

Reporting compliance with Transpower's individual price-quality path for 2015—2020

Companion paper to the draft Transpower Individual Price-Quality Path Determination and reasons for draft compliance reporting decisions

Date: 30 May 2014

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1. Introduction

- 1.1 On 16 May 2014 we published the reasons for our draft decisions on key components of Transpower’s individual price-quality path—referred to in this paper as the ‘draft reasons paper’.¹ The individual price-quality path is for the next regulatory period from 1 April 2015 to 31 March 2020 or ‘RCP2’.
- 1.2 We have now published the draft *Transpower Individual Price-Quality Path Determination* (the draft determination). The draft determination sets out how we propose to give effect to our draft decisions. Attachment A of this paper explains the structure of the draft determination.

Purpose of this paper

- 1.3 The paper sets out our draft decisions on how we propose Transpower will report its compliance with the individual price-quality path (see Section 2)—these draft decisions were not included in our draft reasons paper.
- 1.4 In addition we set out some potential amendments to Transpower’s information disclosure requirements that may be desirable to align with the individual price-quality path determination (see Section 3).
- 1.5 We seek your feedback on the following topics:
- 1.5.1 whether our draft decisions have been reflected accurately in the drafting of the determination;
 - 1.5.2 whether the structure of the draft determination assists in making Transpower’s proposed obligations clear;
 - 1.5.3 whether the definitions we have used are accurate and do not result in any implementation issues or confusion;
 - 1.5.4 our draft decisions on how we propose Transpower will report on compliance including the necessity for, and cost of, the proposed compliance reporting requirements;
 - 1.5.5 how we seek the first pricing compliance statement; and
 - 1.5.6 the potential amendments to Transpower’s information disclosure requirements that we have identified.
- 1.6 Your submissions should be made by **5pm on 11 July 2014**. We will not be seeking cross-submissions.

¹ Commerce Commission “Setting Transpower’s individual price-quality path for 2015—2020: Reasons for draft decision,” (16 May 2014). This draft reasons paper and supporting information are on our website: www.comcom.govt.nz/regulated-industries/electricity/electricity-transmission/transpower-individual-price-quality-regulation/.

How you can provide your feedback

- 1.7 Please email your submission to regulation.branch@comcom.govt.nz with the subject line 'Draft Transpower individual price-quality path determination submission' and your name.
- 1.8 All submissions will be published on our website. Please identify any content considered confidential. If a submission contains confidential information, we ask that you provide a confidential version and a public version. Please also provide submissions in a version capable of having a copy and paste function applied to it. If you have feedback on the drafting of the draft determination, please provide suggested drafting amendments.
- 1.9 Please refer to our draft reasons paper for the process from here.²

² Draft reasons paper, p. 15.

2. Reporting compliance with the individual price-quality path

Purpose of this section

- 2.1 This section sets out our draft decisions on proposed compliance reporting requirements for the individual price-quality path. The draft decisions contained in this paper are incorporated in Part 5 of the draft determination. This section also discusses how the proposed compliance reporting requirements fit with other information reporting requirements.
- 2.2 Compliance reporting enables interested persons, including the Commission, to determine whether Transpower has complied with its individual price-quality path eg, determining whether the revenue Transpower plans to recover from its customers is no more than the maximum allowable revenue (MAR).³ Some compliance reporting information is also necessary for the operation of the individual price-quality path during the regulatory period eg, the MAR wash-up process inputs into updates to forecast MAR.
- 2.3 The draft determination also includes proposed reporting measures for performance-based grid output measures and business improvement initiatives.
- 2.4 We may seek information to monitor compliance under s 53N of the Commerce Act 1986. This includes written statements and supporting information to determine whether the price-quality path has been complied with, and assurance information. We may also request information under s 53C(2), including:
- 2.4.1 financial statements (including projected financial statements) (s 53C(2)(a));
 - 2.4.2 financial and non-financial performance measures (s 53C(2)(f));
 - 2.4.3 plans and forecasts, including plans and forecasts about prices and revenues (s 53C(2)(g)); and
 - 2.4.4 quality performance measures and statistics (s 53C(2)(i)).

Our draft decisions on compliance reporting requirements for RCP2

- 2.5 Our proposed compliance reporting requirements for Transpower are set out in Part 5 of the draft determination.
- 2.6 Our draft decision is that Transpower will be required to publish:
- 2.6.1 a pricing compliance statement within 5 days of announcing its forecast prices for the next pricing year, which is usually late November-early December;
 - 2.6.2 an annual compliance statement at the end of September each year; and
 - 2.6.3 a one-off business improvement initiative plan by July 2015.

³ Excluding pass-through and recoverable costs.

- 2.7 Transpower will be required to state in the pricing compliance statement whether it complied with the price-path ie, did not exceed the forecast MAR, when setting its charges for the upcoming pricing year.
- 2.8 In the annual compliance statement, Transpower will:
- 2.8.1 state whether it complied with the price-path and any reasons for non-compliance—this is a different compliance test to what is required by the pricing compliance statement as it addresses potential changes that could occur during the year;
 - 2.8.2 in relation to its quality standards, provide information on its actual grid outputs and the reasons for any performance that is below the collars or above the caps that we set for the revenue-linked grid output measures;
 - 2.8.3 provide information that is necessary to make updates to forecast MAR for the upcoming pricing year eg, to show economic value (EV) account entries arising from the MAR wash-up and the incentive mechanisms;
 - 2.8.4 provide information on the performance-based grid output measures that we set under the *Transpower Capital Expenditure Input Methodology Determination* (Capex IM); and
 - 2.8.5 provide progress updates on its business improvement initiatives.

We have sought to minimise compliance costs

- 2.9 In reaching our draft decision on Transpower’s compliance requirements, we have considered what information we require to test Transpower’s compliance with the individual price-quality path. We have also been mindful of the costs and benefits of providing this information. We seek your views on whether we have achieved an appropriate balance.
- 2.10 Table 2.1 lists the different types of reporting requirements that we consider are necessary to test compliance with or administer the individual price-quality path. It also sets out what information is needed for each of these types of reporting requirements, and where the obligations for providing the information exist.

Table 2.1: Information required for the individual price-quality path

Type of reporting requirement	Information needed and source
Information to test compliance with the price-path	<ul style="list-style-type: none"> • Revenue for coming year (pricing compliance statement) • Actual revenue for the previous year (annual compliance statement)
Information to update forecast revenue	<ul style="list-style-type: none"> • MAR wash-up information, including actual revenue and actual capex (annual compliance statement and information disclosure) • Incentive mechanism revenue adjustment calculations (information disclosure) • EV account information (annual compliance statement) • Pass-through and recoverable costs including incremental rolling incentive scheme (IRIS) (annual compliance statement)
Information to test compliance with the quality standards and revenue-linked grid output measures	<ul style="list-style-type: none"> • Performance against quality standards (information disclosure) • Reasons for variations from caps and collars (annual compliance statement)
Information on performance-based grid output measures	<ul style="list-style-type: none"> • Actual performance and reasons for performance (annual compliance statement)
Information on business improvement initiatives	<ul style="list-style-type: none"> • Plan for advancing business improvement initiatives (standalone disclosure under individual price-quality path determination) • Updates on progress on business improvement initiatives (annual compliance statement)

2.11 As identified in Table 2.1, some information that is necessary to test compliance with or administer the individual price-quality path has been included in the information disclosure requirements. Where this is the case we have not included these requirements again in the compliance reporting requirements for the individual price-quality path. For example the information disclosure requirements include:

- 2.11.1 the calculations of revenue adjustments from incentive mechanisms, such as the major capex overspend adjustment—the results of these calculations are then entered into the EV account and will result in an update of Transpower’s forecast MAR;⁴ and
- 2.11.2 Transpower’s actual opex for the disclosure year—this is a key input into the IRIS calculation contained in the annual compliance statement.

⁴ *Transpower Capital Expenditure Input Methodology Determination [2012] NZCC 2, Schedule B4.*

- 2.12 We have also sought to minimise audit and certification costs associated with the reporting requirements. We have done this by limiting the amount of information Transpower must report and, where appropriate, reducing the number of disclosures that Transpower has to make. In addition, compliance costs should be reduced as a result of embedding requirements in the draft determination that we have previously sought through information gathering notices.

The pricing compliance statement

- 2.13 The pricing compliance statement will be published each year by Transpower within 5 days of announcing its forecast prices for the next pricing year. Transpower usually announces its customer prices in late November-early December.
- 2.14 Transpower will demonstrate in its pricing compliance statement whether it has complied with the individual price-quality path determination when setting its prices for the upcoming pricing year.⁵
- 2.15 The pricing compliance statement must include a summary of forecast revenue for the next pricing year. The summary of revenue required under information disclosure would satisfy this requirement.⁶ The information disclosure determination requires the disclosure of a summary of revenue for the next pricing year by the last working day of December.
- 2.16 The first pricing compliance statement for RCP2, which is for the pricing year beginning 1 April 2015, will be due in December 2014. We have proposed to issue a separate statutory notice seeking the first statement under s 53N of the Commerce Act. However, an alternative may be to have the pricing compliance statement aspect of the determination taking effect prior to the price and quality obligations, which take effect from 1 April 2015. This alternative approach would mean the obligation to provide the first pricing compliance statement would be written in the determination. We seek your feedback on this matter.

⁵ The pricing year is the year ending 31 March. Transpower also has a disclosure year which is the year ending 30 June. Transpower sets its customers' prices based on the pricing year but all other aspects of performance (eg, expenditure allowances and quality standards) relate to a disclosure year. To align the two year end dates, revenue received during the pricing year is deemed to have been earned in the disclosure year beginning three months after the start of the pricing year. For additional details see Commerce Commission "Individual Price-Quality Path (Transpower): Reasons Paper" (22 December 2010) pp. 20-21.

⁶ See *Transpower Information Disclosure Determination* [2014] NZCC 5, clause 9 and schedule F6.

The annual compliance statement

- 2.17 As set out above, we propose that the annual compliance statement will incorporate different types of reporting requirements:
- 2.17.1 to test compliance with the price-path—which we discuss in Chapter 3 and Attachment B of our draft reasons paper;
 - 2.17.2 to update forecast revenue—which we discuss in Chapter 3 and Attachment B of our draft reasons paper;
 - 2.17.3 to test compliance with the quality standards and revenue-linked grid output measures—which we discuss in Chapter 4 of our draft reasons paper;
 - 2.17.4 on performance-based grid output measures—which we discuss in Chapter 4 of our draft reasons paper; and
 - 2.17.5 on business improvement initiatives—which we discuss in Chapter 6 of our draft reasons paper.
- 2.18 In this section we address:
- 2.18.1 the timing of the annual compliance statement and potential implications for information disclosure;
 - 2.18.2 the process for updating the forecast MAR;
 - 2.18.3 the compliance test for quality standards; and
 - 2.18.4 the reporting requirements for the performance-based grid output measures.

We propose to bring forward the date for disclosing the annual compliance statement

- 2.19 As set out above, we propose that the annual compliance statement will be published by the last working day in September each year. This is a change from the requirements in the current regulatory period where the annual compliance statement is due by late October.
- 2.20 We propose to bring the date forward to be able to determine the updated forecast MAR by late October. The timeframe will provide us with a window to consider the information that Transpower provides eg, applications to spread EV adjustments over more than one year, and information on the base capex and grid output incentive mechanisms (which apply for the first time in RCP2).
- 2.21 The proposed timeframes will give Transpower sufficient time to calculate charges under the transmission pricing methodology (TPM) and to notify its customers of charges for the next pricing year in late November/early December.

- 2.22 As set out above, some information that is necessary to test compliance with or administer the individual price-quality path has been included in the information disclosure requirements. However, the current timing of these disclosures is late October. The information will be reported in or as a companion to Transpower's annual regulatory report.⁷
- 2.23 Our preference is to consolidate these two reporting requirements into a single report. We have drafted the compliance reporting requirements on the basis that the necessary information can be published together at the end of September. This would require either:
- 2.23.1 complete alignment in dates between the annual compliance statement and information disclosures;
 - 2.23.2 different reporting dates for different information disclosures.
- 2.24 There are pros and cons for each option. For instance, the first option would mean that Transpower's annual regulatory report would contain a comprehensive package of information which will help interested persons understand Transpower's performance. The option is also likely to incur lower compliance costs due to the single reporting date. It is the option, however, that places the most demands on Transpower's systems and processes.
- 2.25 Conversely, the second option would result in a separate annual compliance statement and information disclosure statement. This would increase the audit and certification burden on Transpower.
- 2.26 Both options would necessitate a change to information disclosure.
- 2.27 We are cognisant of Transpower's business processes and required timeframes, and therefore we are particularly interested in its views on this matter of timing. An early indication from Transpower is that, while tighter than an October reporting date, it would be able to provide the annual compliance information by the end of September. Transpower also publishes its financial statements in late September/early October.

The process of updating the forecast MAR

- 2.28 As outlined in our draft reasons paper, Transpower's forecast MAR will be updated in years 2-5 (pricing years 2016/17 to 2019/20) of RCP2 to account for:⁸
- 2.28.1 EV adjustments arising from the MAR wash-up, and incentive mechanisms.
 - 2.28.2 New approved major capex and 'listed' base capex projects.

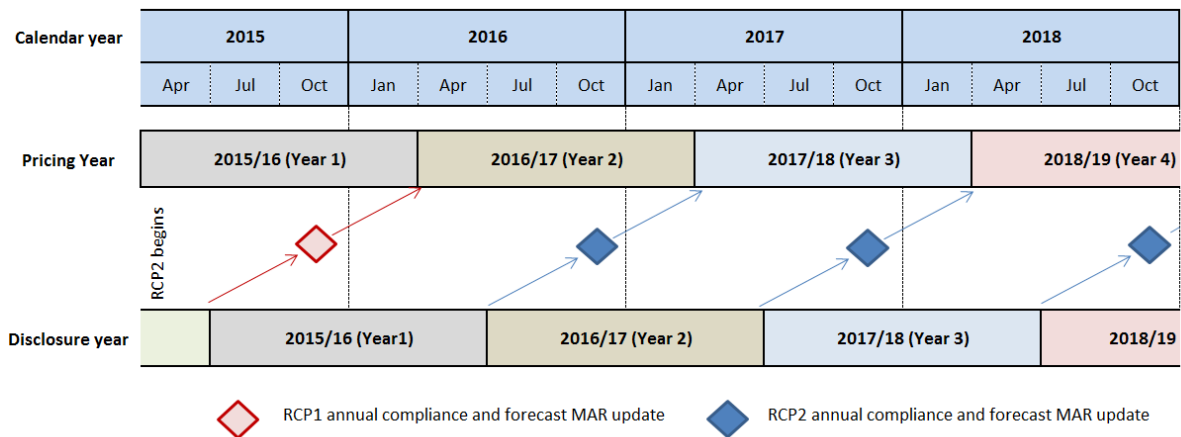
⁷ Over the last few years, Transpower has produced an annual regulatory report that consists of the annual compliance statement as well as additional information we have requested through information gathering notices. Transpower's 2012/13 annual regulatory report is on our website at www.comcom.govt.nz/dmsdocument/11217.

⁸ Draft reasons paper, Chapter 3 and Attachment B.

- 2.29 In Attachment B we set out an updated MAR wash-up building blocks schematic from what was included in our draft reasons paper.⁹ We have updated the schematic for clarity as it now aligns with how terms have been defined in the draft determination. We note that the draft determination uses the term ‘wash-up’ rather than ‘MAR wash-up’.
- 2.30 As mentioned above, the information concerning updates to the forecast MAR will be included in the annual regulatory report. We will review this information, including the calculation of the EV adjustments, and amend the individual price-quality path determination to update the forecast MAR for the relevant future pricing years.
- 2.31 The EV adjustments from a given disclosure year will only affect the forecast MAR of the pricing year two years ahead. The EV account is adjusted for the time value of money as it is rolled-forward at the weighted average cost of capital (WACC) rate. The approval of new major capex or listed base capex will affect the forecast MAR of the pricing years from when it is forecast to be commissioned.
- 2.32 For example, the EV adjustments arising from the 2015/16 disclosure year would only affect the forecast MAR of the 2017/18 pricing year (Year 3). Major capex approved before compliance is assessed for the 2015/16 year (Year 1) however, would affect the forecast MAR for the 2017/18, 2018/19, and 2019/20 pricing years (Years 3, 4 and 5), assuming it is forecast to be commissioned before the end of the 2017/18 year.
- 2.33 An EV adjustment may however result in an update to the forecast MAR of more than one year if it is spread to reduce the impact it may have on prices.¹⁰ The draft determination provides for Transpower to request approval to spread EV adjustments.
- 2.34 The forecast MAR for 2016/17 (Year 2) will be updated following the publication of the annual regulatory report for the 2014/15 year (the last year of RCP1). The first annual regulatory report for RCP2 will be in September 2016 after the 2015/16 disclosure year.
- 2.35 Figure 2.1 sets out a timeline of the forecast MAR reset process for the first three pricing years of RCP2. It shows updates to the forecast MAR resulting from EV adjustments (eg, the MAR wash-up and incentive mechanisms) that only affect one future pricing year.

⁹ For the original schematic, see Draft reasons paper, Attachment B, Figure B2, p. 94.

¹⁰ Draft reasons paper, p. 33.

Figure 2.1: Timeline of forecast MAR updates for EV adjustments

The compliance test for quality standards

- 2.36 As set out in Chapter 4 of our draft reasons paper, the proposed quality standards for RCP2 are the grid output targets for each of the 17 revenue-linked grid output measures. The types of measures are the same as proposed by Transpower.
- 2.37 The revenue-linking means that each of the 17 measures has a cap and collar. The cap and collar set the range of performance for which Transpower will be penalised or rewarded through the grid output adjustment, where the cap limits Transpower's financial reward for performance that is better than the target and the collar limits Transpower's financial exposure for performance that does not meet the target.
- 2.38 We also commented in our draft reasons paper that:¹¹
- 2.38.1 in exceptional circumstances where quality standards are not met, the Commission may seek pecuniary penalties under s 87 or criminal sanctions under s 87B of the Commerce Act for that underperformance—any enforcement action would be in addition to the grid output adjustment; and
- 2.38.2 we will not take any such enforcement action for performance below the quality standard but above the collar that is set for the grid output measure.
- 2.39 Our proposed compliance test would not require Transpower to state whether it has met the levels of the quality standards ie, indicate whether it had met or failed to meet the grid output targets. Instead we simply propose that Transpower states in its annual compliance statement whether it has disclosed its grid output adjustment calculations as set out in the information disclosure requirements. The grid output adjustment determines the revenue adjustment to be entered into the EV account and this will then result in an update to forecast MAR. This information will be also used to consider further action if performance is below the collar.

¹¹ Draft reasons paper, p.49.

- 2.40 Where Transpower's performance is worse than the collar or better than the cap, we require that the annual compliance statement includes an explanation of the reasons underpinning this performance. In these instances we are interested in understanding reasons for the variation from the quality standards, rather than just the incremental variations from the collar or cap. The collar and cap were chosen as the threshold for requiring an explanation of variation as we would expect to see variability that reflects business as usual activities between these points.
- 2.41 Information on any performance that does not meet the collar will be used to assess whether the Commission considers any enforcement action is warranted. We seek information on performance that is better than the cap as this is first time we are applying revenue-linking to these grid output measures and we want to assess the long-term suitability of the measures and the targets, caps, collars and incentive rates that we set.

Our proposed reporting requirements for performance-based grid output measures

- 2.42 Our draft reasons paper included our draft decision to set performance-based grid output measures for RCP2 under the Capex IM.¹² These performance-based grid output measures are not linked to revenue.
- 2.43 This section sets out the proposed reporting requirements for each of these measures to be reported in the annual compliance statement. The reporting requirements that we have proposed should ensure that sufficient information is available on each measure to monitor Transpower's performance.
- 2.44 We are interested in your feedback on the proposed reporting requirement, and where the requirements are incorporated ie, whether they are included as part of the individual price-quality path determination or another determination. We are not directed by the Capex IM on the placement of where obligations to disclose actual performance against the performance-based grid output measures.
- 2.45 As previously mentioned, we are conscious of imposing any unnecessary compliance costs on Transpower. We seek feedback on whether we have achieved an appropriate balance between the benefits that the reporting will provide and the costs to Transpower. In particular, we seek the views of interested persons on whether some information is of more or less value. We also seek Transpower's views on the potential incremental cost implications to its business from these reporting requirements.
- 2.46 Table 3.1 sets out our proposed reporting requirements for each of the performance-based measures outlined in our draft reasons paper.

¹² Draft reasons paper, p.42.

Table 3.1: Reporting on performance-based measures

Performance-based measures		Reporting requirement
OM1	Time to provide initial information following an unplanned interruption.	<ul style="list-style-type: none"> The percentage of unplanned interruptions that Transpower contacted affected customers within 15 minutes. The maximum time taken by Transpower to contact an affected customer.
OM2	Time to provide updated information following an unplanned interruption.	<p>For unplanned interruptions that were not restored within 30 minutes:</p> <ul style="list-style-type: none"> the percentage of interruptions that Transpower updated affected customer within 30 minutes; the maximum time taken by Transpower to update an affected customer; the number of affected customers that were not updated.
OM3	Accuracy of notified restoration times following unplanned interruptions.	<p>The percentage of unplanned interruptions that were restored:</p> <ul style="list-style-type: none"> within 10 minutes of the advised estimated restoration time; within 30 minutes of the advised estimated restoration time; more than 30 minutes after the advised estimated restoration time.
OM4	Extent that Transpower meets planned outage restoration times.	<p>The percentage of planned outages where:</p> <ul style="list-style-type: none"> the end time was after the planned end time; the end time was more than 30 minutes after the planned end time.
OM5	Extent that Transpower places customers on 'N' security.	The percentage of time that each point of connection was reduced to N-security.
OM6	Number of unplanned momentary (of less than one minute) interruptions.	<p>The number of momentary interruptions:</p> <ul style="list-style-type: none"> at each point of connection; by category.

Performance-based measures	Reporting requirement
OM7 Energy not supplied for each point of service for each unplanned interruption. ¹³	For each unplanned interruption including interruptions caused by AUFLS: <ul style="list-style-type: none"> • the estimated unserved energy (MWh) by point of connection for the interruption; • the date, time and duration of the interruption; • where unserved energy for the interruption is greater than 0.5 system minutes: <ul style="list-style-type: none"> ○ the reasons for the interruption; ○ Transpower’s response to the interruption; ○ any changes to Transpower’s policies or standards as a result of the interruption.
OM8 Extent that Transpower meets planned outage start times for critical circuits and equipment.	For all planned outages of selected HVDC circuits and components of the HVDC links. ¹⁴ <ul style="list-style-type: none"> • the percentage of outages that the start time was within 30 minutes of the planned start time; • the percentage of outages that the start time was more than 60 minutes after the planned start time.
OM9 Extent that Transpower provides its reports to affected parties on unplanned interruptions within 15 working days of the interruption. Transpower will report any exceptions on the number of times it did not meet the timeframe.	<ul style="list-style-type: none"> • The number of unplanned interruptions that Transpower did not provide a report within 15 working days to affected customers. • The percentage of unplanned interruptions that Transpower did not provide a report within 15 working days to affected customers.

2.47 The requirement for OM7 includes a provision for details on the date, time and duration of interruptions greater than 0.5 system minutes in the annual compliance statement. This would replace the current requirement in the individual price-quality path determination to provide an interruption report to the Commission within 5 working days of an interruption greater than 1 system minute.¹⁵

¹³ This measure concerns ‘unplanned interruptions’ rather than ‘all interruptions’ which could be inferred from our draft reasons paper.

¹⁴ The selected HVDC circuits are listed in Schedule D of the draft determination.

¹⁵ *Commerce Act (Transpower Individual Price-Quality Path) Determination 2010*, clause 4.3(2).

Reporting progress on the business process initiatives

- 2.48 In Chapter 6 and Attachment G of our draft decision paper we suggested a number of business improvement initiatives for Transpower to undertake.
- 2.49 Transpower will be required to disclose by July 2015 its plan for the business improvement initiatives it intends to complete during RCP2, which may include any of the initiatives we have suggested. The plan would also include key milestones and deliverables, and how Transpower plans to monitor progress.
- 2.50 Subsequent annual compliance statements would then provide updates on the progress that Transpower has made on its business improvement initiatives.

Compliance information must be director certified and audited

- 2.51 We will require the pricing compliance statement and the annual compliance statement to director certified and published. The annual compliance statement will also be required to be accompanied by an independent assurance report.
- 2.52 Interested persons, including the Commission, need assurance that disclosed information has been prepared in line with the determination and the input methodologies, to have confidence in their assessments of whether the individual price-quality is promoting the purpose of Part 4 of the Commerce Act.
- 2.53 In setting the assurance requirements we have sought to balance the need for assurance and the costs incurred in providing that assurance. We have also sought to make the audit and certification requirements for the individual price-quality path consistent with the information disclosure certifications. For example, we will no longer prescribe the form of audit report.

3. We may need to amend the information disclosure determination

Purpose of this section

- 3.41 This section sets out potential amendments to the information disclosure determination that applies to Transpower. These amendments may be required as a result of our draft decision on Transpower's individual price-quality path and proposed compliance reporting requirements.

The amendments that may be required

- 3.42 The potential amendments outlined below would ensure consistency between the two determinations and ensure that, when taken together, they provide useful information to interested persons.

Timing of disclosure

- 3.43 When we determined Transpower's information disclosure requirements, we set the required disclosure date in line with the current individual price-quality path determination. This was so both sets of information would be published together at the same time in the annual regulatory report. This date usually falls in the third week of October.
- 3.44 To ensure that information disclosures are published with compliance reporting information, we consider it may be beneficial to bring forward the disclosure date of information disclosure. The disclosure date would be brought forward to the end of September. This approach is intended to recuse costs to Transpower to Transpower as it would be required to publish only one set of disclosures rather than two.

Revenue cash-flow timing assumption in the return on investment formula

- 3.45 We have included cash-flow timing assumptions in the calculation of the forecast MAR and MAR wash-up in the draft determination.¹⁶ These are the same as are included in the calculation of the return on investment (ROI) formula in the information disclosure requirements.
- 3.46 We consider it is desirable for the timing assumption to be consistent between ROI, forecast MAR and the MAR wash-up. This will provide an ROI that is more accurate and comparable with our setting of Transpower's regulated revenues.
- 3.47 Our approach assumes that Transpower receives its revenues slightly later than half-way through the pricing year (ending 31 March). When applying the assumption to a disclosure year (ending 30 June), as done for the forecast MAR and the MAR wash-up, this brings forward the receipt of revenues by three months.
- 3.48 Transpower has informally suggested a modification to our approach which would take account of the timing difference between the pricing and disclosure years. We request that Transpower formalise its proposed alternative in its submission on the

¹⁶ Draft reasons paper, p. 91.

draft reasons paper so that other interested persons can provide feedback on this matter.

- 3.49 If any change in the implementation of the revenue timing assumption is made, it would be desirable to amend the information disclosure determination to make it consistent with the individual price-quality path.

Actual revenue disclosures

- 3.50 The draft determination includes the requirement to disclose in the annual compliance statement the actual HVAC and HVDC revenues for the previous year. This is necessary to test compliance with the price-path and to calculate the MAR wash-up.
- 3.51 Transpower is also required under the information disclosure requirements to report by December each year a detailed breakdown of its revenues for the previous year, and forecast revenue for the upcoming year under.¹⁷ The rationale for requiring actual revenue disclosures in December is so that customers can easily compare actual and forecast revenues.
- 3.52 It may be desirable to bring forward the disclosure of actual revenues under information disclosure so that it is published with the annual compliance statement. This would reduce reporting duplication and provide more timely information to interested persons. Transpower would still report on forecast charges for the next pricing year in December.

¹⁷ See *Transpower Information Disclosure Determination* [2014] NZCC 5, schedule F6.

Attachment A: Structure of the draft determination

Purpose of this attachment

- A1 This attachment provides an overview of how we have structured the draft determination.

How we have structured the draft determination

- A2 The draft determination has five parts.
- A2.1 Part 1 sets out the general provisions of the determination.
 - A2.2 Part 2 sets out the definitions of terms used in the determination. In this part we have included terms defined only in this determination. Terms defined elsewhere eg, in the input methodologies, are excluded from this definitions list.
 - A2.3 Part 3 sets out the price-path that applies to Transpower. This includes the maximum allowable revenue (MAR) and that the forecast MAR will be updated yearly.
 - A2.4 Part 4 sets out the quality standards and revenue-linked grid output measures including how each measure is to be calculated.
 - A2.5 Part 5 sets out Transpower's compliance and information reporting obligations. This includes what information we propose Transpower will be required to report to demonstrate compliance with the individual price-quality path as well as assurance requirements.
- A3 The draft determination also has several schedules. We have made use of schedules where we consider it makes the requirements of certain processes or reporting clearer. For example, the forecast MAR is detailed in Schedule A as putting this calculation in a standalone schedule makes it easier to show how the forecast MAR will be updated following entries into the economic value (EV) account.

Attachment B: Updated schematic of the MAR wash-up process

B1 This attachment sets out an updated schematic of the ‘MAR wash-up’ process to that in Figure B2 of the draft reasons paper. We have updated the schematic for clarity as it now aligns with how terms have been defined in the draft determination.

Figure B1: MAR wash-up building blocks calculation process

