

# Mini CPP

or DPP re-opener

Input Methodology Review Forum

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Wellington Electricity Lines Limited

# Overview

- NZ networks are small scale relative to the rest of the world
- Low cost regulatory approaches make sense in general
- But ‘one size fits all’ doesn’t always work
- Full CPP option is costly & resource intensive for small networks
  - makes sense when major investment requirements not captured under DPP
  - doesn’t make sense when small number of matters don’t work under DPP

## Example

- DPP method to forecast constant price revenue growth (volumes) does not work for WE\*
- Major revenue impact >6% of MAR over period with consequential investment implications
- Other aspects of DPP price path not perfect but liveable
- Full CPP option is currently only available solution but:
  - slow to implement > 2-3 years before effective (with revenue losses continuing)
  - costly to implement >\$3M+ additional resource required minimum
  - uncertainty regarding outcome

# Proposal

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## Mini CPP or DPP re-opener

- Opportunity to apply for a new price path based on DPP
- But with reconsideration of specific matters
- Use supplier specific approaches given supplier circumstances
- Focus on issue of concern & not waste time (\$) on matters not of concern
- Materiality threshold could be appropriate to mitigate any perverse incentives

## Long term benefits to consumers

- Lower cost solution to address DPP anomalies
- Faster solution to implement and change can take effect earlier
- Therefore more effective approach to promote purposes of Part 4
  - incentives for investment
  - incentives to provide services at a quality that reflects consumer demands