



Orion



17 October 2023

Andy Burgess
Commerce Commission
44 The Terrace
Wellington 6140
By email: im.review@comcom.govt.nz

Dear Andy,

Input Methodologies (IM) review – Big Six submission of CEG report October 2023

Who we are:

We are a group of the six largest price-quality regulated electricity distribution businesses (EDBs) in New Zealand (the Group) - Aurora, Orion, PowerCo, Unison, Vector and Wellington Electricity. We formed in 2021 around a shared interest in delivering future-ready electricity services to communities and a common belief that decarbonisation needs to be integral to the regulatory framework.

Expert report submission:

The Group is submitting Competition Economists Group's (CEG) report '*NZCC further consultation on using cost of debt revenue wash ups to target a nominal return on debt*' in response to the Commerce Commission's further consultation on the cost of debt wash-up of EDBs and GTBs for the IM review.

The Commerce Commission has proposed a reform intended to correct for an "error" in the current regulatory regime. Specifically, the current regime delivers compensation "as if" 100% of an EDB's debt funding of the RAB moves in line with actual inflation. However, the Commerce Commission argues that the nominal cost of debt is "fixed at the reset" and does not vary with inflation.

The Commerce Commission has proposed a "revenue wash up" calculated assuming that 100% of all debt funding is fixed prior to the beginning of the DPP (i.e., during the cost of debt averaging period).

The group agrees with the conclusions made in CEG's report and welcomes further discussion with you on any aspects of this report.

Your sincerely,



Richard Sharp - on behalf of the Big Six