

27 June 2019

Dane Gunnell
Manager, Price-Quality Regulation
Commerce Commission
Wellington 6011
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Dear Dane,

Draft Decision for Transpower RCP3 Individual Price Path

1. This is Vector Limited's (Vector) submission to the Commerce Commission's (Commission) Draft Decision on Transpower's Individual Price Path (IPP) for its third regulatory control period (RCP3).
2. Vector supports the Commission's proposal to approve expenditure in the RCP3 period to allow Transpower to improve forecasting for the RCP4 period occurring over the years 2025-2030. The increase in expenditure will allow Transpower to undertake reporting and customer engagement on forecast replacement programmes of work expected to occur in that period. We support the development of incentives in the Part 4 framework which encourages suppliers to further develop their case for programmes of work.
3. Vector also supports Transpower's concerns around the EMCa review of its ICT expenditure forecast for RCP3. Transpower noted a key concern around the EMCa review was the inability to comment on substantive elements of the EMCa report before publication. We support rigour with expert input for informing the Commission's decisions. Therefore, we consider a constrained fact-finding process and limited opportunity for Transpower to review and respond to the expert report limits the quality of the decision-making process on Transpower's ICT expenditure.
4. Vector notes ICT expenditure (either capex or increasingly opex) is critical for electricity networks to develop capability for digital resilience. Given the changing nature of ICT inputs, it is important for critical infrastructure, such as electricity transmission grids and electricity distribution networks to be able to select the best tools especially when ICT functions and new capabilities are increasingly being delivered as cloud based functions. Further, it is imperative for critical energy infrastructure to have a well-defined cyber-security strategy

5. Accordingly, unnecessarily limiting digital capability of networks to discharge their digital responsibilities will have real consequences on both the transformation of networks and their ability to meet their core capabilities.

Yours sincerely
For and on behalf of Vector

A handwritten signature in blue ink, appearing to read "Richard Sharp".

Richard Sharp
Head of Regulatory and Pricing