



Orion



16 December 2022

Andy Burgess
Commerce Commission
44 The Terrace
Wellington 6140
By email: im.review@comcom.govt.nz

Dear Andy,

Input Methodologies (IM) review – Big Six submission of Frontier Economics’ report on Investing to enable decarbonisation and realise the benefits of electrification

Who we are:

We are a group of the six largest price-quality regulated electricity distribution businesses (EDBs) in New Zealand (the Group) - Aurora, Orion, PowerCo, Unison, Vector and Wellington Electricity. We formed in 2021 around a shared interest in delivering future-ready electricity services to communities and a common belief that decarbonisation needs to be integral to the regulatory framework.

Expert report submission:

The Group is submitting Frontier Economics’ report ‘Investing to enable decarbonisation and realise the benefits of electrification’ to formally put this independent expert advice on the record of IM review.

The Group asked Frontier Economics to provide views on:

1. How acting or investing now (that is, ahead-of-demand) can achieve lowest cost decarbonisation for consumers in the long term; and
2. The financial benefits of electrification, that is, how electrification of transport and heating will save on the overall costs to households in New Zealand.

In response to the request, their report provides an overview of Aotearoa New Zealand’s set of ambitious and uncertain decarbonisation pathways and how EDBs are critical enablers to New Zealand’s electrification and decarbonisation goals.

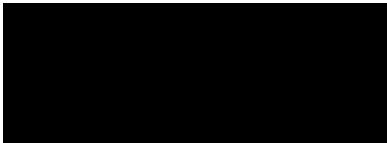
Frontier elaborates on the following areas:

1. The regulatory framework should be improved to enable decarbonisation;
2. Real options and investing under uncertainty;
3. The financial impacts of electrification for New Zealand households;
4. International emerging best practice supports increasing flexibility; and
5. Options to amend the IM/ Default Price-Quality Path (DPP) framework to enable decarbonization and realise the benefits of electrification.

The Group believes that the report covers features across several of the IM review workstreams including Incentives and risk allocation, Customised Price-Quality Paths and in-period adjustments and the upcoming reset of the next DPP.

We would welcome further discussion with you on any aspects of the report.

Your sincerely,



Richard Sharp - on behalf of the Big Six