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To Commerce Commission

By email: regulation.branch@comcom.govt.nz

Targeted Information Disclosure Review – Electricity Distribution Businesses: Process and Issues paper

Transpower appreciates the opportunity to respond to the Commerce Commission's (Commission) consultation on *Targeted Information Disclosure Review – Electricity Distribution Businesses, Process and Issues* paper published 23 March 2022.

As the targeted review is largely focused on the electricity distribution businesses (EDBs) our response is focused on general issues, and the potential 'new' disclosures the Commission is considering for Transpower.

Regulatory regimes' settings

The Commission has identified a target area to review alignment with other regulatory rules. We support review of consistency between Information Disclosure (ID) and Price-Quality Paths (IPP or DPP) but consider the objective for consistency risks duplicative rules in both regimes. The couple of examples presented could be the "tip of the iceberg" for the objective and will create ongoing administration cost, with likely attendant inefficiencies, as Price-Quality decisions change.

We consider that the information being produced under IPP or DPP should not be duplicated under ID, rather the regulatory forms should work in combination, as contemplated by the 2009 Cabinet decision,¹ not discretely. If the two regimes remain discrete, the Commission could consider balancing the continuous (over time) ID requirements with period-specific price-quality reporting requirements, by replacing prescription in the ID with reporting principles.

While we support the view that consistent time series assists with analysing performance over time, we do not fully support the idea that "*disclosed information must be comparable and consistent over time to be useful to stakeholders, especially information that stakeholders (including us) analyse further*" (para 3.7). We consider assessment information may need to adapt as the outcomes in the external environment – and the consumers' views of those –

¹ Refer 2009 Cabinet paper "Review of Parts 4 and 4A of the Commerce Act" Appendix B section B (although unable to find a public copy so can provide as requested).

are changing. The Commission could carefully consider reviewing whether continuity of information is necessary if the required historical information is not useful to demonstrate that outcomes consistent with those in competitive markets have eventuated. At least, as part of this review, the Commission should not neglect to fix errors or objectively test whether reporting requirements are still relevant.

In Appendix A, we have listed the Schedules under Transpower's ID we consider have errors or where we have not demonstrably seen assessment value for consumers from the data.

Potential disclosure areas: network constraints and flexibility services

Network constraints

The Commission states *"We want to understand how ID can help facilitate a shift to national level reporting of constraints with an approach that does not impose an unnecessary regulatory burden on EDBs... This is an example of a requirement we would consider applying to Transpower, although it may be tailored differently to them."*

At the grid level, network constraints as an information set is derived from data that is dynamic - changing all the time, and changing across time - and of high volume. The National Grid is the platform for the wholesale electricity market with bids from demand and offers by generators cleared every five minutes by the system operator's SPD (schedule price dispatch) tool. The tool recognises two constraint types, physical constraints from the capability of grid assets that is offered by the grid owner for each trading period (in practice, grid offers are "standing offers" changed only when grid capability is physically changed); and security constraints applied for N-1 capacity and voltage support. If the security - constrained economic (least cost) dispatch shows a binding constraint on the grid then the tool will re-run the dispatch to remove the binding constraint. Binding constraints that may be forecast in future price schedules may or may not eventuate in real-time. For information value, wholesale market prices are the primary means for understanding the location of constraints.

For a longer-term view, Transpower already publishes its Transmission Planning Report² (TPR) as the main vehicle for identifying investment opportunities including potential roles for flexibility services. Our tool TPR Envision provides an interactive and spatial view of the information contained within the TPR to assist new generation proponents in scoping potential locations for their new generation.

Historic constraint information is also already publicly available to interested parties via the Electricity Authority EMI database.³ The Electricity Authority describes that the datasets *"are collections of files that often contain large volumes of data and are available for immediate download. Dataset users are typically analysts familiar with the electricity industry and have a need to obtain a large set of data or specific data on a regular basis."*

In short, we consider sufficient information about future network constraints on the grid is already readily available and any further disclosure is duplicative and inefficient, and likely to

² [Transmission Planning Report 2021 | Transpower](#)

³ For example, the *"Binding Constraints"* information is published daily (with a two-week lag) for all 48 trading periods per day. The information conveys the Shadow price (\$/MWh) as a measure of the cost to the system of a binding constraint. A constraint that is not binding will have a zero shadow price and imposes no cost on the system.

create inconsistent forward vs. real-time constraint information. We consider it unlikely that historic constraint information has any value for assessing whether the purpose of Part 4 is being met.

Flexibility services

We agree that *"flexibility resources are an option to provide innovative, cost effective and reliable electricity...services."*⁴

The Commission stated in its 2018 decision on the Capex IM *"In our view, the long-term benefits for consumers are best served when Transpower is investing efficiently, whether it is using traditional capex solutions or alternative options. The current level of innovation in the electricity industry and the increasing options for transmission alternatives mean the full benefits of such alternative options are both uncertain and potentially significant."*⁵

Transpower investment is regulated by the Capex IM and the Commission has deliberately created an incentive regime *"designed to ensure that Transpower is generally indifferent to providing opex or capex solution."*

We support appropriate and effective scrutiny which can add value to the investment decision process. Projects such as grid enhancement (E&D) and reconductoring projects will have scope for a range of options each with a level of cost uncertainty. As the information disclosure for such decision making is unavoidably historic, we could potentially qualitatively record, for E&D investigations completed in the disclosure year, how transmission alternatives under base capex were considered.

For major capex, the Capex IM already provides visibility and scrutiny of non-transmission solutions with reporting under the IPP, and disclosure under ID is unnecessary.

We support the Commission's approach to ID changes via two tranches and look forward to further engagement on an Information Disclosure regime that assesses the Part 4 objectives in an increasingly electricity-dependent future.

Yours faithfully



Joel Cook,
Head of Regulation

⁴ Table, page 32

⁵ [Transpower-capex-IM-review-Decisions-and-reasons-29-March-2018.PDF \(comcom.govt.nz\)](https://www.comcom.govt.nz/Transpower-capex-IM-review-Decisions-and-reasons-29-March-2018.PDF)

Appendix A

The table below lists the Schedules under Transpower ID that need amendment to correct for errors and inconsistency, or possibly removal. The list is indicative as we may discover further issues.

Schedule in Transpower ID	Issue
F2. Opex	Schedule F2 reflects the breakdown of opex categories from RCP1/2 and needs to be updated to reflect the presentation of those categories for the RCP3 decision. For future proofing the ID could provide flexibility for Transpower to create the schedule in an appropriate format, e.g. principles-based with reference to the IPP determination.
F4. Actuals vs Forecasts	As above. The breakdown of opex should be aligned with how it is done for the regulatory control period.
F6. Revenue	<p>The Schedule needs to be updated to reflect different charge categories (Benefit based charges and Residual charges) under the new TPM that will apply from pricing year (PY) April 2023.</p> <p>For our disclosure to be made in October 2022, we can provide only PY April 2021 – March 2022 and PY April 2022 – March 2023 under the current schedule.</p>
TP1. ROI and profit	<p>This schedule is produced by Transpower because we believe the mandated approach to calculating Transpower's ROI is wrong in various aspects (see below). The ROI calculated via this Transpower schedule is reconciled to the ROI mandated by ID. the errors in the ID ROI formula are:</p> <ul style="list-style-type: none"> • the treatment of TCSD, which is double-counted in the ID tax calculation • some missing elements in the ID ROI formula • the incorrect treatment of recoverable costs • the incorrect use of cash-flow timing • differences due to the ID RAB having a lower value than the IPP RAB
TP4. MCP close out report	A Transpower generated schedule necessary to comply with clause 8.2 for fully commissioned MCPs. The disclosure is based on the previous Capex IM which is still relevant for any MCPs approved before the Capex IM was reviewed in 2018.

	<p>The ID should be updated to be aligned with the new Capex IM while also maintaining the current ID drafting for the MCPs approved under the previous Capex IM.</p> <p>Alternatively, the requirement should be removed from ID as major capex proposals are a unique feature of IPP regulation and disclosure could be under that regime only.</p>
<p>G6</p> <p>Asset health and age</p>	<p>This schedule lists asset classes that are not aligned to Transpower's categorisation under the IPP. Our asset management journey is continually maturing and the information sought under G6 diverges with every RCP. The amount of work to reconcile our IPP categories to those under ID is high resource cost with no assessment benefit: we consider any interested party seeking to make sense of the information for assessment purposes would struggle with the rationale for the information provision.</p> <ul style="list-style-type: none"> • Schedule G6 should be removed and information disclosed about our asset fleet and health should be under the IPP only.