

## 27 May 2022 (ENA) – Opex in residual, and adjustments when load terminates

### Questions:

How much opex is allocated to the residual charge?

A load customer currently pays 85% of the total GXP Transpower charges, the load has a finite life (approx. 10 years), and the EDB does not have a current contract with the customer to pay the residual charges for the following 4 years from termination. Will the EDBs residual and BBC charges be adjusted down immediately from the termination date of this load?

### Responses:

How much opex is allocated to the residual charge?

The residual charge collects residual revenue, which is defined in the TPM as “... recoverable revenue for the pricing year less all transmission charges for the pricing year other than residual charges”. This is demonstrated in our published [Indicative Pricing Model](#)- see “Residual charges” worksheet, “Calculation of residual charge rate (RCR)” at row 418. This model provides an indication of what prices under the new TPM might have been for the pricing year beginning April 2022. Indicatively, opex recovery is 14% as connection charges, 22% as benefit-based charges, with the remaining 64% recovered as residual charges.

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Residual charge allocations do not respond immediately to either new or exiting load. In this example, all other things constant, the reduction in load will be reflected in a reduction (ramping down) of the distributor’s residual charge allocation between years n+5 and n+8, where n is the year of the load reduction. This is because the numerator of the residual charge adjustment factor (RCAF) is lagged (clause 71 of the new TPM).

Depending on why the load reduction has occurred, it may be a BBC adjustment event, specifically, the disconnection of large ( $\geq 10$  MW) embedded plant or a large de-rating of embedded plant (clause 81(1)(e)). This may immediately reduce the distributor’s BBC for any given BBI depending on whether the embedded plant would have been a beneficiary of the BBI had it been connected directly to the grid at the electrically closest grid point of connection. This is covered in clause 85 of the new TPM.