



Electra

Settlement Residual Allocation Methodology (SRAM)

Pursuant to clause 12A.3 of the Electricity Industry Participation Code 2010 and developed in line with the Electricity Authority's Settlement residual rebates pass-through, Guidance for distributors

Effective from 1 April 2024 to 31 March 2025

Document Control

Responsibility	Position
Document Approver:	Chief Executive Officer
Document Owner:	Regulatory and Pricing Manager
Document Reviewer:	Revenue Manager

Approval and Revision History

Version	Date	Revision Notes
1.0	20/6/2023	Initial Document
2.0	25/03/2024	Annual Review

Contents

1. Introduction.....	4
2. Authority's guidance.....	4
3. Calculation to allocate the settlement residue payments.....	5
3.1 Allocate the SRAM in proportion to transmission charges	5
3.2 Allocate in respect of each connection location.....	5
3.3 Allocate and pay on a monthly basis	5
3.4 Publish the methodology	6
3.5 Publish an annual breakdown.....	6
4. Review of our SRAM	6

1. Introduction

Settlement residue is the balance of funds received by Transpower from the electricity industry's clearance manager, the NZX.¹ These funds are passed on to electricity distribution businesses, who are, in turn, required to pass these on to their customers. Electra Limited is an electricity distribution business under the Electricity Industry Participation Code 2010 (the [Code](#)). For the purposes of the Code, our customers are the electricity retailers (approximately 20) and any direct load² or direct generation customers connected to our network.

In November 2022, the Electricity Authority (the Authority) amended the Code by inserting clause 12A.3 into the Default Distributor Agreements (the [DDA](#)). The amendment requires us to—

- pass through residual settlement rebates received from Transpower to their customers each month; and
- develop and publish a methodology outlining the approach it has used to allocate the settlement residue to our customers in a manner that gives effect to the purpose of clause 12A.3.

In May 2023, the Authority published its Settlement residual rebates pass-through [Guidance for distributors](#) (the guidelines).

This document is our Settlement Residue Payment Methodology, effective 1 April 2024, as prescribed by clauses 12.A3(3) and 12.A3(4) of the DDA and in line with the Authority's guidance.

2. Authority's guidance

The Authority's high-level guidance is that distributors should—

- a) **Allocate in proportion to transmission charges:** Distributors are required to allocate settlement residue in proportion to the transmission charges paid by those customers by connection location.
- b) **Allocate in respect to each connection location:** Settlement residue must be allocated in respect to each connection location.
- c) **Allocate and pay on a monthly basis:** Distributors are required to allocate and pay the full amount of settlement residue received from Transpower each month. Payments can be adjusted for previous over- or under-payments.
- d) **Publish the methodology:** Distributors must publish their methodology for allocating settlement residue, including the rationale for the methodology.
- e) **Publish an annual breakdown:** Distributors must publish annually a breakdown of settlement residue payments by connection location and type

¹ More information on settlement residual payments is available on the Electricity Authority's [website](#).

² We do not currently have any direct load customers as all our current customers are on our Standard Contract. Should this circumstance change in the future, the methodology outlined here is not impacted.

of distribution customer. The Authority suggests the form of this disclosure in section 6 of this note but has chosen not to prescribe the form at this time.

3. Calculation to allocate the settlement residue payments

3.1 Allocate the SRAM in proportion to transmission charges

Each month, Transpower provides a monthly statement, two months in arrears³, detailing the settlement residue rebates for the Mangahao and Paraparaumu grid exit points (GXPs). We include the transmission charges based on the notified annual charges from Transpower by GXP) on our monthly invoices to our customers at the same time as we invoice for network services. The Transmission charges include the customers' allocation of the settlement residue rebate.

3.2 Allocate in respect of each connection location

Each month, after receiving the notification from Transpower of the residual settlement rebates for the Mangahao and Paraparaumu GXPs, we allocate the settlement residue rebate as follows:

- a) rebates attributable to injection will be allocated to customers based on the proportion of ICPs each customer has on the last day of the month on that GXP; and
- b) rebates attributable to off-take will be allocated to customers based on the proportion of ICPs each customer has on the last day of the month on that GXP.

The approach we use to allocate the residual settlement rebates as a proportion of ICPs is as follows—

$$\frac{SRAM@GXP_x}{ICPs@GXP_x} \times Customer_y ICPsGXP_x$$

Amounts are rounded to whole cents.

3.3 Allocate and pay on a monthly basis

We include the share of the settlement residue on each customer's invoice as a single aggregated credit line, with an attached schedule providing the details per GXP.

In the instance where the settlement residue is a debit and not a credit, the treatment will be the same as outlined above, other than the result will be a charge line rather than a credit line on the invoice.

Clause 12.A3(7) of the DDA permits us to adjust any payments made to correct for a previous overpayment or underpayment (i.e., apply a wash-up). We have decided not to adjust for wash-ups. Our approach ensures that our customers receive their

³ For example, a June payment will relate to April billing.

monthly allocated residual settlement rebates. We believe a wash-up would unnecessarily complicate a simple and workable approach.

3.4 Publish the methodology

This Settlement Residual Allocation Methodology can be downloaded from our [website](#), or call us at 0800 Electra (0800 353 2872), and we will email or post a copy. On weekdays, you can also drop into our offices on the corner of Bristol & Exeter Streets, Levin, between 8 am and 5 pm.

3.5 Publish an annual breakdown

On an annual basis, we will publish a breakdown by connection location (i.e., GXP) and type of distribution customer (i.e., trader or direct billed), showing settlement residue credits paid and debits charged within invoices issued for the proceeding from April to March each year.

4. Review of our SRAM

We will review this methodology annually and seek to align it with best practices as determined by the Authority.