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## **Consultation paper – Correction to definition of discount – draft amendment companion paper**

### **1. Introduction**

- 1.1.** The Lines Company Limited (TLC) thanks the Commerce Commission (the Commission) for the opportunity to provide feedback on the Commission’s proposed Electricity Distribution Services Input Methodologies 2012 (EDB IMs) amendment and a consequential EDB DPP3 determination amendment to resolve an error.
- 1.2.** The issue relates to how ‘discount’ is defined in clause 3.1.1(11) of the specification of price IMs. The clause requires (among other things) that any discount must have ‘applied when the forecast net allowable revenue was determined’. The determination occurred on 27 November 2019 when DPP3 was determined.
- 1.3.** The current drafting means that EDB’s subject to DPP3 cannot include any discounts not offered before 27 November 2019 in their calculations of “forecast revenue from prices” when demonstrating compliance with the price path. This effectively removes a price-quality regulated EDB’s ability to offer new discounts or alter their terms in a way that is acknowledged by the revenue cap.

### **2. Proposed solution**

- 2.1.** The Commission proposes amending clause 3.1.1(11)(c) to require that discounts apply “when forecast revenue from prices is calculated”, in place of when “forecast net allowable revenue was determined”.
- 2.2.** Also, the Commission proposes to amend the definition of “IM determination” in clause 1.4 of the EDB DPP3 determination to include the IM amendments determination that would give effect to the change proposed in paragraph 2.1.

### **3. TLC’s view**

- 3.1.** TLC agrees that the error is problematic and supports the Commission’s proposed solution.

#### **4. Conclusion**

- 4.1.** TLC acknowledges the Commission's prompt recognition of this issue and the haste with which the Commission has acted, notwithstanding the legislative requirements that the Commission must consider when amending IMs.

Yours sincerely  
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