

Network Tasman Submission on the Commerce Commission's Issues Paper – Default price-quality paths for electricity distribution businesses from 1 April 2020

20 December, 2018

Dane Gunnell

Acting Manager, Price-Quality regulation

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Dear Dane,

This letter constitutes Network Tasman's submission on the Commission's Issues Paper *Default price-quality paths for electricity distribution businesses from 1 April 2020*. Network Tasman has read and contributed to the development of the ENA's submission and supports its conclusions and recommendations.

The only issue, not covered in the ENA's submission, that we want to bring to the Commission's attention relates to the Commission's proposal to use distributors' 2018 Asset Management Plans as the basis to forecast capital expenditure for the draft decision.

Network Tasman is experiencing load growth that is expected to exceed the firm capacity of our existing GXP in Stoke at around 2023. Due to limitations in bringing further load out from the Stoke GXP in its valley site, an additional GXP will be required. Network Tasman's 2018 Asset Management Plan includes the cost of building a GXP in Brightwater between 2021/22 and 2022/23 at a cost of \$28m.

We no longer plan to construct the GXP, rather we expect Transpower to build the GXP as part of a New Investment Agreement. This change means that the capital expenditure outlined in our 2018 Asset Management Plan is overstated. This change will be reflected in the 2019 Asset Management Plan and therefore the Commission's updated draft and final decision papers. However, the change will not be accounted for in the Commission's draft DPP3 decision, as that will use our 2018 Asset Management Plan.

If the Commission uses Network Tasman's 2018 Asset Management Plan as an input to its capital expenditure forecasts for its draft DPP3 decision, its forecasts for Network Tasman will present an unnecessarily inaccurate picture of our capital expenditure plans and likely performance against the DPP, unless the stated costs of the Brightwater GXP are excluded.

Accordingly, we request the Commission remove the stated costs of building the Brightwater GXP from its forecast of Network Tasman's capital expenditure in the Draft DPP decision paper.

We are happy to discuss any further details, should the Commission have any questions.

Kind regards,

Daniel Vincent

Regulatory and Commercial Manager