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Submissions
Infrastructure Branch
Commerce Commission
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Wellington

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Draft decision – Reasons paper: Targeted Information Disclosure Review (2024) – Electricity Distribution Businesses

Introduction

The Lines Company Limited (TLC) thanks the Commerce Commission (Commission) for the opportunity to submit on the Commission's *Draft decision – Reasons paper: Targeted Information Disclosure Review (2024) – Electricity Distribution Businesses*. The Commission is seeking views on the draft decision to inform the final decision in early 2024.

TLC's submission

TLC's submission is on the following pages. TLC supports the amendments but asks the Commission to consider the timing of implementation – particularly, backward-looking amendments.

Summary

We look forward to the Commission's final decision. If the Commission has any queries, please contact Craig G. Donaldson, Pricing & Regulatory Specialist, at cgdonaldson@comcom.govt.nz

Yours sincerely

A black rectangular redaction box covering the signature of Kyla Johansen.

Kyla Johansen
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The list below details the draft decision amendments:

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Overview

The draft decision considers five Information Disclosure areas relating to eight amendments and objectives. The table below summarises:

Information Disclosure area	Amendment	Objective	Proposed timing	Requirement	TLC's comments
1. Decarbonisation	D3: Network constraints	Stakeholders are able to better comprehend whether EDBs understand their network constraints, have a plan for addressing those constraints, and how they communicate their constraints with potential new connecting parties and flexibility service providers.	ID: August 2024 for RY2024 AMP: March 2025 from January 2025	ID: audit and director certification AMP: director certification	Support, but concerned about timing
	D5: Work and investment on flexibility resources (non-traditional solutions)	Stakeholders better understand how well each EDB is performing regarding its consideration and uptake of flexibility resources, to provide a cheaper or better-quality distribution service.	ID: August 2024 for RY2024 AMP: March 2025 from January 2025	ID: audit and director certification AMP: director certification	Support, but question the detail required and clarification of definitions
	D6: Standardised pricing components including transmission costs	Stakeholders can better compare and analyse EDBs' prices, including the ability to assess cost reflective pricing.	ID: August 2024 for RY2024	ID: director certification	Support, but clarification of definitions
2. Asset Management	AM6: Vegetation management reporting	Stakeholders better understand the risks to an EDB's network from vegetation, as well as the effectiveness of EDBs' vegetation management strategies.	ID: August 2024 for RY2024 AMP: March 2025 from January 2025	ID: audit and director certification AMP: director certification	Support, but need to build in the required reporting
3. Quality of service	Q14: expand ID requirements to include raw interruption data	Disclosed information reflects the consumer's experience of quality of service,	ID: August 2024 for RY2024		Support

Information Disclosure area	Amendment	Objective	Proposed timing	Requirement	TLC's comments
	and information on worst-performing feeders	enabling a more meaningful assessment of quality.	AMP: March 2025 from January 2025		
4. Aligning ID with other regulatory rules	A3: Amend the definition of 'gains / (losses) on asset disposals'	Reduce risk of related party valuation requirements being misinterpreted by EDBs.	ID: August 2024 for RY2024	ID: audit and director certification	Support
5. Other changes	O1: Update assurance standards	Update assurance standards to reduce the risk that auditors may not be able to undertake an engagement or issue an opinion on the basis of an incorporated standard where it has been changed or superseded.	From April 2024	n/a	Support
	O2: Align existing audit and director certification	Align existing audit and director certification obligations to the verification framework.	From April 2024	n/a	Support

1. Decarbonisation

Objective: Stakeholders are able to better comprehend whether EDBs understand their network constraints, have a plan for addressing those constraints, and how they communicate their constraints with potential new connecting parties and flexibility service providers.

D3: Network constraints

Draft Decision:

To require EDBs to disclose the following information for each existing zone substation in Schedule 12b(i) of the ID determination:

- * the current peak load period (ie, the season current peak load occurred);
- * the installed operating capacity (at the zone substation’s assigned security level);
- * whether it is constrained or forecast to be constrained (ie, by selecting a “Current constraint type” or “Forecast constraint type”);
- * if a zone substation is currently or forecast to be constrained:
 - o whether it is a capacity or security constraint;
 - o the cause of the constraint;
 - o the type of solution (where known) to the constraint; and
 - o if the solution is temporary, how long it is expected to be in place (required for current constraints only).
- * if a zone substation is not currently constrained, the available capacity before it becomes constrained;
- * forecast available capacity in 5 years and an approximate range of forecast available capacity in 10 and 20 years; and
- * forecast peak load period and forecast security of supply classification in 5 and 10 years.

We also propose a minor amendment to Schedule 9e(iii) of the ID determination.

To improve comparability with capacity in Schedule 12b(i), we propose zone substation transformer capacity is reported as EDB owned capacity and non-EDB owned capacity.

We propose EDBs disclose data about their networks in a generic geospatial file format (such as Geopackage or Shapefile). We are proposing EDBs disclose, for each zone substation:

- * its name, location (in coordinates), the names of any feeders connected to it, the voltage(s) it primarily transforms, and the boundary of the area it serves.

We propose amending Attachment A¹ of the ID determination to require EDBs to provide the following:

- * a description of any policies or practices for providing sufficient information on current and forecast constraints (including LV network constraints where known) to inform the decision-making of potential consumers connecting to the network and potential providers of non-traditional network solutions; and
- * regarding load and injection constraints on LV networks, a description of:
 - o any challenges, and progress, towards collecting or procuring data required to inform the EDB of current and forecast constraints on its LV network, including historic consumption data; and
 - o any analysis and modelling (including limitations and assumptions) the EDB undertakes, or intends to undertake, with that constraint-related data.

As appropriate, for each of the new disclosure requirements above, we have proposed to add, amend, and remove definitions in Schedule 16 of the ID determination.

¹ Attachment A: Asset Management Plans

Proposed timing and form of first disclosure:

- * EDBs are first required to disclose information in Schedule 9e(iii) by 31 August 2024 for DYE 31 March 2024. The entry into force date (for these proposed amendments to the ID determination) is 1 April 2024.
- * Geospatial information is first required to be disclosed by 31 August 2024 for DYE 31 March 2024 and will be subject to director certification. The entry into force date (for these proposed amendments to the ID determination) is 1 April 2024.
- * Narrative information required by clause 17.2.2² of Attachment A is first required to be disclosed by 31 August 2024 in a document publicly available on the EDBs' websites and will be subject to director certification. The entry into force date (for these proposed amendments to the ID determination) is 1 April 2024.
- * EDBs are first required to disclose information in Schedule 12b(i) by 31 March 2025. The entry into force date (for these proposed amendments to the ID determination) is 1 January 2025.
- * Information required by Attachment A (excluding clause 17.2.2) is first required to be disclosed within the next AMP. The next mandatory AMP is due by 31 March 2026. The entry into force date (for these proposed amendments to the ID determination) is 1 April 2024.
- * Consistent with existing requirements:
 - Schedule 9e(iii) is subject to audit and director certification; and
 - Schedule 12b(i) and AMPs are subject to director certification only.

TLC's response:

Support but request more time to report.

TLC is comfortable with this amendment however the load forecasting is a lot heavier than what we have done in the past. Accordingly, we are very concerned about the proposed timeframe as this will result in resources having to be appropriated from other important areas of the business to meet the RY2024 reporting timeline.

TLC is comfortable providing geospatial data of zone subs and the area they serve; however, we don't have a shapefile available for our network – this is planned as part of our ongoing work with our digital utility programme over the next 18 months.

The workload required for these amendments is substantial and TLC would like to ensure that the quality of work produced is exceptional. We are concerned that our other obligations may be compromised if our resources are stretched too thin – New Zealand remains in a resource-constrained environment. Ultimately, if a specialist resource needs to be sought, the cost burden may be exorbitant and not in the long-term, beneficial to consumers.

² 17.2.2 Requirements to provide qualitative information in narrative form, *Voltage quality and constraints*, monitoring load and injection constraints, including: (a) any challenges, and progress, towards collecting or procuring data required to inform the EDB of current and forecast constraints on its low voltage network, including historic consumption data; and (b) any analysis and modelling (including any assumptions and limitations) the EDB undertakes, or intends to undertake, with that data.

Objective: Stakeholders better understand how well each EDB is performing regarding its consideration and uptake of flexibility resources, to provide a cheaper or better-quality distribution service.

D5: Work and investment on flexibility resources (non-traditional solutions)

Draft decision:

To require EDBs to disclose the following information in their AMP:

A detailed description of the investigations undertaken towards the potential for non-traditional solutions to be more cost effective than network augmentations and vice versa. This should specify if any non-related parties were approached in relation to non-traditional solutions. For the purposes of disclosing this information an EDB is not required to include commercially sensitive or confidential information.

We propose to replace all instances of “non-network solutions” in the ID determination with “non-traditional solutions”. We also propose to insert a definition for “non-traditional solutions” in clause 1.4.3 of the ID determination:

“means a non-traditional solution to a network constraint or risk, and includes distributed generation, electricity storage, demand response and resilience measures”

We propose to insert a clause 4.2.7 in Attachment A:

the capacity of any non-traditional solutions:

- (a) provided by a third-party provider; and
- (b) not provided by a third-party provider.

We also propose to replace the term ‘distributed generation’ with the term “non-traditional solutions” in several instances where it is mentioned in Attachment A.

EDBs will be required to disclose “non-traditional solutions” as a separate operational expenditure (opex) line item in Schedules 5b(i) and (iii), 5d(i), 5f, 6b(i), 7(iii) and 11b.

Proposed timing and form of first disclosure:

Information required by Attachment A is first required to be disclosed within the next AMP. The next mandatory full AMP is due by 31 March 2026. The entry into force date (for these proposed amendments to the ID determination) is 1 April 2024.

- * This disclosure is part of the AMP, so it is subject to director certification.
- * EDBs are first required to disclose the new opex information in:
 - o Schedules 5b(i), 5b(iii), 5d(i), 5f, 6b(i), and 7(iii) by 31 August 2024 for DYE 31 March 2024. The entry into force date (for these proposed amendments to the ID determination) is 1 April 2024; and
 - o Schedule 11b by 31 March 2025. The entry into force date (for this proposed amendment to the ID determination) is 1 January 2025.
- * The disclosure of Schedule 11b will be subject to director certification.
- * The disclosures of Schedules 5b(i), 5b(iii), 5d(i), 5f, 6b(i), and 7(iii) will be subject to audit and director certification.

TLC's response:

Support with some adjustments.

TLC supports this amendment but believes a summary, rather than a detailed description, is appropriate for the AMP. Stakeholders are more interested in the fact that non-traditional solutions are being explored and used, rather than in the detail of the solution (which delves into project-level detail and is not the purpose of the AMP).

TLC recommends that the Commission consider defining the term *Capacity* concerning non-traditional solutions. This is because the ability of these solutions to be available and provide capacity depends on many factors.

For example, solar can provide zero capacity at peak times (winter evenings), and wind is not always available. Perhaps reporting should include a measure of estimated availability and capacity during peak times.

Objective: Stakeholders can better compare and analyse EDBs' prices, including the ability to assess cost reflective pricing.

D6: Standardised pricing components including transmission costs

Draft decision:

To amend the following requirements in Schedules 8(i) and (ii) of the ID determination:

- * Addition of standardised connection types, with an option of "other".
- * Addition of standardised price components, with an option of "other".
- * Disaggregate the "distribution" and "transmission" components of the billed quantities and line charge revenue fields.
- * Removal of the "unit charging basis" and "rate" fields – as these would be built into the standardised price components.

In Schedule 8(ii) we propose removing the field "Notional revenue foregone from posted discounts (if applicable)".

In Schedule 16 we propose including definitions for each standardised connection type and price component.

Proposed timing and form of first disclosure:

- * EDBs are first required to disclose this information (within the schedules) by 31 August 2024 for DYE 31 March 2024. The entry into force date (for these proposed amendments to the ID determination) is 1 April 2024.
- * This disclosure is part of Schedule 8, so it is subject to director certification.

TLC's response:

Support

TLC already disaggregates the distribution and transmission components, so we have no issue with the draft decision. However, we would strongly recommend that the Commission provides definitions/guidance about what is a "standardised connection type". For example, is a holiday home residential or a very small non-residential (metering installation category 1)?

2. Asset Management

Objective: Stakeholders better understand the risks to an EDB's network from vegetation, as well as the effectiveness of EDBs' vegetation management strategies.

AM6: Vegetation management reporting

Draft decision:

To require EDBs to publicly disclose new information in Schedules 6b(i), 9c and 10(ii).

In Schedule 6b(i), EDBs will be required to disclose opex relating to vegetation at a further disaggregated level, for the following:

- * service interruptions and emergencies, which is vegetation-related;
- * routine and corrective maintenance and inspection which relates originally to a vegetation-caused fault; and
- * vegetation management in new subcategories (assessment and notification costs, felling or trimming vegetation – in-zone, felling or trimming vegetation – out-of-zone, and other).

We are not proposing to require EDBs to disclose this disaggregated vegetation-related opex information in schedules 5b, 5d, 7 or 11b.

In Schedule 9c, EDBs will be required to disclose the number of overhead circuit sites on their network that are at high risk from vegetation damage. This will replace the existing metric in Schedule 9c, “overhead circuit requiring vegetation management (km/%)”.

We propose to define the new reporting requirement as:

“overhead circuit sites for which an EDB has

a) identified a hazard tree; or

b) given a cut or trim notice or a hazard warning notice to a tree owner under the Electricity (Hazards from Trees) Regulations 2003”.

We propose that the different categories of “sites” can be described by each EDB, and EDBs will be required to set out the number of sites within each category, and number sites involving critical assets within each category, in a table within the schedule.

In Schedule 10, EDBs will be required to disclose information on causes of unplanned interruptions at a further disaggregated level.

- * We propose to require EDBs to break down reporting of Class C interruptions caused by vegetation in Schedule 10(ii). The new table of additional vegetation reporting categories includes in-zone, out-of-zone, wind-borne debris, related to inclement weather, and other.

As appropriate, for each of the new disclosure requirements above, we have proposed new definitions in Schedule 16 of the ID determination. We have also proposed one clarification change to the existing definition of “routine and corrective maintenance and inspection” in the interpretation section of the ID determination.

Proposed timing and form of first disclosure:

- * EDBs are first required to disclose this information (within the schedules) by 31 August 2025 for DYE 31 March 2025. The entry into force date (for these proposed amendments to the ID determination) is 1 January 2025.
- * The new vegetation opex information is part of Schedule 6b and is therefore subject to audit and director certification.

- * The new reporting requirement 'Number of overhead circuit sites at high risk from vegetation damage' is part of Schedule 9c and is therefore subject to director certification.
- * The new vegetation interruption information is part of Schedule 10 and is therefore subject to audit and director certification.

TLC's response:

Support

TLC supports this amendment as well as the alignment of the definitions for the purposes of consistency and clarity. Vegetation management remains a significant issue for rural distributors and has not had the targeted focus that it has required to support New Zealand's decarbonisation roadmap.

For context, 95% of our vegetation-related interruptions are caused by trees or vegetation outside of the notice zone. This issue is increasing in significance and severity as more land is converted to commercial forestry for carbon farming.

We support the progress made so far on this issue in improving the resilience of New Zealand's electricity supply, however, we will need to incorporate the reporting detail as required by this amendment into our existing processes and procedures which will take time.

3. Quality of service

Objective: Disclosed information reflects the consumer's experience of quality of service, enabling a more meaningful assessment of quality.

Q14: expand ID requirements to include raw interruption data and information on worst-performing feeders

Draft decision:

To require EDBs to publicly disclose the following each year:

- * raw interruption data, consistent with that provided by non-exempt EDBs in advance of PQ resets, including location, cause and SAIDI and SAIFI values as well as other data, in a new Schedule 10a; and
- * information on the worst-performing feeders in the distribution network in Schedule 10 (new section 10(vi)). Worst-performing feeders are defined as:
 - o *the feeder lines on an EDB's network that, in respect of the most recent disclosure year, are in the 90th percentile or higher for one or both of: (a) feeder SAIDI and (b) feeder SAIFI.*

We propose removing the existing requirement for disclosure of normalised SAIFI and SAIDI from Schedule 10(i).

We also propose adding an additional cause category termed "other cause" to the breakdown of SAIDI and SAIFI in Schedule 10(ii), to align with the cause categories proposed in the raw interruption data in new Schedule 10a.

Proposed timing and form of first disclosure:

- * EDBs are first required to publicly disclose this information and cease reporting normalised SAIFI/SAIDI by 31 August 2025 for disclosure year end (DYE) 31 March 2025. The entry into force date (for these proposed amendments to the ID determination) is 1 January 2025.
- * Raw interruption data in Schedule 10a will be subject to audit and director certification.
- * Information on unplanned SAIDI and SAIFI by cause and the worst-performing feeders is part of Schedule 10 and is therefore subject to audit and director certification.

TLC's response:

Support

TLC does not have an issue with this draft amendment, and this will assumingly remove the requirement for a s53ZD at DPP resets.

4. Aligning ID with other regulatory rules

Objective: Reduce risk of related party valuation requirements being misinterpreted by EDBs.

A3: Amend the definition of 'gains / (losses) on asset disposals'

Draft decision:

To amend the Schedule 16 definition of “gains / (losses) on asset disposals” to clarify the rules around asset disposal to a related party. This will reduce the risk of EDBs misinterpreting the accounting rules around asset sales to related parties.

We also propose to remove the definition “Asset disposals (other than below)” as it is no longer required.

Proposed timing:

- * The new definitions will first have to be applied for the disclosures due August 2024 (for the DYE 31 March 2024). The entry into force date (for this proposed amendment to the ID determination) is 1 April 2024.

TLC's response:

Support

TLC supports the alignment of definitions and regulatory consistency.

5. Other changes

Objective: Update assurance standards to reduce the risk that auditors may not be able to undertake an engagement or issue an opinion on the basis of an incorporated standard where it has been changed or superseded.

O1: Update assurance standards

Draft decision:

To amend clause 1.4.3 to update the definitions of “ISAE (NZ) 3000” and “SAE 3100” to the current version of these assurance standards.

These standards are incorporated by reference under Schedule 5 of the Commerce Act into the ID determination. We must consult on this amendment, which we will do at the same time as we consult on the TIDR (2024) draft decision.

We also propose to remove the definition for “ISA (NZ) 550” as this term is not needed.

Proposed timing:

* The entry into force date (for these proposed amendments to the ID determination) is 1 April 2024.

TLC’s response:

Support

TLC supports this amendment.

Objective: Align existing audit and director certification obligations to the verification framework.

O2: Align existing audit and director certification

Draft decision:

To align existing audit and director certification obligations in the ID determination to the verification framework. Proposed amendments are explained from paragraph 3.242

Proposed timing:

* The entry into force date (for these proposed amendments to the ID determination) is 1 April 2024.

TLC’s response:

Support

TLC supports this amendment.