



T R A N S P O W E R

Waikoukou
22 Boulcott Street
PO Box 1021, Wellington
New Zealand
www.transpower.co.nz
micky.cave@transpower.co.nz

22 February 2018

Dane Gunnell
Wellington Electricity CPP Project Manager
Regulation Branch
Commerce Commission

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

Dear Dane

Wellington Electricity CPP network resilience draft decision

We welcome the opportunity to submit on the Commerce Commission's draft decision paper *Wellington Electricity's proposal to customise its prices to better prepare its network for an earthquake*, published on 1 February 2018. We support the Commerce Commission's draft decision and the process that has been undertaken.

We particularly support the positive interactive approach between the Commerce Commission and Wellington Electricity (and Powerco) during these CPP processes, prior to draft decisions, on the justifications and assumptions to support proposed expenditure.

Network problems caused by earthquakes etc, which the network resilience expenditure is intended to address, tend to be High Impact Low Probability (HILP) events. We agree there are "substantial unquantified benefits along with the quantified benefits [which] justify the proposed expenditure as prudent to meet appropriate service standards." (para.43). It can be difficult to fully quantify or evaluate the full benefits of expenditure to mitigate the potential impact of such events.

We consider the requirement for additional service quality measures, coupled with revenue-at-risk, is a reasonable and prudent requirement to help ensure consumers get the benefits of the proposed additional expenditure.

New Zealand has many unique geological and geographical characteristics which create challenges for ensuring network resilience, including fault lines, volcanic activity, and population centres predominantly based near the coast. Because of these challenges we view network resilience as a relevant issue for all network infrastructure regulated by the Commission.

For any queries please contact Micky Cave, senior regulatory analyst, 04 590 7309.

Yours sincerely

Rebecca Osborne
Regulatory Affairs and Pricing manager (Acting)