



10 September 2010

regulation.branch@comcom.govt.nz

Commerce Commission
PO Box 2351
WELLINGTON

Attention: Matthew Lewer

WEL Networks Limited
114 Maui Street, Te Rapa,
Hamilton

PO Box 925
Hamilton
New Zealand

Telephone +64 7 850 3100
Fax +64 7 850 3210

Email connect@wel.co.nz
www.wel.co.nz

SUBMISSION TO COMMERCE COMMISSION – METHOD TO ADJUST DPP STARTING PRICES

This submission is the WEL Networks Ltd's (WEL) response to the Commerce Commission's (Commission) paper of 5 August titled "*Starting Price Adjustments for Default Price-Quality Paths Discussion Paper*" (DPP Discussion Paper).

This submission is from WEL Networks Ltd (WEL), a long-established consumer owned electricity distribution business operating in Hamilton and the Waikato. WEL has over 84,000 network connections and is owned by the community it serves.

We confirm our support of the ENA submission on the DPP Discussion Paper. We confirm that the Commission's proposal to select the 75th percentile of the WACC (as determined by appropriate settings for the calculation of WACC as presented by ENA in other submissions) is an appropriate representation of our WACC and therefore we would consider this a reasonable point estimate for the determination of a normal return for the provision of electricity lines services.

We therefore concur with the ENA submission that those businesses that are earning below such normal returns should be able to increase their prices such that they can at least return this level of normal return.

We also concur that a band above this level is appropriate to take into account uncertainties. We propose an alternative way of setting the upper limit of this band and that this should be done in terms of incentivising us to continue to invest in our networks. Our board has set a target for some years of WACC plus 1.5% as the appropriate setting for investing in the network. Therefore we would propose that this is the minimum upper level to the band and the band should never be lower than this. The work on uncertainties around ROI calculations and their representation of current and future profitability may initially suggest that the upper limit of the band should be higher than this however.

Yours faithfully

JULIAN ELDER

Chief Executive