



2 August 2024

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Tēnā koe,

Powerco's cross-submission on EDB DPP4 draft decision

Powerco Limited (Powerco) welcomes the opportunity to provide feedback on views submitted in relation to the Commerce Commission's DPP4 draft decision, "Default price-quality paths for electricity distribution businesses from 1 April 2025."

Our feedback is provided in Attachment 1. If you have any questions about this submission, please contact Nathan Hill [REDACTED]

Nāku noa, nā,
[REDACTED]

Stuart Dickson
General Manager, Customer
POWERCO

Attachment 1: Powerco's response to submissions on the DPP4 draft decision

Topic	Submitter and Powerco's response
INTSA cap and consumer input.	<p>Rewiring Aotearoa supports an increased INTSA, provided there is an opportunity for consumer input¹. We support consumer input during the EDB analysis stage, prior to the application submission, in cases where a project is likely to impact consumers. Not all INTSA projects will be suitable for consumer consultation. For example, Powerco's recently approved innovation project to trail satellite intelligent vegetation management wouldn't have benefited from consumer consultation.</p> <p>Numerous submitters, including EDBs, SolarZero, and Ecolbulb, have advocated for raising the upper limit of INTSA to 5% of allowed revenue. Powerco supports this increase, provided it does not significantly increase the reporting burden on EDBs, proportionate scrutiny applies and that the ex-ante INTSA approval mechanism is maintained.</p>
EDBs' forecasts and policy/ economic environment.	<p>Fonterra opposes the proposed 25% uplift on capex allowances relative to EDBs' historical spending. The primary rationale is the Government's removal of decarbonisation incentives, which, according to Fonterra, means a large upswing in electrification across the country might not be likely before 2030². Our view is that the removal of the GIDI fund will not significantly impact our forecasts through to 2030. Changes in customer behaviour, the way networks are utilised, and industrial electrification are influenced by many factors and not reliant solely on government funding. Policy priorities and government incentives will change over time, including change in the sector targeted or type of decarbonisation activities prioritised. Our forecasts are based on longer term trends rather than the policy incentives or economic conditions applicable today.</p>
FENZ and NIWA advice on fire risk.	<p>Vector's submission³ recommends that the Commission exclude outages initiated by an EDB to reduce fire risk following advice from FENZ and NIWA. We support this suggestion. As noted by Vector, these outages are precautionary measures and do not reflect underlying network performance, making it appropriate to exclude them from SAIDI and SAIFI calculations.</p>

¹ Rewiring Aotearoa, Submission on EDB DPP4 Draft Decision, 12 July, page 3

² Fonterra, Submission on EDB DPP4 Draft Decision, 12 July, page 1

³ Vector, Submission on EDB DPP4 Draft Decision, 12 July, para 162

Topic	Submitter and Powerco's response
Excluding outages directly associated with an INTSA project from the calculation of SAIDI and SAIFI values up to a cap of 0.5% of the respective SAIDI and SAIFI limits.	Several EDBs have requested the removal of the 0.5% cap, arguing that it is too low and works against incentivising innovative and non-traditional solutions. We agree with this view. We support carving out rather than capping SAIDI/SAIFI for INTSA projects. However, if the Commission opts to implement a cap, we recommend adopting Wellington Electricity's proposal. This approach involves setting an appropriate cap for each project by evaluating the associated SAIDI and SAIFI risk during the INTSA application process.
SAIDI and SAIFI need to be changed to recognise the benefits of distributed energy resources in "keeping the lights on".	SolarZero's submission ⁴ suggests that EDBs' SAIDI and SAIFI figures should be adjusted for installed distributed generation, which can maintain electricity supply for households and businesses during network failures. We support this concept and would happily collaborate with SolarZero to determine the necessary reporting adjustments. For example, EDBs will require data from providers like SolarZero, such as the duration of supply provided by the distributed generation. Additionally, EDBs must develop a method to incorporate this data into their SAIDI and SAIFI calculations. This adjustment might be more efficiently handled at an aggregate SAIDI SAIFI level for the entire network, rather than on an individual interruption basis.
Quality incentive target.	Wellington Electricity's submission ⁵ raises concerns about setting the planned SAIDI quality incentive target based on an EDB's historical average. They contend that for EDBs with substantial increases in work programs, this method unfairly penalises them and fails to reward effective performance improvements. We agree with Wellington's assessment. Relying solely on historical averages disregards changes in work volumes. The Commission should consider implementing a mechanism, such as a trend or step adjustment, to accurately reflect the evolving nature of EDB work programs.
Wash-up calculation.	Orion's submission ⁶ requests that the Commission include explicit calculations in the DPP4 documentation to help EDBs meet the wash-up calculation requirements. We support this suggestion. Providing clear calculations or an Excel workbook will assist EDBs in accurately calculating their wash-up balances.
De minimis threshold for a reasonable reallocation of SAIDI and SAIFI following an asset transfer between EDBs.	Aurora has proposed applying a de minimis threshold to the reallocation of SAIDI and SAIFI limits following an asset transfer between EDBs ⁷ . We support this proposal. Implementing a de minimis threshold is a sensible approach that will prevent EDBs and consumers from incurring unnecessary costs for adjustments with minimal impact on quality standards and allowable revenue.

⁴ SolarZero, Submission on EDB DPP4 Draft Decision, 12 July, page 10

⁵ Wellington Electricity, Submission on EDB DPP4 Draft Decision, 12 July, page 45

⁶ Orion, Submission on EDB DPP4 Draft Decision, 12 July, page 21

⁷ Aurora, Submission on EDB DPP4 Draft Decision, 12 July, page 14

Topic	Submitter and Powerco's response
Deliverability.	<p>We agree with Alpine's submission⁸ which highlights that the deliverability of EDB capex forecasts hinges more on the portfolio of work than on the total cost. Alpine correctly identifies that the cost of large system growth projects, such as substations, is significantly driven by materials costs and outsourced civil work, which do not impact the resource requirements of EDBs or their electrical contracting service providers.</p> <p>Additionally, we support Alpine's assertion that the Commission must substantiate any decisions regarding deliverability affecting DPP4 settings, including capex limits, with concrete evidence. It is not clear how the Commission has taken into account deliverability in its decision making i.e. what would capex limits be if there were no deliverability concerns? We reinforce statement from our submission⁹, that it is not the Commission's role to have an opinion of EDBs ability to deliver their work programs.</p>
Opex reopeners.	<p>Our submission notes the limited reopeners available for opex uncertainty¹⁰. Fonterra in its submission supports the retention of the base step trend operational cost setting methodology, noting that if the resulting operational cost recoveries are not sufficient then an EDB can apply for a reopener¹¹. This highlights the need for a wider scope of opex reopeners available to EDBs for uncertain opex.</p>

⁸ Alpine, Submission on EDB DPP4 draft decision, 12 July para 24

⁹ Powerco, Submission on EDB DPP4 draft decision, 12 July, at 1.4

¹⁰ Powerco, Submission on EDB DPP4 Draft decision, 12 July, para 80

¹¹ Fonterra, Submission on the EDB DPP4 Draft decision, 12 July, page 2