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## **Firstlight Network submission on Default Price-Quality Paths for Electricity Distribution Businesses issues paper**

Firstlight Network (Firstlight) thanks the Commerce Commission (Commission) for the opportunity to contribute to the consultation on the Default Price-Quality Paths (DPP) for Electricity Distribution Businesses (EDBs) issues paper.

In reviewing the comprehensive chapters presented in the issues paper, we identified key issues that are important to us. This submission provides detailed descriptions of these issues, which are:

- EDBs must have incentives to invest in necessary infrastructure to support customer demand.
- The growing need in the sector to meet rising investment requirements to deliver safe and reliable services to customer, address increasing electrification demand, ensure resilient infrastructure, and make appropriate price-quality trade-offs.
- Using historical spending as a basis is not an optimal starting point for setting future allowances.
- EDBs are better positioned to adopt a capital contribution policy that suits their needs and those of their wider customer base.

Firstlight is a member of Electricity Networks Aotearoa (ENA), and we support ENA's submission in principle. Firstlight is a part of Clarus.

### **Part 4 of the Commerce Act 1986 and DPP Reset for EDBs**

The purpose of Part 4 as noted in s52A, is to establish a regulatory framework that strikes a balance between safeguarding consumer interests and incentivising businesses to invest in necessary infrastructure. The Commission's role within this framework is crucial in maintaining this balance by protecting consumer welfare while encourage prudent investments. This requires a regulatory environment that supports regulated businesses in delivering reliable services.

Our view is that building additional electricity generation, subtransmission, distribution, and storage capacity in advance of demand constraints is imperative because these infrastructure developments have extensive lead times. Prudently managing rising demand and a growing need for resilience to the impacts of climate change means that our systems need to be prepared to meet these escalating needs. This proactive approach aims to avert the risk of sustained outages and to ensure we don't limit the energy choices of customers, ensuring a reliable and safe electricity supply.

Appropriate regulatory settings will play a pivotal role in facilitating the development of essential electricity infrastructure.

### **Meeting rising investment requirements to address increasing electrification demand and ensure resilient Infrastructure, and navigating price-quality trade-offs**

We acknowledge the importance of decarbonisation goals, the growing demand for electrification, government expectations regarding network resilience, and the necessity of providing a reliable and uninterrupted power supply to customers. However, achieving these objectives involves increased investments and, consequently, a potential for elevated costs. Striking a balance that ensures

affordability while maintaining network safety and service standards is important to us to continue meeting the needs of our community effectively.

### **Using historical spending as a basis is not an optimal starting point for forecasting future expenditures**

Relying on historical spending as a foundation is suboptimal when forecasting future expenditure and establishing expenditure allowances for EDBs. Increasing electrification demand, ageing asset bases, and the impacts of major weather events such as Cyclone Gabrielle are driving a level of unprecedented investment need.

Firstlight's historical approach has been centred on cost minimisation to ensure affordable electricity prices. The consequence of this focus is an ageing network that now requires increased replacement to deliver a safe service and uphold the desired quality of supply. Dealing with geohazards on our 110kV line that supplies Gisborne and Wairoa also requires investment. The electrification of process heat on our network will also result in step-change increases in demand that are difficult to forecast. When this occurs, additional investment in the network will be required. Capturing this growth in capital expenditures cannot be practically achieved by relying solely on the historical expenditure lens.

We encourage the Commission to adopt a forward-looking approach and give due consideration to the forecasts outlined in EDB Asset Management Plans (AMPs). The Commission's review of these plans will serve as a crucial test, evaluating the robustness of the forecasts presented by EDBs and assessing their capacity to effectively deliver on these proposed plans.

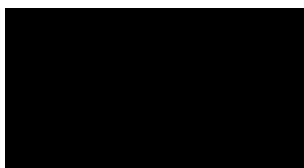
### **EDBs are better positioned to adopt a capital contribution policy that suits their needs and those of their customers**

Electricity Distribution Businesses (EDBs) are best placed to tailor their capital contribution policies to align with their specific needs. For instance, Firstlight has developed and implemented a "causer pays" capital contribution policy. This policy relates to all costs associated with customer-initiated requirements leading to network asset or infrastructure modifications, upgrades, downgrades, removals, or relocations. In maintaining consistency with regulatory standards, the value of capital contributions received by Firstlight is offset against the value of its regulated asset base. This practice ensures that assets funded by customers do not factor into future revenue requirements and distribution charges. This approach helps to avoid cross-subsidisation, is transparent, and aligns the cost burden with the parties directly benefiting from network modifications. Other networks have a capital contribution policy that fits their network circumstances; there is no one-size-fits-all approach. We encourage the Commission to allow EDBs the flexibility to customise capital contribution policies according to their specific network requirements.

### **Contact details**

Firstlight would welcome the opportunity to meet with the Commission to discuss any points made in this submission. To arrange this meeting or if you have any questions, please contact me via email at [REDACTED].

Yours sincerely



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