

11 July 2024

██████████
Transpower New Zealand Ltd

By e-mail only: ██████████

Tēnā koe ████████,

Exemptions under the Transpower Information Disclosure Determination 2014 with respect to disclosure year 2024

1. This letter responds to your email dated 30 January 2024 that requested the Commerce Commission (**Commission**) grant Transpower New Zealand Limited (**Transpower**) two exemptions from certain requirements to disclose information under the Transpower Information Disclosure Determination 2014 (the **ID Determination**) with respect to disclosure year 2024.¹ The two exemptions sought were in relation to the following ID Determination requirements:

- 1.1 reporting certain “Customer charges” information within Schedule F6, as required under clause 9 of the ID Determination. Transpower proposed instead that an alternative schedule be publicly disclosed in its place (**Schedule F6 request**); and
- 1.2 reporting operating expenditure (**opex**) and base capital expenditure (**capex**) by high voltage alternating current (**HVAC**) and high voltage direct current (**HVDC**), within Schedules F2 and F3, as required under clauses 8.2 and 8.3 of the ID Determination (**HV expenditure request**).

Summary of our decision

2. Having considered the Schedule F6 request, we have decided to **grant** a conditional exemption to Transpower from the requirement to report certain “Customer charges” information within Schedule F6, as required under clause 9 of the ID Determination. The exemption is granted on the condition that Transpower instead publicly disclose an alternative Schedule containing charge type information consistent with the updated Transmission Pricing Methodology (**TPM**). Our decision to grant this exemption, and its conditions, are outlined in paragraphs 23 - 28 of this letter.

¹ Disclosure year means the 12 month period ending on 30 June of the year the disclosure relates to.

3. In relation to the HV expenditure request, we currently consider it reasonable to retain this existing requirement and therefore we **decline** Transpower's request for an exemption from the requirement to report opex and capex information by the HVAC and HVDC categories within Schedules F2 and F3, as required under clauses 8.2 and 8.3 of the ID Determination. Our decision to decline this exemption is outlined in paragraphs 29 - 32 of this letter.
4. Earlier this year we notified stakeholders that we are currently undertaking a review of Transpower's information disclosure (ID) requirements (**Transpower ID review**).² We have now published our draft decision, which includes our proposed amendments. As part of the Transpower ID review, we are proposing to align Schedule F6 with the charge types set in the updated TPM.³ We will consider stakeholder feedback on this draft decision, including any further reasons you wish to provide as to why opex and capex disclosure by HVAC and HVDC is no longer sufficiently valuable to interested persons.
5. Our full response is below, including an outline of the background surrounding Transpower's exemption request, and the basis for our decision.

Background

6. Transpower is subject to ID regulation under section 53A of the Commerce Act 1986 (the **Act**) and must apply the requirements set out in the Transpower Capital Expenditure Input Methodology Determination 2020 as amended (the **Capex IM**) when complying with the ID Determination.
7. Most information Transpower is required to publicly disclose under the ID Determination must be disclosed either in, or as a companion to, Transpower's other regulatory reporting— the Annual Regulatory Report (**ARR**)⁴ and the Integrated Transmission Plan (**ITP**).⁵ The ID reporting required to be disclosed in, or as a companion to, the ARR includes the information required by clauses 8, 10, 11 and 14 of the ID Determination.

² 'Commerce Commission – Commencement of Information Disclosure Reviews', 6 May 2024.

³ Commerce Commission, [Information Disclosure \(Transpower Amendment Determination 2024\), Draft Decision – Reasons Paper](#), 2 July 2024

⁴ As set out under clause 6 of the ID Determination, the ARR means the document containing Transpower's annual compliance monitoring statement and associated information in fulfilment of its reporting requirements under the IPP determination.

⁵ As specified in the Capex IM determination, the ITP is the report in which Transpower provides its long-term plans and objectives for operating the grid. The nature of this information matches several information disclosure requirements.

8. As indicated in paragraph 1.2, clause 8 of the ID Determination requires Transpower to disclose opex and capex by HVAC and HVDC within Schedules F2 and F3. This reporting must be published by the Friday of the third complete week of the month of October following the end of each disclosure year (ending 30 June). For disclosure year 2024, this date is 25 October 2024.
9. Transpower must also disclose some information separately from the ARR and the ITP due to the timing of certain information being available. In relation to revenue, Schedule F6 must be publicly disclosed by the last working day of December after the end of each disclosure year.⁶ For disclosure year 2024, Schedule F6 must be disclosed by 31 December 2024.
10. The updated TPM came into effect on 1 April 2023,⁷ and sets out how Transpower will recover its maximum allowable revenue from its transmission customers. It also introduced:
 - 10.1 new transmission charges. These new charges are connection, benefits-based and residual charges. The updated TPM replaced the charge types from the previous TPM.
 - 10.2 a transitional cap charge. This limits the overall increase for some directly connected customers, providing them time to adjust to the implications of the new transmission charges.
11. As a result, transmission charges and revenue are no longer split by HVAC and HVDC.

Previous Schedule F6 exemption for disclosure year 2023

12. In disclosure year 2023, similar to this year's Schedule F6 request, Transpower requested an exemption to the requirement under clause 9 of the ID determination to report certain "Customer charges" information within Schedule F6.⁸
13. On 20 November 2023, the Commission granted Transpower this exemption for disclosure year 2023 on the condition that it disclosed an alternative schedule (based on Schedule F6) to align the "Customer charges" information in section F6(iii) for "Current Year +1 (CY+1)" with the updated TPM (**2023 Schedule F6 exemption**).⁹

⁶ Clause 9, ID Determination.

⁷ Electricity Authority "Electricity Industry Participation Code Amendment (Transmission Pricing Methodology) 2022, Amendment 2022" (21 November 2022), schedule 12.4.

⁸ Exemption request via email from Transpower to the Commission, dated 9 August 2023.

⁹ Commerce Commission, *Exemptions under the Transpower Information Disclosure Determination 2014*, dated 20 November 2023. This exemption notice can be found on our website:

https://comcom.govt.nz/data/assets/pdf_file/0022/336073/Transpower-E28094-ID-Exemption-E28094-Clause-132C-Schedule-G62C-and-Schedule-F6-E28094-30-November-2023.pdf

Legal framework

14. Clause 22 of the ID Determination allows the Commission to, by written notice to Transpower, grant an exemption from any requirement of the ID Determination, for a period and on such terms and conditions as the Commission specifies in the notice. Furthermore, clause 22.2 gives the Commission the power to amend or revoke any such exemption.

Exemption requests

15. As indicated in paragraph 1, Transpower requested two exemptions with respect to disclosure year 2024 (ie, the Schedule F6 request and HV expenditure request). Transpower also provided other information to support its request in e-mail correspondence with Commission staff.¹⁰ Details provided by Transpower relating to the Schedule F6 request and HVAC and HVDC expenditure request are set out below.

Schedule F6 request

16. Transpower noted that this request is akin to the 2023 Schedule F6 exemption, as it is driven by the need to report ID revenue information in a way consistent with the updated TPM. The 2023 Schedule F6 exemption related to forecast (CY+1) disclosures in section F6(iii), as customer charge types set in the updated TPM had not yet come into effect for the current year. Disclosure year 2024 is the first assessment period that current (CY) customer charge disclosures in Schedule F6 are impacted by the updated TPM.
17. As such, Transpower's Schedule F6 request seeks, for disclosure year 2024, an equivalent exemption for the forecast information, and a further exemption for the current year information (now impacted by the updated TPM). Specifically, Transpower proposed the following amendments to Schedule F6 that ought to be covered by an exemption:
- 17.1 **Section F6(i): Regulated Electricity Transmission Revenue:** Adding four additional rows to include the four new transmission charges from the updated TPM (connection, benefits-based, residual, and transitional cap charges). These new charges relate to the CY for DY 2024.
 - 17.2 **Section F6(ii): Regulated Revenue:** Replacing the charge types from the previous TPM with charge types from the updated TPM.
 - 17.3 **Section F6(iii): Customer Charges:** Replacing the charge types from the previous TPM with charge types from the updated TPM for both "CY" and "CY+1".

¹⁰ Email correspondence from Transpower to the Commission, dated 30 January and 31 January 2024.

17.4 **Section F6(iv): Other Regulated Income (excl Asset Disposals):** Consolidating the “generator” income into one disclosure (ie, removing HVAC and HVDC split).¹¹

18. After further correspondence with Transpower, the request was extended to include the disclosure of an ‘EV adjustment’ for the disclosure of revenue by charge types set out in the updated TPM. An ‘EV adjustment’ disclosure is currently required for charge types in sections F6(i): Regulated Electricity Transmission Revenue and F6(ii): Regulated Revenue. This means that ‘EV adjustment’ related to new charge types would not need to be split between HVAC and HVDC.

HV expenditure request

19. The HV expenditure request is in relation to reporting opex and capex by HVAC and HVDC within Schedules F2 and F3. This is on the basis that charge types are no longer included in the updated TPM (ie, the previous TPM included HVAC (interconnection and connection) and HVDC).

20. Transpower considers there would be no adverse impact of the proposed non-compliance on consumers and other parties potentially affected by the requested exemption (if granted), as:

20.1 these revenue segments no longer exist and therefore, the costs attached are not relevant; and

20.2 interested persons can continue to analyse Transpower opex and capex in total and by the other subcategories provided.

21. As noted in paragraph 4, we have published our draft decision on the Transpower ID review. In discussions between staff and Transpower in relation to this review, Transpower noted that they continue to collect and record HVAC and HVDC expenditure information internally.¹²

¹¹ This was not in the original proposed schedule F6 from Transpower, however after further correspondence it was clarified that to align with the updated TPM this would also need to be part of the exemption request.

¹² Email correspondence from Transpower to the Commission, dated 2 May 2024.

Our decision on the exemption requests

22. We have considered Transpower's exemption requests and supporting information. Our decision in response to each of the requests are set out below.

Exemption granted in response to Schedule F6 request

23. By this notice, using the powers under clause 22.1 of the ID Determination, we have decided to **grant** a conditional exemption to Transpower from the requirement to report certain "Customer charges" information within Schedule F6, as required under clause 9 of the ID Determination.
24. The exemption is granted on the condition that Transpower instead publicly discloses an alternative schedule containing charge type information consistent with the updated TPM. This includes the following requirements:
- 24.1 For sections F6(i) (CY only), F6(ii) and F6(iii) in Schedule F6, Transpower instead disclose regulated revenue by the following charge types for each line item, consistent with the updated TPM:
- 24.1.1 connection charges;
 - 24.1.2 benefits-based charges;
 - 24.1.3 residual charges; and
 - 24.1.4 transitional cap (charges).
- 24.2 For sections F6(i) (CY only) and F6(ii) in Schedule F6, Transpower instead disclose an 'EV Adjustment' for the new charge types outlined in paragraph 24.1.1-24.1.4.
- 24.3 For section F6(iv) in Schedule F6, Transpower instead disclose a single revenue value for "generator" income (removing HVAC and HVDC split)
25. We are granting this exemption because the alternative information Transpower will disclose in place of information for charge types set in the previous TPM in Schedule F6 will provide more transparency regarding how Transpower allocates transmission charges. This will support an interested person's assessment of the purpose of Part 4 of the Act as more transparent pricing information will lead to a more informed assessment of whether Transpower is efficiently using and investing in its transmission and generation assets.
26. This exemption is similar to the 2023 Schedule F6 exemption, except that it now also applies to the reporting requirements related to current year customer charge disclosures impacted by the updated TPM.

27. For the avoidance of doubt, this alternative information for disclosure year 2024 must be published by the original deadline (31 December 2024), and 'Section F6(v): Asset Disposals' and 'Section F6(vi): Asset Divestments' are still required to be disclosed in the original ID format.
28. We have considered the impact of the exemption on the purpose of information disclosure under section 53A of the Act and have concluded that the purpose will still be met in granting the exemption. We also see no adverse impact of the exemption on consumers or other parties.

Exemption declined in response to HV expenditure request

29. By this notice, using the powers under clause 22.1 of the ID Determination, we have decided to **decline** Transpower's request for an exemption from the requirement to report opex and capex information by the HVAC and HVDC categories within Schedules F2 and F3, as required under clauses 8.2 and 8.3 of the ID Determination.
30. We consider that continuing to report HVAC and HVDC expenditure information would not cause any undue regulatory burden to Transpower as it continues to collect capex and opex information split by HVAC and HVDC.
31. This type of information is similar to other expenditure reporting within Schedules F2 and F3. In Schedule F2, Transpower is required to disclose opex on maintenance projects for both HVAC and HVDC stations. Additionally, in Schedule F3, Transpower is required to disclose capex on grid refurbishment and replacement on both HVAC and HVDC stations.
32. Reporting opex and capex by HVAC and HVDC is useful expenditure information for interested persons. The ability to assess the proportion of total HVAC and HVDC expenditure that is spent on maintenance projects and grid refurbishment and replacement better enables an interested person assessment of the purpose of Part 4 of the Act. More transparent expenditure information will lead to a better informed assessment of whether Transpower is efficiently using and investing in its transmission and generation assets.

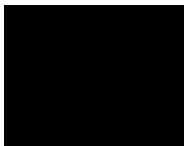
Transpower ID review

33. We note that as part of the Transpower ID review project, we are considering potential amendments as a result of the updated TPM (including aspects related to both the Schedule F6 request and the HV expenditure requests). As noted in paragraph 4, we will consider stakeholder feedback on this draft decision and may consider the removal of the relevant HV reporting requirements as part of the final decision.

Further information

34. These exemptions may be revoked or amended by the Commission at any time in accordance with clause 22.2 of the ID Determination.
35. A copy of this exemption response letter will be published on the Commission's website.
36. If you have any questions regarding this matter, please contact Frankie Toland at Infrastructure Regulation at infrastructure.regulation@comcom.govt.nz.

Nāku iti noa,



Vhari McWha
Commissioner