

28 May 2020

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**Submission on *Draft – regulatory processes and rules*
Fibre Input Methodologies Determination 2020 and
Fibre input methodologies: Draft decision – reasons
*paper (regulatory processes and rules)***

**Northpower Fibre Limited and Northpower LFC2
Limited**

Public version



Thank you for the opportunity to provide feedback on the *Draft – regulatory processes and rules Fibre Input Methodologies Determination 2020* and *Fibre input methodologies: Draft decision – reasons paper (regulatory processes and rules)* (together **Paper**).

As you know, Northpower Fibre Limited and Northpower LFC2 Limited (together, **Northpower Fibre**) are responsible for the construction and operation of the Ultrafast Broadband (**UFB**) network in the Whangarei and Kaipara districts. Its UFB area accounts for approximately 1.6% of the national UFB network with a potential 33,000 connections once build is complete.

Submission focus

We have chosen to focus this submission on the key area of regulatory balance date as that is the most important issue to us in the Paper in providing a superior cost effective service to end use customers.

Regulatory balance date

We note the draft decision that *“the regulatory balance date for all regulated providers will be 31 December”*. The discussion on this includes the following comments:

“We also considered the likely reporting and compliance burden of each option, such as the potential consequences of regulated providers being required to prepare financial reports for two different periods, or having to undertake additional reporting processes at financial year end. “

and

“We are aware that Chorus, Enable and Northpower Fibre all have 30 June balance dates for financial reporting purposes, whereas Northpower LFC2 and Ultrafast have 31 March company balance dates. However, we understand that these companies routinely prepare half year accounts and that for those companies with a 30 June balance date these can be combined to assist with the preparation of calculations for a 31 December year.”

We agree that companies with 30 June balance dates will find it relatively easy to align the regulatory reporting year with their financial years by combining half year accounts. Northpower LFC2 does not routinely prepare periodic accounts to 31 December and despite its 30 June balance date, neither does NFL. It is clear that Northpower LFC2 is one of the only LFCs disadvantaged by the draft decision and it is the smallest by far. As a result it has the smallest amount of resources to dedicate to compliance activities. As such, Northpower LFC2 will be disadvantaged to a far greater extent than the other LFCs by having to prepare bespoke financial information. In addition, NFL is likely to align its current balance date to that of its parent in the future and so would also be materially negatively affected by having to prepare bespoke financial information for a 31 December regulatory reporting period. We estimate at least an additional 120 hours of experienced highly skilled finance resources would be spent on having to prepare a separate set of information to align it to the regulatory reporting period, which could otherwise be spent on improving efficiency and value to users of the network.

We understand the Commission’s reasons for aligning the regulatory year to the day the regime comes into force and the ability for interested parties to compare information, but we believe that comparing a 31 March year to a 31 December year would not produce



materially different results for an interested party and the data would be equally capable of being compared. We therefore submit that LFC2 (and in the future NFL) be allowed to prepare financial information for the regulatory reporting period based on their financial reporting balance dates.

We thank you again for the opportunity to provide feedback, and look forward to further working with the Commission on these matters.

Please contact Darren Mason (darren.mason@northpowerfibre.co.nz) if you would like to discuss any aspect of this submission further.

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