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EDB TARGETED ID REVIEW – CROSS-SUBMISSION - TRANCHE 1 DRAFT DECISION

1. This is Vector's cross-submission on the Commerce Commission's ("Commission") draft decision on Tranche 1 feedback, for the Targeted Information Disclosure (ID) review.
2. We have structured our feedback in two distinct sections: the overarching issues to consider and commentary on a subset of individual proposals from the draft decision paper, noting that those proposals we have not included below, Vector has not changed their position and has nothing further to add based on other submissions.

1. Overarching issues to consider

1.1 Engagement

3. Vector supports the Electricity Networks Association's (ENA) call out to the Commission on consumer engagement. Vector's submission benefitted from the consumer research the ENA had conducted via the Consumer Reference Panel (CRP). Yet as noted by the ENA:

"The Commission has not published or conducted, to our knowledge, any actual customer engagement on the dimensions of service quality that matter most to customers. ENA strongly encourage the Commission to engage with customers on what matters to them in terms of EDB service quality."

4. The results from the CRP were significant, ranking satisfaction with the new connections process and with the timeliness of the new connections as the two least important measures of service quality.

5. In parallel Vector would like to highlight that the Commission's consultation and direct engagement with EDBs has been limited, and others share this sentiment.

6. As explained by Horizon Networks:

"To support implementation of the new requirements the Commission should develop meaningful and consistent guidance that EDBs can follow and that can stand up to audit"

7. But to get the guidance and definitions right, the Commission must listen to EDBs, for example through attending the ENA working group set up for the purpose of reviewing information disclosure the IDWG.

8. As put forward by Orion:

"Information Disclosure reporting can be challenging when it comes to the detail and some of the proposed amendments do not have specific details to ensure a consistent reporting approach when implemented by EDB's. We will gladly engage with the Commission to ensure the reporting requirements are implementable and robust."

9. This view is shared by PowerNet who supports the ENA recommendation for the Commission to engage with EDBs to ensure new reporting requirements are precise, implementable and have robust definitions.

1.2 Regulatory burden

10. The ENA and many of the EDBs (Vector, Network Waitaki, Northpower, PowerCo, PowerNet, Unison, and WEL Networks (WEL)) all pointed to the Commission's draft decision being silent on the auditing and director certification requirements for the proposed amendments. Clarifying these requirements for each amendment would help EDBs minimise the additional costs to consumers from providing the information.

11. The retailer Genesis agreed:

"We urge the Commission to be mindful of striking a balance between collecting and publishing useful information, and overburdening EDBs whose highest priority remains ensuring a safe and supply of electricity to consumers."

12. Vector concurs with PowerNet who explained that:

"This requires additional human and financial resourcing; which does not appear to be considered in the requirements to complete additional reporting. This is particularly relevant

for non-exempt EDBs where funding allowances are set by DPP3, thereby limiting the scope to cover the additional costs.”

13. A view shared by Unison also:

“We reiterate our earlier comments, in our submission to the process and issues paper, regarding the significant cost of making new information disclosures, particularly for non-exempt EDBs for whom funding for making the proposed new disclosure has not been provided in their price-quality paths.”

14. The Commission can not ignore this very reasonable ask to share the auditing requirements of all the proposals which make it through to the final decision. The reason paper should also include the cost benefit analysis the Commission has produced to come to their final decision.

1.3 Retrospective regulation

15. Vector has counted twelve submissions to the Commission’s draft decision (including our own) which have highlighted the issues with retrospective regulation. We believe that Horizon Networks has summarised this imposition eloquently:

“Retrospective regulations are undesirable, as they create uncertainty. If the legal status of past conduct, such as what information regulated EDB’s must collect is altered, there can be no certainty as to the legal status of current conduct. In other words, by creating an obligation on EDBs that they must have been recording certain information prior to the effective date of the regulation, EDBs cannot be certain that what they are collecting now is compliant should the Commerce Commission chose to retrospectively change the regulations in the future. Retrospective regulations are one of nine grounds on which the Regulations Review Committee may draw the House’s attention to a regulation.”

16. The ENA also adds that retrospective regulation should be avoided and may be subject to Parliamentary review under Standing Orders (327(2)(g)). EDBs are simply unable to retrospectively report data that does not exist.

17. There is a united front which considers that it is unreasonable to require retrospective reporting and would insist that all quantitative proposals with timeframes starting 31 August 2023 are rescheduled for first disclosure by 31 August 2024.

1.4 Timing of submissions

18. Vector and Aurora both noted that there are a range of implementation dates set for proposed amendments; and we support Aurora’s summary below in response to the different timeframes:

1. To support new AMP disclosures effective from 31 March 2024
2. To oppose mid-period disclosures with an effective date of 30 June 2023; and
3. To oppose quantitative disclosures with an effective date of 31 August 2023, where the proposed amendment would require new or revised data capture from 1 April 2022.

19. Aurora explains that:

“The Commission has not adequately made its case for a mid-period disclosure. It is our expectation that the Commission should be able to describe how its processes and deliberations are contingent on the disclosure being made at that time, or how interested persons other than the Commission would suffer a material adverse effect if the disclosure was to be deferred until 31 March 2024.”

20. Vector, PowerNet, WEL, Horizon Networks and Genesis all share a similar view that the Commerce Commission make the ID requirements effective from the next full financial year to allow EBDs to develop the systems and processes to traceably and accurately disclose the information.

1.5 Removal of superfluous ID requests

21. In Vector’s response to the draft decision, we outlined our concern that no attention had been given to removing any superfluous ID requests. Similarly, PowerNet has pointed to the ‘light touch’ approach expectation for IDs, with IDs intended to reflect the content and level of detail necessary to provide appropriate assurances and accountability. Accordingly, they note the Commission’s intention to add further reporting without associated refinement or removal of reporting.

22. Meanwhile Orion states that:

“A number of the proposed changes are already reported to other organisations such as the Utilities Disputes and the Electricity Authority. We recommend that the Commission considers whether duplicated reporting creates an unnecessary administrative burden before including it in the final decision.”

23. And The Lines Company (TLC) highlights that the Commission has ignored their proposal around pricing notifications:

“TLC customers have told us a lot of the required pricing information in newspapers is confusing. TLC proposed that ID requirements are varied to allow newspaper notification of a price change which directs customers to our website for pricing schedules (instead of the publication of pricing schedules in the newspaper).”

24. Vector agrees with TLC, this requirement is locked in the past as newspapers become more and more redundant in an age of social media. We also encourage the Commission to include this in Tranche 2.

2. Feedback on individual proposals

2.1 Quality

<p>Q1— Expand ID requirements related to how much notice of planned outages is given to consumers, including planned outages that are booked but not carried out.</p>	<p>Not supported unless clarity provided</p>
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25. Vector has changed its stance on this proposal and can not support it unless further clarity is provided. It is clear from other EDBs’ feedback that there are issues to be addressed

26. For example, Northpower suggests there should be some consistency or further explanation used in these definitions so that it is clear whether the defined term applies only to Aurora or has a wider application to all EDBs.

27. Counties Energy recommends that the approach taken should align with the DPP3, where the alternate day can be triggered at any point prior to the intended interruption. This effectively moves the notification window of time and records the planned window and alternative window as one notification.

28. Unison recommends that the proposed amendments are considered further so that they align with the DPP requirements, including definitions, to the maximum extent possible. DPP alignment will support efficient reporting.

29. And WELL states that:

“To ensure these measures reflect the purpose of expanding reporting requirements in relation to the notice EDBs provide consumers, WELL suggests that these measures are linked to Class B planned interruptions only.”

30. Vector stands by our position from our response to the draft decision to align DPP definitions to this proposal. But the Commission needs to provide clarity to all the issues raised by EDBs to ensure this proposal works as intended.

31. Vector also notes Orion’s point that outage notifications are already reported in EIEP5A files required by the Electricity Authority (EA) so could be a potential duplication of reporting. If this information is already captured by the EA we suggest that the Commission demonstrates how having two separate requirements facilitates stakeholders.

Q2— Reporting on power quality	Support
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32. Vector supports Orion’s suggested change to this proposal Orion who recommends that the Commission change the wording from ‘any non-compliance’ to ‘known non-compliance’. We note that it is not always in the EDBs own control to be made aware of non-compliance with the applicable voltage requirements.

33. Meanwhile we also note both Electra and PowerNet’s acknowledgement that reporting on power quality depends on accessing data which is a point we made in our submission. Electra explained that:

“We would have liked to have seen some acknowledgment of the difficulties facing EDBs in finding a workable solution to the ongoing data access problems. Instead, it appears that the Commission has passed the responsibility for justifying the need for data access and the problems back onto EDBs.”

34. The Commission must recognise the importance of data and digitalisation in both the ID review and the Input Methodologies review.

Q3— Time taken for new connections, alterations, quotes	Not supported
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35. It is clear from the response to the draft decision that this proposal is the most opposed by submitting parties. Vector does not support this proposal there is a lot of work required before this measure is meaningful to EDBs, their stakeholders and consumers.

Standard connections vs larger connections

36. We agree with the ENA, reporting should be limited to simple connections i.e. less than 100-amps. As noted by Network Waitaki who disagrees that:

“this is a meaningful measure for comparison and benchmarking due to the large number of variances between connection types and unique characteristics of each connection type.”

Third party involvement

37. Several submitters agreed with Vector’s point on third party involvement in the connections process will skew the results of this metric where the speed to connect will depend heavily on others outside of the EDBs control.

38. Horizon Networks explained:

“The proposed criteria for measuring performance of new connections will result in EDBs reporting on the combined performance of consumers (who need to provide access and engage the retailer), the retailer, MEP, consumers electrician and the EDB. Because the EDB is not involved in all steps of the process, and the Code prevents the EDB from taking ownership of the steps, this renders the information as a very poor measure of EDB performance.”

39. Network Tasnam also described:

“In addition to EDBs not being the only party that influences the speed at which an ICP is created, the degree to which an EDB has direct influence on these timeframes can vary considerably, depending on the model under which new and amended ICPs are processed.”

40. Northpower believes that:

“Multiple parties such as the EDB, Trader, Metering Equipment Provider, third party contractors, plus the consumer and/or their representative, are involved in various interactions throughout the process.”

41. And finally, PowerNet had a similar view to share:

“In the draft proposal the Commission state that EDBs are “ultimately responsible for the process from start to finish”. This view is fundamentally incorrect. New connections are a shared responsibility involving EDBs, traders, MEPs, customers and contractors. The actions or inactions of one or more of the parties involved in the process can have a significant impact on the connection timeframes.”

Consumer group aggregation

42. Another point raised by Vector was that the aggregation by consumer group being left to EDBs to derive would not work if stakeholders were to attempt to use the quantitative measure to compare EDBs. The ENA, Aurora and WELL also raised this as an issue.

43. Aurora explained that the quantitative disclosure will not permit comparability:

“The amendment requires EDBs to make the quantitative disclosure across the whole range of connections it may perform, irrespective of complexity (but excluding subdivisions – see paragraph 36.7 below); however, EDBs may categorise connections as they see fit. While flexibility in categorisation is normally appropriate, as a mandated approach it will invariably create a ‘one-size-fits-none’ framework, and will ensure that there is no ability to compare EDB performance.”

44. The ENA said that the Commission’s proposed measures go beyond simple connection types

“While the proposal to allow EDBs to disaggregate metrics by customer types allows EDBs to reflect their own practices, it increases complexity and significantly reduces comparability, both between years (due to the make-up of connection applications) and between EDBs (due to different classifications)”.

45. And WELL insisted that:

“The inclusion of large customer components will mean that the new measure would have limited value in providing a benchmark to measure an EDBs changing performance over time.”

Definitions

46. However, it remains apparent that definitions remain one of the main problems of this proposal. Both the ENA and Horizon Networks attempted to draft their own definitions. Alongside the

ones Vector put forward there are already multiple views on the same issue. In our submission we suggested holding workshops to come up with meaningful solutions to the definitions in place for the proposal to be used as intended. Therefore, we agree with PowerNet and the ENA that:

“The Commission explore and understand the connection process across EDBs to guide definition of meaningful and actionable metrics.”

47. If not, the Commission will be left with an array of concerns from EDBs such as Aurora who is concerned that the language used in the definitions is imprecise and reflects a lack of understanding of electricity distribution network practice.

48. Electra wants clarity with what the Commission means by 'quote', 'average time', 'new ICP', 'alterations', and 'make'. Network Waitaki explains that definitions must be very clear to avoid any ambiguity and inconsistent reporting.”

49. Orion also encouraged more detailed definitions for:

- a Connection and ICP as these may be different depending on the configuration of a site.
- Quote start and end times (milestones) as there are certain factors outside our control when a customer decides on accepting or not accepting our, or a contractor's price.”

50. PowerNet suggests:

“More clarity is required on the appropriate definitions for measuring connection timeframes, to ensure that start and stop measures are appropriately within the direct control of the EDB.”

Timing and engagement

51. Vector agrees with Electra to:

“Push the implementation time for this requirement out to 1 April 2024 to give the Commission more time to consider the purpose of this measure, establish an appropriate measure, and for EDBs to complete the necessary system change to collect the necessary data to report against this measure.”

52. The Commission must take note that the ENA is eager to work with the Commission to build its understanding of the practicalities of the connection process and develop alternative drafting that delivers the amendment’s intent.

53. Vector also recognises the caution put forward by Horizon Networks:

“The Commerce Commission be mindful of where it measures the connection process and work with EDBs, the Electricity Authority and other stakeholders on the new connection process to ensure it will not result in poor consumer outcomes.”

Q5— Customer charters and compensation schemes	Not supported unless clarity provided
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54. Vector would also like to change our stance on proposal Q5. Following issues raised by Aurora, Northpower and Orion, we can no longer support this requirement unless clarity is provided by the Commission.

55. First, we are seeking clarity on the disclosure requirement of Q5 which was initiated by Aurora:

“We note, at paragraph 4.77 of the Draft Decision (p71), that “EDBs must also provide the above information to the Commission as an annual disclosure”. This is inconsistent with other continuous disclosures, like capital contributions policies, where disclosure needs only be made to the Commission when an update occurs and the policy is republished. In our view, having to make an annual disclosure directly to the Commission, even when the charter or customer compensation arrangement remains unchanged, is both unreasonable and inefficient. However, our reading of the draft decision material is that this proposed requirement has not been transferred to the Draft Determination which, for reasons stated, we consider is appropriate.”

56. Vector agrees that we should not need to submit this disclosure to the Commission unless an update occurs.

57. Meanwhile Orion has brought up the issues of duplicating requirements:

Note that EDBs are required to publish their Electricity Authority’s Default Distributor Agreement (DDA) on their website which includes service levels. Orion also has agreed

upon customer service levels and compensation schemes published on our website. We recommend that the Commission consider whether these reporting requirements are a duplication as they are already being covered under other related regulatory obligations.”

58. This view was echoed by Northpower:

“Care must be taken to not be overly prescriptive in the content to be published as this could conflict with existing agreements between the EDB and third parties or other mandated service level/compensation requirements which the EDB is subject to under any Act, Regulation, or the Code.”

59. Vector believes that anything already covered under the DDA (such as service levels) should only be a voluntary disclosure under the ID regime.

Q11— Successive interruptions	Not supported unless changed
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Implications for the DPP

60. Proposal Q11 also raised concern amongst submitters. Vector continues to raise caution around the introduction of this proposal due to the implications it will have on target setting for DPP4. This view is shared by Horizon Networks:

“Horizon Networks is concerned that in order to implement DPP4, EDBs will need to back calculate SAIDI and SAIFI using the ‘multi-count’ approach. As the systems and processes to report SAIDI and SAIFI using the ‘multi-count’ approach will not be in place until the start of the 2025 reporting period it will not be possible for Horizon Networks to provide complete ‘multi-count’ SAIDI and SAIFI figures to support accurate SAIDI and SAIFI values that could be used in DPP4.”

61. PowerNet has also noted that:

“The recording of successive interruptions as proposed in the draft decision differs from the historical approach used by PowerNet regulated networks. The proposed approach is expected to result in higher SAIFI results – which should not be measured against the targets and limits set using a different calculation methodology.”

62. While the ENA supports the proposed clarification, they recommend that:

“The Commission be explicit on how it intends to use the metric for setting performance targets as part of future price-quality path determinations, as there is a risk of misalignment between the ID and price-quality path determinations.”

63. Vector shares the view of Network Tasnam:

“That the Commission has taken three years to consider the issue suggests the Commission does not consider it a matter of urgency. Yet, it is now proposing to apply the new/amended definitions retrospectively, indicating an urgency that belies its approach to the issue over the past three years. It is not clear to Network Tasman why the Commission did not address the issue earlier if it wanted all EDBs to record SAIDI and SAIFI in a consistent manner from 1 April 2022.”

64. Also WELL disagrees with the Commissions statement that there is no requirement for EDBs to restate interruption information:

“If a change to an EDBs SAIFI recording methodology is required, then assuming Default price-quality path and ID regulation align, historic data would need to be updated and reaudited for setting the DPP4 quality standards.”

Auditing requirements

65. Vector shares the views expressed by the ENA and PowerNet on the auditing requirements of proposal Q11. The Commission has not stated whether this metric will be subject to audit but given it falls under Schedule 10, we have presumed (like others) that it will.

66. The ENA explained that:

“Schedule 10 SAIFI and SAIFI reporting is subject to independent auditing requirements. Given this amendment gives rise to a new data set, the ENA recommends the Commission exclude this metric from the audit requirements for a two-year period and require EDBs to provide a data quality/accuracy score for each metric.”

67. And PowerNet recommends that the Commission explicitly exclude this metric from the audit requirements.

68. Vector believes that a two-year exclusion would suffice if this metric is implemented from August 2024.

Definitions

69. While Vector does not have an issue with the definitions proposed, some EDBs have raised concern:

70. Unison has questioned whether counting successive interruptions on the multi-count basis provides better information for interested persons and EA Networks have expressed confusion with the definition of successive interruption.

71. The implication here is that if there is confusion amongst EDBs still at the final decision in November 2022, then EDBs will not report on a consistent basis. The Commission must push back this requirement and ensure all the issues raised in this section are bottomed out before proceeding with its implementation.

2.2 Decarbonisation

D4—Innovation practices	Not supported
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72. Vector continues to not support this proposal. We note the point that Orion has shared:

“As EDB innovation is predominantly self-funded (as opposed to retrospective approval via the Innovation Allowance), clear criteria is required to determine which activities are considered innovation and fall under reporting requirements.”

73. Innovation is ambiguous, and we are concerned that this disclosure becomes a ‘free for all’ and a repository that stakeholders will not want to access due to the size it could become.

74. Meanwhile we disagree with ERANZ’s sentiment:

“There is merit in distributors sharing best practices following experimentation and trials to reduce nationwide costs in bringing innovations to consumers.”

75. There is an implication here that EDBs do not share best practice with their trials and Vector has proven that is certainly not the case with our findings from our recent EV smart charging trial in Auckland.

76. The ENA recently launched its Powering Up website¹ with a section devoted to innovative projects which is a great resource. There is no need for duplication of effort through this proposal.

2.3 Asset Management

AM6—definition of overhead circuit requiring vegetation management	Not supported
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77. Vector does not support this proposal and we are not alone in raising concern with the unintended consequences this definition change will have.

78. Aurora states that the definition may create an unintended consequence, in that more resource may be allocated to data capture for regulatory reporting purposes than is required for prudent vegetation management.

“The definition promotes a short-term focus. That is, by considering only vegetation within the notice zone, it only records vegetation that is in imminent need of intervention. However, vegetation management is a more expansive activity that just cutting interventions. It includes surveying, modelling and planning, and land-owner liaison. The proposed definition may be so narrow and short-term focused that it will exclude so much vegetation that it does not properly reflect an EDBs vegetation management costs. This has a strong potential to skew perceptions of vegetation management productivity and efficiency.”

79. Like Vector, other EDBs have raised the additional cost burden this proposal could bring about.

80. Network Waitaki explains that:

“The current proposed definition as per the draft decision is not clear or practical and we do not support the use of the “notice zone” distance between vegetation and an overhead

¹ <https://www.poweringup.org.nz/>

circuit as being an appropriate metric. This definition is overly complex, and will require mainly because of the complexity, extensive need for inspection and surveying and costs to measure this and collect data.”

81. PowerNet highlights:

“That accurate reporting of specific overhead circuits requiring vegetation management requires a significant level of operational resource to inspect networks, particularly for more rural networks such as TPC and OJV. Completing a verifiable assessment would be a significant cost and would outweigh the benefits of any reporting.”

82. Unison suggests that:

“The new definition is likely to introduce reporting volatility, year on year, as vegetation is maintained and moves in and out of the notice zone, leading to the additional cost of more frequent LiDAR surveys.”

83. ENA offers that:

“The use of ‘notice zone’ under the Hazards from Trees regulations will pose significant cost burdens on EDBs, particularly those with extensive networks. To get an accurate value for overhead circuits requiring vegetation management, an EDB would need to inspect the whole network annually. This cost would be significant and outweigh the benefits of the metric.”

84. We recommend that based on these insights, that before its implementation, the Commission must revisit how this change will benefit consumers, and ascertain the costs implied in reporting this metric on an annual basis.

85. Once again, the definition itself has been raised as an issue by submitters. And Vector must agree with Northpower that the definition is too narrow:

“□ Vegetation risks under management include vegetation outside the notice zone (particularly fall zone trees).

□ Vegetation risk changes quite dynamically, and trees can quite rapidly grow from outside to inside the notice zone, hence the need to regularly inspect all lines.

□ Vegetation which is cut back from the notice zone can rapidly grow back within a few years - so it will be impossible to determine each year how much conductor has trees that are within or outside the notice zone.”

86. WELL has concerns that inconsistencies will arise with the proposed definition amendment. The proposed definition change still gives rise to interpretation issues.

87. And we appreciated Electra’s idea to include worked examples in the final decision paper that EDBs can use to guide their understanding and hold workshop(s) to clarify the understanding and work with the Commission to ensure consistency in reporting by EDBs.

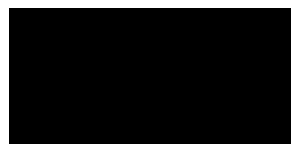
AM10 - Disconnections data	Not supported
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88. Vector also supports Horizon Networks recommendation that the Commission reduce the regulatory burden on EDBs by obtaining the actual decommissioning information directly from the electricity registry rather than requiring it to be part of the annual disclosure process.

89. We are also in agreement with Northpower that the requirement to disclose a forecast of future decommissioned ICPs is removed from Schedule 12C as this forecast would be of little value.

90. If, however the Commission goes ahead with this proposal, Vector agrees with Horizon Networks, Northpower, Orion and Unison that because there is currently no definition of disconnection within the IDs. Therefore, the Commission must clarify whether the intention is a disconnection or only at the point of decommissioning of a site. ‘Decommissioning’ is defined by Part 1 of the Electricity Industry Participation Code (the Code) so should be what is adopted.

Yours sincerely



Richard Sharp

GM Economic Regulation and Pricing