



TRANSPOWER

Keeping the energy flowing

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Dane Gunnell
Manager, Price-Quality Regulation
Regulation branch
Commerce Commission

By email

Feedback on process for resetting Transpower's individual price-quality path

Dear Dane

This letter responds to your open letter dated 8 June 2020 seeking feedback on the Commerce Commission's processes for resetting price quality paths. We appreciate that you are seeking this feedback and agree that improvements to regulatory processes are important alongside improvements to the regulation itself.

This letter provides three points of feedback, relating to:

- consultation timeframes
- the current overlap in timing of the resetting of Transpower's Independent Price-Quality Path (IPP) and the Default Price-Quality Path (DPP) for Electricity Distribution Businesses (EDBs), and
- the review of Transpower's Input Methodologies (IMs).

Consultation timeframes

We support the Commission continuing to allow longer consultation timeframes as a matter of good regulatory process to allow parties time to absorb and understand Commission thinking and engage meaningfully.

Compliance with quality standards

Currently, the timing of regulatory periods for Transpower's IPP and EDBs' DPP overlaps. The IPP and DPP decision-making processes are resource intensive for the Commerce Commission and stakeholders (most notably EDBs). It may be worth bringing these processes out of sync by reducing the length of one future regulatory period for the DPP. We consider the DPP regulatory period would be more suited to a one-off time reduction, given this is a relatively low-cost reset process (s53K Commerce Act 1986). We expect out of sync timelines would help to facilitate better stakeholder engagement as an important input to resetting our IPP and the EDB's DPP.

Review of Transpower Input Methodologies

Section 52Y of the Commerce Act provides that the Commission must review each IM no later than seven years after its date of publication and, after that, at intervals of no more than seven years. For Transpower, the relevant IMs are the Transpower IM and the Capex IM.

The Commission's most recent review of Transpower's Capex IM resulted in amendments made in May 2018. That review, which was targeted at incremental change, started in March 2017 and coincided with the development of our reset proposal for our third Regulatory Control Period (RCP3). The next Capex IM review is due to be completed by May 2025 at the latest.

Consistent with the 'hand in hand' improvement approach for both regulation and processes we consider:

- we would prefer to avoid the next review of the Capex IM occurring at the same time as the development or assessment of our RCP4 reset proposal, as this process applies the Capex IM and so requires certainty of the relevant rules, and
- the Capex IM would benefit from a holistic review that allows all expenditure – capex and opex – to be derived and evaluated from ex-ante rules consistent with the IMs purpose as set out in s52R Commerce Act, and with a focus on simple, clear, plain English drafting.

Although a point of substance rather than process, in the context of discussing a review of the Capex IM, we would like to draw your attention to our discussion of the Grid Investment test on pages 68-69 of [our submission](#) to the Ministry of Business, Innovation and Employment (MBIE) in response to its consultation on Accelerating Renewable Energy and Energy Efficiency. We support amendment to the Grid Investment Test as set out in the Capex IM to recognise climate change mitigation benefits within the test. As we note in our submission to MBIE, this could happen through a Commission review or a Government Policy Statement.

Yours sincerely,



Rebecca Osborne
Regulatory Affairs and Pricing Manager