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## **Input Methodologies Review 2023: Further consultation on IM Review draft decision on the cost of debt wash-up of EDBs and GTBs**

Dear Charlotte

Transpower welcomes the opportunity to respond to the Commerce Commission's further consultation on its draft decisions relating to the cost of debt wash-up.

We note the Commission does not specifically consider this an IM issue for Transpower because it could instead be provided for in Transpower's IPP determination.<sup>1</sup> However, its final decision is likely to set a precedent.

Should the Commission introduce an adjustment for the cost of debt, we support its decision to smooth this adjustment over five years, noting the significant volatility and financeability concerns that might exist in periods of high inflation.

We have had limited resource to review the Commission's modelling in detail, however we note the following points:

- we still consider conceptually that the 'hybrid approach' can resolve for this issue
- the Commission has, in all scenarios, applied a method of indexation that is not consistent with its Input Methodologies, rather is has applied a methodology

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<sup>1</sup> Commerce Commission, [Draft decision Financing and incentivising efficient expenditure during the energy transition topic paper 14 June 2023](#) para. 5.91 *We are proposing to amend the IMs for EDBs and the GTB to provide an adjustment to the annual revenue wash-up to account for debt servicing costs being fixed in nominal terms. No IM change is needed to provide for this in the case of Transpower and GDBs, as their IMs already permit us to do so at the IPP and DPP reset, respectively, if we decide at that point that it would promote the Part 4 purpose.*

consistent with the approach used by the AER (where depreciation of the RAB has been calculated on the opening RAB after adding the revaluation amount). We consider the methodology the Commission has applied is more intuitive than the approach from complying with the IMs.

Please do not hesitate to contact me [REDACTED]

Kind regards,

Joel Cook

**Head of Regulation**