Attachment A Decisions at a glance

A1 This attachment presents the full list of final decisions for the DPP4.

Change relative to DPP4 Draft decision	Unchanged	Minor change	Major change	IM review measure	New measure

#	Policy measure
Capital expenditure (capex) (See Chapter 2 and Attachment B)	
C1	Use EDB AMPs as the source for EDB forecast expenditure information.
C2	Set the capex allowance (net of capital contributions) in constant dollars based on the lower of an EDB's total net forecast capex or 125% of its historical reference period net capex, with a subsequent adjustment for changes in forecasted levels of capital contributions for capped EDBs.
C3	Set the capex allowance relative to an adjusted five-year (2020-2024) historical reference period.
C4	Include an allowance for the cost of finance, scaled in proportion to the capex allowance.
C5	Include an allowance for the value of considerations for vested assets and specifically identified spur assets.
C6	Use the All-Groups CGPI forecast with an additional adjustment to escalate the constant price capex allowance to nominal terms.
Operating expenditure (opex) (See Chapter 2 and Attachment C)	
O1.1	Apply a base, step, and trend approach to forecasting opex.
O1.2	Use 2024 as the base year. (2024 AMP forecasts were used for the draft decision).
Opex step changes (See Chapter 2 and Attachment C)	
O2.1	Consider proposed step changes against a defined set of factors, incorporating judgement.
O2.2	Step changes should be significant.

#		Policy measure
O2.3		Step changes should be adequately justified with reasonable evidence in the circumstances.
O2.4		Step changes must not be captured in the other components of the DPP allowance.
O2.5		Step changes should have a driver outside the control of a prudent and efficient supplier.
O2.6		Step-changes should be widely applicable.
O3.1		Include a step change to reflect increasing insurance costs.
O3.2		Include a step change for greater consumer engagement.
O3.3		Include a step change for low voltage (LV) monitoring and smart meter data.
O3.4		Include a step change for increasing cyber-security costs.
O3.5		Include a step change for the costs of software-as-a-service (SaaS).
O3.14		Include a step change for a graduate programme.
O3.7		Cap aggregate step changes (in constant price terms) at 5% of trended opex excluding step-changes, and excluding specified amounts for insurance and LV monitoring steps.
Opex trend factors (See Chapter 2 and Attachment C)		
O4.1		Escalate all opex costs using the same cost escalator.
O4.2		Escalate opex using the all-industries labour cost index (60% weighting) and all-industries producers' price index (40% weighting) plus a 0.3% pa adjustment to reflect EDB-specific inflation.
O5.1		Forecast opex scale growth separately for network and non-network opex.
O5.2		Use 2018-2024 as the reference period for scale growth elasticities (2024 data became available post-draft).
O5.3		Forecast network opex scale growth with ICPs (elasticity 0.44) and line length (elasticity 0.53).

#	Policy measure
O5.4	Forecast non-network opex scale growth with ICP count (elasticity 0.20), line length (elasticity 0.35) and capex (elasticity 0.31).
O5.5	Forecast lines length extrapolated using recent growth rate trend between 2020-2024, with irregular data adjusted. (2024 data became available post-draft.)
O5.6	Forecast ICP count extrapolated using recent growth rate trend between 2020-2024, and irregular data adjusted. (2024 data became available post-draft.)
O5.7	Forecast capex based on a constant growth rate, from 2020-2024 to DPP4 period. (2024 data became available post-draft.)
O6.1	Apply an opex partial productivity factor of 0%.
Innovation, energy efficiency and demand-side management (See Chapter 3 and Attachment D)	
U1	Introduce an Innovation and Non-traditional Solutions Allowance (INTSA), capped at 0.8% of EDB's DPP4 MAR.
U2	Incentivise energy efficiency and demand-side management incentives through the INTSA.
U3	Incentivise energy losses reductions through the INTSA.
Quality standards (See Chapter 3 and Attachment E)	
QS1	Maintain separate standards for planned and unplanned SAIDI and SAIFI.
QS2	Retain annual unplanned reliability standards for SAIDI and SAIFI.
QS3	Retain the 2.0 standard deviation buffer for setting the unplanned interruptions reliability standards limit.
QS4	Maintain regulatory period length standard for planned SAIDI and SAIFI.
QS5	Set the buffer for the planned interruptions reliability standard to be a 100% uplift on the historical average, capped at a +/- 10% movement from the current limit.
QS6	De-weight the impact of notified planned interruptions by 50% in the assessment of compliance with the SAIDI planned interruption standard.

#	Policy measure
QS7	Retain SAIDI extreme event standard set at the lower of either 120 SAIDI minutes or 6,000,000 customer interruption minutes.
QS8	Retain enhanced automatic reporting following a breach of a quality standard.
QS9	No new quality measures are introduced as part of the quality standards applying in DPP4.
QS10	Set interruptions quality standards and incentives for Aurora transitioning from a CPP to the DPP on the same basis as for other EDBs on the DPP.
QS11	Retain the requirement for reasonable reallocation of quality parameters following a transfer of more than 0.5% of ICPs of the smallest non-exempt EDB that is party to the transaction.
Quality incentives (See Chapter 3 and Attachment E)	
QIS1	Retain the revenue-linked quality incentive scheme for planned and unplanned SAIDI. SAIFI is excluded.
QIS2	Unplanned incentive rates are informed by the value of lost load (VoLL), discounted by (1-IRIS retention factor) to reflect expenditure incentives, and a further 10% to reflect quality standard incentives, with VoLL set at $35,305/MWh.
QIS3	Planned incentive rates are reduced by 50% relative to the unplanned incentive rate.
QIS4	Planned 'notified' interruptions are reduced by 75% relative to unplanned in calculating the incentive, to reflect less inconvenience to consumers.
QIS5	Incentives are broadly revenue-neutral at the average of the reference period, also known as the target.
QIS6	The SAIDI caps (which determine maximum losses) are set equal to the SAIDI limits for planned and unplanned SAIDI.
QIS7	The SAIDI collars (which determine maximum gains) are set at 0 for planned and unplanned SAIDI.
QIS8	Cap revenue at risk at 2% of actual net allowable revenue.
QIS9	Do not implement any new incentive schemes.

#	Policy measure
QIS10	Do not make an explicit adjustment to match the duration of retention benefits between EDBs and consumers.
Normalisation (See Chapter 3 and Attachment E)	
N1	Normalisation only applies to unplanned interruptions, which are the only initiators of a major event day.
N2	Retain the normalisation approach used in DPP3, being: • define a major event as any period of 24 hours (assessed in 30-minute blocks) where the sum of SAIDI or SAIFI values exceeds the unplanned boundary value; • the boundary value for major events has been set as the 1104th highest rolling 24-hour period for SAIDI and SAIFI over the 10-year reference period for most EDBs; • normalisation is applied on half-hour blocks, within a major event, where the SAIDI or SAIFI figure exceeds 1/48th of the boundary value; and • for major events, replace any half-hour that is greater than 1/48th of the boundary value with 1/48th of the boundary value if that half-hour is part of the major event (can exceed 24 hours in duration).
N3	SAIDI and SAIFI major events are triggered independently.
N4	Use a higher ranked rolling 24-hour period to identify the boundary value for small EDBs.
N5	Retain additional reporting by EDBs for each unplanned major event in its compliance statement.
Quality reference periods (See Chapter 3 and Attachment E)	
RP1	Use a 10-year reference period of 2015-2024 to inform the parameters for unplanned interruptions reliability standards and incentives.
RP2	Use a 7-year reference period of 2018-2024 to inform the parameters for planned interruptions reliability standards and incentives.
RP3	Cap inter-period movement at ±5% for the SAIDI and SAIFI unplanned targets, and the SAIDI and SAIFI unplanned limits.
RP4	Make no explicit step changes to reliability targets or incentives.

#	Policy measure
RP5	Make no explicit adjustments for instances of non-compliance contained within the unplanned interruption reference period dataset.
RP6	EDBs must record successive interruptions on the same basis they employed in responding to the s 53ZD notice.
RP7	Interruptions directly associated with approved INTSA projects or programmes are excluded from assessed SAIDI and SAIFI up to an aggregate cap of 1% of the respective SAIDI and SAIFI limits.
Price path (See Chapter 4 and Attachment F)	
P1	Set starting prices based on the current and projected profitability of each supplier using a building blocks allowable revenue (BBAR) model and allowing for full in-period recovery.
P2	Set a default rate of change relative to CPI (X-factor) of 0%.
P3	Set alternate X-factors such that, in most cases, initial price shock is limited to 20% in real per-ICP terms, and the change between years within the regulatory period to 10% (based on the price shock and notional financeability assessments).
P4	Assess price shocks on a real revenue per-ICP basis, incorporating wash-ups and IRIS.
P5	Assess notional financeability using FFO/Debt and Debt/EBITDA ratios
Other inputs to the financial model (See Attachment I)	
M1	Weighted average cost of capital (WACC) of 7.10%.
M2	Include an allowance for disposed assets, based on historical levels.
M3	Forecast depreciation on existing assets based on information provided by each EDB.
M4	Use base year data from 2024 Information Disclosures in our final decisions. (2024 data became available post-draft.)
M5	For CPI forecasts, use the most recently available RBNZ MPS forecasts from when the WACC was determined.

#	Policy measure
IRIS (Decision I1 is explained in Chapter 2 and Attachment D; decision I2 is explained in Attachment F)	
I1	IRIS retention rate for capex is equivalent to the opex rate.
I2	Determine IRIS opex and capex forecasts in real terms (inflated by CPI).
Revenue path (Decision R1.5 is included in Attachment H, for all other decisions see Chapter 4 and Attachment F)[1]	
R1.1	Apply a revenue cap with wash-up as the form of control.
R1.2	Forecast CPI based on the four-quarter average change in CPI between the first year of the regulatory period and the current year.
R1.3	Apply a 90% "voluntary undercharging" limit (or an alternative in some cases).
R1.4	Include a large connection contract (LCC) wash-up term in the wash-up accrual formula, to avoid recovery of LCC under-recovered revenue from other consumers and correct over-allocation to LCC revenue from non-qualifying LCCs.
R1.5	Require EDBs to determine a reasonable reallocation of revenue following an asset transfer.
R2.1	Apply the revenue smoothing limit based on forecast net allowable revenue for the current year and CPI-adjusted recoverable costs from the prior year.
R2.2	Apply a revenue smoothing limit of 10%.
R3.1	Implement the revenue wash-up by specifying a re-run of the DPP4 financial model.
R3.2	Calculate the Y1 inflation wash-up based on the four-quarter average change in inflation between Y0 and Y1.
R3.3	Do not specify base revenue wash-up draw down amounts for DPP4.

[1] At the draft decision we needed to specify a time value of money adjustment in the DPP determination (R3.4). Following submissions on the topic we have made changes to the IMs that mean we no longer need to make this decision at the DPP. See Commerce Commission "Amendments to input methodologies for electricity distribution businesses - wash-up amounts - Final decision reasons paper" (20 November 2024) for details.

#	Policy measure
Other matters (Decision X1 is explained in Chapter 2; decisions X1 – X3 are explained in Attachment H)	
X1	Retain the current five-year regulatory period length.
X2	Include Aurora in the DPP4 expenditure and revenue setting process.
X3	Retain the CPP application timings set for DPP3.