

31 August 2022

Regulation Branch

Commerce Commission

44 The Terrace

PO Box 2351

Wellington 6140

Vector Limited

101 Carlton Gore Road

PO Box 99882

Newmarket

Auckland 1149

+64 9 978 7788 / vector.co.nz

EDB TARGETED ID REVIEW – TRANCHE 1 DRAFT DECISION

1. This is Vector's feedback on the Commerce Commission's ("Commission") draft decision on Tranche 1 proposals, dated 3rd August 2022, for the Targeted Information Disclosure (ID) review.
2. Vector lends its overall support to the Electricity Network Authority's (ENA) response to the draft decision but may differ on some of the individual proposals due to the difference of our network and practices compared to some other members.
3. We have structured our feedback in two distinct sections: the overarching issues to consider and Vector's feedback on individual proposals from the draft decision paper.

1. Overarching issues to consider

1.1 Engagement

4. In Vector's response to the ID Process and Issues Paper we outlined that:

"The timeline suggests that the Commission will be producing their draft decision on the Tranche 1 proposals solely based on the consultation responses to the PIP. This implies no direct engagement with EDBs or other stakeholders ahead of the draft decision. We consider this is a missed opportunity for the Commission to hear first-hand what the issues are with the current suite of disclosures and what new disclosures could be added that would benefit of interested parties. We encourage the Commission to hold a workshop with stakeholders before producing the draft decision."

5. Given that the Commission has ignored our call for direct engagement ahead of their draft decision, there is still time to hold a workshop ahead of the final decision in November. The aims of the session could be (but not limited to):
 - Ascertaining the cost benefit evaluation of the proposals;
 - Understanding the auditing requirements and their implications; and
 - Outlining the difficulties and developing solutions behind some of the more complex proposals.

1.2 Regulatory burden

6. Each proposed new disclosure should have its use case closely examined to ensure its benefits in meeting Part 4 (Section 52A(1)) objectives outweigh the costs of collation, audit, and submission.
7. The draft decision imposes several new or amended disclosure obligations that commence in the reporting year 1 April 2022 - 31 March 2023, which are required to be included in disclosures due 31 August 2023. Vector is concerned that the Commission has decided to apply these new reporting obligations retrospectively.
8. With the final decision on Tranche 1 due in November 2022, Electricity Distribution Businesses (EDBs) may not have systems and/ or processes in place to report on the regulatory period 2022/23 more than halfway elapsed.
9. Retrospective regulation and lack of meaningful consultation are poor regulatory practices, we urge the Commission to push back the quantitative proposals to be implemented no earlier than 31 August 2024.
10. In their draft decision the Commission has still not given any indication around auditing requirements. Moving forward in this targeted review process the Commission must provide a view as to which would be subject to audit. Clarifying the audit and director certification requirements for each amendment will help EDBs minimise the additional costs to consumers from providing the information.
11. The Commission has requested that we estimate the costs of implementing these proposals but without indication of the auditing and director certification requirements it is difficult to assess.

12. That said, three of the proposals will add reporting requirements to Schedule 10 of the Electricity Information Disclosure (EID) which is subject to audit which translate to seventeen extra input cells for Schedule 10 or a twenty per cent increase of cells to calculate data for. One could presume that the changes could amount to a twenty per cent increase in auditing costs for that schedule. We recommend not imposing auditing requirements to the new proposals for at least the first two years of reporting.

1.3 Removal of superfluous ID requests

13. In their draft decision, the Commission has introduced two additional requirements (one in Tranche 1 and another in Tranche 2) yet it has not removed any, despite requests from Vector, the ENA, and others to review those that are superfluous. We once again ask that the Commission removes those requirements that do not aid the achievement of the Part 4 objectives. For example, we would like to see the disaggregation by network of the non-financial schedules in the EID removed.

1.4 Flexibility and timings of submissions

14. Vector welcomes the ability to choose between submitting the narrative information either in our Asset Management Plans (AMPs) or in separate documents.

15. The draft decision proposes:

“that this narrative information must be disclosed by 30 June 2023 and 31 March in years after that. This means in 2023 the AMP is required to be disclosed before the narrative information. We propose an EDB may choose to disclose this information by 31 March 2023 and include or reference the information in its 2023 AMP, or it may disclose the information in a separate document(s) by 30 June 2023 without being required to reference that document(s) in the 2023 AMP.”

16. In Vector’s opinion introducing a new deadline of June 2023 for the proposed timing of first disclosures is not appropriate for two reasons.

17. Firstly, it creates a disjoin between the narrative and the quantitative information, adding unnecessary complexity for stakeholders to find all the relevant information.

18. Secondly the month of June is already resource intensive on non-exempt EDBs with EID and electricity price compliance (EPQ) statements due at the end of August.

19. To keep things simple, the June 2023 deadline should be scrapped, and all narrative information suggested for June 2023 should be changed to March 2024.

1.5 Asset Management Plans

20. We recommend the Commission amend the ID Determination to remove the requirement for directors to certify AMP updates each year. This would support the Input Methodology (IM) review objective of removing significant compliance costs without detrimentally affecting the Part 4 purpose.

21. Obtaining annual directors' certification for AMP updates imposes significant workload and time constraint for regulated businesses. This is not commensurate with any benefits produced by annual director certification of the AMP update.

22. We consider applying the director's certification solely to the full AMP that will be used for a Default Price-Quality Path (DPP) reset would provide the same comfort around the contents of the AMP while significantly reducing the compliance burden for regulated businesses. AMPs could still be updated annually on an Electricity Distribution Businesses (EDBs) website but only the DPP relevant AMP would be director certified.

1.6 Software as a Service (SaaS)

23. We also note the increasing importance of SaaS has some implications for ID and how it should be interpreted. Currently, SaaS is captured as 'non-network' spend. However, SaaS expenditure now, and increasingly, encompasses expenditure on critical aspects of the network.

24. Accordingly, this SaaS expenditure could lead to rising non-network expenditure that could be mistaken for inefficient overheads. Whereas, in reality, SaaS and other digital expenditure are critical to ensure an efficient future network.

2. Feedback on individual proposals

2.1 Quality

Q1— Expand ID requirements related to how much notice of planned outages is given to consumers, including planned outages that are booked but not carried out.	Support
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25. Vector is confident we can start reporting these new quantitative requirements in the 2024 EID and the new narrative information in March 2024 (please see section 1.3 of this response on why we prefer a March deadline rather than June). We believe that aligning the narrative information disclosure to the same year (i.e. 2024) as the quantitative information makes more sense and will avoid confusion for stakeholders who take stock of both EID and AMP disclosures.

26. As demonstrated by the recent Consumer Reference Panel¹ (CRP) where the ENA discussed new potential Quality of Service measures, the top three rated measures were those related to outage information:

- a. Ease of access to outage information (planned and unplanned)
- b. Communications during and post an unplanned outage
- c. Notification and accuracy of planned outages (especially important to business consumers)

27. We therefore believe that Q1 is a step in the right direction for providing consumers the information they want to digest.

28. In order to ensure Q1 provides consistent data across all EDBs we believe there is merit in the Commission confirming in its final decision that the definitions for this request are aligned with the definitions for planned and unplanned SAIDI under the Default Price-Quality Path (DPP3) rules for the treatment of planned outages (SAIDI N, SAIDI B, and SAIDI C).

Q2— Reporting on power quality	Support
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¹ <https://www.ena.org.nz/members-portal/all-working-groups/consumer-engagement/documents/document/1143>

29. Vector supports a requirement for EDBs to describe their practices for monitoring voltage quality. We agree with the intention behind this requirement described in the draft decision paper:

“There is limited visibility of power quality on EDB networks both in terms of monitoring and reporting. In our view, greater visibility of the management of power quality is important for consumers – especially when it comes to the increasing uptake of distributed energy resources (DERs) and electric vehicles on the network.”

30. Over the last five or so years, Vector has been trying to obtain smart meter data (kWh half-hourly data) from Meter Asset Providers (MEPs) which will help enhance our management of our low voltage (LV) network. Since the end of last year, we have started to receive said data which has come at a financial cost with allowances for access to data being disallowed in our provisions for DPP3. If the Commission wants EDBs to report on the performance of their LV network then it must also consider allowances in the next DPP reset which will enable them to achieve this goal.

31. When it comes to Network Operation Data (NODs) from smart meters, there are also technical difficulties including MEPs’ ability to deliver all with the components Vector want (e.g. voltage data, status ping, neutral integrity etc).

Q3— Time taken for new connections, alterations, quotes	Not supported
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32. Vector does not support this proposal for the reasons outlined below. Whilst we understand the intent behind recording the time taken to install and quote for new connections and alterations, there is a lot of work required before this measure is meaningful to EDBs, their stakeholders and consumers.

Installation Control Point (ICP) vs Point of Supply (POS)

33. The Commission must revisit its use of the term ICP in its proposal. We believe the intention of recording the number of days taken to install a new connection is more appropriate when using the term POS. Time taken to create an ICP is the additional number of days taken for an EDB to create the ICP beginning with the date all required information has been provided by the customer and ending with the ICP creation. ICP creation can be months and in rare instances years after the POS has been installed.

Standard connections vs larger connections

34. If the Commission wants a meaningful method of comparing EDBs it should focus this measure on standard connections only (i.e. LV consumers). Larger connections are complex in design, pricing, and often involve several third parties and multiple design iterations. From solely a quote perspective EDBs are often dependent on-site access for our larger connections to provide a quote. Vector, for a significant portion of new connections, operates in brownfield areas where network configurations are intricate, and access can be difficult due in part to other infrastructure owners' assets.

Third party involvement

35. As mentioned above there are factors outside of the EDBs' control which will convolute the accuracy of this proposal. EDBs depend on the responsiveness of their customers throughout the quote and installation process. For example, sickness of customers due to Covid-19 over the last few years has extended Vector's ability to accelerate our connections processes. If the customer does not provide us with the information required, we simply cannot proceed with the quote/ install. Often customers are simply not ready for the installation to occur.

36. With our larger builds we often need consent from landowners to access sites, we also rely on Auckland Transport for consents related to working in the road corridor or berm, and where there are health and safety issues on site (such as asbestos, vegetation) we need to involve specialist contractors such as arborists and specialist asbestos removal companies. The dependency on third parties (and their own individual service level agreements) distorts the measure and provides another reason to focus this proposal on standard connections alone.

Consumer group aggregation

37. We note in the draft decision that:

"We are not considering requiring EDBs to apply a consistent definition of consumer types as part of this amendment. Schedule 9e disclosures currently allow EDBs to report according to their own defined consumer types. We propose for this disclosure that, where applicable, EDBs aggregate into a maximum of ten customer types."

38. We disagree with this consideration – if EDBs are left to define their own consumer groups there will be no consistency between EDBs. The consumer groups should be simple and definable and agreed amongst EDBs.

Definitions

39. We are proposing two revised definitions to address some of the issues raised above but we would also like to work with other EDBs to make sure we have captured things correctly.

Time taken to quote new connections and alterations to existing connections- means the time taken for an EDB to provide a quote for the physical works for a new connection or an alternation to an existing connection, beginning with the EDB's receipt of the customer request and ending ~~with when the EDBs sends customer's receipt~~ of the customer's ~~EDB's~~ quote;

Time taken to install new connections and alterations to existing connections- means the time taken for an EDB to install a new POS ~~ICP~~ or alter an existing POS ~~ICP~~ beginning with the later of the customer's agreement to the proposed design and quote, payment of any required upfront payment by the customer, and readying of the site by the customer, and ending with the physical install of the POS. ~~receipt of the certificate of compliance for new connections or power restoration to the customer's ICP for alterations.~~

Consumer voice

40. The ENA's Customer Reference Panel (referenced earlier) ranked timeliness with new connections as the least important measure of the quality of service noting that it was "not that useful or understandable; lacking benchmark for timeliness, low consumer experience of the connection process, multiple players involved in the connection process."

Timing

41. The Q3 proposal needs a lot of work to achieve its objectives. We urge the Commission to (at the least) delay its implementation until August 2024 or deferring it to Tranche 2, allowing EDBs to work together (through the ENA's Information Disclosure working group) to come up with consistent definitions and processes to make this measure valuable.

Q4— Customer service	Support
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42. Vector supports this proposal; we already publish our complaint resolution process on our website and can extend that to include our practices in relation to customer engagement and customer satisfaction.

43. There is merit in the Commission clarifying what the objective of this requirement is to ensure that EDBs provide the right information. For example, is the requirement to better understand complaints and issues with supply or to apprehend what type of surveys and engagements EDBs have with the consumers?

Q5— Customer charters and compensation schemes	Support
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44. Vector supports this proposal; Vector publishes its service standards on our website. These cover fault resolution and power quality; if the Commission’s vision of a customer charter extends beyond those aspects, they must clarify it in their final decision.

Q11— Successive interruptions	Not supported unless changed
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45. Vector supports the proposed clarification with caution. The Commission needs to be explicit on how it intends to use the metric for setting performance targets as part of future price-quality path determinations as there is a risk for misalignment to occur between the ID and price-quality path determinations.

46. Due to the sensitivity of this change we would only support it if more time and effort went into the above considerations, and therefore suggest deferring this proposal to Tranche 2. As mentioned previously retrospective reporting on data is poor regulatory practice and should not be imposed here.

47. In addition, Schedule 10 SAIFI and SAIFI reporting is subject to independent auditing requirements, given that this amendment gives rise to a new data set, the Commission should exclude this metric from the audit requirements for at least two-years (as previously mentioned).

Q13— Third party interruption causes	Support
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48. Vector supports this change and acknowledges the direction towards better understanding the different causes behind third party interruptions.

2.2 Decarbonisation

D2—Large network loads driven by decarbonisation	Support
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49. Vector supports this qualitative proposal and we believe we have already started to cover some of this information in our AMP.

50. In the draft decision, the Commission explains:

“we designed the proposed requirement to be qualitative and relatively low-cost for EDBs to comply with. We will engage further with stakeholders before setting any more refined requirements for the longer term.”

51. Vector would urge the Commission to factor Task Force on Climate-related Financial Disclosures (TCFD) requirements into their future considerations of this proposal to ensure there is no duplication of effort between those and ID.

D4—Innovation practices	Not supported
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52. Vector does not support the Commission’s draft decision to require EDBs to describe their innovation practices in their AMPs or a separate document.

53. Instead of adding to the regulatory burden of having to report innovation through information disclosure, the Commission should concentrate on boosting innovation by reviewing its innovation project allowance which so far has not been awarded to any of the non-exempt EDBs.

54. Whilst we agree with the intention of this proposal to share best practice and lessons learned, information disclosure will not enhance collaboration nor will it stop duplication of effort across EDBs (of innovation trials for example).

55. The above is best obtained through direct engagement which is happening through the ongoing ENA work on the Network Transformation Roadmap.

2.3 Asset Management

AM6—definition of overhead circuit requiring vegetation management	Not supported
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56. The Commission needs to properly explore the objective of this requirement. Whilst we can provide an accurate number of how many kilometres of our network require vegetation management, it comes at the cost of inspecting our large network on an annual basis. We would do this using LiDAR surveying which costs over \$1million for a full network survey. There are also data quality complexities with the LiDAR data which can delay getting meaningful results. The cost of implementing this proposal clearly outweighs the benefits – is the Commission prepared to increase allowances to achieve this objective?
57. Historically we have reported that our entire network requires vegetation management because strategically that is the way we operate our tree maintenance programmes, to ensure our overhead lines are resilient to their surroundings. As explained in our response to the Process and Issues Paper vegetation grows at a rapid pace so keeping track of circuits around which vegetation falls within the ‘notice zone’ is a constant uptake. It is also worth noting that we have a high number of outages where larger trees fall from outside the notice zone (for example from the opposite side of the road).
58. Instead of pushing EDBs towards disclosing a number in relation to the definition proposed in AM6, we advocate that the AM7a requirement should be where the Commission and other stakeholders will truly understand how EDBs manage their networks in relation to vegetation management.
59. Vector has continued its focus on becoming more risk based in our approach to corrective maintenance and vegetation management, in part through improvements in our systems and standards.
60. The impacts of climate change are already materialising, and key controls have been put in place. Examples include a risk-based approach to vegetation management, relocation of assets to manage flood risks, and remotely disabling “risk of fire assets” during periods of extended dry weather. We have also been trialling microgrid solutions for “grid-edge” resilience such as our Vehicle-To-Home trial and automated generation in Piha.

AM7a/7b - information on vegetation management-related maintenance and policies and practices for projected capital expenditure in lifecycle asset management plans	Support
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61. Vector supports both proposals AM7a and AM7b.

62. As described above AM7a will provide stakeholders with strategic information around its vegetation maintenance, policies and practices which should negate the need for a re-defined disclosure proposed in AM6.

AM8a/8b - additional information on how asset management data informs asset health models and information on consideration of non-network solutions	Support
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63. Vector supports proposals AM8a and AM8b and once again acknowledges the role of data in our asset management practices in relation to asset health modelling and consideration on non-network solutions.

64. Investment in our SAP Planned Maintenance (SAP-PM) system and further integration with our field service providers has enabled a consistent approach to the management and delivery of planned maintenance. In accordance with our refreshed suite of maintenance standards, the SAP-PM systems represent a step change in asset management and provides for improved asset data quality and volume.

65. Condition Based Asset Risk Management (CBARM) models for our primary distribution assets are progressively being developed and refined. Data from SAP-PM supports and underpins these models, which in turn inform our asset health knowledge and support the development of our asset strategy, renewal and replacement programme, and the AMP.

AM9 - amendment to enable expanding existing forecasting schedules to describe future scenarios	Not supported unless changed
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66. Vector agrees with the decision to retain the requirement for EDBs to release single point forecast estimates in in Schedule 11a(i) and 11(b). These expenditure forecasts are a key component to the AMPs.

67. However, the new requirement for EDBs to voluntarily describe the options and considerations made in their assessment of forecasting scenarios should not be in the expenditure forecast Schedules (11a and 11b). Instead the explanation boxes should be placed in Schedule 12c for demand forecasting. Energy demand is the main driver affecting the decisions and options we take therefore the explanations we provide should be against the values in 12c

AM10 - Disconnections data	Not supported
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68. Vector does not support this new requirement for disconnections data (historic and forecast). Before implementing this proposal, the Commission must clarify a few points.
69. Some disconnections are only temporary (i.e. switching retailers, people moving houses) and reconnected at a later date. Should the reported disconnection data be the net of reconnections and disconnections? We suggest yes.
70. Should ICPs that transfer to embedded networks be included in the disconnections reported? We are neutral on this point.
71. There are also ICPs that transfer between segments (i.e. houses in construction can start on a commercial tariff code but transfer to a residential tariff code once completed) so reporting disconnections would miss out some of the ICP movements during the year. On that basis would it be more relevant to report the net connections instead?
72. Finally, we would like to get a better understanding of how and which stakeholders will benefit from this information.

AM13 – Cyber security as an expenditure item	Support
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73. Vector supports this proposal and emphasises the importance of capturing this new expenditure item disclosing future investment to mitigate cyber related threats. We have witnessed internationally and nationally the impact that cyber-attacks can have on businesses, and with the digitalisation of the electricity networks and greater consumer reliance on electricity through for example demand side response, the risks and impacts only become greater.
74. The only issue we have with this proposal is that it focusses solely on opex related expenditure. Cyber security costs can also be defined as capex. An example of this spend is the replacement of Operational Technology (OT) firewall infrastructure.
75. For completeness the Commission should make it clear that actual capex cyber expenditure could be confidentially disclosed in Schedule 6a(ix) and forecast capex cyber expenditure in Schedule 11a(ix), if the EDB has or will incur cyber related capex.

2.4 Regulatory alignment

A1—Definition of recoverable and pass-through costs
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Support

76. Vector supports this proposal.

Yours sincerely



Richard Sharp

GM Economic Regulation and Pricing