

Email sent on 22 September, 2022

Subject: IM Review update and planned EDB expenditure forecasting workshop

Tēnā koutou

We would like to thank all the parties that made submissions on the Input Methodologies (IM) Review Process in response to our Process and Issues and draft Framework papers. These submissions and cross-submissions are available on the [2023 IM Review webpage](#).

This high level of quality engagement helps us improve our understanding of the views of the suppliers we regulate, their customers, and other interested parties. It is important that this information is available to us as we carry out the 2023 review of the IMs in a period of change for the energy and airport sectors. Stakeholder contributions to the process help to promote confidence that the rules and processes that underpin our regulation will remain fit for purpose as New Zealand transitions to a low carbon economy, responds to the impacts of climate change, and adjusts to a future post-COVID economic norm.

[Update on emerging views phase for the IM review](#)

We have reviewed all submissions and commenced our analysis of the key topics. Several submitters requested ongoing dialogue and engagement with the Commission throughout the IM Review period, which we welcome. As indicated in the process steps accompanying our Notice of Intention, we expect to continue to engage with you over the remainder of 2022 as we develop our emerging views. We are considering selected problem definition or emerging views papers, along with workshops where appropriate, relating to three specific workstreams:

1. Incentives and risk allocation;
2. CPPs and in-period adjustments to price-quality paths; and
3. Transpower investment.

We will keep you up to date on these as our analyses progress.

We expect that the first interaction will be a workshop focussed on understanding some issues raised by Transpower in relation to the Capex IM in late October/early November.

[Continuing dialogue across our Part 4 processes](#)

The submissions we received for the IM Review provided information that is also relevant to our wider Part 4 responsibilities. Our targeted information disclosure (ID) review for electricity distribution businesses (EDBs) is ongoing and we are expecting cross submissions on our proposals for that review soon. Since we commenced the IM Review, we have published the reset of the price-quality paths for gas pipeline businesses and we are now preparing for the reset of the price-quality paths for electricity lines companies.

A key issue raised by stakeholders that links these regulatory activities is the forecasting of expenditure used in setting price-quality paths for EDBs. This is particularly important given the increasing electrification of the economy due to decarbonisation, the potential temporal and geographical variation in demand, and the scale of the potential action needed to support this. Although our approach to forecasting capital and operating expenditure is not set out in the IMs, any revised approach we might take will have implications for IMs that we have set—for instance, the circumstances when price-quality paths may be reopened. Also, the extent to which we might be able to rely on forecasts disclosed in asset management plans will depend on the level of confidence

we have about the robustness of those forecasts. Therefore, this topic is also relevant to our targeted ID review and our summary and analysis of disclosed information.

We intend to hold a workshop in late October/early November to discuss this important issue and will notify you of the details shortly.

Ngā mihi

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