



TRANSPOWER

*Keeping the energy flowing*

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22 September 2021

## **Our submission on the Commission's consultation on Transpower's cost recovery of the TPM development cost**

Dear Andy,

We welcome the opportunity to respond to the Commerce Commission's (the Commission's) draft decision on the recovery of our costs for developing the new transmission pricing methodology (TPM).<sup>1</sup>

**We are pleased to confirm we agree with the Commission's draft decision in all its aspects.**

Please note the following:

- Our actual TPM development opex for the 2020/21 disclosure year was \$5.04m.
- Whilst implicit in the Commission's decision to update our opex allowance for actual TPM development cost, for clarification we recommend noting in the final decision that these incremental costs are not subject to a CPI adjustment like the underlying opex allowance.
- The last disclosure year in RCP3 is the year ending in June 2025 and any stage 2 and potential subsequent updates to the Individual Price Path (IPP) to address recoverability of future incremental TPM cost should cover the full duration of RCP3. This would include updating the IPP for expected increases in our ongoing opex to operate a new TPM that will be significantly more complex than the current one.
- The Commission's intent to publish its final decision before 12 October 2021 potentially impacts on our ability to publish the audited and Board-certified disclosures required under the Information Disclosure (ID) determination by the statutory date (22 October 2021). We will prepare the ID disclosures for external audit and Board certification on the basis of the Commission's draft decision, but if the final

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<sup>1</sup> [https://comcom.govt.nz/\\_data/assets/pdf\\_file/0020/265502/Transpower-IPP-reconsideration-to-allow-for-recovery-of-TPM-development-costs-consultation-paper.pdf](https://comcom.govt.nz/_data/assets/pdf_file/0020/265502/Transpower-IPP-reconsideration-to-allow-for-recovery-of-TPM-development-costs-consultation-paper.pdf)

decision is made at or close to 12 October or differs from the draft decision it is likely we will need an extension to the statutory ID disclosure date. If we do need to seek an extension, we would suggest aligning the due date with the statutory disclosure date for the Annual Compliance Statement specified in the IPP determination (25 November 2021).

- We appreciate the Commission's proposal to correct for the drafting error in the IPP determination regarding the definition of 'actual transmission revenue' and 'other regulated income'. We agree with the Commission that it does not need to consult on correcting minor drafting errors.

We would appreciate the opportunity to discuss this submission with the Commission at any time. Please do not hesitate to contact me ([joel.cook@transpower.co.nz](mailto:joel.cook@transpower.co.nz)).

Kind regards,



Joel Cook

**Head of Regulation**