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Commerce Commission

Via email infrastructure.regulation@comcom.govt.nz

Tēnā koutou,

Engaging EDBs early, conducting thorough stakeholder reviews, and maintaining process flexibility will support an effective and informed DPP4 reset

Powerco appreciates the opportunity to provide feedback on the Commerce Commission's proposed process for resetting default price-quality paths (DPPs) for electricity distribution businesses (EDBs). This reset is an important decision for EDBs and our customers as we strive to meet Aotearoa's electrification needs, contributing to a net-zero economy by 2050. As one of Aotearoa's largest gas and electricity distributors, serving 340,000 (electricity) and 112,000 (gas) urban and rural homes and businesses in the North Island, our energy networks play a crucial role in achieving this goal.

EDBs subject to price-quality regulation are currently in the penultimate year of DPP3 and the Commission must now reset their network revenues, quality standards, and performance and efficiency incentives for the upcoming regulatory period (DPP4). The Commission's paper covers the timing and duration of engagement with stakeholders as well as the changing context for EDBs and consumers. Our summary views on the proposed process and context for the DPP reset are:

Process

- **The consultation, analysis, and decision process will need to be flexible to incorporate EDB responses to critical policy decisions**, including the Gas Transition Plan and the second emissions reduction plan
- **Support the proposed process steps** Additionally, consider the potential value of including a consultation on the quality standard model and BBAR model after incorporating the final inputs, such as the final WACC determination and reliability data
- **Support workshops with stakeholders** These sessions enhance the effectiveness of the consultation process by providing a valuable platform for stakeholder engagement and collaboratively generating solutions. We recommend that these workshops focus on complex and/or high-value topics.

Process

- **Certainty in the decision-making framework, including thorough stakeholder reviews, is essential to avoid unintended consequences and inappropriate incentives** This is particularly important when implementing material changes. The DPP3 final decision highlights an instance where unintended consequences and inappropriate incentives could have occurred due to the implementation of a customer interruption minutes threshold without prior consultation.¹
- **Powerco endorses the Commission's intention to utilise up-to-date EDB expenditure forecasts for its draft and final decisions** By focusing expenditure-related information requests on components with significant changes, we can strike a balance between accuracy and minimising the burden on EDBs. To streamline the process, it is crucial to allow sufficient time for EDBs to respond to information requests and provide clear guidance on the desired level of detail and assurance.
- **Receiving timely feedback from the Commission regarding the review of 2023 AMPs will improve EDBs' ability to integrate the Commission's perspectives into upcoming AMPs.** This is important because these forecasts will serve as the starting point for the Commission's final decision on EDB's DPP4 expenditure allowances.

Context

- **The Commission has recognised the main sources of change and uncertainty related to EDB investment and planning** The mentioned list of drivers of change aligns with the external forces shaping our network discussed in our latest Electricity Asset Management Plan.²
- **A four-year regulatory period is an option to manage uncertainty.** In principle, this is an attractive option as a companion to the flexibility mechanisms in the draft Input Methodologies. It will be important to review the overlaps with the timing of other decision processes eg 2029 IM review, and fibre/water regulatory timeframes.

If you have any questions regarding this submission or would like to talk further on the points we have raised above, please contact Nathan Hill (Nathan.Hill@powerco.co.nz).

Nāku noa, nā,



Andrew Kerr
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¹ The customer interruption minutes threshold was introduced as part of the extreme event quality standard.

² In our 2023 Electricity Asset Management, Chapter 4 discusses the main external factors and uncertainties that Powerco considers when developing the strategy for its business.