

## Proposal to amend the Electricity Industry Participation Code 2010


Send to [info@ea.govt.nz](mailto:info@ea.govt.nz) or fax to 04 4608879

This form is to propose:

- An amendment to an existing clause in the Electricity Industry Participation Code 2010; or  
 A new clause in the Electricity Industry Participation Code 2010.

Please complete as many sections of this form as possible and email or fax it to the above number/email address. The more information you include in your proposal, the faster your proposal will be able to be assessed/progressed.

### Proposer's details

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Signature:	
Date:	3 October 2022

## The proposal / preferred option

<p>Suggested proposal name (please keep it short)</p>	<p>Transmission pricing methodology (TPM) - <b>Minor changes</b></p>
<p>State the objective of your proposal.</p>	<p>To correct typographical errors in, and make some other minor improvements to, the new TPM.</p>
<p>Does the proposal relate to an existing Code clause? If yes, please state the full clause reference.</p>	<p>Yes. See below and the amended TPM accompanying this form.</p>
<p>Describe the specific amendment(s) that you propose be made to the Code <i>OR</i> attach a draft of the proposed Code amendment (optional). Note the <a href="#">Code drafting manual</a> provides guidance on drafting.</p>	<p>The proposed amendments, all of which are tracked in the amended TPM accompanying this form, are as follows:</p> <p><b>Definition of “anticipatory capacity BBI” and clauses 26, 27, 41 and 59(1)(b)(iii):</b> Delete references to “capacity”, and make some consequential changes. This change is required because some anticipatory investments have no electrical capacity (such as additional land or building space) and these should be captured as anticipatory BBIs</p> <p><b>Definition of “final investment decision date”:</b> Delete references to “anticipatory connection capacity” which is not a defined term. The definition of final investment decision date is not relevant to anticipatory connection assets</p> <p><b>Definition of “post-2019 CUWLP investment”:</b> Change “6 September 2010” to “9 August 2010”, being the correct date the investment was approved by the Electricity Commission</p>

**Clause 8(i):** Change “first complete financial year” to “*most recent* complete financial year” for clarity and consistency with the language elsewhere in the TPM

**Clause 10(9):** Correct slight alignment issue with variable definitions (this may not be an issue in the certified version of the TPM)

**Clause 26(6):** Remove bolding of first “or” in paragraph (a) of the definition of variable RC and bolding of the defined term “replacement cost” in the definition of variable RC’

**Clause 32(5):** For style consistency, change the two instances of “for the connection asset for the connection locations” to “for the connection asset *and* connection locations”

**Clauses 34(1) and 38(6):** Remove “from the start of the first pricing year” from the end of the clauses as it creates some ambiguity as to when a review is due, and make the wording more consistent with the language in clauses 109(7) and 126(7)

**Clause 37:** Delete “Capital” from the clause title as the relevant expenditure may be transmission alternative opex

**Clauses 52(3)(b) and 52(4)(b):** Move the “unless” proviso to the end of each paragraph for readability

**Clause 53(6):** Change the variable EMBD<sub>s</sub> to EASBD<sub>s</sub> to distinguish it from EMBD<sub>s</sub> in clauses 51(6) and 52(8), and in the definition of variable EASBD<sub>s</sub> change “expected reliability benefit” to “expected *market* benefit”

**Clause 54(4):** Delete the line space between the subclause preamble and paragraph (a)

**Clause 70(2)(a):** Change “AMDR” in the last part of the subclause to “maximum gross demand” because the subclause relates to the estimation of AMDR baseline, not the calculation of AMDR under clause 69

**Clause 71(4):** Add the equivalent of the clause 70(2)(a) large battery proviso, which is also relevant to estimating ATGE baseline

**Clause 83(3)(a):** Change “full” to “fully”

**Clause 84(7):** For clarity, add words connecting subclause (7) to subclause (6), which explains when subclause (7) applies

**Clause 85(3)(b):** Change “each relevant BBI and Appendix A BBI” to “each relevant BBI” because clause 84, which clause 85(3)(b)

	<p>refers back to, only uses the term “relevant BBI” (which includes any relevant Appendix A BBIs)</p> <p><b>Clause 85(6):</b> For clarity, add words connecting subclause (6) to subclause (5), which explains when subclause (6) applies</p> <p><b>Clause 85(6)(a):</b> Change “84(3)(a)(ii) to 84(3)(a)(iii)” to “84(3)(a)(ii) and 84(3)(a)(iii)”</p> <p><b>Clause 111(3):</b> Change defined variable “CPI” to “CPI<sub>n-2</sub>”</p> <p><b>Clause 111(5):</b> Change defined variable “TGE<sub>n</sub>” to “TGE<sub>n-2</sub>”</p> <p><b>Clauses 112 and 110(5):</b> For clarity and consistency, add a new subclause replicating clause 138(7) (as amended by this proposal) but applying to cap recovery charges. Also make the consequential change of deleting “and cap recovery charges” from clause 110(5)</p> <p><b>Clause 123:</b> For clarity and consistency, change variable “APC” to “PVAPC”</p> <p><b>Clause 138(7):</b> Add the proviso “Except as otherwise stated in this transmission pricing methodology” because the clauses relating to the sale of business adjustment event (clauses 89(2) and (3) and 94(2) and (3)) require Transpower to calculate/re-calculate recovery charges during a pricing year</p>
<p>Identify how your proposal would support the Authority’s objective, as set out in section 15 of the Electricity Industry Act 2010 (Act)<sup>i</sup>, specifically addressing the competition, reliability and efficiency dimensions of the objective.</p>	<p>The proposed amendments will result in a higher quality TPM with some improvement in clarity and readability. This will support the efficiency limb of the Authority’s statutory objective.</p>
<p>Which of the purposes listed in section 32(1) of the Act does your proposal most closely relate to?</p>	<p>32(1)(c): Efficient operation of the electricity industry 32(1)(e): Other matter specifically referred to in the Act as a matter for inclusion in the Code (section 32(2)(b): “pricing methodologies...for Transpower”)</p>
<p>Identify whether you consider your proposed change to be urgent, providing supporting rationale.</p>	<p>Not urgent. However, it would be efficient to make the proposed amendments at the same time as the other technical and non-controversial proposed amendments that do need to be made in time for pricing year 2023/24.</p>

<p>Please set out the expected costs and benefits of your proposal. These should include your assessment of the direct cost to develop and implement the proposed Code amendment, and the consequential costs and benefits as a result of the amendments, to all affected parties.</p>	<p>No material costs. Unquantified benefits for all stakeholders from having a higher quality TPM with some improvement in clarity.</p>
<p>Who is likely to be substantially affected by this proposal?</p>	<p>No stakeholders are likely to be substantially affected by the proposed amendments.</p>
<p>Identify whether you consider (providing supporting rationale):</p> <ul style="list-style-type: none"> <li>(i) your proposed change to be technical and non-controversial; or</li> <li>(ii) there is widespread support for your proposed change among the people likely to be affected; or</li> <li>(iii) there has been adequate prior consultation so that all relevant views have been considered.</li> </ul>	<p>We consider all of the proposed amendments to be technical and non-controversial. The proposed amendments are consistent with the intent of the TPM and none of them will impact the calculation of transmission charges.</p>
<p>Why this is your proposed option?</p>	<p>The only other option is not to make the proposed amendments.</p>
<p>Any other relevant information you would like the Authority to consider.</p>	<p>The TPM is a complicated document and was drafted in a short amount of time. It was anticipated that some early changes to the drafting may be required. <a href="#">The Electricity Industry Participation Code Amendment (Transmission Pricing Methodology Related Amendments) 2022</a> was made with this in mind. Clause 12.94A(a) of the Code allows the Authority to make technical and non-controversial changes to the TPM outside the normal TPM review and amendment process.</p>

## Assessment of alternative options

Please list and describe any alternative means of achieving the objective you have described for your proposal. For each alternative, please provide the information in the table below (i.e. repeat this table below for each alternative). The list of alternatives should include both regulatory (i.e. Code amendments) and non-regulatory options (e.g. education, information, voluntary compliance). If you have a preferred option please identify it and explain why it is your preferred option.

<p>Brief description of an alternative means of achieving the objective. Note if this is your preferred option.</p>	<p>There are no alternative means of achieving the objectives of the proposed amendments.</p>
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The extent to which the objective of your proposal would be promoted or achieved by this option.	
Who is likely to be substantially affected by this option?	
The expected costs and benefits of this option, including direct costs to develop it, and consequential costs and benefits to all affected parties.	

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***<sup>i</sup> Section 15: Objective of Authority***

The objective of the Authority is to promote competition in, reliable supply by, and the efficient operation of, the electricity industry for the long-term benefit of consumers.