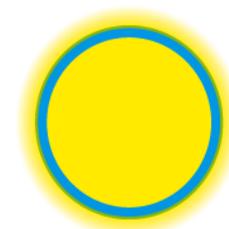


20 September 2013

John McLaren
Chief Adviser
Regulation Branch
Commerce Commission
PO Box 2351
WELLINGTON 6143

POWERCO



Dear John

Re: Proposed process – Default price-quality paths from 2015

This is Powerco Limited's submission on the Commerce Commission's consultation paper *Proposed process – Default price-quality paths from 2015*.

Powerco generally supports the proposed process, particularly the early review of the preliminary financial model and the intention to engage with representatives of the Electricity Networks Association (ENA) ahead of any requests for information, although we would recommend that such engagement be extended to include the content as well as the format of any requests. Discussion of the content ahead of time could help to identify the most readily available information that would meet the Commission's requirements, and this could potentially facilitate the overall process.

We note that the Commission is proposing to produce a draft determination in June 2014, at which time FY14 financial information will not be available. This suggests that the Commission is intending to develop the draft determination based on a cost analysis of either FY13 actual results or FY14 forecast data, which might subsequently be updated when the actual information becomes available between the publication of the draft and final determinations. We would appreciate clarification by the Commission of the approach it intends to take when the preliminary version of the model is published in November 2013, in particular which reference year or years the Commission intends to use.

With respect to the timing of the question and answer sessions and the time that should be allowed for written responses, we suggest:

- allowing ten working days from the publication of the model for written responses;
- holding the question and answer sessions five working days after receipt of the questions;
- allowing five working days from the dates of the question and answer sessions for written responses.

We anticipate that the process followed to develop the new default price-quality paths (DPPs) will include explicit consideration of the implications of the changed approach to the treatment of catastrophic risk that is implicit in the Commission's draft decision on

Orion's customised price-quality path application¹. It appears from that draft decision that electricity distribution businesses will be expected to bear most or all of the catastrophic risk associated with their businesses, but the DPPs do not currently compensate them for that risk.

We would also appreciate clarification of whether and, if so, how the Commission's summary and analysis of disclosed information might be used as part of the DPP reset process.

We have seen the ENA submission and agree with the points it makes.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Richard Fletcher', written in a cursive style.

Richard Fletcher
General Manager Regulation and Government Relations

¹ *Setting the 2014-19 customised price-quality path for Orion New Zealand Limited, Draft Decision, Commerce Commission, 14 August 2013*