

26 May 2023

To: All suppliers of Electricity Distribution services regulated under Part 4 of the Commerce Act 1986

*By e-mail only*

Tēnā koutou,

## **Information Disclosure Exemption: Disclosure and auditing of reliability information**

1. The Commerce Commission (the **Commission**) is issuing an exemption to all Electricity Distribution Businesses (**EDBs**) subject to the EDB Information Disclosure Determination 2012 (the **ID Determination**) to address the process by which EDBs' record and report 'successive interruptions'.<sup>1 2</sup>
2. The purpose of this exemption is to facilitate the completion and submission of disclosures for disclosure year 2023 which have been affected by the successive interruptions recording issue. This exemption has been granted in alignment with previous exemptions of the same nature which applied to the disclosure years 2019, 2020, 2021 and 2022.<sup>3 4</sup>
3. We do not expect to issue any similar exemptions in the future. The successive interruptions recording issue was resolved during Tranche 1 of the Targeted Information Disclosure Review (**TIDR**) project.<sup>5</sup> EDBs will implement the new requirements in their disclosures in the 2024 disclosure year.

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<sup>1</sup> As set out in the Electricity Distribution Information Disclosure (Targeted Review Tranche 1) Amendment Determination 2022 [2022] NZCC 36, **successive interruption** means "an interruption that follows an initial interruption that either: relates directly to that initial interruption; or occurs as part of the process of restoring supply of electricity lines services following that initial interruption."

<sup>2</sup> Electricity Distribution ID Amendment Determination 2023, Dated 27 April 2023. Published [here](#) on our website.

<sup>3</sup> ID Exemption – All EDBs – Auditing of Successive Interruptions, dated 17 May 2021. Published [here](#) on our website.

<sup>4</sup> *ID Exemption Amendment– All EDBS – Auditing of Successive Interruptions*, dated 9 June 2022. Published [here](#) on our website.

<sup>5</sup> Electricity Distribution Information Disclosure (Targeted Review Tranche 1) Amendment Determination 2022. Published [here](#) on our website.

## Background

4. We understand that the treatment and recording of successive interruptions has been inconsistent between EDBs in the past, which may have affected the recording of the System Average Interruption Frequency Index (**SAIFI**) and the System Average Interruption Duration Index (**SAIDI**).<sup>6</sup>
5. We have issued exemptions to aspects of the disclosure obligations contained within Schedule 10 of the ID Determination, following the identification of an issue in late 2019 relating to how EDBs recorded successive interruptions.<sup>7</sup> The exemptions were granted to enable the EDBs' completion and submission of the year-end disclosures.
6. The most recent exemption we issued was on 17 May 2021 (the **2021 exemption**). The 2021 exemption applied to all EDBs in respect of disclosure years 2021 and 2022.<sup>8</sup>
7. On 9 June 2022, we amended the 2021 exemption to expand the scope of the exemption to cover Aurora Energy Limited's (**Aurora**) Annual Delivery Report (**ADR**).<sup>9</sup> The purpose of the amendment was to ensure Aurora faced the same audit requirements as all other EDBs in relation to the successive interruptions issue.
8. As noted in paragraph 3, the ID Determination has been amended to resolve the successive interruptions issue for all EDBs. To resolve this issue, we added a definition for 'successive interruptions' and modified the definition of SAIFI values and SAIDI values in clause 1.4.3 of the ID Determination. These definitions were incorporated to ensure that EDBs treat successive interruptions consistently, by recording a successive interruption as an additional SAIFI value and SAIDI value if restoration of supply occurs for longer than one minute.
9. From disclosure year 2024, we expect auditors will be able to undertake their standard assurance processes when auditing Aurora's ADR and Schedule 10 of the ID Determination.

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<sup>6</sup> Where an interruption to the supply of electricity distribution services is followed by restoration, and then by a 'successive interruption', some EDBs have been calculating the relevant SAIFI and SAIDI values based on a single outage, not based on multiple outages.

<sup>7</sup> [ID Exemption](#) for 2019 year-end disclosures, dated 22 August 2019.

<sup>8</sup> [ID Exemption](#) for 2020 year-end disclosures, dated 9 April 2020.

<sup>8</sup> ID Exemption – All EDBs – Auditing of Successive Interruptions, dated 17 May 2021. Published [here](#) on our website.

<sup>9</sup> Aurora is subject to unique ID requirements, including the publication of an ADR. This report contains reliability information (i.e. SAIDI, SAIFI and number of interruptions) also affected by the successive interruptions issue.

**Conditional exemption issued**

10. By this notice, under clause 2.11.1(1) of the ID determination, the Commission is issuing an exemption to all EDBs for disclosure year 2023, subject to the condition stated in paragraph 11 of this letter, from:
  - 10.1 the requirement that, in respect of Aurora's ADR and Schedule 10 of the ID Determination, the assurance report required by clause 2.8.1(1) of the ID Determination must take into account any issues arising out of an EDB's recording of SAIDI, SAIFI and number of interruptions due to successive interruptions.
11. This exemption is granted on the condition that for the 2023 disclosure year, EDBs must complete and disclose the following information under Schedule 15, as part of their disclosures under the ID Determination:
  - 11.1 whether successive interruptions have been treated in the same way for the current disclosure year as they were for the previous disclosure year;
  - 11.2 if successive interruptions were treated differently for the current disclosure year than they were for the previous disclosure year, provide an explanation of the nature of and reasons for the change; and
  - 11.3 the process applied in recognising, or not recognising, successive interruptions following an initial outage.
12. For the avoidance of doubt, this exemption is the same as the amended 2021 exemption except it applies to disclosure year 2023.

***Reasons for exemption***

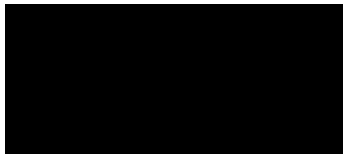
13. EDB auditors have informed us that the process for considering the successive interruptions recording issue and providing a modified opinion is very time consuming for both the auditor and the business, resulting in a cost that is ultimately borne by consumers.
14. We expected the 2021 exemption to be the last exemption required for the auditing of successive interruptions. However, due to the timing of the TIDR project changing, the Commission did not implement the new requirements for disclosure year 2023.
15. We have considered the impact of this exemption on the purpose of information disclosure under section 53A of the Commerce Act 1986 and have concluded that the purpose will still be met if this exemption is granted.

**Further information**

16. This exemption may be revoked or amended by the Commission at any time in accordance with clause 2.11.1(1) of the ID determination.

17. A copy of this exemption response letter will be published on the Commission's website.
18. If you have any questions regarding this matter, please contact Frankie Toland at [infrastructure.regulation@comcom.govt.nz](mailto:infrastructure.regulation@comcom.govt.nz)

Yours sincerely



Vhari McWha