

SETTLEMENT RESIDUAL ALLOCATION **METHODOLOGY**

2023

Introduction

Waipā Networks supplies electricity distribution services to Cambridge, Te Awamutu and surrounding areas. The majority of end-consumers are supplied via interposed agreements with Electricity Retailers with a handful of larger commercial customers supplied and billed directly by Waipā Networks. Transmission prices are incorporated into the monthly invoices we bill to Electricity Retailers and direct-billed customers.

Waipā Networks periodically receives transmission rebates from Transpower. Prior to 1 April 2023 our practice regarding transmission rebates was to pass these through to end-consumers in conjunction with our twice-yearly Waipā Networks Customer Discounts. This process was covered in our Discount Allocation Methodology as published on our website.

From 1 April 2023 the process is now governed by the Settlement Residual Allocation Methodology (SRAM) as outlined in Section 12A.3 of the Electricity Industry Participation Code (The Code), which requires rebates to be paid to transmission customers monthly. A copy of the relevant section of the code is detailed at the end of this document.

Waipā Networks Approach to SRAM

Waipā Networks has developed a process to ensure Electricity Retailers and direct-billed customers are paid transmission rebates in accordance with parts 12A.3 and 14.35A of The Code.

Waipā Networks distribution services billing system maintains a database of Connection Locations and Debtor records. Debtors are flagged as either Retailer, Direct Load Customer or Direct Generation Customer.

Where Waipā Networks receives a transmission rebate for a Connection Location for a particular month, Waipā Networks allocates a proportion of that rebate to each Retailer, Direct Load Customer or Direct Generation Customer in proportion to the transmission charges they had paid for that month. As transmission rebates are received after invoicing for a month has occurred, the actual rebates are distributed to the parties in the next billing month.

Outline of Process

The process includes calculation of SRAM within our billing system and is follows:

- (1) In the Loss and Constraint Excess Rebates section, the relevant invoicing period is selected.
- (2) The rebate amount is entered for each Connection Location.
- (3) The billing system then computes the transmission/distribution costs from the latest washup data to calculate the rebate applicable to each Debtor.
- (4) The system also has the facility to process an adjustment to any previously allocated rebate. When the relevant billing month is selected, the system flags this has already been processed and the amount of the adjustment can then be entered.
- (5) Amounts appear as a line (or lines if there is a previous month's adjustment) on the Debtor invoice.
- (6) The invoices for each Debtor are then sent.

Annual Schedule Publication

Waipā Networks will publish an annual breakdown by connection location and type of distribution customer, showing settlement residue credits paid and debits charged within invoices issued for the preceding April to March year.

Section 12A.3 of the Electricity Industry Participation Code

"12A.3 Distributors must pass through settlement residue

- (1) The purpose of this clause is to allocate settlement residue to customers in proportion to the transmission charges paid by those customers in respect of each connection location.
- (2) A distributor that is paid any amount of settlement residue under clause 14.35A(1) of Part 14 must, on a monthly basis, allocate and pay this amount to its customers that pay lines charges directly to the distributor ("distribution customers") in accordance with a methodology developed under subclause (3).
- (3) Each distributor to whom subclause (2) applies must develop a methodology for allocating settlement residue to its distribution customers that gives effect to the purpose described in subclause (1) and reflects the information provided to the distributor by Transpower under clause 14.35A(6) of Part 14.
- (4) A distributor must publish the methodology developed under subclause (3), including an explanation of the rationale for the methodology.
- (5) A distributor must publish annually a breakdown of payments made under subclause (2) by connection location and type of distribution customer (for example retailer, direct generation customer, direct load customer).
- (6) From time to time the Authority may prescribe the form that the annual breakdown of payments must take when distributors publish this breakdown of payments under subclause (5).
- (7) A distributor may adjust any payment made under subclause (2) to correct for a previous overpayment or underpayment under that subclause.
- (8) A payment required under subclause (2) may be met by way of a credit against any amount owed to the distributor by the customer.
- (9) This clause applies to settlement residue paid to a grid owner in respect of any trading period on or after 1 April 2023."

(Source: <https://www.ea.govt.nz/code-and-compliance/code/>)