

11 March 2019

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Dear Dane

Further comments to Transpower IPP 2020 - Issues Paper

1. This purpose of this letter is to provide further comments on Transpower's quality framework further to our submission and cross-submission on the Commerce Commission's issues paper for Transpower's IPP for the next regulatory control period.
2. We consider a significant shortcoming to Transpower's IPP is the Commission's enforcement approach if Transpower contravenes a quality standard under s87 of the Commerce Act. Currently it is unclear. We have previously expressed concern the EDB sector lacks certainty around enforcement and penalties, given the absence of any enforcement guidelines. This issue appears even more pronounced for Transpower which is not subject to an equivalent of the two out of three year rule or trigger for enforcement if it breaches one of its quality parameters.
3. It appears Transpower has contravened some categories of its unplanned SAIDI quality targets every year for RCP2 and the Commission has not taken any enforcement action. We consider it is important for the sector that it is transparent in what circumstances the Commission would seek a penalty under the Act. Otherwise the discussion around Transpower's quality metrics fails to address this key issue – as the discussion in Transpower's own consultation and the IPP Issues Paper tends to revolve around metric changes and financial incentives. Consistent quality enforcement is necessary for a considered debate on appropriate quality standards.
4. Although these comments are made outside the deadline for submissions on the issues paper, we urge the Commission to address the need for clarity around its approach to enforcement as it shapes its draft decision on Transpower's IPP.

Yours sincerely

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

Richard Sharp
Head of Regulatory and Pricing