



ISBN 978-1-869456-15-3

Project no. 14.11/15108

Public version

**Proposed amendments to pilot asset health grid output
measures and asset health pilot reporting requirements –
Transpower Individual Price-Quality Path Determination
2015**

Consultation paper

Date of publication: 25 October 2017

Associated documents

| Publication date | Decision number | Title |
|-------------------------|------------------------|--|
| 29 August 2014 | [2014] NZCC 23 | Setting Transpower's individual price-quality path for 2015–2020 |
| 28 November 2014 | N/A | Companion paper to final determination of Transpower's individual price-quality path for 2015-2020 |
| 28 November 2014 | [2014] NZCC 35 | Transpower Individual Price-Quality Path Determination 2015 |

Regulation Branch, Commerce Commission
Wellington, NEW ZEALAND

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1. Purpose of this paper

- 1.1 This paper proposes amendments to Transpower New Zealand Limited's (Transpower) pilot asset health grid output measures in clause 17.2 and the asset health pilot reporting requirements in clause 28.1 of the Transpower Individual Price-Quality Path Determination 2015 (IPP)¹.
- 1.2 We invite your views on the proposed amendments set out in chapter 4. Submissions are due by 5pm on 9 November 2017 and cross-submissions are due by 5pm on 23 November 2017. Chapter 5 provides details on how you can provide your views on this paper and the proposed amendments.
- 1.3 We further propose that the amendments apply from the date they are published in the *New Zealand Gazette*.

¹ *Transpower Individual Price-Quality Path Determination 2015* [2014] NZCC 35, available at <http://www.comcom.govt.nz/regulated-industries/electricity/electricity-transmission/transpower-individual-price-quality-regulation/transpowers-price-quality-path-from-2015-to-2020/>.

2. Current pilot asset health grid output measures and asset health pilot reporting requirements

2.1 The IPP sets Transpower's maximum allowable revenue and grid output measures that are linked to revenue for the regulatory period 1 April 2015 to 31 March 2020 (RCP2).

2.2 Clause 17.2 of the IPP also includes three pilot asset health grid output measures that are not yet linked to revenue. Clause 28.1 requires Transpower to report on these measures annually in October at the end of each disclosure year.² These measures are based on the difference in the average remaining life for three asset classes: tower coating of transmission towers, outdoor circuit breakers and power transformers, as assessed at the ends of two consecutive disclosure years.

2.3 Clause 17.2 of the IPP sets out these measures as follows:³

17.2 The pilot **asset health grid output measures** are:

17.2.1 the difference in the average remaining life (years) of the tower coating of transmission towers within **Transpower's asset replacement and asset refurbishment** programme between that which exists at the end of a **disclosure year**, and that which existed at the end of the preceding **disclosure year** (and this pilot **asset health grid output measure** is identified in clause 28.1 as AH1RL);

17.2.2 the difference in the average remaining life (years) of outdoor circuit breakers within **Transpower's asset replacement and asset refurbishment** programme between that which exists at the end of a **disclosure year**, and that which existed at the end of the preceding **disclosure year** (and this pilot **asset health grid output measure** is identified in clause 28.1 as AH4RL);

17.2.3 the difference in the average remaining life (years) of power transformers within **Transpower's asset replacement and asset refurbishment** programme between that which exists at the end of at the end of a **disclosure year**, and that which existed at the end of the preceding **disclosure year** (and this pilot **asset health grid output measure** is identified in clause 28.1 as AH5RL).

² The *Transpower Input Methodologies Determination* [2012] NZCC 17 and *Transpower Capital Expenditure Input Methodology Determination* [2012] NZCC 2 define a disclosure year as meaning a "12 month period ending on 30 June". So, for example, the '2018 disclosure year' means the 12 month period ending on 30 June 2018. This meaning has also been adopted in the IPP.

³ Bolded words are defined terms in the IPP.

2.4 Clause 28.1 of the IPP requires Transpower to provide the Commission with information about the measures in clause 17.2 annually by the Friday of the third complete week in October as follows:

28.1 No later than the Friday of the third complete week in October after the end of each **disclosure year**, **Transpower** must provide to the **Commission** the following information about pilot **asset health grid output measures** AH1RL, AH4RL and AH5RL:

28.1.1 the average remaining life (years, rounded to three decimal places) that existed at the end of the relevant **disclosure year** for:

- (a) AH1RL: tower coating of transmission towers within **Transpower's asset replacement and asset refurbishment** programme, calculated in accordance with the tower painting asset health model supplied by **Transpower** to the **Commission** on 27 June 2014;
- (b) AH4RL: outdoor circuit breakers within **Transpower's asset replacement and asset refurbishment** programme, calculated in accordance with the circuit breaker asset health model supplied by **Transpower** to the **Commission** on 27 June 2014; and
- (c) AH5RL: power transformers within **Transpower's asset replacement and asset refurbishment** programme, calculated in accordance with the transformer asset health model supplied by **Transpower** to the **Commission** on 27 June 2014;

28.1.2 the difference between the average remaining life (years, rounded to three decimal places) that existed at the end of the relevant **disclosure year** and that which existed at the end of the preceding **disclosure year** for:

- (a) AH1RL: tower coating of transmission towers within **Transpower's asset replacement and asset refurbishment** programme, calculated in accordance with the tower painting asset health model supplied by **Transpower** to the **Commission** on 27 June 2014;
- (b) AH4RL: outdoor circuit breakers within **Transpower's asset replacement and asset refurbishment** programme, calculated in accordance with the circuit breaker asset health model supplied by **Transpower** to the **Commission** on 27 June 2014; and
- (c) AH5RL: power transformers within **Transpower's asset replacement and asset refurbishment** programme, calculated in accordance with the transformer asset health model supplied by **Transpower** to the **Commission** on 27 June 2014;

28.1.3 the difference between the average remaining life (years) that existed at the end of the relevant **disclosure year** and that which existed at the end of the preceding **disclosure year** for:

- (a) AH1RL: tower coating of transmission towers within **Transpower’s asset replacement and asset refurbishment** programme, calculated in accordance with the tower painting **live model**;
- (b) AH4RL: outdoor circuit breakers within **Transpower’s asset replacement and asset refurbishment** programme, calculated in accordance with the circuit breaker **live model**; and
- (c) AH5RL: power transformers within **Transpower’s asset replacement and asset refurbishment** programme, calculated in accordance with the transformer **live model**;

28.1.4 For the purposes of clause 28.1.3, **live model** means the relevant asset health model used by **Transpower** for asset management purposes in the form it existed at the end of the relevant **disclosure year**.

- 2.5 This information must also be disclosed in Transpower’s annual compliance statement which must also be published by the Friday of the third complete week in October.⁴
- 2.6 The pilot asset health grid output measures and related reporting requirements were included in the IPP to provide some assurance that Transpower was achieving desirable outcomes in average remaining life given the revenue-linked grid output measures in the IPP only have volumetric targets.^{5, 6}
- 2.7 It was also anticipated that the asset health pilot reporting requirements would allow both Transpower and the Commission to gain confidence about using asset health for base capex incentive schemes in the future, with the expectation of implementing an asset health incentive mechanism linked to revenue in the next regulatory period (starting on 1 April 2020).⁷

⁴ See clauses 19.1 and 20.1.8 of the IPP.

⁵ See paragraphs 5.1 to 5.10 of the “Companion paper to the final determination of Transpower’s individual price-quality path for 2015-2020” dated 28 November 2014 available at <http://www.comcom.govt.nz/regulated-industries/electricity/electricity-transmission/transpower-individual-price-quality-regulation/transpowers-price-quality-path-from-2015-to-2020/>.

⁶ See table 4.1 of the IPP for the volumetric targets.

⁷ See footnote 5.

3. Transpower's requests for exemptions from the asset health pilot reporting requirements

- 3.1 In June 2016, Transpower sought an exemption from complying with the asset health pilot reporting requirements in clause 28.1 for the disclosures that were due by 21 October 2016.
- 3.2 In seeking the exemption Transpower noted that it had developed more mature asset health models that expressed asset health as an index rather than as estimated remaining life, and that estimated remaining life would therefore no longer be an output of its asset health models.
- 3.3 In explaining the reasons for changing its asset health models Transpower submitted that an incentive linked directly to average remaining life would not be appropriate because this was not the only factor driving investment decisions. Transpower further asserted that a fixed target would not accommodate developments in its asset health models which could change its views of the condition of assets and the appropriate time to invest.
- 3.4 Transpower also submitted that the alternative measures it had developed better reflected how it intended to use asset health information in its planning decisions and that they would minimise the risk of unintended consequences.
- 3.5 The Commission granted Transpower an exemption on 11 October 2016 on condition that it proposed an alternative method for setting and reporting on the pilot asset health grid output measures.⁸
- 3.6 Transpower met the exemption condition and provided its detailed proposal for an alternative form of asset health pilot reporting during July 2017.⁹ The proposal also summarises Transpower's reasons for changing its asset health models when it explains Transpower's reasons for seeking the exemption it received on 11 October 2016.¹⁰

⁸ The letter granting Transpower this exemption is available on our website at <http://www.comcom.govt.nz/regulated-industries/electricity/information-disclosure-requirements-for-distributors/exemptions-to-information-disclosure-requirements/exemptions-to-electricity-transmission-information-disclosure-requirements/>.

⁹ The detailed proposal from Transpower "Asset Health Pilot Report – Our proposal for alternative asset health grid output measures to pilot during RCP2" is available on our website at <http://www.comcom.govt.nz/regulated-industries/electricity/electricity-transmission/transpower-individual-price-quality-regulation/transpowers-price-quality-path-from-2015-to-2020/>.

¹⁰ See pages 2 and 3 of Transpower's proposal. (Note: Although Transpower's proposal states that it received the exemption in September 2016 the exemption was in fact only granted in October 2016.)

- 3.7 On 5 September 2017 we granted Transpower a further exemption from complying with the asset health pilot reporting requirements in clause 28.1 for the disclosures that were due by 20 October 2017. This exemption is subject to the condition that Transpower instead provides the required reports by 22 December 2017. The extension to the reporting date for this year is intended to allow sufficient time for the completion of the current consultation process and publication of any amendments in the *New Zealand Gazette*.¹¹

¹¹ The letter granting Transpower this exemption is also available on our website at <http://www.comcom.govt.nz/regulated-industries/electricity/information-disclosure-requirements-for-distributors/exemptions-to-information-disclosure-requirements/exemptions-to-electricity-transmission-information-disclosure-requirements/>.

4. Proposed amendments

Transpower's proposed amendments

- 4.1 Our letter to Transpower granting the exemption on 11 October 2016 noted that if we were satisfied with Transpower's alternative method of pilot reporting on asset health we would initiate the process to amend the IPP to allow Transpower to report using the alternative method.
- 4.2 Transpower's proposal includes three asset classes on which Transpower is currently required to report under clause 28.1 of the IPP (tower coating of transmission towers,¹² outdoor circuit breakers, power transformers), and three additional asset classes (tower foundations – other, tower foundations – grillage, and insulators).
- 4.3 Under Transpower's proposal the six asset classes described in paragraph 4.2 would fall within two asset groups (lines and stations) as set out in Table 4.1 below:

Table 4.1: Asset groups and asset classes¹³

| Asset Group | Asset Class |
|-------------|------------------------------|
| Lines | Tower foundations – other |
| Lines | Tower foundations – grillage |
| Lines | Tower protective coating |
| Lines | Insulators |
| Stations | Outdoor circuit breakers |
| Stations | Power transformers |

- 4.4 Transpower proposes that we replace the current pilot asset health grid output measures, which are based on the average remaining life of the assets, with new measures based on an asset health index (AHI) that scores the health of the assets on a scale of one to ten. Under Transpower's proposal the health of the assets listed in Table 4.1 above will be categorised as good (a score from one to six), fair (a score of six to eight), poor (a score of eight to nine and a half) or very poor (a score greater than nine and a half). The proposal also includes a range of further scores under the categories, good, fair and poor. Transpower's proposed AHI is set out in table 4.2 below:

¹² This asset class is referred to as "tower protective coating" in Transpower's proposal.

¹³ These asset groups and asset classes have been adopted in the proposed amendments as set out in paragraph 4.19.1 and 4.19.2 below.

Table 4.2: Asset Health Index¹⁴

| Asset Health Index | | | | | | | |
|--------------------|------|------|------|------|------|--------|-----------|
| 1-4 | >4-5 | >5-6 | >6-7 | >7-8 | >8-9 | >9-9.5 | >9.5 |
| Good | | | Fair | | Poor | | Very poor |

- 4.5 According to Transpower's proposal, a score of poor to very poor (eight or above on the AHI) means that the asset is likely near the end of its useful life.
- 4.6 Transpower's proposal also discusses how incentives could be applied if the measures were to be linked to revenue in regulatory periods after RCP2.
- 4.7 Transpower has proposed providing forecasts of the percentage of the asset population in poor and very poor health for each asset group and class for the remaining disclosure years of RCP2 when it provides its disclosures for the 2017 disclosure year using its proposed AHI. It would subsequently report the actual percentage of the asset population in poor and very poor health for each asset group and class at end of each relevant disclosure year using its proposed AHI. This will enable a comparison of the forecast performance against actual performance for the relevant disclosure years for the asset health categories poor and very poor.
- 4.8 Under Transpower's proposal the forecast percentages and actual percentages described in paragraph 4.7 would constitute the pilot asset health grid output measures.
- 4.9 Transpower further suggests that the measures should include materiality thresholds for the different asset classes under which actual percentages that are greater than the forecast percentages would be treated as having not exceeded the forecast percentages.¹⁵

¹⁴ Transpower's AHI has been adopted in the proposed amendments as set out in paragraphs 4.19.1 and 4.19.2 below.

¹⁵ If the pilot asset health grid output measures were to be adopted and linked to revenue in a future regulatory period they would be used to calculate revenue adjustments that would flow through to Transpower's price path. Accordingly, the materiality thresholds would be relevant in future regulatory periods if the forecasts are adopted as quality standards linked to revenue adjustments (or if Transpower is required to explain why the forecasts were not met in its compliance reporting).

- 4.10 Under its proposal Transpower would also provide asset health scores for each asset group and asset class at the end of each disclosure year calculated using its proposed AHI. These disclosures would cover all asset health categories – good, fair, poor and very poor.

The Commission’s proposed amendments

- 4.11 Our preliminary view is that, subject to the modifications discussed below, Transpower’s alternative proposed pilot asset health grid output measures (as described in paragraph 4.7 above) and related asset health pilot reporting requirements (as described in paragraph 4.10 above) will likely meet the purpose of the measures and reporting (as described in paragraphs 2.6 and 2.7 above), better than the current requirements in clauses 17.2 and 28.1 of the IPP. The amendments are also likely to reduce the regulatory compliance costs for Transpower. (See Table 5.2 and Table 5.3 on page 13.)
- 4.12 We propose also requiring Transpower to provide:
- 4.12.1 at the end of each disclosure year, additional forecast asset health scores by asset group and class for the next disclosure year, made on the assumption that there was no asset replacement or asset refurbishment expenditure during that (the next) disclosure year;¹⁶ (See Table 5.4 on page 14.)
 - 4.12.2 at the end of the 2017, 2018 and 2019 disclosure years, forecasts of the average rate of asset replacement and asset refurbishment expenditure for each asset group and asset class for the whole of RCP2 expressed as a percentage of the asset population; (See Table 5.5 on page 14.)
 - 4.12.3 at the end of the 2017, 2018 and 2019 disclosure years, forecasts of the total asset replacement and asset refurbishment expenditure on each asset group and asset class for the whole of RCP2; (See Table 5.5 on page 14.)
 - 4.12.4 at the end of the 2020 disclosure year, the actual average rate of asset replacement and asset refurbishment expenditure for each asset group and asset class for the whole of RCP2 expressed as a percentage of the asset population; (See Table 5.5 on page 14.)
 - 4.12.5 at the end of the 2020 disclosure year, the actual total asset replacement and asset refurbishment expenditure on each asset group and asset class for the whole of RCP2; (See Table 5.5 on page 14.)

¹⁶ For example, for its disclosures for the 2017 disclosure year, Transpower would be required to provide forecast asset health scores for the 2018 disclosure year made on the assumption that there was no asset replacement or asset refurbishment expenditure during the 2018 disclosure year.

4.12.6 explanations for the differences between –

- 4.12.6.1 the forecast percentages and the actual percentages described in paragraphs 4.7;
 - 4.12.6.2 the forecasts described in paragraphs 4.12.2 where the changes to forecasts occur between consecutive disclosure years;
 - 4.12.6.3 the forecasts described in paragraph 4.12.3 where the changes occur between consecutive disclosure years;
 - 4.12.6.4 the forecasts for the 2019 disclosure year described in paragraph 4.12.2 and the actual average rates described in paragraph 4.12.4; and
 - 4.12.6.5 the forecasts for the 2019 disclosure year described in paragraph 4.12.3 and the actual expenditures described in paragraph 4.12.5.
- 4.13 We have proposed the additional forecasting requirements in paragraphs 4.12.1 to 4.12.5 as we consider this information will help us to assess the impact of Transpower’s investments on the health of the assets being reported on under the proposed pilot asset health grid output measures.
- 4.14 We recognise that there is trade-off between providing greater flexibility to Transpower and a more prescriptive approach which provides greater certainty for us and Transpower’s stakeholders. However, during the pilot phase of Transpower’s asset health reporting we consider it is important to allow Transpower some flexibility to make changes that may impact on its disclosures given the evolving state of its asset health models.
- 4.15 We therefore propose allowing Transpower to make changes to the asset health models that it applies when making the disclosures under the new reporting requirements so that it reports using its ‘live’ models.¹⁷ However, Transpower will have to explain any material changes to its ‘live’ models and the impact of the changes on its disclosures where it makes such changes between consecutive disclosure years.

¹⁷ Under the IPP, **live model** means the relevant asset health model used by Transpower for asset management purposes in the form it existed at the end of the **relevant disclosure year**.

4.16 We further propose allowing Transpower to choose the materiality thresholds referred to in paragraph 4.9 above while the new measures are being piloted rather than prescribing them ourselves. Transpower will also have to explain any changes to the materiality thresholds where it makes such changes between consecutive disclosure years. We will reconsider the appropriate materiality thresholds (if any) and whether we have got the balance between flexibility and certainty right when we consider introducing revenue-linked asset health grid output measures during the process to set Transpower’s IPP for the next regulatory period.

4.17 We propose to:

4.17.1 Replace the current pilot asset health grid output measures in clause 17.2 of the IPP with the following -

17.2 The pilot **asset health grid output measures** are the forecast percentages and the actual percentages of the asset population in poor and very poor health determined in accordance with the asset health index set out in clause 17.2.1 below, for the asset groups and classes within **Transpower’s asset replacement** and **asset refurbishment** programme set out in clause 17.2.2 below, based on scores calculated using Transpower’s applicable **live models**:

17.2.1

| Asset Health Index | | | | | | | |
|--------------------|------|------|------|------|------|--------|-----------|
| 1-4 | >4-5 | >5-6 | >6-7 | >7-8 | >8-9 | >9-9.5 | >9.5 |
| Good | | | Fair | | Poor | | Very poor |

17.2.2

| <i>Asset Groups</i> | <i>Asset Classes</i> |
|---------------------|------------------------------|
| Lines | Tower foundations – other |
| Lines | Tower foundations – grillage |
| Lines | Tower protective coating |
| Lines | Insulators |
| Stations | Outdoor circuit breakers |
| Stations | Power transformers. |

4.17.2 Replace the current asset health pilot reporting requirements in clause 28.1 of the IPP with the following -

28.1 No later than the Friday of the third complete week in October after the end of each **disclosure year**, **Transpower** must provide the **Commission** with separate tables

containing the information set out in Tables 5.2 to 5.4 below, determined using its **live models**, together with the required explanatory notes:

Tables

Table 5.2: Report on pilot asset health grid output measures and materiality thresholds

| Asset Group | Asset Class | Asset population for the relevant disclosure year | Percentage of asset population not scored during the relevant disclosure year | Percentage of asset population in poor and very poor health (taken together) / Asset Health Index >8 | | | | | | | |
|-------------|------------------------------|---|---|--|-------------------------------------|-----------------------------------|-------------------------------------|-----------------------------------|-------------------------------------|-----------------------------------|------------------------|
| | | | | Actual % for 2017 disclosure year | Forecast % for 2018 disclosure year | Actual % for 2018 disclosure year | Forecast % for 2019 disclosure year | Actual % for 2019 disclosure year | Forecast % for 2020 disclosure year | Actual % for 2020 disclosure year | Materiality Thresholds |
| Lines | Tower foundations - other | | | | | | | | | | |
| | Tower foundations - grillage | | | | | | | | | | |
| | Tower protective coating | | | | | | | | | | |
| | Insulators | | | | | | | | | | |
| Stations | Outdoor circuit breakers | | | | | | | | | | |
| | Power Transformers | | | | | | | | | | |

where –

- 28.1.1 the forecast percentages for the 2018, 2019 and 2020 **disclosure years** (columns 6, 8 and 10) are as forecast in the disclosures due for the 2017 **disclosure year**;
- 28.1.2 the actual percentages for the 2017, 2018, 2019 and 2020 **disclosure years** (columns 5, 7, 9 and 11) are as assessed at the end of each of the **relevant disclosure years**; and
- 28.1.3 the materiality thresholds (column 12) are the thresholds under which the actual percentages that are greater than the forecast percentages would be treated as having not exceeded the forecast percentages;

Table: 5.3 Report on asset health scores

| Asset Group | Asset Class | Asset population for the relevant disclosure year | Percentage of assets not scored for the relevant disclosure year | Asset health scores expressed as a percentage of the population of each asset class | | | | | | | |
|-------------|------------------------------|---|--|---|------|------|------|------|------|--------|-----------|
| | | | | 1-4 | >4-5 | >5-6 | >6-7 | >7-8 | >8-9 | >9-9.5 | >9.5 |
| | | | | Good | | | Fair | | Poor | | Very poor |
| Lines | Tower foundations - other | | | | | | | | | | |
| | Tower foundations - grillage | | | | | | | | | | |
| | Tower protective coating | | | | | | | | | | |
| | Insulators | | | | | | | | | | |
| Stations | Outdoor circuit breakers | | | | | | | | | | |
| | Power Transformers | | | | | | | | | | |

Table 5.4: Report on forecast asset health scores assuming no asset replacement or asset refurbishment expenditure

| Asset Group | Asset Class | Forecast asset health scores expressed as a percentage of the population of each asset class | | | | | | | |
|-------------|------------------------------|--|------|------|------|------|------|--------|-----------|
| | | 1-4 | >4-5 | >5-6 | >6-7 | >7-8 | >8-9 | >9-9.5 | >9.5 |
| | | Good | | | Fair | | Poor | | Very poor |
| Lines | Tower foundations - other | | | | | | | | |
| | Tower foundations - grillage | | | | | | | | |
| | Tower protective coating | | | | | | | | |
| | Insulators | | | | | | | | |
| Stations | Outdoor circuit breakers | | | | | | | | |
| | Power Transformers | | | | | | | | |

where –

- 28.1.4 the forecast percentages (columns 3, 4, 5, 6, 7, 8, 9 and 10) are for the **disclosure year** following the **relevant disclosure year** assuming there will be no **asset replacement** or **asset refurbishment** expenditure during that **disclosure year**;

Table 5.5: Report on forecasts of asset replacement & asset refurbishment expenditure rates and total expenditure for RCP2

| Asset Group | Asset Class | Asset population for the relevant disclosure year | Forecasts of the average rate of asset replacement & asset refurbishment expenditure for the whole of RCP2 expressed as a percentage of the relevant asset population | Forecasts of total asset replacement & asset refurbishment expenditure for the whole of RCP2 | Actual average rate of asset replacement & asset refurbishment expenditure for the whole of RCP2 expressed as a percentage of the relevant asset population | Actual total asset replacement & asset refurbishment expenditure for the whole of RCP2 |
|-------------|------------------------------|---|---|--|---|--|
| Lines | Tower foundations - other | | | | | |
| | Tower foundations - grillage | | | | | |
| | Tower protective coating | | | | | |
| | Insulators | | | | | |
| Stations | Outdoor circuit breakers | | | | | |
| | Power Transformers | | | | | |

where -

- 28.1.5 the forecast average rates of **asset replacement** and **asset refurbishment** expenditure (column 4) and forecast total **asset replacement** and **asset refurbishment** expenditure (column 5) must be disclosed in each of the disclosures due for the 2017, 2018 and 2019 **disclosure years**; and
- 28.1.6 the actual average rates of **asset replacement** and **asset refurbishment** expenditure (column 6) and actual total **asset replacement** and **asset refurbishment** expenditure (column 7) must be disclosed in the disclosures due for the 2020 **disclosure year**; and

Explanatory Notes

- 28.1.7 an explanation for any differences between the forecast percentages in Table 5.2 (columns 6, 8 and 10) and actual percentages in Table 5.2 (columns 7, 9 and 11);
- 28.1.8 an explanation for any changes to the materiality thresholds in Table 5.2 (column 12) where the changes occur between consecutive **disclosure years**;
- 28.1.9 an explanation for any changes in the forecasts relating to **asset replacement** and **asset refurbishment** expenditure in Table 5.5 (columns 4 and 5) where the changes occur between consecutive **disclosure years**;
- 28.1.10 an explanation for any differences between the forecasts relating to **asset replacement** and **asset refurbishment** expenditure in Table 5.5 (columns 4 and 5) disclosed for the 2019 **disclosure year** and the actual rates and total expenditure relating to **asset replacement** and **asset refurbishment** expenditure in Table 5.5 (columns 6 and 7) disclosed for the 2020 **disclosure year** ; and
- 28.1.11 details of the following matters where the changes occur between consecutive **disclosure years**:
 - (a) any material changes to the **live models**;
 - (b) the reasons for any material changes to the **live models**; and
 - (c) the effect of any material changes to the models on any of the information provided in Tables 5.2 to 5.5.

4.17.3 Insert the following definition as clause 28.4:

For the purposes of clauses 28.1 **relevant disclosure year** means the **disclosure year** being reported on as required in clause 28.1.

5. How you can provide your views

Purpose of this chapter

5.1 This chapter sets out how you can provide your views on the proposed amendments.

Timeframe for submissions

5.2 We welcome your views on the amendments proposed in this paper.

5.3 Please note that the current consultation relates specifically to the pilot asset health grid output measures and asset health pilot reporting requirements for the remainder of RCP2. The asset health requirements for the next regulatory period will be consulted on as part of the process to set Transpower's IPP for that regulatory period.

5.4 Submissions are due by **5pm on 9 November 2017**. Cross-submissions are due by **5pm on 23 November 2017**.

5.5 We do not intend to take into account any material that is submitted outside of the timeframes provided. Any party that is concerned about the time to engage with the material should contact us with a request for an extension outlining their specific concerns.

Address for submissions

5.6 Submissions should be addressed to:

Matthew Lewer (Manager, Price-Quality Regulation)
c/o regulation.branch@comcom.govt.nz

Format for submissions

5.7 We prefer submissions in both MS Word and PDF file formats.

5.8 Please include "Submission on proposed changes to Transpower's pilot asset health grid output measures, [DD Month] 2017" in the subject line of your email.

5.9 Where submitters propose an alternative to the proposed amendments, we encourage submitters to outline their reasoning and the proposed changes.

Requests for confidentiality

- 5.10 We encourage full disclosure of submissions so that all information can be tested in an open and transparent manner, but we offer the following guidance where parties wish to provide material over which they wish to assert confidentiality:
- 5.10.1 if it is necessary to include confidential material in a submission, both confidential and public versions of the submission should be provided; and
 - 5.10.2 the responsibility for ensuring that confidential information is not included in a public version of a submission rests entirely with the party making the submission.
- 5.11 We request that you provide multiple versions of your submission if it contains confidential information or if you wish for the published electronic copies to be 'locked'. This is because we intend to publish all submissions on our website. Where relevant, please provide both an 'unlocked' electronic copy of your submission, and a clearly labelled 'public version'.

Next steps in our process

- 5.12 We intend to make a decision on the proposed amendments to the IPP mid-December 2017. If, following consultation, we decide to adopt the proposed changes we will publish a determination that amends the IPP.
- 5.13 At this stage, we do not intend to hold any further consultation beyond that described in this paper prior to our final decision. We will review this position after considering submissions and notify parties if there is any change to this position.