

From: Micky Cave [<mailto:Micky.Cave@transpower.co.nz>]
Sent: Wednesday, February 25, 2015 11:23 AM
To: Alistair Dixon
Cc: Jo-Anne Newton; Jeremy Cain
Subject: Transpower TPM consistency with Part 4 determination

Hi Alistair

This email is to explain how we considered the issue of consistency with the Part 4 determination requirement of clause 12.89 (1) (a). We would be happy to put this and any other clarifications / additional rationale more formally into a letter or memo if needed.

Consistency of proposals with part 4 determinations

Clause 12.78 states that the purpose of the TPM is to ensure that, subject to Part 4 of the Commerce Act 1986, the full economic costs of Transpower's services are allocated in accordance with the Authority's objective in section 15 of the Act. We confirm that the proposals would continue to ensure that the full economic costs of Transpower's services, derived in accordance with the applicable *input methodologies* and *individual price path* Part 4 determinations, would be recovered by the Transmission Pricing Methodology.

Clause 12.89(1)(a) requires that Transpower must develop its proposed TPM consistent with any determination made under Part 4 of the Commerce Act 1986. We can confirm that we have developed our TPM proposals with the objective of being consistent with determinations made under Part 4 of the Commerce Act. Our analysis included ensuring that none of our proposals were inconsistent with these determinations.

We have also considered whether any of our TPM proposals might necessitate a change to any of the specific provisions in any of the Part 4 determinations that relate or refer to the TPM. Our assessment is that no change is required to any of the Part 4 determinations to implement our proposals.

We recognise that this is ultimately a subjective assessment and would be happy to expand on this assessment if required. If the Authority (or another party) identifies a potential inconsistency let us know and we will consider and respond to that specifically.

Regards

Micky

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