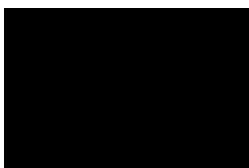


Transpower Individual Price-Quality Path Amendment Determination 2023 (No.1)

[2023] NZCC 22

The Commission: Vhari McWha
Sue Begg
Dr Derek Johnston
Bryan Chapple

Date of Decision: 10 August 2023



Dated at Wellington this 10th day of August 2023

COMMERCE COMMISSION
Wellington, New Zealand

| Determination history | | |
|------------------------------|------------------------|---|
| Determination date | Decision number | Determination name |
| 14 November 2019 | [2019] NZCC 19 | Transpower Individual Price-Quality Path Determination 2020 ('principal determination') |
| 7 October 2021 | [2021] NZCC 19 | Transpower Individual Price-Quality Path Amendment Determination 2021 (No. 1) |
| 22 November 2022 | [2022] NZCC 37 | Transpower Individual Price-Quality Path Amendment Determination 2022 (No. 1) |
| 10 August 2023 | [2023] NZCC 22 | Transpower Individual Price-quality Path Amendment Determination 2023 (No. 1) |

[Drafting notes:

- This amendment determination amends the Transpower Individual Price-Quality Path Determination 2020 [2019] NZCC 19.
- The amendment is made under s 52Q of the Commerce Act 1986.]

Transpower Individual Price-Quality Path Amendment Determination 2023 (No.1)

Under Part 4 of the Commerce Act 1986 (the **Act**), the Commerce Commission makes the following determination:

1. TITLE

- 1.1 This determination is the Transpower Individual Price-Quality Path Amendment Determination 2023 (No.1) [2023] NZCC 22.

2. DETERMINATION AMENDED

- 2.1 This determination amends the Transpower Individual Price-Quality Path Determination 2020 [2019] NZCC 19 (the **principal determination**).

3. COMMENCEMENT

- 3.1 This determination comes into force on the date on which notice of the determination is given in the New Zealand Gazette in accordance with section 52Q(4) of the **Act**.

4. PRINCIPAL DETERMINATION AMENDMENTS

- 4.1 In Schedule A (Summary of forecast MAR and forecast SMAR) of the **principal determination**, at row Year 5 (31 March 2025), column 7 (Incremental update to forecast MAR determined in 2023), replace “\$X.X million” with “\$1.7 million”.
- 4.2 In Schedule A (Summary of forecast MAR and forecast SMAR) of the **principal determination**, at row Year 5 (31 March 2025), column 8 (Total forecast MAR applicable to the pricing year (sum of amounts in columns 3 to 7)), replace “\$833.8 million” with “\$835.5 million”.
- 4.3 In Schedule A (Summary of forecast MAR and forecast SMAR) of the **principal determination**, at row Year 5 (31 March 2025), column 9 (Forecast SMAR applicable to the pricing years in RCP3), replace “\$838.4 million” with “\$840.2 million”.
- 4.4 In Schedule C2 (Approved standard incentive rate base capex summary – commissioned basis) of the **principal determination**, at row Disclosure year ending 30 June 2023, in Column 6 replace “N/A” with “\$5.4 million”.
- 4.5 In Schedule C2 (Approved standard incentive rate base capex summary – commissioned basis) of the **principal determination**, at row Disclosure year ending 30 June 2024, in Column 6 replace “N/A” with “\$19.9 million”.
- 4.6 In Schedule C2 (Approved standard incentive rate base capex summary – commissioned basis) of the **principal determination**, at row Disclosure year

ending 30 June 2025, in Column 6 replace “\$XX.X million” with “\$10.2 million”.

- 4.7 In Schedule C2 (Approved standard incentive rate base capex summary – commissioned basis) of the **principal determination**, at row Disclosure year ending 30 June 2023, in Column 7 replace “\$303.3 million” with “\$308.7 million”.
- 4.8 In Schedule C2 (Approved standard incentive rate base capex summary – commissioned basis) of the **principal determination**, at row Disclosure year ending 30 June 2024, in Column 7 replace “\$274.8 million” with “\$294.7 million”.
- 4.9 In Schedule C2 (Approved standard incentive rate base capex summary – commissioned basis) of the **principal determination**, at row Disclosure year ending 30 June 2025, in Column 7 replace “\$347.2 million” with “\$357.4 million”.
- 4.10 In Schedule C4 (Approved standard incentive rate base capex summary – expenditure basis) of the **principal determination**, at row Disclosure year ending 30 June 2023, in Column 6 replace “N/A” with “\$17.7 million”.
- 4.11 In Schedule C4 (Approved standard incentive rate base capex summary – expenditure basis) of the **principal determination**, at row Disclosure year ending 30 June 2024, in Column 6 replace “N/A” with “\$16.0 million”.
- 4.12 In Schedule C4 (Approved standard incentive rate base capex summary – expenditure basis) of the **principal determination**, at row Disclosure year ending 30 June 2025, in Column 6 replace “\$XX.X million” with “\$1.9 million”.
- 4.13 In Schedule C4 (Approved standard incentive rate base capex summary – expenditure basis) of the **principal determination**, at row Disclosure year ending 30 June 2023, in Column 7 replace “\$273.9 million” with “\$291.6 million”.
- 4.14 In Schedule C4 (Approved standard incentive rate base capex summary – expenditure basis) of the **principal determination**, at row Disclosure year ending 30 June 2024, in Column 7 replace “\$280.0 million” with “\$296.0 million”.
- 4.15 In Schedule C4 (Approved standard incentive rate base capex summary – expenditure basis) of the **principal determination**, at row Disclosure year ending 30 June 2025, in Column 7 replace “\$300.2 million” with “\$302.1 million”.

Explanatory note

1. This amendment determination makes changes to the **principal determination** to give effect to the Commerce Commission's decisions to amend Transpower's individual price-quality path relating to Transpower's application to increase its base capex allowance to include five additional Enhancement and Development base capex projects that it considers have become reasonably likely to commence within the regulatory period RCP3, which we approved on 16 December 2022.
2. In the 16 December 2022 decision, we decided that we would amend the IPP determination once we received audited project costs from Transpower. This amendment determination reflects the Commission's subsequent decision, dated 10 August to amend the IPP in accordance with the audited figures Transpower has provided to the Commission.
3. Attachment A demonstrates the above changes to Schedule A of the **principal determination**, but does not form part of this amendment determination.
4. Attachment B demonstrates the above changes to Schedule C2 of the **principal determination**, but does not form part of this amendment determination.
5. Attachment C demonstrates the above changes to Schedule C4 of the **principal determination**, but does not form part of this amendment determination.

Attachment A: Amendments to the IPP Schedule A due to the enhancement and development base capex projects reopener

IPP Schedule A: Summary of forecast MAR and forecast SMAR *(Note: this Attachment does not form part of the amendment determination)*

| Forecast MAR applied to pricing years of RCP3 ending | Forecast MAR is calculated based on building block values for the disclosure year ending | Initial determined value of forecast MAR for pricing year | Incremental update to forecast MAR determined in 2020 | Incremental update to forecast MAR determined in 2021 | Incremental update to forecast MAR determined in 2022 | Incremental update to forecast MAR determined in 2023 | Total forecast MAR applicable to the pricing year (sum of amounts in columns 3 to 7) | Forecast SMAR applicable to the pricing years in RCP3 |
|--|--|---|---|---|---|---|--|---|
| [Column 1] | [Column 2] | [Column 3] | [Column 4] | [Column 5] | [Column 6] | [Column 7] | [Column 8] | [Column 9] |
| 31 March 2021 (Year 1) | 30 June 2021 | \$810.6 million | N/A | N/A | N/A | N/A | \$810.6 million | \$788.7 million |
| 31 March 2022 (Year 2) | 30 June 2022 | \$795.6 million | \$X.X million | N/A | N/A | N/A | \$795.6 million | \$798.8 million |
| 31 March 2023 (Year 3) | 30 June 2023 | \$790.9 million | \$X.X million | \$X.X million | N/A | N/A | \$790.9 million | \$809.0 million |
| 31 March 2024 (Year 4) | 30 June 2024 | \$821.3 million | \$X.X million | \$X.X million | \$8.9 million | N/A | \$830.2 million | \$828.1 million |
| 31 March 2025 (Year 5) | 30 June 2025 | \$824.4 million | \$X.X million | \$X.X million | \$9.4 million | \$X.X million \$1.7 million | \$833.8 million \$835.5 million | \$838.4 million \$840.2 million |

Attachment B: Amendments to the IPP Schedule C2 due to the enhancement and development base capex projects reopener

IPP Schedule C2: Approved standard incentive rate base capex summary – commissioned basis (including capitalised operating leases)

| Disclosure year ending | Value of standard incentive rate base capex allowance as determined 29 August 2019 | Incremental approved standard incentive rate listed project base capex determined in 2020 | Incremental approved standard incentive rate listed project base capex determined in 2021 | Incremental approved standard incentive rate listed project base capex determined in 2022 | Incremental approved standard incentive rate listed project base capex determined in 2023 | Approved standard incentive rate base capex allowance for purposes of forecast MAR in the disclosure year (sum of amounts in columns 2 to 6) |
|------------------------|--|---|---|---|---|--|
| [Column 1] | [Column 2] | [Column 3] | [Column 4] | [Column 5] | [Column 6] | [Column 7] |
| 30 June 2021 | \$206.7 million | N/A | N/A | N/A | N/A | \$206.7 million |
| 30 June 2022 | \$266.8 million | \$XX.X million | N/A | N/A | N/A | \$266.8 million |
| 30 June 2023 | \$303.3 million | \$XX.X million | \$X.X million | N/A | N/A \$5.4 million | \$303.3 million \$308.7 million |
| 30 June 2024 | \$274.8 million | \$XX.X million | \$X.X million | \$X.X million | N/A \$19.9 million | \$274.8 million \$294.7 million |
| 30 June 2025 | \$347.2 million | \$XX.X million | \$X.X million | \$X.X million | \$XX.X million \$10.2 million | \$347.2 million \$357.4 million |

Note: this Attachment does not form part of the amendment determination.

Attachment C: Amendments to the IPP Schedule C4 due to the enhancement and development base capex projects reopener

IPP Schedule C4: Approved standard incentive rate base capex summary – expenditure basis (excluding capitalised operating leases)

| Disclosure year ending | Value of standard incentive rate base capex allowance as determined 29 August 2019 | Incremental approved listed project base capex determined in 2020 | Incremental approved listed project base capex determined in 2021 | Incremental approved listed project base capex determined in 2022 | Incremental approved listed project base capex determined in 2023 | Approved standard incentive rate base capex allowance for purposes of base capex expenditure adjustments in the disclosure year (sum of amounts in columns 2 to 6) |
|------------------------|--|---|---|---|---|--|
| [Column 1] | [Column 2] | [Column 3] | [Column 4] | [Column 5] | [Column 6] | [Column 7] |
| 30 June 2021 | \$222.9 million | N/A | N/A | N/A | N/A | \$222.9 million |
| 30 June 2022 | \$277.3 million | \$XX.X million | N/A | \$2.0 million | N/A | \$279.3 million |
| 30 June 2023 | \$273.9 million | \$XX.X million | \$X.X million | N/A | N/A \$17.7 million | \$273.9 million \$291.6 million |
| 30 June 2024 | \$280.0 million | \$XX.X million | \$X.X million | \$X.X million | N/A \$16.0 million | \$280.0 million \$296.0 million |
| 30 June 2025 | \$300.2 million | \$XX.X million | \$X.X million | \$X.X million | \$XX.X million \$1.9 million | \$300.2 million \$302.1 million |

Note: this Attachment does not form part of the amendment determination.