

8 February 2018

Emma Lanigan  
Regulatory & Commercial Manager  
Network Tasman Ltd  
52 Main Road, Hope  
Richmond 7050  
Nelson, New Zealand

Dear Emma

### **Network Tasman Limited - Exemption from information disclosure requirements**

1. In your email of 9 January 2018 you requested the Commerce Commission (Commission) to grant an exemption to Network Tasman Limited (Network Tasman) from the price disclosure requirement of clause 2.4.18 of the Electricity Distribution Information Disclosure Determination 2012, as amended (ID Determination) to allow Network Tasman to disclose prices consistent with its previous pricing schedules.

#### *Background to the request*

2. Clause 2.4.18 of the ID Determination outlines the components of prices that Electricity Distribution Businesses (EDBs) need to publically disclose at all times.
3. In relation to transmission prices, per clause 2.4.18 (1) (d) of the ID Determination, every EDB must at all times publicly disclose each current price expressed in a manner that enables consumers to determine the amount of each current price that is attributable to transmission charges;
  - 3.1 Transmission charge means any payment made in respect of the use of the transmission system. For the avoidance of doubt, this includes avoided transmission charges.
4. In December 2014, Network Tasman acquired transmission assets from Transpower. In the 2016 Annual Compliance statement Network Tasman stated that it only intended to recover a portion of the avoided cost of transmission (ACOT) incentive through prices given its objectives of financial viability and long-term benefits of consumers. Hence in previous pricing schedules, Network Tasman did not record the full value of the ACOT incentive against the transmission charge. At that time, Network Tasman were not aware of its obligations under clause 2.4.18(1) (d) of the ID Determination.

5. Upon recently being made aware of their obligations, you advised that if Network Tasman was to include the ACOT incentive value into the pricing schedule going forward, it would create distortionary prices. And since consumers in your area track prices closely, you are concerned that significant reallocations of prices in the pricing schedule between the part of the price attributable to transmission charge and that which is not, could create significant confusion for some customers.

*Exemptions requested*

6. In previous pricing schedules, under transmission price, Network Tasman has only included charges payable to Transpower and the value of ACOT incentive which Network Tasman intended to recover. The value of the ACOT incentive which Network Tasman has chosen not to recover is not disclosed within the schedule.
7. Network Tasman propose to continue with this approach given it is consistent with prior periods and would be less confusing for consumers, than including a value against transmission price which they do not intend to recover.

*Exemptions granted*

8. Having reviewed your interpretation, we consider that the transmission price disclosed in previous years' pricing schedules does not follow the requirements of ID Determination but acknowledge that it provides a more accurate representation to consumers of the nature of the price split.
9. Under clause 2.11.1 of the ID Determination the Commission grants Network Tasman an exemption from the requirement in clause 2.4.18 on the condition that Network Tasman:
  - 9.1 continues to disclose pricing schedule in a way consistent with the previous years' pricing schedule;
  - 9.2 includes a footnote in the pricing schedule to state how the disclosure rules regarding transmission price have been applied by Network Tasman; and
  - 9.3 notes that it has been granted this exemption in the pricing schedule.
10. This exemption only applies to 3 years of disclosure, starting in disclosure year 2018.

*Further information*

11. This exemption may be revoked or amended in accordance with clause 2.11.1(2) of the ID Determination.
12. A copy of this exemption response letter will be published on the Commission's website.
13. For any further questions relating to this letter, please contact Vedika Sachan on (04) 924 3728 or [vedika.sachan@comcom.govt.nz](mailto:vedika.sachan@comcom.govt.nz).

Yours sincerely

A handwritten signature in blue ink that reads "Sue Begg".

Sue Begg

Deputy Chair