APPENDIX: ITP COMPLIANCE

Introduction
Our first integrated transmission plan (ITP), which we completed in 2013, was embedded within our regulatory proposal for the five-year control period beginning 1 July 2015 (RCP2). This 2015 ITP updates the 2013 edition and is our first stand-alone ITP.

The 2015 ITP meets the requirements of clause 3.1.1 of the Transpower Capital Expenditure Input Methodologies Determination (Capex IM) to provide our first update on the 2013 ITP.

The Capex IM requires us to submit to the Commerce Commission by the last working day of September of each disclosure year:
(a) ITP supporting documents
(b) an updated ITP narrative that takes account of:
   (i) any material changes to matters covered in the ITP narrative most recently submitted to the Commission
   (ii) the content of the ITP supporting documents.
We must also make this material available on our website.

Our approach to the 2015 update
We have taken the opportunity to draw together a stand-alone ITP for this update. This will provide a foundation for future updates and improvements.

We have structured the ITP and supporting documents to make them accessible and useful to us and our stakeholders. We have also been guided by an aim of ensuring our annual ITP update cycle builds towards a robust RCP3 proposal. Our main focus this year is on establishing a baseline for further development. We will build on this and develop our ITP further in our 2016 and 2017 updates, before developing our 2018 ITP as the basis for our RCP3 proposal.

Figure 1: Progress towards our RCP3 proposal

Requirements for an ITP and supporting documents
The regulatory requirements for the ITP are set out in Schedule E of the Capex IM. The following pages reproduce these in table form with a commentary explaining how our 2015 ITP documents meet the requirements.
### Schedule E2 clauses (ITP Narrative)

#### E2 Information to be included in the ITP narrative

(1) with reference, where relevant, to the information contained in the ITP supporting documents, a high level-

(a) overview of the expenditure and outputs which are proposed for the first regulatory period to which the ITP narrative relates coinciding with the disclosure year and forecast expenditure needs and outputs over the next regulatory period;

- **ITP Chapter 7**—overview of RCP2 and RCP3 expenditure
- **ITP Chapter 4**—overview of target outputs

(b) overview of the key assumptions and scenarios used to determine forecast expenditure and grid outputs;

(c) assessment of the key uncertainties in the key assumptions, and forecast expenditure and grid outputs;

(d) assessment of the key risks affecting forecast expenditure;

(e) assessment of how the key uncertainties and key risks will affect Transpower’s ability to deliver the forecast grid outputs;

(f) description of the proposed measures to manage and mitigate the key uncertainties and key risks; and

(g) description of the key relationships, including any synergies or trade-offs, within and between the following:

- **projects** and **programmes** assumed for the purpose of determining the forecast expenditure; and
- **the forecast grid outputs**.

- **ITP Sections 1.2 and 3.3**—context on risks, uncertainties, projects and transformation programme
- **ITP Chapter 5**—assumptions, risk and uncertainties for development investment
- **ITP Chapter 6**—financial modelling assumptions and uncertainties
- **ITP Chapter 7**—key uncertainties highlighted for expenditure categories
Forecast Schedules

(2) forecast expenditure in the form of a schedule in respect of each disclosure year for-
   (a) operating expenditure (disaggregated by major areas of expenditure);
      • ITP Schedule 4 Operating expenditure
   (b) base Capex (disaggregated by major areas of expenditure); and
      • ITP Schedule 2 Base capital expenditure
   (c) approved major Capex (disaggregated by project);
      • ITP Schedule 5 Major capital expenditure—approved projects

(3) forecast grid outputs in the form of a schedule in respect of each disclosure year for-
   (a) each revenue-linked grid output measure described in the base Capex proposal relating to the first regulatory period to which the ITP narrative relates;
      • ITP Schedule 8 Output measures
   (b) all proposed grid output measures other than those referred to in (a) above described in that base Capex proposal relating to the first regulatory period; and
      n/a
   (c) major Capex project outputs assumed to be delivered by each approved major Capex project;
      • ITP Schedule 6 Major capital expenditure—outputs

NOTE: We have not included capex replacement volume (‘asset health’) output measures from sections 14.4 and 14.5 of the Transpower Individual Price-Quality Path Determination 2015. These were not part of our 2013 ITP and are not considered an important part of our asset planning as we expect our planned deliverables to change due to continuing refinement of our plans based on new information and decision-making processes. Our current view of base capex deliverables is set out in ITP Schedule 3 Base capital expenditure—deliverables.

(4) a summary of major Capex projects under development, including:
   (a) a summary of the key issues being addressed with reference to the planning report which is an ITP supporting document;
   (b) estimates of likely capital expenditure; and
   (c) estimates of project timings, including those relating to consultation periods, submissions for approval, construction, and commissioning.
      • ITP Schedule 7 Major capital expenditure—under development

Supporting documents

ITP Clause E3(a-c)

The following documents, prepared or updated no more than two years before the submission date:

• an asset management plan that includes the information specified in clause E4
   Asset Management Plan (AMP) dated September 2015
• a planning report that includes the information specified in clause E5, and
• a report setting out Transpower’s output and performance objectives, that includes the information specified in clause E6.
   Services Report (SR) dated September 2015
Schedule E4 (Asset Management Plan)

E4 Information to be included in the asset management plan

(1) overall asset management strategy and objectives;
   • AMP Chapter 3—strategy and objectives

(2) overall asset risk management framework; and
   • AMP Section 7.3—asset risk management

(3) asset management plans for each asset class covering;
   (a) specifications for asset life cycle activities;
   (b) general condition of existing assets;
   (c) intended programmes of asset management works;
   (d) routine maintenance and repair plans for assets; and
   (e) programmes for routine maintenance and repair plans.
      • AMP Part 2—16 asset class management plans
      • AMP Chapter 5—asset management activities
      • AMP Chapter 6—ICT framework
      • AMP Chapter 8—asset works and divestment overview

Schedule E5 (Planning Report)

E5 Information to be included in the planning report

(1) the capabilities of the existing grid;
   • TPR Chapter 3—existing national grid
   • TPR Chapters 6—grid backbone
   • TPR Chapter 7 to 19—regions

(2) demand and generation forecasts for the forthcoming 10 years;
   • TPR Chapter 4—demand
   • TPR Chapter 5—generation
   • TPR Chapter 7 to 19—regions
   • TPR Appendix A—generation scenarios

(3) the grid’s ability to meet future demand and generation needs;
   • TPR Chapters 6—grid backbone
   • TPR Chapter 7 to 19—regions

(4) the role of the grid in facilitating generation; and;
   • TPR Chapter 2—facilitating New Zealand’s energy future
   • TPR Chapters 6—grid backbone
   • TPR Chapter 7 to 19—regions

(5) grid investment that may be required to meet future needs for the next 10 years and beyond, by way of,
   (a) grid backbone transmission plans for the main North and South Island transmission corridors and for the HVDC link;
      • TPR Chapters 6—grid backbone
   (b) a set of regional plans;
      • TPR Chapter 7 to 19—regions
Schedule E6 (Report on Output and Performance Objectives)

(1) a longer term view of the grid outputs and associated grid performance that will be economic to achieve, taking account of:

   (a) performance expectations of end users of electricity, including in relation to the value of unserved energy;
   (b) the costs of delivering changes in the level of grid outputs;
   (c) the impact of committed expenditure on grid outputs; and
   (d) any forecast degradation in asset condition or performance which will affect grid outputs.

• SR Chapter 3—measures and targets

(2) a detailed description on the analysis, assumptions and approach used to determine the longer term view; and

• SR Chapter 3—measures and targets

(3) an approach to convert the longer term view to appropriate shorter term objectives for grid outputs.

• SR Chapter 3—measures and targets