Passing on Transpower Settlement Residue Payments Methodology Policy

Finance

The pass-through of Transpower Settlement Residual Payments [SRP] is subject to regulation under 12A.3 of the Electricity Industry Participation Code 2010 and is not regulated under Part 4 of the Commerce Act 1986 (Part 4)

The requirement is to allocate the SRP to customers in proportion to the transmission charges paid by those customers in respect of each connection location. [Clause 12A.3(1)] This applies to trading periods on and after 1 April 2023 and replaces the previous allocation method, often referred to as Losses and Constraints excess.

Distributors must allocate these SRP monthly to customers that pay line charges directly to the distributor, including but not limited to retailers, direct billed load customers and direct generation customers. Distributors must also annually publish the breakdown of these SRP per connection location and customer type.

The Network's methodology for passing on the Transpower SRP in full each month is outlined below:

The SRP received by the Network for a given location will be allocated to direct paying customers in proportion to their monthly contribution to the total transmission charge received from all customers at that connection location

A customer's transmission charges at a connection location are calculated by multiplying the transmission prices published on the Network's regulated price schedule by the equivalent billing quantities used by that customer at the connection location for that month.

The SRP received from Transpower is usually in reference to the prior month and the billing quantities are determined from the initial billing of that month and subsequent washup quantities will not be used unless there is a gross error.

If an SRP at connection location y of $100,000 is received, then $100,000 will be allocated and credited that month to direct customers in proportion to transmission charges they paid for that month.

The formula below summarises the methodology:

Monthly settlement residue payment$_{x,y}$ =

Monthly settlement residue$_y$ x $\left(\dfrac{Monthly\ transmission\ charge\ paid_{x,y}}{\sum_x Monthly\ transmission\ charge\ paid_y} \right)$

Where:

x = customer

y = connection location

Monthly settlement residue$_y$ = Monthly SRP from Transpower to Network for connection location y

Monthly transmission charge paid$_{x,y}$ = Transmission charge paid by customer x to Network at connection location y

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