



Submission to the Commerce Commission

on

Default price-quality paths for Electricity
Distribution Businesses from 1 April 2020 –
updated draft models

9 October 2019

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Introduction

1. Alpine Energy welcomes the opportunity to submit on the Commerce Commission's *Draft Electricity Distribution Services Default Price-Quality Path Determination 2020* (Draft DPP3 Determination) and its *Default price-quality paths for Electricity Distribution Businesses from 1 April 2020 – updated draft models* (the updated models Paper).
2. In this submission, we express our views on the proposed:
 - i) Capital and Operational Expenditure Allowances:
 - ii) Effect on Consumers
3. In all other matters, our views are expressed by the Electricity Networks Association's and PricewaterhouseCoopers (PwC) submissions.

Updated Models

Operational Expenditure

4. The Commission gave Alpine Energy a 100% confidence rating for forecasting AMP allowances in the draft decision released in May 2019.
5. Thank you for considering and applying our most recent Asset Management Plan Capex allowances to align with the latest models. However, note the following difference in our Opex allowance.

DPP3 5 year totals	Updated Models 25 September 2019	Schedule 11 disclosed 31 August 2019	Variance
Operational Expenditure	\$102.89M	\$ 104.6M	(\$1.71M)

Our OPEX budgets in our latest AMP reflect an increase in vegetation management spend of \$1 million for the five year reset period. This is as a result of the Strata report from the Commission, for Alpine's 2016 Quality breach. The report stated as one of the four main reasons for Alpine breaching our quality standard, the fact that we did not spend enough or soon enough on vegetation management. As a result, we have increased our annual vegetation management budget by \$200 k (or \$1 million for the five year reset period) to support an increased management program to reduce SAIDI and SAIFI contributions as a result of vegetation.

We request the Commission to consider an uplift of our Opex allowance to allow for the additional expenditure and maximum allowable revenue.

Growth assumptions

6. We are concerned that the revenue models penalise regions where there is an unknown capital growth requirement for new infrastructure. This is certainly the case in our region where we have industries, looking to convert from fossil fuels to electricity. This has the potential for significant capital investment, which we will not be able to adequately fund within the current model.

Closing comments

7. Alpine and its shareholders are focussed on the best interests of the South Canterbury Community. Up until a few years ago, we noticed that on the Alpine network, retailers were absorbing the benefit of low distribution network costs. We would urge the Commission to ensure that the downward pressure on lines company revenues are passed on to consumers by retailers. This can be further supported by the Electricity Price Review which was published on Thursday, 9 October 2019.
8. We hope our submission is helpful to the Commission in making its determination of the price-quality paths to apply from 1 April 2020.
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