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GOVERNMENT NOTICES

Authorities/Other Agencies of State

Notification of Transpower's Individual Price-Quality Path That Applies From 1 April 2015 to 31 March 2020

Pursuant to Part 4 of the Commerce Act 1986, the Commerce Commission ("Commission") has set the individual price-quality path applicable to electricity lines services supplied by Transpower New Zealand Limited ("Transpower") for the five year regulatory period from 1 April 2015 to 31 March 2020.

The individual price-quality path is set out in the *Transpower Individual Price-Quality Path Determination 2015* [2014] NZCC 35 and applies to Transpower from 1 April 2015.

In setting Transpower's individual price-quality path, the Commission used the input methodologies that apply to the supply of electricity lines services supplied by Transpower, as specified in:

- *Transpower Input Methodologies Determination* [2012] NZCC 17; and
- *Transpower Capital Expenditure Input Methodology Determination* [2012] NZCC 2

Summary

Prices

The individual price-quality path specifies the maximum revenues that may be recovered by Transpower in each pricing year of the regulatory period, net of pass-through costs and recoverable costs. The forecast maximum allowable revenue for each pricing year in the 2015–2020 regulatory period is:

- for the pricing year from 1 April 2015 to 31 March 2016: \$881.6 million;
- for the pricing year from 1 April 2016 to 31 March 2017: \$918.6 million;
- for the pricing year from 1 April 2017 to 31 March 2018: \$951.8 million;
- for the pricing year from 1 April 2018 to 31 March 2019: \$949.4 million; and
- for the pricing year from 1 April 2019 to 31 March 2020: \$956.8 million.

Five large reconductoring projects have also been identified as listed projects for which Transpower may seek approval from the Commission to incur additional capital expenditure. If further capital expenditure is approved by the Commission and project assets are commissioned by Transpower, the cost of those assets may be recovered through additional revenues.

Transpower's individual price-quality path is reconsidered in each year of the regulatory period (save the last) to take account of both the revenue impact of any additional capital expenditure approved by the Commission—for listed projects or major capex projects—and for identified (EV account) revenue adjustments.

Quality standards

The individual price-quality path specifies the quality standards that must be met by Transpower. Twenty-three quality standards (prescribed as targets) have been set. They specify:

- annual measures of grid performance (15) which focus on unplanned interruptions experienced by categories of points of service (high priority, important, standard, generator, N security) on Transpower's network;
- annual asset performance measures (2) which focus on high voltage direct current energy availability, and the availability of selected high voltage alternating current circuits;
- annual asset health grid output measures (3) which focus on the refurbishment and replacement of transmission towers, grillages and insulators; and
- periodic asset health grid output measures (3) which focus on the refurbishment and replacement of outdoor

circuit breakers, power transformers and outdoor-to-indoor substation conversions.

Incentives for Transpower to maintain or improve its quality of supply are included in the individual price-quality path through:

- rewards by way of an increase in Transpower's maximum revenue based on whether, or by what amount, Transpower meets or exceeds the required quality standards; and
- penalties by way of a reduction in Transpower's maximum revenues based on whether, or by what amount, Transpower fails to meet the required quality standards.

Compliance and information reporting

For the purpose of monitoring compliance with Transpower's price-quality path, Transpower must provide the Commission each year with a pricing compliance statement and an annual compliance statement (and associated information).

Transpower's individual price-quality path determination also requires Transpower to publicly disclose other information. The information disclosure requirements are included within the individual price-quality path determination (and are in addition to other reporting requirements in the *Transpower Information Disclosure Determination 2014* [2014] NZCC 5) because they give effect to an operational feature of the price-quality path, or are linked to Transpower's development plan for this regulatory period, rather than being enduring disclosures.

Further information

Copies of Transpower's individual price-quality path determination are available:

- for inspection free of charge at the Commission's head office at 44 The Terrace, Wellington (during ordinary office hours)
- on the Commission's website at www.comcom.govt.nz/regulated-industries/electricity/electricity-transmission/transpower-individual-price-quality-regulation/transpowers-price-quality-path-from-2015-to-2020/
- for purchase at a reasonable price at the Commission's head office at 44 The Terrace, Wellington.

Copies of the reasons papers for Transpower's individual price-quality path determination are also available on the Commission's website at

www.comcom.govt.nz/regulated-industries/electricity/electricity-transmission/transpower-individual-price-quality-regulation/transpowers-price-quality-path-from-2015-to-2020/

Dated at Wellington this 28th day of November 2014.

COMMERCE COMMISSION.

2014-au7323

Notice of Determination of Default Price-Quality Regulation Applicable to Electricity Distribution Businesses

The Commerce Commission ("Commission") gives the following notice under Part 4 of the Commerce Act 1986 ("the Act").

Notice of determination

1. On 28 November 2014, the Commission issued the *Electricity Distribution Services Default Price-Quality Path Determination 2015* [2014] NZCC 33 ("EDB DPP Determination"), under section 52P of the Act.
2. The determination sets out the default price-quality path applicable to regulated suppliers of electricity distribution businesses ("EDBs").
3. The determination is made in accordance with the Commission's input methodologies applicable to EDBs, as specified in the *Electricity Distribution Services Input Methodologies Determination 2012* [2012] NZCC 26.
4. This notice summarises the determination in accordance with section 52P(7)(b) of the Act.
5. This determination applies for the regulatory period **1 April 2015 to 31 March 2020**.
6. This determination applies to all non-exempt EDBs (EDBs other than consumer-owned EDBs exempt under

section 54G(2) of the Act), excluding Orion New Zealand Limited. This determination will apply to Orion New Zealand Limited after the expiration of the *Orion New Zealand Limited Customised Price-Quality Path Determination 2013* [2013] NZCC 21.

Summary of the determinations

7. The determination applies for the regulatory period starting **1 April 2015** and expiring on **31 March 2020** to the following non-exempt EDBs:
 - Alpine Energy Limited
 - Aurora Energy Limited
 - Centralines Limited
 - Eastland Network Limited
 - Electricity Ashburton Limited
 - Electricity Invercargill Limited
 - Horizon Energy Distribution Limited
 - Nelson Electricity Limited
 - Network Tasman Limited
 - OtagoNet Joint Venture
 - Powerco Limited
 - The Lines Company Limited
 - Top Energy Limited
 - Unison Networks Limited
 - Vector Limited
 - Wellington Electricity Lines Limited
8. The determination applies to Orion New Zealand Limited after the expiration of the *Orion New Zealand Limited Customised Price-Quality Path Determination 2013* [2013] NZCC 21.
9. The determination sets out the starting prices (expressed in the form of maximum allowable revenue) for each of the non-exempt EDBs, the annual rate of change relative to CPI that generally apply to non-exempt EDBs, and the alternative rates of change that apply to specified non-exempt EDBs.
10. The quality standards that apply are specified by an annual reliability assessment of the non-exempt EDB against the SAIDI and SAIFI limits for each non-exempt EDB, which are specified in the determination. Each non-exempt EDB must comply with the annual reliability assessment for that assessment period, or in each of the two preceding assessment periods.
11. Each non-exempt EDB is also subject to incentives to maintain or improve its quality of supply which includes:
 - a. penalties by way of a reduction in the non-exempt EDB's maximum prices based on whether, and by what amount, the non-exempt EDB fails to meet the required quality standards; and
 - b. rewards by way of an increase in the non-exempt EDB's maximum prices based on whether, and by what amount, the non-exempt EDB exceeds the required quality standards.
12. Each non-exempt EDB must submit a compliance statement within 50 working days following the end of each assessment period during the regulatory control period.
13. Each non-exempt EDB may, except in the 12 months before the end of the regulatory period, submit a proposal for a customised price-quality path:
 - a. in the period beginning on the second Monday in February and ending six working days after;
 - b. in the period beginning on the first Monday of May and ending six working days after; or
 - c. within 24 months following a catastrophic event.

Further information

14. Copies of the determination and reasons paper are available on the Commission's website at www.comcom.govt.nz/regulated-industries/electricity/electricity-default-price-quality-path/default-price-

[quality-path-from-2015/](#)

and are available for inspection free of charge at the Commission (during ordinary office hours), or for purchase at a reasonable price at the Commission, 44 The Terrace, Wellington.

Dated at Wellington this 28th day of November 2014.

COMMERCE COMMISSION.

2014-au7316
