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19 July 2023

Submission on Draft Airports, Electricity distribution, and Gas pipeline Input Methodology Determinations

ETNZ - The Energy Trusts Association - represents the trust owners of electricity distribution businesses throughout New Zealand.

As the organisation representing consumer and community owners of EDBs, ETNZ has both an asset owner and a consumer perspective in making this submission.

I confirm that our submission does not contain any confidential information and can be published on the Commerce Commission's website unaltered.

Our position

We welcome most of the proposed IM changes, especially where these would assist our member trusts' and their companies' efforts to promote demand-side management and other consumer-focussed activities.

We would like to see the Commission reconsider the proposed WACC weighting for EDBs from the 67th to the 65th percentile. Any resultant drop in distribution income from that move would be likely to be absorbed in retail margins, while a negative investment signal of this type would be unhelpful to EDBs facing investment requirements and supply security uncertainties that haven't been seen for over 50 years. Also, most trust-owned EDBs are exempt from price control and it would be unfortunate to see opportunities for collaboration restricted by contrasting WACC expectations.

On that last point, while the role of the IM's in providing longer term investment certainty made sense while demand growth remained

reasonably stable, the projected leap in demand forecast by Transpower ¹, the Boston Consulting Group² will occur in parallel with the new IM period. This could mean that the IMs will quickly be overtaken by the need for a major investment surge, at a time when a number of sectors will be competing for funds, labour and other resources, meaning that greater certainty would be provided by a commitment to revisit the IMs at the industry's request.

Electricity networks are essential enablers of New Zealand's decarbonisation drive and there is strong support among ETNZ members for regulatory reforms that enable and stimulate their increased engagement in the decarbonisation process.

We are particularly concerned that climate change objectives and electricity supply needs will not be met without investment signals that galvanise demand-side investment. The Commission's draft paper gives a few positive hints about the forthcoming DPP reset. It is gratifying to see that some significant movement to finally promote s54Q requirements may then occur:

...De-risking the quality path may encourage consideration of a wider set of solutions that might otherwise increase the risk of a breach of quality standards. Increasing the scope for a wider set of solutions could promote s54Q by relying more on demand side management. This may involve consumers shifting their consumption of electricity conveyed by line to different times and/or using non-electricity line supplied electricity.³

Increasing the scope for consultation and review would be very useful, in order to ensure that rigidities created by the IMs do not inhibit any initiatives that support s54Q and associated climate change and demand-side objectives.

Richard Allison
Chair, ETNZ

¹ <https://www.transpower.co.nz/news/transpower-seeks-investment-power-new-zealands-energy-transition>

² <https://www.bcg.com/publications/2022/climate-change-in-new-zealand>

³ 6.23 https://comcom.govt.nz/_data/assets/pdf_file/0026/318626/Part-4-IM-Review-2023-Draft-decision-Financing-and-incentivising-efficient-expenditure-during-the-energy-transition-topic-paper-14-June-2023.pdf