

## Part 4 Determinations: Request for Clarification and/or Amendment

Please complete the table below and email to:

[regulation.branch@comcom.govt.nz](mailto:regulation.branch@comcom.govt.nz) – Attn: Dane Gunnell

<b>Transpower issue reference</b>	IM_03 – (Recovery of costs associated with write offs)
<b>Date of request</b>	First submitted 29 March 2011 by letter. Update submitted 14 June 2013
<b>Party requesting clarification or amendment</b>	Transpower New Zealand Limited
<b>Relevant determination (Decision number)</b>	IM – NZCC 17
<b>Clause reference</b>	n/a
<b>Description of clarification or amendment sought. If an amendment is proposed, provide the suggested wording of the determination.</b>	<p>As currently drafted neither the Transpower IM or IPP makes provision for recovering costs associated base capex projects that are written off prior to commissioning. The Capex IM includes a 'sunk cost' recovery mechanism for major projects that are written off, but does not deal directly with the base capex equivalent.</p> <p>We propose that project write-offs should be disclosed in the Annual Regulatory Report, that the costs should be able to be recovered against the base capex allowance. Consistent with the framework for base capex, project write-offs should not be subject to individual approval.</p>
<b>Reason why clarification or amendment is required</b>	<p>Any business will face occasions where it becomes more rational to write off a partially completed project than to commit further expenditure. For example, we could commit expenditure to build a new transmission pricing system, to meet anticipated regulatory timing requirements, only for the investment to become obsolete prior to completion due to subsequent regulatory changes or decisions. It is not clear that the IMs permit recovery of costs without first commissioning the relevant project. This could create a perverse incentive for Transpower to continue investment, inefficiently, in order to commission a project (and then write off the assets) rather than cease the project and write-off the expenditure prior to completion.</p> <p>We understand that these outcomes may be due to drafting omissions and not due to policy intent and so these issues should be able to be readily addressed.</p>
<b>Reasons Paper reference (if applicable)</b>	n/a
<b>Date amendment is required to be made by and why (if applicable)</b>	The amendment should be made to apply from the beginning of RCP2.