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30 July 2024

## Transpower's Information Disclosure Review 2024

1. Transpower welcomes the opportunity to respond to the Commerce Commission's (the Commission) Draft Decision on Transpower's *Information Disclosure (ID) Review* covering
  - 1.1. Information Disclosure amendments related to IM Review 2023 and Transmission Pricing Methodology 2022 Amendment Determination
  - 1.2. Draft Transpower Information Disclosure Amendment Schedules
  - 1.3. Information Disclosure Transpower Amendment Determination Reasons paper.
2. We support most of the Commission's proposed changes. However, in Table 1, we provide specific feedback on a small number of issues we have identified with the Commission's proposed amendments.
3. In Appendix A, we set out several other amendments to the Information Disclosures, that we consider will better support the purpose for the regulation "*to ensure that sufficient information is readily available to interested persons to assess whether the purpose of this Part is being met*" [section 53A Commerce Act]. We note that the bulk of the Information Disclosures requirements have not been changed since they were introduced in 2014. A number of requirements have minor errors in or are no longer applicable.
4. We propose that the Commission consider consulting on these additional amendments. The Commission has time to consider and consult on these as they would not need to come into effect until the start of the first RCP4 disclosure year on 1 July 2025.

**Table 1: Feedback on the Commission’s proposed amendments to the Information Disclosures**

Summary of the issue	Proposed solution
<p>[Draft] ID Amendments 2024, page 26</p> <p>Revenue is "<i>the sum of actual transmission revenue plus recovered pass-through costs plus recovered recoverable costs received by Transpower through prices in the pricing year</i>"</p> <p>Recovered pass-through costs and recovered recoverable costs are included within Transpower's SMAR from RCP3. There is no need for these to be separately specified as well.</p>	<p>Update the definition of revenue to "<i>the sum of actual transmission revenue received by Transpower through prices in the pricing year</i>"</p>
<p>[Draft] ID Amendments 2024, Schedule F1</p> <p>In row 48, total revaluations 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.</p> <p>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.).</p>	<p>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.</p>

Summary of the issue	Proposed solution
<p>[Draft] ID Amendments 2024, Schedule F7</p> <p>Cost Allocation (New) - between Directly Attributable and Not Directly Attributable</p>	<p>Refer to Schedule F2 'Opex' in <a href="#">Information Disclosures 2022-23</a></p> <p>The ID Schedule should report in the updated categories and in the same format as the current ID's and RCP4 application categories:</p> <ol style="list-style-type: none"> <li>1) Maintenance</li> <li>2) ICT</li> <li>3) Asset Management &amp; Operations</li> <li>4) Business Support</li> <li>5) Corporate</li> </ol> <p>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?</p> <p>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.</p> <p>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.</p>
<p>[Draft] ID Amendments 2024, Schedule F7a - Asset Allocation (New) - between Directly Attributable and Not Directly Attributable</p>	<p>This schedule is representative of F1.RAB and balances back to the Total closing RAB value, apportioned between Directly Attributable and Not Directly Attributable.</p> <p>Transpower only commissions Directly Attributable Asset to the Regulatory Asset Base.</p> <p>Does the Commission require full disclosure of all business operations transactions even if they do not transact (non-regulated) with Transpower?</p>

**Summary of the issue**

**Proposed solution**

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.

Transpower proposes that the Commission updates the ID Determination to include the new Capex IM.

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.

*Concluding remarks*

5. We confirm that this submission does not contain any confidential information and that it can be published on the Commission's website.
6. Please contact me if you have any questions or would like to discuss our submission.

Yours sincerely

**Joel Cook**  
**Head of Regulation**

## Appendix A – Additional issues

Summary of the issue	Proposed solution
<p>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.</p> <p>Therefore, we have to make the adjustment by proxy, attributing the excess by year and asset class via proxy allocation. The net outcome 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 revaluations as well.</p> <p>Refer from row 87 of F1b of the ID Schedules.</p>	<p>We propose aligning the ID RAB with IPP and wash-up the excess through depreciation (which is NPV equivalent). This removes the need for two schedules.</p>
<p>Schedule F2. 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.</p>	<p>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.</p>
<p>The current Schedule F2. Transpower does not have HVAC/HVDC revenues. The Opex split between HVAC/HVDC is therefore less relevant.</p>	<p>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.</p>
<p>The current Schedule F3. Transpower does not have HVAC/HVDC revenues. The Capex split between HVAC/HVDC is therefore less relevant.</p>	<p>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.</p>

Summary of the issue	Proposed solution
<p>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.</p>	<p>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.</p>
<p>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.</p>	<p>We propose that the Commission change the schedule to compare the allowance to the Capex as incurred, consistent with Transpower's IPP determination.</p>
<p>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.</p>	<p>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.</p>
<p>The current Schedule G3(ii). Requires Transpower to disclose information on embedded generation.</p> <p>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 new embedded generation.</p> <p>Note: Transpower can disclose generators connected to Transpower's assets and capacity to inject generation at GXP with accuracy.</p>	<p>Transpower does not have good visibility of existing and future embedded generation and EDBs are better placed to report embedded generation with a greater degree of accuracy.</p> <p>Remove obligation to disclose embedded generation information.</p>
<p>The current ScheduleG4 (i). The Grid output measures on quality can be more specific as to the measure they want reported.</p>	<p>We propose that the Commission add the word unplanned to make the metrics more specific:</p> <ul style="list-style-type: none"> <li>• Number of unplanned loss of supply events greater than 0.05 system minutes.</li> <li>• Number of unplanned loss of supply events greater than 1 system minute.</li> <li>• Total impact of unplanned interruptions (measured in system minutes).</li> </ul>

Summary of the issue	Proposed solution
<p>The current Schedule G4 (ii) Target was last reported in RCP2 and the new POS Asdo not get reported on. Also, there is no guidance in the schedule about targets.</p> <p>We have written 'none' in this field in the last information disclosures.</p>	<p>As targets are no longer specified at PoS level, propose remove fields for targets in G4 (ii) Grid Connection Point Performance Measures.</p>
<p>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.</p>	<p>Add column to the table to house identifier for unplanned events.</p>
<p>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.</p> <p>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 assessing the information would find it challenging or understand the rationale for providing this information.</p>	<p>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.</p> <p>See entry below for further detail.</p>
<p>The current Schedule G6 does not reflect Transpower asset management practice.</p>	<p>The proposed metrics for reporting are no longer fit for purpose. If the schedule is reviewed we propose the following:</p> <ol style="list-style-type: none"> <li>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.</li> <li>2) Column K should have the heading amended to "0-5 years" as it reports all new assets up to 5 years old.</li> <li>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.</li> <li>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</li> <li>5) Grid Base Refurbishment and replacement (columns AI to AT) and Grid Enhancement and Development (columns AU to BF) are not internally</li> </ol>



Summary of the issue	Proposed solution
	reported in the asset category or units in the ID Schedule. We comment in the last column on our approach to reporting this disclosure.
Current ID Requirement is carried forward in clause 8.6-8.7 in the draft ID amendment schedule, and reported on Schedule TP1 - The ROI calculation in the ID double-counts the term credit spread differential.	Update the ROI calculation for this, with reference to Transpower's IPP. The most straightforward approach would be to tether the ID to enforce the IPP.
Current ID Requirement is carried forward in clause 8.6-8.7 in the draft ID amendment schedule, and reported on Schedule TP1 - ROI calculation uses the wrong cashflow timing factor for revenue.	Update the ROI calculation for this, with reference to Transpower's IPP. The most straightforward approach would be to tether the ID to enforce the IPP.
Current ID Requirement is carried forward in clause 8.6-8.7 in the draft ID amendment schedule, and reported on Schedule TP1 - ROI calculation defines recoverable costs as per the Transpower IM, which includes any effect of the incremental rolling incentive scheme. This is not a tangible cashflow and therefore should not be included in the ROI calculation.	Update the ROI calculation for this, with reference to Transpower's IPP. The most straightforward approach would be to tether the ID to enforce the IPP.
Current ID Requirement is carried forward in clause 8.6-8.7 in the draft ID amendment schedule, and reported on Schedule TP1 - ROI calculation necessitates reference to Transpower's ID RAB, which is 99.6% of Transpower's ID RAB. However, Transpower earns a return on its IPP RAB. Therefore, this needs to be corrected.	Update the ROI calculation for this, with reference to Transpower's IPP. The most straightforward approach would be to tether the ID to enforce the IPP.
Current ID Requirement is carried forward in clause 8.6-8.7 in the draft ID amendment schedule, and reported on Schedule TP1 - The ROI calculation erroneously excludes any interest on Transpower's EV account.	Update the ROI calculation for this, with reference to Transpower's IPP. The most straightforward approach would be to tether the ID to enforce the IPP.
Current ID Requirement is carried forward in clause 8.6-8.7 in the draft ID amendment schedule, and reported on Schedule TP1 - ROI calculation be updated to Transpower's IPP RAB, then it must also pick up the capitalised interest depreciation adjustment.	Update the ROI calculation for this, with reference to Transpower's IPP. The most straightforward approach would be to tether the ID to enforce the IPP.

Summary of the issue	Proposed solution
<p>Current ID Requirement is carried forward in clause 8.6-8.7 in the draft ID amendment schedule, and reported on Schedule TP1. The Commission sets our return against the 65th (and previously the 67th). This schedule reports the 50th and 75th percentile WACC estimates. To avoid any confusion for interested persons, it would be better reported at the 65th percentile WACC. A policy decision clarification might be required.</p>	<p>Update the comparator to the 65th percentile.</p>
<p>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.</p> <p>Retaining current settings (i.e. the previous Capex IM) means we will need to seek an exemption every time we close out any future MCP.</p>	<p>Transpower proposes that the ID Determination should be updated to also reflect the requirements under the new Capex IM and the new major capex incentive calculation.</p>