

17 October 2023

Commerce Commission  
PO Box 2351  
Wellington 6140  
Via email to [IM.Review@comcom.govt.nz](mailto:IM.Review@comcom.govt.nz)

Dear Charlotte,

Electricity Networks Aotearoa (ENA) welcomes the opportunity to comment on the Commerce Commission's (Commission's) proposed Input Methodologies (IM) cost of debt wash-up mechanism. ENA represents the 27 electricity distribution businesses in New Zealand (see Appendix A) that provide local and regional electricity networks.

ENA, in its cross-submission on the draft IM decision, highlighted that the "wash-up mechanism would result in net cash flow volatility". The Commission proposed smoothing of the accumulation of the debt wash-up addresses this price volatility. ENA welcomes the proposed mechanism as it reduces annual revenue volatility. However, ENA notes it does not address the underlying volatility of the nominal debt differential.

As noted by ENA in past submissions there are alternative means of addressing the inflation forecast risks tied to the cost of debt. These mechanisms tackle the root cause of the volatility rather than simply masking its impact via the proposed smoothing mechanism.

ENA supports the proposal to ensure the most up-to-date consumer price index (CPI) information (actual and forecast) is used when determining forecast net allowable revenue at the start of each disclosure year.

Yours sincerely



Keith Hutchinson

Regulatory manager

## Appendix A

The 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