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Tēnā koe Claire

SUBMISSION ON PROPOSED CHANGES TO INFORMATION DISCLOSURE REQUIREMENTS

Unison Networks Limited (**Unison**) is an electricity distribution business (**EDB**) operating in Hawke's Bay, Taupō and Rotorua. Centralines Limited (**Centralines**) is an EDB operating in Central Hawke's Bay.

We appreciate and support the aim to align information disclosure (**ID**) requirements for EDBs with the changes from the Input Methodologies (**IM**) Review 2023.

We also support the proposed changes focussed on provision of additional information on the Incremental Rolling Incentive Scheme (**IRIS**), formulae and typographical corrections and clarifications to definitions.

With respect to Issues 1 to 3, we have specific feedback to:

- better promote the policy intent;
- avoid confusion for EDBs and the readers; and
- correctly calculate the required financial disclosures.

Appendix A provides feedback on the proposed changes in a table format.

Appendix B provides an example of an alternative IRIS information disclosure schedule.

There are no concerns with the proposed timing of the changes.

Unison and Centralines support the Electricity Networks Aotearoa's (**ENA**) submission.

Nā māua noa, nā

Rachael Balasingam / Tomas Kocar
REGULATORY MANAGER / PRINCIPAL REGULATORY ADVISOR
[redacted]

Appendix A: Feedback on proposed changes

ISSUE	COMMENT
Issue #1 – Disclosure of IRIS carry forward balances	The current proposal is unclear. The IDs Amendment Draft Decision Reasons Paper presents two lines for opex: • 2.6.1.1 - focusing on the difference between forecast and actual expenditure. • 2.6.1.2 - outlining the cumulative amounts carried forward. To enhance clarity, we recommend: • using more precise terminology in 2.6.1.1 by referring to the 'opex allowance' instead of 'forecast'. The variance from these allowances is what drives the IRIS incentive amounts; and • including both the allowances and actual amounts for greater transparency. The schedule template seems to ask for calculation of the opex incentive amount rather than the difference between forecast (allowances) and actual expenditure, which we do not consider is consistent with the intent (based on the schedule design). We have not identified the value in Line 2 (as defined in 2.6.1.2). As a more informative alternative we recommend showing the opex and capex incentives in the periods they will impact, i.e. be drawn down (see Appendix B). In capex specific clauses 2.6.2.1 and 2.6.2.2, only one year is disclosed, rather than a cumulative amount, which is inconsistent with the approach in clauses 2.6.1.1 and 2.6.1.2. For consistency and to avoid reader confusion, we recommend treating both opex and capex reporting the same. Appendix B shows an alternative IRIS reporting schedule. Lines 1-10 deal with DPP3 IRIS only. Lines 11-16 shows DPP4 allowances and expenditure. This table could be expanded to include DPP5 IRIS flowing from DPP4 over and under expenditure to allowances.
Issue #2 – Wash-up account and other carry-forward balances	We support the proposed changes to Schedules 2(v) and 3(ii) to better align the ID requirements with the recently reviewed IMs. To enhance transparency and clarity, we endorse the ENA's suggestion to revise defined terms related to the Customised Price-Quality Path (**CPP**) projects. Specifically, we recommend including "CPP" in the term descriptions, such as using "CPP urgent project allowance" instead of just "Urgent project allowance."

	Given the inherent complexity of Default Price-Quality Path (**DPP**) and CPP wash-ups greater granularity in the disclosure of amounts to match all available wash-ups would improve transparency and justify removing the "Other wash-ups" line. We recommend minor changes to ensure consistency between the IMs and the ID schedules: "Wash-up draw down amount" should be revised to "Wash-up drawdown amount," and "Re-opener event allowance" should be updated to "Reopener event allowance."
Issue #3 – Transferred Works Under Construction	The new proposed change of "Assets commissioned from WUC" (cell M36) being used in Schedule 4(iv) to calculate "Works under construction – current disclosure year" amount needs further clarification. As currently interpreted, the calculation in Schedule 4(iv) presumably incorrectly excludes assets acquired from a related party and regulated suppliers, increasing the "Works under construction – current disclosure year" amount. .We recommend further clarification of what would be included in "WUC Other revenue". We acknowledge the definition provided in the draft ID Amendment Determination, but have not identified a practical example.
Issue #4 – Network lease opex clarification	The amendments to definition of System Operations and Network Support costs with regards to treatment of leases should align with NZ IFRS 16 and GAAP. Lease arrangements are to be accounted for as right-of-use assets and not included in opex with the exception of short-term leases (12 months or less) and leases of low-value assets.
Issue #5 – Timing of future AMPs and AMP updates	No comment.
Issue #6 – Update assurance standards	No comment.
Issue #7 – Removal of redundant or transitional ID requirements	We support the removal of redundant and transitionary requirements from the ID schedule.
Issue #8 – Schedule 11c error	We support the removal of the audit requirement statement from the Schedule 11c template.
Issue #9 – Other IM-related proposed amendments	We support the amendment aligning the IDs with the IM review.
Issue #10 – Other proposed amendments	We support the definition, formulae and typographical error corrections.

unison
The Powerlines People

Appendix B: Proposed Schedule 3a

SCHEDULE 3a: REPORT ON INCREMENTAL ROLLING INCENTIVE SCHEME

			FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	
Row	Context	Category1	CY-5 | $000 (in nominal dollar	CY-4 | $000 (in nominal dollar	CY-3 | $000 (in nominal dollar	CY-2 | $000 (in nominal dollar	CY-1 | $000 (in nominal dollar	CY | $000 (in nominal dollars	CY+1 | $000 (in nominal dollar	CY+2 | $000 (in nominal dollar	CY+3 | $000 (in nominal dollar	CY+4 | $000 (in nominal dollars	CY+5 | $000 (in nominal dollar	
1	DPP3	Opex allowance	41,931	43,234	44,594	45,966	47,279							from Opex-projections-model
2	DPP3	Actual opex, including operating lease payments	41,464	44,315	50,436	50,907	53,160							from S6b (prior IDs)
3	DPP3	Expenditure variance to Opex allowance	467	-1,081	-5,842	-4,941	-5,881							*calculation*
4	DPP3	**Opex incentive amounts**						**(4,702)**	**(4,947)**	**(3,385)**	**1,390**	**265**		from IRIS calculation model
5	DPP3	Capex allowance	46,746	54,653	55,713	46,852	53,807							from Capes-projections-model
6	DPP3	Actual assets commissioned, excluding right-of-use assets	36,200	51,597	54,625	89,713	76,812							from S4 (prior IDs)
7	DPP3	Expenditure variance to Capex allowance	10,546	3,056	1,088	-42,861	-23,005							*calculation*
8	DPP3	Capex incentive amount - due to retention adjustment							606	643	683	724		from IRIS calculation model
9	DPP3	Capex incentive amount - due to capex wash-up							-3,319	-3,522	-3,737	-3,966		from IRIS calculation model
10	DPP3	**IRIS incentive adjustment**						**–**	**(2,713)**	**(2,879)**	**(3,055)**	**(3,242)**		*calculation*
11	DPP4	Opex allowance						56,659	59,749	61,060	63,813	66,804		from Opex-projections-model
12	DPP4	Actual opex, including operating lease payments						57,500						from S6b
13	DPP4	Expenditure variance to Opex allowance						(841)						*calculation*
14	DPP4	Capex allowance						78,313	88,769	86,214	88,766	108,560		from Capes-projections-model
15	DPP4	Actual assets commissioned, excluding right-of-use assets						100,515						from S4
16	DPP4	Expenditure variance to Capex allowance						(22,202)						*calculation*