



23 June 2023

Commerce Commission
Infrastructure Regulation
Wellington
New Zealand

Electricity Distribution Manager
Attention: Ben Woodham

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Orion's Feedback – EDB DPP 2025 Process Paper

Introduction

1. Orion appreciates the opportunity to submit on the Commerce Commission's (Commission) process paper for setting DPP4.
2. The Process Paper¹ sets out the DPP4 (2025-2030) proposed process.

Summary

3. We have reviewed the process paper which was published on the Commission's website².
4. The purpose of the paper is
 - to allow price-quality regulated EDBs and other interested parties to plan for future engagement on the DPP-setting process and
 - to seek views on the proposed process from all interested parties to help refine the Commission's process.

¹ https://comcom.govt.nz/_data/assets/pdf_file/0032/316886/Default-price-quality-paths-for-electricity-distribution-businesses-from-1-April-2025-Proposed-process-25-May-2023.pdf

² <https://comcom.govt.nz/regulated-industries/electricity-lines/electricity-lines-price-quality-paths/electricity-lines-default-price-quality-path/2025-reset-of-the-electricity-default-price-quality-path>

Orion has considered the proposed process and commend the Commission on the overall approach to the process. We would also like the Commission to consider the additional points raised below.

Context for DPP4

5. We note that the Commission has identified that EDBs have signalled that they are facing pressures and uncertainty under point 12. Furthermore, point 12.3 identifies “Advances in technology and changes in consumer behaviour which refers to giving consumers more options.” We would like to note that to support these technologies, EDBs will need to take into consideration an increase in expenditure on systems and data management to support the decision making and operational response to consumer needs.

Price-quality regulation for EDBs

6. Point 21 states *“In previous resets we have used a combination of historical information and projections to reset DPPs, and we intend to consider the appropriate approach as part of the reset.”* We support that the Commission is considering an appropriate approach given the legislative changes and assessing the allowances to support adequate investment up to 2030.

Proposed scope of DPP4

7. Point 25 states *“We are planning on a similar suite of financial models for our 2025 reset as was used in 2020. Based on feedback on our 2020-2025 DPP (DPP3) process, we anticipate providing preliminary versions of these financial models relatively early in the process.”* We would like to thank the Commission for this approach as it will provide EDBs with timely information and transparency in advance of the final decision in November 2024.

Disclosure of 2024 expenditure forecasting

8. Point 39 mentions *“Where the increases are substantial, it may be difficult to take into account such large changes in the time available between draft and final decision.”* We submit that the 2024 AMPs will provide EDBs with time to refine scenarios and increase accuracy in our forecasts compared to the 2023 AMPs.



Engagement with consumers and Māori

9. Point 46 mentions the engagement approach for DPP4 with consumers and Māori. The Infrastructure Commission's action plan³ on page 11 also talks about strengthening partnerships with Māori, local government and the private sector followed by their highlighted action 5. The Commission may also be able to leverage off the work which they have done in respect of engagement.

DPP Regulatory period

10. We support maintaining the 5-year interval for DPP's as we believe that the Commission will ensure that there are adequate mechanisms to support EDBs should there be a need for an in-period adjustment to accommodate changes in circumstances brought about by customer activity, climate or technology.

Other Feedback

11. In principle, Orion supports the Electricity Network's Association's submission on this topic.

Concluding Remarks

Thank you for the opportunity to provide feedback. We do not consider any part of this feedback as confidential.

If you have any questions or queries or aspects of the submission which you would like to discuss, please contact me at Orion Group on 03 363 9898.

Yours sincerely

Rob Tweedie

Regulatory Manager

³ <https://www.treasury.govt.nz/sites/default/files/2023-05/infrastructure-action-plan-2023.pdf>