

16 November 2023

Anne Bainbridge
Project Manager, Transpower and Gas
Commerce Commission
Wellington 6011
By email: Infrastructure.Regulation@comcom.govt.nz

Vector Limited
101 Carlton Gore Rd
PO BOX 99882
Auckland 1149
New Zealand
+64 9 978 7788 / vector.co.nz

Dear Anne

Transpower's IPP for 2025 – process, decision-making framework and approach

This is Vector's submission on the Commerce Commission's process, framework and approach paper for Transpower's 2025 IPP.

No part of this submission is confidential, and we are happy for it to be published on the Commission's website.

Engagement

A key learning from the ongoing IM review is the need for early and consistent engagement with stakeholders, including through workshops.

We encourage the Commission to undertake workshops where possible, along with considering other means of stakeholder engagement.

We have appreciated Transpower's efforts to facilitate engagement throughout RCP4.

Stakeholder resources have been constrained throughout the IM review process by several competing consultations between the Commission, the EA, and MBIE. We recognise the Commission's process is governed by statutory timeframes, however, in so far as possible, the Commission should factor other consultations into its process and time allowed for submissions.

Consistency of approach between EDBs and Transpower

Although the IPP and DPP regulation may necessitate different mechanisms between Transpower and EDB regulation, the Commission's approach to the IPP and DPP should be consistent.

We agree with the vision set out in the Commission's consultation paper, and that the Commission's role is to "set the maximum revenue Transpower can recover from consumers to run the transmission network efficiently."¹

We note financeability is a critical component in this equation. The Commission's draft IM decision is to index Transpower's RAB and retain its approach to EDB RAB indexation. While we agree Transpower and EDBs should be treated consistently, the best approach would be to amend the IM to un-index EDB RABs. Transpower and EDBs both have significant upfront investment requirements in the context of the energy transition.

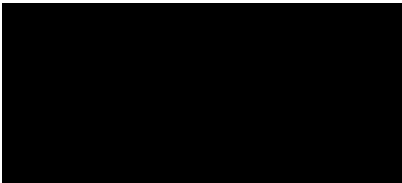
As recognised by the Commission when it initially decided to implement an un-indexed RAB, a front-loaded cashflow profile is appropriate where significant upfront investment is necessary.

¹ At 1.4

The Commission should remain cognisant of the need for all regulated businesses to finance investment efficiently as it undertakes the IM, IPP and DPP reviews.

The Commission should also bear in mind the impact of Transpower's IPP on EDBs, both from a revenue perspective and in terms of regulatory precedent. Transpower and EDB regulation should be treated symmetrically.

Yours sincerely



Richard Sharp
GM Economic Regulation