

# Electricity Networks Association

7<sup>th</sup> Floor, Wellington Chambers, 154 Featherston Street

PO Box 1017

Wellington, New Zealand 6140

Telephone: 64-4-471 1335 Fax: 64-4-496 5209

E-mail [gpeters@electricity.org.nz](mailto:gpeters@electricity.org.nz)

23 June 2015

Keston Ruxton  
Manager Market Assessment and Dairy  
Regulation Branch  
Commerce Commission  
PO Box 10041  
WELLINGTON

Email: [regulation.branch@comcom.govt.nz](mailto:regulation.branch@comcom.govt.nz)

## **Submission on scope of CPP fast track amendments for the IM review**

The Electricity Networks Association (ENA) appreciates the opportunity to comment on the CPP requirements amendment proposal outlined in the Commerce Commission's 'Cover letter for the Notice of Intention to commence a review of input methodologies, dated 10 June 2015.<sup>1</sup> The ENA represents the 29 network businesses in New Zealand and makes this submission with their explicit support.

The ENA supports fast tracking potential improvements to selected aspects of the CPP Input Methodology (CPP IM) to assist those suppliers which may be considering applying for a CPP before the full IM review is completed.

The ENA has previously provided the Commission with detailed comments on the areas of the CPP IM which could be improved to reduce complexity and ambiguity, including in relation to information requirements and pre and post CPP application processes. We consider that potential improvements in these areas will have long term benefits for consumers because they will reduce the costs of applying for and assessing a CPP application. Importantly this will assist suppliers to make CPP applications which may be of long term benefit to consumers.

The ENA notes that the scope of CPP IM amendments is potentially quite large - for example there will be considerable effort required to redraft Schedules B to G of the IMs to address the concerns raised following Orion New Zealand's CPP experience. The ENA considers that the proposed fast tracking timetable is insufficient for a comprehensive review of all of the information and process components of the CPP IM.

In this respect we suggest that a workshop and/or work group may be a useful means to develop the detailed amendments to the core CPP IM processes and information requirements. We do not consider that this is achievable within the proposed fast track time frame.

---

<sup>1</sup> Refer Commerce Commission, Attachment – Process for considering the fast tracking amendments within the review, CPP requirements amendment proposal, pages 8-10

Accordingly we suggest that any fast tracked review focuses on those priority refinements that parties agree can be expedited, with a more comprehensive review of the information requirements included in the full IM review. Another option is to review the case, under the fast track process, for a mechanism that allows a CPP applicant and the Commission to agree certain information exemptions in advance of an application, subject to appropriate consultation and transparency of process.

We note that any CPP IM issues identified within the fast track process, which are unable to be fully addressed within the proposed timetable, can be considered further during the full IM review.

In addition, the ENA supports the Commission clarifying, during the fast track process, the extent to which amended IMs apply to a CPP submitted during an IM review.

We note that the CPP Weighted Average Cost of Capital (WACC) is an item which is included in the proposed IM Forum discussion topics.<sup>2</sup> However, the ENA suggests that the interplay between DPP and CPP WACCs (as noted in the 'Invitation to contribute to problem definition' paper) - separate from any review that looked at more substantive components of the WACC and how it is specified, as the case may be - could also be considered as part of the fast tracked amendments. This is a potential CPP amendment of direct relevance to those which may consider submitting a CPP prior to the completion of the full IM review.

Finally, we note that the proposed timetable allows only 3 weeks between the decision on the scope and process, and the draft decision. This appears to be largely influenced by the timing of the IM Forum at the end of July.

While we understand that it might be valuable for Forum participants to understand the proposed amendments at that time, we consider that the proposed 3 week period is insufficient to reach draft decision stage. In particular we note that the Commission has provided very little information at this stage about what the amendments might cover, and importantly, the proposed timetable provides no opportunity for external input between the scope definition and draft decision stages.

Accordingly the ENA suggests that the Commission considers amending its proposed timetable to remove the IM Forum constraint, and ensures that the scope announcement (currently scheduled for 3 July – but this could be delayed) is sufficiently detailed that interested parties have a reasonable understanding of each of the amendments that is being considered.

We consider that this level of information will be sufficient for the Forum as it will be clear what is in and outside of the the fast track process, and the nature of the proposed amendments that are in. It also allows for the draft decision to proceed in a more orderly fashion, with an opportunity for input from interested parties as appropriate, prior to the draft decision being released. We consider that the proposed 8 week period between cross submissions on the draft decision and final decision allows for some slippage in the darft decision deadline.

Finally the ENA requests that a consultation step is included for feedback on the draft amendment determination, as has become standard practice for regulatory determination processes.

---

<sup>2</sup> Refer Commerce Commission, Input methodologies review, Invitation to contribute to problem definition, 16 June 2015

Should you require further information or wish to discuss our response, our contact person for this submission is:

Nathan Strong  
Chair, ENA Regulatory Working Group  
Email: [nathan.strong@unison.co.nz](mailto:nathan.strong@unison.co.nz)  
Tel: 021 566 858 or 06 873 9406

Yours sincerely



Graeme Peters

Chief Executive  
Electricity Networks Association

