

## Powerco Limited

35 Junction Street  
Private Bag 2065  
New Plymouth 4340

☎ 0800 769 372

🌐 [powerco.co.nz](http://powerco.co.nz)

22 September 2021

Matthew Clark  
Manager, Price-Quality Regulation  
Commerce Commission  
Wellington

Via email [regulation.branch@comcom.govt.nz](mailto:regulation.branch@comcom.govt.nz)

### Feedback on Transpower's IPP reconsideration for TPM development and drafting errors

This paper is timely given the linkages between activities of the Electricity Authority and the Commerce Commission to regulate electricity distribution businesses.

- **Drafting errors should be corrected via a low effort mechanism. Period.** We support the Commission making non-controversial corrections to Transpower's IPP. The process of translating the regulations and associated models to a written determination is prone to human error. This is understandable. It's equally important that an error can be corrected when there is no question about maintaining consistency with the purpose and intent of the regulations, as has been applied here. We would have supported this error being corrected as soon as it had been identified. We do not think drafting corrections require consultation – only notification.
- **Regulations should support recovery of actual costs for large and uncertain projects, and in a low-cost way.** We support the amendments to allow Transpower to recover its actual Stage One TPM expenditure. We're interested to know why the same approach isn't continued for Stage 2 expenditure if an independent audit review provides sufficient confidence. This would appear to be a prudent and efficient approach. An advantage is that it doesn't create an incentive for Transpower to over-forecast TPM implementation costs to manage cost risk. The IM review could consider a similar approach for aspects of EDB expenditure which are equally uncertain, of a similar scale, and driven by the actions of 3<sup>rd</sup> parties.
- **Adjustments for IRIS expenditure are a necessary action:** While revising allowances to manage IRIS impacts is the only practical solution, inclusion of Electricity Authority-driven expenditure of a significant quantum in an incentive regime isn't an ideal match. The level of Transpower's expenditure is essentially being driven by external factors and is subject to change for reasons outside of Transpower's control. Given the uncertainty about the future timing and issues that arise from the Electricity Authority's TPM process, an ex-post adjustment would seem best for consumers<sup>1</sup>. It would also remove any perverse interaction between Transpower's timing to deliver the TPM project with any factors that might compromise that delivery but result in an improved TPM<sup>2</sup>. This is the same reason that we have supported removal of some aspects of externally-driven expenditure from the IRIS regime that applies to EDBs.

If you have any questions on this submission, please contact me at [Andrew.Kerr@powerco.co.nz](mailto:Andrew.Kerr@powerco.co.nz).

Yours sincerely



Andrew Kerr  
Head of Policy, Regulation, and Markets

<sup>1</sup> For example, Transpower could not have predicted which issues the Electricity Authority would have referred back to them, nor the additional consultation on treatment of batteries.

<sup>2</sup> For example, the Commission states "...we consider that setting an ex ante adjustment is desirable because it will provide Transpower with an incentive to complete the development of the TPM efficiently" (17).