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22 September 2017

Karen Smith
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By email: regulation.branch@com.com.govt.nz

Dear Karen

Capex IM review: incentive mechanisms

We appreciate the opportunity to submit on the Commission's *emerging views on incentive mechanisms*, published 1 September 2017, under the capex input methodology (Capex IM) statutory review. We acknowledge that the timeframes for this submission process are to enable a draft decision by the Commission in November 2017. The draft decision will provide guidance to Transpower on the rules to apply to our development of an IPP proposal for RCP3.[1]

In the body of this submission, we respond to the Commission's emerging views in three main areas.

1. the proposed incentive scheme for major and listed projects
2. engagement, transmission alternatives and scrutiny under base capex
3. replacing the policies and processes incentive with 'targeted information disclosure'.

In the appendices, we provide:

- our views on the eight items in paragraph 86 and address the Commission's proposal in paragraph 79 (Appendix A)
- an amended version of the Commission's Figure 1 to demonstrate Transpower's current application of the Capex IM (Appendix B)
- a diagram of our view of how future incentive rates would apply (Appendix C)
- our proposal for improving the approval process for major capex projects (Appendix D).

The proposed incentive scheme for major and listed projects

For major capex projects, we consider that the existing incentive regime is not effective and agree with the Commission that "*a revised approach could encourage greater efficiency in Transpower's major capex and lead to a simpler, more flexible regime…*". We also agree with the Commission's proposed solution "*to move towards an ex-ante approach for efficiency incentives using a framework consistent with the base capex regime…to replace two asymmetric ex-post incentive mechanisms (the major capex efficiency adjustment and the major capex overspend adjustment) with a single ex-ante symmetric mechanism.*"

[1] Individual Price-Quality path (IPP) for the third regulatory control period (RCP3)

P50 estimated cost and tailored incentive rate

The Commission explains that *"major capex projects tend to be approved at a P90 expenditure estimate level…. with the introduction of an ex-ante regime for major capex projects, we consider that it would be appropriate to move the expenditure approval level to P50…"*

Approving major capex projects at a P50 estimated cost rather than P90 would increase the likelihood that actual costs will be higher than the approved amount. On average, our costs would be higher that the approved amount 50% of the time. Therefore, we **only** agree with a move to P50 if there is a parallel introduction of a tailored incentive rate. For example, a symmetrical incentive rate of 10% would mean either Transpower funds 10% of costs that exceed P50 or retains 10% of any savings below P50.

We support the emerging view that "*the incentive rate for each major capex project (or individual stage of a major capex project) should be determined at the same time that the allowance is approved."* We consider demand uncertainty and technology development are changing the context for planning major capex expenditure and managing risk.

In our submission to the focus areas for the Capex IM review process we wrote

> *…with less certainty for demand outlook, we have concluded there is increasing value in deferring commitment to large investments through staged or incremental investments and use of non-transmission solutions. Such an approach could be designed to match our infrastructure build to need over time…*[2]

Since that submission, we have further developed a proposal for amending the major capex approval process to allow for staging. We consider our revised approach would allow time to agree a tailored incentive rate for each major capex project. We have included our proposal, its objectives and a conceptual design in Appendix D.

We agree with the Commission that "*A staging process could provide greater confidence in the final P50 cost estimates allowed for different stages of major capex projects."* as "*more time is allowed to refine forecasting and timing estimates. This could increase the effectiveness of an ex-ante regime by lowering the chances of windfall gains to consumers or Transpower from inaccurate forecasts.*"

For listed projects, we agree with the Commission's view that "*a lower incentive rate would be an exception for listed projects. Otherwise the default base capex incentive rate would apply*" and that on successful application for a lower incentive rate by Transpower that "*the resulting project-specific allowable revenue would also need to be separated from the general base capex allowance to ensure the appropriate incentive rate is applied*". The existing mechanism of listing such projects (along with an estimation of high-level cost) as a schedule to the individual price – quality path regulation (the IPP) should signal any likelihood that the 'exception' approach may be needed. For example, as noted in our submission on the Central Park – Wilton reconductoring project, the combination of approval of estimates at P50, cost uncertainty and a 33% incentive rate creates unnecessary risk for consumers and Transpower on large reconductoring projects.[3]

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[2] Transpower submission Capex IM Focus Areas June 14th 2017 available at http://www.comcom.govt.nz/regulated-industries/input-methodologies-2/transpower-input-methodologies/capex-input-methodology-review/

[3] Transpower submission Central Park – Wilton reconductoring project 4 May 2017 http://www.comcom.govt.nz/regulated-industries/electricity/electricity-transmission/transpower-individual-price-quality-regulation/transpowers-price-quality-path-from-2015-to-2020/

Base capex: engagement, transmission alternatives and scrutiny

We agree with the Commission's emerging view for base capex that "we would not want a regime that increases costs disproportionality or extends project delivery times unnecessarily". In our submission to the focus areas[4] we stated that "we consider there is no need for additional process intervention into our base capex as the totex approach, with balanced incentives for opex and base capex, encourages the consideration of alternatives. More process intervention, which extends regulatory reach, reduces our decision agility". We reiterate this view.

Engagement on transmission alternatives

Submissions to the focus areas demonstrated that stakeholders want more access to opportunities to provide transmission alternative services. For a third-party service to be feasible, it needs to be fit for purpose to provide a Transpower grid service (including the obligation to meet the grid reliability standards (GRS) under the Electricity Industry Participation Code). Where transmission alternative services can defer (perhaps permanently) a traditional transmission investment that adds capacity, the payment for the third-party service is constrained by the deferral value of the investment. The deferral value for higher cost major capex projects is much greater than for base capex capacity enhancement projects (E&D) less than $20m.

Our transmission planning report (TPR)[5] indicates areas of the grid where capacity and voltage support are needed. The areas indicated are where we are likely to investigate options including non-transmission solutions/transmission alternatives.[6] We work with our demand response team to investigate whether services provided in the demand response programme are technically viable options. We may identify new participants through an open tender process to approach and/or discuss how to expand participation in the program for a location-specific capacity or voltage issue. We encourage transmission alternative providers to use the information in the TPR, and join our demand response program as an efficient way to engage with Transpower.

We do not support obligations in the Capex IM to consult on base capex during a regulatory period to stimulate the transmission alternatives market. Additional obligations will be costly to implement. The cost must be weighed against the likelihood that fit for purpose, economic transmission alternatives may emerge anyway e.g. via our demand response programme.

More broadly, Transpower continues to work on improving our communication and engagement with stakeholders. We use multiple channels such as our existing information disclosure documents[7], annual report, stakeholder and industry events.

Scrutiny on base capex

We also strongly reject the surprising proposal to create another mechanism for Regulatory Asset Base (RAB) additions within-period, for base capex (enhancement) projects due to the uncertainty of demand growth. This proposal would reduce the fungibility of the base capex design, introduce more complexity into our business and potentially increase the volatility of our price path.

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[4] Transpower submission Capex IM focus areas 14 June 2017 http://www.comcom.govt.nz/regulated-industries/input-methodologies-2/transpower-input-methodologies/capex-input-methodology-review/

[5] TPR July 2017 available on our website at…https://www.transpower.co.nz/resources/transmission-planning-report-july-2017#downloads

[6] Non-transmission solutions (NTS) is a defined term under major capex; transmission alternatives (not defined in the Capex IM) is wider than major capex, and more broadly used by electricity industry participants

[7] Integrated Transmission Plan (ITP) comprising Transmission Planning Report (TRR), Asset Management Plan (AMP) and service report (quality) available at www.transpower.co.nz

Any uncertainty arising from the (many) drivers of small enhancement projects is managed by the fungibility of the base capex and the totex incentive arrangements. We note that enhancement projects on **connection assets** are subject to a negotiation between ourselves and our counterparty under the Benchmark Agreement.[8] The additional administration for small projects would create disproportionate costs for us, stakeholders, the Commission and consumers.

Finally, we don't agree that significant scrutiny is limited to the 20% of our expenditure on major capex.[9] Scrutiny applies to base capex in several ways. We are required to publicly provide information under our individual price-quality path and information disclosure (ID) regulation which creates ample opportunities for stakeholder scrutiny. In addition, efficient expenditure is supported by incentives on capex (the base capex incentive rate) and opex (via the incremental rolling incentive scheme).

The policies and processes incentive

We do not agree with the proposal for targeted information disclosure as a replacement for the existing mechanism. We are unclear on how the revised approach is creating any meaningful incentive consistent with Part 4.

In our response[10] to the Commission's invitation to propose any specific information requirements that should be added, amended or removed, we wrote that "*We consider the base capex adjustment mechanism for compliance with policies and processes is inconsistent with the broader settings for incentive regulation and is a disincentive to incorporating positive change"* and proposed "*removal of the policies and processes adjustment e.g. 3.2.2 and Schedule B2, and related clause in the base capex proposal e.g. clause F6 (1)*." We assessed the removal as meeting the IM change criteria "significantly reduce compliance costs, other regulatory costs or complexity (without detrimentally affecting the promotion of the s 52A purpose)." We also submitted that the existing mechanism was ineffective (our internal governance drives thorough and rigorous processes for expenditure).

The Commission has stated "*we consider it important that Transpower has policies and processes for base capex expenditure that it adheres to during a regulatory period*'. We understand that the Commission needs confidence that we have appropriate policies and processes and we can provide the Commission with the results of our internal assurance processes. We do not agree that the Commission or others should be the judge of our internal business compliance. We have strong internal and external governance requirements being:

- assurance of our internal control environment is through management control, management audits, independent Quality Assurance and internal Audit reviews instigated by our management and Board
- Director-certification under the Capex IM for the base capex proposal for each regulatory period
- efficient opportunity for policies/process assessment via the base capex proposal

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[8]The Benchmark Agreement is the regulated contract with our Customers, available at https://www.ea.govt.nz/code-and-compliance/the-code/documents-incorporated-into-the-code-by-reference/

[9] Cited at paragraph 59 from Contact Energy submission to Capex IM Review, 14 June 2017

[10] Transpower additional information Capex IM review, 15 August 2017available at http://www.comcom.govt.nz/regulated-industries/input-methodologies-2/transpower-input-methodologies/capex-input-methodology-review/

- existing information disclosure regulation, designed to assess whether Part 4 outcomes are being met[11]so further information disclosure for Part 4 purpose just adds cost.

We strongly disagree with the suggestion in paragraph 84 that an ex-post review of particular projects will efficiently or effectively provide additional incentives to maintain and adhere to appropriate policies for base capex.

Please let me know if you have any questions or would like to discuss any of the points made in this submission.

Yours sincerely

Catherine Jones

Regulatory Affairs and Pricing Manager

[11] Commerce Act 1986s s53A Purpose of information disclosure regulation: *The purpose of information disclosure regulation is to ensure that sufficient information is readily available to interested persons to assess whether the purpose of this Part is being met*

Appendix A – Response to emerging views

Item (refer paragraph 86)	Transpower comment
1 the potential problems and issues identified in this paper	We consider the paper raised four issues: • Major capex incentive regime (we agree it is ineffective) • The potential disincentive for use of transmission alternatives (we disagree this is a problem) • Threshold for major capex (we agree with status quo: $20m) • Effectiveness of *policies and processes* incentive mechanism (we reiterate the incentive is ineffective and should be removed not replaced).
2. our emerging view to move to a symmetrical ex-ante expenditure incentive regime for major capex projects	We agree with the proposal to move to a symmetrical ex-ante expenditure incentive regime in conjunction with a tailored incentive rate to manage scope and cost uncertainty.
3. our view that major capex expenditure allowances under the proposed ex-ante incentive regime should be based on a P50 cost estimate	We **only** agree with a move to P50 if there is a parallel introduction of a tailored incentive rate. Approving major capex projects at a P50 estimated cost rather than P90 would increase the likelihood that actual costs will be higher than the approved amount. On average, our costs would be higher than the approved amount 50% of the time. For example, a symmetrical incentive rate of 10% would mean either Transpower funds 10% of costs that exceed P50 and retains 10% of any savings below P50.
4. our ability to tailor incentive rates for major capex or listed projects	**For major capex**, we agree with the introduction of a tailored incentive rate and consider a staged approval process for major capex will enhance the Commission's ability to tailor the incentive rate appropriately. **For listed projects**, we agree with the Commission's view that a lower incentive rate would be an exception for listed projects. Otherwise the default base capex incentive rate would apply.
5. the need for greater engagement by Transpower and opportunity for external scrutiny on some projects that are currently part of base capex	We encourage transmission alternative providers to use the information in the TPR and join our demand response program as an efficient way to engage with Transpower. More broadly, Transpower continues to work on improving our communication and engagement with stakeholders. We use multiple channels such as our existing information disclosure documents, annual report, and stakeholder and industry events.

Item (refer paragraph 86)	Transpower comment
	External scrutiny already applies to base capex in several ways. We are required to publicly provide information under our individual price-quality path and information disclosure (ID) regulation. In addition, efficient expenditure is supported by incentives on capex (the base capex incentive rate) and opex (via the Incremental Rolling Incentive Scheme).
6. the criteria that might apply when deciding which (base capex) projects should be subject to greater consultation and scrutiny;	We consider the cost of obligations to conduct additional consultation and scrutiny outweighs any incremental benefits.
7. our emerging view not to change the $20 million threshold for major capex projects;	We agree the status quo of $20m remains appropriate.
8. our emerging view to replace the policies and processes incentive in the capex IM with targeted qualitative information disclosure	We do not agree with the proposal for targeted information disclosure as a replacement for the existing mechanism. We are unclear on how the revised approach is creating any meaningful incentive consistent with Part 4. We understand that the Commission needs confidence that we have appropriate policies and processes and we can provide the Commission with the results of our internal assurance processes.
9. Include a trigger mechanism that allows the capex associated with (enhancement) projects under $20m to be added to a base capex	We strongly reject this surprising proposal to create another mechanism for RAB additions within-period, for base capex (enhancement) projects due to the uncertainty of demand growth. This proposal would reduce the fungibility of the base capex design, introduce more complexity into our business and potentially increase the volatility of our price path. Any uncertainty arising from the (many) drivers of small enhancement projects is managed by the fungibility of the base capex and the totex incentive arrangements. The additional administration for small projects would create disproportionate costs for ourselves, stakeholders, the Commission and consumers.

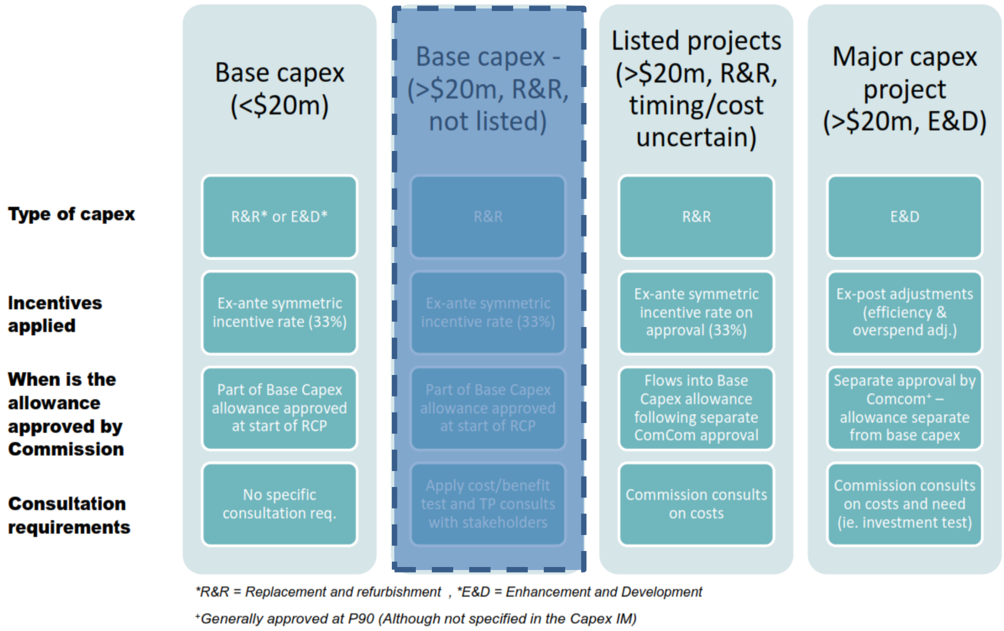
Appendix B – Transpower's application of the Capex IM

In our response to the Commission's invitation to propose any specific information requirements that should be added, amended or removed[12] we wrote "we also consider *clause 3.2.1 "Base capex projects or programmes with forecast cost of greater than $20 million"* is no longer relevant. The origin for the clause was that base capex would have reconductoring projects included. These projects were the reason consultation and an economic test consistent with major capex were required. The listed project framework has superseded the role of the clause."

The diagram presented as Figure 1 in the incentives consultation paper shows an obligation on Transpower to consult on base capex > $20m <u>that is not listed</u>. Our practice is that since the creation of the listed project process (including consultation and an economic test consistent with the market benefits) the clause is not applied.[13]

We have amended the Commission's diagram to convey our current application of the Capex IM; the second column is not needed.

Figure 1 – Overview of incentives and consultation requirements



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[12] Transpower capex input methodology review *Process update paper:* 28 July 2017 paragraph 18

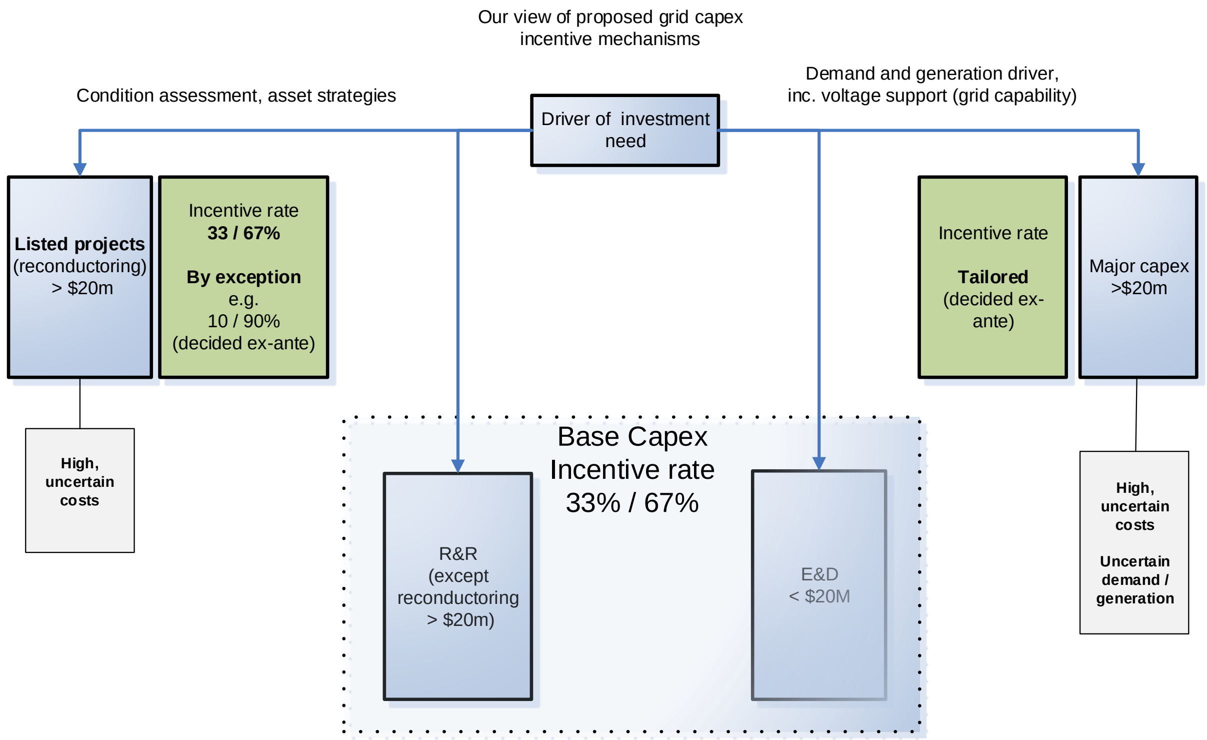
[13] We consult under the Benchmark Agreement for connection assets

Appendix C – proposed incentive rates

We present below our view of the proposed investment incentives under the Capex IM.

We consider the starting point is the main **drivers** of investment need:

- Demand growth or generation (right hand side of diagram) i.e. need is for capacity, or for voltage support. Investment opportunities are identified by regulated processes under Part 12 of the Electricity Industry Participation Code (the Grid Reliability Report 12.114 and the Grid Economic Report 12.115).
- Condition assessment, asset management strategies, strategic priorities (i.e. everything else) (left hand side of diagram).



Appendix D – proposal for improving major capex approval process

08 September 2017

Karen Smith
Regulation Branch
Commerce Commission
Wellington

By email: karen.smith@comcom.govt.nz

Dear Karen

Capex IM review: proposed improvements to major capex approval process

Introduction

Through our regular meetings with Commission staff about major capex projects we have been discussing possible improvements to the major capex approval process. Our proposals for a more flexible design are driven by:

- anticipation of greater uncertainty in the changing energy landscape
- practical experience of the process to date
- recognition that the process was created several years ago, and
- emerging views on stakeholder preference for ex-ante certainty over ex-post amendment[14].

We consider the existing process has structural elements that are appropriate and relevant so we only propose incremental change to the current rules. Firstly, we present the objectives and rationale for a revised process. Secondly, we indicate how the process redesign could be implemented in the main body and schedules of the Capex IM.

1. Objectives for revised major capex approval process

- Orientate rules away from the existing levels of prescription towards more flexibility for managing **demand driven** projects that have s*ignificant scope, demand, and cost uncertainty*
- Improve accuracy of cost estimates and the specification of project outputs to reduce the need for ex-post amendment
- Provide earlier opportunities for stakeholders to engage with Transpower's major capex process
- Enable option value i.e. alternative development paths to meeting need, including the role of non-transmission solutions (NTS).

[14] Capex IM review workshop May 24 2017 – Commission presentation "Lessons Learned" available at http://www.comcom.govt.nz/regulated-industries/input-methodologies-2/transpower-input-methodologies/capex-input-methodology-review/

IM change criteria

Our suggestions for change are intended to align with the Part 4 purpose statement (specifically incentives to innovate and invest, and provide services at a quality that reflects consumer demands) by providing greater opportunity for new technology and service provision to create options, and option value, in an uncertain future environment.

We agree with the Commission that the changing energy landscape increases the challenge of making the right investments at the right time[15] (i.e. dynamic efficiency). Transmission assets built to increase capacity are typically infrequent large investments. The incremental / marginal MW of demand that requires additional capacity, has traditionally been resolved by building new or enhancing existing transmission assets to provide more capacity than immediately needed to meet the demand increment.

MEUG describes the problem space and change driver particularly well:

> *We think there is a risk the Capex IM treatment of the uncertainty in forecast need for transmission services may not be future proof given new technologies and business models using more granular data are likely to change how electricity line monopolies can monitor and assess demand and trade-offs between price and quality at a sub-regional or even finer level….*as *the outlook for peak demand transitions from 'continuous growth' to flatter demand with more volatile peaks the question for regulation of grid investment needs to shift from 'is expansion in capacity occurring at the right speed?' towards 'what are consumer preferences for managing the grid reliability impacts or a small number of peaks and how can Transpower be encouraged to make decisions that reflect those preferences?"*[16]

Improving the major capex investment framework is an opportunity to build flexibility into future approval decisions. While there is uncertainty around the uptake of evolving technologies, we consider staging the approval process (and hence the development path) for a major capex investment could be of significant value. For example, if management of marginal demand allows a project investment to be deferred, the potential for unknown technology to evolve to address or further defer the transmission need increases.

Known options for managing marginal demand include:

- demand response to suppress marginal demand
- demand response to reduce operational risk (e.g. outages) while new solutions are investigated or commissioned
- generation to satisfy marginal demand
- use of storage technologies e.g. discharging batteries

2. *The current process, identified issues, and outline of proposed change areas*

Before the major capex approval process, demand-driven investment (grid upgrades) was governed by Part F of the Electricity Governance Rules and administered by the then Electricity Commission. As Part F had no process rules, a process for approving a grid upgrade was largely derived from an 'extra-rules' document created between Transpower and the Electricity Commission called the Grid Upgrade and Review Process (GUIRP). Much of the existing prescription in the Capex IM rules came from the GUIRP and reflects the development considered the most appropriate at that time, including emerging understanding of the role for transmission alternatives (non-transmission

[15] Capex IM review proposed focus areas 15 May 2017 available at ibid (previous page)
[16] MEUG, quoting advice from New Zealand Institute for Economic Research

solutions in the Capex IM). We consider the existing level of prescription is not suitable for future investment in the context described in our publication Transmission Tomorrow:

> *We do not know how changes in the sector will actually play out, so our planning trajectory is designed to not only capture a reasonably likely sequence of events but to provide a 'least regrets' basis for our planning.*[17]

Briefly, the existing Capex IM rules state that:

- Transpower (TP) must notify the Commission (CC) of its intention to plan a **major capex project (MCP)** [3.3.1]
- TP and CC have 2 months from notification to agree consultation, including consideration of non-transmission solutions **NTS** [3.3.1]
- CC and TP publish consultation plan, including **approval timeframes** [3.3.1]
- TP and CC must regularly review the published plan and approach [3.3.1]
- CC may amend the approach / approval timeframes so they remain appropriate and reasonable [3.3.1]
- TP can submit at any time, and CC can request more information [3.3.2]
- TP must apply the investment test (Schedule D) and consultation process (Schedule I)
- TP major capex proposals must comply with Schedule G
- CC can only approve prescribed (and defined) aspects [3.3.3]

As indicated earlier, we consider this structure should be retained with a more flexible design.

Issues with current process, and suggestions for amendment

Timing of cost approval - Under the current rules, MCP approval occurs when Transpower identifies a proposed investment to meet an investment need. The major capex allowance submitted for approval can be highly uncertain because the investigation process has not reached the stage where the proposed investment has been subject to detailed design and project planning. The existing process has an ex-post amendment mechanism which is one way to manage the cost uncertainty. To create greater certainty on MCP cost, we suggest the approval process allows for approval *stages.* For example, a first stage approval could be for the costs of investigation plus any enabling works[18] to ensure the need date could be met. We consider the Commission's approach to the major capex project in the Upper South Island sets a relevant precedent for staging.

Nature of Commission approval -The Commission can only decide to approve or reject a whole proposal. If a staged approval process is used, we propose the accept or reject decision should also apply to each stage.

Consideration of non-transmission solutions (NTS) - The current approach requires our stakeholders to provide views of the relevance of NTS to <u>meet</u> the investment need. In accordance with the NTS definition, NTS can avoid or defer transmission investment. We consider NTS can also be used to manage operational risk such as constraints or outages while an MCP is in development or being

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[17] Transmission Tomorrow page 16
https://www.transpower.co.nz/sites/default/files/publications/resources/Transpower%20-%20Transmission%20Tomorrow26052016.pdf

[18] An approval of enabling works assists Transpower's property negotiation with landowners/councils

built. We suggest the options consultation could allow for greater discretion for Transpower on the consultation process to investigate fit for purpose NTS.

Major capex project outputs - Commission approval is for grid outputs that are quantitative measures of output or benefit (where benefit may include reduction in risk) delivered by the grid or investment in the grid. The existing rules provide for an amendment process for approved major capex project outputs. In future, we consider the approach to specify grid outputs should provide flexibility for Transpower, so that no amendment is required if only the means of achieving outputs changes. For example, procurement and implementation processes may identify more efficient or effective ways to deliver the major capex project output or benefit.

Schedule D investment test - Future change to the TPM allocation policy by the Electricity Authority may require review of the application of the investment test. To enable a review without having to reopen the entire Capex IM, we suggest the following clause (or words to the effect of):

> *Schedule D D1 (4) The Commission may, at its discretion, consult on the rationale for amendments to the investment test where they consider it appropriate.*

Table 1 Overview of Capex IM clauses with suggestions for amendment

Provision	Objective	Action
3.3.1 Consultation programme and approval timeframes	Earlier notification to stakeholders on investment need and the intention to plan a MCP Efficient and effective MCP planning and development for Transpower and stakeholders	Create two stage notification step **Initial Notification:** Transpower signals to stakeholders and the Commission our intention to plan an MCP based on need identification (rather than proposed investment). TP and CC engagement begins on an appropriate project-specific approval process (refer to appendix for conceptual design of the project approval process). We consider agreement of the approval process outside the Capex IM is more amenable to our flexibility objective than adding prescription. **Second Notification:** Transpower notifies Stakeholders of the approval and consultation process as agreed between CC and TP under the above engagement. **Retain** ability for reasonable change.
3.3.3 Commission evaluation and approvals	Create investment certainty	**Retain** existing approve or reject at whole project level and have apply to any approval stages.
Schedule I	Tailor consultation to specific MCPs	**Reduce** consultation prescription to allow for alternative consultation processes to be agreed as suggested above.

We look forward to further discussion on our proposals raised in this letter.

Yours sincerely

Catherine Jones

Regulatory Affairs and Pricing Manager

Appendix – design concept for approval process

Introducing flexibility into the approval process would assist the approval process to better deal with project uncertainties, without the need for amendments.

Transpower proposes using staging and gates in our applications. We could apply for an approval process for each MCP that may include specification of *staging* and *gates* and the reasons for each. The project specific approval design could be discussed and agreed with the Commission before the (second) notification and consultation.

Transpower would include agreed stages and gates into our internal processes, including purchasing and contracting processes, to ensure commitments are made at appropriate times.

We consider that project-specific applications could be based on the following design:

An application for approval can be for the scope and costs of either:

- a whole project (as current) and / or
- a stage of the whole project

Between stages, the approval design may require decision gates to accommodate a contingent event or material change. For example:

Trigger gates – the purpose of the trigger gate is to allow Transpower to proceed with the MCP if a future condition (a condition that creates uncertainty) occurs within a defined period e.g. an event such as:

- a generator committing to new plant, or decommissioning existing plant
- electricity demand reaching a pre-defined level
- a large load exiting

Review gates – the purpose of the review gate is to allow Transpower to confirm its decision to proceed, pause, proceed differently or not proceed with an MCP, to the Commission. To make its decision, Transpower would examine if there is a material change in the need, timing or cost of a project from initial assumptions.