



TRANSPOWER

Keeping the energy flowing

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26 July 2023

By email im.review@comcom.govt.nz

Input Methodologies Review 2023: Draft Determinations

1. Transpower welcomes the opportunity to respond to the Commerce Commission's (the Commission's) 2023 Input Methodologies (IMs) Review draft determinations for the Transpower Input Methodologies (IMs) and the Transpower Capex IM, published 21 June 2023.
2. The two draft determinations are attached to this letter. We have provided comment against clauses, and in some places proposed drafting (via insertion and/or strikeout). These comments and any drafting align with our views on the draft decisions.
3. Specifically, we have proposed drafting for our views on :
 - Major capex proposal processes
 - Resilience funding
 - Flexibility to introduce new uncertainty mechanisms.

Major capex proposals

Proportionate consultation process

4. The current IMs allow for the Commission to permit us to avoid a long-list consultation where it would be "unreasonable in the circumstances". However, "unreasonable" is a high legal bar and means we are not able to only consult on a short list in certain circumstances. We consider the *one size fits all* approach may lead to ineffective consultations and drives inefficiency.
5. Our preference is that consultation is *commensurate* with the type of and context for, the investment. Alternatively the test could be "*reasonable to exclude*" instead of "unreasonable to include."

Scenario analysis

6. We consider that requiring a specific number of scenarios is not commensurate with some of the investment contexts we analyse. Our drafting proposes that Transpower has discretion to undertake the number and range of scenarios commensurate with the proposed investment need.

Resilience

7. We consider resilience should not be solely related to enhancement and development type expenditure. Through our RCP4 consultation we outlined various resilience workstreams under base capex R&R that focuses on Response, Recovery, Risk Reduction and Readiness (the Four Rs for resilience) for major hazards.
8. Identifying proactive resilience spend separately helps to improve transparency for our customers, consumers, the Government and the Commission of what we are doing to respond to our changing understanding of the impact of major hazards including as a result of climate change.

Flexibility to introduce new uncertainty mechanisms

9. Our submission proposed that the IMs should have more flexibility to allow for uncertainty mechanisms, and for IMs to be more principles based with relation to uncertainty mechanisms rather than prescriptive.
10. We consider the best place to set out the prescription for the uncertainty mechanisms is within the individual price-quality path (IPP) determination.
11. We appreciate the Commission providing the determinations in Word format on request. Unfortunately we have encountered some formatting issues that were resistant to being permanently fixed.
12. We have endeavoured to comment accurately in line with our positions on draft decisions and if there is unintended conflict then our response to the draft decisions prevails.
13. As indicated in our submission to the draft decisions, we also encourage the Commission to have a technical consultation on the determination to test that the final decisions are accurately reflected. We are very open to having targeted workshops/ meetings to discuss the content in our submissions, this may be an efficient way to work through some issues.

Yours faithfully

Joel Cook

Head of Regulation