

TRANSPower NEW ZEALAND LIMITED

Submission to the
Commerce Commission on:

Information Disclosure Discussion Paper

September 2009



TRANSPower

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Table of Contents

1. INTRODUCTION	1
2. GENERAL COMMENTS	1
2.1 FORM AND CONTENT OF INFORMATION DISCLOSURE	1
2.1. INFORMATION DISCLOSURE PACKAGES	2
2.2. ANNUAL DISCLOSURE	2
2.2.1 Transpower's Scope of Services for Information Disclosure	2
2.2.2 Quality	3
2.3. ASSET MANAGEMENT PLANS	3
3. QUESTIONS POSED BY THE DISCUSSION PAPER	3

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TRANSPOWER

1. Introduction

1. This is Transpower New Zealand Limited's ("Transpower's") submission on the Commerce Commission consultation paper *Information Disclosure Discussion Paper*, published on 29 July 2009.
2. Transpower is a state-owned enterprise, which owns New Zealand's national electricity transmission grid and manages the real-time operation of New Zealand's national electrical power system. Transpower is regulated by the Commerce Commission pursuant to Part 4 of the Commerce Act 1986 and by the Electricity Commission via the Electricity Governance Rules 2003, created pursuant to the Electricity Act 1992.
3. The comments in this submission focus on matters raised by the consultation paper that directly relate to Transpower. Other matters raised by the consultation paper are referred to only to the extent that they may have some relevance to Transpower. Lack of comment on any question posed or statement made by the Commission should not be read as agreement or disagreement by Transpower with the particular statement or question.

2. General Comments

2.1 Form and Content of Information Disclosure

4. The Commission has expressed a preliminary view that it should recommend to the Minister of Commerce that Transpower be subject to individual price-quality regulation.¹ Under this regulatory framework, it is envisaged that Transpower will be required to submit a multi-year forecast of its operating and capital expenditures for review and approval by the Commission.² Transpower envisages that a substantial amount of information will need to be submitted in support of the multi-year revenue application and anticipates working with the Commission to identify the content and scope of this information. Transpower suggests that the Commission carefully consider the extent to which it requires information made available by way of this process to be separately disclosed annually, in order to limit compliance costs. In our view, information provided as part of the revenue application should simply be referenced in annual disclosures.

¹ Commerce Commission, *Transpower Process and Recommendation Discussion Paper*, 19 June 2009, paragraph 4.74

² *Ibid.*, paragraph 4.57

2.1. Information Disclosure Packages

5. Transpower notes that it is currently disclosing information relating to all the areas canvassed by the Commission in the discussion paper.
6. Transpower's Annual Disclosure and Contracts are disclosed to comply with the Electricity Information Disclosure Regulations 2004. Transpower also provides an annual statement of compliance with the quality and financial performance requirements of the Commerce Act (Transpower Thresholds) Notice 2008. Performance reports are also separately provided pursuant to individual transmission agreements with transmission customers (for connection assets) and pursuant to Section VI of Part F of the Electricity Governance Rules 2003 (for interconnection assets). The Asset Management Plan (included as part of Grid Upgrade Plans), the transmission pricing methodology, transmission prices and contracts are either published or otherwise made available in accordance with the Electricity Governance Rules 2003.
7. Transpower suggests that the Commission carefully consider the need to include in the Annual Disclosure and Contracts information that is already separately published elsewhere. In order to minimise compliance costs it would seem sensible for disclosure to be limited to information that is not already publicly available from other sources and simply to reference where information separately published elsewhere can be found.

2.2. Annual Disclosure

2.2.1. Transpower's Scope of Services for Information Disclosure

8. Paragraphs 619 and 620 of the discussion paper state that Transpower's system operator activities and services provided by new investment contracts form part of the conveyance of electricity by line and would therefore be subject to regulation, including information disclosure, under Part 4 of the Commerce Act.
9. Transpower considers that the proposed information disclosure framework, and the purpose of Part 4 of the Act, do not currently sit naturally with the unique nature of the system operator's activities and funding arrangements. The system operator is currently a regulatory service provider whose contractual terms and funding are agreed by the Electricity Commission. That said, the system operator believes strongly in the transparency of its operations and considers that disclosure of information benefits the industry as a whole. For these reasons, Transpower would not object to information about the system operator's activities, not currently provided to the Electricity Commission under its service provider contract, being subject to regulation under Part 4 of the Act, subject to any limitations related to the confidentiality of information provided by asset owners.
10. However, the Commission's suggestion that the services provided by new investment contracts "involve the conveyance of electricity by line" is not correct – they are contracts for the construction and financing of assets only. Any conveyance of electricity obligations resulting from the construction of the assets are covered under individual transmission agreements with transmission customers. This is further discussed in response to question 116 below.

11. Consequently, it is Transpower’s view that new investment contracts should be excluded from the information disclosure requirements, consistent with the Commission’s preliminary view that financing information should be excluded for regulatory purposes.

2.2.2. Quality

12. Transpower agrees with the Commission’s preliminary view that, where appropriate, quality performance related information already provided to the Electricity Commission should be used for the purposes of information disclosure. As part of the implementation of individual price-quality path regulation, the Commission may include targeted incentive mechanisms, which may extend to quality measures as well as expenditure.
13. Transpower intends to work with the Commission to identify appropriate measures, drawing on the experience gained to date with the administrative settlement. The experience gained by the Australian Energy Regulator with its Service Target Performance Incentive Scheme could also help inform this exercise.

2.3. Asset Management Plans

14. Transpower agrees with the Commission’s preliminary view that Transpower should not be required to disclose publicly its Asset Management Plans, provided comparable provisions for Transpower are in place outside the Act. Transpower is currently required by rule 12.3 of Section III of Part F of the Electricity Governance Rules 2003 to submit a comprehensive plan for asset management and operation of the grid as part of Grid Upgrade Plans. Consequently, Transpower has provided only general responses to the Chapter 8 questions. Transpower anticipates that detailed asset management planning information will be required to be submitted as part of the multi-year revenue approval applications that will form a central part of the new individual price-quality path regulatory arrangements and looks forward to working with the Commission to develop the new requirements.

3. Questions posed by the Discussion Paper

Question		Transpower Comment
Introduction		
Q.1) page 6	In your view, should the Commission’s next steps in making information disclosure determinations for the regulated services be as outlined above? Please provide the reasons for your views.	Yes.

Chapter 2: Statutory Framework and Regulatory Framework Principles		
Q.2) page 11	Do you agree that the term 'interested persons' is broad in its application and includes all persons that are interested in the activities of a regulated supplier? If not, please provide the reasons for your view, an alternative interpretation and why you consider this to be more appropriate.	Yes
Q.3) page 14	Do you agree that pre-prescribed performance indicators will assist interested persons in the assessment as to whether the purpose of Part 4 is being met? If not, please provide the reasons for your view, an alternative approach and why you consider this to be more appropriate.	<p>Pre-prescribed performance indicators can assist interested persons to assess the performance of distribution companies in relation to the Part 4 objectives. However, in Transpower's case, the summary and analysis of disclosed information is not a particularly useful way of promoting understanding of relative business performance, because Transpower has no direct comparators in New Zealand. Electricity transmission has asset stock and investment characteristics, terrain characteristics, operating expenditure drivers and workforce characteristics, among other things, that make it not directly comparable with electricity distribution. Benchmarking against overseas transmission service providers, if this were to be done, is unlikely to be particularly informative, because of substantial differences in individual networks and differences between the New Zealand regulatory framework and the regulatory frameworks within which individual transmission service providers operate overseas.</p> <p>Informal feedback Transpower has received from its customers and other interested persons indicates that the information currently disclosed in accordance with the existing disclosure requirements is not particularly helpful as a means of assessing Transpower's incentives to innovate and invest, incentives to improve efficiency and provide services at a quality that reflects consumer demands, and the extent to which efficiency gains in the supply of regulated services are shared with consumers or whether or not Transpower's ability to extract excessive profits has been limited.</p> <p>Probably the best that can be achieved is a consistent set of measures to be applied over a full regulatory period (expected ultimately to be five years) and then to retain this set of measures</p>

		indefinitely, with minimal change, so that Transpower's relative performance can be reasonably assessed over time.
Q.4) page 18	Do you agree that these principles are consistent with the purpose of information disclosure which is to ensure that sufficient information is readily available to interested persons to assess whether the purpose of Part 4 is being met? If not, please provide the reasons for your view, alternative principles and why you consider these are better aligned to the purpose of information disclosure.	The proposed principles are satisfactory as far as they go, but a further principle, "relevance to the purpose of Part 4 of the Commerce Act", should be added. Information should only need to be disclosed if it can be shown to relate to the purpose of Part 4 and is actually used by interested persons as a means of assessing whether or not the purpose of Part 4 is being met.
Chapter 3: Monitoring Performance		
Q.5) page 23	What other areas of performance, if any, do you think the Commission should consider when assessing whether the purpose of Part 4 is being met? Please provide the reasons for your view.	None. The responses to questions 3 and 4 above are also relevant to this question. Any performance indicators used need to be directly relevant to the statutory objectives and actually useful to interested persons.
Q.6) page 24	Do you agree that an indicator relating to investment is required? If not, please provide the reasons for your view.	<p>Only if the indicator is acknowledged to be a measure of activity only and not a performance measure. The proposed capital expenditure ratio is meaningless as a performance measure for a business like electricity transmission, which has very long investment cycles. The ratio will inevitably be high on the upside of the cycle and low on the downside.</p> <p>Transpower's ability to invest is also regulated by the Electricity Governance Rules 2003 ("the rules"). Currently, Transpower may only invest, in the case of the "core grid" (as defined by the rules) to maintain n-1 security and, outside the core grid, if the investment satisfies the grid investment test contained in the rules. It is possible that this may change as a result of the 2009 Ministerial Review and the transition to individual price-quality regulation under Part 4 of the Commerce Act. Hence, any investment indicator relating to transmission investment will, in reality, be a measure of the effect of a particular regulatory framework.</p>

Q.7) page 24	Do you believe that a capital expenditure ratio is an appropriate indicator? If not, please provide the reasons for your view, an alternative and explain why you consider this to be preferable.	Only if the ratio is acknowledged to be a measure of activity and not a performance measure. See the response to question 6 above.
Q.8) page 25	Do you have any views on the Commission's proposed treatment of capital expenditure ratios under information disclosure? If so, please provide the reasons for your views. 25	<p>Although the various measures proposed may be of some interest, and are relatively easy to produce, it is difficult to see how they relate to incentives to innovate and invest (section 52A(1)(a) refers). The Commission should also note that Transpower would not make business decisions based on these ratios.</p> <p>Regardless of any incentives, Transpower's ability to invest is restricted by the regulatory framework within which it operates. With respect to the proposed capital expenditure growth ratio, the assessment of what is a "growth initiative" and what is not is very subjective. Consequently, this ratio would be of limited use to interested persons.</p>
Q.9) page 26	Do you agree that the disclosure of an AMP is an appropriate means of demonstrating innovation and investment? If not, please provide the reasons for your view, an alternative and why you consider this to be preferable.	<p>Disclosure of an AMP would be of some use with respect to investment. With respect to innovation, such disclosure may help to reveal changes to asset management methods, but whether or not any such changes would constitute innovations in the economic sense (i.e. improvements) would probably not be clear.</p> <p>Transpower envisages that an expanded form of asset management plan will need to be submitted as part of the multi-year revenue application process which will be a central element of Transpower's individual revenue-quality path regulation.</p>
Q.10) page 27	Do you have any views on appropriate indicators for measuring innovation? If so, please provide the reasons for your views.	If there is an allowed budget for innovation, a report on how the budget had been spent could be of some use. With the move to multi-year individual price-quality path regulation, the achievement of planned outputs at less than planned cost could be a measure of innovation (provided changes in input prices, exchange rates, etc are properly accounted for).
Q.11) page 28	Do you have any views on appropriate indicators for measuring quality? If so, please provide the reasons for your views.	Transpower is interested in developing further suitable indicators for measuring quality, but believes it is too early in the process to express a firm view on what they should be. Transpower hopes to work with the Commission to identify appropriate measures, drawing on the

		<p>experience gained to date with the administrative settlement.</p> <p>Transpower currently provides indications of performance to customers on an individual basis as required by its Transmission Agreements. We also provide additional information to customers including comparisons with other customers in Transpower's Annual Quality Performance Report (QPR) and in the information given to each customer during the "price/quality" discussions required by the Commerce Act (Transpower Thresholds) Notice 2008. The QPR is published on Transpower's web site. The measures compared are numbers of unplanned interruptions and unserved energy. Whether or not this information is sufficient as a quality measure could be explored further in discussions between Transpower and the Commission.</p>
<p>Q.12) page 29</p>	<p>Do you have any views on appropriate indicators for measuring profits? If so, please provide the reasons for your views.</p>	<p>The proposed return on investment ratio is largely meaningless as a performance measure for a regulated business whose permitted regulatory profit is primarily determined by applying a WACC return to an allowed asset base. However, as noted in the response to question 10, and acknowledged by the Commission in its discussion, achievement of a higher rate of return in a multi-year price-quality regulatory environment may be an indicator of innovation, provided variations in economic conditions are fully taken into account.</p> <p>Transpower understands that a return greater than WACC may be permitted by the individual price-quality path regulation to be developed under Part 4 of the Act, as part of a performance incentive arrangement.</p> <p>Currently, Transpower returns "excess" profits to customers by way of the economic value (EV) accounts, so earning a return greater than WACC is not possible at present. Under the current regulatory framework, comparing the content of Transpower's EV accounts over time (not on an annual basis) could be an indicator of profitability, albeit not performance <i>per se</i>.</p>
<p>Q.13) page 30</p>	<p>Do you have any views on appropriate indicators for measuring pricing efficiency? If so, please provide the reasons for your views.</p>	<p>Transpower is required to set its prices in accordance with the transmission pricing methodology contained in Schedule F5 to Section IV of Part F of the Electricity Governance Rules 2003. This methodology has been designed to comply with the pricing principles contained in rule 2 of Section IV of Part F</p>

		<p>(applied and interpreted in accordance with rule 3 of Section IV), and these principles include the different aspects of economic efficiency. The Electricity Commission, prior to recommending the pricing methodology to the Minister of Energy for approval, confirmed that it complied with the pricing principles in the rules. Consequently, if Transpower's prices are set in accordance with the transmission pricing methodology, they should be economically efficient. Transpower's compliance with the transmission pricing methodology is independently confirmed by audit.</p> <p>Hence, in Transpower's case, confirmation by independent audit that the transmission pricing methodology has been correctly applied should be an appropriate measure of pricing efficiency.</p>
Q.14) page 30	Do you have any views on the appropriate cost based indicators to assess whether regulated suppliers have taken action to minimise costs? If so, please provide the reasons for your views.	Identifying such indicators is difficult in practice. Transpower proposes to work with the Commission to develop possible approaches. A starting point could be a description of actions taken to minimise costs.
Q.15) page 32	Do you have any views on the Commission's proposed treatment of operational expenditure ratios under information disclosure? If so, please provide the reasons for your views.	Some of the measures proposed are not meaningful for Transpower, e.g. Transpower's opex/asset base ratio is bound to drop significantly over the next few years as its asset base expands significantly. This will not be a measure of performance. All of the proposed measures are heavily dependent on cost allocations and what is happening to the asset base and consequently should not be considered to be measures of performance.
Q.16) page 33	Do you have any views on the Commission's proposed treatment of capacity utilisation ratios under information disclosure? If so, please provide the reasons for your views.	There is a conflict between building assets to meet future load growth and maximising the utilisation of available capacity. Because of the "lumpiness" of transmission investment, capacity utilisation may appear to be low for years after a major investment. It is also important to appreciate that there is not a single capacity figure for the grid, as different proportions of the injected energy may flow through different branches of the grid. Capacity utilisation is more meaningful at the connection asset level, as the configuration of interconnection assets is driven by security issues as much as capacity. However, even for connection assets security issues are still relevant. Transpower is currently moving to specifying standard transformer sizes

		to reduce procurement and spares holding costs, and this will further reduce the meaningfulness of this measure.
Chapter 4: Return on Investment		
Q.17) page 36	Do you agree that profitability should be measured using an ROI measure? If not, please detail the measure that is appropriate and explain how that measure would better meet the purpose of information disclosure?	See the response to question 12 above.
Q.18) page 38	Do you agree that revaluations and depreciation in the Regulatory Profit should be the same value as that which is used in rolling forward the RAB value? If not, please detail how depreciation and revaluations should be treated and how this treatment is consistent with the FCM concept.	Yes.
Q.19) page 39	Do you agree that the value of capital contributions and vested assets (net of any consideration) should be recognised as income in the ROI? If not, please explain how the value of the returns earned from vested assets and capital contributions should be treated and why you consider this to be preferable.	Only if the related assets are also recognised in the regulatory asset base.
Q.20) page 39	Do you agree that lost and found assets should not be treated as income and expense? If not, please provide a reason for your view, an alternative and why you consider this to be preferable.	Yes.
Q.21) page 40	Do you agree that a ROI comparable to a vanilla WACC and a post-tax WACC should be disclosed? If not, please provide the reasons for your view.	This proposal is flawed because of timing differences and is not a meaningful performance measure. Transpower has an economic value accounts framework that ensures, over time, that it does not earn more than or less than its regulated WACC.

Q.22) page 42	Do you agree that half the value of the net new capital investment should be reflected in the RIV value? If not, please provide a reason for your view, an alternative and why you consider this to be preferable.	Yes.
Q.23) page 42	Do you agree that assets acquired from or sold to another regulated supplier or business unit should be included in the RIV to the extent that the profit relating to those assets is recognised in the regulated supplier's regulatory profit? If not, please detail how assets acquired from or sold to another regulated supplier or business unit should be treated and why you consider this to be preferable.	Yes.
Q.24) page 42	Do you agree that it is appropriate to treat assets acquired from or sold to another regulated supplier that doesn't relate to merger or acquisition activity as above? If not, please explain how these should be treated and why you consider this to be preferable.	Yes.
Q.25) page 42	Do you agree that an adjustment to RIV for working capital is not necessary given its likely materiality? If not, please provide a reason for your view, an alternative and why you consider this to be preferable.	Yes.
Q.26) page 43	In your view, how should the capital costs associated with the use of regulated assets to provide regulated and unregulated services be attributed? Please provide the reasons for your view.	Transpower believes that the avoidable cost allocation methodology (ACAM) should be used to allocate capital costs where regulated assets provide regulated and unregulated services. Please refer to Transpower's submission on the Commission's Input Methodologies Discussion Paper for the full rationale supporting this view.

Chapter 5: Financial Information		
Q.27) page 50	Do you agree that the Commission should consider GAAP as the starting point, but modify the disclosures where required to meet the purposes of information disclosure under the regulatory regime? If not, please provide a reason for your view, an alternative and why you consider this to be preferable.	Yes.
Q.28) page 51	Do you agree that where the sale of the asset is made to an unregulated entity or business unit, then the regulatory profit should be adjusted for gains or losses on sale? If not, please provide a reason for your view, an alternative and why you consider this to be preferable.	Yes. This is unlikely to apply to Transpower.
Q.29) page 52	Do you agree that pass-through revenue and the associated distribution should be transparently disclosed in the regulatory profit statement? If not, please provide a reason for your view, an alternative and why you consider this to be preferable.	Yes. There may be timing issues, but these would not generally be material.
Q.30) page 52	Do you agree that pass-through costs should be separately disclosed? If not please provide a detailed explanation as to why it shouldn't be separately disclosed.	Yes.
Q.31) page 53	Do you agree that insurance expenses should be included in the calculation of Regulatory Profit only where these are paid to an insurance entity? If not please, provide a detailed explanation as to why insurance should or shouldn't be disclosed, including a reference to the materiality of the insurance costs.	Yes, including those situations where the entity is a subsidiary of the firm paying for the insurance.

<p>Q.32) page 53</p>	<p>Do you agree that merger and acquisition expenses should be included in Regulatory Profit? If not, please provide a reason for your view, an alternative and why you consider this to be preferable.</p>	<p>Only if the merger or acquisition relates to a regulated activity.</p>
<p>Q.33) page 54</p>	<p>Do you agree that financing information should not be required due to the difficulty in meaningfully allocating the portion that relates to the regulated business? If not, please provide details on how information on financing can be meaningfully allocated to regulated business units.</p>	<p>Yes.</p>
<p>Q.34) page 54</p>	<p>Are there any additional means for which an assessment of financial viability could be made? If so, in light of the regulatory provisions, please provide details of how the assessment can be made.</p>	<p>Transpower has an independently assessed credit rating – this should be used.</p>
<p>Q.35) page 54</p>	<p>Do you agree that regulated suppliers should use the leverage assumption and cost of financing assumptions outlined in the cost of capital input methodology in preparing the deductible interest and interest tax shield calculation? If not, please provide the reasons for your view, an alternative and why you consider this to be preferable.</p>	<p>Because Transpower will be subject to individual price-quality path regulation, and will have its own particular risk characteristics and capital expenditure profile, its actual leverage and cost of financing should be used. This should be consistent with its individual cost of capital input methodology.</p>
<p>Q.36) page 56</p>	<p>Do you agree that disclosure of related party transactions should at least be consistent with GAAP and also include transactions between business units? If not, please provide the reasons for your view, an alternative and why you consider this to be preferable.</p>	<p>Yes.</p>

Q.37) page 56	Do you agree that transactions with related parties, including transfer pricing information, should be disclosed? If so, please provide details of how this information should be disclosed. If not, please provide the reasons for your view, an alternative and why you consider this to be preferable.	Yes, when such transactions are material.
Q.38) page 57	Do you agree that reconciliation between consolidated statutory reporting and regulatory reporting should be required for the purpose of monitoring compliance? If not, please provide that reasons for your view, an alternative to monitoring compliance and why you consider this to be preferable.	Possibly, although the lines disclosure is subject to external audit, which would ensure compliance.
Q.39) page 57	In your view, what form should the consolidation and reconciliation disclosures take? Please provide the reasons for your view.	This should be left to the regulated entity to determine, as long as the information provided is clear. The disclosures should be limited to assets and profits only. Other information (e.g. working capital) is immaterial.
Q.40) page 60	Do you agree that financial information should be disclosed by way of a Regulatory Profit Statement, Regulatory Asset Statement, Regulatory Tax Calculation, Forecast Statement and Consolidation Statement? If not, please provide the reasons for your view, an alternative and why you consider this to be preferable.	Yes, with the exception of the forecast statement as, in Transpower's case, the Commission will receive this information by other means – currently, by way of the annual Strata review and, in the future, by way of Transpower's multi-year revenue applications.
Chapter 6: Regulatory Asset Base (RAB) Disclosures		
Q.41) page 64	Do you agree that if the initial RAB value is established by updating a base valuation, then supporting disclosure of the methodology and assumptions will be required for transparency? If not, please provide the reasons for your view.	Yes.

Q.42) page 65	Do you agree that disclosures relating to the roll forward of the RAB should be sufficiently transparent so as to show the roll-forward calculation? If not, please provide the reasons for your view, an alternative and why you consider this to be preferable.	The roll forward methodology should be clear and disclosed. However, because the calculations will be subject to audit, separate disclosure of the calculations themselves should be unnecessary.
Q.43) page 66	Do you agree that the distinction between system fixed assets and non-system fixed assets under an indexed or un-indexed historic cost roll forward approach is not required for the on-going purpose of information disclosure? If not, please provide the reasons for your view.	Yes.
Q.44) page 66	Do you agree that if shared asset costs were to be excluded from the RAB this should be done by way of an adjustment to the final RAB value, depreciation and revaluations? If not, please provide a reason for your view, an alternative and why you consider this to be preferable.	The concept is satisfactory. However, an alternative approach using revenue/ profit sharing might achieve the same outcome more cheaply and cost effectively.
Q.45) page 67	Do you agree that the treatment of leases consistent with GAAP is the appropriate approach under information disclosure? If not, please provide a reason for your view, an alternative and why you consider this to be preferable.	Yes.
Q.46) page 67	Do you agree that the level of prescription of information disclosed for assets acquired from or sold to another regulated supplier or business unit should be consistent with the information disclosed in the initial RAB and be sufficiently detailed to provide transparency? If not, please provide a reason for your view, an alternative and why you	Yes, if they are material.

	consider this to be preferable.	
Q.47) page 69	What do you consider to be the implications of the two approaches for recognising the cost of finance during construction, being either application of an FDC allowance, or application of GAAP? Which approach do you prefer, and why?	Transpower prefers application of the GAAP, as this is more clearly defensible in terms of accounting conventions and administratively easier.
Q.48) page 72	Do you agree that RAB information should be disclosed by way of a Regulatory Valuation Roll-Forward Report, Annual Valuation Roll-Forward by Asset Class Report, Asset Transactions with Other Regulated Suppliers Report and Initial RAB Report? If not, please provide a reason for your view, an alternative and why you consider this to be preferable.	No, this approach is not applicable to Transpower's situation and would require unnecessary reports to be produced, which would not be consistent with the cost effectiveness principle. Transpower's reporting should be limited to describing how the RAB was derived and what it is.
Chapter 7: Quality Disclosure and Statistics		
Q.49) page 77	Do you agree that the requisite quality, quality targets and actual quality are appropriate measurements of quality for the purposes of information disclosure? If not, please provide a reason for your view, an alternative and why you consider this to be preferable.	<p>Not necessarily. The Commission needs to be mindful of the fact that Transpower only deals with its directly contracted customers, so is often not able to control the quality of supply experienced by the final consumers of electricity. The quality of supply received by Transpower's direct customers may also, on occasion, be affected by actions taken by the customers themselves.</p> <p>The regulated requirements for individual transmission agreements with transmission customers mean that separate mandatory disclosure of quality targets and performance for individual customers is unnecessary, as service level information is already required to be supplied to customers. For transmission, there is usually only one customer at each point of connection to the grid. Requisite quality is frequently difficult to define. Deterministic security levels are negotiated between Transpower and the customer, and requisite quality is effectively reviewed in "price/quality" discussions. Note that Transpower is already required to satisfy quality targets in the form of the service levels required by individual</p>

		<p>transmission agreements, the interconnection asset index measures specified in Section VI of Part F of the Electricity Governance Rules 2003, the quality threshold contained in the Commerce Act (Transpower Thresholds) Notice 2008, and, at a high level, the targets contained in Transpower's annual Statement of Corporate Intent.</p>
<p>Q.50) page 78</p>	<p>Do you agree that requisite quality should be disclosed by suppliers of regulated services through the AMP so that they can choose the best way to establish and disclose the requisite level of quality? If not, please provide a reason for your view, an alternative and why you consider this to be preferable.</p>	<p>Transpower envisages that quality measures, possibly including a revenue incentive for performance, will be included in the multi-year revenue reset process to be developed as a central element of Transpower's individual price-quality path regulation. Transpower looks forward to working with the Commission to develop appropriate measures for this purpose.</p> <p>The regulated requirements for individual transmission agreements with transmission customers mean that mandatory disclosure of quality targets and performance for individual customers is unnecessary. Requisite quality is difficult to define for transmission services. Transmission is typically 99.99% reliable, or better, over the entire network, but end consumers may have expectations of completely uninterrupted supply from the grid. Quality at individual grid connection points is highly variable and can be difficult to forecast. Actual performance is typically characterised by rare events. Performance at individual grid exit points should be assessed over a period of several years to smooth the effect of such rare events.</p>
<p>Q.51) page 79</p>	<p>Do you agree that the Commission should assess the process by which suppliers engage with their consumers to assess requisite quality, how target quality has been determined based on requisite quality information and how the supplier has performed against target quality? If not, please provide a reason for your view, an alternative and why you consider this to be preferable.</p>	<p>Yes, in principle. As noted in response to question 49 above, the Commission needs to clarify what it means by "consumers". Transpower interacts only with its direct customers, which are often not the final consumers of electricity. Consequently Transpower is often not able to control the quality of supply experienced by final consumers.</p> <p>Also, as noted in response to question 49, the regulated requirements for individual transmission agreements with transmission customers mean that mandatory disclosure of quality targets and performance for individual customers is unnecessary.</p>

<p>Q.52) page 79</p>	<p>Do you agree that suppliers of regulated services should be required to engage with their consumers and disclose how they engage or plan to engage with consumers, what service offers or commitments they make to consumers, how they make decisions about requisite quality standards, what types of contractual or other arrangements, if any, they enter into in relation to quality and how they plan to deliver requisite quality in terms of medium term service delivery? If not, please provide a reason for your view, an alternative and why you consider this to be preferable.</p>	<p>Yes, in principle, with the qualification noted in response to question 51 above that the Commission needs to clarify what it means by “consumers”, as Transpower interacts only with its direct customers, which are often not the final consumers of electricity.</p>
<p>Q.53) page 80</p>	<p>Do you agree that quality information should be audited? If not, please provide a reason for your view, an alternative and why you consider this to be preferable.</p>	<p>In some cases auditing rigour would not be practicable.</p> <p>At present, some quality information, i.e. supply interruption information required by Part 6 of the Information Disclosure Regulations, is audited for the purposes of Transpower’s Threshold Compliance Statement. This is reasonably manageable, because there are approximately 450 records of data per annum and, of these, approximately 100 – 120 form part of the reported measures. However, Transpower is concerned that the auditing of quality information could be broadened to include availability measures. Availability measures are formed from outage data (planned and unplanned). Transpower records approximately 10,000 – 12,000 + outage records per annum. Depending on the availability measures that might be proposed, 25 – 50 per cent of these might form part of the required measure. While reasonable efforts are made to ensure the fitness for purpose of these records, it would be unmanageable to have the outage records scrutinised at the level currently applied to the interruptions data.</p> <p>For quality information it would be more workable to review the processes that collect the quality information rather than to audit the data in detail.</p>

Q.54) page 84	Do you agree that the aspects of quality most relevant to suppliers of regulated services should include reliability, supply quality-other and customer service? If not, please provide a reason for your view, an alternative and why you consider this to be preferable.	Yes, in principle. Transpower is comfortable with the current measures. For supply quality-other, the suggested measure is voltage. Voltage is a time dependent quantity, so the suitability of this as a measure depends on the application. Perhaps the number of voltage (and frequency excursions) would be a useful measure. The Commission should note that the move towards voltage management reporting will impose significant costs on the industry and should be assessed by applying the Commission's cost effectiveness principle. The amount of data involved means that auditing voltage information is unlikely to be practicable or cost effective.
Q.55) page 86	Do you agree that statistics information should include asset information, demand and capacity information? If not, please provide a reason for your view, an alternative and why you consider this to be preferable.	These proposed measures should be assessed against the "usefulness" principle suggested by Transpower. The pricing statistics would probably not be particularly useful in practice. First, the way in which Transpower sets its prices is regulated by the Electricity Governance Rules and Transpower is not legally permitted to price in a different way. The way in which transmission charges are passed on to different consumer classes and customer groups is entirely outside Transpower's control. The capacity and demand measures need to be caveated by the observations made above in response to question 16.
Chapter 8: Asset Management Plans		
Q.56) page 91	Do you agree that suppliers of regulated services should apply a recognised AMP standard? If so, what is the appropriate standard that should be applied? Please provide the reasons why you consider it to be preferable?	Yes, in principle. PAS 55 may be a useful tool to employ. Transpower anticipates exploring this option further with the Commission as its individual price-quality path regulation is developed.
Q.57) page 92	Do you agree that AMPs should cover at least a ten-year forecast period? If not, please provide a reason for your view, an alternative and why you consider this to be preferable.	Yes, provided that detailed forecasts are only required for the first five years of the planning period.

Q.58) page 92	Do you agree that the AMPs should be certified by Directors that they are compliant with the requirements and that the AMP describes actual process and practices implemented by the business? If not, please provide a reason for your view, an alternative and why you consider this to be preferable.	No comment – not applicable to Transpower.
Q.59) page 94	Do you agree that the Commission should review investment and innovation, quality and energy efficiency, demand side management and loss reductions as part of the AMP review process for Electricity Distribution Lines Businesses? If not, please provide a reason for your view, an alternative and why you consider this to be preferable.	No comment – not applicable to Transpower.
Q.60) page 96	Do you agree that an AMP should include details of the background and overall approach to, and objectives of, a regulated supplier's asset management and planning processes? If not, please provide reasons for your view.	Yes.
Q.61) page 96	Do you agree that an AMP should include details of the assets covered by the plan? If not, please provide reasons for your view.	Yes.
Q.62) page 98	Do you agree that an AMP should include details of the regulated supplier's plans for asset growth and their methods for reaching asset - related growth decisions? If not, please provide reasons for your view.	Transpower anticipates that information of this sort will be included as part of its multi-year revenue applications, once its individual price-quality path regulation is in place.
Q.63) page 99	Do you agree that an AMP should include details of the regulated supplier's plans for maintenance and renewal of assets over the planning period? If not, please provide reasons for your view.	Only if this information is presented at a system or fleet level, rather than at the level of an individual asset or location (other than for circumstances where high value renewal projects have been optimised and integrated with wider network developments). Mandatory publication of detailed maintenance and renewal plans for all

		assets would create a large compliance burden of questionable value.
Q.64) page 99	Do you agree that an AMP should include details of risk policies, assessment, analysis and mitigation methods, and details of emergency response and contingency plans? If not, please provide the reasons for your view.	Only if this information is presented at a system level, rather than at the level of an individual asset or location. Mandatory publication of detailed emergency response plans would create a large compliance burden of questionable value. For transmission, there is a potential national security risk attached to publishing documents that highlight particularly vulnerable areas of the national grid. Transpower anticipates discussing issues of this sort with the Commission in detail as its individual price-quality path regulatory framework is developed.
Q.65) page 101	Do you agree that an AMP should include a regulated supplier's assessment of its performance against its own financial and service level targets as they relate to asset management planning? If not, please provide the reasons for your view.	Yes.
Chapter 9: Pricing and Other Disclosure Provisions		
Q.66) page 107	Do you agree that all regulated suppliers should disclose and publish their pricing methodologies? Please provide the reasons for your view.	The pricing methodologies should be disclosed and published. However, Transpower's pricing methodology is contained in Schedule F5 to Section IV of Part F of the Electricity Governance Rules 2003, and the rules are published on the Electricity Commission's website. It would seem to add unnecessary compliance costs to require Transpower to duplicate this action.
Q.67) page 107	Do you agree that regulated suppliers should disclose prices? If not, please provide the reasons for your view.	Yes.
Q.68) page 108	Do you agree that regulated suppliers should be required to disclose the terms and conditions of supply and that the scope of disclosures should be limited to terms and conditions for the supply of regulated services? If not, please provide the reasons for your view.	Transpower's terms and conditions of supply are essentially specified by the Benchmark Agreement contained in Schedule F2 to Section II of Part F of the Electricity Governance Rules 2003. However, Transpower agrees that it should disclose the customer-specific schedules to the individual transmission agreements (as it currently does). Any individual transmission agreements that are variations to the Benchmark Agreement are required to be sent to the

		Electricity Commission and published by the Electricity Commission (see rule 3.2.2 of Section II of Part F of the Electricity Governance Rules). Any possible requirement to duplicate the publication of these agreements would seem to add unnecessary compliance costs.
Q.69) page 109	Do you agree that that disclosure of policies will assist in achieving the stated purposes? If not, why not, and what information do you suggest would provide meaningful information?	No, this proposal would be unnecessarily intrusive and not assist interested persons to assess whether or not the purpose of Part 4 of the Commerce Act is being achieved. For example, it is not clear how a firm's delegated authority policy would relate to its incentives to innovate and invest, incentives to improve efficiency and provide services at a quality that reflects consumer demands, share with consumers the benefits of efficiency gains or limit a firm's ability to extract excessive profits. If the policies were to be disclosed, the rationales supporting each policy would also have to be provided to enable interested persons who may have only a limited understanding of, for example, the electricity transmission business, to appreciate the reasons for adopting a particular policy rather than other possible policies. This would create significant compliance costs for little benefit with respect to achieving the purpose of Part 4. The Commission could invoke section 98 of the Commerce Act if it found it needed this information at any time and the information could also be made available on request to anyone who might be interested in it.
Chapter 10: Publication, Retention, Certification, Statutory Declaration & Audit		
Q.70) page 114	Do you agree that publicly disclose should require a notice in the Gazette of that disclosure? If not, please provide the reasons for your view, an alternative and why you consider this to be preferable.	Transpower does not agree that a Gazette notice should be required – at least in relation to any requirement to disclose modifications to the terms of supply. Modifications often take place as a result of investments, and are required to be disclosed within a month of the effective date of the modification. Notification in the Gazette would increase administrative work load and compliance costs, without any obvious benefit.
Q.71) page 114	Do you agree that the Annual, AMP and pricing methodology disclosures should be publicly disclosed? If not, please provide the reasons for your view, an alternative and why you consider this to be preferable.	Yes, but, with respect to the AMP and the transmission pricing methodology, separate additional disclosure and publication would seem to be unnecessary. The AMP as part of the Grid Upgrade Plan which is a requirement of Section III of Part F of the Electricity Governance Rules is already published on the Electricity Commission's and Transpower's websites.

		Similarly, the transmission pricing methodology is already published as Schedule F5 to Section IV of Part F of the Electricity Governance Rules 2003.
Q.72) page 114	Do you agree that prices disclosures should also be notified to each consumer by whom the charge is payable? If not, please provide the reasons for your view.	It is not clear what this is intended to mean. Transpower discloses the prices payable by each customer to the customer concerned so they know what to pay.
Q.73) page 114	Do you agree that templates should be used where appropriate and that disclosures should be made available to the Commission in Excel format with relevant formulae in place? If not, please provide the reasons for your view.	No comment – this appears to be relevant to EDBs only and not Transpower.
Q.74) page 115	Do you agree with the proposed timing for disclosures? If not, please provide the reasons for your view.	Although not specified here, the timing for modifications to terms and conditions is within one month of the effective date of the modification. Transpower considers this tight timeframe to be unnecessary and unduly onerous. Modifications to the terms and conditions take place as a result of new investments, and the affected customer is well aware of the modifications that will take place, in the sense of changes to charges/points of connection, etc. Further, there is a specific provision in the Electricity Governance Rules 2003 which regulates the modification process in relation to investments – rule 3.1.5 of Section II of Part F.
Q.75) page 115	Do you agree with the proposed regulatory year end dates? If not, please provide the reasons for your view.	Yes.
Q.76) page 116	Do you agree that regulated suppliers should continue to disclose information and retain disclosed information and information supporting the disclosed information for a period of at least seven years? If not, please provide the reasons for your view, an alternative and why you consider this to be preferable.	Yes.

<p>Q.77) page 117</p>	<p>Do you agree that Director certification should be required for the Annual, AMP and pricing methodology disclosures to certify that the information being disclosed complies with the relevant requirements? If not, please provide the reasons for your view.</p>	<p>This would depend on the precise wording of the directors' certificate. For example, it is reasonable to require that directors certify that prices have been calculated in accordance with the pricing methodology, but directors may not have sufficient detailed knowledge to be able to certify that a robust process has been followed.</p>
<p>Q.78) page 119</p>	<p>Do you agree that audit reports should be required for Annual Disclosures? If not, please provide the reasons for your view, an alternative to obtaining independent assurance and why you consider this to be preferable.</p>	<p>Yes. Any concerns would relate to the reasonableness and cost effectiveness of the required audit processes. For example, Section 2 of Part 4 of the Information Disclosure Regulations requires information on transmission circuits and transformer capacities. This information is manually compiled from Maintenance Management System data and recent commissioning data, because there is not a single source that supplies all the data required for the disclosure in the form or categorised as required for the disclosure. Significant effort is made to ensure that the disclosed data are fair, reasonable, and consistent, but the process might be viewed as less than robust. Auditing this data would require a lot of extra work but would not significantly improve the quality of the result.</p>
<p>Q.79) page 119</p>	<p>Do you agree that audit reports should not be required for AMP, pricing methodology, prices or contract disclosures? If not, please provide the reasons for your view.</p>	<p>Yes.</p>
<p>Q.80) page 119</p>	<p>Do you agree that the form of audit reports should be flexible enough to allow for any changes in the New Zealand Auditing Standards without requiring an amendment to the requirements? If not, please provide the reasons for your view, an alternative and why you consider this to be preferable.</p>	<p>Yes.</p>
<p>Q.81) page 119</p>	<p>Do you agree that audit reports should include a statement as to whether the disclosures comply with the requirements and include</p>	<p>Yes.</p>

	<p>explanations of any material non-compliance? If not, please provide the reasons for your view, an alternative and why you consider this to be preferable.</p>	
<p>Q.82) page 120</p>	<p>Do you consider it appropriate for there to be different assurance requirements for different types of information and what do you think they should be? Please provide the reasons for your view.</p>	<p>Yes. In some instances a rigorous audit would not be cost effective or help to improve the quality of the information provided. (See the response to question 78 above.)</p> <p>The appropriate audit assurance requirements for different types of information should be assessed on a case by case basis.</p>
<p>Q.83) page 120</p>	<p>Do you agree that audit reports should be addressed to interested persons and contain a statement that acknowledges the auditor's duty of care to the Commission? If not, please provide the reasons for your view, an alternative and why you consider this to be preferable.</p>	<p>In practice, we suspect that auditors will either not agree to this, or will adjust their fees upwards accordingly.</p>
<p>Q.84) page 120</p>	<p>What do you consider to be an appropriate level of independence for auditors? Please provide the reasons for your view.</p>	<p>This is a matter that should be governed solely by the New Zealand Institute of Chartered Accountants. There could be significant cost implications for regulated suppliers if the Commission were to interpose additional requirements for auditors which would widen the duty of care and liability to other parties.</p>
<p>Q.85) page 120</p>	<p>Do you agree a statutory declaration should be attached to all information made available to the Commission under any disclosure requirement? If not, please provide the reasons for your view.</p>	<p>Transpower agrees that a statutory declaration should be attached to all information made available to the Commission under a disclosure requirement, but considers that a director's statutory declaration should not be required for contract disclosure (if this is retained) and modifications disclosure. To date, statutory declarations for these purposes have been made by the relevant General Manager, and Transpower considers this to be more appropriate, as that position has a more in-depth knowledge of the contract area. Obtaining directorial declarations for modifications of this sort can also be administratively difficult.</p>

Chapter 12: Transpower		
Q.104) page 146	Are there any additional characteristics of Transpower that would affect how the information disclosure regime for Transpower should be applied? If so, please give examples of how components of the information disclosure regime should be customised in light of the characteristics identified.	<p>As noted in the report, the system operator function is an integral part of Transpower's business. However, Transpower considers that the proposed information disclosure framework, and the objectives of Part 4 of the Act, do not sit naturally with the unique nature of the system operator's activities and funding arrangements. Therefore, for the purposes of any information disclosure to the Commission, the principle of ring-fencing the system operator from the remainder of the information supplied by Transpower should be retained.</p> <p>Various aspects of the current and proposed requirements do not satisfy the "relevance to the purpose of Part 4 of the Act" or "cost-effectiveness" principles. (See responses to other questions.)</p> <p>The transmission pricing methodology is defined and published by the Electricity Commission as Schedule F5 to Section IV of Part F of the Electricity Governance Rules 2003 – separate disclosure and publication is unnecessary and would simply add to compliance costs.</p> <p>Transpower envisages that an expanded form of asset management plan (AMP) will comprise an integral part of multi-year revenue setting under individual price-quality path regulation. Hence, the general provisions relating to AMPs should not apply to Transpower. The specific requirements to be applied to Transpower should be developed as part of Transpower's individual price-quality path regulation.</p> <p>With respect to paragraph 620 of the consultation paper, new investment contracts do not "involve the conveyance of electricity by line" – they are contracts for the construction and financing of assets. Any conveyance of electricity obligations resulting from the construction of the assets are covered under individual transmission agreements. Rule 8 of Section III of Part F of the Electricity Governance Rules also requires that Transpower notify the Electricity Commission of proposed investment contracts and seek its approval where a proposed investment contract decreases reliability below the grid reliability standards.</p>

Q.105) page 147	Do you agree that the performance indicators outlined in Table 18 are sufficient for the purpose of information disclosure under Part 4 for Transpower? If not, please provide detailed examples of what performance indicators in your view would better serve the purpose of information disclosure for Transpower.	Many of the proposed indicators are not particularly useful or meaningful. See Transpower's comments in response to the questions in chapter 3.
Q.106) page 147	What, if any, do you consider to be the appropriate performance indicator to demonstrate relevant performance efficiencies in supplying HVDC and HVAC, and South Island and North Island customers? Please provide the reasons for your view.	Transpower is unclear what the Commission is driving at. The loss factor is currently reported. If required, this could be broken down by HVDC, HVAC North, HVAC South. However, the annual loss factor is a function of load patterns for the year – high South Island inflows and/or reduced South Island load results in more transfers from the south of the South Island to the North Island and losses are consequently higher. Low South Island inflows result in much more thermal generation in the North Island close to load centres and this reduced losses, but these variations are not measures of performance efficiency <i>per se</i> . Unplanned outages and system minutes lost are already reported in detail.
Q.107) page 148	Do you agree that Transpower should be required to disclose movements in the EV account and that Regulatory Profit should be adjusted for surplus or shortfall transfers from the EV account? If not, please provide reasons for your view, an alternative and why you consider this to be preferable.	Transpower agrees that movements in the EV accounts should be disclosed, along with the accompanying notes, as they currently are via Transpower's Statement of Compliance with the Commerce Act (Transpower Thresholds) Notice. However, if the EV statements are disclosed, there is no need for regulatory profits to be disclosed, as the EV statements and accompanying notes provide all the information needed to understand economic gains and losses.
Q.108) page 148	In your view, what operating expenditure categories should be disclosed by Transpower? Please provide the reasons for your view in light of the operational expenditure ratios identified above.	Transpower agrees that the operating expenditure for transmission could be broken down into similar categories to those contained in its annual report. Transpower believes that there should only be separate AC and HVDC categories if these asset classes are separately priced. Transpower looks forward to further consultation with the Commission and the Electricity Commission on this matter.

Q.109) page 148	In your view, what capital expenditure categories should be disclosed for Transpower? Please provide the reasons for your view in light of the capital expenditure ratios identified above.	Transpower agrees that appropriate capital expenditure categories should be established for tracking purposes, based on consultation with Transpower, and that actual expenditure should be tracked against forecasts. However, it is important that these categories be defined at a sufficiently high level to be practically useful and comparable over time, and that they are aligned with any categories of capital expenditure used to assess Transpower's revenue building blocks under the regulatory framework established in accordance with Part 4 of the Commerce Act.
Q.110) page 149	Do you agree that disclosure of capital expenditure for Transpower should specify which regulatory body, if any, provided approval? If not, please provide the reasons for your view.	Yes, provided the expenditure is reported on an "as spent" basis rather than an "as commissioned" (i.e. additions to the regulated asset base) basis, and the reporting is at a sufficiently aggregated level to be meaningful. The transition to multi-year revenue approvals under individual price-quality path regulation should eventually render this question irrelevant.
Q.111) page 149	Are there any additional asset categories that would assist in meeting the purpose of information disclosure for Transpower? If so, please provide details of how the proposed asset categories would assist the purpose of information disclosure.	No.
Q.112) page 150	In your view, what statistical information should be disclosed for Transpower? Please provide the reasons for your view.	<p>The existing categories are adequate. Injection and offtake by island could be a useful breakdown, and, together with HVDC transfers north and south, could provide useful information on shifts in patterns.</p> <p>Substantial information is expected to be provided as part of Transpower's multi-year revenue applications. Transpower anticipates further discussions with the Commission to identify what information would be most useful and cost-effective.</p>
Q.113) page 150	Do you agree that capacity utilisation for Transpower should be measured on the basis of the non-coincident peak demand at both the grid injection point and the grid exit point for the South Island, North Island and the HVDC link? If not, please provide the	This is a measure that could be used, but it needs to be heavily caveated. Anytime maximum demand is a useful measure of capacity utilisation and the need for new investment at or close to grid exit points. However, further into the grid, regional coincident peak demand measures give a better indication of capacity use and the possible need for investment. At or close to grid injection points,

	reasons for your view, an alternative and why you consider this to be preferable.	<p>peak grid injection will usually be a better indicator. Any capacity measures would also need to be interpreted in the knowledge that the “core grid”, as defined by the rules, is required by the rules to be built to an n-1 level of security, while outside the core grid an economic standard applies.</p> <p>Capacity utilisation is currently maximum injection divided by supply transformer capacity (for retail and direct supply). This is a relatively meaningless measure for transmission because significant proportions of the injected load (maximum or otherwise) do not pass through a supply transformer (supply at transmission voltages and HVAC and HVDC losses). Further, it takes no account of the transformer security levels, i.e. it makes no distinction between “n” and “n-1” security level designs, where individual capacity utilisation factors will vary widely. A better figure might be the average of the capacity utilisation calculated at each transforming supply point.</p>
Q.114) page 151	In your view, are there other Transpower specific quality performance indicators that should be considered? If so, please provide the reasons for your view.	<p>No, not at this time. Transpower envisages further interaction with the Commission on the subject of appropriate aggregate performance measures.</p> <p>The current definitions for unplanned interruption response are inappropriate as Transpower does not have agreements with customers on response times. Uneconomic generation (Part 6, sections 5, 6 and 7 of the Information Disclosure Regulations) is not relevant in the market environment, because scheduling is now based on offered price, not economic cost. In the market, “offers to generate” are made after taking constraints into account and it is not possible to predict what a generator would have offered if the constraint were not present.</p>
Q.115) page 151	In your view, what should the summarised performance indicators of quality for Transpower be? Please provide details of your view, including how they are aligned to the purpose of information disclosure and how they will be calculated.	Internationally, assessing quality performance by transmission service providers has proved to be difficult. This issue needs to be considered in detail as part of the development of a multi-year revenue setting process for individual price-quality path regulation.

Q.116) page 152	Do you agree that there should be separate disclosure of transmission services, system operator services and new investment contracts financial information? If not, please provide reasons for your view, an alternative and why you consider this to be preferable.	<p>There should not be separate disclosure of financial information relating to new investment contracts (NICs). NICs are for the provision of assets, not for the conveyance of electricity. Any conveyance of electricity obligations resulting from the construction of the assets are covered under individual transmission agreements. Rule 8 of Section III of Part F also requires that Transpower notify the Electricity Commission of proposed investment contracts and seek its approval where a proposed investment contract decreases reliability below the grid reliability standards. Duplication of this requirement would simply add to compliance costs and not assist the achievement of the Act's objectives.</p> <p>With regard to system operator services, while the Commission should note the caveat in the response to question 104 above, as well as Transpower's desire not to duplicate compliance costs, Transpower would be willing to provide separate disclosure of information relating to system operator services, where this was considered appropriate in order to promote transparency, subject to any limitations such as confidentiality obligations owed in respect of information held by it on behalf of asset owners.</p>
Q.117) page 152	Do you agree that there should be separate disclosure of the HVDC and HVAC quality and statistics information? If not, please provide reasons for your view.	No, for reasons of materiality and cost-effectiveness. The impact of the HVDC on end consumers in terms of the Commission's minimum disclosure requirements is infrequent. There has been only one HVDC incident in last five years that has influenced the measures.
Q.118) page 152	Do you agree that Transpower should be excluded from specific pricing methodology and AMP disclosure requirements under the Part 4 other than to disclose that which is already disclosed to the Electricity Commission? If not, please provide the reasons for your view, an alternative and why you consider this to be preferable.	Yes. It should be noted, however, that as discussed in paragraphs 679 and 680, the Commission would only require a copy of the disclosures made to the Electricity Commission. It is Transpower's understanding that it would not be required to undertake separate additional disclosure and publication.

Q.119) page 156	Do you agree that the above mentioned disclosures from the Electricity Information Disclosure Requirements 2004 are not required for the purposes of information disclosure for Transpower under Part 4? If not, please explain how they would assist with the purpose of information disclosure.	Yes.
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