

17 July 2018

Keston Ruxton
Manager, price-quality regulation
Commerce Commission
By email to regulation.branch@comcom.govt.nz

Dear Keston

EDB DPP 2020 Process Paper

1. This is a submission by the Major Electricity Users' Group (MEUG) on the proposed process paper 'Default price-quality paths for electricity distribution businesses from 1 April 2020' dated 14 June 2018.¹
2. MEUG members have been consulted in the preparation of this submission. This submission is not confidential. Some members may make separate submissions.
3. We welcome this paper as an opportunity to provide views on the proposed process for the 5-year DPP reset from 1 April 2020 (DPP 2020-2025). MEUG supports the proposal to advance the timing of consultations before final decisions are made to allow more time to consider stakeholder feedback compared to the timeline used for the current DPP 2015-2020 reset.²
4. The Electricity Networks Association (ENA) has pro-actively engaged with consumers and retailers on quality of supply and we look forward to continuing that work.³ The Commission is open to other parties using working groups and MEUG agrees that sector-wide participatory processes may generate new process innovations.⁴ We are wary of any process that might engage with consumers more as window dressing than genuine consultation. Hence, we agree the Commission has a key role in assisting submitters come-up-to-speed on the DPP regime and proposed changes because that may uncover unknown underlying drivers or new ideas and improve the quality of submissions. MEUG agrees with the proposed timing of Commission led workshops and briefings.⁵
5. The preceding comments support the theme of facilitating engagement by a wider range of stakeholders than the prior DPP reset.

¹ URL <http://comcom.govt.nz/dmsdocument/16343> at <http://comcom.govt.nz/regulated-industries/electricity/electricity-default-price-quality-path/2020-2025-default-price-quality-path/>

² Process paper, paragraph 16.

³ Ibid, paragraphs 18 to 19.

⁴ Ibid, paragraph 20.

⁵ Ibid, paragraph 21 to 24.

6. More detailed comments on the proposed DPP 2020-2025 reset process follow:

- a) The process paper lists 5-key features of the DPP to be the focus of the consultation paper to be published in November.⁶ These are consistent with the primary outputs and expected major Commission and Electricity Distribution Business (EDB) work-streams. Missing in the list of key features is a recognition that the DPP process and outcomes are not just to serve the Commission and EDB; rather consumers need to be the focus.

The expected demands by consumers for line services are part of EDB planning processes and therefore part of the proposed key-features. But that may not be enough given emerging technology will give consumers more options over the long-term. Along with expected changes to cost-reflective and service-based line pricing, individual consumers will require better quality, customer specific and timely line pricing and service information to assist their operating and investment decisions. This applies equally to the largest industrial consumer connected to an EDB through to each household and all consumers in each customer class in-between.

Missing from the DPP regime is a feedback loop requiring EDB to inform consumers succinctly of how they are performing against the DPP determination.⁷ MEUG therefore suggests a 6th key feature be to strengthen the accountability of EDB to report to consumers during DPP 2020-2025 on changes in service and cost relative to DPP 2015-2020. There are 2-components to this proposed 6th key feature:

- For simplicity the comparator of performance is DPP 2020-2025 versus DPP 2015-2020. This will give consumers an overall view of the longer-term trend of the price they pay and the service they receive for line services; and
- EDB should inform each consumer. Reporting, for example, results for an average household will be of little use and fails to meet the need for quality information to allow most households to make good decisions.⁸ As a starting point EDB could report on their performance in meeting the new DPP for each price plan group of consumers.

⁶ Ibid, paragraph 9.

⁷ MEUG does not view the annual information disclosures as a succinct and therefore accessible source of information for most consumers. MEUG acknowledges the Commission has developed useful one-page performance summaries for all EDB, refer <https://www.comcom.govt.nz/regulated-industries/electricity/performance-analysis-and-data-for-distributors/performance-summaries-for-electricity-distributors/>.

MEUG's suggestion in paragraph 6 a) of this submission relates specifically to performance of EDB subject to DPP against their DPP determination.

⁸ MEUG's assumption being that the range of consumer demand in most EDB are not highly concentrated around the median demand and hence reporting effects on an average household is insufficient for most households. If this assumption is incorrect then EDB should provide evidence to that effect to their consumers if they report performance not on an individual consumer basis but with an average.

- b) As part of the key-features proposed the Commission plans to consult on the financial models and underlying operating and capital expenditure forecasts.⁹ Compared to the prior DPP 2015-2020 reset we think the heightened uncertainties on demand for line services require forecasting and modelling to be materially more sophisticated for the DPP 2020-2025 reset. There are three specific aspects:
- Demand and supply forecasts need to go beyond the end of DPP 2020-2025 to at least the end of the economic life of either a line or line alternatives;
 - We would expect to see a convergence between the approach to demand forecasting (especially peaks) by Transpower and EDB across a consistent range of scenarios; and
 - Alternative strategies need to be tested including options to incur higher interim costs to possibly avoid major longer-term investment. To arrive at the best DPP will require greater stress testing of scenarios than in the past.
- c) The s.53ZD information gathering notice in 2019 Q1 appears to be aligned with the Asset Management Plan (AMP) updates for 2019-2029 due by 31 March 2019.¹⁰ We are particularly interested in as early publication as possible of quality of supply related historic data because of its importance in the DPP reset. There is acceptance, we believe, from all parties that quality of supply settings to date have been left in the “too-hard-basket” and this needs to be addressed in the forthcoming reset. As early access as possible to historic data will assist the Commission and interested parties along with EDB find ways to improve quality of supply settings for the DPP reset. MEUG therefore suggests EDB be required to publish relevant information on a rolling basis from and after publication in September 2018 of disclosures for the year-ending 31 March 2018 with a backstop final s.53ZD notice for remaining information in 2019 Q1.
- d) MEUG agrees with the proposal to update the draft decision using the 2019 AMP disclosures.¹¹

Yours sincerely



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⁹ Ibid, paragraphs 10.1 and 10.2.

¹⁰ Ibid, paragraph 14 and table 2.

¹¹ Ibid, paragraph 15.