

20 April 2022



Regulation Branch  
Commerce Commission

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

## **UNISON AND CENTRALINES SUBMISSION ON TARGETED INFORMATION DISCLOSURE REVIEW**

Unison and Centralines welcome the opportunity to submit on the Commission's targeted review of information disclosure. We have contributed to the preparation of the ENA's submission and endorse its recommendations. In this submission we largely focus on overarching factors we believe that the Commission should consider in meeting the purpose of ID Regulation and matters of process.

### ***Meeting the purpose of ID Regulation***

As the Commission observes, it has been a lengthy period since the Information Disclosure Requirements have been set, but in some respects it appears that the Commission is undertaking this review with too much haste, especially in processing new requirements in the first tranche of changes for implementation from 1 April, 2023.

In Unison and Centralines view, this review is overdue. We think more use can be made of ID Regulation to support effective outcomes from DPP resets, as well as make more information available to stakeholders on EDB performance (especially via the Commission's own Summary and Analysis reporting). But it is important to recognise that data collection, recording and reporting systems and, where relevant, auditing requirements, are not costless. Even where EDBs are currently collecting data for their own internal management purposes, if definitions vary from the way in which an EDB currently collects information, it may take time to implement variations in automated systems, or data collection practices. There is also an opportunity cost to producing disclosure data in diverting EDB staff from other activities. For those EDBs subject to DPP Regulation, we note no allowances were provided to enhance reporting, (including higher audit costs) in the DPP3 reset, so we submit there is an onus on the Commission to ensure that new requirements are well-supported in meeting the purposes of ID Regulation.

Unison and Centralines also note that the Purpose of ID arguably provides the Commission with wide scope to define an extensive set of requirements. We note the Commission's commentary in paragraphs 2.11 to 2.14 on its decision-making criteria and the approach outlined in the 2012

*Information Disclosure for Electricity Distribution Businesses and Gas Pipeline Businesses: Final Reasons Paper.* As a general observation, it is not clear to us how these criteria and decision-making approaches provide sufficient discriminatory power to assist with decision-making. We think it would be useful for the Commission to further develop its criteria to apply in determining new requirements so that there is a degree of assurance that disclosure information is meeting its prescribed purpose: ultimately if the costs of producing disclosure information exceeds the benefits it is not clear this could be in the long-term interests of consumers. Such criteria could include:

1. The information is actionable:
  - a. It allows the Commission to discharge its regulatory responsibilities more effectively (e.g., through better informed DPP decisions, or ability to set incentives relating to the performance metric);
  - b. It allows a stakeholder to engage with the EDB on that element of performance to achieve change;
2. Stakeholders have expressed a meaningful interest in receiving the information. The Commission shouldn't make undue assumptions about the value or interest in the performance metric;
3. The information is relevant to making material assessments of EDBs achievement of the Purpose of Part 4;
4. The information is meaningful to an interested person. (We note that a number of the Commission's proposals are intended to provide more granular breakdowns of customer-related reliability performance. If this is intended to be used for comparative performance analysis across EDBs then requirements need to be specified in a manner that ensures "apples-with-apples" comparisons can be made).
5. Information is not better available to the interested person through an alternative means. (For example, power quality information is directly relevant to a consumer that may be experiencing adverse power quality. Adversely affected consumers can obtain remedies through a complaint to the EDB. If not resolved satisfactorily then consumers can redress through UDL. Accordingly, if the Commission were to consider requiring disclosure of aggregated measures of power quality, what purpose would be achieved? A further example is that NEMA is developing new reporting requirements on resilience.)
6. The expected benefits of disclosing the information outweigh costs.

Unison and Centralines note that the criteria suggested above are best considered as examples – we have not considered them in depth. Our overall point is that the Commission should have clear criteria that inform the development of requirements, otherwise there is risk that disclosure requirements become a shopping list of "nice to have" information, but without a clear understanding of how the information is to be used or useful to interested persons.

## ***Focus areas for the targeted review***

Unison and Centralines agree with the Commission's proposed focus areas for the targeted review:

1. Quality of service measures – we agree there is little performance information available beyond the high-level SAIDI/SAIFI-type measures;
2. Decarbonisation – we agree that the decarbonisation imperative represents a significant change in the landscape that stakeholders could reasonably expect to understand how EDBs are meeting the challenges of;
3. Asset Management – we agree that enhancements could be made to asset management plans to ensure more consistent reporting around resilience activities and capital investment plans; and
4. Alignment of ID to DPP and IMs – we strongly agree. Changes in this area can remove unnecessary complexity and effort and improve consistency across EDBs.

We note the Commission's guidance that the Targeted ID Review is seeking to prioritise higher-impact changes. Unison and Centralines also recommend the Commission consider the following two areas:

1. Looking ahead to the next DPP reset, with the risk of inflation becoming elevated and prolonged, we think it would be important to consider whether measures of input price inflation should be developed. A source of uncertainty and risk for DPP resets has been variances between all-industries measures of input price inflation (LCI and PPI) and specific input price inflation effects for EDBs.

We are currently observing eye-watering increases in metal prices, fuel etc that proportionately affect EDB input costs more than the wider economy, so having a richer insight into these areas is likely to have benefits for future DPP resets, especially DPP5 where time series information would be available to compare against all-industry measures. Even in DPP4, understanding the significant shifts we are seeing in input costs would likely be critical if the Commission were to continue with approaches such as the 120% cap on increases from historical average capex<sup>1</sup>. Unison and Centralines recommend this be added as a further focus area to develop in Tranche 2.

2. A further feature of DPP resets has been the fact that opex allowances have been constrained to trend allowances for growth in network length and customer numbers, but no "steps" have been allowed for. Unison and Centralines submit that consideration should also be given to better data capture related to new or revised regulatory requirements leading to new costs for EDBs. Since the start of DPP3, for example, we have already seen changes to traffic management requirements and proposals for much more planning and reporting under the Civil Defence and Emergency Management Act which will lead to material new costs. Meeting these new regulatory requirements is essentially treated as

---

<sup>1</sup> E.g., in order to calculate real levels of historical capex in 2025 dollars.

“inefficiency” with consequent IRIS penalties attached. We recommend that as part of the Tranche 2 review, consideration be given to whether there is some form of standardised reporting of the effect or projected effect of new or updated regulatory requirements. This would enable the Commission to better understand the operating context for EDBs when making DPP decisions.

### ***Process***

We recommend the Commission engages deeply with EDBs to define new requirements. We are not persuaded that submission processes are the most effective way of determining or finalising new information disclosure requirements. Workshops with relevant subject matter experts may be more effective and efficient in ensuring any new requirements are practical and achieve their intended purpose.

Historically we have found that allocating sufficient time to review of the technical drafting of IMs and DPP Determinations is important in ensuring drafting accuracy and avoiding ambiguity. We recommend that the Commission reconsider its proposed process steps to ensure that sufficient time is available to develop clear and unambiguous requirements that deliver consistent information from EDBs.

### ***Specific comments on the proposals***

As noted in our introductory remarks, we have provided input to the ENA’s submission which has responded to each of the proposed requirements. In this section we focus on specific elements of the proposals of key interest to Unison.

#### ***Quality of service***

Unison and Centralines acknowledge that current disclosure requirements are very high-level and provide limited insight on variations in service performance faced by consumers. Nevertheless, it also needs to be recognised that consumers have access to the UDL scheme which provides a free complaints resolution service if a complaint becomes deadlocked with the EDB. To the extent that a consumer is suffering undue service performance or adverse power quality, their primary interest is likely to be in the resolution of their specific issue (rather than understanding performance at a still-aggregated level). In that context, a balance needs to be struck in adding further quality of service measures to support greater understanding of sub-network performance. We recommend that the Commission engage with interested stakeholders to determine what sub-network levels of service performance are of value and interest. For example, it is not clear to Unison and Centralines that there is widespread interest in measures such as MAIFI or power quality at aggregated levels.

Most important in this area is that definitions and categories are clear and enable meaningful data to be captured. For example, reporting on time to set up a new connection needs to take account of variances in customer type. A simple new connection, where there is an existing point of supply, will vary significantly in time to connect compared to a new industrial connection. Definitional clarity on when the clock starts and stops would also be important, including what happens if a customer

applies well in advance of requiring the connection to be live, or fails to respond to requests for more information once an application is lodged or is slow in making payment in advance of the work.

### *Decarbonisation*

The decarbonisation imperative is having significant effect already on our customers, with a number approaching Unison in recent times to outline their plans to convert to electricity. But we are also seeing unprecedented demand from commercial/industrial consumers seeking to connect or upgrade their connections. These commercial upgrade requirements are often not made known to us until they have gone through internal investment decision approval processes, which makes planning for such requirements impossible.

Unison and Centralines consider that Asset Management Plans are the right locations for each EDB to explain how they are planning to respond to the decarbonisation challenge, including information on how each network is planning to increase visibility of low voltage networks and how scenario analysis is being used to support the development of capability and capacity to respond to growing and changing consumer demands.

In addition to the ENA's submissions on the detailed proposals, Unison and Centralines make the following comments:

No.	Commission’s potential options to achieve outcomes	Unison and Centralines comments
D2	<p>There are various approaches that could be used to require EDBs to report more consistently and provide greater transparency, which would allow stakeholders to better understand the magnitude and effect of new large electricity loads on EDBs’ networks. One example of this would be a requirement for an EDB to identify and report on the top 10 fossil-fuel loads in their area that could convert to electricity and the effect on their network and how they were preparing. Alternatively, a threshold (either absolute or proportional) could be introduced which required EDBs to report this information on new loads above a certain size</p>	<p>Subject to commercial confidentiality restrictions required by our customers and the limits of our knowledge on the use of fossil fuels in our regions, it would be feasible to explain whether the network would need to be upgraded to accommodate the connection or switch, but ultimate solutions would depend on timing and location.</p> <p>In developing new requirements to report on potential impacts of decarbonisation, it will be important to recognise that some fossil-fuel based loads may not convert to electricity because it is cost-prohibitive and other fuels (e.g., bio-gas) or relocations may be more suitable. We submit that entirely prescriptive approaches to requirements for impacts of decarbonisation would not be appropriate. We would see little value to stakeholders of evaluating the impact of “top-ten” fossil fuel users switching to electricity if some of those users are extremely unlikely to switch or switch early in the AMP planning period.</p>
D3	<p>We want stakeholders to be better able to understand the current and likely future constraints on EDB networks. This includes helping those providing new technology or services to be able to plan to compete to offer a solution to the constraints and helping those planning to connect to the system to choose where to locate. There is a spectrum of options, from simply requiring EDBs to report on their plans and progress and different scenarios in this area, to more prescriptive approaches that could require EDBs to provide information on current and expected constraints in a standardised (geo-spatial) format. We want to understand how ID can help facilitate a shift to national level reporting of constraints with an approach that does not impose an unnecessary regulatory burden on EDBs.<sup>51</sup> For example, would simply expanding the requirements so that they</p>	<p>In regard to reporting on network constraints, we agree that the requirement should be widened from those with relevant related party transactions to include all EDBs. It would be useful for the Commission to facilitate workshops with potential respondents to network constraints to develop suitable standardised reporting with the level of information necessary to illicit viable network alternatives. Asset Management Plans already contain significant information on network development plans to address constraints, so the question is what information would stakeholders need to make this more informative or accessible?</p>

No.	Commission’s potential options to achieve outcomes	Unison and Centralines comments
	<p>apply to all EDBs be sufficient or do the existing requirements not capture all of the information necessary to properly explain the full nature of the constraint.</p>	
D4	<p>There are various options, but one approach might be to require EDBs to specifically report their innovations practices in a stand-alone way in terms of: (a) what measures are EDBs taking that are innovative; (b) why are they innovative; (c) what EDBs are trying to achieve by carrying out the particular innovation; and (d) how EDBs are measuring their success.</p>	<p>Unison notes that as part of its Asset Management System we run a “Continuous Improvement” register, which identifies actions and activities to improve performance – many of these could be considered innovations depending on the definition of innovation. The Input Methodologies identify an <b>innovation project</b> as “a project that is focussed on the creation, development or application of a new or improved technology, process, or approach in respect of the provision of electricity lines services in New Zealand.”</p> <p>Definitional clarity would be required to ensure that the scope of any disclosures relating to innovation do not lead to excessive reporting requirements. Some innovation projects are also likely to be considered confidential to an EDB pending evaluation of commercialisation opportunities, so there would need to be some scope to exclude projects from disclosure to allow EDBs to protect their IP.</p>
D5	<p>Require information on the investigations undertaken and investment into flexibility resources.</p>	<p>We recommend that any requirements be considered as part of Tranche 2. There is potentially a significant regulatory burden associated with providing explanations of options analysis to resolve network constraints, including the potential for use of flexibility resources.</p> <p>We acknowledge the concerns expressed by IPAG and the Authority on the seeming lack of flexibility solutions being used in New Zealand to resolve network constraints, but we think there needs to be wider consideration of the factors that are leading to this outcome before reaching to a universal disclosure requirement to shed light on the underlying causes of this.</p>

No.	Commission's potential options to achieve outcomes	Unison and Centralines comments
D6	Refine current requirements by providing standardised price components and/or price categories that EDBs can record revenue against in addition to a free field for revenue that does not fit one of the standardised categories or components.	The Commission notes that current reporting of revenue by price category and component is not standardised and has made analysis of pricing unnecessarily difficult. It would be useful to receive an elaboration of what difficulties are caused by current disclosures before commenting on this proposal. There could be a risk that the proposed free-form "Other" category becomes a default to accommodate variations in EDBs pricing approaches.



### *Asset management*

As noted above, in general we rely on the submissions made by ENA. Unison and Centralines have the following comments on specific proposals:

No.	Commission’s potential options to achieve outcomes	Unison and Centralines comments
AM1	Possible improvements to improve the specificity of asset age data disclosed under ID include: • Finding an appropriate way to report what is currently designated as ‘unknown’ in the asset age category; and • Splitting out asset age data at a level that is more granular than by decade for assets installed before 2000	If the intent of further disaggregation of asset age information is to inform repex analysis, we recommend the Commission consider a trial of repex modelling before making a permanent change to disclosure requirements. If disaggregation into more granular age categories is subject to significant assumptions or effort to identify age information then there may not be net benefits to this proposal.
AM4	Improved reporting on the resilience and contingency planning of an EDB’s network could be enabled through ID changes, which we note would consequently support the work of the EA and other stakeholders. We are seeking feedback on how disclosure requirements could capture more comprehensive information on resilience and contingency planning.	We note that there are proposals being developed to change the Civil Defence and Emergency Management Act which would require lifeline utilities to provide much more information relating to resilience including “Planning Emergency Levels of Service” (PELOS). We recommend that the Commission coordinate with NEMA on disclosure requirements relating to resilience and contingency planning to avoid regulatory duplication or inconsistency.
AM9	We welcome further stakeholder feedback on whether it may be beneficial if EDBs were to disclose an explanation and exploration of scenarios, in addition to providing a single point forecast in their forecasting schedules, and if so, in which areas and format would this be most useful.	<p>We agree scenario analysis is relevant to EDBs developing their asset management strategies. It would be another step, however, to determine expenditure forecasts associated with different future scenarios. It is challenging enough to identify point forecasts of future expenditure requirements in a base case, which are subject to forecast uncertainties, let alone develop expenditure forecasts to accompany scenario analysis.</p> <p>We looking forward to reviewing submissions by interested parties on the value of such scenario forecasts. To the extent an understanding of expenditure requirements associated with different scenarios would be seen as useful by interested parties, periodic scenario analysis/forecasting would be a more sustainable approach than annual production of such analysis as this is likely to have a significant compliance burden.</p>
AM11	Potential changes to enable ID data to better inform stakeholders understanding of EDBs’ expenditure proposals. Capex forecasts (particularly in the context of decarbonisation and technological change).	We agree that if further information can be provided to provide better assurance to the Commission of capex and opex forecasts to be used in resets then it would be useful to develop asset management disclosure requirements to include this information. As we noted earlier in this submission, a feature of the DPP resets to date is that there has been no allowance for “steps” in opex

<b>No.</b>	<b>Commission's potential options to achieve outcomes</b>	<b>Unison and Centralines comments</b>
		allowances. If enhanced asset management disclosures can assist in quantifying "steps" this should be prioritised for development to enable DPP resets to be more forward-looking.

*Concluding comment*

Good regulatory decision-making relies on a bedrock of accurate, relevant, consistently measured information. We strongly support an active and open dialogue on developing the ID requirements to ensure sufficient, consistent information exists to support achievement of the Part 4 purposes. As noted in our earlier comments, we think a purely submission-based process to develop requirements creates risks that these requirements may not be achieved.

Unison and Centralines would welcome opportunities to make available our subject matter experts to support the development of revised disclosure requirements that achieve high levels of definitional accuracy and clarity.

Yours sincerely.

A handwritten signature in black ink, appearing to read 'Nathan Strong' with a stylized flourish at the end.

Nathan Strong  
**GENERAL MANAGER COMMERCIAL**