



COMMERCE COMMISSION

**Regulation under Part 4 of the Commerce Act 1986**  
**Input Methodologies**

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**INVITATION FOR ELECTRICITY TRANSMISSION POST-  
WORKSHOP SUBMISSIONS**

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The Commission held a workshop to discuss the framework for regulation of electricity transmission services on 2 and 3 March 2010. As advised before and during the workshop, all interested parties are invited to make post-workshop submissions on any relevant matter discussed at the workshop or set out in the Emerging Views Papers.<sup>1</sup>

The Commission has posted the transcript for the workshop on its website. The transcript can be located at:

<http://www.comcom.govt.nz/IndustryRegulation/Part4/DecisionsList.aspx>

To assist parties in making their post-workshop submissions, the Commission has identified from the transcripts, matters on which workshop participants undertook to respond in their submissions. Although in some instances the Commission has identified the specific participant that undertook to respond in submissions, all parties are welcome to submit on any of the issues in this invitation.

Post-workshop submissions are due by **5pm on 24 March 2010**.

***Making a post-workshop submission***

To foster an informed and transparent process the Commission intends to publish all post-workshop submissions received on its website ([www.comcom.govt.nz](http://www.comcom.govt.nz)). Accordingly, the Commission requests an electronic copy of each submission and requests that hard copies of submissions not be provided unless an electronic copy is not possible. Submissions should be emailed to:

[Regulation.Branch@comcom.govt.nz](mailto:Regulation.Branch@comcom.govt.nz)

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<sup>1</sup> Commerce Commission, *Transpower Emerging Views Paper*, 17 February 2010.

If it is not possible to provide an electronic copy, they may be sent to:

Alex Sim  
Chief Adviser  
Regulation Branch  
Commerce Commission  
P.O. Box 2351  
Wellington

### ***Confidentiality***

The Commission discourages requests for non-disclosure of submissions, in whole or in part, as it is desirable to test all information in a fully public way. It is unlikely to agree to any requests that submissions in their entirety remain confidential. However, the Commission recognises there will be cases where interested parties making submissions may wish to provide confidential information to the Commission.

If it is necessary to include such material in a submission the information should be clearly marked and preferably included in an appendix to the submission. Interested parties should provide the Commission with both confidential and public versions of their submissions in both electronic and hard-copy formats. The responsibility for ensuring that confidential information is not included in a public version of a submission rests entirely with the party making the submission.

Parties can also request that the Commission makes orders under s 100 of the Act in respect of information that should not be made public. Any request for a s 100 order must be made when the relevant information is supplied to the Commission and must identify the reasons why the relevant information should not be made public. The Commission will provide further information on s 100 orders if requested by parties, including the principles that are applied when considering requests for such orders. A key benefit of such orders is to enable confidential information to be shared with specified parties on a restricted basis for the purpose of making submissions. Any s 100 order will apply for a limited time only as specified in the order. Once an order expires, the Commission will follow its usual process in response to any request for information under the Official Information Act 1982.

### **Regulation Branch**

**10 March 2010**

## Matters Identified from the Workshop Transcript of 2/3 March 2010

Q.	Matter Discussed and Transcript Ref to Discussion	Party	Transcript Ref to Relevant Comment
<b>Opex</b>			
1	Regarding input costs, Transpower noted in its presentation on grid maintenance expenditure that input costs are increasing. The Commission sought further information that supported this increase. Transpower noted that it was willing to provide current and historical information on tendered maintenance contract labour rates.	Commission (Paul Melville) to Transpower	Page 25 lines 15 to 22
2	Regarding, operating expenditure (opex), MEUG proposed that efficiency gains actually relate to long-term superior performance: What empirical evidence or benchmarking was MEUG proposing be used?	Commission (Paul Melville) to MEUG	Page 31 lines 14 to 28
3	The Commission requested further detail around the Australian Energy Regulator's market constraint mechanism, and the pros and cons of such a regime.  The Commission also requested that parties provide views on potential capacity constraint measures that might be included in the basket of quality measures (though on the basis that initially such a measure would be reported only, with a view to explore whether it might be usefully included in an incentive regime in future).	Commission (Associate Commissioner Caygill) to Transpower and other parties	Page 39 lines 14 to 18 Page 45, lines 15 to 25
4	Regarding New Investment Agreements (NIA), Transpower agreed to forward, with its submission, a copy of the new NIA, together with background information, and its view on current and potential barriers to competition in the provision of new grid assets.	Transpower	Page 54, lines 15-22 Page 57 line 20 to page 58 line 10

## Other Questions on Matters Raised at the Workshop

Q.	Question
5	<p>Transpower made a presentation on its increased expenditure on maintenance in recent years, and its forecast additional opex requirements for the transition year (relative to an opex allowance that is established as the base opex under the settlement agreement escalated at CPI). The net opex proposed by Transpower for the 2011/12 year is \$234.9 million relative to a base escalated opex of \$221.9 million – an increase of \$13 million.</p> <p>This increase is primarily driven by planned increases in maintenance expenditure to \$117.2 million. The maintenance component of the base allowance, escalated to 2011/12 year would be</p>

Q.	Question
	<p>\$92.3 million.</p> <p>Further detail is sought from Transpower on each of the components of its forecast opex requirement for the transition year. This should comprise actual historical and forecast costs for each opex component, plus justifications for the changes in each component.</p>
6	<p>Regarding the opex proposed by Transpower in its presentation (see previous line for description), submitters are requested to provide feedback on the extent to which this increase should be accepted by the Commission in the base year opex allowance.</p>
7	<p>With respect to the carry forward model, the Commission asked Transpower for its views on whether there should be any opex elements excluded from that model. Transpower proposed that the model relate to controllable costs only, and that pass through costs should be excluded. Does Transpower have any specific further comments on costs that should be excluded from this incentive mechanism?</p>