

29 March 2019

Dane Gunnell (Manager, Price-quality Regulation)
Commerce Commission
PO Box 2351
Wellington 6140

By email to regulation.branch@comcom.govt.nz

Vector – Accelerated depreciation application

Dear Dane

Thank you for the opportunity to comment on the Vector Notice of application for accelerated depreciation that has been published by the Commission for stakeholder comments.

In 2016 ENA was a strong supporter of the Commission making some sort of provision in the IMs to recognise the uncertainty and risks to revenue recovery that EDBs now face. We consider that the 15% accelerated depreciation is a good start point for helping manage revenue recovery risks posed by emerging technologies and changes to demand.

We make the following general observations:

- Recent history has shown demand for electricity as being more uncertain than at any time in the past and new energy technologies will make this even more uncertain going forward.
- EDBs are expected to continue to invest in their networks regardless of demand uncertainty. As the Commission knows, to meet quality standards EDB investment in networks is non-discretionary and has long-recovery periods (averaging about 45 years).

Accelerated depreciation is now in the regulatory tool kit and should be used wherever it is needed to mitigate stranding risk and to maintain investor confidence given greater uncertainty around long-term demand.

Again, thanks for the opportunity to provide our feedback.

Yours sincerely

A handwritten signature in black ink, appearing to be 'd de boer', written in a cursive style.

David de Boer

Principal Advisor Pricing and Regulation