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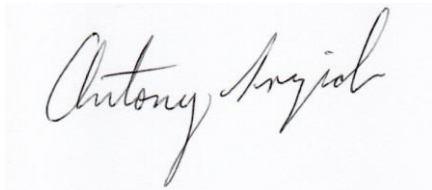
## TRUSTPOWER SUBMISSION: CONSULTATION ON CHORUS' INITIAL PRICE QUALITY RAB PROPOSAL

1. Trustpower Limited (**Trustpower**) welcomes the opportunity to make a submission to the Commerce Commission (**Commission**) on its *Consultation on Chorus' initial price quality RAB proposal*, 30 April 2021 (**Consultation Paper**).
2. In parallel to the release of the Consultation Paper, the Commission has also released a process update (**Process Paper**), informing stakeholders of the process and timing for determining Chorus' initial price-quality regulatory asset base (**Chorus' initial PQ RAB**), and the process for determining the first price-quality path (**PQP1**) for Chorus.
3. The Consultation Paper invites stakeholders' views on Chorus' initial PQ RAB proposal before the Commission makes its draft decision on the value of the initial PQ RAB in the third quarter of 2021.
4. Our submission focuses on the exposure of retail prices and end users to the Commission's approach to finalising the initial PQ RAB as set out in the Consultation Paper and Process Paper.
5. We are concerned that the Commission's intended approach raises the risk of a change or a shock in wholesale prices in the transition from PQP1 to the second price-quality path (**PQP2**), which would then likely pass through to retail prices. In particular, the approach for finalising Chorus' initial PQ RAB set out in the Process Paper may result in a substantially different draft initial PQ RAB input value for PQP1 compared with the final initial PQ RAB input value for PQP2.
6. Trustpower accepts that the initial PQ RAB value cannot be finalised until 2022 because actual values for demand, cost, revenue and allocation factors in 2021 should replace forecast values included in the draft initial PQ RAB, and the actual values will not be available until 2022.
7. However, the Process Paper indicates that finalising the initial PQ RAB goes beyond replacing forecast with actual values, and that it would be finalised "... *once further review and scrutiny has*

*been applied to those asset values and cost allocators”.*<sup>1</sup> The Process Paper also notes that the Commission will confirm the process for determining Chorus’ initial PQ RAB in 2022, after the determination of PQP1.<sup>2</sup>

8. This approach raises the risk of substantial differences between the draft and final initial PQ RAB models, resulting in a difference in valuations. If these valuations are significantly different then this may result in wholesale price shocks when transitioning from PQP1 to PQP2, which could reasonably be expected to pass through to retail prices and impact end users.
9. We therefore submit that the Commission should reduce the risk of price shocks in the transition from PQP1 to PQP2 by confirming the process for how it will determine Chorus’ initial PQ RAB in 2021, and not wait until 2022. This process should clarify the extent to which asset values and cost allocators will be reviewed next year in order to provide transparency and minimise the risk of price shocks.
10. For any questions relating to the material in this submission please contact me on 027 305 8802.

Regards,



Antony Srzich PhD

Advisor – Strategy & Regulation

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<sup>1</sup> *Determining Chorus’ first fibre price-quality path: Process update*, 30 April 2021, Paragraph 13

<sup>2</sup> *Ibid.*, footnote 5