Schedule F6 to include the requirement to disclose regulated revenue by the following charge types for each line item, consistent with the updated TPM:
  - 2.25.3.1 connection charge;
  - 2.25.3.2 benefits-based charge;
  - 2.25.3.3 residual charge; and
  - 2.25.3.4 transitional cap (charge).
- 2.25.4 amended sections F6(i) and F6(ii) of Schedule F6 so that Transpower will only be required to disclose a single EV adjustment value, rather than separate HVDC and HVAC ‘EV adjustments’. This amendment will only apply to charge types set out in the updated TPM. The HVAC and HVDC EV adjustment disclosures are still required in relation to the historical disclosure years and charges they apply to.
- 2.25.5 amended section F6(iv) of Schedule F6 so that Transpower is only required to disclose a single value for income from generators for each type of ‘other regulated income’ disclosed, rather than separate incomes from HVDC and HVAC generators.
- 2.25.6 amended sections F6(ii) and F6(iv) of Schedule F6 by adding an ‘other’ category to go alongside the current categories of ‘distributors’, ‘direct connects’ and ‘generators’.
- 2.26 We also require that Transpower continue to disclose regulated revenue by the charge types set out in the previous TPM for the historical years that they apply to, as well as by the charge types set out in the updated TPM for CY 2024 and beyond.<sup>25</sup> This is because section F6(i) requires Transpower to disclose regulated revenue by charge type for the current year, and the four years prior to the current year.

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<sup>25</sup> Note the disclosure requirements for TPM-related amends will come into effect from DY2025. CY-2, CY-3, and CY-4 values for charge types set in the updated TPM will be empty in DY2025 and will be gradually populated as we move to the following DYs. Conversely, values for charge types set in the previous TPM will be phased out as we move to the following DYs.

- 2.26.1 For example, for DY2027, Transpower would be required to disclose revenue by the charge types set out in the updated TPM for the CY, CY-1, CY-2 and CY-3. Transpower would also be required to disclose revenue by the charge types set out in the previous TPM for the CY-4.
- 2.26.2 From DY2029, disclosure of regulated revenue in section F6(i) by charge types set out in the previous TPM would no longer be required.
- 2.27 We have removed the following requirements as we consider these will be superseded by the new and/or amended requirements of the updated TPM:
- 2.27.1 in the Appendix of the ID Determination, the location of the definitions for the terms:
- 2.27.1.1 HVAC transmission revenue; and
- 2.27.1.2 HVDC transmission revenue.
- 2.27.2 in sections F6(ii) and F6(iii) of Schedule F6, the charge types:
- 2.27.2.1 HVAC – Interconnection;
- 2.27.2.2 HVAC – Connection; and
- 2.27.2.3 HVDC.
- 2.28 We consider the amendments to align Transpower’s ID requirements with the updated TPM will provide greater transparency regarding the allocation of Transpower’s transmission charges. Enhanced pricing transparency will enable interested parties to better assess whether Transpower is efficiently using and investing in its transmission and generation assets, consistent with section 53A.
- 2.29 The application date for these amendments is 1 January 2025.
- 2.30 We believe Transpower can comply with these requirements from DY2025. Practically, this means Transpower must disclose Schedule F6, in respect of our requirements above, by the last working day of December 2025.<sup>26</sup> We expect Transpower to be able to comply with these requirements with relative ease, as they have already reported in this manner and currently allocate revenue by charge types as specified in the updated TPM.<sup>27</sup>

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<sup>26</sup> Clause 9, ID Determination. We would like to clarify that the requirement to disclose Schedule F6 by December 2025 excludes information on ACA. For ACA, the application date of 1 July 2025 applies, meaning the first time the fully amended Schedule F6, including ACA, will be disclosed is December 2026 for DY2026 (1 July 2025- 30 June 2026).

<sup>27</sup> For context, we granted [Transpower an exemption for DY2023](#), allowing them to complete their Schedule F6 reporting consistent with the updated TPM. Our amendments also align with the updated TPM.

*Submissions we received on this issue*

- 2.31 We received two submissions relating to this issue.
- 2.32 Major Electricity Users' Group (MEUG) supported the proposed amendments to align regulated revenue disclosures in Schedule F6 to the updated TPM. They noted in their submission that the amendment will assist stakeholders in understanding how successfully the sector is transitioning to the updated TPM and whether it is working as intended.<sup>28</sup>
- 2.33 Transpower noted in its submission that it supports most of the Commission's proposed amendments in relation to this issue. However, it submitted that the definition of 'revenue' in Attachment A of the ID determination does not need to include 'plus recovered pass-through costs and recovered recoverable costs' as these costs are included within Transpower's smoothed maximum allowable revenue (SMAR) from RCP3. Transpower proposed to update the definition of revenue to 'the sum of actual transmission revenue received by Transpower through prices in the pricing year'.<sup>29</sup>

*Our response to submissions on this issue*

- 2.34 After considering Transpower's submission on this issue, we agree that recovered pass-through costs and recovered recoverable costs should be included in actual transmission revenue.
- 2.35 However, we note these costs are not explicitly included within the definition of 'actual transmission revenue' and accordingly how these costs are treated may be confusing for interested persons.
- 2.36 Our final decision is to retain the terms 'recovered pass-through costs' and 'recovered recoverable costs' within the amended definition of 'revenue' in Attachment A of the ID determination and, because of Transpower's submission, replace 'plus' with 'including' in respect of these costs. We consider that this amendment addresses Transpower's concerns, as well as ensuring that the definition can still be easily understood by interested persons which better enables them to assess whether the purpose of Part 4 is being met, consistent with the s 53A ID purpose.

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<sup>28</sup> [MEUG, Submission on Information Disclosure Review 2024" \(30 July 2024\)](#) , page 1.

<sup>29</sup> [Transpower New Zealand Limited, "Submission on Information Disclosure Review 2024" \(30 July 2024\), p.2.](#)



### Issue #3: Disclosing anticipatory connection asset capacity

- 2.37 As explained in our draft decision, changes arising from the IM Review require Transpower to disclose information on anticipatory connection asset (**ACA**) and related anticipatory capacity.<sup>30, 31</sup>
- 2.38 The updated TPM took effect on 1 April 2023 and introduces the ability for Transpower to build and recover costs for an ACA to alleviate what is termed the Type 2 First Mover Disadvantage issues.<sup>32</sup> In our IM Review final decision, we set out how ACA capacity investments made by Transpower will be treated. This included defining the term anticipatory capacity:<sup>33</sup>
- Anticipatory capacity is the amount of capacity of a connection asset that is designated by Transpower as ‘anticipatory’ under the Code, excluding any new investment contract connection asset capacity.
- 2.39 These recent regulatory changes acknowledge the potential efficiencies of upfront capital investment for certain connection assets.

#### *Our final decision and reasons*

- 2.40 To give effect to the decision we made in the IM Review and to align our requirements with the updated TPM, our final decision is to amend the new investment contract disclosure requirement under clause 10 of the ID Determination and reporting requirements within Schedules F1, F4, F6, and G3.
- 2.41 We received no submissions on this issue.
- 2.42 To give effect to this final decision, we have:
- 2.42.1 amended clause 10 of the ID Determination to require additional information on new investment contracts that relate to ACAs. This information must include a description of the allocation of ACA costs between both current and future contracted and non-contracted (anticipatory connections) parties. Justification for the basis of arriving at those cost allocations for that ACA must also be included.

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<sup>30</sup> Commerce Commission, [Transpower investment topic paper – Part 4 Input Methodologies Review 2023 – Final decision](#), (13 December 2023), para X39.

<sup>31</sup> As part of our IM Review 2023 we published a guidance to illustrate the accounting for changes in ACA capacity and how the 'nil valuation' approach will work in practice, available here: [Transpower investment topic paper ACA Accounting guidance for Transpower’s anticipatory connection asset \(ACA\) capacity](#) (13 December 2023).

<sup>32</sup> Electricity Authority Electricity Industry Participation Code Amendment (Transmission Pricing Methodology) 2022, Amendment 2022, (21 November 2022), Schedule 12.4.

<sup>33</sup> Commerce Commission, [Transpower investment topic paper – Part 4 Input Methodologies Review 2023 – Final decision](#), (13 December 2023), para 6.1.

- 2.42.1.1 we made a minor amendment from our draft decision to our final decision to clarify that we require Transpower to explicitly set out the numerical allocation of the investment contracts related to ACA capacity, and removed a duplication of ACA disclosure, formerly in section F1(x).
- 2.42.2 added the following supporting terms and locations to the Appendix of the ID Determination, which have been defined in the IM Determination:
  - 2.42.2.1 anticipatory connection asset;
  - 2.42.2.2 anticipatory capacity;
  - 2.42.2.3 closing ACA capacity; and
  - 2.42.2.4 opening ACA capacity.
- 2.42.3 amended clause 6, clause 10 and the Appendix, to clarify that “investment contract” means “new investment contract” as defined in the IM Determination.
- 2.42.4 amended the following schedules to incorporate reporting on ACA costs and anticipatory capacity:
  - 2.42.4.1 Schedules F1: Value of the regulatory asset base (RAB roll forward);
  - 2.42.4.2 Schedule F4: Comparison of forecasts for opex and base capex;
  - 2.42.4.3 Schedule F6: Regulated revenue; and
  - 2.42.4.4 Schedule G3: Grid exit point (GXP) connection capacity and demand (actual and forecast).
- 2.43 We consider the disclosure of the ACA capacity investments promotes the purpose of ID in section 53A by highlighting the potential efficiencies of upfront capital investment for certain connection assets and thus ensuring that sufficient information is readily available to interested persons to assess whether the purpose of Part 4 is being met.

**Issue #4: Applying ABAA to adjust the total costs associated with supplying regulated services**

- 2.44 In the IM Review, we made the following changes:

- 2.44.1 require Transpower to apply ABAA to adjust the total costs associated with supplying regulated services to take into account costs that are common to regulated and unregulated services; and
  - 2.44.2 use a cost-based trigger, so that the cost-allocation requirement only applies if Transpower's common costs (costs not directly attributable) are at least 2% of its operating costs or asset values associated with regulated services over a disclosure year.<sup>34</sup>
- 2.45 In our IM Review we decided that if Transpower's common costs exceed 2% of its regulated costs, then ABAA is the relevant cost allocation approach.<sup>35</sup> This is because Transpower's unregulated costs should be sufficiently material before the cost allocation rules are applied to warrant the additional compliance costs.

*Our final decision and reasons*

- 2.46 To give effect to the decision we made in the IM Review, our final decision is to amend the ID requirements for Transpower to apply an ABAA to adjust the total costs associated with supplying regulated services. Applying an ABAA allows Transpower to take into account costs that are common to regulated and unregulated services if a cost-based trigger is met.<sup>36</sup>
- 2.47 Our final decision is to adopt our draft decision with some minor amendments arising from consideration of submissions. Transpower's submission and our response, as well as an explanation of the difference between the draft and our final decision, are discussed below.
- 2.48 To give effect to this final decision, we have made the following changes:
- 2.48.1 amended clause 8 of the ID Determination by adding completion of Schedule F7 and Schedule F7a as a reporting requirement.
  - 2.48.2 added several supporting terms and locations to the Appendix of the ID Determination, which have been defined in the IM Determination:
    - 2.48.2.1 ABAA;
    - 2.48.2.2 asset allocator;

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<sup>34</sup> Commerce Commission, [Transpower investment topic paper – Part 4 Input Methodologies Review 2023 – Final decision](#), (13 December 2023), para 10.5.

<sup>35</sup> Commerce Commission, [Transpower investment topic paper – Part 4 Input Methodologies Review 2023 – Final decision](#), (13 December 2023), and [Transpower Input Methodologies \(IM Review 2023\) Amendment Determination 2023, clause 2.1.1](#).

<sup>36</sup> ABAA is one approach currently applied by EDBs and GPBs. EDBs and GPBs may also apply the optional variation to ABAA (OVABAA) where the application of ABAA might unduly deter investments in unregulated services.

- 2.48.2.3 cost allocator;
  - 2.48.2.4 directly attributable;
  - 2.48.2.5 proxy asset allocator; and
  - 2.48.2.6 proxy cost allocator.
- 2.48.3 added two new schedules to enable Transpower to apply ABAA to certain costs:
- 2.48.3.1 Schedule F7: Cost allocation; and
  - 2.48.3.2 Schedule F7a: Asset allocation.
- 2.48.4 after considering Transpower’s submission and conducting analysis, we have made some further amendments to Schedule F7 from draft to final. Specifically, we amended the opex categories in Schedule F7 so that they are consistent with both the categories we have allowed Transpower to disclose by granting them an exemption for the duration of RCP3, as well as categories assessed in the RCP4 IPP reset. This is also consistent with the way Transpower has been disclosing this information.<sup>37, 38</sup>
- 2.49 We note that if there are operational costs related to ACA capacity (discussed in issue #3 above), they should be included in Schedule F7.
- 2.50 We have modelled Schedules F7 and F7a on the existing EDB Schedules 5d and 5e that also disclose information on cost allocation and asset allocation.<sup>39</sup>
- 2.51 Transpower is only required to complete and disclose Schedules F7 and F7a if the 2% trigger is met, consistent with the Transpower IMs. Refer to our IM Review reasons paper for our analysis of other cost allocation methodologies we considered, the reasons behind using a trigger and other trigger options we considered.<sup>40</sup>
- 2.52 Our final decision requiring Transpower to disclose information by applying ABAA better promotes the purpose of ID in section 53A by providing more transparency on how costs are allocated. Forecasts of these costs (operating and capital) will allow a

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<sup>37</sup> Commerce Commission, [RCP4 Final Decision on IM Amendments reasons paper](#), (29 August 2024).

<sup>38</sup> Commerce Commission, Transpower ID exemptions – reporting against prescribed opex categories, dated 21 November 2022. This exemption notice can be found [here](#) on our website. Note this exemption expires in RCP3, we made the change to the opex categories in RCP4 and are simply aligning the ID requirements with that decision.

<sup>39</sup> Commerce Commission, [EDB - Information Disclosure Requirements - Information Templates Schedules - 1-10 - TIDR 2024 - 29 February 2024](#).

<sup>40</sup> Commerce Commission, [Transpower investment topic paper – Part 4 Input Methodologies Review 2023 – Final decision](#), (13 December 2023).

more realistic reflection of return on investment (**ROI**) in ID due to a split to transmission lines services and other services.

*Submissions we received on this issue*

- 2.53 We received the following submission points relating to this issue.
- 2.54 First, Transpower made submissions relating to opex categories. Transpower noted it has an exemption to report opex categories consistent with its RCP3 and RCP4 proposals.<sup>41</sup> Transpower submitted that the ID Schedule should report the updated categories and in the same format as the current IDs and RCP4 application categories.<sup>42</sup>

- 2.55 Second, Transpower had queries in respect of the categories in Schedule F7:<sup>43</sup>

We note that there is a column for arm's length deduction, transmission line services and the total. Transpower currently reports the costs for regulated transmission services only, excluding non-regulated businesses such as, EMS, system operator and RRL. Does the Commission require full disclosure of all business operations transactions even if they do not transact (non-regulated) with Transpower?

There are some costs which may be required under ABAA as an allocator e.g. salaries if any. Further clarification may be required on this schedule.

The blue cells do not appear to align with the totals in the rows e.g. refer to cell H6 Total allocated for Non-directly attributable costs.

- 2.56 Third, Transpower submitted that:

This schedule is representative of F1.RAB and balances back to the Total closing RAB value, apportioned between Directly Attributable and Not Directly Attributable. Transpower only commissions Directly Attributable Asset to the Regulatory Asset Base. Does the Commission require full disclosure of all business operations transactions even if they do not transact (non-regulated) with Transpower?<sup>44</sup>

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<sup>41</sup> Commerce Commission, Transpower ID exemptions – reporting against prescribed opex categories, dated 21 November 2022. This exemption notice can be found [here](#) on our website.

<sup>42</sup> [Transpower New Zealand Limited, "Submission on Information Disclosure Review 2024" \(30 July 2024\), p.3.](#)

<sup>43</sup> [Transpower New Zealand Limited, "Submission on Information Disclosure Review 2024" \(30 July 2024\), p.7.](#)

<sup>44</sup> [Transpower New Zealand Limited, "Submission on Information Disclosure Review 2024" \(30 July 2024\), p.7.](#)

*Our response to submissions on this issue*

2.57 In respect of Transpower's first submission on this issue, we agree with Transpower that the opex categories in Schedule F7 should be consistent with the decisions made in RCP4 and with the way it has been disclosing information. We consider this change better promotes the purpose of ID in section 53A by providing more transparency on how costs are allocated. Our final decision is to amend the opex categories in Schedule F7 from the draft categories:

2.57.1 Grid – Maintenance projects;

2.57.2 Grid – routine maintenance;

2.57.3 IST – grid;

2.57.4 IST – Business support; and

2.57.5 Corporate,

to the following final categories:

2.57.6 Grid maintenance;<sup>45</sup>

2.57.7 ICT;

2.57.8 Asset Management & Operations;

2.57.9 Business Support; and

2.57.10 Insurance.<sup>46</sup>

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<sup>45</sup> We note that in their previous disclosures, Transpower used the term 'Maintenance' rather than 'Grid maintenance'. In order to increase clarity we added the term 'grid' as used in the Transpower's individual price-quality path for the regulatory control period commencing 1 April 2025 - final decisions paper available [here](#).

<sup>46</sup> We note this is different to the wording suggested by Transpower in their submission but consistent with the RCP4 categories.

- 2.58 Regarding the second submission, our final decision is the same as the draft decision. The arm's length deduction, transmission line services and the total column will be kept in Schedule F7. If we were to give effect to Transpower's submission, we would need to amend the IMs.<sup>47</sup> As we have just reviewed the IMs, we do not consider this appropriate at this stage. The relevancy of these disclosures is determined by the cost allocation threshold set in the IMs.<sup>48</sup> Since it is not yet clear if the threshold will be triggered in RCP4, we consider it appropriate to provide for these disclosures in case they are triggered in RCP4. We also note that the cost allocation disclosure requirement only applies to the disclosure year when Transpower first triggers the disclosure threshold, so there is a need to provide for it in advance.
- 2.59 As part of Transpower's second submission about other costs (such as salaries) being included in ABAA as an allocator, our final decision remains the same as the draft decision. This means that other costs (such as salaries) should be included within each of the opex categories.
- 2.60 We have also considered Transpower's point that there are some misalignments in the Schedule F7 template. We re-checked the relevant rows and cells and considered no further changes are required as this schedule is modelled on the EDB disclosure, where the 'total' only refers to the not directly attributable category.
- 2.61 In response to Transpower's third submission, our final decision is the same as the draft decision. Our ID schedules provide for the disclosure of costs and assets allocated to regulated and non-regulated activities should the cost allocation threshold be triggered. If it is not, then Transpower can put 'nil'. We note the schedules only require disclosure of costs and assets allocated to non-regulated activities at an aggregate level, consistent with our approach for EDBs.

## **Issue #5: Updating assurance standards**

### *Our final decision and reasons*

- 2.62 Our final decision to update relevant assurance standards definitions and provisions in the ID Determination.
- 2.63 To give effect to this final decision, we have:
- 2.63.1 amended clause 6 of the ID Determination to include definitions of 'ISAE (NZ) 3000' and 'SAE 3100' which will refer to the current version of these assurance standards that are issued by the External Reporting Board.

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<sup>47</sup> [Transpower Input Methodologies \(IM Review 2023\) Amendment Determination 2023 \[2023\] NZCC 38, clause 2.1.2.](#)

<sup>48</sup> [Transpower Input Methodologies \(IM Review 2023\) Amendment Determination 2023 \[2023\] NZCC 38, clause 2.1.1\(2\).](#)

- 2.63.2 updated how we refer to the assurance standards in clause 15 by referencing the defined term 'ISAE (NZ) 3000' and 'SAE 3100' instead of the previous assurance standards.
- 2.64 The purpose of the amendment is to reduce the risk that auditors may not be able to undertake an engagement or issue an opinion on the basis of an incorporated standard where it has been changed or superseded.
- 2.65 The application date for these amendments is 1 January 2025.

*We received no submissions on this issue*

- 2.66 We did not receive submissions on this issue. Our final decision remains unchanged from our draft decision.

#### **Issue #6: Other minor amendments**

- 2.67 We have also made some minor amendments to the ID Determination for clarity.

*Our final decision and reasons*

- 2.68 We made the following minor amendments:
- 2.68.1 at clause 4, included paragraphs (i) – (l) to provide further guidance on the interpretation of the ID Determination. These additions are consistent with the interpretation sections of the EDB, GTB and GDB ID Determinations; and
- 2.68.2 clarify in Schedules F1-6, G1-8 and SO1 that the schedules form part of the determination.
- 2.69 We made these amendments to improve clarity in our requirements. As these are minor and technical amendments, the application date for these amendments is 1 January 2025.

*We received no submissions on this issue*

- 2.70 We did not receive submissions on this issue. Our final decision remains unchanged from our draft decision.

#### **Final decision on additional issues raised in the submissions**

- 2.71 The purpose of this section is to explain our final decision in amendments we have made which were suggested by submitters on our draft decision.
- 2.72 We have set out our decision and our reasons for each of the additional issues, listed in Table 2.2, which were suggested in submissions:<sup>49</sup>

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<sup>49</sup> The table aligns with the Transpower submission Appendix. Due to their nature, some issues were grouped together.



**Table 2.2 Additional issues**

Issue	Description
A1	Alignment of ID RAB with the IPP RAB
A2 and A5	Updated opex categories
A3 and A4	HVAC/HVDC opex and capex disclosures
A6	Capex allowance
A7	Disaggregated asset disposals revenue
A8	Removing the obligation to disclose embedded generation information
A9	Specificity of grid output measures
A10	Current Year (CY) Targets no longer specified at POS level
A11	Identifier for unplanned events
A12 and A13	Transpower's asset management practices
A21	MCP and alignment with Capex IM

- 2.73 The Appendix of Transpower's submission sets out several other amendments to ID requirements that it considered would better support the purpose of ID regulation. These issues, Transpower notes, are to address to the fact that most of its ID requirements has not been updated since they were introduced in 2014.
- 2.74 We note that the above issues, and final decision we have made in respect of those issues, do not address all of Transpower's Appendix submissions. Out of 21 issues in Appendix, we have addressed and made amendments in response to 14 of the issues submitted.<sup>50</sup> The balance of Transpower's suggestions in its Appendix submissions will be considered as part of a later Transpower ID project.
- 2.75 The additional amendments we have made in response to Transpower's Appendix submissions were what we considered straight-forward, minor but important amendments. For example, updating certain requirements to align Transpower's ID requirements with other regulatory requirements in the IMs (including the Capex IM) and the IPP/RCP4.

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<sup>50</sup> One of the 14 issues was addressed partially in this review.

- 2.76 In contrast, the balance of the issues raised that we did not consider have been deferred to a later Transpower ID project as they were complex and will require consultation.
- 2.77 The entry into force date for these decisions is DY2026, except for changes related to Schedule F6, which come into effect 1 Jan 2025 as explained in paragraphs starting from 2.103 below.

### **Issue A1: Alignment of ID RAB with the IPP RAB**

- 2.78 Transpower submitted the following:<sup>51</sup>

The current Schedule F1/F1b. The IPP RAB allows for the capitalised interest adjustment to be washed-up through depreciation. The ID RAB does not allow for this. The adjustment can only be observed ex-post, after accumulation of IDC at the end of the year and is not possible to adjust for in a manner consistent with policy intent. Therefore, we have to make the adjustment by proxy, attributing the excess by year and asset class via proxy allocation. The net outcomes is that our ID RAB is 99.6% of our IPP RAB. This is cumbersome and confusing and will become more complex following RAB indexation as we will need to attribute excess IDC to revaluation as well. We propose aligning the ID RAB with the IPP and Wash-up the excess through depreciation (which is NPV equivalent). This removes the need for two schedules.<sup>52</sup>

#### *Our final decision in response to Transpower's submission*

- 2.79 After considering Transpower's submission, our final decision is to amend the ID Determination so that any capitalised interest adjustment can be washed-up through depreciation. Total depreciation takes into account the capitalised interest depreciation.
- 2.80 While assessing Transpower's submission in relation to this issue, we have also decided to include revaluation in the calculation of regulatory profit to align the ID Determination with the IMs and the RCP4 IPP Determination.
- 2.81 To give effect to this final decision, we have made the following requirements:
- 2.81.1 amended the definition of 'depreciation' in A3 of Attachment A of the ID Determination, to include:
- 2.81.1.1 capitalised interest adjustments; and

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<sup>51</sup> [Transpower New Zealand Limited, "Submission on Information Disclosure Review 2024" \(30 July 2024\), p.6.](#)

<sup>52</sup> For completeness, IDC stands for interest during construction.

- 2.81.1.2 for disclosure year 2025 only, any catch-up adjustments required to align the interest during construction in the IPP RAB with the ID RAB.
- 2.81.2 amended the formula for regulatory profit/(loss) before tax' in A3 of Attachment A to include "revaluation".
- 2.82 There is a requirement in the IMs for Transpower to capitalise no more interest than its weighted average cost of debt as it is calculated at year-end. This requires a year-end wash-up adjustment to the value of commissioned assets, which Transpower is allowed to manage through the EV account per clause 35.1 of the RCP4 IPP Determination by assuming it is a depreciation adjustment.<sup>53</sup>
- 2.83 In contrast, the ID Determination only applies the IM definition of depreciation, which does not allow the capitalised interest adjustment to be treated as if it were a depreciation adjustment. Our above amendment fixes this issue, and also includes a one-off adjustment to align the difference between the existing ID RAB and the IPP RAB.
- 2.84 Additionally, while assessing Transpower's submission regarding this issue, we have decided to include revaluations in the calculation of regulatory profit. Including revaluation as part of the calculation of regulatory profit aligns the ID Determination with the IMs and the RCP4 Draft IPP Determination.<sup>54, 55, 56</sup>
- 2.85 We have made these amendments so that Transpower's ID requirements are consistent with the IMs and the price-quality path. Consistency between all three regulatory mechanisms ensures that the purpose of Part 4 and s 53A is being met.

#### **Issue A2 and A5: Updated opex categories**

- 2.86 Transpower submitted that:<sup>57</sup>

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<sup>53</sup> Clause 35.1 of the Draft IPP Determination 2025. [Commerce Commission, \[Revised draft\] Transpower Individual Price-Quality Path Determination 2025, 2024.](#)

<sup>54</sup> [Transpower Input Methodologies \(IM Review 2023\) Amendment Determination 2023 \[2023\] NZCC 38, Clause 2.2.8 and 2.2.9.](#)

<sup>55</sup> [Schedule E of the Draft IPP Determination 2025. Commerce Commission, \[Revised draft\] Transpower Individual Price-Quality Path Determination 2025, \(29 August 2024\).](#)

<sup>56</sup> Indexation of Transpower's RAB, which incorporates treating revaluation as income, was consulted on during the IM review 2023. This is discussed in Topic 3A of Commerce Commission, [Final decision – Risks and Incentives topic paper](#), (13 December 2023).

<sup>57</sup> [Transpower New Zealand Limited, "Submission on Information Disclosure Review 2024" \(30 July 2024\), page 6.](#)

Schedule F2 [and the current ID Schedule F4] Transpower currently has an exemption to report Opex categories consistent with its RCP3 and RCP4 proposal Opex categories. This exemption expires at the end of RCP3. The Schedule should be updated to allow Transpower to report Opex categories consistent with its RCP categories from 1 July 2025 as approved by the Commission.

*Our final decision in response to Transpower's submission*

- 2.87 Our final decision is to update the opex categories in Schedules F2 and F4 so that they are consistent with the opex categories in RCP4<sup>58</sup>.
- 2.88 To give effect to this final decision, we have set the following requirements:
- 2.88.1 updated Schedule F2 and Schedule F4 to include the following opex categories:
- 2.88.1.1 Grid maintenance;
- 2.88.1.2 ICT;
- 2.88.1.3 Asset Management & Operations;
- 2.88.1.4 Business Support; and
- 2.88.1.5 Insurance.
- 2.88.2 updated the sub-categories in section F2(ii): Operating Expenditure (Actual Details), and section F4(iii): Opex comparison by expenditure categories, to align with the RCP4 expenditure categories.<sup>59</sup>
- 2.89 For ID purposes only, resilience expenditure is required to be disclosed as a subcategory of the 'Grid maintenance' expenditure category and sustainability expenditure is required to be disclosed as a subcategory of the 'Asset Management & Operations' expenditure category. This applies to RCP4 disclosure years in section F2(ii): Operating Expenditure (Actual Details) and F4(iii): Opex comparison by expenditure categories.
- 2.90 Resilience expenditure most closely overlaps with 'Grid maintenance' expenditure, as does sustainability expenditure with 'Asset Management & Operations' expenditure. The amounts allocated to these categories are likely too minimal to justify inclusion as separate total categories.

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<sup>58</sup> Commerce Commission, [RCP4 Final Decision on IM Amendments reasons paper, \(29 August 2024\)](#).

<sup>59</sup> Commerce Commission, [Transpower's individual price-quality path for the regulatory control period commencing 1 April 2025 \(29 August 2024\), Table 3.4, p.42](#).

- 2.91 In section F2(ii): Operating Expenditure (Actual Details), expenditure related to RCP3 disclosure years is only required to be disclosed for the sub-categories that apply to RCP3.<sup>60</sup> The categories that are not relevant for RCP3 can be left blank for the respective years.
- 2.92 We have aligned these requirements to be consistent with the opex categories in RCP4 and RCP3. This provides more transparency to stakeholders and decreases the burden on Transpower when reporting on these categories. Increased transparency and consistency better enable stakeholders to assess whether the purpose of Part 4 is being met, consistent with the s 53A purpose of ID.

### **Issues A3 and A4: HVAC/HVDC opex and capex disclosures**

- 2.93 Transpower made the following submissions in respect of Schedules F2 and F3:<sup>61</sup>

The current Schedule F2 [and Schedule F3]. Transpower does not have HVAC/HVDC revenues. The Opex split between HVAC/HVDC is therefore less relevant.

We do not foresee the readers of the IDs having an interest in the split between HVAC and HVDC for Opex and that this reporting metric is going to be redundant going forward.

The current Schedule F3. Transpower does not have HVAC/HVDC revenues. The Capex split between HVAC/HVDC is therefore less relevant.

We do not foresee the readers of the IDs having an interest in the split between HVAC and HVDC for Capex and that this reporting metric is going to be redundant going forward.

### *Our final decision in response to Transpower's submission*

- 2.94 Our final decision is to remove the requirement to disclose the split between HVAC and HVDC for consolidated operating expenditure in Schedule F2 as well as for consolidated commissioned base capex in Schedule F3.
- 2.95 We agree with Transpower's submission as the revised TPM no longer differentiates between HVAC and HVDC customers.
- 2.96 Additionally, as we have amended the sub-categories in section F2(ii): Operating Expenditure (Actual Details) to align with the RCP4 expenditure categories, opex will no longer be required to be split by HVAC and HVDC asset types.

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<sup>60</sup> Relevant RCP3 categories are Preventive Maintenance, Predictive Maintenance, Corrective Maintenance, Proactive Maintenance, ICT, Asset Management & Operations, Business Support, and Insurance.

<sup>61</sup> [Transpower New Zealand Limited, "Submission on Information Disclosure Review 2024" \(30 July 2024\), p.6.](#)

- 2.97 Interested persons will still be able to review the details of how the total expenditures are made up for both opex in section F2(ii): Operating Expenditure (Actual Details) and capex in section F3(ii): Base Capex (Actual Commissioned by Asset Type). For this reason, we do not believe removing this requirement will impact interested parties' ability to assess whether Transpower is efficiently using and investing in its transmission and generation assets, consistent with section 53A.

#### **Issue A6: Capex allowance**

- 2.98 Transpower submitted that:<sup>62</sup>

The current ID Schedule F4. Transpower is incentivised on Capex and not on assets commissioned. Therefore, the assessment of the Capex allowances against Capex in F4(ii) would be a more appropriate reporting measure.

We propose that the Commission change the schedule to compare the allowance to the Capex as incurred, consistent with Transpower's IPP determination.

#### *Our final decision in response to Transpower's submission*

- 2.99 Our final decision is to remove 'commissioned' from section F4(ii) of Schedule F4.
- 2.100 We agree with Transpower's submission point. An assessment of capex allowances against the base capex in section F4(ii) is a more appropriate reporting measure and aligns ID reporting requirements with the IPP, which better promotes the s 53A purpose by providing information consumers might be interested in for pricing purposes.

#### **Issue A7: Disaggregated asset disposals revenue**

- 2.101 Transpower submitted that:<sup>63</sup>

The current Schedule F6. There does not appear to be any specific policy reason for reporting disaggregated asset disposals. Given the significant volume of assets disposed during the year and the ID requirement requires individual asset reporting and we report by location, we question whether this information provides any useful information to interested persons.

We propose removing the requirement to disaggregate asset disposals as there is a significant number of assets disposed annually, and rather report assets disposed in aggregate with Other Regulated Income.

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<sup>62</sup> [Transpower New Zealand Limited, "Submission on Information Disclosure Review 2024" \(30 July 2024\), page 7.](#)

<sup>63</sup> [Transpower New Zealand Limited, "Submission on Information Disclosure Review 2024" \(30 July 2024\), page 7.](#)

*Our final decision in response to Transpower's submission*

- 2.102 Our final decision is to remove the requirement to disaggregate asset disposal revenue in section F6(v): Asset Disposals of Schedule F6. Transpower is instead required to disclose a single aggregate value for 'Total income/(loss)' and 'disposal value' for asset disposal revenue in section F6(v).
- 2.103 The entry into force date for this decision is 1 January 2025. This aligns with the entry into force date for other amendments made to Schedule F6 relating to the updated TPM.
- 2.104 Given that asset disposal revenue is immaterial compared to Transpower's total revenue, we consider any form of disaggregation of asset disposal revenue in section F6(v) would provide little value to interested persons. Removing this requirement would reduce regulatory burden to Transpower due to the large number of asset disposals within a disclosure year. We also believe it will not impact interested parties' ability to assess whether Transpower is efficiently using and investing in its transmission and generation assets, consistent with section 53A.
- 2.105 We do not agree with the second part of Transpower's submission to report asset disposal revenue from section F6(v) within section F6(iv): Other Regulated Income. Keeping this disclosure separate is consistent with the annual revenue wash-up in Schedule E of the IPP determination, where 'Other regulated income' and 'Gain/loss on disposal of assets' are recorded separately. Consistency between regulatory mechanisms ensures that the purpose of Part 4 and s 53A is being met.

**Issue A8: Removing the obligation to disclose embedded generation information**

- 2.106 Transpower submitted the following:<sup>64</sup>

The current Schedule G3(ii). Requires Transpower to disclose information on embedded generation. In the past Transpower has relied on generation lists published by the EA for embedded generator information. That list has not been updated for a number of years. We therefore rely on EDBs providing information to us and media articles for information, particularly for a new embedded generation.

Note: Transpower can disclose generators connected to Transpower's assets and capacity to inject generation at GXP with accuracy.

Transpower does not have good visibility of existing and future embedded generational and EDB are better place to report embedded generation with a greater degree of accuracy.

Remove obligation to disclose embedded generation information.

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<sup>64</sup> [Transpower New Zealand Limited, "Submission on Information Disclosure Review 2024" \(30 July 2024\), p.7.](#)

*Our final decision in response to Transpower's submission*

- 2.107 We have reviewed Transpower's suggestion regarding the removal of section G3(ii): Current connection capacity vs Actual and forecast injection of schedule G3. Our final decision is to remove and no longer require section G3(ii) of schedule G3 from DY 2026.
- 2.108 To give effect to the final decision, we have made the following requirements:
- 2.108.1 removed section G3(ii) of schedule G3;
- 2.108.2 amended section G3(i) of schedule G3 to incorporate the term 'net' into the forecast demand. This is because adding in the term 'net' to section G3(i) ensures that the impact of embedded generation is considered. Net demand measured in megawatts reflects both new and existing generation while accounting for any decommissioned generation.
- 2.109 We acknowledge that Transpower does not have a good visibility of existing and future embedded generation, which is why we have removed section G3(ii) from Schedule G3. However, we still require Transpower to report forecast net demand, which is why we have added the term 'net' in G3(i).
- 2.110 This amendment will provide a comprehensive view of demand on a year-by-year basis, including the effect of new generation, existing generation, and any decommissioned capacity. Removing G3(ii) would reduce regulatory burden to Transpower due to it not having good visibility of existing and future embedded generation. We do not believe it will impact interested parties' ability to assess whether Transpower is efficiently using and investing in its transmission and generation assets, consistent with section 53A. This is because adding the term net to schedule G3(i) will show stakeholders an appropriate measure of demand at the grid.

**Issue A9: Specificity of grid output measures**

- 2.111 Transpower submitted the following:<sup>65</sup>

The current schedule G4(i). The Grid output measures on quality can be more specific as to the measures they want reported. We propose that the commission add the word unplanned to make the metrics more specific:

- Number of unplanned loss of supply greater than 0.05 system minutes.
- Number of unplanned loss of supply events greater than 1 system minute.
- Total impact of unplanned interruptions (measured in system minutes).

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<sup>65</sup> [Transpower New Zealand Limited, "Submission on Information Disclosure Review 2024" \(30 July 2024\), p.7.](#)



*Our final decision in response to Transpower's submission*

- 2.112 Our final decision is not to include the term 'unplanned' in the grid output metrics.
- 2.113 While we note that RCP2 introduced the term 'unplanned' for 'loss of supply', in clauses 5.5 and 5.6 of the RCP1 IPP determination,<sup>66</sup> Transpower is required to disclose both the planned and unplanned interruptions. There will be no amendments to section G4(i) of schedule G4 as we require Transpower to report both planned and unplanned interruptions for the following reasons:
- 2.113.1 to maintain consistency with the historical reporting practices. A consistent time series of data on the number of losses of supply since RCP1 could be useful in assessing the relationship between investments in the grid and losses of supply.
- 2.113.2 to inform interested parties of all interruptions experienced by customers. Consumers are impacted by all interruptions, whether planned or unplanned, and this information provides insight into the quality of service provided by Transpower.
- 2.114 This approach is consistent with the s 53A purpose by providing information to interested parties and allows stakeholders to assess whether investments are promoting the Part 4 purpose.

**Issue A10: Current Year (CY) Targets no longer specified at POS level**

- 2.115 Transpower submitted the following:<sup>67</sup>

The current schedule G4(ii). Target was last reported in RCP2, and the new POS do not get reported on. Also, there is no guidance in the schedule about targets. We have written 'none' in this field in the last information disclosures. As targets are no longer specified at POS level, propose removing fields for targets in G4(ii) Grid Connection Point Performance Measures.

*Our final decision in response to Transpower's submission*

- 2.116 Our final decision is to remove the 'CY Target' requirement in Schedule G4(ii).

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<sup>66</sup> [Commerce Commission, Individual price-quality path determination applicable to Transpower pursuant to Part 4 of the Commerce Act 1986 \(the Act\), \(22 December 2010\), p. 19, 20.](#)

<sup>67</sup> [Transpower New Zealand Limited, "Submission on Information Disclosure Review 2024" \(30 July 2024\), p.8.](#)

- 2.117 The annual performance target is an average value based on past years' actual number of interruptions at the Point of Services (**POSSs**). This calculation does not produce a meaningful target due to the variation of annual interruptions. We consider this amendment will not impact interested persons ability to assess whether Transpower is efficiently using and investing in its transmission and generation assets, consistent with the section 53A.
- 2.118 We will look at options to calculate a more useful performance target in a future review of POS performance targets.
- 2.119 We consider this amendment promotes the purpose of ID under s 53A by removing requirements that are no longer required under the Quality standards determined in Transpower IPP.

#### **Issue A11: Identifier for unplanned events**

- 2.120 Transpower submitted the following:<sup>68</sup>

The current Schedule G5 should include an additional column on the rightmost side of the table that has an identifier for unplanned events. We are currently reporting the identifier to assist with reconciling events.

Add a column to the table to house identifier for unplanned events.

#### *Our final decision in response to Transpower's submission*

- 2.121 Our final decision is to add a column to Schedule G5 to include an identifier for unplanned events.
- 2.122 We consider that this addition will enhance clarity for stakeholders, making information more readily accessible to interested parties and simpler to disclose. This amendment promotes incentives to improve efficiency and provide services at a quality that reflects consumer demands, consistent the s 53A purpose and allows stakeholders to assess investments are promoting the Part 4 purpose in s 52A of the Act.

#### **Issue A12 and A13: Transpower's asset management practices**

- 2.123 Transpower submitted the following:<sup>69</sup>

The current Schedule G6. This schedule lists asset classes that are not aligned to Transpower's asset categorisation under the IPP. Our asset management journey is continually maturing, and the information sought under G6 diverges with every RCP. The amount of work to reconcile our IPP categories to those under ID is a resource intensive cost with no assessment benefit (high cost - low benefit): we consider any interested party

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<sup>68</sup> [Transpower New Zealand Limited, "Submission on Information Disclosure Review 2024" \(30 July 2024\), page 8.](#)

<sup>69</sup> [Transpower New Zealand Limited, "Submission on Information Disclosure Review 2024" \(30 July 2024\), page 8-9.](#)

assessing the information would find it challenging or understand the rationale for providing this information.

We propose reviewing Schedule G6 information disclosure in light of Transpower's asset management journey, as the asset health information has diverged from what was expected in 2014. See entry below for further detail.

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The current Schedule G6 does not reflect Transpower asset management practice.

The proposed metrics for reporting are no longer fit for purpose. If the schedule is reviewed we propose the following:

- 1) the Category (Column D) and Units (Column H) are not relevant for some of the reporting e.g. we do not report tower painting by voltage.
- 2) Column K should have the heading amended to "0-5 years" as it reports all new assets up to 5 years old.
- 3) Transpower has an exemption to report columns U-V and we would like to propose that this exemption be made permanent, and the Schedule updated to remove these columns.
- 4) Column Z-AH has the percentage Asset Health Reported, aggregated up to category. This is reported in the Annual Compliance Statement for the IPP. We propose removing these columns to avoid duplication
- 5) Grid Base Refurbishment and replacement (columns AI to AT) and Grid Enhancement and Development (columns AU to BF) are not internally reported in the asset category or units in the ID Schedule. We comment in the last column on our approach to reporting this disclosure.

*Our final decision in response to Transpower's submission Point 1*

- 2.124 Our final decision is to remove the classification of voltage referenced to Transpower tower structures in Schedule G6(i).
- 2.125 We agree with Transpower's submission that the painting of the towers is not done based on the tower's voltage, but rather the condition of the towers.

*Our final decision in response to Transpower's submission Point 3*

- 2.126 Our final decision is to remove remaining asset life under schedule G6(i) and add the requirement of the percentage of asset in Asset Health Index (AHI) for various asset categories.
- 2.127 We agree with Transpower's submission regarding the removal of remaining asset life and adding Asset health index instead. This is consistent with the exemption granted to Transpower for DY2023.<sup>70</sup>
- 2.128 To give effect to the final decision, we have made the following changes:

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<sup>70</sup> [Commerce Commission, Exemptions under the Transpower Information Disclosure Determination 2014 with respect to disclosure year 2023, \(20 November 2023\).](#)

- 2.128.1 Remove Remaining Asset Life from section G6(i) of Schedule G6
- 2.128.2 Add columns to report percentage of assets in Asset health index (AHI) categories

2.129 In 2023, we issued Transpower an exemption from the requirement under clauses 13.1 to report “remaining asset life” in Schedule G6(i) on the condition that Transpower instead report “Asset Health Index” information at an aggregated level for each asset category in Schedule G6(i). This is because the alternative information that Transpower is required to publicly disclose is consistent with Transpower's current approach to asset health modelling and is sufficient for the purpose of ID to continue to be met with respect to asset reporting.<sup>71</sup>

*Our response to the remaining points raised in Transpower’s submission on this issue*

2.130 The rest of Transpower’s submission points relating to this issue have been deferred to a later Transpower ID review as they will require further consideration and analysis.

**Issue A21: MCP and alignment with Capex IM**

2.131 Transpower submitted that:

Schedule TP4 - [Draft] ID Amendments 2024, Clause 8.21 - This clause is written consistent with the previous Capex IM which is still relevant for any MCPs approved before the Capex IM was reviewed in 2018. The ID Determination should be updated to also reflect the requirements under the new Capex IM and the new major capex incentive calculation, otherwise we will need to seek an exemption every time we close out any future MCP.<sup>72</sup>

2.132 Transpower proposed that the Commission updates the ID Determination to include the new Capex IM.<sup>73</sup>

*Our final decision in response to Transpower’s submission*

2.133 Our final decision is to update the ID requirements so that they are consistent with the Capex IM as amended in the IM Review.

2.134 To give effect to the Capex IMs, we have made the following changes:

2.134.1 amended and updated certain provisions in clause 8.

2.134.2 removed redundant requirements in clause 8.

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<sup>71</sup> [Commerce Commission, Exemptions under the Transpower Information Disclosure Determination 2014 with respect to disclosure year 2023, \(20 November 2023\), p.g 5,6.](#)

<sup>72</sup> [Transpower New Zealand Limited, "Submission on Information Disclosure Review 2024" \(30 July 2024\), p.4.](#)

<sup>73</sup> We note that there were two very similar submission points in Transpower’s submission that relate to Capex IMs (one in the summary table, one in the Appendix of Transpower’s submission). We are treating these two submission points as one.

- 2.134.3 added, in the Appendix of the ID Determination, the location of the definitions for the terms:
  - 2.134.3.1 approved major capex project; and
  - 2.134.3.2 major capex expenditure and output adjustment.
- 2.134.4 removed, in the Appendix of the ID Determination, the location of the definitions for the terms:
  - 2.134.4.1 adjusted major capex allowance;
  - 2.134.4.2 major capex overspend adjustment;
  - 2.134.4.3 major capex project output adjustment; and
  - 2.134.4.4 policies and processes adjustment.
- 2.134.5 added sections F4(iii) Opex comparison by expenditure categories and F4(iv) Base capex comparison by expenditure categories.
- 2.134.6 amended section F5(iv) Commissioned Major Capex Projects of Schedule F5:
  - 2.134.6.1 removed '(P90)' from column H;
  - 2.134.6.2 removed 'P90' from column K and added the term 'adjusted'; and
  - 2.134.6.3 added three new columns relating to major capex adjustments: specifically a column 'Incentive rate %', 'Exempt major capex (\$M)' and 'Major capex expenditure adjustment'.
- 2.135 We agree with Transpower's submission that the ID Determination should be updated to reflect the requirements under the amended Capex IM, such as the new major capex incentive calculation. Most of Transpower's ID requirements have not been updated since they were introduced in 2014. Accordingly, a few of the requirements in the ID Determination that refer to the Capex IM have minor errors or are no longer applicable. We consider the amendments we have made above promote the purpose of ID by clarifying, updating and removing redundant requirements.