Northpower

Transmission Settlement Residual Pass-through Methodology

JUNE 2023

Introduction

Under clause 12A.3 of the Electricity Industry Participation Code 2010, Distributors are required to allocate and pay any settlement residue received from Transpower to its customers that pay lines charges. In line with the guidance issued by the Electricity Authority, Northpower allocates the settlement residue rebates in proportion to the transmission charges paid by its customers.

Methodology

Northpower's methodology to calculate the allocation is set out below:

- Northpower's monthly lines charge billing is recalculated, using the transmission pass-through prices from our Pricing Schedule, rather than the total prices from our schedule (i.e. excluding the lines charge component).

- The transmission pass-through revenues calculated above are then summarised by customer (eg. retailers and direct billed customers).

- The settlement residual payment received from Transpower in relation to that month is then apportioned to each customer based on their percentage of the overall transmission pass-through revenues for that month.

- A credit note is issued to each customer for its share of the settlement residual payment.

- This process is based on retailer R0 files as submitted by retailers and amended by Northpower, and will not be washed up for subsequent R3, R7, and R14 files submitted by retailers.

For example, April settlement residual rebates will be calculated by Transpower in May and paid to Northpower in June. In June, Northpower will calculate the total transmission revenues billed in May (relating to April) and apply the above methodology. The process will be based on R0 files as submitted by retailers for April in May, including amendments by Northpower, and will not be washed up.

Connection Location

The EA guidance requires distributors to allocate settlement residual rebates in proportion to transmission charges paid by customer in respect of each connection location. They note that this is less granular than allocation in respect of each grid exit point. Our pricing is based on one connection location and therefore we are compliant with this requirement.