

# 2024 SETTLEMENT RESIDUE REBATES PASS-THROUGH ALLOCATION METHODOLOGY

## From 1 April 2023

Pursuant to: Clause 12A.3 of the Electricity Industry Participation Code 2010

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### Introduction

Counties Energy Limited (“Counties Energy”, “our”, “we”, or “us”) receives settlement residue from Transpower under clause 14.35A of the Electricity Industry Participation Code 2010 (the Code). We are required to pass through settlement residue and publish our methodology for allocating settlement residue (Methodology).

**This document constitutes our Methodology and describes:**

1. How settlement residue is allocated to distribution customers<sup>1</sup>.
2. An explanation of the rationale for the Methodology; and
3. How we pay settlement residue to our distribution customers.

### Allocation of Settlement Residue

Counties Energy uses the following method to allocate the settlement residue:

- Data used in this calculation is from retailer ICP level submissions to Counties Energy in the EIEP1 and EIEP3 format.
- ICPs are attributed to customers and GXPs for the reporting month.
- Customer and GXP volumes are the sum of the ICP volumes for their ICPs for the reporting month.

$\text{Customer's monthly allocation of settlement residue} = \frac{\text{GXP Settlement Residue}}{\text{Total GXP Energy Usage}} \times \text{Customer GXP Energy Usage}$
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<sup>1</sup> For the purpose of this Methodology, customers or distribution customers mean retailers and direct load customers that pay lines charges directly to Counties Energy.

### Allocation Methodology Rationale

Counties Energy is required by the Code to allocate settlement residual rebates to their customers in proportion to the transmission charges paid by those customers for each connection location. This allocation ensures that settlement residue is distributed equitably among customers based on their usage and connection location. Counties Energy follows a methodology where the settlement residual rebate is allocated based on customer usage as a proportion of the connection location (GXP).

## Payment of Settlement Residue

Under the Code, any amount of settlement residue that Counties Energy is paid, Counties Energy must, on a monthly basis, allocate and pay this amount to its customers that pay charges directly to Counties Energy. Payment of settlement residue may be met by way of a credit against any amount owed to Counties Energy. Counties Energy may adjust any payment of settlement residue to correct for a previous overpayment or underpayment of settlement residue and to facilitate washups as noted above. Counties Energy will issue credit notes to each customer allocated settlement residue each month with due date of the 20th.

## Authority Guidance

This Methodology is compliant with the Authority's practice note Settlement residual rebates pass-through Guidance for distributors.

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 of each connection location: Settlement residue must be allocated in respect of 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 of distribution customer.