APPENDIX: ITP COMPLIANCE

INTRODUCTION

The ITP is a suite of documents that describes our plans for our regulated transmission business. Before a Regulatory Control Period (RCP) we must submit an ITP to the Commission summarising our expenditure over 10 years. We are also required to provide annual updates. Our 2017 ITP is our third update to the ITP we developed in 2013 to support our proposal for RCP2. In 2018 we complete a new ITP to our proposal for RCP3. The Capex IM also requires us to submit to the 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 2017 ITP

Our 2017 ITP reflects the journey we have been on. It has been developed with the dual aim of communicating technically complex material, in a manner that is clear and understandable, while also aligning with our regulatory reporting requirements.

REGULATORY REQUIREMENTS FOR THE 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 2017 ITP documents meet the requirements.
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 narrative: Section 3 – Overview of our plans
• ITP narrative: Section 7 – Our expenditure forecast
• ITP narrative: Section 8 – Our service performance
• ITP schedules that form part of the ITP Narrative.

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

• ITP narrative: Section 3 – Overview of our plans
• ITP narrative: Section 7 – Our expenditure forecast
  • via reference AMP: Section 5 – Expenditure Overview
• ITP narrative: Section 8 – Our service performance
  • via reference Services Report: Part 2: Out current RCP2 service performance measures

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

• ITP narrative: Section 3 – Overview of our plans
• via reference AMP: Section 2: Grid expenditure uncertainty
• via reference AMP: Section 5: Expenditure overview – Key uncertainties

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

• ITP narrative: Section 3 – RCP2 uncertainties, risks and constraints

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

• ITP narrative: Section 3 – RCP2 uncertainties, risks and constraints and Service outcomes and
  Section 8 - Our Service Outcomes. Note our service performance (e.g. grid reliability) is affected
  by external factors (e.g. weather, fires etc). We intend to elaborate further on this linkage in
  future ITPs.
  • via reference Services Report: Part 2: Out current RCP2 service performance measures

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

• ITP narrative: Chapter 5 and 6 – Our Strategic Framework and Our Management Approach. These
  sections discuss our strategic and management approach including our risk and assurance
  approach and planning process. We intend to elaborate further on this linkage in future ITPs.

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

(i) projects and programmes assumed for the purpose of determining the forecast expenditure; and
(ii) the forecast grid outputs.

• ITP narrative: Chapter 8 – Our Service Performance. This section comments on changes in asset
  strategies and new condition information affecting the delivery of the asset health volumetric
  targets. We intend to elaborate further on this linkage in future ITPs.
## Schedule E2 clauses (ITP Narrative)

(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 narrative: Chapter 7 – Our expenditure forecast and ITP Schedules: Tab 4.
- **(b) base Capex** (disaggregated by major areas of expenditure); and
  - ITP narrative: Chapter 7 – Our expenditure forecast and ITP Schedules: Tab 2
    - via reference TPR Chapter 4: Enhancement and Development portfolio
    - via reference AMP: Chapter 5 – Expenditure Overview
- **(c) approved major Capex** (disaggregated by project);
  - ITP narrative: Chapter 7 – Our expenditure forecast and ITP Schedules: Tab 5
    - via reference TPR Chapter 4: Enhancement and Development portfolio

(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 narrative: Chapter 8 – Our service performance
    - via reference Services Report Part 2: Our Current RCP2 Service Performance 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
- **(c) major Capex project outputs** assumed to be delivered by each approved major Capex project;
  - ITP Schedules: Tab 6. Major Capex – Outputs

(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 narrative: Chapter 7 – Our expenditure forecast, ITP Schedules: Tab 6. Major Capex – Outputs, and
  - ITP Schedules: Tab 7. Major Capex – Under Develop
    - via reference TPR Chapter 4: Enhancement and Development portfolio

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
See 2017 Asset Management Plan (AMP)
a planning report that includes the information specified in clause E5, and
See 2017 Transmission Planning Report (TPR)
• a report setting out Transpower’s output and performance objectives, that includes the information specified in clause E6.
See 2017 Services Report (SR)

Schedule E4 (Asset Management Plan)

E4 Information to be included in the asset management plan
(1) overall asset management strategy and objectives;
• AMP Section 1 – Introduction
• AMP Section 3 – Powering New Zealanders: Today and into the Future
• AMP Section 4 – Our Approach to Asset Class Management
• AMP Section 6 – Grid Asset Portfolios
• AMP Section 7 – ICT Asset Portfolios
(2) overall asset risk management framework; and
• AMP Section 4 – Our Approach to Asset Class 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 Section 4 – Our Approach to Asset Class Management
   • AMP Section 6 – Grid Asset Portfolios
   • AMP Section 7 – ICT Asset Portfolio
   • AMP Section 8 – Business Support Asset Portfolio
**Schedule E5 (Planning Report)**

**E5 Information to be included in the planning report**

1. the capabilities of the existing grid;
   - TPR Chapter 2 – Existing National Grid
   - TPR Chapter 6 – Grid Backbone
   - TPR Chapters 7 to 19 – Regions

2. demand and generation forecasts for the forthcoming 10 years;
   - TPR Chapter 2 – Existing National Grid
   - TPR Chapter 3 – Investment Uncertainties
   - TPR Chapters 7 to 19 – Regions

3. the grid’s ability to meet future demand and generation needs;
   - TPR Chapter 6 – Grid Backbone
   - TPR Chapters 7 to 19 – Regions

4. the role of the grid in facilitating generation; and;
   - TPR Chapter 3 – Investment Uncertainties
   - TPR Chapter 6 – Grid Backbone
   - TPR Chapters 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,
   - grid backbone transmission plans for the main North and South Island transmission corridors and for the HVDC link;
   - TPR Chapter 6 – Grid Backbone
   - a set of regional plans;
   - TPR Chapters 7 to 19 – Regions

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**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-
   - performance expectations of end users of electricity, including in relation to the value of unserved energy;
   - the costs of delivering changes in the level of grid outputs;
   - the impact of committed expenditure on grid outputs; and
   - any forecast degradation in asset condition or performance which will affect grid outputs.
   - Service Report Part 1 – How our services framework relates to the service performance measures
   - Services Report Part 2 – Our current service performance measures

2. a detailed description on the analysis, assumptions and approach used to determine the longer term view; and
   - Services Report Part 3 – STAKEHOLDER engagement and the refresh of measures for rcp3
   - Services Report Part 4: How we use the targets and future development

3. an approach to convert the longer term view to appropriate shorter term objectives for grid outputs.
   - Services Report Part 4: How we use the targets and future development