251 Racecourse Road, PO Box 1642,
Invercargill 9840, New Zealand
[redacted]

Submission of PowerNet Limited
To the Commerce Commission New Zealand Te Komihana Tauhokohoko
On Review of the Input Methodologies 2023 – Electricity Distribution

July 2023

Introduction

1. PowerNet Limited (PowerNet) appreciates the opportunity to make a submission to the Commerce Commission New Zealand Te Komihana Tauhokohoko (the Commission) on the Review of the Input Methodologies (IM's) 2023 Electricity Distribution.

2. PowerNet is an electricity management company with its head office based in Invercargill. It is a joint venture company, owned (50/50) by Electricity Invercargill Limited (EIL) and The Power Company Limited (TPCL). This submission is supported by EIL, TPCL, and OtagoNet Joint Venture (OJV) and provides feedback to the discussion document published by the Commission.

3. EIL and TPCL established PowerNet in 1994 to achieve economies of scale through integrated network management across the Southern region's Electricity Distribution Businesses (EDBs). PowerNet manages the non-exempt EDBs of EIL and OtagoNet Joint Venture (OJV), the exempt EDB of TPCL, and the non-grid connected Stewart Island Electric Supply Authority (SIESA).

4. PowerNet manages an asset base and investments in excess of NZ$1 billion. The aggregated electricity distribution asset base managed by PowerNet is the fourth largest in New Zealand. It provides services to over 75,000 customers through more than 14,200 circuit kilometres. In addition to EIL operating in Invercargill and Bluff, TPCL operates in Southland and West Otago, OJV in rural and coastal Otago region that surrounds Dunedin City, Lakeland Network (LNL) in the Frankton, Cromwell and Wānaka regions, and SIESA on Stewart Island.

5. PowerNet has long-term management agreements in place with EIL, TPCL, OJV and LNL. With the benefit of integrated business management systems in place, and a core purpose and expertise in asset management capability.

6. PowerNet supports the Electricity Networks Aotearoa (ENA) submission in principle. This submission reinforces some of the key points made in the ENA submission and addresses where the networks PowerNet manage wish to highlight or emphasise issues. This is not intended however to lessen the relevance or emphasis of any of the points in the ENA submission.

7. PowerNet also supports the Government's aspiration to reach net zero emissions by 2050 and 100 percent renewable energy generation, that is not cost prohibitive, by 2030. We acknowledge the important role distribution networks, and the Commissions regulatory regime will play in supporting New Zealand's transition to a low emissions economy.

Key points

8. In February 2022 the Commission issued a notice of intention to review the IM's. This preceded several subsequent issues and decision-making framework papers, with the release of draft IM determinations in June 2023. The discussion paper presents issues affecting the sector where the operating environment of the regulated industry has changed significantly since the last review period 2016.

9. PowerNet welcomes this review by the Commission and supports the submission made by the ENA. However, we do not believe that the proposed changes to the IM's adequately reflect the changes that are required to prepare the networks we manage for future-proofing the region's electricity needs. This is particularly in relation to the investment required to support decarbonisation and increasing electrification that will go towards reaching the Governments aspiration of net zero emissions by 2050. The industry, and in particular the electricity distribution sector, has started to undergo transformational change, not seen since the electrification of New Zealand. The proposed changes to the IMs are however very minor and do not reflect the environment we now find ourselves in.

10. These regulations, that largely determine what electricity distribution businesses (EDB's) can charge, earn, and spend, need to be balanced to allow for appropriate customer pricing, incentive to invest in assets and the network alongside making business profit commensurate with the investment risk. The proposed changes in the review do not go far enough to support this futureproofing. The following key points are considered by PowerNet to be significant issues in review of the IM's.

Reducing the WACC to the 65th percentile

11. PowerNet acknowledges the challenge in establishing an appropriate Weighted Cost of Capital (WACC). We acknowledge the reasoning of ensuring that a WACC set too high may result in over investment and customers paying more than is required and setting a WACC too low that may result in under investment and potential power outages.

12. However, PowerNet supports the ENA submission and opposes the move to lower the WACC to the 65th Percentile and strongly considers that this should be maintained at the existing 67th percentile. With the investment required in networks to support the demand for decarbonisation and electrification, coupled with the rising cost of debt and strain on resourcing, lowering the WACC at this time has no tangible benefit, and will likely see reduced investment at a time where more is required.

Introduction of large connection contracts (LCC)

13. We support an approach that minimises the intervention of the Commission and reduces complexity in the regulatory environment. By reducing the need for the Commission to act as a decision-maker through re-openers there is obvious benefit to regulated suppliers and consumers engaging in commercial agreements for substantial electricity use. This will contribute to a more streamlined approach particularly around large decarbonisation contracts.

14. The Commission's LCC proposed approach is a step in the right direction and recognition that the IM's are not well designed to handle new connection growth in general.

15. The present approach of including new connection capex and revenues in reset calculations is fraught with forecasting errors which are exacerbated over the five-year DPP periods. The inclusion of new connection capex in the Incremental Rolling Incentive Scheme (IRIS) is a complete disconnect from any measure of efficiency.

16. Additionally, the IM's do not effectively handle step changes in customer growth. Current examples include central Government incentivised decarbonisation growth, past examples include industrial change such as dairying or significant subdivision connection growth.

17. PowerNet's view is customer connection growth (capital expenditure and revenue) should be removed from DPP reset calculations throughout a DPP period and only brought back into calculations at the start of each DPP period.

18. PowerNet, as a network management business for both regulated and non-regulated EDB's, brings a unique perspective to these considerations. Reasons for our view are outlined below:

The IRIS, Efficiency and New Connection Capex Disconnect

19. The intent of the Incremental Rolling Incentive Scheme (IRIS), is to provide a mechanism by which suppliers subject to price-quality regulation, can retain the benefits of efficiency gains beyond the end of a regulatory period. Amendments made in 2015 by the Commission stated, "We have amended these input methodologies to improve the incentives for electricity distribution businesses to control expenditure and to improve efficiency, and share improvements in efficiency with consumers through prices that are lower than they otherwise would have been." (https://gazette.govt.nz/notice/id/2015-au7105). In practical terms, the IRIS has the effect of suppliers not being exposed to the full cost of responding to external events that have a temporary impact on expenditure.

20. As a management company operating a non-regulated network that chooses to compete, we seek new connections in a competitive environment. The network wants to grow the business, and the impact of the IRIS mechanism is that it is anti-competitive as penalties are incurred for seeking new connection growth.

21. Step changes in connection capacity from central Government incentivised (GIDI) decarbonisation and electrification is not a measure of an EDB efficiency and should be removed from the DPP resets and IRIS calculations.

The Large Connection Contract 10MW Approach is not a Fully Effective Solution

22. PowerNet can see in principle the value in introducing a large connection contract mechanism to minimise time consuming reopeners and intervention of the Commission, however we have concerns that this approach may not be beneficial to all EDB's. This will create a two-tiered approach and likely cause more complexity to the regulatory environment. Furthermore, the 10MW threshold is not relative to the size of an EDB, nor does it have any outcomes related to greater efficiency of the network.

23. One of the EDB's managed by PowerNet has a maximum demand well below 100MW and is seeing a significant shift to electrification for space heating in the CBD. The shift is incentivised through a regional development GIDI application. Individual customer applications vary, some below 1% of the EDB demand. Collectively they have the potential to increase demand by over 10%. The 10MW large connection contract proposal of the Commission would not cater for this situation while collectively being a material step change to the EDB concerned.

24. Removing new connection capex from the DPP reset calculation and IRIS calculations would be an effective solution to all non-exempt EDBs. The LCC approach adds further complexity and is not a fully effective solution for all EDBs.

Major Capital Expenditure has Occurred on an Exempt EDB

25. We have a large, exempt EDB that is undergoing significant investment due to a large, embedded generator and decarbonisation stimulated by the GIDI fund. This investment, and the GIDI fund itself, were not anticipated when the DPP3 reset occurred. If this EDB was not exempt, we would have spent the past two years with multiple re-openers and/or incurring significant IRIS penalties, uncertainty, and delays to the connection process, all driven from the

Government desire to achieve net carbon zero by 2050 and an unfit for purpose regulatory regime.

26. Delivery Service Agreements are negotiated with customers with differing capital structures for the services they require. They have varying levels of capital contributions and lines charge arrangements depending on the customers capital structures and credit ratings. Opportunities for network enhancements for resiliency and future growth may also be factored in. The costs of the new connection and network enhancements will be shared between the customer and the network. All these issues will add to the complexity of an LCC mechanism at a time when the Commission has stated it is making the IM changes to reduce the complexity of the regulatory regime.

27. It is on this basis that we propose the Commission goes further than the LCC approach and removes all new customer connection capital and revenue from the DPP reset calculations.

LCC Closing Comment

28. Failing the removal of new customer connection capital and revenue from the DPP reset and IRIS calculations, we support an LCC approach based on a lower MW **and/or** percentage (whichever is the lower) of the network maximum demand.

~~29.~~ This would allow for medium-smaller EDB's to benefit from this mechanism, whereby the threshold for a contract may be a percentage of the networks demand, rather than a set amount. This approach would meet the Commission purpose in promoting greater certainty for regulated suppliers and consumers and allow smaller and non-regulated EDB's to benefit from the approach. PowerNet encourages the Commission to extend this to include percentage of maximum network demand so as to not disadvantage smaller EDB's from accessing this mechanism.

Maintaining the Total Adjusted Market Risk Premium (TAMRP) at 7%

30. PowerNet advocates for an increase in the TAMRP to 7.5%. In simple terms, where there is greater risk there should be greater return. With increasing uncertainty in the rate and scale of decarbonisation and electrification the risk for investment and innovation should be weighed against the expectation of greater return on that risk.
31. PowerNet on behalf of the EDBs engages consultants to provide overall advice on WACC and to perform network and investment valuations which include WACC estimates, including views on TAMRP. They include a TAMRP of 7.5%, which based on their views of the market evidence, should be used.
32. As with the 65th percentile, it is important that the calculation of the WACC balances the incentive to not only maintain, but to innovate and invest. In an environment where the rate of decarbonisation is both encouraged and uncertain, it is important that EDB's have incentive to invest appropriately in their networks and provide certainty and security of supply for consumers.

General comments

33. EDB's need flexibility to respond to consumer demand, and to ensure that the networks are managed in a prudent and future proof manner. The escalation of renewable energies, decarbonisation initiatives, and the gradual reduction in natural gas to electricity supply will have significant impacts on networks to provide, and consumers to pay. Reliability and security of supply at the lowest possible cost may not go far enough to incentivise network owners to make the investments needed for the future. It is important that any changes to the IM's not only take a strong economic grounding, but also consider the social, cultural and environmental needs for the future of electricity in New Zealand Aotearoa.

34. The increasing costs of building new and alternate generation places significant pressure on EDB's, and coupled with managing peak demands, building resilience to extreme weather events, and ensuring the country is well placed to meet zero emission targets, there needs to be greater agility in revenue and appetite to invest and innovate.

35. PowerNet consent to this submission being made available, unaltered on the Commissions website.

PowerNet Contact

PowerNet contact for this submission is:

Michelle Fowler-Stevenson
Regulatory and Risk Manager
[redacted]

251 Racecourse Road, PO Box 1642,
Invercargill 9840, New Zealand
[redacted]

Appendix A:

Response to discussion document consultation questions

Reference in the Draft decision		Summary of the proposed change	PowerNet view	Comments
CA02	Allocating not directly attributable cost	Clarify that asset and cost allocators are used to 'proportionally' allocate values.	Support	PowerNet supports administrative changes that reduce regulatory complexity by simplifying and clarifying the drafting of the IMs.
CA04	ABBA causal relationship approach to proxy allocators	Make an implementation change to IM decision CA04 to require that any proxy allocator must be: (a) consistent with similar measures (both within a disclosure year and from year to year); and (b) reasonable.	Support	We support changes that provide consistency and clarity and reduce complexity.
CA05	Definition of causal relationships	Make editorial refinements for IM decision CA05 as follows: i) replace 'proportion of a quantifiable measure' with 'ratio' in the ii) definitions of 'asset allocator', 'cost allocator', 'proxy asset allocator', and 'proxy cost allocator' in the EDB, GDB, GTB and Airports IMs; and iii) remove the reference to 'quantifiable measure' from the requirements of how proxy cost and asset allocators are used in the EDB, GDB, GTB and Airports IMs.	Support	We support changes that provide consistency and clarity and reduce complexity.
CA13	Costs associated with large connection contracts	Introduce a 'large connection contract' (LCC) mechanism in the EDB IM that allows connection assets created under LCCs to be nil-valued and	Recomend a change to the	PowerNet recommends an approach based on MW **and/or** percentage of the network maximum demand. This would

		excluded from the RAB, where certain conditions around workable competition and connection size are met. The connection assets being excluded from the RAB, EDBs are to exclude any: i) forecast capex for the connection assets funded under an LCC from any capex forecasts used to determine the EDB's Default Price-Quality Path (DPP); ii) costs associated with the connection assets, which are funded under the LCC from the EDB's total operating costs; iii) income associated with the connection assets, which are funded under the LCC from the EDB's other regulated income; and iv) all revenue received from LCCs from the EDB's actual revenue.	proposed approach	allow for medium-smaller EDB's to benefit from this mechanism, whereby the threshold for a contract may be a percentage of the networks demand, rather than a set amount. This approach would meet the Commission purpose in promoting greater certainty for regulated suppliers and consumers and allow smaller and non-regulated EDB's to benefit from the approach.
CA14	Exclusions from operating costs	Amend the definition of operating costs: i) for GDBs, GTBs and Airports, to exclude pecuniary penalties; ii) for all sectors, to exclude the costs of appeals under sections 52Z, 91 and of the Commerce Act; and iii) for airports, to remove the erroneous reference to pass-through costs and recoverable costs in the list of exclusions.	Do Not Support	PowerNet supports the ENA position that the cost of an appeal should be shared with consumers who could ultimately benefit from the EDB having appealed. In addition, this may minimise perception of this being viewed as a way for the Commission to reduce the chance of appeals against its decisions and is not in the long-term best interests of consumers.
AV05	Finance leases and intangible assets	Make a minor editorial refinement to amend the definition of "identifiable non-monetary asset" in the EDB IMs.	Support	PowerNet supports administrative changes to improve readability and reduce complexity.
AV12	Assets purchased from regulated supplier	Make changes to IM decision AV12 to:	Recomend a change to the	In relation to AV12 (ii) (a), we recommend this be the price from the

		i) ensure it is clear that GAAP applies on an arm's-length basis to the valuation of assets acquired, or forecast to be acquired, in related party transactions; ii) require that the value of a commissioned asset that, before its commissioning date, was acquired from another regulated supplier as works under construction, is limited to the sum of: (a) the costs of the other regulated supplier in constructing those works; and (b) any additional costs of the regulated supplier in constructing the asset (excluding any amount paid to the other regulated supplier); and iii) remove the reference to "limited to" in cl 2.2.11(1)(e) of the EDB and Gas Pipeline Business (GPB) IMs, such that assets acquired from another regulated supplier and used by the regulated supplier in the supply of regulated goods and services must always be valued at the unallocated closing RAB value of the asset.	proposed approach	regulated supplier, not the cost. We determine that this would disadvantage the regulated supplier from the contracting division within a regulated supplier compared with a non-regulated contracting business.
AV17	Standard asset lives apply – with listed exceptions	Add an additional line item for 'instrumentation and remote terminal unit (RTU) assets' to Schedule A of the GTB and GDB IMs, with a standard asset life of 15 years.	Support	
AV56	Large connection contract (EDBs)	Introduces an LCC mechanism in the EDB IM that allows connection assets created under LCCs to be nil-valued, and therefore excluded from the RAB, where certain conditions around workable competition and the size of the connection are met	Recomend a change to the proposed approach	See CA13

TX02	Tax legislation and cost allocation to be applied	Make minor implementation changes to: i) amend the definition of 'tax depreciation rules as it relates to information disclosure (ID) to apply to all existing assets; and ii) amend the definition of 'adjusted tax value' to refer to the 'tax rules' rather than the 'tax depreciation rules'.	Support	PowerNet supports administrative changes to improve readability and reduce complexity.
CC02	WACC Percentile	The 65th percentile of the WACC will apply for price-quality path regulation for EDBs.	Do Not Support	As discussed in our cover letter, PowerNet oppose the move the lower the WACC to the 65th Percentile and would like to see this be maintained at the existing 67th percentile.
CC03	The Commission to publish annual WACC estimates	Allow for the determination and publishing of a vanilla and post-tax WACC at the 65th percentile with parameters matched to the regulatory period term. The change will allow us to determine a WACC based on both a five-year and a four-year regulatory period. The change relating to the regulatory period term aligns with our current approach to GDBs and GTBs.	Support	We support the ENA submission and agree with the publication of annual WACC estimates in principle. We do not support the drop in the WACC to the 65th percentile.
CC05	Cost of Debt in WACC estimates	Allow for the appropriate calculation of the Cost of Debt for a four-year regulatory period, if required. The decision allows debt issuance costs at 25 basis points (0.25%) per annum for a four-year regulatory period. All other elements continue to apply for EDBs, GDBs and GTBs.	Support	PowerNet supports ENA's submission.
CC07	Cost of equity in WACC estimates	Change the equity betas for EDBs to be 0.59, and for GDBs and GTBs to be 0.68; derived from: i) An asset beta for EDBs of 0.35, and for GDBs and GTBs of 0.40; and ii) Leverage of 41% for EDBs and GDBs, and GTBs.	Do Not Support	PowerNet supports the ENA submission and do not agree with any changes that reduce regulated revenues currently. The expenditure required to support New Zealand's decarbonisation journey necessitates that EDBs have certainty around their expected returns for at least the next two DPP resets.

		Change the TAMRP estimate for GDBs and GTBs to 7.0%		As discussed a in our cover letter, PowerNet also advocates for an EDB TAMRP of 7.5%.
SP01	Revenue wash-ups	change the IMs to: i) include additional EDB wash-up: (a) provide a revenue wash-up for inflation for the first year of a regulatory period for EDBs and GTBs; (b) wash-up for EDBs, an amount that is the difference between: • the return on debt for the year based on the cost of debt assumed at the relevant price-quality determination; and • the return on debt referred to in paragraph 7.3.2.1 where the cost of debt is adjusted for actual CPI inflation; (c) allow for a demand volume wash-up mechanism for an EDB CPP, but not a DPP.	Support	We support the ENA submission.
		ii) revenue path and wash-up workability, the Commission's draft decision is to: (a) amend the 'secondary' revenue control to give greater flexibility in how it is expressed, and to apply it only to net revenue and recoverable costs; (b) change the status of transmission-related recoverable costs to passthrough costs; (c) make a package of changes to move the wash-up mechanism from a rolling basis to an account basis; and	Support	We support the ENA submission.

		(d) change the timing of the CPI wash-up from a two-year lag to a one-year ahead forecast which involves: • first, an annual update to forecast allowable revenue at the start of each regulatory year using the most up-to-date RBNZ forecasts of inflation; and • second, a residual wash-up for differences between these updated forecasts and actual inflation.		
		iii) Change the definition of ‘other regulated income’ by excluding awards of costs following an appeal under sections 52Z, 91, or 97 of the Commerce Act from ‘other regulated income’ in the EDB, GDB and GTB IMs.	Support	Change to the definition of ‘other regulated income’— excluding the cost of appeals against determinations from operating costs better promotes Part 4 – specifically s52A(1)(d) – by ensuring profits do not reflect double recovery of the cost associated with appeals. We do not support this proposed change - see CA14.
SP03	Pass-through costs	Proposing to reclassify recoverable costs related to transmission services as pass-through costs	Support	We support the ENA submission.
SP05	Recoverable costs	Change the IMs to: i) introduce a ‘reopener event allowance’ recoverable cost which covers all reopener events;	Support	We support the ENA submission.
		ii) remove the distributed generation allowance (DGA) recoverable cost while retaining the ‘spur asset’ recoverable cost;	Support	We support the ENA submission.
		iii) require EDBs to adjust recoverable costs to take account of costs that are common to regulated and unregulated services;	Support	We support the ENA submission.

		iv) change the reference in clause 3.1.3 of the EDB IM from 'new investment contracts' to 'investment agreement';	Support	We support consistency of terminology between the rules and regulations which the IMs reference.
		v) prevent EDBs from double recovering costs for 'investment agreements' (paid to Transpower) and finance-related payments for such payments (paid to a third party);	Support	We support changes that provide consistency and clarity and reduce complexity.
		vi) make changes to the innovation project allowance (IPA) mechanism to: (a) rename and broaden the scope of the 'IPA' definition to 'innovation and non-traditional solutions allowance'; and (b) remove the 'innovation project' definition from the IMs;	Support	We support the ENA submission.
		vii) reclassify transmission-related recoverable costs as pass-through costs; and	Support	We support changes that provide consistency and clarity and reduce complexity.
		viii) remove the recoverable costs associated with the 'capex wash-up adjustment' and 'transmission asset wash-up adjustment'	Support	We support changes that provide consistency and clarity and reduce complexity.
SP11	Recoverable cost for additional revenue – Alpine/Top Energy/Centralines	Remove the '2013-15 NPV washup allowance' recoverable cost from the EDB IM.	Support	We support the ENA submission and changes that provide consistency and clarity and reduce complexity.
RP01.1	Reconsideration of DPP—System growth capex	Amend the EDB IMs by: i) amending the triggers for system growth expenditure within the Foreseeable major capex project reopener to provide for reopeners for general growth only where the relevant project or programme was	Do Not Support	We support the ENA submission.

		identified within an Asset Management Plan used in setting the DPP; ii) amending the IM triggers for system growth expenditure within the Unforeseeable major capex project reopener to not allow for applications driven by general growth; and iii) refining the definitions of ‘system growth capex’ and ‘connection capex’.		
RP01.2	Reconsideration of DPP—Resilience capex	Amend the EDB IM by: i) extending the drivers in the EDB Foreseeable and Unforeseeable major capex project reopeners to include targeted resilience-related capex; and ii) including a new (separate) reopener for capex relating to targeted resilience and asset relocation, and include within the expenditure for targeted resilience and asset relocation, opex that is directly associated with the implementation of a capex solution provided it would not have been incurred but for that particular project or programme preceding it	Support	We support the ENA submission.
RP01.3	Reconsideration of DPP—Risk events	Include a Risk event reopener, with a lower reopener threshold of 1% of the EDB’s forecast net allowable revenue (FNAR) or $2.5 million (whichever is lower).	Recomend a change to the proposed approach	We support the ENA submission. A cap of $2.5 million does not appropriately allow for the difference in the size of the non-exempt EDBs. The cap should be 1% of the EDBs FNAR only.
RP01.4	Reconsideration of DPP—Consideration of whether an application is better suited to a CPP	Amend the IMs to include a new clause to allow the Commission to identify reopeners better suited to CPPs. This new provision excludes error events, major transactions, and false or misleading information reopener events.	Do Not Support	We support the ENA submission. The reopener mechanisms must offer certainty of process and remove the option for excessive discretion to dismiss an application.

RP01.5 RP02.5	Reconsideration of DPP— Threshold to trigger a major transaction reopener	Clarify that the 10% threshold to trigger the major transaction reopener applies to the regulated supplier's 'total opening RAB value' for its assets in the year of the transaction.	Support	We support the ENA submission and changes that provide consistency and clarity and reduce complexity.
RP01.6 RP02.2 RP05.1	Reconsideration of DPP—Definition of a 'reopener event'	Define a 'reopener event' as an event or a series of related events occurring within the twelve months before or during the regulatory period of the price-quality path determination.	Support	We support the ENA submission and changes that provide consistency and clarity and reduce complexity.
RP01.7 RP02.7 RP05.7	Reconsideration of DPP—Requirement to provide sufficient information	Require a supplier which nominates a reopener event to provide sufficient information to enable the Commission to assess whether a reopener event has occurred and whether a price-quality path should be amended.	Support	We support the ENA submission and changes that provide consistency and clarity and reduce complexity.
RP01.8 RP02.8 RP05.8	Reconsideration of DPP—Requirement to publish notice for reopener event applications	Require the Commission to publish a notice on its website after: i) a reopener event has been nominated by a supplier; and ii) the Commission decides whether: (a) it is satisfied a reopener event has occurred; (b) to reconsider the price-quality path; and (c) to amend a price-quality path	Support	We support changes that provide consistency and clarity around process and reduce complexity.
RP01.9 RP02.9 RP05.9	Reconsideration of DPP—Consideration the Commission must have regard to	Prescribing a list of factors the Commission must have regard to when deciding whether to amend the DPP, CPP or IPP, if we are satisfied that a reopener event has occurred.	Support	We support changes that provide consistency and clarity and reduce complexity.
PR01.10 PR02.10 PR05.10	Reconsideration of DPP—Confidentiality clause for reopener applications	Include a new provision on confidential information in the reopener process IMs. The drafting has been repurposed from the Fibre Capex IM	Support	We support changes that provide consistency and clarity and reduce complexity.
RP01.11 RP02.11 RP05.11	Reconsideration of DPP—GAAP changes	Amend the IMs to change how the impacts of GAAP changes are assessed in the change event reopener to remove the potential for windfall gains and losses.	Support	We support the ENA submission.

RP01.25 RP02.26	Reconsideration of DPP— Requirement to take into account the expenditure objective when determining the extent of any amendment to the price path.	Amend the IMs to require the Commission to take into account the expenditure objective when determining the extent of any amendment to the price path.	Support	We support changes that provide consistency and clarity and reduce complexity.
RP02.1	Reconsideration of DPP—Inclusion of opex	Amend: i) the EDB Unforeseeable major capex project and the Foreseeable major capex project reopeners in the EDB IMs; and ii) the Capacity event reopeners in the GDB and GTB IMs, by providing for entirely opex solutions in relation to system growth, and by including opex consequential to the implementation of capex-based solutions, and capex consequential to the implementation of opex-based solutions.	Support	We support the ENA submission.
RP03.1	Reconsideration of DPP—Change the basis for establishing the threshold for Catastrophic events	Change the basis for establishing the threshold for the Catastrophic Event reopener from an ‘impact on revenue’ test to an ‘incurred cost’ test: i) for EDBs, this will be that the total cost incurred in responding to the reopener event exceeds the lower of 1% of FNAR for the regulatory period, or $5 million for Vector Limited and Powerco Limited, or $2.5 million for all other EDBs;	Do Not Support	We support the ENA submission. We note specifically that EDBs should not be required to absorb the costs of Catastrophic Events into their expenditure allowances. Doing so will require EDBs to defer expenditure to later regulatory periods, which may not be in the long-term best interests of consumers.
RP03.2	Reconsideration of DPP— Change the basis for establishing the threshold for Change	Change the basis for establishing the threshold for the Change Event reopener (not relating to GAAP) from an ‘impact on revenue’ test to an ‘incurred cost’ test:	Do Not Support	We support the ENA submission – see RP03.1

	events (not relating to GAAP)	i) for EDBs, this be that the total cost incurred in responding to the event exceeds the lower of 1% of FNAR for the regulatory period, or $5 million for Vector Limited and Powerco Limited, or $2.5 million for all other EDBs;		
RP03.3	Reconsideration of DPP—Change the threshold for Error events	Change the threshold to $100,000 for errors related to the price path for all entities.	Support	We support the ENA submission.
RP03.4	Reconsideration of DPP— Raise the thresholds for Foreseeable and Unforeseeable large project reopeners	Raise the existing dollar thresholds that could apply to $5 million for Vector Limited and Powerco Limited or $2.5 million for all other EDBs.	Do Not Support	We support the ENA submission that the current threshold requiring Foreseeable and Unforeseeable large project reopeners of incurred capex to exceed 1% of the EDB's FNAR for the DPP regulatory period or $2 million (whichever is lower) is appropriate.
RP03.5	Reconsideration of DPP—Remove the upper threshold for Foreseeable and Unforeseeable large project reopeners	Remove the $30 million upper threshold.	Support	We support the ENA submission.
RP03.6	Reconsideration of DPP— Revise the impact on revenue test for Change events reopeners relating to GAAP	Revise the impact on revenue test for Change event reopeners relating to GAAP changes to be based on whether changes had been in place at the time of the price path reset, there have been a different price path, rather than a cost incurred test, with the thresholds being: i) for EDBs, the lower of 1% of FNAR for the regulatory period, or $5 million for Vector Limited and Powerco Limited, or $2.5 million for all other EDBs;	Recomend a change to the proposed approach	We support the ENA submission. This cap does not appropriately allow for the difference in the size of non-exempt EDBs. The cap should be 1% of the EDBs' FNAR only.

RP03.7	Reconsideration of DPP— Include consequential opex into materiality thresholds for Capacity events and Risk events for GPBs	Extend the materiality threshold for a Capacity event and Risk event reopener to include consequential opex and incurred capex.	Support	We support the ENA submission.
AM01	No price reset following amalgamation	Make an editorial refinement to the IMs by changing the reference to “following an amalgamation” to “in response to an amalgamation” in clause 3.2.1(7) of the EDB, GDB and GTB IMs.	Support	We support changes that provide consistency and clarity and reduce complexity.
IR11 IR12	IRIS to apply	Amend the IMS by:: i) changing our approach to using the mid-point vanilla WACC as the discount rate for calculating the opex incentive rate; ii) calculating the IRIS incentive amounts based on CPI-adjusted allowances for opex and capex (for EDBs) to remove the impact of economy-wide inflation; and iii) removing clauses 3.3.15 to 3.3.17 of the EDB IM and the associated definitions.	Support	We support changes that provide consistency and clarity of process and reduce complexity.