

23 January 2025

Ben Woodham
Electricity Distribution Manager
Commerce Commission
Wellington 6140

By email to: infrastructure.regulation@comcom.govt.nz

Dear Ben,

Submission to the Commerce Commission (Commission) on proposed amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – draft decision

Electricity Networks Aotearoa (ENA) appreciates the opportunity to make a submission to the Commission on its consultation paper on the *proposed amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – draft decision*.

ENA is the industry membership body that represents the 29 electricity distribution businesses (EDBs) that take power from the national grid and deliver it to homes and businesses (refer Appendix A for list of members). EDBs employ 10,000 people, deliver energy to more than two million homes and businesses and have spent or invested \$8 billion in the last five years. ENA harnesses members' collective expertise to promote safe, reliable and affordable power for our members' customers.

ENA supports the policy intent of the proposed amendments

ENA has reviewed the reasons paper and summarises our views in the table below. We note that our comments are limited to the application of any changes to EDBs. We provide no comment in relation to changes applying to Transpower.

Overall, we appreciate the Commission's proactive approach to making amendments to the IMs, where these improve rules and processes or correct errors.

Electricity Authority's connection pricing and process proposals

However, we note that the Commission's paper makes no reference to the work currently underway by the Electricity Authority (Authority) in relation to its connections project. With the proposed changes the Authority are seeking to make both in terms of pricing¹ and process,² we expect there will be a need for associated reopeners in the near future.

¹ Electricity Authority, [Distribution connection pricing proposed Code amendment | Our consultations | Our projects | Electricity Authority](#)

² Electricity Authority, [Network connections project – stage one | Our consultations | Our projects | Electricity Authority](#)

The Commission’s paper currently, for example, makes assumptions that EDBs will have enough advanced warning of large projects to enable applications for prospective reopeners to be completed prior to incurring material costs, or that EDBs can influence timing to delay projects until reopeners are in place.

For connection demand projects, the Authority’s proposals as they currently stand will reduce an EDB’s discretion about the upfront contributions it can receive from access seekers and will impose time limits for approving and starting projects that will not align to current reopener timeframes.

We would appreciate it if the Commission can continue to engage with the Authority to ensure the full impacts of the Authority’s proposed changes are understood with respect to the PQID regime and that risks are mitigated to the extent possible. It would also be helpful if the final decision reasons paper could comment on how the Commission will manage these changes with the Authority, particularly with regards to timelines and the extent to which it may be possible to make further IM amendments, should they be indicated, as a result of the Authority’s decisions.

Summary of views on Commission proposals

#	DRAFT DECISION ISSUE ADDRESSED	ENA COMMENTS
1.1	Time limits and expenditure eligibility for the ‘reopener event allowance’ (REA)	<p>Policy decision supported.</p> <p>We appreciate the extra clarity this provides. The visual at figure 3.1 in the Reasons Paper is very helpful.</p> <p>We would however like further clarity on paragraph 3.10 in the Reasons Paper. Does this mean a REA application could result in the reopening of a previous regulatory period?</p>
2.1	Scope of the REA	Policy decision supported.
3.1	Classification of price-quality path reopener events as different categories of ‘reopener events’	<p>Policy decision supported.</p> <p>The clarity provided by table 3.1 in the Reasons Paper is very helpful.</p>
4.1	Processes for reopening the revenue allowance	<p>Policy decision supported.</p> <p>This appears to be a more logical solution with prospective application in the calculations and should be easier to apply.</p> <p>We also appreciate the additional clarification that EDBs do not need to redemonstrate compliance where annual compliance statements have already been provided.</p>
5.1	Double recovery of capital costs already included in an REA	<p>Policy decision supported.</p> <p>It’s reasonable to add clarity that double recovery is not intended or supported.</p>

#	DRAFT DECISION ISSUE ADDRESSED	ENA COMMENTS
6.1 7.1 8.1	Incremental rolling incentive scheme: calculation of incentive adjustments where a price-quality path is amended following a reopener event	<p>Policy decisions supported for all three of these proposed amendments.</p> <p>We agree that the amendments provide greater certainty and clarity.</p>
9.1	Application of the 'change event' price-quality path reopener	<p>Policy decision supported.</p> <p>It appears fair to apply symmetry to capture both increased and decreased cost impacts.</p> <p>It is useful to have clarity that the quality standards or quality incentive measures can be adjusted, if required, as a result of legislative or regulatory change events.</p>
10.1	Distinguishing price-path reopener event criteria from reopener assessment factors	<p>Policy decision supported.</p> <p>Due to the nature of a DPP process, we appreciate the removal of the application criterion that required confirmation that the event or its expenditure was "not explicitly or implicitly provided for" in the price-path. We understand the Commission retaining this as an assessment factor.</p>
11.1	Catastrophic event reopener application criteria - treatment of quality requirements	<p>Policy decision supported.</p> <p>We agree that specifying an objective quality threshold that is not affected by the normalisation function better promotes certainty for EDBs as to whether they can apply for a reopener.</p>
12.1	Catastrophic event reopener application criteria - treatment of insurance	<p>Policy decision supported.</p> <p>In line with our previous submissions on IM amendments related to insurance in late 2024, we support the Commission's amendment to no longer require a net impact threshold. A gross threshold will simplify and expedite an EDB's ability to apply for a reopener after a catastrophic event.</p>
13.1	Changes to mandatory considerations in price-quality path amendment assessment factors	<p>Policy decision supported.</p> <p>We agree that a consideration of all criteria for all applications is likely to result in unnecessary regulatory burden and uncertainty. It is a sensible and pragmatic approach to ensure only relevant factors are considered, depending on the nature of the application.</p>

#	DRAFT DECISION ISSUE ADDRESSED	ENA COMMENTS
		We note the language in 3.180 of the Reasons Paper refers to the criteria needing to be met at the time the event is “nominated”. Can we seek further clarity from the Commission on the meaning of the term “nominated” please? Could it perhaps be explained in the context of figure 3.1?
14.1	CPP treatment of catastrophic events	Policy intent supported. In its final decision, could the Commission be clearer on how the clawback provisions relate to REA? With REA, are these clawback provisions still relevant?
15.1	Inadvertent removal of the foregone revenue cap	Policy decision supported. This appears to be a pragmatic solution.

We understand that external experts have been engaged by other parties to review the detailed IM amendments. We will leverage the associated submissions to target any potential follow ups through the cross-submission process, if required.

If you have any questions about ENA’s submission please contact Gemma Pascall, Regulatory Manager ().

Yours sincerely

Gemma Pascall
Regulatory Manager

Appendix A: ENA Members

Electricity Networks Aotearoa makes this submission along with the support of its members, listed below:

- Alpine Energy
- Aurora Energy
- Buller Electricity
- Centralines
- Counties Energy
- Electra
- EA Networks
- Firstlight Network
- Horizon Networks
- Mainpower
- Marlborough Lines
- Nelson Electricity
- Network Tasman
- Network Waitaki
- Northpower
- Orion New Zealand
- Powerco
- PowerNet (which manages The Power Company, Electricity Invercargill, OtagoNet and Lakeland Network)
- Scanpower
- Top Energy
- The Lines Company
- Unison Networks
- Vector
- Waipa Networks
- WEL Networks
- Wellington Electricity
- Westpower