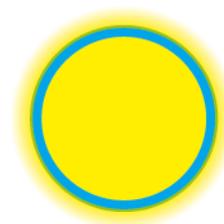


7 November 2017

Matthew Clark
Senior Analyst
Regulation Branch
Commerce Commission
Wellington

By email: regulation.branch@comcom.govt.nz

POWERCO



Dear Matthew

RE: CPP information requirements for gas pipeline businesses

General comments

Powerco welcomes the opportunity to comment on the Commerce Commission's (the Commission's) draft decision on Customised Price-quality Path (CPP) information requirements for gas pipeline businesses (GPBs).

We thank the Commission for the opportunity to provide feedback prior to the draft decision. We are supportive of the process the Commission has followed in reaching its draft decision, in particular its use of the 2016 Input Methodology (IM) Review decision making framework.

The Commission's draft decision is to defer any amendments and to rely on the modification and exemption provisions made by suppliers during the application process to address issues with the CPP information requirements. Powerco does not support this decision. We recommend the Commission make some simple amendments now that would allow the CPP IMs to be applied as intended.

In preparing a CPP application for our Electricity Distribution Business (EDB) Powerco raised with the Commission a number of clauses that weren't practical when applied. Resolution to these issues was through a range of CPP modifications and exemption requests. In addition to these requests, Powerco separately engaged with the Commission to seek clarification on certain IM requirements and approval of certain interpretations. We consider that some of these issues are equally applicable to Gas Pipeline Businesses (GPB) as they are to EDBs.

In our opinion modification and exemption requests introduce a significant amount of complexity, time and cost to the CPP process. We consider a more straightforward and cost-effective CPP process would be achieved by amending the IMs in advance.

Issues and recommendations

While completing our CPP application most of the difficulties we encountered were a result of—

- Inconsistency with information disclosure (ID) requirements
- Terms are not defined in the IMs, or do not, link back to IM clauses.

As part of this review Powerco recommends that the Commission clearly define the IM terms and align the CPP information requirements with IDs where it is easy to do so. The current disconnection between and within Determinations creates confusion in interpreting and applying the CPP IM requirements. Greater alignment would enhance to CPP application process by helping GPBs to better interpret and apply the CPP requirements.

Except for one issue we wish to reiterate again, we have not repeated in this submission the issues we raised as part of our CPP application. Instead, we refer the Commission and other interested persons to Chapter 6 of our CPP Application that details the modification and exemptions applied for.

Definition of “current period”

The one issue we wish to reiterate again relates to the definition of “current period”. Schedule E of the IMs consistently refers to the current period. This is defined in the EDB and GDB IMs as *‘the 5 disclosure years preceding the disclosure year in which the CPP application is submitted’*.

We recognise this definition can create an issue for CPP applicants who submit an application at the start of a new disclosure year. These applicants will be required to submit current period data for the disclosure year that has recently finished. This information may not be available in time to provide auditor review prior to submitting the CPP application. This will mean data for the final year of the current period would have to be a forecast. To avoid this issue we suggest that the Commission consider defining the current period in terms of information that has been disclosed at the time a CPP is submitted.

Thank you for the opportunity to provide comments on the draft decision. If you wish to discuss any of the points made, or clarify any matters, in the first instance please contact Nathan Hill tel. (06) 759 8582, email Nathan.Hill@powerco.co.nz.

Yours sincerely



Richard Fletcher
General Manager Commercial and Regulatory