Dear Matthew,

Reconsideration of Powerco and Wellington Electricity CPPs in light of WACC changes

This letter sets out our views on the proposed approach to align Powerco and Wellington Electricity’s customised price-quality paths (CPPs) with the weighted average cost of capital (WACC) applicable to default price-quality paths (DPPs).

We have noted that the Commission has identified a complex – indeed, somewhat tortuous - approach to achieving alignment, because of what appears to be an error in the formulation of the Input Methodologies (IMs). It appears that the Commission considers the IMs prevent it from implementing a simple solution of adjusting the actual net allowable revenue (ANAR).

ENA submits that it risks bringing the Commission into disrepute to use a complex solution to work around an error, rather than fix the error in the IMs.

Powerco and Wellington Electricity are best placed to comment on the impacts of the complex solution and the potential for unintended or undesirable consequences with the proposal, compared with a simpler solution.

But ENA strongly recommends the Commission consider an IM amendment to address the issue, to ensure the intended policy can be readily implemented in amending the CPPs.

Making an IM amendment to correct an error would not be seen as undermining confidence and certainty in the regime.
To the contrary, fixing an error in the drafting of the IMs to ensure the policy intent is being achieved would add certainty and confidence in the regime.

Yours faithfully

Graeme Peters
Chief Executive