

**Price-quality path in-period adjustment mechanisms workshop**

**Questions regarding reopener process, reopener thresholds, type and extent of reopeners, other in-period adjustment mechanisms and CPP mechanism**

***For use by external stakeholders***

This document provides questions to guide feedback on our 29 November 2022 workshop *“Price-quality path in-period adjustment mechanisms”*. These questions were [published in advance](https://comcom.govt.nz/__data/assets/pdf_file/0034/299266/Reopener-workshop-Discussion-slides-29-November-2022.pdf) on 23 November 2022 to guide preparation for the workshop and formed the basis for discussion at the workshop on 29 November. We have refined the questions following what we heard at the workshop, but not removed any that were on the previously published list. These questions are intended to inform our review of the Part 4 input methodologies (IM Review).

The slides we published before the workshop are available [here](https://comcom.govt.nz/__data/assets/pdf_file/0034/299266/Reopener-workshop-Discussion-slides-29-November-2022.pdf). The recording of the workshop will be published [here](https://comcom.govt.nz/regulated-industries/input-methodologies/input-methodologies-for-electricity-gas-and-airports/input-methodologies-projects/2023-input-methodologies-review?target=documents&root=282671). It would be useful if you could take these into account when answering the questions that follow.

The [framework paper](https://comcom.govt.nz/__data/assets/pdf_file/0034/294793/Input-methodologies-2023-Decision-Making-Framework-paper-12-October-2022.pdf) published in October 2022 outlines the core framework for our decision-making for the IM Review. We recommend using the framework (especially the overarching objectives of the IM Review it sets out), in developing your feedback.

Completed forms should be sent to im.review@comcom.govt.nz, with ‘Price-quality path in-period adjustment mechanisms workshop – [your submitter name]’ in the subject line of the email. Please provide us with your feedback by 5pm Tuesday 20 December 2022.

If you have supporting documents that you consider would improve our understanding of the issues, please attach them with your response and reference them in your feedback below.

All completed forms and supporting documents provided to us in this context will form part of the record for the IM Review. We intend to publish completed forms and supporting documents provided to us to enable other stakeholders to engage with them throughout the IM Review. Any request that we not publish content in a completed form or supporting document provided to us must be clear and explicit with reasons supporting why that content is confidential or commercially sensitive. We will consider any such requests on their merits.

Note: “Reopener” as referred to in the following questions is a colloquial term for “in-period adjustment mechanisms” and “reconsideration of the price-quality path”.

# Questions relating to reopener process

These questions relate to content on [workshop slides 20-25](https://comcom.govt.nz/__data/assets/pdf_file/0034/299266/Reopener-workshop-Discussion-slides-29-November-2022.pdf).

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| **A1.** | **Would our proposed updated reopener process address any concerns you may have on the current perceived lack of clarity in the reopeners?** |
|  | Answer: |
| **A2.** | **What do you think of our current thinking on updating the process steps for a reopener, broadly in line with the equivalent process under the Fibre IMs with relevant Part 4 reopener process additions?** |
|  | Answer: |
| **A3.** | **As our current thinking is based largely on our review of the EDB reopeners, with reference to the Fibre reopener provisions, are there any significant variations to this process that we should consider for Gas or Transpower IMs?** |
|  | Answer: |
| **A4.** | **From a workability point of view, how significant is the overhead to produce information for a reopener application? Could suppliers repurpose or use existing business case justification information that they already produce internally for reopener applications?** |
|  | Answer: |
| **A5.** | Note that this topic was not discussed at the workshop:**We are making refinements to DPP reopener IMs to reduce ambiguity, improve clarity and consistency. Please provide examples of areas that could be improved in this respect.** |
|  | Answer: |

# Questions relating to reopener thresholds

These questions relate to content on [workshop slides 26-29](https://comcom.govt.nz/__data/assets/pdf_file/0034/299266/Reopener-workshop-Discussion-slides-29-November-2022.pdf).

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| **B1.** | **Are the current reopener materiality thresholds still appropriate? If not, please explain why.**  |
|  | Answer: |
| **B2.** | **Some submissions on our Process and Issues paper raised that the cost of more than one project should be able to be considered to meet the lower DPP reopener threshold level. Our current thinking is that projects should only be considered for a cumulative application if each project is substantive, and the projects are part of the same programme or relate to the same scenario. What are your views on this?****Can you please provide examples of:*** **where you would have applied for a reopener, if projects could have been considered together?**
* **potential future situations where you think you might have a number of projects, the combined cost of which will meet the current threshold?**
 |
|  | Answer: |

# Questions relating to the type and extent of reopeners

These questions relate to content on [workshop slides 30-35](https://comcom.govt.nz/__data/assets/pdf_file/0034/299266/Reopener-workshop-Discussion-slides-29-November-2022.pdf).

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| **C1.** | **Could you please provide feedback on our initial assessment of coverage provided by our existing DPP reopeners of the scenarios from submissions on the Process and Issues paper?**  |
|  | Answer: |
| **C2.** | **What are the electrification scenarios that you consider need to be accounted for in DPP reopeners, and why?** |
|  | Answer: |
| **C3.** | **Process and issues paper submissions suggested that new or expanded reopeners may be needed to address the higher levels of general uncertainty anticipated. Please provide specific examples of scenarios to enable us to assess coverage provided by our current reopeners.**  |
|  | Answer: |
| **C4.** | **Is expenditure relating to disaster readiness, cyber security, greater use of digitalisation and data able to be foreseen and is it within the control of suppliers? If not, please explain.** |
|  | Answer: |
| **C5.** | Note that this topic was not discussed at the workshop:**We are reviewing whether DPP reopeners should provide more scope for opex, for example:*** **there may be scenarios where an opex solution might be more cost-effective than a capex solution**
* **opex that is consequential to capex**

**Can you tell us about any other scenarios which might be appropriate for opex to be included in DPP reopeners?** |
|  | Answer: |

# Questions relating to other in-period adjustment mechanisms

These questions relate to content on [workshop slides 36-38](https://comcom.govt.nz/__data/assets/pdf_file/0034/299266/Reopener-workshop-Discussion-slides-29-November-2022.pdf).

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| **D1.** | **Can you identify circumstances in which suppliers might want to make use of a potential DPP contingent project reopener?[[1]](#footnote-2) Please explain why the current reopeners are not suitable in those circumstances.**  |
|  | Answer: |
| **D2.** | **Which scenarios could we consider including under a DPP wash-up mechanism, and why?** |
|  | Answer: |
| **D3.** | **Do you consider that there may be value in us considering a range of in-period adjustment mechanisms, eg, reopeners used for larger suppliers and as part of the DPP, use-it-or-lose-it allowances[[2]](#footnote-3) for smaller suppliers, and if so, why?**  |
|  | Answer: |
| **D4.** | **Can you identify any other potential in-period adjustment mechanisms which you think we should consider? What situations would this cover, which are not covered by current reopeners or other mechanisms we are considering as outlined in questions D1-D3?** |
|  | Answer: |

# Questions relating to the CPP mechanisms

These questions relate to content on [workshop slides 39-42](https://comcom.govt.nz/__data/assets/pdf_file/0034/299266/Reopener-workshop-Discussion-slides-29-November-2022.pdf).

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| **E1.** | **What are the barriers or challenges of applying for a CPP?**  |
|  | Answer: |
| **E2.** | **How do you view the effectiveness of the modification and exemption provisions in the current CPP IMs?** |
|  | Answer: |
| **E3.** | **Keeping in mind the need for: (1) scrutiny of expenditure for large step-changes in investment associated with CPPs, (2) transparency of information, and (3) ability to consult for interested parties eg, consumers**:* **How might the current CPP IMs be refined to better promote the overarching objectives of the IM Review?**
* **Are there information or application requirements that you consider are not needed for the regime? If so, which ones are they, and why?**
 |
|  | Answer: |
| **E4.** | **If you hold a view that our current suite of DPP reopeners does not fulfil a similar purpose as a single-issue CPP, please explain why, and provide examples of scenarios that would not be covered by existing DPP reopeners.** |
|  | Answer: |

1. A contingent project is a project that has been listed as a ‘contingent project’ with an associated trigger event in a DPP/CPP determination. Projects are identified and listed in advance, well supported by information in Asset Management Plans. [↑](#footnote-ref-2)
2. Use-it-or-lose-it allowances are provided where the need for funding has been identified at the time of setting the DPP, but the timing or exact amount of expenditure is uncertain. Unspent allowances are returned. [↑](#footnote-ref-3)