

Transpower Individual Price-Quality Path Amendment Determination 2017 (No.1)

[2017] NZCC 26

Amendment to Decision [2014] NZCC 35 made under section 52Q of the Commerce Act 1986 updating Transpower's forecast MAR for the pricing years ending on 31 March 2019 and 31 March 2020 and Transpower's approved base capex for the disclosure years ending on 30 June 2018 and 30 June 2019.

The Commission:

S Begg

G Crombie

Dr S Gale

E Welson

Date of Decision: 31 October 2017

Transpower Individual Price-Quality Path Amendment Determination 2017 (No.1)

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

1. TITLE

This determination is the Transpower Individual Price-Quality Path Amendment Determination 2017 (No.1).

2. DETERMINATION AMENDED

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

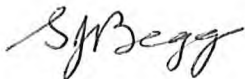
3. COMMENCEMENT

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

4. RCP2 IPP DETERMINATION AMENDMENTS

- 4.1 In clause 22.2.4(c) replace "\$242.0 million" with "\$243.0 million".
- 4.2 In clause 22.2.4(d) replace "\$231.6 million" with "\$241.2 million".
- 4.3 In clause 23.2.3(c) replace "\$242.0 million" with "\$243.0 million".
- 4.4 In clause 23.2.3(d) replace "\$231.6 million" with "\$241.2 million".
- 4.5 In Schedule A (Forecast MAR summary) in line 4 "31 March 2019 (Year 4)" under "Incremental update to forecast MAR determined not later than the second Wednesday in November 2017" [Column 6] replace "\$XX.X million" with "-\$17.8 million".
- 4.6 In Schedule A (Forecast MAR summary) in line 4 "31 March 2019 (Year 4)" under "Total forecast MAR applicable to the pricing year (sum of amounts in columns 3 to 7)" [Column 8] replace "\$949.9 million" with "\$932.1 million".
- 4.7 In Schedule A (Forecast MAR Summary) in line 5 "31 March 2020 (Year 5)" under "Incremental update to forecast MAR determined not later than the second Wednesday in November 2017" [Column 6] replace "\$XX.X million" with "-\$18.6 million".
- 4.8 In Schedule A (Forecast MAR Summary) in line 5 "31 March 2020 (Year 5)" under "Total forecast MAR applicable to the pricing year (sum of amounts in columns 3 to 7)" [Column 8] replace "\$957.3 million" with "\$938.7 million".

- 4.9 In Schedule C (Approved base capex summary) in line 3 "30 June 2018" under "Incremental approved listed project base capex determined not later than the second Wednesday in November 2017" [Column 5] replace "N/A" with "\$1.0 million".
- 4.10 In Schedule C (Approved base capex summary) in line 3 "30 June 2018" under "Approved base capex for purposes of forecast MAR and base capex expenditure adjustments in the disclosure year (sum of amounts in columns 2 to 6)" [Column 7] replace "\$242.0 million" with "\$243.0 million".
- 4.11 In Schedule C (Approved base capex summary) in line 4 "30 June 2019" under "Incremental approved listed project base capex determined not later than the second Wednesday in November 2017" [Column 5] replace "\$XX.X million" with "\$9.6 million".
- 4.12 In Schedule C (Approved base capex summary) in line 4 "30 June 2019" under "Approved base capex for purposes of forecast MAR and base capex expenditure adjustments in the disclosure year (sum of amounts in columns 2 to 6)" [Column 7] replace "\$231.6 million" with "\$241.2 million".
- 4.13 In Schedule C (Approved base capex summary) in line 5 "30 June 2020" under "Incremental approved listed project base capex determined not later than the second Wednesday in November 2017" [Column 5] replace "\$XX.X million" with "\$0.0 million".



Sue Begg, *Deputy Chair*

Dated at Wellington this 31st day of October 2017.

COMMERCE COMMISSION

Explanatory Note

This amendment updates Transpower's forecast MAR for the pricing years ending on 31 March 2019 and 31 March 2020 and Transpower's approved base capex for the disclosure years ending on 30 June 2018 and 30 June 2019.

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 for the disclosure year ended 30 June 2017, any major capital expenditure adjustments, any listed project capital expenditure approvals, and any forecast changes for the impact of future capital expenditure.

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

In accordance with the price path reconsideration provisions of the Transpower input methodologies, the Commission has also updated the approved base capex in clauses 22.2.4 and 23.2.3 and Schedule C (Approved base capex summary) to reflect the incremental base capex for disclosure years 30 June 2018 and 30 June 2019 as approved by the Commission in *Final decision on Transpower's Central Park Wilton B Line listed project* [2017] NZCC 16.