

## **Notification of Transpower's Individual Price-Quality Path That Applies From 1 April 2025 to 31 March 2030**

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 2025 to 31 March 2030 ("RCP4").

The individual price-quality path is set out in the *Transpower Individual Price-Quality Path Determination 2025* [2024] NZCC 26 and applies to Transpower from 1 April 2025.

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 2010* [2012] NZCC 17 (as amended); and

*Transpower Capital Expenditure Input Methodology Determination 2012* [2012] NZCC 2 (as amended).

### **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, which includes pass-through costs and recoverable costs. Under the individual price-quality path, Transpower's forecast maximum allowable revenue for each year of the regulatory period has been calculated and smoothed over the five-year regulatory period – this is known as the forecast 'smoothed maximum allowable revenue'.

The forecast smoothed maximum allowable revenue for each pricing year in RCP4 is:

- for the pricing year ending 31 March 2026: \$976.7 million;
- for the pricing year ending 31 March 2027: \$1,135.5 million;
- for the pricing year ending 31 March 2028: \$1,192.2 million;
- for the pricing year ending 31 March 2029: \$1,251.8 million; and
- for the pricing year ending 31 March 2030: \$1,314.4 million.

Transpower may seek approval from the Commission to incur additional expenditure that is not included within the individual price-quality path, through processes that are set out in the applicable input methodologies, such as major capex projects and listed projects mechanisms. If further expenditure is approved by the Commission and incurred by Transpower, those costs may be recovered through additional revenues.

#### *Quality Standards*

The individual price-quality path specifies the quality standards that must be met by Transpower. They specify:

- measures of grid performance which focus on the number and duration of unplanned interruptions experienced by categories of points of service;
- asset performance measures which focus on energy availability of Transpower's high voltage direct current circuits, and the availability of selected high voltage alternating current assets;
- asset health measures which focus on the refurbishment and replacement of certain transmission asset classes; and
- customer satisfaction measures.
- The individual price-quality path includes a normalisation mechanism that allows Transpower to apply to the Commission to exclude specified events that are beyond the reasonable control of Transpower (such as the effects of extreme weather events) from the quality standards for measures of grid performance and asset performance measures.

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

- increases in Transpower's recoverable amounts that reflect whether, or by what amount, Transpower meets or exceeds the required quality standards; and
- reductions in Transpower's recoverable amounts that reflect 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, as amended).

*Further Information*

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

- for inspection free of charge at the Commission's office at 44 The Terrace, Wellington (during ordinary office hours);
- for purchase at a reasonable price at the Commission's office at 44 The Terrace, Wellington; and
- on the Commission's website, together with copies of the Final Decision paper dated 29 August 2024 and the Companion paper dated 20 November 2024, at [http://comcom.govt.nz/regulated-industries/electricity-lines/electricity-transmission/transpowers-price-quality-path/2025-transpower-individual-price-quality-path/\\_nocache](http://comcom.govt.nz/regulated-industries/electricity-lines/electricity-transmission/transpowers-price-quality-path/2025-transpower-individual-price-quality-path/_nocache);

Dated at Wellington this 20th day of November 2024.

COMMERCE COMMISSION.