

17 October 2023

Commerce Commission
PO Box 2351
Wellington 6140
Via email to IM.Review@comcom.govt.nz

Dear Charlotte,

Electricity Networks Aotearoa (ENA) welcomes the opportunity to comment on the Commerce Commission's (Commission's) proposed Input Methodologies (IM) cost of debt wash-up mechanism. ENA represents the 27 electricity distribution businesses in New Zealand (see Appendix A) that provide local and regional electricity networks.

ENA, in its cross-submission on the draft IM decision, highlighted that the "wash-up mechanism would result in net cash flow volatility". The Commission proposed smoothing of the accumulation of the debt wash-up addresses this price volatility. ENA welcomes the proposed mechanism as it reduces annual revenue volatility. However, ENA notes it does not address the underlying volatility of the nominal debt differential.

As noted by ENA in past submissions there are alternative means of addressing the inflation forecast risks tied to the cost of debt. These mechanisms tackle the root cause of the volatility rather than simply masking its impact via the proposed smoothing mechanism.

ENA supports the proposal to ensure the most up-to-date consumer price index (CPI) information (actual and forecast) is used when determining forecast net allowable revenue at the start of each disclosure year.

Yours sincerely


Keith Hutchinson

Regulatory manager

Appendix A

The Electricity Networks Aotearoa makes this submission along with the support of its members, listed below.

Alpine Energy
Aurora Energy
Buller Electricity
Centralines
Counties Energy
Electra
EA Networks
Firstlight Network
Horizon Energy Distribution
Mainpower NZ
Marlborough Lines
Nelson Electricity
Network Tasman
Network Waitaki
Northpower
Orion New Zealand
Powerco
PowerNet
Scanpower
The Lines Company
Top Energy
Unison Networks
Vector
Waipa Networks
WEL Networks
Wellington Electricity Lines
Westpower