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Dear Dane,

### **SUBMISSION ON DPP RESET ISSUES PAPER**

Centralines welcomes the opportunity to submit on the Commerce Commission's *Default price-quality paths for electricity distribution businesses from 1 April 2020, Issues paper* (Issues Paper). We have contributed to the development of the ENA's extensive submissions and support the recommendations in those submissions. In this submission we focus on a key issue for Centralines, rather than duplicate the responses in the ENA's submissions.

As the Commission has observed (Figure B2), Centralines has incurred significantly less capital expenditure during DPP2 than provided for in the 2015 reset. This followed an extensive review of Centralines expenditure plans in light of network performance, which has consistently been within the SAIDI and SAIFI limits. The lower expenditure has been more than matched by Centralines pricing significantly under the allowed DPP price path (more than 20% in the coming financial year).

The implication of the lower level of capex under the capex IRIS scheme (as currently prescribed), however, is that Centralines would have to reduce revenues below the level required to deliver a reasonable return in DPP3. Centralines would effectively have to make refunds to customers (capex IRIS payments) for money that it has not in fact collected from consumers during DPP2. We do not believe this would be the intended outcome from the operation of the IRIS schemes, or consistent with the Commission's real FCM principle. Centralines submits that the Commission needs to make changes to the operation of the capex IRIS methodology to avoid this outcome.

Please feel free to contact me on this submission.

Yours sincerely,

Nathan Strong  
**GENERAL MANAGER BUSINESS ASSURANCE**