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Dane Gunnell
Manager, Price- Quality regulation
Commerce Commission
Wellington

By email: regulation.branch@comcom.govt.nz

Powerco submission on the *updated DPP3 Draft Decision*

Powerco appreciates the opportunity to comment on the Commerce Commission's companion paper *Default price-quality paths for electricity distribution businesses from 1 April 2020 – Updated draft models* (the companion paper).

We have focused our submission on the Commission's proposed changes to the Major Event Day (MED) normalisation approach.

This is an important issue, so we appreciate the Commission's efforts to review and incorporate stakeholder feedback into the default price-quality path (DPP) quality settings.

Our high-level position on the Commission's updated approach is:

- We support the changes to the MED normalisation approach
- Retain the "2 out of 3" year rule to align with identifying material network deterioration and mitigating the risk of false positives
- Set unplanned quality limits using standard deviation of *daily* data, not *half-hourly* data

Attachment 1 provides more detailed feedback and Attachment 2 provides charts displaying the results of our analysis of breach outcomes. We look forward to the next steps in the consultation process. If you have any questions on this submission, please contact Nathan Hill (Nathan.Hill@powerco.co.nz).

Yours sincerely

A handwritten signature in blue ink, appearing to be "Stuart Marshall".

Stuart Marshall
General Manager – Regulation and Commercial

Attachment 1: Powerco's responses

Topic	Powerco response
Changes to the MED normalisation approach	<p>The updated normalisation approach is an improvement on the Draft Decision because:</p> <ul style="list-style-type: none"> • the use of rolling 24-hour periods avoids the arbitrary cut-off between calendar days • it further reduces the distorting impact of MEDs on reliability results and provides a clearer indication of the underlying reliability of the network • it is more closely aligned with the Institute of Electrical and Electronics Engineers (IEEE) methodology for normalising major events
The risk of breaching the quality path is still materially increased relative to DPP2	<p>We think that the two-out-of-three-year rule must to be retained because it's removal would result in outcomes that are inconsistent with the objectives of identifying material network deterioration and mitigating the risk of false positives. This conclusion is based on our analysis of distributors' historical quality of service data. It showed that the updated normalisation approach does not address the risk of a materially higher number of breaches and false positives that result from the removal of the two-out-of-three-year rule.</p> <p>Charts showing the results of our analysis are included as Attachment 2.</p>
Change to the standard deviation used to set unplanned SAIDI / SAIFI limits above the historical average	<p>We are curious about the Commission's use of an annualised half-hourly standard deviation in the DPP3 draft decisions as we have not been able to find any reasoning or acknowledgment of this change in either the initial draft decision reason's paper or in the updated draft decision companion paper.¹</p> <p>Our understanding is that this change has a meaningful impact on the unplanned SAIDI / SAIFI limits. Ideally, we think changes that have a meaningful impact on the DPP should be clearly evidenced and their rationale supported.</p>

¹ DPP2 used an annualised daily standard deviation

Attachment 2: Analysis of breach outcomes

Chart 1: Breach outcomes – single year test

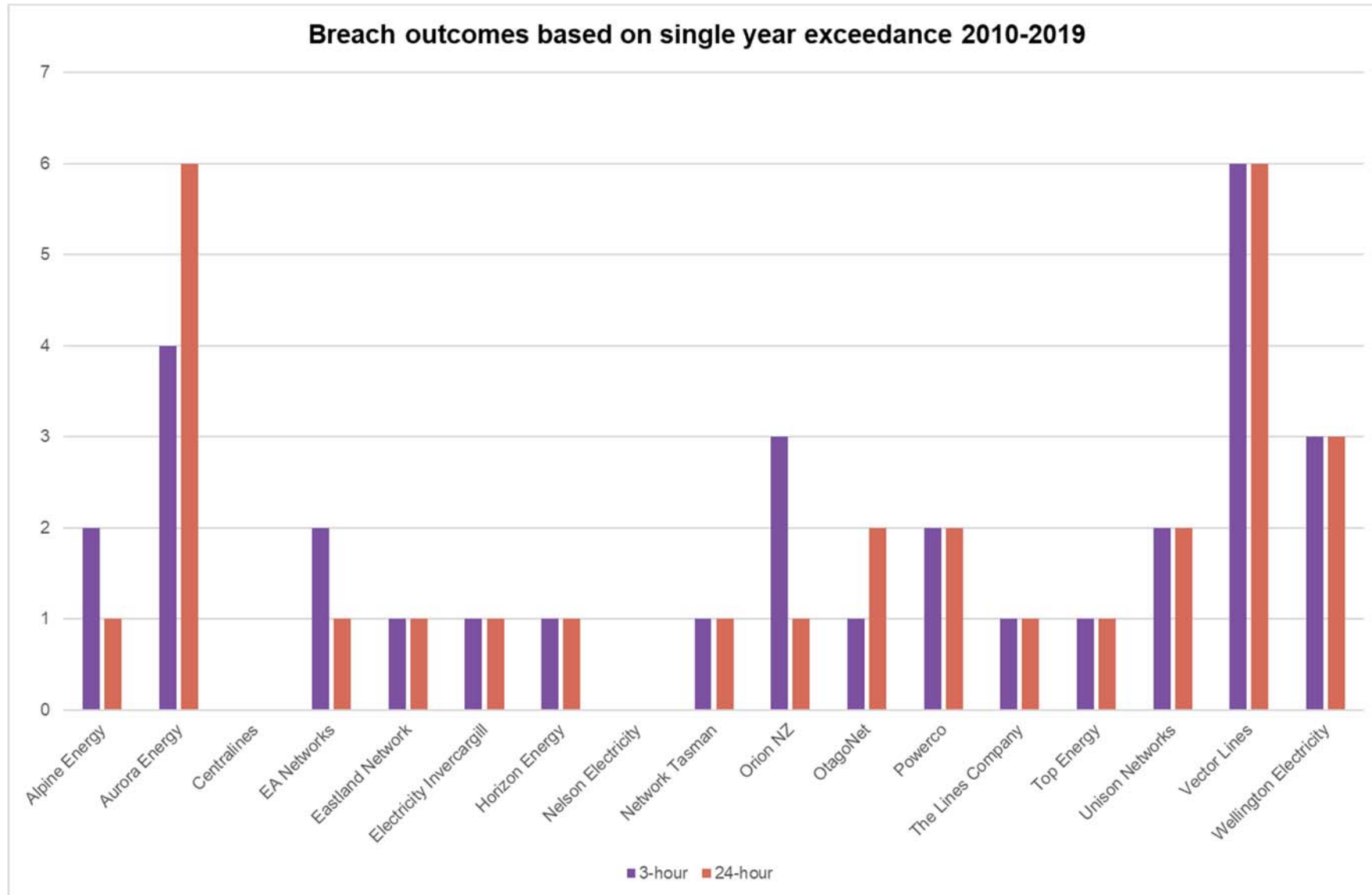


Chart 2: Breach outcomes – 2 out of 3-year test

