

7 September 2022

Neil Simmonds
Chief Executive
Electra Limited

By email: Neil.Simmonds@electra.co.nz

Dear Neil

Re: Mechanisms in the TPM to correct an error

Thank you for your letter of 18 August 2022, in which you state that you have identified an error in the calculation of Electra's indicative transmission prices under the new transmission pricing methodology (TPM), relating to the treatment of Mangahao power station.

Progress update

We have raised the issue you identified with Transpower, which is the entity tasked with implementing the TPM, including setting transmission prices. Transpower contacted Peter Calderwood (who we understand is advising Electra on this matter), and following this discussion, notified the Authority that if there is an error, it would be with the values in Appendix A of the TPM.

Appendix A of the TPM sets out the Appendix A Benefit Based Investments (BBIs) and the Starting BBI customer allocations for seven historical investments. These values carry over into the TPM (with certain adjustments) the values that appeared in Schedule 1 of the TPM Guidelines that the Authority published in 2020 (and upon which the TPM is based). These values were consulted on both at the Guidelines stage in 2019 and at the TPM stage in 2021, although I acknowledge that you consider that the error was extremely difficult to find.

As the potential issue relates to the values in Appendix A, and relates to a potential error rather than a matter that the TPM provides for as being an adjustment, we do not consider this matter can be treated as an adjustment under the TPM. However, the values in Appendix A can potentially be changed via the Authority making an amendment to the TPM.

Processes for making amendments to the TPM

The Authority can make an amendment to the TPM if the criteria in section 39(3) or section 40 of the Electricity Industry Act 2010 are satisfied (technical/widespread support/adequate prior consultation/urgent amendments).¹ If an amendment does not meet one of these criteria, it can proceed by way of operational review by Transpower, which can occur as soon as 12 months after the Authority's last approval of a TPM.²

¹ See clause 12.94A of the Code and the Authority's decision paper on TPM-related Code amendments: <https://www.ea.govt.nz/development/work-programme/pricing-cost-allocation/transmission-pricing-review/development/decision-on-tpm-related-code-amendments/>

² See clause 12.85 of the Code.

Next steps

Authority staff will investigate the matter you have raised, with a view to determining whether it would be appropriate to make an amendment to the TPM under section 39(3) or section 40 of the Electricity Industry Act 2010.

Before we consider whether the TPM can or should be amended, we will need further information, in order to determine whether there is an error and to understand the magnitude of any error. As requested in your letter, Authority staff will approach Dylan Andrews, Electra's GM Lines Business to discuss this matter and to obtain any further information we require.

Yours sincerely

A handwritten signature in blue ink that reads "T. Sparks". The signature is written in a cursive style with a large initial "T" and a stylized "S".

Tim Sparks
Director, Network Pricing