Settlement Residual Allocation Methodology (SRAM)

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What is the purpose of this document?

The purpose of this document is to outline the process and criteria Electra will use to allocate settlement residual rebates to customers in proportion to the transmission charges paid by the households and businesses in the Kāpiti and Horowhenua districts that are connected to our network.

This document outlines Electra's specific approach to passing through these rebates in a manner that complies with the Electricity Industry Participation Code 2010. The goal is to ensure a transparent and consistent process for distributing these funds

What is the Settlement Residual Allocation Methodology (SRAM)?

Settlement residual represents the balance of payments the NZX (as the electricity industry's clearance manager) determines following the settlement of the wholesale market. These funds are passed from the NZX to Transpower and then onto electricity distribution businesses (EDBs) like Electra. EDBs are then required to pass them on to their own customers, including retailers and direct load, or generation customers. This requirement applies to residuals arising from trading periods on or after 1 April 2023.

What are the key principles?

The Electricity Authority provides high-level guidance for the Settlement Residual Allocation Methodology (SRAM), which includes:

Proportional Allocation	Rebates must be allocated in proportion to the transmission charges paid by customers at specific connection locations.
Monthly Payments	Distributors must allocate and pay the full amount of settlement residual received from Transpower each month.
Simplicity	The allocation process should be relatively simple and not disproportionately complex; distributors are not expected to account for wholesale market volatility or unpick transmission charges into individual components.
Transparency	Distributors must publish their methodology and provide an annual breakdown of payments by connection location and customer type.

What is the process to allocate SRAM rebates?

Electra identifies settlement residual rebates for the Mangahao and Paraparaumu grid exit points (GXPs) through monthly statements provided by Transpower. The allocation process is as follows:

1. **Allocate the SRAM in proportion to transmission charges**
   Each month, Transpower provides a monthly statement, two months in arrears, detailing the settlement residual 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 residual rebate.

2. **Allocate in respect of each connection location**

   The notified settlement residual rebate allocated to Electra, net of Transpower's administration fee, is allocated across the Mangahao and Paraparaumu GXP using the below approach:

   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 formula we use to allocate the residual settlement rebates as a proportion of ICPs is:

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

   Where:

$\boldsymbol{SRAM@GXP_x}$	SRAM rebate amount ($) advised by Transpower for either the Mangahao or Paraparaumu GXP
$\boldsymbol{ICPs@GXP_x}$	Total number of active ICP at the end of the month at either the Mangahao or Paraparaumu GXP
$\boldsymbol{Customer_y ICPs\ @GXP_x}$	Total number of active ICP as at the end of the month associated with customer y at either the Managaho or Paraparaumu GXP

   Amounts are rounded to whole cents.

3. **Allocate and pay on a monthly basis**

   - We include the share of the settlement residual on each customer's invoice as a single aggregated credit line, with an attached schedule providing the details per GXP.
   - Where the settlement residual 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.
   - Electra has decided not to adjust for wash-ups. Our approach ensures that customers receive their monthly allocated residual settlement rebates without unnecessarily complication.

4. **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 residual credits paid and debits charged within invoices issued for the proceeding from April to March each year.

What regulation does this relate to?

This document has been developed with consideration given to:

- The Electricity Industry Participation Code 2010, specifically clause 12A.3
- The Settlement residual rebates pass-through – Guidance for distributors, published by the Electricity Authority May 2023

Related information on Electra's pricing and disclosure requirements is available on the website:

- Prices - Electra
- Disclosures - Electra.

Definitions

This document contains terms that are used internally to Electra and across the industry and have a certain meaning that is important for understanding this methodology:

Connection Location	A substation or location where a customer's equipment is directly connected to the grid. For Electra, these are the Mangahao and Paraparaumu GXPs
Customer	For the purpose of this methodology customer relates to the electricity retailers (approximately 20) and any direct load or generation customers connected to Electra's network
Electra	Electra Limited trading as Electra
ICP	Installation Control Point is the point at which a retailer is deemed to supply electricity to Consumer. Each ICP is assigned a unique number used to identify the point of connection.
Settlement Residual	It is the balance of funds Transpower receives from the electricity market clearing manager. The wholesale electricity market generates a surplus, called loss and constraint excess (LCE) because payments made by purchasers of wholesale electricity exceed payments made to generators due to constraints and losses across the grid. The amount left over is paid to Transpower for allocation to our customers as settlement residual.

When will this document be reviewed?

This document will be reviewed annually to capture updates in the regulatory requirements, guidance notes, system improvements and customer feedback.