

25 September 2024

Seeking stakeholder views on additional information published relating to Chorus' Price Quality Path for the Second Regulatory Period (2025 – 2028) - Chorus' price quality path letter

Tēna Koutou,

We have published a letter from Chorus relating to Chorus' price quality path for PQP2. We are seeking views from stakeholders on this information as part of our process for making the final price quality (PQ) decisions to be published by December 2024.

Background to this consultation and a summary of information published today

On 18 July 2024, we published our draft decisions on Chorus' PQ path for the second regulatory period. In our draft decisions document, we determined an indicative total forecast allowable revenue of \$3,301m for Chorus over the four years of PQP2 (note that this is presented in present value terms as at 1 January 2025, in nominal sum terms this equates to \$3,856m). As part of our draft decisions on Chorus' total forecast allowable revenue, we applied a tilted annuity depreciation to a subset of core fibre assets in order to backload depreciation. This is the same approach as put forward by Chorus in its original proposal. Our draft decision was that where tilted annuity depreciation applies, it will have a tilt rate of +3.5% and there is no change to existing asset lives. This would defer approximately \$267 million of depreciation that would otherwise be recovered within the PQP2 period. For the remaining core fibre assets, our draft decision was to continue using straight line depreciation under generally accepted accounting practice standards (GAAP) with GAAP-based asset lives, consistent with the default method in clause 3.3.2(3) of the fibre IMs (and the same approach as PQP1). Our draft decision was to continue to apply a tilted annuity to the financial loss asset, with an original asset life of 14.2 years and tilted annuity depreciation with a tilt rate of -13%.

The letter we have published today from Chorus presents Chorus' revised views on its revenue path and alternative depreciation for PQP2. It also recommends principles on which the alternative depreciation profile used in our draft PQP2 decisions should be selected. In this instance we consider it appropriate to give other stakeholders the opportunity to provide their views on Chorus' letter. However, it is important that stakeholders comply with submission timeframes and note that we may decline to consider late submissions of this type in future.

Process for providing views

We encourage stakeholders to consider the additional consultation material published today and provide views to help shape our final decision due in December 2024. We request stakeholders limit their submissions to areas contained in this letter and the document we have published for consultation. Submissions outside the scope of this consultation will not be considered in our final PQ decisions.

You are invited to provide your written views on our draft decisions on Chorus' PQ path no later than **5pm 7 October 2024** and cross submissions no later than **5pm on 16 October 2024**. Cross submissions should only focus on matters raised in submissions. We strongly discourage stakeholders from raising new matters via cross submissions. You should address your responses to:

- Keston Ruxton (Manager, Fibre PQ Regulation)
- c/o infrastructure.regulation@comcom.govt.nz

Please include "Consultation on Chorus' PQ path letter - submission" in the subject line. We prefer responses to be provided in searchable PDF file format.

Confidentiality

Please note that we intend to publish all submissions (and cross submissions) received as part of this consultation.

The protection of confidential information is something the Commission takes seriously. The process requires you to provide (if necessary) both a confidential and non-confidential/public version of your submission and to clearly identify the confidential and non-confidential/public versions. This also applies to cross submissions.

When including commercially sensitive or confidential information in your submission (or cross submission):

- please provide clearly labelled confidential and public versions. We intend to publish all public versions on our website;
- note that the responsibility for ensuring that confidential information is not included in a public version of a submission rests entirely with the party making the submission. Where a confidential version of your submission is provided, please clearly identify and highlight all information you consider to be confidential. This also applies to cross submissions; and
- please note that all submissions (and cross submissions) we receive, including any parts that we do not publish, can be requested under the Official Information Act 1982. This means we would be required to release material that we do not publish unless good reason existed under the Official Information Act 1982 to withhold it. We would normally consult with the party that provided the information before any disclosure to a requester is made.

Ngā mihi,

Keston Ruxton

Manager, Fibre

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