Transmission pass through methodology

Effective: 1 April 2019

1.1 Overall Principles

This document describes the methodology Wellington Electricity uses to allocate Transmission Costs to the Customer. The method by which Transmission Costs are incurred by Wellington Electricity is determined largely by parties other than Wellington Electricity. Wellington Electricity may change its allocation methodology from time to time to account for changes in Transmission Costs or the methodology used to determine Transmission Costs. When making changes to the allocation methodology Wellington Electricity will attempt to align the allocation methodology with the way costs are incurred as far as is reasonable considering the practicalities of allocating these to multiple parties.

Transmission pass through is used so that large customers are allocated costs on a basis that reflects their individual circumstances and usage, rather than bundling the transmission charges into line charges as for mass market type customers.

1.2 Definitions

Capacity Measurement Period means, for a particular Pricing Year, the 12 month period from September 1 to August 31 immediately prior to the start of the Pricing Year.

Customer means a party with which Wellington Electricity has a connection contract allocating Transmission Costs on a transmission pass through basis.

Customer Demand means the average of the Customer's metered demands, adjusted for losses, (measured in kW) that occur at the same time as the Regional Demands.

Customer Volume means the metered energy, adjusted for losses, (measured in kWh) delivered to the Customer.

Grid Exit Point (GXP) means the point on the electricity transmission system at which the distribution network is connected or at which any embedded generators are deemed to be connected. All quantities including demand and volume referred to at the GXP have the effect of embedded generation removed. For the avoidance of doubt the demand and volume from an embedded generator is added to the GXP metered data to measure what would have been taken from the transmission system as if the embedded generator did not exist.

GXP Volume means the metered energy (measured in kWh) taken from the GXP.

Network means the electricity distribution network in each area that Wellington Electricity supplies distribution services, as defined by the following table:

Network	Brand	GXP
Wellington	Wellington Electricity	Central Park Gracefield Haywards Kaiwharawhara Melling Pauatahanui Takapu Road Upper Hutt Wilton

Network Volume means the sum of the GXP metered energy (measured in kWh) entering each Network.

Pricing Year means the 12 month period from 1 April to 31 March, each year.

Regional Demands means the 100 highest half hourly regional demands (measured in kW) which occur during the Capacity Measurement Period.

Transmission Costs means the charges payable to a Transmission Service Provider or to any other party in respect of the transmission of electricity, the avoided transmission of electricity and the costs incurred by Wellington Electricity as a result of those charges.

Transmission Service Provider means Transpower or any owner or operator of any transmission system or embedded generator.

Transpower means Transpower New Zealand Limited and any successors or permitted assigns.

Wellington Electricity means Wellington Electricity Lines Limited and any successors or permitted assignees.

1.3 Allocation methodology

The Transmission Costs that Wellington Electricity currently incurs consist of; connection charges, new investment charges and interconnection charges from Transpower. Current components and their allocation methodologies are described below in conjunction with a brief description of each charge;

> **Interconnection charges** are charges for the use of the national grid which connects each GXP together. The interconnection rate is notified by Transpower and is fixed at the beginning of each Pricing Year, based on the Regional Demands. Interconnection charges are allocated to Customers on a monthly basis based on Customer Demand.
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> Customer Demand * Interconnection Rate/12
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> **Connection charges** are charges for the connection to the national grid, set by Transpower at the beginning of each Pricing Year. The connection charges are generally fixed for the Pricing Year. Connection charges are allocated to Customers on a monthly basis based on the Customer's share of monthly GXP volume.

Monthly Customer Volume / Monthly GXP Volume * Monthly GXP Connection Charge

New investment charges (NIC) are based on a fixed charge for new connection assets which are typically set by Transpower on 1 July each year, but may change if investment contracts are entered into during the year. NIC are allocated to Customers on a monthly basis based on the Customer's share of monthly GXP volume. From 1 April 2018, WELL has amended its agreement with Transpower to align the NIC contracts to 1 April each year to align with the Connection and Interconnection charges notification. There has been a small reduction in NIC charges from 1 April 2018 as shown in section 1.5.

Monthly Customer Volume / Monthly GXP Volume * Monthly GXP NIC

Where a portion of a Transmission Cost relates to a particular Customer, wherever possible these will be allocated directly to that Customer and excluded from the Transmission Costs allocated to other Customers connected at the same GXP.

Interconnection charges are based on Regional Demand during the Capacity Measurement Period which relates to the year prior to that being billed. This creates a lag between Customer Demand and the resultant Transmission Costs. New Customers may not incur any Interconnection charges for their first year however Customers are liable for Transmission Costs for subsequent transmission Pricing Years where they have contributed to the Regional Demand during the Capacity Measurement Period.

1.4 Payment of Transmission costs

The Transmission Costs allocated to the Customer will be invoiced to the Customer each month in arrears. The payment terms of each invoice will be determined in accordance with the Customer's connection contract with Wellington Electricity.

1.5 Transpower's transmission pricing methodology

The methodology used by Transpower to determine its transmission charges is outlined in the pricing methodology document - "Transmission Pricing Methodology". This can be found on the Electricity Authority's website at:

http://www.ea.govt.nz/operations/transmission/transmission-pricing/

Schedule of rates and charges

Interconnection rate as at 1 April 2019: $109.38 per kW, per annum

Network	GXP	Connection charge $, per month, as at 1 April 2019	NIC $, per month, as at 1 April 2019
Wellington	Central Park	119,485.58	5,475.70
	Gracefield	101,544.21	0.00
	Haywards	44,836.09	0.00
	Kaiwharawhara	36,833.87	52,665.10
	Melling	126,492.83	0.00
	Pauatahanui	90,964.41	0.00
	Takapu Road	45,556.13	21,544.04
	Upper Hutt	26,458.54	17,409.19
	Wilton	140,987.19	824.37

Amounts are expressed exclusive of Goods and Services Tax.

The Commerce Commission has accepted Transpower's charges.