

29 June 22 (Manawa Energy) – Indicative pricing

Question:

I am doing some work for Manawa Energy in relation to the impact of the new TPM over time (in particular the BBI charges).

I have been looking at the spreadsheets released on 17 May 2022 with the Indicative Pricing paper.

These are the Indicative Pricing Model and the Covered Cost model. There does appear to be a lot of data missing from the covered cost model which makes it difficult to do any analysis past 31 March 2023. In particular if I look at the input sheet it only includes actuals with no forecasts post 2021.

Is there anywhere that I can find in an easy way the forecasts that will be part of the RCP input methodologies so I can do some forward modelling, or am I missing something and the data is there somewhere?

Also do you have any information on the expected "covered cost" for CUWLP from 1/4/23?

Response:

Thank you for your 29 June and 8 July emails.

You've asked about forecast information in the Indicative Pricing Model and Covered Cost Model, and where you can find forecasts that will be part of the RCP input methodologies. We assume by "the RCP input methodologies" you mean our base capex proposal, opex proposal and anticipated major capex for RCP4, all of which go to determining our maximum revenue for RCP4.

We have provided a projection of transmission charges to 2035 in section 7 of the [Indicative Prices for 2022/23 PDF document](#). This projection shows the directional shift in how our recoverable revenue is likely to be allocated between transmission charge types over time, under the stated assumptions. We have not projected the value of the charges for the reasons explained in paragraphs 46 and 47:

"It is not practicable to project indicative prices to customer level given the lack of granular forecast information and the very high degrees of uncertainty over the timeline, including where we will invest, in what, and to the benefit of which of our customers.

The projected indicative prices are therefore highly uncertain and provided only to demonstrate the directional shift in how our recoverable revenue is likely to be allocated between transmission charge types over time."

We will publish an update on our RCP4 revenue forecasts at the end of September as part of our integrated transmission plan (ITP) narrative, which will double as our consultation on our RCP4 base capex and opex proposals. You may find the information we provided in last year's ITP Narrative ([ITP Narrative 2021.pdf \(transpower.co.nz\)](#)) useful in the meantime.

We note our maximum revenue for an RCP and the pricing years within it is linked to our regulated WACC for the RCP, which itself is linked to interest rate movements. Caution must therefore be applied to revenue forecasts generated this far out from the Commerce Commission setting our WACC for RCP4. However, with interest rates trending up our revenue forecast is also trending up.

You've also asked for information on the expected covered cost for CUWLP from 1/4/23. We provided estimated annual covered costs for CUWLP out to pricing year 2034/35 in section 6 of our recent CUWLP consultation paper - "Part A: Consultation paper" published under "Consultation on CUWLP Benefits Based Investment" on our website ([TPM consultations 2022 | Transpower](#)).

We will publish your questions and our answer to them to our TPM webpage for the benefit of other stakeholders.