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## Reconsideration of default price-quality path for Wellington Electricity Lines Limited 2024

04 June 2024

## 1 Submission and contact details

Consultation	Reconsideration of default price-quality path for Wellington Electricity Lines Limited 2024
Submitted to	Commerce Commission
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Date submitted	04 June 2024
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## 2 Confidential information

There is no confidential information provided in this submission. This submission can be publicly disclosed.

## 3 The reopener process

Wellington Electricity Lines Limited (**WELL**) welcomes the opportunity to make a submission in response to the Commerce Commission’s (**Commission**) ‘*Reconsideration of default price-quality path for Wellington Electricity Lines Limited 2024*’ draft decision. This submission will refer to the consultation paper as ‘**The Draft Decision**’.

We support the draft decision and thank the Commission for the fast application process. The additional allowance allows us to relocate our primary data centre, backup control room, and disaster recovery services – these are critical functions that allow us to provide resilient and reliable electricity services to our Wellington customers. The additional allowances also allow us to build new capacity to support Weta Digital and other Miramar customers.

### 3.1 Regulatory certainty

WELL would like to thank the Commission for providing timely and consistent feedback throughout the reopener process. We have used the process to develop a reopener template and application

methodology that has streamlined our internal processes. We now have a reopener template, Asset Management Plan (AMP) disclosure and procurement policies and processes that:

- Can be completed quickly, without additional resources, while letting the project team focus on the project delivery.
- Ensures our asset planning and procurement process collect the reopener evidence needed to support an application.
- Ensures the AMP disclosure provides enough detail to identify whether an investment is unforeseen or is foreseen but the allowances weren't provided.
- Ensures the procurement process represents a prudent investment expected by the reopener criteria.

Importantly, the Commission's assessment of the reopener criteria also provides a precedent that can be used to guide future applications. Consistent decision-making by the Commission will allow Electricity Distribution Businesses (EDBs) to rely on the precedents set by reopener decisions. EDBs can use the decisions to build industry guidelines and examples to support future applications. Regulatory certainty will increase as more decisions are made and the set of precedents to support future applications grows.

### **3.2 Proportionate scrutiny**

The Commission's feedback through the process, follow-up 'Requests for Information' and the final decision, provides valuable insights about the information needed to support a proportionate level of scrutiny. The level of scrutiny applied was proportionate to the size of the investment – the Commission expectations were not onerous, and all of the evidence provided was available as part of our business-as-usual investment process.

The principle of a 'proportionate level of scrutiny' implies that more evidence will be needed to support reopener applications of a higher value. It will be important for networks to understand what additional information would be required. In the absence of a large set of reopener decisions and precedents to guide EDBs, we encourage the Commission to continue its open dialogue. This would allow EDBs to test the Commission's expectations and plan for additional information requirements.

## **4 In closing – reopeners are a critical regulatory tool**

The Draft DPP4 Decision capped the amount of capex allowances available to EDBs by scaling AMP capex forecasts to a proportion of past expenditure levels. For WELL and some other networks, this

means that the proposed DPP4 price path will not provide allowances for some projects that their AMP's have identified as being needed to maintain the regulatory quality standards. To avoid regulatory penalties or breaching quality standards, networks may have to make a CPP application or apply for reopeners. Even if a network intends to make a CPP application, it will probably have to apply for reopeners for critical investments in the three to four years it takes to make and assess a CPP application.

The faster homes and businesses electrify, the less ability a network will have to defer an investment to the next regulatory period and the less time a network will have to make a price path application. Assuming EDBs have correctly assessed when assets need replacing and new capacity needs to be built, reopeners will be needed to secure some or all of the \$1.3b in allowances not awarded in the DPP4 draft decision (assuming the draft decision is retained in the final decision).

A library of past decisions (and the precedent they set) and guidance about the contents of reopener applications will help streamline the application process. An efficient application process will be essential for supporting an increase in the number of reopener applications.