



Orion



7 November 2024

*Ben Woodham*  
Electricity Distribution Manager  
Commerce Commission  
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Dear Ben,

## **Aurora capacity event – Big Six cross-submission**

### **Who we are:**

We are a group of the six largest price-quality regulated electricity distribution businesses (EDBs) in New Zealand (the Group) - Aurora, Orion, PowerCo, Unison, Vector and Wellington Electricity. We formed in 2021 around a shared interest in delivering future-ready electricity services to communities and a common belief that decarbonisation needs to be integral to the regulatory framework.

### **Submission:**

The purpose of this submission is sharing the Big 6's support for the proposed decision and highlight the common challenges of non-exempt EDBs through DPP4.

The Big 6 are encouraged by the Commission's approach to reopen Aurora's Customised Price Quality Path (**CPP**). We consider that the circumstances surrounding Aurora's capacity event are not unique to Aurora and are likely to occur throughout DPP4.

The rate of electrification and customer driven capital expenditure is expected to increase during the DPP4 period. The size and timing of customer driven expenditure is difficult to forecast and is often largely outside of the control of EDB's. The unpredictable nature of consumer driven capex, and the timing required to get a reopener application approved on an ex-ante basis is not practical. This means that, to avoid incurring penalties, EDBs must constantly flex and reprioritise network expenditure to accommodate consumer driven capex. We consider that this behaviour is not in the best interests of consumers and does not support a timely energy transition. The Big 6 raised

these concerns in submissions on the Input Methodologies Review 2023 and DPP4 Reset, seeking uncertainty mechanisms to promote genuine incentives to invest.

We support the Commission's implementation of the Part 4 purpose in the proposed decision. In particular, the application of ex post approval has ensured that:

- a non-exempt EDB and its consumers will not be penalised for investing in system growth to the benefit of its consumers in the long-term (and incentives to continue prudent and efficient investment are restored<sup>1</sup>); and
- consumers can share in future efficiency gains which will be generated from economies of scale generated from this prudent and efficient system growth.

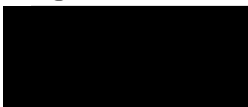
The Commission has distinguished its approach to Aurora's CPP from an approach under the Input Methodologies applying to a Default Price-Quality Path (**DPP**). We reiterate the value of regulatory precedence to promote the purpose of the Input Methodologies and regulatory certainty for consumers and non-exempt EDBs (in regulatory rules, requirements and processes).<sup>2</sup> Accordingly, we consider this approach should be applicable to the DPP.

Aurora's circumstances illustrate foreseeable harm that rigid application of ex ante regulation may generate throughout DPP4. Non-exempt EDBs continue to jointly face challenging load forecasting (evidenced by almost universal capex IRIS penalties in DPP3). Adopting ex post approval for reopener events under a DPP will improve the incentives to proactively invest in capacity events for non-exempt EDBs. The Input Methodologies balances harm by the Commission's proportionate scrutiny of the prudence and efficiency of the expenditure.

The electrification of Aotearoa requires continued pragmatism by the Commission to promote Part 4. We look forward to understanding how the Commission applies that to the:

- upcoming proposed Input Methodologies consultation on the reopener provisions; and
- issuance of DPP4 reopener guidance prior to DPP4 commencing.<sup>3</sup>

Ngā mihi,



Rachael Balasingam - on behalf of the Big Six

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<sup>1</sup> Compared to what Aurora's original customer price-quality path provided in respect of unforeseen system growth.

<sup>2</sup> Section 52R, Commerce Act 1986.

<sup>3</sup> The Big 6 proposed reopener guidelines developed by PwC through consultation on the Draft DPP4 Decision. The proposed guidelines recommend a principled and balanced approach to implementing Part 4 for the benefit of consumers and non-exempt EDBs.