

31 October 2014

Regulation Branch
Commerce Commission
P O Box 2351
Wellington 6140

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

SUBMISSION ON IMPLEMENTING AMENDMENTS TO IMS FOR EDBS: IRIS

- 1 Orion New Zealand Limited (**Orion**) welcomes the opportunity to provide a submission on the Commerce Commission's (**Commission**) paper – "Implementing amendments to input methodologies for electricity distribution businesses subject to price quality regulation: Incremental Rolling Incentive Scheme (IRIS)" issued by the Commission in October 2014.
- 2 The Electricity Networks Association has also submitted on the paper. Orion endorses the ENA submission.

Orion specific issues

- 3 We note that the consultation is seeking submissions on the drafting of the input methodologies and does not seek any further submissions on the Commission's draft reasons paper or the draft determination published on 18 July 2014.
- 4 We have therefore limited this submission to drafting issues. Orion agrees with the Commission decision to preserve the existing rules in regard to the IRIS scheme that applies to Orion under our CPP determination for the five years 1 April 2014 to 31 March 2019 .
- 5 The intent of the proposal as it applies to Orion is to amend the existing IMs and retain those clauses necessary for Orion to continue with its current 'asymmetric' IRIS scheme until the end of its CPP, while at the same time amending the IMs so that they will apply to the other EDBs. It does this by modifying subpart 3 of Part 3 and creating a new section 5, "Transitional provisions" under subpart 3 of Part 3.

- 6 We cannot see where the drafting of the proposed IM amendment gives effect to the Commission's intent. It does not include any text that specifically excludes Orion from having to comply with the other sections of the amended subpart 3 of Part 3.
- 7 In addition Orion's Customised Price Quality Path Determination 2013 [2013] NZCC 21 amends clause 3.1.3(1) of the IMs and it is unclear how this amendment will be dealt with under the proposed IM amendments.
- 8 We set out in Table 1 areas where suggested amendments could be made to the various clauses of the incremental rolling incentive scheme input methodology amendments determination 2014 in Table 1 below.

Concluding remarks

- 9 Thank you for the opportunity to make this submission. If you have any questions please contact Dennis Jones (Industry Developments Manager), DDI 03 363 9526, email dennis.jones@oriongroup.co.nz.

Yours sincerely



Dennis Jones
Industry Developments Manager

Table 1

Clause	Suggested changes
1	This clause specifies the Electricity Distribution Businesses Input Methodologies Determination 2012 [2012] NZCC 26 as the IM determination to be amended however [2012] NZCC 26 has already been amended by Decision No. [2012] NZCC 34. Should the reference be to Electricity Distribution Businesses Input Methodologies Determination 2012 [2012] NZCC 26 as amended by Decision No. [2012] NZCC 34?
2	We agree that clause 2 sets out that the amending determination will come into force on the date of the Gazette notice. However we believe that there is a need for specificity on how Orion is excluded from compliance with the IM's that will not apply until after our CPP period.
3	We agree that clause 3 specifies interpretive rules for the amending determination, such as the meaning of bolded terms.
4	As indicated above even though clause 4.3 relocates the existing IRIS provisions within Subpart 3 of Part 3 of the Electricity Distribution Businesses Input Methodologies Determination under the heading "Transitional provisions" and limits the date of their application such that they will apply only to Orion's current customised price-quality path, it is not clear what prevents the new provisions sections 1 to sections 4 of subpart 3 of Part 3 applying to Orion.
4.1	The reference in the term "amount carried forward" is incorrect we think it should be 3.3.3(3).
4.2	We agree that there is a need to retain the existing clause 3.1.3(1)(a) to allow the 'asymmetric' IRIS amounts for Orion calculated in respect of its customised price-quality path continue as recoverable costs. The approach to retain this as clause 3.1.3(1)(a)(ii) appears to work although it may be better located in section 5 Transitional requirements. We note that the reference to clause 3.3.2(2) in clause 3.1.3(1)(a)(ii) will require updating to 3.15.2.(2).
4.3(b)	It may be useful to have the title specifically reference Orion. i.e. "Transitional provisions for Orion New Zealand Limited". This will clarify that this new section 5 only applies to Orion and limits the date of the application of the clauses in this section such that they will apply only to Orion's current customised price-quality path.

-
- 4.4** This clause inserts new opex and capex IRIS provisions in Subpart 3 of Part 3 of the Electricity Distribution Businesses Input Methodologies Determination under the heading 'Incremental rolling incentive scheme'. We consider that clause 4.4 should include a new clause 3.3.1 that clearly indicates that the section 1 to section 4 do not apply to Orion New Zealand Limited until the end of the transitional period as set out in the new subpart 5. Make consequential amendments to other clause numbers in sections 1 to 4
-