

Attachment 2 – Comments in EA proposed drafting for anticipatory capacity

- (2) For each **anticipatory connection asset** for a **pricing year** there is deemed to be a **commissioned post-2019 BBI** (an **anticipatory BBI**) for the **pricing year** (only for the purpose of recovering half of the capital cost of the **anticipatory connection asset**)—

- (a) that comprises the **anticipatory connection asset**; and
- (b) that has a **covered cost** for the **pricing year** (COVC) calculated as follows:

$$COVC = ((r \times V_{anticipatory}) + D_{anticipatory}) \times 0.5$$

where

r is Transpower's PQ WACC (pre-tax) for the **pricing year**

$V_{anticipatory}$ is the part of the total **closing RAB value** for the preceding **financial year** attributable to the **anticipatory connection asset**, as determined by Transpower

$D_{anticipatory}$ is the part of total **depreciation** during the preceding **financial year**, excluding **accelerated depreciation**, attributable to the **anticipatory connection asset**, as determined by Transpower; and

- (c) for which the **start pricing year** is the **pricing year**; and
- (d) for which a **customer's individual NPB** is calculated under the **price-quantity method**, and even if the **anticipatory BBI's** deemed **covered cost** for the **pricing year** under paragraph (b) is **not more** than the base capex threshold as defined in the **Transpower Capex IM**.

44 Overview of Price-quantity Method

- (1) Clauses 44 to 55 apply—

- (a) to the **price-quantity method** only; and
- (b) only to—

(i) those **post-2019 BBIs** to which Transpower applies the **price-quantity method** in accordance with subclause 43(2); and

(ii) **anticipatory BBIs**.

59 Overview of Simple Method

- (1) Clauses 59 to 64A apply—

Commented [SG1]: Suggested addition for clarity as the standard method (and simple method) only applies to post-2019 BBIs.

Commented [SG2]: There are two standard methods in the TPM - the price-quantity method and the resiliency method. We assume the EA's intent is to use the former.

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Commented [SG3]: A BBI with a valuation equal to the base capex threshold is treated as low-value in the TPM.

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Commented [SG4]: Consequential changes are required to clauses 44 and 59.

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- (a) to the **simple method** only; and
- (b) only to—
 - (i) those **low-value post-2019 BBIs** to which **Transpower** applies the **simple method** in accordance with subclause 43(2); and
 - (ii) *[Revoked]*
 - (iii) those **high-value post-2019 BBIs** to which **Transpower** applies the **simple method** in accordance with subclause 43(4A); and
 - (iv) *[Revoked]*.

Deleted: anticipatory BBIs.