



Submission on

Proposed Quality Targets and

Incentives for Default Price-Quality Paths

29 August 2014

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1. Introduction

1. This is Powerco Limited's (Powerco) submission on the Commerce Commission's (Commission) consultation paper, the "*Proposed Quality Targets and Incentives for Default Price-Quality Paths From 1 April 2015*" (Proposed Quality targets paper).
2. This submission has been prepared in parallel with the Electricity Networks Association (ENA). We generally agree with the ENA submission.

2. Executive Summary and recommendations

3. A summary of Powerco's response and recommendations is provided in the table below. As a general point, an incentive scheme, if designed and implemented appropriately, will support the delivery of the Commission's objectives while providing EDBs with greater flexibility and certainty. However, the proposed approach, as currently specified, creates significant risks to EDBs that are largely outside of their control.
4. At a high level, the key components of the Commission's proposed framework are based on the recommendations of the ENA Quality of Supply Working Group and there are many positive elements. However, these are undermined by a number of variations introduced by the Commission at a detailed level. Our submission focuses on addressing some major issues with some simple changes that if implemented will still retain the essential features of the framework.
5. Rather than continue with the "no material degradation" standard, the Commission's approach has increased the expected level of network performance. It has also removed a number of mechanisms that normalised the data, creating an increased risk of breaching the quality path due to natural variation in SAIDI and SAIFI.
6. Powerco considers that with the following five changes in the quality framework will be an appropriate starting point to embed the core principles of an incentive approach for network quality:¹
 - 6.1 Remove the requirement that a SAIFI MED must be triggered before a SAIDI MED can be applied;
 - 6.2 Change the compliance proposal so an EDB only breaches the quality path under Part 4 if an EDB exceeds the **cap in two out of three years**;
 - 6.3 Adhere to the IEEE standard by:
 - (a) removing MEDs from reported SAIDI and SAIFI, and instead put in place a separate ex post reporting on the management of major events (with or without an independent auditing requirement); and
 - (b) if a storm lasts for several days, the minutes created in the second and subsequent days should be recorded in the first day of the storm.

¹ It is noted that the ENA Working Group considered their work and involvement to be an on-going exercise and the group is committed to keep working and refining the approach with the Commission in the next regulatory control period.

Summary of recommendations

Approach	Powerco's View	Recommendations
<p>The Commission has proposed a wide number of changes, many of which were discussed at the ENA Quality of Supply Working Group.</p>	<p>We support the Commission's direction at a high level and the following changes to the quality path:</p> <ul style="list-style-type: none"> • The application of symmetric incentives around a target; • A starting maximum incentive of 1% of revenue; • Fixed target for the regulatory control period rather than a rolling target; • Using 10 years of data to set the targets; • The proposed methodology to account for zero event days; • Unplanned interruptions only contributing to MEDs; and • A 50% weighting for planned interruptions. 	
<p>The Commission has required a SAIFI MED to trigger a SAIDI MED.</p>	<ul style="list-style-type: none"> - This is contrary to the IEEE standard and will significantly distort EDB's reliability performance measurement. - It fails to recognise the definitions of major events, and will significantly undermine the incentive regime proposed. 	<ul style="list-style-type: none"> - Either retain the current approach of using a SAIDI trigger to trigger SAIDI and SAIFI MEDs or treat separately as the targets are set independently.
<p>The Commission has determined that exceeding the average in any year is deemed as non-compliance.</p>	<ul style="list-style-type: none"> - The compliance framework as proposed is contradictory with the Commission's objectives. - The change to annual compliance around a historical mean will lead to many false positives, significantly increasing the investigation and regulatory costs imposed on both the Commission and the industry. It also fails to recognise the additional penalties / incentives faced by EDBs under the proposed incentive scheme. As such it will almost certainly increase the level of regulatory uncertainty and likely to create significant, but needless work. 	<ul style="list-style-type: none"> - The Commission changes its compliance approach so an EDB only breaches the quality path if it exceeds the cap in two out of three years. This is the same standard that applies currently, except that is now an automatic mechanism to fine EDBs who exceed the average.
<p>MEDs are retained in the performance indices</p>	<ul style="list-style-type: none"> - The IEEE approach removes MED from the reported measures. - This is because MEDs are large scale random events, which significantly distort regulatory and financial outcomes. - What was tolerable under pass/fail 	<ul style="list-style-type: none"> - The IEEE standard should be adhered to and MEDs removed from the reported SAIDI and SAIFI. - The Commission put in place separate ex post reporting on the management of major

Approach	Powerco's View	Recommendations
	cannot be managed when faced with automatic financial penalties.	events (with or without an independent auditing requirement).
One storm can trigger multiple MEDs.	<ul style="list-style-type: none"> - There is clear evidence that the impact of major events almost always spans multiple days. - The current method does not account for this and is not in line with the IEEE standard. 	<ul style="list-style-type: none"> - In accordance with the IEEE standard, if a storm lasts for several days, the minutes created in the second and subsequent days should be recorded in the first day of the storm.

3. Achieving the objectives of the quality regime

3.1. We support the objectives of the quality regime

7. The Commission has stated its objective for the quality regime is to, *“Promote distributors’ incentives to provide services at a quality that consumers demand, as required by section 52A(1)(b) of the Act. In turn, this affects distributors’ incentives to invest and maintain assets, consistent with section 52A(1)(a) of the Act.”*²
8. We agree with this objective. A revenue-based incentive regime will help demonstrate cost-quality trade-offs on distribution networks and provide better incentives to manage the underlying reliability. However, in our view it is imperative that the regime is well structured and coherent.

3.2. Changes to address some theoretical perverse incentives have distorted the whole regime

9. The Commission is proposing to make a number of changes to the DPP quality regime. Both the lines companies (working through ENA Working Group) and the Commission made considerable effort in refining the framework in the last 12 months. The group concluded that in general, an incentive scheme, if structured appropriately, should apply to the next DPP. To this extent, the Commission is moving in a direction we support.
10. The Commission in its draft decision has proposed a number changes that include:
 - 10.1 A new symmetrical incentive scheme, with 1% of revenue at risk;
 - 10.2 Changes to how an EDB is non-compliant with the quality path, with a financial penalty if the SAIFI or SAIDI target is exceeded, and likelihood of a Commission investigation if the target is regularly exceeded³, or the cap exceeded in any one year;
 - 10.3 Changes to how major events on the network are treated, including to how the boundary value is calculated and how a day can qualify as a SAIDI or SAIFI major event day (MED).
11. While the Commission’s approach at a high level is consistent with the recommendations of the ENA Working Group, issues with the lower level detail mean the incentive mechanism now fails. As specified, it is not workable as it shifts the focus from managing underlying performance to trying to avoid breaching due to natural variations in SAIDI and SAIFI and extreme events. A number of issues appear to have arisen where the Commission has tried to address some theoretical marginal incentive issues and/or address perceived problems for which there is little evidence that they exist. The overall result is a departure from best practice.
12. These theoretical incentives are:
 - 12.1 Removing the “two out of three” rule to reduce the incentive for EDBs to incur higher SAIFI or SAIDI in the third year;

² Commerce Commission, *Proposed Quality Targets and Incentives for DPPs from 1 April 2015, 18 July 2014*, paragraph 2.2.

³ The Commission refers to “exceptional circumstances” in the compliance paper, however, there is limited explanation of what this means.

- 12.2 Requiring a SAIFI MED to trigger a SAIDI MED to remove the incentive for EDBs to delay restoring supply to consumers to trigger a SAIDI MED or delay restoration once a MED is triggered; and
 - 12.3 Removing the dead band in the target to avoid EDBs viewing the dead band as the upper limit of performance.
13. Limited rationale and evidence has been provided to show that there are significant perverse incentives in the current regime or that there is an issue with current behaviour. Our analysis shows that these issues do not materialise in practice. This is because there are a number of checks and balances in operating a network that prevent this occurring (as discussed later in the paper).
14. We propose a number of relatively simple changes to make the proposed regime more workable. This will better align the quality path with international best practice, and the Institute Electrical and Electronics Engineers (IEEE) standard (on which the Commission's proposed methodology has been based).

4. Aspects of the proposal we support

15. As already discussed, we support the adoption of an incentive-based quality regime. Accordingly, there are a number of aspects of the quality path changes we support. These are:
- 15.1 The application of symmetric incentives around a target. This provides the opportunity for reliability improvements, and the incentive rate can be used to signal the cost of those improvements to consumers.
 - 15.2 A starting maximum incentive of 1% of revenue. As noted by the ENA Working Group, this is in line with international practice as a starting value for introducing such a scheme.
 - 15.3 Fixed target for the regulatory control period rather than a rolling target. This reduces transaction and administration costs, while maintaining medium and longer term incentives. Rolling mechanisms introduce unnecessary complexity that would be inconsistent with the low cost approach of the DPP.
 - 15.4 Using 10 years of data to set the targets. Network assets have long lives and weather patterns vary over the short term. Ten years of data provides a balance between the changing nature of a network and the long term reliability drivers.
 - 15.5 The proposed methodology to account for zero event days. In our view the proposed methodology is an improvement from the current approach, and appears to result in more consistent boundary values across EDBs of different sizes.
 - 15.6 Unplanned interruptions only contributing to MEDs. We agree that the MED adjustment should only apply to unplanned interruptions.
 - 15.7 A 50% weighting for planned interruptions. This reduces the penalty on EDBs who need to carry out more planned work. We note that the consequence of this is that an EDB is more exposed to variations in unplanned outages. This reduction in control is important to account for when considering the methodology used for normalisation. This is discussed further in Section 6.

16. The Commission has also proposed using one standard deviation to set the caps and collars. Our support for this is qualified. One standard deviation is only appropriate if the compliance framework is adjusted to reflect the sterner penalties faced by EDBs. This is discussed further in Section 5. If this does not occur, a greater standard deviation should be used to reflect the removal of the “2 out of 3” year mechanism for avoiding false positives.

5. Overview of major issues

17. As previously mentioned, some major issues have been created that distort the whole regime. We recommend some simple changes that will better address the Commission’s concerns and create a workable approach. The major areas of concern are:
 - 17.1 Requiring a SAIFI MED to trigger a SAIDI MED;
 - 17.2 Exceeding the ten-year average of SAIDI and SAIFI in any year will be deemed non-compliant;
 - 17.3 Keeping major events in SAIDI and SAIFI results; and
 - 17.4 The way storms crossing multiple days are treated.

6. Requiring a SAIFI MED to trigger a SAIDI MED

6.1. Overview of the proposed change and issues created

18. The Commission has proposed that a SAIDI MED can only be applied when a SAIFI MED has been triggered. This is a change from current practice and a significant departure from the IEEE standard on which the methodology is based. This will result in a failure of the quality regime to achieve the Commission’s objectives as the variability due to extreme events will not be removed.
19. In the proposed quality targets paper the Commission states that:

“Analysis of reliability data is often susceptible to variation from extreme events. Extreme events can lead the average duration and frequency of interruption measures to be unrepresentative of the underlying service reliability being provided by a distributor.”⁴
20. We agree with this and as such the dataset must be normalised in order to more reliably determine the underlying reliability performance of the network. The IEEE also state that:

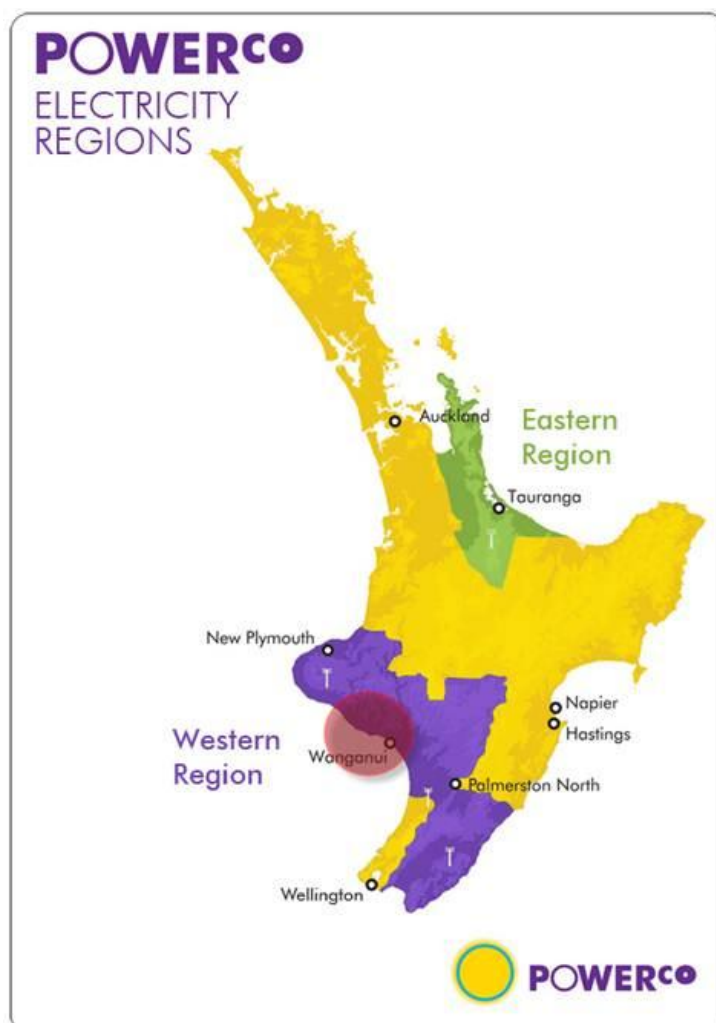
“To ensure accurate and equitable assessment and comparison of absolute performance and performance trends over time, it is important to classify performance for each day in the data set to be analyzed as either day-to-day or MED. Not performing this critical step can lead to false decision making because MED performance often overshadows and disguises daily performance.”⁵
21. It is critical for major events to be accurately identified and assessed separately to measure the underlying day to day performance of a network. The IEEE defines a major

⁴ Ibid. 1, p.11.

⁵ IEEE 1366-2012, *IEEE Guide for Electric Power Distribution Reliability Indices*, 31 May 2012, pg 19

event to be, “an event that exceeds reasonable design and or operational limits of the electric power system. A Major Event includes at least one Major Event Day”.⁶

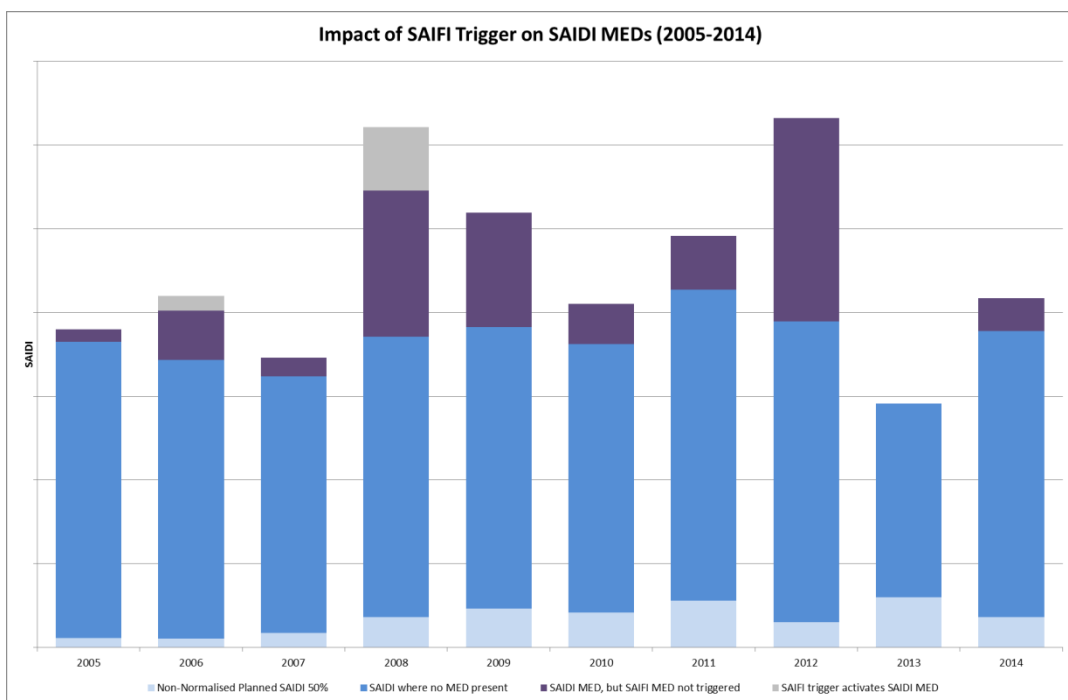
22. By implication, the Commission’s proposal suggests that only wide spread events (relative to the overall network size) or those impacting areas of high customer density (and thereby having a large SAIFI impact) are classed as being those that “exceed reasonable design or operational limits” of a network.
23. To put this in context, if one EDB served the whole of New Zealand, a substantial majority of the country would need to be interrupted before an event was classed as major, not simply a small localised event which might occur in the Auckland CBD or Christchurch. In our view, given the characteristics of the New Zealand system, this is clearly incorrect.
24. One practical example of this is on the 3 March 2013. Powerco experienced an extreme weather event that exceeded our boundary value, and as such was defined and treated as a major event day under the quality path. The total SAIDI for the event was 118 minutes. While the weather was of sufficient severity to be considered a major event day, it was a relatively isolated geographical event to the South Taranaki / Wanganui area (shown on the map below). As such the SAIFI boundary value was not exceeded. The remainder of the Powerco network remained relatively unaffected.



Area impacted by the major storm event, 3 March 2013

⁶ Ibid.3.

25. The rationale provided by the Commission for the proposed approach is not justified:
“Distributors do have some control over the duration time of any outage resulting from a major event. We therefore consider that it may be inappropriate to use SAIDI as a trigger, given that there would be no incentive within this scheme to minimise the duration of an event once the boundary has exceeded.”⁷
26. This implies that EDBs have no incentives to restore supply swiftly to consumers before, during or following major events, or that should a major event approach a SAIDI boundary limit, EDBs will slow restoration work in order to trigger the definition. There are a number of reasons why this is not the case:
- 26.1 Powerco undertakes to ensure supply is restored as quickly as possible following any event, particularly when there is a risk to public safety;
 - 26.2 Powerco does not know if it has exceeded its SAIDI boundary value until after an event. Immediately following an outage crews are dispatched to safely restore supply in as short a time as possible and as safely as possible;
 - 26.3 There is a consumer complaints process which is actively used by consumers, and back-up by the Electricity and Gas Complaints Commissioner. If Powerco was to deliberately slow the supply restoration for no reason then we would very likely face action under these provisions;
 - 26.4 In addition, the proposed financial incentives themselves provide further incentives for small and mid-sized events; and
 - 26.5 To our knowledge no evidence has been presented to support the Commission’s theoretical position.
27. The impact of the SAIFI trigger rule on Powerco over the last ten years is shown below. The grey shading is where a SAIDI and SAIFI MED has been triggered. The purple shading is where only a SAIDI MED has been triggered.



⁷ Ibid.1, paragraph 3.21.

28. Accordingly, the proposal to require a SAIFI MED to trigger a SAIDI MED is substantially flawed. It fails to recognise the nature of major events on the network and it tries to address a marginal theoretical incentive that in practice does not exist. In doing so it risks the integrity of the incentive and compliance framework.

6.2. Recommendation

29. This issue can be addressed by simply by reinstating the SAIDI trigger for a major event instead of the proposed SAIFI trigger. We note that the analysis has already been carried out to calculate the resulting boundary values and as such is a minor, amendment to the proposal.

7. Exceeding the average of SAIDI or SAIFI will be deemed as non-compliance

7.1. Overview of how non-compliance will change

30. The Commission proposes to replace the current non-compliance threshold (exceeding the average plus one standard deviation for two out of three consecutive years) with a more onerous threshold (exceeding the historical average in any year). The Commission states,

“Failure to meet the SAIDI target or SAIFI target would constitute non-compliance with the quality standards.”⁸

31. The Commission’s draft decision introduces two main changes to the current regime, both of which have direct relevance to the issue of compliance, but little impact on the incentive outcome:

31.1 The dead band of one standard deviation in the target has been removed; and

31.2 The “two out of three” rule has been removed.

32. By definition, the change to the dead band will result in a 50% probability that each EDB will be non-compliant each year. In our view this is clearly inconsistent with the ‘low cost approach’ proposed by the Commission, and the principles of the DPP regime.

33. This issue is discussed in more detail in Powerco’s submission on the proposed compliance requirements. The Commission states that no enforcement action is envisaged where performance is over the target but under the cap, except in exceptional circumstances. These circumstances are neither defined nor clear.

34. In our compliance submission, we recommend that “exceptional circumstances” is clearly defined. As noted above, EDBs are equally likely to be compliant as they are non-compliant with the target and certainty of the Commission’s approach is reduced for management and directors of EDBs. This does not meet the Commission’s intent of adding certainty by introducing the incentive scheme.

7.2. The justification for the change is not supported by the evidence

35. In Powerco’s view this is a significant issue for which there appears to be no justification for a change from the current regime. There is substantial random variation in interruptions that must be accounted for within the compliance framework. We also note that even with

⁸ Ibid.1, p.6.

natural variation alone the standard deviation is expected to be breached approximately 15% of the time⁹.

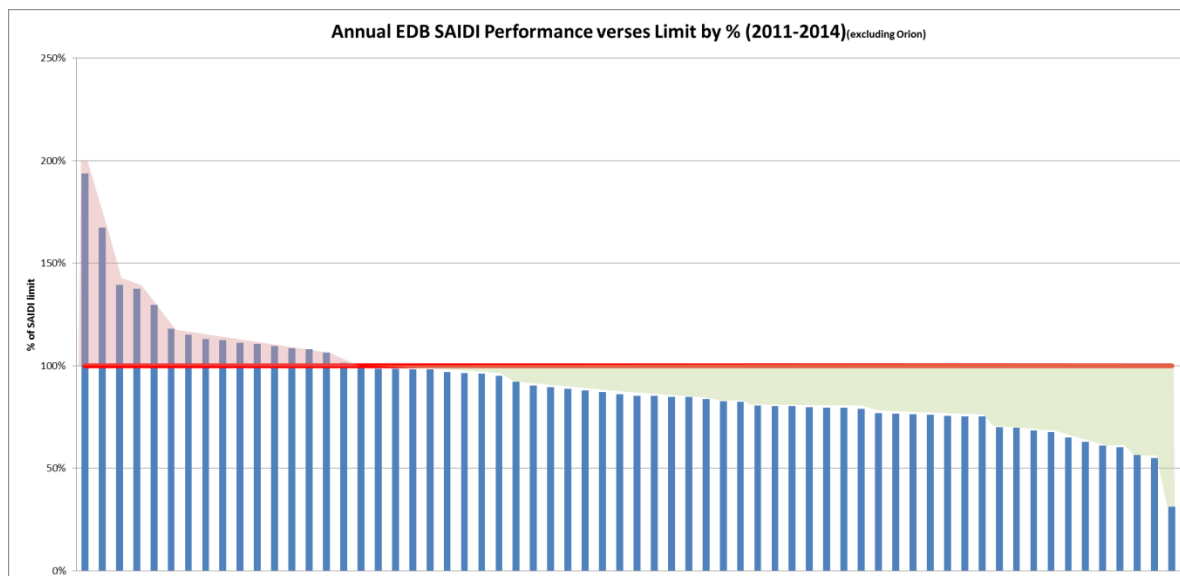
36. The only explanations provided by the Commission for these changes is that:

36.1 For removing the dead band from the target: *“The approach to setting the reliability limit may provide scope for a material deterioration in reliability. [...] Distributors may also perceive the reliability limit as a target rather than a lower bound of performance. Data from the information disclosure regime suggests that distributor’s average duration and number of interruptions tend to be close to the reliability limit.”*¹⁰

36.2 For removing the “two out of three” rule: *“The use of a two out of three year assessment rule may have provided incentives for distributors to exceed the reliability limit once but not two times in a row.”*¹¹

37. The graph below shows the SAIDI results for all EDBs between 2011 and 2014 (as a percentage of the EDBs SAIDI limit). The red line is at 100%. The closer an EDB’s result is to this line, the closer to the reliability limit they are.

38. If EDBs were delivering to the limit rather than the average, half of the results would be on or above the 100% line and half would be below the line. However, this is not the case. The green shaded area is much larger than the red shaded area, showing that the normalisation of the dead band is working as envisaged.



39. We have also analysed the performance of EDBs when there is no risk of them breaching in that year. I.e. the third year in the “two out of three” rule, when the first two years have not exceeded the SAIDI or SAIFI limit.

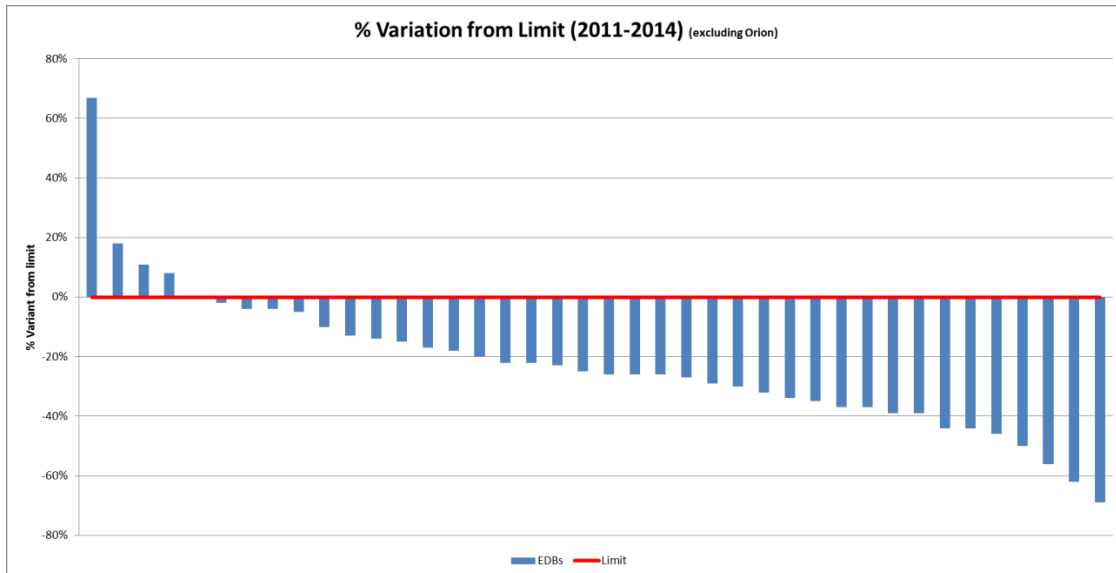
40. There are 40 instances across SAIDI and SAIFI where there was no risk of breaching for the EDB. The SAIDI and SAIFI results (as a percentage of the SAIDI or SAIFI limit) are shown on the graph below. In 36 instances, the EDB did not exceed the limit, and the

⁹ Commerce Commission, *Draft Decisions Paper: Initial Reset of the DPP*, 8 September 2009, paragraph 7.58.

¹⁰ Commerce Commission, *DPP Process and Issues Paper*, March 2013, paragraph 4.22.

¹¹ *Ibid.*, paragraph 2.5.

majority of these cases are greater than 20% below the limit. It clearly shows that EDBs are not using this third year to increase their SAIDI or SAIFI for a higher future average. Of the four instances where the limit has been exceeded, we note that two of them are by the same EDB in the same year where they exceeded their SAIDI and SAIFI limit. This was probably due to exceptionally severe weather in the year.



- 41. We also note the link between the compliance framework, the proposed IRIS, and the approach to capex and opex allowances. Given the lowering of the quality path and greater susceptibility to extreme events, design standards in places will need to be raised. This will require substantial operational focus and potentially lead to additional investment to appropriately manage increased network risk.
- 42. Hence, the incentives created by the proposed compliance regime will have significant detrimental impact on consumer benefit being realised from the incentive framework.

7.3. Recommendation

- 43. Powerco strongly recommends that the Commission changes its compliance approach so an EDB only breaches the quality path if it exceeds the **cap in two out of three years**. In these cases it is expected that the Commission will investigate the EDB. This is the same standard that applies currently, except that under the Commission’s draft proposal there is a new automatic financial penalty on EDBs who exceed the average.¹²
- 44. This approach provides a good balance between the need for accountability and the avoidance of falsely identifying breaches. As noted previously, simply retaining the current compliance mechanism will still result in an increase in the compliance standards due to the penalties faced by EDBs from exceeding the historical average reliability.

8. Removing major events from SAIDI and SAIFI results

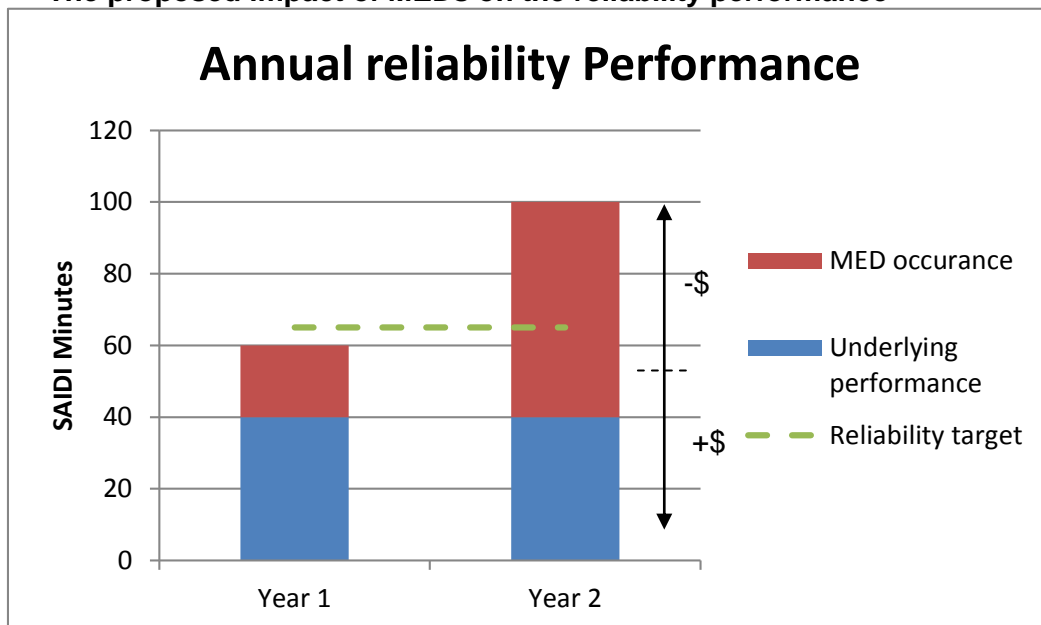
- 45. As defined by the IEEE, it is important to identify and analyse day to day performance and major events separately. We agree with this approach. The IEEE has also noted, “Some key issues had to be addressed in order to consider this work successful”¹⁰. This included:

¹² It is important to establish what is, and what is not a breach under Part 4, We note that the Commission has the right at any time to consider the activities of an EDB.

“Entities that adopt the methodology will calculate indices on a normalized basis for trending and reporting. They will further classify the MEDs separately and report on those days through a separate process.”¹³

46. While the Commission acknowledge the impact of major events on the measurement of the day to day performance of a network, the proposal continues to incorporate a quantity of MEDs¹⁴ (valued at the boundary value) in the incentive framework. This is a clear departure from the IEEE standard and prevents the reported indices from reflecting the underlying performance of the network.
47. The impact of including the boundary value in SAIDI and SAIFI can be seen in the simple example below. The underlying performance of the network is identical in each year and yet the random variation in major events results in a financial loss in year 2 that is outside the control of the EDB.

The proposed impact of MEDs on the reliability performance



48. In this regard the rationale provided by the Commission is also flawed. The Commission states that the inclusion of the boundary value, *“does not disincentivise a distributor’s optimal response to an interruption”¹⁵*. If an MED component was removed from the performance indices then the Commission states, *“there may be an incentive for distributor to not provide the best possible quality performance if they are nearing a major event day”¹⁶*.

49. In our view both assertions by the Commission are incorrect:

- 49.1 When random events are included EDBs have less incentive to pursue financial rewards. Major events will have an asymmetric impact on the financial performance under the quality regime, distorting the underlying performance measurement. Any benefit gained under the scheme will be random and therefore not worth

¹³ IEEE 1366-2012, IEEE Guide for Electric Power Distribution Reliability Indices, 31 May 2012, p. 22

¹⁴ Which is the product of a random number of future weather related events.

¹⁵ Ibid.1, paragraph 3.24.

¹⁶ Ibid.1, paragraph 3.27.

systematically pursuing. This was less of an issue under the pass/fail regime as MED events could be explained in the context of compliance investigations. The imposition of financial penalties makes this a critical aspect of the regime that must be accounted for correctly.

49.2 The altering of a work crews response to a major event as the SAIDI or SAIFI indices approach the boundary value is a theoretical response only and failure to recognise the reality of restoring supply to our customers following large network events. Powerco has a strong focus on delivering to our customers a reliable network that meets their needs. As such not providing the best possible performance on a major event day, at a time when the community that we live and work within needs it the most is unthinkable and goes against Powerco’s philosophies of how to manage our network in accordance with best practice.

50. If the Commission has evidence to suggest there are concerns with EDBs response to major events we recommend that there are substantially more effective alternative mechanisms than that can be proposed. In our view the proposal as it currently stands significantly undermines the incentives created.

8.1. Recommendation

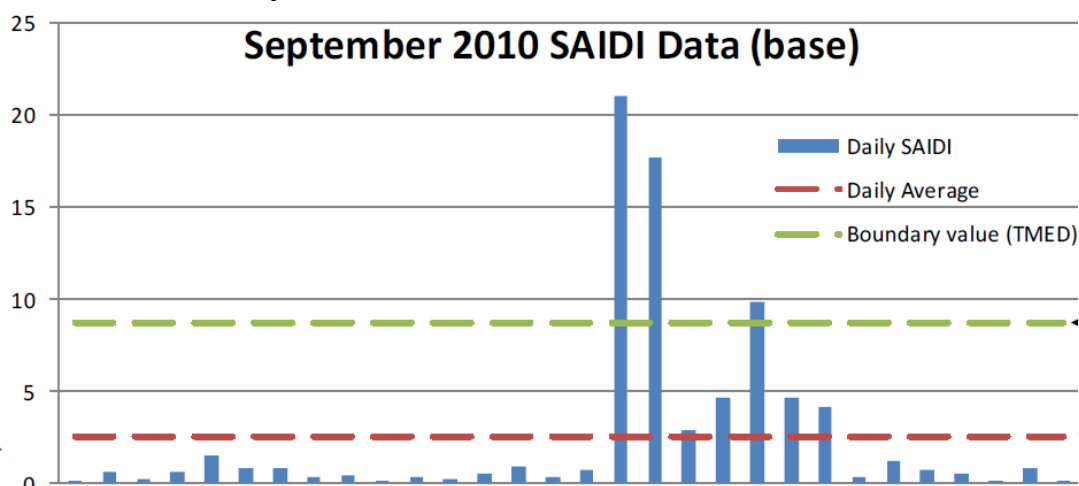
51. An example of an alternative mechanism is to adopt the IEEE proposal and report on MED events separately. We note there is already a mechanism to do so under the compliance framework. If required this reporting could be extended to include information such as the number of customers impacted, average and maximum time to restoration, and the number of work crews on the ground, number of man hours worked to restore supply.

52. In this way the response to events would be open to a higher level of customer and public scrutiny and provide additional incentives for EDBs while allowing the incentive framework to function as envisaged.

9. Treatment of major events that cross several days

53. Powerco sometimes experiences major storms that cross several days. This can lead to one storm creating more than one major event day. An example of this was a major storm on Powerco’s network in September 2010. The graph below shows daily SAIDI values across the month. The storm had a major impact on Powerco’s network for seven days. There were three MEDs, and all seven days were above the monthly average.

SAIDI values for September 2010



54. The IEEE recognises this issue and the standard states,
“In calculating daily system SAIDI, any interruption that spans multiple days is accrued to the day on which the interruption begins.”¹⁷

9.1. Recommendation

55. Powerco recommends that the Commission adopt the IEEE method, as described above. While we acknowledge that there is likely to be uncertainty exactly where the impact of a major event ends, we do not think this is an insurmountable issue.
56. The MED reporting mechanism proposed above could be used to support the disclosure of MED events and demonstrate that the SAIDI and SAIFI incurred in the preceding days are directly related to the event. In addition we would also recommend that the impact be capped at a reasonable timeframe of the initial event, such as 7 days.

10. Other aspects of the proposal

57. The Commission has sought submitters views on the areas below.
- 57.1 Treatment of spur assets and major transactions;
 - 57.1 Adjustments for past breaches; and
 - 57.2 Potential future refinements of the quality incentive scheme.

10.1. Treatment of spur assets and major transactions

58. The Commission proposes to allow for the adjustment of quality standards when a spur asset or major transaction is made in the disclosure year prior to the start of a regulatory year or in a regulatory period.
59. We support the Commission’s proposal. This is a positive change to the current rules that do not allow any adjustment to be made. The method to adjust the quality target and boundary value should be reflective of the approach (including our recommendations) used for setting the quality standards at the beginning of a regulatory period. This provides certainty and clarity.

10.2. Adjustments for past breaches

60. Powerco does not consider it appropriate to make adjustments for quality breaches made in the current regulatory period. The Commission has acknowledged the issue of how the MED boundary value is calculated for some EDBs. This has been addressed going forward by the treatment of zero event days. Companies should therefore not be penalised with reduced SAIDI and SAIFI adjustments as a result of a methodology that did not accurately account for extreme weather events.

10.3. Potential future refinements of the quality incentive scheme

61. A wide range of potential advancements to the current regime were identified by the ENA Working Group research and analysis of quality measures. Over the next regulatory period the Commission should engage with the industry to further develop a framework that allows the inclusion of customer service and disaggregated reliability measures. Successfully achieving this would ensure that the quality aspects of the DPP regime reflect

¹⁷ IEEE 1366-2012, IEEE Guide for Electric Power Distribution Reliability Indices, 31 May 2012, p.3 and p.10.

customers' needs. It would also better reflect the variations between EDB's customer bases, rather than measures simply developed to meet regulatory requirements.