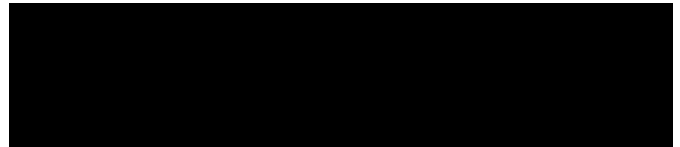


30 May 2023

Andy Burgess

General Manager, Infrastructure Regulation

Commerce Commission



Dear Andy,

Implications of a potential change to the indexation approach to Transpower's Regulatory Asset Base for the transmission pricing methodology under the Code

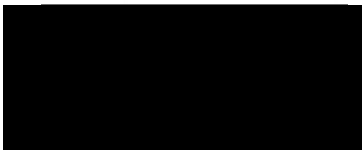
Thank you for informing the Electricity Authority of the Commerce Commission's considerations with respect to the Input Methodologies policy decision that relates to the indexation, or otherwise, of Transpower's Regulatory Asset Base (RAB).

As per your request, we have considered the potential implications for the transmission pricing methodology (TPM), under the Code, should the Commerce Commission decide to index Transpower's RAB to inflation.

Under the TPM, Transpower's calculation of transmission charges aligns to the time profile of cost recovery specified by the Commerce Commission under Part 4 of the Commerce Act. That is, the Authority decided that the TPM fundamentally would not need to change if the Commission's approach to the cost recovery profile changes. Accordingly, should the Commerce Commission decide to index Transpower's RAB to inflation, we would be comfortable with the consequences of such a change for the TPM.

We understand that this this correspondence will be available on the Commission's website when you publish draft decisions on the input methodologies review. I note that – as you have requested that this matter be kept in confidence for now – in answering your question, we have not made enquiries of Transpower (which is responsible for the operation of the TPM).

Yours sincerely,



Tim Sparks

Director, Network Pricing