

Transpower Individual Price-Quality Path Amendment Determination 2016 (No.2)

[2016] NZCC 23

Amendment to Decision [2014] NZCC 35 made under section 52Q of the Commerce Act 1986 updating Transpower's forecast MAR for the 2017/18 to 2019/20 pricing years.

The Commission:

S Begg

G Crombie

Dr S Gale

E Welson

Date of Decision: 31 October 2016

Transpower Individual Price-Quality Path Amendment Determination 2016 (No.2)

Pursuant to Part 4 of the Commerce Act 1986 (the Act) the Commerce Commission makes the following determination:

1. TITLE

This determination is the Transpower Individual Price-Quality Path Amendment Determination 2016 (No.2).

2. DETERMINATION AMENDED

This determination amends the *Transpower Individual Price-Quality Path Determination 2015* [2014] NZCC 35 (RCP2 IPP Determination).

3. COMMENCEMENT

This determination comes into force on the date on which a summary of it is published in the *New Zealand Gazette*.

4. INTERPRETATION

Terms used in this determination that are defined in the Act or the **RCP2 IPP Determination**, but not this determination, have the same meaning as in the Act or the **RCP2 IPP Determination**, as applicable.

5. RCP2 IPP DETERMINATION AMENDMENTS

- 5.1 In Schedule A (Forecast MAR Summary) of the **RCP2 IPP Determination** in line 3 "31 March 2018 (Year 3)" under "Incremental update to forecast MAR determined not later than the second Wednesday in November 2016" [Column 5] replace "\$XX.X million" with "\$38.4 million".
- 5.2 In Schedule A (Forecast MAR Summary) of the **RCP2 IPP Determination** in line 3 "31 March 2018 (Year 3)" under "Total forecast MAR applicable to the pricing year (sum of amounts in columns 3 to 7)" [Column 8] replace "\$952.2 million" with "\$990.7 million".
- 5.3 In Schedule A (Forecast MAR Summary) of the **RCP2 IPP Determination** in line 4 "31 March 2019 (Year 4)" under "Incremental update to forecast MAR determined not later than the second Wednesday in November 2016" [Column 5] replace "\$XX.X million" with "\$0.00 million".
- 5.4 In Schedule A (Forecast MAR Summary) of the **RCP2 IPP Determination** in line 5 "31 March 2020 (Year 5)" under "Incremental update to forecast MAR determined not later than the second Wednesday in November 2016" [Column 5] replace "\$X.XX million" with "\$0.00 million".



Dr Stephen Gale, *Commissioner*

Dated at Wellington this 31st day of October 2016.

COMMERCE COMMISSION

Explanatory Note

This amendment updates Transpower's forecast MAR for the pricing years ending on 31 March 2018, 31 March 2019 and 31 March 2020.

The *Transpower Individual Price-Quality Path Determination 2015* [2014] NZCC 35 (RCP2 IPP Determination) set Transpower's price-quality path in terms of its maximum allowable revenue (being the forecast maximum allowable revenue, or forecast MAR) on 28 November 2014 for each pricing year in the regulatory period from 1 April 2015 to 31 March 2020 (regulatory period).

Under clause 9 of the RCP2 IPP Determination, Transpower is required to provide the Commission with a proposed forecast MAR update for all remaining pricing years of the regulatory period, no later than the third Friday of October of each disclosure year (other than the final disclosure year) of the regulatory period.

Under clause 10 of the RCP2 IPP Determination the Commission may reconsider and amend Transpower's forecast MAR for each pricing year of the regulatory period, by the second Wednesday of November of each year.

The Commission does so by reviewing Transpower's proposed forecast MAR and updating the forecast MAR amounts in Schedule A (Forecast MAR summary) of the RCP2 IPP Determination, to take account of Transpower's performance against its MAR, any major capital expenditure adjustments, and any forecast changes to future capital expenditure for the pricing year.

The Commission has reviewed Transpower's proposed forecast MAR for the pricing year ending on 31 March 2016 and agrees with the adjustments it has proposed. This determination gives effect to those adjustments for the pricing years ending on 31 March 2018, 31 March 2019 and 31 March 2020.

