

## **PowerNet Limited response to Commerce Commission Targeted Information Disclosure Review – tranche 1 Draft Decision**

**31 August 2022**

### **1. Introduction**

- 1.1 PowerNet is an electricity management company with head offices based in Invercargill. We manage the non-exempt electricity distribution businesses (EDB's) of Electricity Invercargill Limited (EIL) and OtagoNet Joint Venture Limited (OJV), the exempt EDB of The Power Company Limited (TPCL) and the non-grid connected Stewart Island Electric Supply Authority (SIESA). PowerNet is a joint venture company, owned (50/50) by TPCL and EIL.
- 1.2 PowerNet manage an asset base and investments in excess of NZ\$1 billion. It provides services to over 73,000 customers through more than 14,100 circuit kilometres and manage the fourth largest suite of EDB assets in New Zealand. TPCL operates in Southland and West Otago, EIL in Invercargill and Bluff, OJV in Frankton, Cromwell and Wanaka and the rural and coastal Otago region that surrounds Dunedin City and SIESA on Stewart Island.
- 1.3 This submission is made by PowerNet on behalf of the networks we manage - EIL, TPCL, and OJV; in response to the Commission's draft decision on tranche 1 of the targeted information disclosures (ID) review for EDBs. Accordingly all reference in this submission to PowerNet reflect the networks we manage. Any feedback specific to an individual network are clearly identified.

### **2. General Observations and Feedback**

- 2.1 PowerNet commend the Commission for undertaking this review of IDs. In simplified terms, IDs are intended to ensure that sufficient information is publically available to assess whether the long-term benefit of consumers are consistent with outcomes produced in competitive markets.
- 2.2 Essentially IDs should provide a level of assurance and accountability regarding the service provided and costs associated with the distribution of electricity to consumers.
- 2.3 The first tranche of changes focuses only on additions to the ID requirements, without any proposed removal or refinement of current IDs. This requires additional human and financial resourcing; which does not appear to be considered in the requirements to complete additional reporting. This is particularly relevant for non-exempt EDBs where funding allowances are set by DPP3, thereby limiting the scope to cover the additional costs.
- 2.4 PowerNet feedback is considered with respect to the 'light touch' approach expectation for IDs, with IDs intended to reflect the content and level of detail necessary to provide appropriate assurances and accountability. Accordingly we note the intention to add further reporting without associated refinement or removal of reporting.

- 2.5 PowerNet are broadly comfortable with the proposed additional narrative reporting. It is our view that much of the narrative is already presented in the respective network asset management plans (AMPs) – albeit dispersed throughout.
- 2.6 We consider that a number of the proposed amendments do not have sufficient detail to enable consistent interpretation across EDBs. This raises the potential for inconsistent implementation. PowerNet support the ENA recommendation for the Commission to engage with EDBs to ensure new reporting requirements are precise, implementable and have robust definitions.
- 2.7 PowerNet have concerns with the proposed requirement to report quantitative data retrospectively. This is likely to require significant manual retrospective reviewing of raw data to source some data. It is likely that some areas may prove too difficult to source the required retrospective data, as these reporting requirements were not envisaged at the commencement of the financial year.
- 2.8 We recommend that no new quantitative disclosures are required before the reporting year starting 1 April 2023. This will allow us time after the anticipated announcement of final Commission decisions to implement necessary systems and processes to ensure we are collecting data required for reporting.
- 2.9 We also have concerns with the lack of detail provided in relation to proposed auditing requirements or director certification. As highlighted above, we have concerns with the ability to report retrospective quantitative data. Accordingly, any proposed changes to reporting for ID schedules that are currently audited and/or require director certification have the potential to result in qualified audits.

### 3. Feedback on Proposed Changes

#### Quality of Service

- 3.1 PowerNet networks are individually and jointly committed to delivering services to the level desired by our communities and customers.

#### Amendment Q1 – expand ID requirements related to how much notice of planned interruptions is given to customers, including planned interruptions that are booked but not carried out

- 3.2 PowerNet support the proposed introduction of measures related to notified planned outages, however with some clarification. The networks that PowerNet manage have all committed to the use of notified planned outages in line with the default price-path (DPP3) requirements.
- 3.3 Reporting on planned interruptions booked but not carried out would benefit from some contextual reporting. Cancellations are often due to factors outside EDB control (eg weather). Assigning the cause of planned outages not proceeding would provide more value to anyone reviewing IDs.

#### Amendment Q2 – add requirements on power quality

- 3.4 PowerNet recognise the value of voltage quality reporting. We note however that detailed assessment and reporting is reliant on access to smart meter data. Across the networks PowerNet manage, we have a high level of access to data for the EIL and TPC networks due to our ownership of smart meters. However we have limited smart meter access on the EIL network. We are reliant on retailers and metering providers – who we have historically had difficulties getting data from in a simple, practical and timely manner.
- 3.5 PowerNet currently rely on customer feedback to identify potential issues on the relevant networks. Clarification from the Commission regarding the breadth of coverage (i.e. a sample of sites; or all customers...) and specific fields for monitoring voltage quality would benefit EDBs to ensure development of low voltage reporting enhancements are focused and appropriate.

#### Amendment Q3 – add requirements on time taken to set up new connections

- 3.6 PowerNet have a number of reservations and concerns with the proposed approach to new connection reporting. The connections process is more complex than the Commission appear to recognise.
- 3.7 In the draft proposal the Commission state that EDBs are “ultimately responsible for the process from start to finish”. This view is fundamentally incorrect. New connections are a shared responsibility involving EDBs, traders, MEPs, customers and contractors. The actions or inactions of one or more of the parties involved in the process can have a significant impact on the connection timeframes.
- 3.8 EDBs are not responsible for the electrical connection of an ICP and do not issue certificates of compliance.
- 3.9 PowerNet currently publish connection timeframes for customers across the networks we manage. However the timeframes are indicative only and note that external factors may influence the ability to meet the times.
- 3.10 More clarity is required on the appropriate definitions for measuring connection timeframes, to ensure that start and stop measures are appropriately within the direct control of the EDB.
- 3.11 Are we measuring when a connection is livened and ready for the customer to use? Or when they physically connect? The connection may be created but the customer doesn't connect – for example a connection may be created for a sub-division however the individual property may not be built and ready to connect, therefore the connection remains inactive.
- 3.12 EDBs across the country have adopted different connection models. Whilst the ability to disaggregate reporting metrics by customer types allows EDBs to reflect their own practices, it increases complexity and significantly reduces comparability.
- 3.13 PowerNet consider that the timeline for implementing quantitative reporting is unachievable. A key factor is the expectation to provide retrospective data. As indicated, there are many factors that can be outside our direct control. If we don't have a chargeable record – we are unlikely to have specific and sufficient detail to define the quantitative data required.
- 3.14 Per the ENA submission, PowerNet recommend the Commission explore and understand the connection process across EDBs to guide definition of meaningful and actionable metrics.

#### Amendment Q4 – add ID requirements on customer service

3.15 PowerNet have no issues with this proposed measure.

#### Amendment Q5 – add ID requirements on customer charters and guaranteed service level (customer compensation) schemes

3.16 PowerNet have no issues with this proposed measure.

#### Amendment Q11 – refine ID requirements on interruptions by clarifying definitions to ensure successive interruptions recorded consistently

3.17 PowerNet support the proposed approach. We note however that this reporting will be additional to the current reporting we complete for SAIFI in Schedule 10 of IDs. Schedule 10 is subject to independent auditing. We recommend that the Commission explicitly exclude this metric from the audit requirements.

3.18 We also note that the two non-exempt networks we manage (EIL and OJV) have annual SAIFI incentive targets and limits defined by historical SAIFI records. The recording of successive interruptions as proposed in the draft decision differs from the historical approach used by PowerNet regulated networks. The proposed approach is expected to result in higher SAIFI results – which should not be measured against the targets and limits set using a different calculation methodology.

3.19 PowerNet also seek clarification from the Commission regarding the proposed interruption definition. According to the definition, an interruption includes *any temporary restoration of supply mid-cessation for less than 1 minute*. This definition requires clarification.

#### Amendment Q13 – refine ID requirements on third party interference interruptions by breaking down into more specific categories, such as vehicle damage, “dig in”, overhead contact, and vandalism

3.20 PowerNet is broadly supportive of this approach to provide greater clarity and disaggregation of the causes underlying third-party interference.

3.21 In line with ENA feedback, PowerNet consider vandalism to be an intentional act, which should be reflected in the definition.

3.22 We also highlight that any requirement to report on historical data would require a significantly time-consuming manual process of reviewing individual interruption reporting records. We currently record outage causes aligned to the current list of ID causes. Refining this to meet the proposed new definitions is neither simple nor straight-forward. Adapting our recording to include new cause categories for future reporting is expected to be a relatively straight-forward process – but this would only be implemented once the Commission finalise their decision on reporting requirements, meaning new reporting would only be possible sometime after the final decision is made.

#### Decarbonisation

#### Amendment D2 – add requirements on new network loads likely to have a significant impact on network operations or asset management priorities

3.23 PowerNet support this reporting requirement. We consider that this is already largely covered by network AMP contingent project reporting.

#### Amendment D4 – add reporting requirements on EDBs’ innovation practices

3.24 PowerNet have no concerns with the intent of this reporting requirement. The only concern we have relates to the ability to share an appropriate and sufficient level of detail whilst maintaining commercial confidentiality.

- 3.25 We currently provide some level of reporting in network AMPs. If the Commission seek more detail, we recommend consideration is given to standalone confidential reporting that is not published publically.

#### Asset Management

- 3.26 EDBs are planning and investing to ensure their assets are maintained. This includes using innovative and non-wire solutions when in the long-term interest of consumers.

#### Amendment AM6 – amend the definition of ‘overhead circuit requiring vegetation management’

- 3.27 PowerNet have no issues with the proposed approach. We highlight however that accurate reporting of specific overhead circuits requiring vegetation management requires a significant level of operational resource to inspect networks, particularly for more rural networks such as TPC and OJV.

- 3.28 Completing a verifiable assessment would be a significant cost and would outweigh the benefits of any reporting. Accordingly we recommend the Commission consider the level of detail and frequency of reporting required to satisfy this reporting requirement.

#### Amendment AM7A / AM7B – improve lifecycle asset management planning provisions (vegetation, assumptions)

- 3.29 PowerNet have no issues with this proposed measure.

#### Amendment AM8A / AM8B – improve lifecycle asset management planning provisions (processes, forecast assumptions) and provide additional information on data and models

- 3.30 PowerNet have no issues with this proposed measure.

#### Amendment AM9 – add explanation & exploration of scenarios, in addition to providing single point forecast in forecasting schedules

- 3.31 PowerNet have no concerns with this proposed measure.

#### Amendment AM10 – disconnections data

- 3.32 PowerNet note that there is currently no definition for disconnection in the IDs. We support the ENA recommendation to use the definition of ‘decommissioned’ from the Electricity Industry Participation Code.

- 3.33 Otherwise PowerNet have no concerns with this proposed measure.

#### Amendment AM13 – require EDBs to make confidential disclosure of operations expenditure on cybersecurity

- 3.34 PowerNet have no concerns with this proposed measure.

#### Amendment A1 – change to recoverable and pass-through costs definition

- 3.35 PowerNet have no concerns with this proposed measure.

## **4. Feedback on Proposed Changes**

- 4.1 We appreciate the opportunity to make a submission to the Commission. Should the Commission have any questions in relation to the PowerNet submission, please don't hesitate to contact us.

### **PowerNet Contact**

PowerNet's contact for further information or feedback is:

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