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Overview Session

**IM Review Forum
29 – 30 July 2015**

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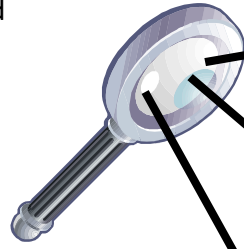
Presentation will ' briefly 'cover

- CPP and other regulator's approaches to expenditure assessment
- How a CPP review was intended to work
- The Orion CPP review
 - The proposal
 - Verification issues
 - Top 3 observations

Top-down focus

The Commission's focus is at the qualitative governance and management level

Supported by quantitative bottom-up building block information provided at a level that demonstrates practical application of sound policies, strategies and procedures



Services and levels demanded by consumers and Legal and regulatory requirements

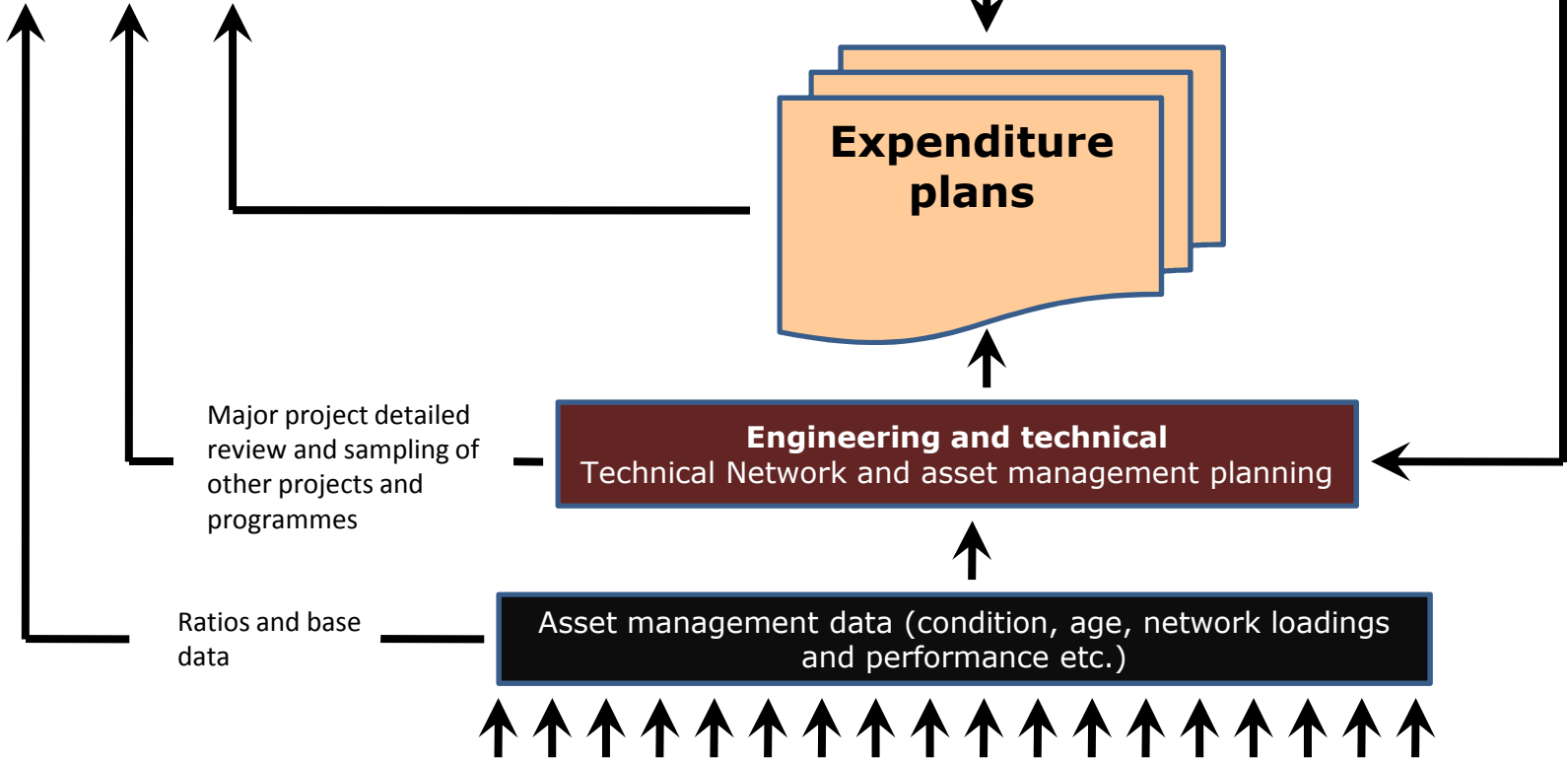
Governance and Management
Policies, strategies and procedures that deliver services demanded by consumers at least cost

Business management
Assessment and approval of expenditure plans

Expenditure plans

Engineering and technical
Technical Network and asset management planning

Asset management data (condition, age, network loadings and performance etc.)



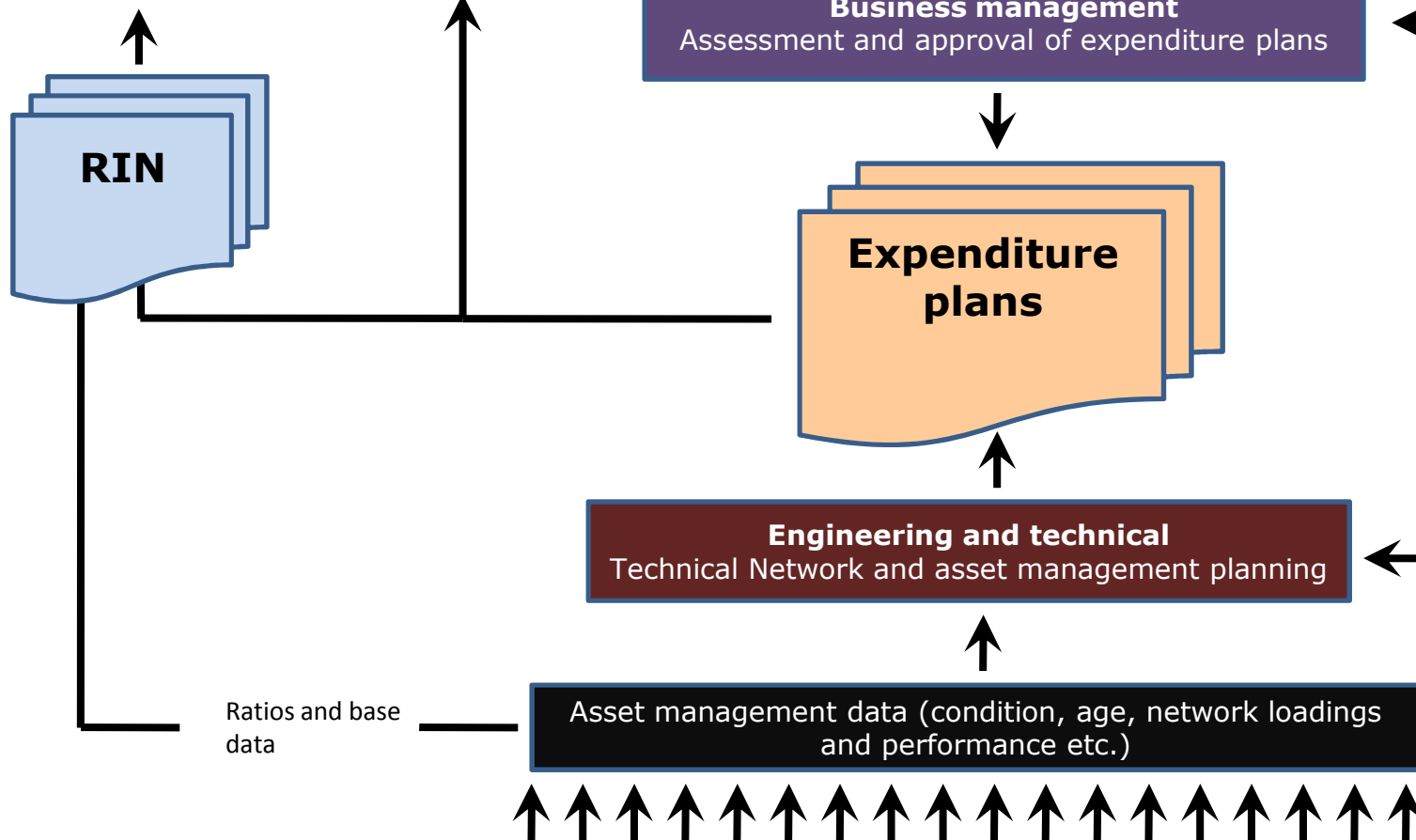
Top-down/Bottom-up

Regulator's focus is on the justification for differences from modelled benchmarks and step changes

Models and benchmarking provide reference for establishing 'areas of interest'



Differences and step changes to be fully supported and justified



This diagram is illustrative for the forum discussion

How the CPP assessment was expected to work

- CPP proposals will be subjected to:
 - (pre-submission) independent verification by a pre-assessment verifier; and
 - (post-submission) assessment by the Commission
- The initial focus will be on the qualitative aspects
 - qualitative information assists assessment of whether an EDB's strategies, policies etc. are appropriate
- Qualitative & quantitative information assists to determine whether an EDB is applying its strategies, policies etc. in practice
- Enhanced scrutiny is placed on the more material projects and programmes
 - thus, more detailed qualitative information is specified for material projects/programmes

Lessons from the Orion CPP review process

- The proposal
 - First CPP not expected to be for post earthquake recovery and rebuild
 - The proposal documentation was significant – 2000 pages including appendices
- The Verifier
 - Was engaged quite late in the proposal
 - Verifier's engagement with the Commission
 - Some key issues could have been developed further
- Lessons
 - Closer engagement of Verifier on approach and Commission's objectives
 - Rigorous internal top-down challenge should be used by the business prior to submission
 - Proposal should focus on reasons and supporting evidence