

16 April 2018

Keston Ruxton
Manager, EAD Regulation Development
Commerce Commission
By email to [regulation.branch@comcom.govt](mailto:regulation.branch@comcom.govt.nz)

Dear Keston

Capex IM review – technical consultation

1. This is a submission by the Major Electricity Users' Group (MEUG) on the draft Transpower Capital Expenditure Input Methodology Amendments Determination 2018 published 29 March 2018.¹
2. MEUG members have been consulted in the preparation of this submission. This submission is not confidential. Some members may make separate submissions.
3. Referring to the text in attachment B of the draft determination:
 - a) Part 7, Subpart 5, clause 7.5.1(2)(c) should be amended to require Transpower's communication with each customer on the effect on system and or service benefits to preferably be quantitative and only descriptive if a quantitative assessment is not possible.

The text as it stands would allow Transpower to generalise and leave customers wondering exactly what benefits or not apply to them from expenditure in an IPP application. As we have found with the recent CPP applications it's difficult for customers to understand what the proposed change in costs they are being asked to pay if there is no clarity on the resulting change in quality (system and or service benefits). A counterfactual must be specified for each customer or equivalently affected group of customers when asked to consider the pros and cons of a change.

The proposed changes to the draft determination text for clause 7.5.1(2)(c) follows with text underlined proposed by MEUG:

“At the least a description and preferably a quantitative analysis of the expected system and/or service benefits that will be delivered by elements of the proposed expenditure for customers at each grid exit point and grid injection point or equivalently affected groups of customers compared to a counterfactual being the next best alternative that may or may not be business-as-usual.”

¹ URL <http://www.comcom.govt.nz/dmsdocument/16188> at <http://www.comcom.govt.nz/regulated-industries/input-methodologies-2/transpower-input-methodologies/capex-input-methodology-review/>

- b) Clarification is requested from the Commission that clause 8.1.1(1)(a)(i) applies to new clause 3.3.1(1).

If not, then MEUG recommends new clause 3.3.1(1) be amended to make it explicit that as soon as Transpower notifies the Commission of an intention to plan a major capex project that may become a proposed investment, that customers are notified by both Transpower and the Commission.

- c) Schedule E, Integrated Transmission Plan, we think needs to have some text to reflect paragraph 348 of the final decision that stated:²

“However, we consider that Transpower should reflect and, as part of its yearly updates to the ITP narrative, explain in detail any changes in the future requirements of the grid due to changing circumstances. An example of this would be explaining how the conclusions of Transpower’s Transmission Tomorrow are likely to affect future investment needs of the grid.”

To rely on the goodwill of Transpower to implement this is, given the pro-active and customer-focussed approach we have seen from in the discussions on the Capex IM, reasonable at present but not sufficient to ensure implementation should the relationship with customers change. MEUG suggests a new clause E2 (2):

“The narrative information in clause E2 (1) should be reconciled with any reports since the last ITP by Transpower on alternative strategic directions or scenarios.”

Yours sincerely



Ralph Matthes
Executive Director

² URL <http://www.comcom.govt.nz/dmsdocument/16190> at same web site as draft determination.