



Manager, Transpower and Gas  
Commerce Commission  
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9 August 2024

## Non-recurrent amount: Draft decision

1. Transpower welcomes the opportunity to respond to the Commerce Commission's (the Commission) draft decision on the non-recurrent amount.
2. For Transpower's Incremental Rolling Incentive Scheme (IRIS) to work as intended, operating expenditure needs to be linked across regulatory periods. The link is a baseline value of expenditure from the preceding regulatory period against which the IRIS measures future expenditure.
3. To set the baseline expenditure value, the Commission needs to determine a 'non-recurrent amount'<sup>1</sup> of non-repeating operating expenditure and/or saving, to remove from the baseline expenditure amounts not expected to be incurred again in a future period.
4. To determine the non-recurrent amount the Commission must reflect information provided under our *base-step-trend* methodology to propose an RCP4 opex allowance.
5. Transpower supports the Commission's draft determination of the non-recurrent amount as -\$14.7m and can corroborate this is consistent with atypical (i.e., non-recurrent) costs included in the base year.
6. Additionally, Transpower appreciates the Commission's amendments to Transpower's IRIS under its Input Methodologies review to remove the uncertainty and volatility that existed previously.

Yours sincerely

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Head of Regulation

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<sup>1</sup> Clause 3.6.3 (5) Transpower IMs. The non-recurrent amount is an amount that accounts for one-off expenditure or savings in actual opex for the third disclosure year of the current regulatory period (which is 2022/23 of RCP3).