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Transpower Capital Expenditure Input Methodology (treatment of insurance entitlements) Amendment Determination 2024

[2024] NZCC 40

The Commission: Vhari McWha
Bryan Chapple
Dr Derek Johnston
Nathan Strong

Date of decision: 11 December 2024

[redacted]

Dr Derek Johnston, Commissioner
Dated at Wellington this 11th of December 2024
COMMERCE COMMISSION
Wellington, New Zealand

Determination history		
Determination date	**Decision number**	**Determination name**
31 January 2012	[2012] NZCC 2	Transpower Capital Expenditure Input Methodology Determination ('principal determination')
2 February 2012	n/a	Error correction: repaired reference links in clause D1 (2)(b)
28 August 2014	[2014] NZCC 22	Transpower Input Methodologies Amendments Determination 2014
27 November 2014	[2014] NZCC 34	Transpower Input Methodologies Amendments Determination 2014 (No. 2)
5 February 2015	[2015] NZCC 3	Transpower Input Methodologies Amendment Determination 2015
25 May 2018	[2018] NZCC 8	Transpower Capital Expenditure Input Methodology Amendments Determination 2018
28 August 2019	[2019] NZCC 11	Transpower Capital Expenditure Input Methodology Amendments Determination 2019
13 November 2019	[2019] NZCC 17	Transpower Capital Expenditure Input Methodology Amendments Determination (No. 2) 2019
13 December 2023	[2023] NZCC 39	Transpower Capital Expenditure Input Methodology (IM Review) Amendment Determination 2023
11 December 2024	[2024] NZCC 40	Transpower Capital Expenditure Input Methodology (treatment of insurance entitlements) Amendment Determination 2024

* A complete history of determinations relevant to the input methodologies applicable to Transpower is available on the Commission's website.

[Drafting notes:

- This determination amends the Transpower Capital Expenditure Input Methodology Determination, as previously amended, (‘principal determination’).

- The included amendments which are secondary legislation are made under the Legislation Act 2019 and Part 4 of the Commerce Act 1986.]

Under Part 4 of the Commerce Act 1986, the Commerce Commission makes the following determination:

1. TITLE

1.1 This determination is the Transpower Capital Expenditure Input Methodology (treatment of insurance entitlements) Amendment Determination 2024.

2. DETERMINATION AMENDED

2.1 This determination amends the **principal determination**.

3. INTERPRETATION

3.1 In this determination, the words or phrases in bold type bear the following meanings:

3.1.1 **Act** means the Commerce Act 1986;

3.1.2 **Commission** has the same meaning as in s 2 of the **Act**;

3.1.3 **disclosure year** has the same meaning as in the **principal determination**;

3.1.4 **IM Review amendment determination** means the Transpower Capital Expenditure Input Methodology (IM Review) Amendment Determination 2023 [2023] NZCC 39;

3.1.5 **IPP** has the same meaning as in the **principal determination**;

3.1.6 **major capex proposal** has the same meaning as in the **principal determination**;

3.1.7 **principal determination** means the Transpower Capital Expenditure Input Methodology Determination [2012] NZCC 2;

3.1.8 **RCP3 IPP determination** means the Transpower Individual Price-Quality Path Determination 2020 [2019] NZCC 19; and

3.1.9 **RCP4 IPP determination** means the Transpower Individual Price-Quality Path Determination 2025 [2024] NZCC 26.

4. COMMENCEMENT AND APPLICATION

4.1 This determination comes into force on 12 December 2024, being the day after the day on which notice of the determination is given in the New Zealand Gazette under the Legislation Act 2019 in accordance with s 52W of the **Act**.

4.2 However:

4.2.1 the amendments to the **principal determination** in Attachment A:

(a) apply, for the purposes of information disclosure regulation, from the commencement of **disclosure year** 2026;

(b) do not apply, for the purposes of information disclosure regulation, for **disclosure year** 2025;

(c) apply for the **RCP4 IPP determination**; and

(d) apply for any **major capex proposal** notified on or after 1 April 2025; and

4.2.2 the amendments to the **principal determination** in Attachment B:

(a) apply, for the purposes of information disclosure regulation, for **disclosure year** 2025, including any disclosures related to that year;

(b) apply for the **RCP3 IPP determination**; and

(c) apply for any **major capex proposal** notified before 1 April 2025.

4.3 Clause 4.4 applies to a provision of the **principal determination** that is amended by the **IM Review amendment determination** and by this determination.

4.4 If the amendments to the provision are expressed, in the **IM review amendment determination** and in this determination, to apply from the same date, the amendments set out in this determination apply immediately after the amendments set out in the **IM review amendment determination** apply.

4.5 The amendments to the **principal determination** in Attachment B do not apply for **disclosure year** 2026 and subsequent **disclosure years**.

4.6 The amendments to the **principal determination** in Attachment B do not apply for the **RCP4 IPP determination**.

4.7 The amendments to the **principal determination** in Attachment B do not apply for any **major capex proposal** notified on or after 1 April 2025.

5. PRINCIPAL DETERMINATION AMENDMENTS

5.1 In clause 1.1.4(2) of the **principal determination**, insert in its appropriate alphabetical order:

“**retained entitlement**	has the same meaning as defined in the Transpower Input Methodologies Determination 2010;”

5.2 The **principal determination** is amended in accordance with the deletions, replacements, and insertions that are tracked as changes in the excerpts of the **principal determination** that are set out in Attachments A and B.

ATTACHMENT A – SCHEDULE B OF THE PRINCIPAL DETERMINATION

B1 **Calculation of base capex expenditure adjustment**

(1) The **base capex expenditure adjustment** is the sum of **the standard incentive rate base capex expenditure adjustment** and the **low incentive rate base capex expenditure adjustment**, less the product of the **base capex standard incentive rate** multiplied by (any **insurance entitlements** forecast to be applied to reduce the value of a **commissioned** asset under clause 2.2.10(1)(j) of the Transpower Input Methodologies Determination 2010 in respect of the **base capex**).

[…]

B3 **Calculation of major capex expenditure and output adjustment**

(1) The amount of the **major capex expenditure and output adjustment** is calculated in accordance with this clause.

(2) The amount of the adjustment for the **project** is zero if the amount of **capex** for the **project** is:

(a) less than or equal to the **project's P70**; and

(b) equal to or more than the **project's P30**.

(3) In any other case, and subject to subclause (4), the amount of the adjustment for the **project** is calculated in accordance with the following formula:

$a(b - t - c) - i$

Term	Description	Specification
a	**major capex incentive rate** for the **approved major capex project**	in accordance with clause 3.3.5(7)
b	**adjusted major capex allowance** for the **approved major capex project**	$d + e + f$
c	amount of **capital expenditure** for the **approved major capex projects** less **exempt major capex**	**major capex** information required by an **ID determination** or a **s 53ZD notice**
d	**major capex allowance** for the **approved major capex project** less **exempt major capex**	in accordance with clause 3.3.5(7)

e	adjustment correcting for disparity between **forecast CPI** that applied when the **major capex allowance** for the **approved major capex project** was determined and actual **CPI** in respect of *d*	**major capex** information required by an **ID determination** or a **s 53ZD notice**
f	adjustment correcting for disparity between **forecast FX rates** that applied when the **major capex allowance** for the **approved major capex project** was determined and **actual FX rates** for each relevant currency in respect of ***d***	**major capex** information required by an **ID determination** or a **s 53ZD notice**
i	the product of the **major capex incentive rate** for the **approved major capex project** multiplied by (any **insurance entitlements** forecast to be applied to reduce the value of a **commissioned** asset under clause 2.2.10(1)(j) of the Transpower Input Methodologies Determination 2010 in respect of the **approved major capex project**)	**major capex** information required by an **ID determination** or a **s 53ZD notice**
t	estimated part of the **major capex allowance** for the approved **major capex project** that relates to the **approved major capex project outputs** not delivered	**major capex** annual information required by an **ID determination** or a **s 53ZD notice**

[…]

ATTACHMENT B – SCHEDULE B OF THE PRINCIPAL DETERMINATION

B1 **Calculation of base capex expenditure adjustment**

(1) The **base capex expenditure adjustment** is the sum of **the standard incentive rate base capex expenditure adjustment** and the **low incentive rate base capex expenditure adjustment**, less the product of the **base capex standard incentive rate** multiplied by (any **insurance entitlements** forecast to be applied to reduce the value of a **commissioned** asset under clause 2.2.7(1)(i) of the Transpower Input Methodologies Determination 2010 in respect of the **base capex**).

[…]

B3 **Calculation of major capex expenditure and output adjustment**

(1) Subject to subclause (2), the quantum of the **major capex expenditure and output adjustment** is calculated in accordance with the following formula for each **approved major capex project**:

$a(b - t - c) - i$

Term	Description	Specification
a	**major capex incentive rate** for the **approved major capex project**	in accordance with clause 3.3.5(7)
b	**adjusted major capex allowance** for the **approved major capex project**	$d + e + f$
c	amount of **capital expenditure** for the **approved major capex projects** less **exempt major capex**	**major capex** information required by an **ID determination** or a **s 53ZD notice**
d	**major capex allowance** for the **approved major capex project** less **exempt major capex**	in accordance with clause 3.3.5(7)
e	adjustment correcting for disparity between **forecast CPI** that applied when the **major capex allowance** for the **approved major capex project** was determined	**major capex** information required by an **ID determination** or a **s 53ZD notice**

	and actual **CPI** in respect of *d*	
f	adjustment correcting for disparity between **forecast FX rates** that applied when the **major capex allowance** for the **approved major capex project** was determined and **actual FX rates** for each relevant currency in respect of ***d***	**major capex** information required by an **ID determination** or a **s 53ZD notice**
i	the product of the **major capex incentive rate** for the **approved major capex project** multiplied by (any **insurance entitlements** forecast to be applied to reduce the value of a **commissioned** asset under clause 2.2.7(1)(i) of the Transpower Input Methodologies Determination 2010 in respect of the **approved major capex project**)	**major capex** information required by an **ID determination** or a **s 53ZD notice**
t	estimated part of the **major capex allowance** for the approved **major capex project** that relates to the **approved major capex project outputs** not delivered	**major capex** annual information required by an **ID determination** or a **s 53ZD notice**

[…]