

14 September 2023

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By email:

Targeted Information Disclosure Review (TIDR) 2024 – Vector’s submission to Draft Decision

1. This is Vector’s (‘our,’ ‘we,’ ‘us’) submission on the Commerce Commission’s (Commission) draft decision on the TIDR 2024. No parts of this submission are confidential, and it can be published on the Commission’s website.

A. Regulatory burden

2. The Commission has proposed to introduce several backward-looking quantitative disclosures that would come into effect for the 2024 reporting year, which commenced on 1 April 2023. Given the Commission’s final decision on the proposed measures is not due until February 2024, EDBs will not be able to have auditable systems and procedures in place to capture and report the required data for reporting year 2024.
3. Disappointingly, we already raised in last year’s information disclosure (ID) consultation¹ that retrospective regulation and lack of meaningful consultation are poor regulatory practices. We urge the Commission to push back the quantitative proposals to take effect no earlier than 1 April 2025. This will also fit in with the first year of the next default price quality path (DPP4).
4. Vector has also previously asked that the Commission reviews the full suite of disclosure to assess whether some superfluous disclosures could be removed. Instead, once again in this process, the Commission has proposed to add new disclosure requirements but has proposed no changes to remove obsolete or low-value disclosure obligations.

¹ Vector cross-submission to Tranche 1 proposals.

5. In fact, it has only suggested the removal of one requirement from Schedule 10 (normalised SAIDI/ SAIFI) in its entire review so far. This change should be applied for disclosure year ending 31 March 2024, instead of 2025. It is meaningless to report it in the disclosure year 2024 when the intention is to remove it altogether.

6. Other examples of obsolete requirements include:

a. Schedule 3(iii) - the Commission should remove this as it does not correctly relate to IRIS; and

b. The requirement to disclose Schedules 8, 9a, 9b, 9c, 9e and 10a by sub-network.

7. The Commission explains in its reason paper that:

“We have therefore sought to balance the benefits from greater transparency that more comprehensive and detailed ID requirements would provide against the costs of complying with the requirements. In particular, we intend to:

38.1 take account of suppliers’ existing practices and capability;

38.2 introduce new requirements, or require disaggregated information only where we consider it valuable to meeting the ID purpose in section 53A;

38.3 align ID with other parts of the Part 4 regime;

38.4 seek technical input from the electricity sector stakeholders; and

38.5 consider relevant obligations imposed on EDBs by other agencies.”

8. However, we do not believe that the Commission has demonstrated meeting its above intentions.

9. Point 38.4 above states that the Commission intends to seek technical input from the electricity sector stakeholders, but the workshop held in March 2023 did not cover any of the changes proposed here. Instead of heading straight into its draft decision on these new items, the Commission has missed the opportunity to seek direct engagement via a follow up workshop. It would have been a more practical approach to tease out crucial issues ahead of jumping straight into a consultation process.

10. The cost and regulatory burden of information disclosure lands solely on EDBs, therefore, Vector calls on the Commission to set out:

a. Its cost benefit evaluation of the proposals: each proposed new disclosure should have its use case closely examined to ensure its benefits in meeting Part 4 (Section 52A(1)) objectives outweigh the costs of collation, audit, and submission;

b. Details of the stakeholders requesting the new information to be disclosed (where possible to do so);

- c. Their understanding of the additional costs caused by the auditing requirements of the proposals – we assume there was engagement with auditors ahead of the draft decision to inform the financial impact of the proposals; and
- d. The consumer engagement undertaken to derive the draft decision.

B. Decarbonisation

Amendment D3—Network Constraints

Require EDBs to report more meaningful network constraint (and supporting) information in Schedule 12b(i) – **do not support unless changed**

11. Under this proposal Vector would have to submit additional columns of data to its 114 rows representing each zone substation. We are keen to understand who and how this data is already being used from Schedule 12b, to assess whether the new information proposed to be captured will be of value.
12. If the changes are implemented, we agree with the ENA that the time horizon for constraint reporting in schedule 12b(i) should align with the 10-year forecast horizon from EDBs' AMP (not 20 years as proposed). Vector also sees the qualitative information contained within AMPs as the best vehicle for disclosure of the solutions EDBs are considering for the resolution of constraints, not schedule 12b(i).
13. Therefore, we suggest that the following columns are removed from the proposed schedule 12b(i): T, U, Y, Z and AA.

Require EDBs to report additional information in AMPs related to network constraints- **support**

14. Vector believes this proposal to be reasonable; we have already disclosed this type of information in Chapter 10 of our latest AMP.

Require EDBs to disclose geospatial data about their networks in a generic geospatial file format – **do not support**

15. Vector supports the ENA's submission on this proposal.
16. The Commission has also proposed a slight change to Schedule 9e(iii). On page 25 of its reasons paper, it states that Schedule 9e (iii) is subject to audit – this is incorrect as the schedule 9e has never been part of the audited disclosure information required under Clause 1.4.1 of the ID determination and therefore the Commission needs to amend this in its final decision.

Amendment D5— Work and investment on flexibility resources (non-traditional solutions)

Amendments to expand ID requirements for EDBs to include information on EDB investigations undertaken and improved reporting of non-traditional solutions within the AMP - **support**

17. First of all, we agree with the ENA that the definition of 'non-traditional solutions' requires clarity. In Vector's view the term 'non-traditional' is time bound in its nature. We suggest using the term 'non-wired' alternative or solution which delineates a clear boundary around what can be considered and what cannot.
18. Vector has already started reporting on these proposed IDs in our latest AMP. We provided the example of the Warkworth registrations of interest by third parties to provide non-wired alternatives in place of traditional reinforcement for the area. Although this did not result in the adoption of a non-traditional solution, we believe it is beneficial EDBs show how alternative solutions were considered before making an investment decision.
19. One of the learnings is that while the optioneering process helps to stimulate the market, it is a costly endeavour, and we therefore believe that these costs should be reported under non-tradition solutions in Schedules 6b and 11b (subject to our further comments below).

Amendments to expand ID requirements for EDBs to include historic expenditure information on non-traditional solutions provided by a third-party service supplier – **do not support unless changed**

20. The proposed requirement within Schedule 6b is to report expenditure of 'Non-traditional solutions provided by a third-party service supplier'. We cautiously welcome this change but seek clarification that a 'third party service supplier' can also be a 'related party.' The current drafting on these changes is not explicit on this point.
21. We believe that to provide more clarity around costs incurred towards non-traditional solutions, there should be an additional line entitled 'Enabling non-traditional solutions' under 'Non-network opex' with the following definition:

"Means operating expenditure relating to non-traditional solutions incurred by the EDB"

22. This line would pick up the optioneering costs we mentioned above and distinguish between 'business as usual' expenditure vs innovation that would qualify under the proposed 'innovation and non-traditional solutions allowance².'

² From the Input Methodologies Review draft decision, Financing and incentivising efficient expenditure during the energy transition topic paper, 14th June 2023, paragraph X60

23. For example, costs related to our investigations to find a non-traditional solution for the Warkworth area would fall under this suggested category. We believe it will be important to capture these costs to inform future resets as we look to consider and take-up more flexibility solutions.
24. As mentioned above, we are already underway in the regulatory year 2023/24 and cannot start to report on expenditure retrospectively. We suggest that this requirement is effective from 1 April 2025.

Amendments to expand ID requirements for EDBs to include forecast expenditure information on non-traditional solutions provided by a third-party service supplier - **do not support**

25. Our point above to include a new line entitled 'Enabling non-traditional solutions' applies to Schedule 11b also.
26. While we see the sentiment behind this proposal– we must point out an ongoing conundrum around this.
27. It appears that the Commission and/ or stakeholders are interested in ascertaining the levels of opex expenditure EDBs are intending to spend on non-traditional solutions over the next ten years. Yet opex allowances are currently set via the DPP reset using the penultimate year of the current DPP.
28. It goes without saying that future investment in non-traditional solutions will grow over DPP4 and DPP5, but given that the DPP4 reset is already underway, it is doubtful that EDBs will be awarded specific allowances to invest in non-traditional solutions, unless the Commission makes changes through its current review of the IMs or such expenditure is deemed 'innovative' under the aforementioned proposed innovation and non-traditional solutions allowance (the mechanics of which are yet to be determined). There are, however, alternatives the Commission could take to address this matter such as determining spend on non-traditional solutions to be pass through costs or putting in place a "use it or lose it" expenditure mechanism. We note EDBs are presently facing pressure from the Electricity Authority to stimulate flexibility markets, so how expenditure allowances are set by the Commission in this area needs careful consideration.
29. We also note that the Commission's current regulations do not take a whole of systems cost approach and therefore it is arguable that it is not appropriate for EDBs to be making investments on the sole basis that they generate benefits up and or downstream of the distribution network. Through our submissions into the Commission's IM review, we have advocated for a whole of systems cost approach to be considered by the Commission but to date this has not resulted in any proposed IM changes. We encourage both the Electricity Authority and the Commission to engage more fulsomely to ensure that regulatory settings do not constrain whole of system benefits from being realised.

30. An EDBs' ability to forecast expenditure related to non-traditional solutions given the uncertainty of the timing of when such solutions will be available and at what cost, will seriously test the current regime which presently requires high levels of forecasting confidence to enable:
- a. Directors to be able to sign off such forecasts; and
 - b. The Commission, if following previous practices to allow such forecasted the expenditure in DPP allowances.
31. This is clearly a category of opex the Commission must review in setting DPP4 allowances where history will not predict the future. If the Commission would like forecasts for non-traditional solutions in Schedule 12b, it must also consider how it will get comfortable in allowing for those costs in DPP4 or introduce alternative ways of accommodating such expenditure as we mention above. If the Commission sticks with its traditional approach to setting expenditure allowances for this type of expenditure, then at a minimum the Commission must provide guidance on what material is required in AMPs to support the forecasts.
32. Before supporting this requirement, we would like to see that the Commission has discussed this with the Electricity Authority and can fully explain how the forecast information will be used.

Amendment D6 – Standardised pricing components including transmission costs

Amendments to ID requirements for EDBs to disclose their prices within standardised disclosure options, including transmission cost – **mixed support**

33. Vector supports the ENA's submission on this proposal.

C. Asset management

Amendment AM6—Vegetation management reporting

34. We support the ENA's comments on amendment AM6 – and would like to add the following comments.

Require EDBs to disclose additional information on vegetation management operating expenditure, and vegetation-related interruptions – **do not support**

35. For the Commission to properly ascertain the difficulties with reporting in-zone vs out-of-zone we would like to point out that:

- a. Vegetation risk changes dynamically, and trees can grow rapidly from outside to inside the notice zone;
 - b. Vegetation which is cut back from the notice zone can rapidly grow back so it will be impossible to determine each year how much conductor has trees that are within or outside the notice zone;
 - c. On Vector's network we have 'significant ecological zones' which for a variety of reasons we can only cut between September and March which compounds the above; and
 - d. There are currently no regulatory incentives to cut out-of-zone.
36. Without clear guidance and scenarios to illustrate how to effectively report on the proposed changes, EDBs can only manage the reporting to their best abilities and within their operational constraints. However this will lead to inconsistency of reporting, and issues with auditing.
37. This proposal might be the most poignant illustration where the cost benefit calculation does not compute.
38. The stated objective for this requirement is that:
- “Stakeholders better understand the risks to an EDB's network from vegetation, as well as the effectiveness of EDBs' vegetation management strategies.”*
39. We believe the best place for stakeholders to get this information will be in EDBs' AMPs. Instead the Commission is imposing expenditure and quantitative information be reported and audited. The knock-on effects are as follows:
- a. Internal systems and processes are changed to allow for the reporting change;
 - b. Third party systems and processes are changed to cater for the reporting changes (if contractors are used for this type of work);
 - c. Learning and development of staff (regulatory, financial, field service providers, outage centre) to understand requirements and associated definitions;
 - d. Reporting is checked for accuracy (test/ validate system changes);
 - e. Additional audit time and resource is required; and
 - f. Ensuring management and directors understand the new requirements and meet their compliance obligations in signing off the disclosures.

40. For the AM6 proposal alone, the additional resource and cost will be huge. One could argue that these additional costs would be better allocated towards managing vegetation rather than reporting on it.

Require EDBs to report 'Number of overhead circuit sites at high risk from vegetation damage'
– do not support

41. Reporting circuit sites at high risk from vegetation management is constrained primarily by cost. Vector could inspect our entire network each year through our LiDAR survey, but this would come at a cost in excess of \$1 million per year.

42. The Commission must clarify if the EDB can choose just one of the 'Categories of overhead circuit site' outlined in Schedule 9c. The Commission states:

"We propose that the different categories of "sites" can be described by each EDB, and EDBs will be required to set out the number of sites within each category, and the number of sites involving critical assets within each category, in a table within the schedule."

43. The request is not clear and will also lead to inconsistent reporting between EDBs which is of little value to a stakeholder or consumer who wishes to compare EDBs' schedules.

44. There are a number of proposals that fall under amendment AM6 for vegetation management, and we welcome the fact that the Commission has mentioned MBIE's work in reviewing the Tree Regulations in its reasons paper:

"We are aware that MBIE is currently reviewing the Electricity (Hazards from Trees) Regulations 2003, and that this may result in changes to the regulations at some point in the future. Based on MBIE's Discussion Document for the review, evidence is key to demonstrating to all stakeholders the impact of the regulations. With this in mind, we are of the view that it would be prudent to collect relevant data as early as possible, and this supports implementing the proposed amendments now, so that stakeholders can understand the current state."

45. However simply referencing the Discussion Document does not provide comfort to EDBs that the information that the Commission is introducing is in fact the type of information that MBIE is after.

46. Instead of guessing now, it makes more sense to wait for the outcome of MBIE's review in order to fully ascertain the policy needs, and then propose the ID changes. The Commission has already changed the goalposts once on this amendment, we urge the Commission to pause and reconvene once MBIE has finalised their needs in this space. EDBs will not want to make system changes twice, ultimately meaning consumers will pay twice.

47. Meanwhile in the IM process, the Commission has rejected proposals to expand the change event re-opener to cover changes in government policy.
48. In our view, an appropriately qualified re-opener for government policy changes would be appropriate. Executive action (e.g. Ministers exercising statutory powers of decision) can have a significant impact on the cost of delivering regulated services and therefore in principle a re-opener should be available (or the scope of the change event re-opener expanded).
49. If MBIE's work on Tree Regulations reaches a stage where EDBs need to act and spend in excess of their DPP allowances, a re-opener should be available.
50. If the Commission is not going to extend the change event re-opener, it is important that the Commission at least:
 - a. clarify what it understands to be the scope of the re-opener;
 - b. confirm that any amendments to, or new, primary or secondary legislation (including, for example, the Electricity Industry Participation Code) constitute a "change in or a new" legislative requirement for which a re-opener is in principle available (subject to meeting the remaining criteria); and
 - c. explain in more detail what the Commission considers are qualifying "regulatory" changes that trigger a re-opener.

D. Interruptions

Amendment Q14 – Expand ID requirements to include raw interruption data and information on worst-performing feeders

Require publication of raw interruption data, consistent with that provided by non-exempt EDBs in advance of PQ resets, including location, cause and SAIDI and SAIFI values as well as other data – **do not support**

51. Vector supports the ENA's submission on this proposal.

Require information on the worst-performing feeders in the distribution network – **do not support unless changed**

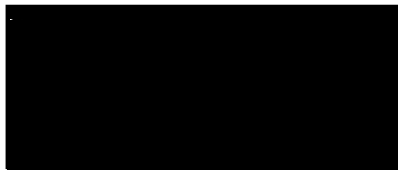
52. For this proposal to be meaningful to stakeholders we have two suggestions:
 - a. The reporting should be limited to those feeders in the 90th percentile of unplanned SAIDI and or SAIFI; and

- b. The measure should be extended to SAIDI/ SAIFI per km. This will help distinguish distortions due to the long feeders (such as our Piha feeder).

E. Other changes

- 53. Vector has no comment on the proposed change definition of 'gains / losses on asset disposals' and other changes set out in paragraph 3.227 of the reasons paper.

Kind regards



Richard Sharp

GM Economic Regulation and Pricing