26 May (Northpower) – CUWLP BBI consultation

Questions:

We have a couple of queries regarding the CUWLP consultation:

- The consultation states that intra-regional allocators are used to allocate positive regional NPB, and that for CUWLP this means historical annual offtake for offtake customers. Given the BBIs as I understand are forward looking measures of NPB in relation to an investment over its life, have these offtakes been adjusted for the material reduction in offtake by Northpower driven by the recent closure of the Marsden point oil refinery?
- Does the demand forecast used in the CUWLP modelling also incorporate the recent closure of the Marsden point oil refinery?
- Are wealth transfers treated as net private benefits, in the hands of the beneficiary of the wealth transfer?
- Are you able to point us to a summary of the 10 scenarios (i.e. the key terms of each) and the outcome (i.e. % of NPB for each transmission customer) that result of our each scenario? We assume that these 10 are averaged to get the outcomes in the document, but we have not been able to easily find this info in the material.

Response:

Thanks for engaging with our consultation on the proposed starting customer allocations for the CUWLP benefit-based investment. Our response to your questions follows.

1. Under the TPM, intra-regional allocators (IRAs) use historical activity, in this case mean annual offtake over the period 1 September 2014 to 31 August 2019, to allocate forward-looking regional net private benefit. The IRAs are not adjusted to account for events that happen, or have happened, after the period covered by the IRA. Such an event may be a pre-commencement adjustment event to which clause 75(4) applies, depending on the timing of the event.

2. Yes – we modelled the Marsden point refinery closing from the beginning of 2026. This was the best information we had at the time the forecast was produced in 2021. You can look at the GXP forecasts used in the market model in the 'Load demanded' worksheet in Part F of the consultation pack.

3. Yes – the TPM requires us to assess private benefits (as opposed to the investment test which assesses efficiency benefits – i.e. changes in electricity market costs). Therefore, wealth transfers between parties in the electricity market are included as a private benefit to the recipient.

4. Please see the attached spreadsheet which shows the individual customer allocations for each market scenario. Note, for this purpose, we have used the same regional customer groups as applied to all scenarios so the results may differ slightly if we were to repeat the full process for each market scenario (e.g. if we were to group North Island distributor load separately from North Island industrial load for a particular scenario).