

## Notification Email Regarding Decision to Fast Track Certain Amendments to Input Methodologies

Good afternoon

### Decision to fast track confirmed

The Commission has decided to commence a two-limbed fast track process considering:

1. potential amendments to the customised price-quality path (CPP) input methodologies (IMs) for electricity distribution services and gas pipeline services. The indicative date for publishing final decisions and amendments has been brought forward to **early November 2015**.
2. the issue of whether to align the weighted average cost of capital (WACC) for CPPs with the WACC for default price-quality paths (DPPs), and potential amendments to the IMs (for electricity distribution services and gas pipeline services) to give effect to this for regulated suppliers who might seek a CPP in the current DPP regulatory period. The indicative date for publishing final decisions and amendments has been brought forward to **the end of February 2016**.

This decision follows on from 3 July 2015 when we deferred our decision and sought comment from interested parties on further issues raised in submissions on the scope and process for fast track amendments to the IMs relating to CPPs. Comments received from interested parties are available on our website at: <http://www.comcom.govt.nz/regulated-industries/input-methodologies-2/input-methodologies-review/>.

The timeframes for anticipated completion of each limb of this fast track process aim to ensure they will be completed and re-integrated back into the overall IM review process before we release our draft decisions on the IM review in mid Q2 2016.

### Scope of fast track process

The first limb of this fast track process is considering potential amendments to the CPP IMs to:

- simplify the requirements, including information requirements, for applicants making a CPP proposal in order to improve certainty and reduce compliance costs for suppliers by allowing modifications or exemptions for existing information requirements, or the use of alternative methodologies with a materially equivalent effect (as referred to in paragraphs 413.1 and 446 of our *Invitation to contribute to problem definition* paper of 16 June 2015). However, the wider consideration of simplifying information requirements for CPP applications will occur as part of the overall IM review process.
- clarify which IMs apply to a CPP application prepared and submitted during the IM review process (as referred to in paragraph 4 of the first Attachment to our *Cover letter for the notice of intention to commence a review of input methodologies* of 10 June 2015).

The second limb of this fast track process is considering:

- the issue of whether to seek to align the WACC for CPPs with the WACC in the DPP, so as to remove potential perverse incentives on whether or not to seek a CPP.
- potential amendments to the IMs to give effect to this for regulated suppliers who might seek a CPP in the current DPP regulatory period.

As submissions from the Major Electricity Users Group and Powerco have noted, this may require consideration of a number of related issues including which estimate of the inflation rate is used in the CPP, whether the CPP WACC should still be used for new investment proposed in the CPP, and if the CPP should be updated once the WACC for the subsequent DPP period is determined.

**Next Steps**

We are announcing this decision to commence an additional two-limbed fast track process now so that interested parties are aware of it in advance of the IM Forum (scheduled for 29 and 30 July 2015), and because the decision may be a factor that affects regulated suppliers' planning for potential CPP proposals in 2016. We are taking more time to provide greater detail on process and scope. We anticipate being able to outline additional detail at the IM Forum and an amended notice of intention for the IM review with accompanying process paper will follow shortly after that.