



# Settlement Residual Allocation Methodology (SRAM)

Settlement residue is the balance of funds received by Transpower from the electricity industry's clearing manager (NZX). The funds are passed on to electricity networks who are required to pass these on to customers.

## Introduction

Settlement residue payments are paid by the electricity industry's clearing manager (NZX) to Transpower. In May 2023 the Electricity Authority published amended guidelines for how electricity networks (otherwise referred to as distributors) should pass through settlement residual rebates to their customers. More information on settlement residual payments is available from [Transpower's website](#).

The Electricity Authority's guidance said that distributors should:

1. **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. Connection locations are otherwise known as Grid Exit Points (GXPs) or the points where Transpower's network supplies ours.
2. **Allocate in respect of each connection location:** Settlement residue must be allocated in respect of each connection location.
3. **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.

## Our Methodology

We have explained how we align to the Electricity Authority's guidelines below.

### Allocate in proportion to transmission charges

Orion prices are made up of three components: distribution, recoverable and pass-through, and transmission.

The proportion of the monthly bill relating to transmission pricing is allocated by retailer and direct billing customer. Direct billing customers are typically large commercial and industrial customers who pay us directly, rather than their electricity retailer.

### Allocate in respect of each connection location

Orion's GXPs are: Arthurs Pass, Bromley, Castle Hill, Coleridge, Hororata, Islington, Kimberley, and Norwood. The transmission pricing amounts are allocated by GXP, and by retailer and direct billing customer.

Transpower provide the settlement residual rebate already grouped by the eight Orion GXPs. A pro-rata calculation is applied to the Transpower settlement residual rebate for each GXP, forming the basis for the Orion credit allocated to retailers and direct billing customers.

For example, if a retailer has a 15% share of the Islington GXP by transmission pricing amounts, this will equate to 15% of the Transpower settlement residual rebate for the Islington GXP.

### Allocate and pay on a monthly basis

Calculations are applied two months in arrears. For example, a June payment will relate to April billing.