



20 December 2017

Dane Gunnell
Wellington Electricity CPP Project Manager
Regulation Branch
Commerce Commission

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

Dear Dane

Wellington Electricity's customised price-quality (CPP) path – network resilience

We welcome the opportunity to submit on the Commerce Commission's process paper *Have your say on Wellington Electricity's proposal to change its prices*, published on 6 December 2017.

Importance of network resilience

The Wellington Electricity CPP process paper responds to the Government Policy Statement (GPS)¹ to the Commission on the resilience of electricity services in the Wellington region.

The GPS states (paragraph 2(a)) that

“the Government expects the Commerce Commission to consider options that are consistent with the purpose of Part 4 of the Commerce Act, which will, in respect of regulated suppliers of electricity services in the Wellington region (a) allow those suppliers to recover prudent, efficient and timely resilience related expenditure that was not anticipated when existing determinations were made by the Commerce Commission under section 52P of the Commerce Act... (emphasis added).

Accordingly, we support the CPP process proposed by the Commission to enable it to:

- respond in a timely manner to Wellington Electricity's proposal for resilience expenditure
- evaluate Wellington's expenditure based on it being prudent and efficient² (para. 23).

We understand the importance of network resilience based on our unique service challenges with the Hawke's Bay snowstorms (August 2016), Kaikoura earthquake (November 2016), Northland outage after gunshots at our transmission towers (January 2017) and the Canterbury fires (February 2017). As a lifeline utility³, our investment in crisis management

¹ 18 September 2017 <https://gazette.govt.nz/notice/id/2017-go4910>

² Paragraph 23 of Commission's consultation paper

³ Schedule 1 of the Civil defence Emergency Management Act 2002

capabilities has proven its worth during these issues and enabled our service availability to be maintained.

The Government's focus on network resilience for Wellington may affect the way the Commerce Commission looks more broadly at all network utilities' asset management planning and capex requirements for price resets generally (CPP, DPP or IPP).

In our view, network resilience should be a relevant consideration for the Commission when setting and assessing price regulation for all entities covered by Part 4 of the Commerce Act.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Catherine Jones', with a stylized flourish at the end.

Catherine Jones
Regulatory Affairs and Pricing Manager