

**17 July 2018**

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**Response to the Commission proposed process for 2020 DPP reset**

Dear Keston

Thank you for the opportunity to provide feedback on the Commission's paper headed "Default price-quality paths for electricity distribution businesses from 1 April 2020". We value the opportunity to assist the Commission to develop an implementation process that is fit for purpose for all stakeholders.

We have reviewed this paper and offer the following comments for your consideration.

1. ENA members support the use of workshops as a way for both the Commission and stakeholders to consider aspects of the DPP determination. We would encourage the Commission to make the workshops topic-specific (such as how to consider innovation incentives within the DPP) so that participants can bring the appropriate focus to the topic at hand.
2. We recall that in 2015 the Commission released many of the individual draft decisions at the same time which placed great pressure on EDBs time and resources in responding to individual determinations, supporting papers and models. We encourage the Commission to stagger its release of the drafts so that it receives quality feedback from our members.
3. In the context of this point (2 above) we consider that it is especially important that the decisions on price and quality be separated to ensure that members can provide suitable feedback to the Commission.
4. In general, we are comfortable with the proposed timeline and process, provided that our comments in this letter are considered. We are currently making our own preparations for this reset. We have two work groups considering both quality of service and the operation of

a revenue cap. As you know the quality group is targeting September 2018 to provide the Commission with its proposals for improvements/changes to the current DPP quality arrangements. The period from then until about mid-2019 looks to be very resource intensive for both the DPP reset as well as other regulatory priorities.

5. Paras 14 and 15 of your paper seek stakeholder views on two aspects of timing in Q1 and Q2 2019.
  - a. Regarding the timing of the Quality of Service Information Request, the Commission should recognise that EDBs must complete their DPP Compliance Statements following the 31 March year end before they can move into Information Disclosures, due by 31 August. The length of time required to compile the Q of S material and to have it both audited and Director certified, will be dependent on whether the information is new or has already been provided (e.g., in DPP compliance statements). We suggest an eight-week minimum but propose that the Commission re-engage on timing once the content of the request has been determined.
  - b. Regarding the timing of the draft decision relative to the 2019 AMPs, it seems that the ability to use the 2019 AMP information into the Financial Model would depend on the extent to which AMP data has to be further processed for use in the model. We see a trade-off here. On the one hand, it would be preferable to incorporate 2019 Information in the draft decision, as this would reduce the potential for differences between the draft and final decisions that need to be explained to stakeholders and would avoid the complication of an updated draft. On the other hand, ENA's main concern is to have sufficient time to digest and comment on the draft decisions – at this stage our preference is for 2018 AMPs data as we consider that this would provide greater time to assess the underlying methodologies and principles.
6. The published process appears to be relatively narrow in its scope. Paragraph 9 indicates the key areas of focus, which appears to be on setting incentives for quality//reliability and on compensating EDBs for the costs of the conveyance service. To the ENA it seems important to also examine the context for the reset and thereby identify other areas that need to be considered.

By way of example, there is increasing demand for EDBs to procure network alternative services from third parties. This would require development of new technical and commercial models to enable such procurement which raises the question of how EDBs are to be incentivised/rewarded for incurring costs to enable such market participation. Similarly, there is a need to make sure that the DPP regime can readily accommodate changes in policies regarding the management of service lines. The process should also look at the requirements of section 54Q and review the performance of the incentives in place during the current regulatory period. We recommend that time be allowed in the process to ensure that the DPP reset is set appropriate to the environmental context confronting EDBs and the electricity market.

Naturally as we work through the process we will develop a greater sense of the time, resources and information required to successfully conclude the reset. Regular communications and updates from

the Commission will be helpful in managing stakeholder expectations for the timetable, and we encourage the Commission to continue to keep all stakeholders well-informed on the process as it develops. It is particularly important to manage timeframes around information requests, as it is not just the EDBs that need to mobilise to provide the data required, but their auditors and Directors, who need adequate notice.

Once again thanks for the opportunity to provide feedback.

Yours sincerely

A handwritten signature in black ink, appearing to be 'd. boer', written in a cursive style.

David de Boer

Principal Advisor Pricing and Regulation