

23 June 2023

Ben Woodham
Manager, Electricity Distribution
Commerce Commission
PO Box 2351
Wellington 6140
By email to infrastructure.regulation@comcom.govt.nz

Dear Ben

Electricity Networks Aotearoa (ENA) appreciates the opportunity to submit on the proposed process for the Default price-quality paths (DPP) for electricity distribution businesses from 1 April 2025.

ENA is the industry membership body that represents the 27 electricity distribution businesses (EDBs), listed in Appendix A, that deliver electricity to homes and businesses across Aotearoa. ENA harnesses the collective expertise of members to promote safe, reliable and affordable power for our members' customers.

The EDBs of New Zealand own and maintain over 150,000 km of electricity lines across the country. This critical national infrastructure supports the day-to-day wellbeing of New Zealanders and is vital to the functioning of the economy.

ENA welcomes the Commerce Commission's (Commission) recognition that *"this reset is important as Aotearoa New Zealand's response to climate and technological change starts to take shape and accelerate."* EDBs stand ready to face the challenges posed by New Zealand's electrification, the demand for more resilience of energy infrastructure, and the opportunities presented by advances in technology and changing consumer preferences.

The overarching process for the DPP, set out by the Commission in Table 1 of the process paper, is appropriate. However, ENA is concerned that only four weeks have been allocated for submissions on the Issues Paper.

The topics likely to be covered by the Issues paper including the approach to determining the appropriate quality of service and forecasting the accompanying level of expenditure are complex and critical to the success of the DPP in delivering on the objective of Part 4 of the Commerce Act. ENA, therefore, recommends a 6-week consultation period for the Issues paper.

Asset management plans and expenditure forecasting

The Commission should make it a priority to ensure that the DPP supports EDBs in tackling head-on the challenges posed by decarbonisation and technological change. The process set

out in the process paper will go some way to delivering a DPP which is fit for the challenges of today and the next decade.

As indicated in the process paper some EDBs 2023 Asset Management Plans (AMPs) include a material uplift in forecast expenditure to enable the achievement of New Zealand's climate goals via the facilitation of the increased electrification of the economy. Other EDBs took a different approach with their 2023 AMP being a narrowly focused update of their previous AMP.

In addition to the different approaches taken by EDB to their 2023 AMP, for many the impacts of Cyclone Gabrielle have provided pause for thought on the prioritisation, timing and scale of spending to ensure the delivery and resilience of their critical lifeline services.

As illustrated above, the context for each EDB differs depending on the needs of the region and customers they serve. ENA supports the Commission using the most up-to-date information as the basis of its DPP decision and taking steps to obtain this information from EDBs including through further dialogue and information requests.

EDBs are cognisant of the obligations provided for under s 53ZD of the Commerce Act and the Information Disclosure Determination which prescribe AMP content and publication. Requests for information from EDBs outside these arrangements should be accompanied by clear guidance on the necessary level of detail, and assurance.

Stakeholder workshops

ENA supports the Commission's intention to hold in-person sessions including workshops to discuss issues and share ideas on the DPP reset. From experience, ENA has found that workshops deliver the best results when they are focused on well-defined issues/topics and have appropriately informed interested parties in the room. The Commission's recent workshop on Tranche 2 of the Information Disclosure review illustrates the benefits of having a clear scope and tailored workshop content, focused on eliciting actionable input from appropriately informed stakeholders.

The timeframes for the stakeholder workshops set out in paragraph 43 of the process paper are appropriate.

DPP regulatory period

While there is significant uncertainty about the timing and magnitude of the impact of new technology, decarbonisation and changing consumer preferences on EDBs. A balance needs to be struck between tying EDBs revenues to the forecast of emerging categories of expenditure with low levels of accuracy and the time and resources consumed by the DPP process.

ENA's initial view is that if the current Input Methodologies review delivers a regime with appropriate mechanisms for dealing with uncertainty, as recommended in the ENA's recent submission to the Commission¹, a DPP regulatory period of five years should be retained.

¹ ENA, May 2023, Further Submission to the Commerce Commission on Uncertainty Mechanisms, available at <https://www.ena.org.nz/submissions/>

ENA and its members look forward to engaging with the Commission throughout the DPP determination process. Please don't hesitate to get in touch with ENA if you'd like to discuss our submission. Contact Keith Hutchinson (keith@electricity.org.nz, 021 0849 9419).

Yours sincerely

A handwritten signature in blue ink that reads 'Keith Hutchinson'.

Keith Hutchinson
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 Energy Distribution
Mainpower NZ
Marlborough Lines
Nelson Electricity
Network Tasman
Network Waitaki
Northpower
Orion New Zealand
Powerco
PowerNet
Scanpower
The Lines Company
Top Energy
Unison Networks
Vector
Waipa Networks
WEL Networks
Wellington Electricity Lines
Westpower