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29 August 2014

John McLaren
Manager (Part 4)
Regulation Branch
Commerce Commission
Wellington

Sent by email to: regulation.branch@comcom.govt.nz

Dear John,

Further EDB DPP IM amendments

1. Vector welcomes the opportunity to provide a submission on the Commerce Commission's (Commission) consultation paper *Proposed Amendments to Input Methodologies for Electricity Distribution Services*, dated 18 July 2014 (noting this is a different consultation paper to the one with the same title published in June 2014).
2. This submission is one of several in response to the package of DPP and IM consultation papers released in July 2014. This submission focuses on the proposed non-IRIS IM amendments.

New recoverable cost terms

3. Vector supports the creation of the proposed new recoverable cost terms in principle.

Pass-through and recoverable costs

4. Vector supports the proposed recoverable cost term. However, as discussed in our submission on the DPP Compliance Requirements consultation paper (where these points are explained in full):

- a. The Commission should allow any negative balance of unrecovered costs to be carried over into the next regulatory period.
- b. The treatment of transmission recoverable costs should be extended to all pass-through and recoverable costs; or (as a second-best option) the definition of ascertainable costs is extended to avoid the current problem that ascertainable costs mean a single year's worth of pass-through and recoverable costs is never recovered.
- c. Vector does not support the proposals to make ACOT and AUFLS recoverable costs subject to Commission approval.

Catastrophic events

5. For the reasons discussed in our submission on the Main Policy Paper, Vector considers that this amendment should be widened to cover all DPP re-opener triggers, especially change events.

Wash-up for forecast capex and forecast spur asset purchases

6. In the definition of transmission asset wash-up adjustment in clause 1.1.4(2), we suggest adding at the end of the definition the words "but that is not in fact purchased or is purchased at a [materially] different asset value from that forecast". We also query whether the definition should specify which party makes the forecast that is referred to in the definition.
7. We suggest amending the new recoverable cost term for transmission asset wash-up adjustment (clause 3.1.3(r)) to allow for situations where the asset purchase does go ahead but at a different value from that which was forecast.
8. New clause 3.1.3(7) refers to the "sum of value of commissioned assets for the disclosure year immediately following the base year". This will only work in relation to the capex wash-up if the base year is always the penultimate year of the regulatory period. It may be preferable to amend the definition to refer to the "disclosure year that is the final year of the regulatory period" or similar wording.

AUFLS pass-through

9. Vector supports the proposed new recoverable cost relating to automatic under-frequency load shedding. However, the term AUFLS is unlikely to be used by the Electricity Authority under its new regulations as the Authority's intention is to use

the term "extended reserves" instead. We therefore recommend replacing the words "automatic under-frequency load shedding" in new clause 3.1.3(1)(o) with the words "extended reserves".

Yours sincerely,

A handwritten signature in blue ink that reads "B Girdwood". The signature is written in a cursive style with a small flourish at the end.

Bruce Girdwood
Group Manager Regulatory Affairs