12 July 2024

Ben Woodham
Electricity Distribution Manager
Commerce Commission

By email: infrastructure.regulation@comcom.govt.nz

Dear Ben and team

Re: Submission on EDB DPP4 draft decision

Flick welcomes the opportunity to make this submission on the Commerce Commission's (Commission) draft decision relating to maximum allowable revenues and capital expenditure allowances for non-exempt distributors for the period from 1 April 2025 to 31 March 2030.

Flick agrees with the Commission that this is a challenging time to be resetting the allowable revenue path and capital expenditure allowances for EDBs.

From Figure X1 it looks like the cost of financing (WACC) contributes about half of the proposed 24% average nominal increase in forecast net allowable revenue across all EDBs between 2024/2025 (the last year of DPP3) and 2025/26 (the first year of DPP4). This factor is beyond the control of EDBs.

However, uncertainty about the pace and location of increasing demand from electrification is real. Flick agrees with the Commission's approach to approve less than EDBs' forecast opex and capex in aggregate due to uncertainty and deliverability risks. We hope consumers agree with the Commission that "this provides confidence that what consumers pay for electricity distribution services represents value for money and does not contribute to excessive profits".

Electricity retailers will be the contact point when consumers receive notification of price increases that include the significant step up in distribution charges.

With the scale of increases proposed it is even more important EDBs provide retailers with comprehensive information about the reasons for increases in distribution charges. The Commission could also have a role to play.

Flick also agrees with the Commission's proposal to smooth the increase in maximum allowable revenue. From our perspective, if this smoothing approach were not implemented, it would be very difficult to communicate a bill shock when telling consumers that their distribution charges are increasing ~50 to 60% unsmoothed, particularly given the demographics of the Top Energy and Firstlight network areas. Higher distribution charges also impose higher prudential costs on retailers.

FLICK

The Commerce Act requires the Commission to incentivise, and avoid imposing disincentives, for EDBs to innovate, invest in energy efficiency and demand side management as well as to reduce energy losses. Flick supports the Commission's intention with its draft Innovation and Non-Traditional Solutions Allowance (INTSA) "to provide EDBs with an additional incentive to trial new solutions through the DPP4 period to find alternative ways to adapt their networks to decarbonisation trends, resilience expectations and changing consumer preferences". Flick looks forward to creating opportunities and working with EDBs to use this funding allowance. Flick suggests the Commission should monitor uptake of this INSTA by EDBs and whether innovation is being adopted at a rate that achieves lower costs for consumers.

Flick would welcome the opportunity to discuss any of the topics covered in this submission. Feel free to contact me. No part of this submission is confidential.

Your Sincerely

[redacted]

Pavan Vyas

Chief Executive Officer