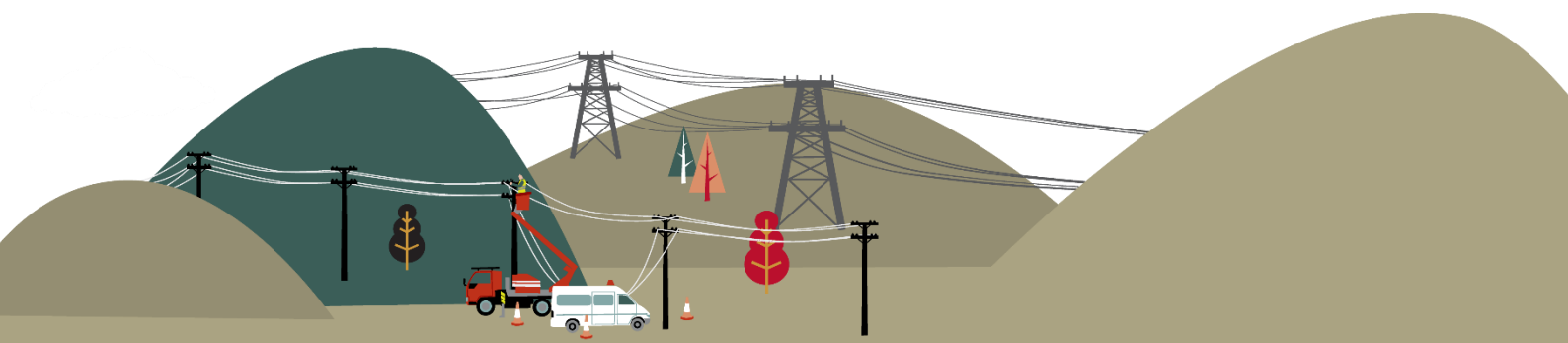


Targeted Information Disclosure Review – Electricity Distribution Businesses

Process and Issues paper

Date of publication: 23 March 2022



Associated documents

Publication date	Reference	Title
1 October 2012	N/A	NZCC 22/2012 Electricity Distribution Information Disclosure determination
1 October 2012	ISBN 978-1-869452-09-4	Information disclosure for EDBs and GPBs – Final Reasons Paper
24 March 2015	ISSN 1178-2560	[2015] NZCC 6 Amendment to the Electricity Distribution Information Disclosure Determination 2012
24 March 2015	ISBN 978-1-869454-42-5	Amendments to information disclosure determinations for electricity distribution and gas pipeline services – Final reasons paper
21 December 2017	ISSN 1178-2560	[2017] NZCC 33 Electricity distribution information disclosure amendments determination 2017
21 December 2017	ISBN 978-1-869456-21-4	Amendments to information disclosure determinations for airport services, electricity distributions services, and gas pipeline services – Companion paper
20 May 2019	N/A	Partna Consulting Group – Expert report – AMP review of EDB risk preparedness
29 April 2021	N/A	Open letter – Ensuring our energy and airports regulation is fit for purpose
26 July 2021	ISBN: 978-1-869459-04-8	Reporting of asset management practices by EDVs – a targeted review of potential improvements
31 August 2021	ISBN 978-1-869458-75-1	Electricity Distribution Information Disclosure (Aurora Energy Limited) – Amendment Determination
31 August 2021	ISBN 978-1-8694591-24-6	Aurora Energy Limited – Additional Information Disclosure Requirements – Reasons paper
12 October 2021	N/A	Open letter on priorities for Energy and Airports – Summary of key themes from submissions
18 November 2021	ISBN: 978-1-869459-48-2	Review of Electricity Distribution Businesses’ 2021 Asset Management Plans in relation to decarbonisation
7 December 2021	N/A	Summary and feedback on workshop on the impact of decarbonisation on electricity lines services
9 December 2021	ISBN 978-1-869459-59-8	Electricity Distribution Information Disclosure Determination 2012 – Consolidated version

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Glossary

Acronyms	
AMP	Asset Management Plan
Aurora	Aurora Energy Limited
CPP	Customised price-quality path
EA	Electricity Authority
EDBs	Electricity Distribution Businesses
ENA	Electricity Networks Association
ID	Information Disclosure
ID Review	Targeted Information Disclosure Review
IMs	Part 4 input methodologies
IM Review	Input Methodologies Review
IPAG	Innovation and Participation Advisory Group
LV	Low voltage (in reference to network types) ¹
MAIFI	Momentary Average Interruption Frequency Index ²
Part 4	Part 4 of the Commerce Act 1986
Repex	Asset replacement and renewal expenditure
SAIDI	System Average Interruption Duration Index
SAIFI	System Average Interruption Frequency Index
The Act	Commerce Act 1986

¹ Low voltage is defined in the Information Disclosure Regulations as the nominal Alternating Current (AC) voltage of less than 1000 volts or the assets of the EDB that are directly associated with the transport or delivery of electricity at those voltages.

² MAIFI is a measure of the number of momentary interruptions (of duration less than one minute) experienced by customers.

Executive summary

Electricity distribution businesses face a changing environment

X1 We regulate electricity distribution businesses (EDBs) under Part 4 of the Commerce Act 1986 (Part 4). EDBs are operating in a changing environment, particularly given the transition to a low carbon economy and increasing impacts of climate change, and the challenges and opportunities posed by new technology. We sought feedback from stakeholders on how our Part 4 regulation should adapt to a changing environment in our April 2021 open letter and December 2021 workshop on the impacts of decarbonisation. This paper forms part of our ongoing work programme to ensure our regulation accommodates change and remains fit for purpose.

We regulate EDBs through setting information disclosure requirements and setting price-quality paths

X2 We set requirements for EDBs to regularly publicly disclose information about how they are performing, including how they are responding to changing consumer demands and planning for the future. This is called ‘information disclosure’ regulation (ID). The types of information that EDBs must disclose include data on prices, measures of quality, financial information and forward-looking information on managing and investing in the network (including expenditure forecasts). The purpose of this form of regulation is to ensure sufficient information is available to stakeholders (including consumers) to be able to assess EDBs’ performance. We also produce a summary and analysis of this information to make it more accessible and understandable, especially for consumers.

X3 Since we first set ID requirements under Part 4 in 2012, we have published multiple pieces of performance analysis and made some changes to ID for EDBs (including setting additional ID requirements for one EDB, Aurora Energy Limited (Aurora)). We have also received useful feedback from stakeholders, including at our resets of EDB price-quality paths. All of this has enabled us to identify ways we can improve our ID requirements for EDBs.

Ensuring our regulation accommodates change and remains fit for purpose

X4 We are committed to ensuring our regulation remains fit for purpose as the external context changes. It is important that our rules and processes ensure that businesses have incentives to continue to invest and innovate to maintain reliable services, while responding to changing consumer preferences, technology, and other environmental factors, including climate change.³

³ [Commerce Commission “Ensuring our energy and airports regulation remains fit for purpose” \(2022\).](#)

- X5 The purpose of ID is to ensure sufficient information is available for stakeholders to assess regulated suppliers' performance. We have signalled that we are planning to make improvements to our ID requirements for EDBs to ensure they continue to meet this purpose in a changing environment and reflect our growing experience of ID regulation. We are now undertaking a targeted ID review (ID Review) where we will consider changes to ID requirements for EDBs. We targeted the scope of this review to focus on changes to ID requirements for EDBs and on certain themes and issues, in order to prioritise higher-impact changes and capture the benefits of time-sensitive changes. We may consider other ID changes in future, including changes to ID requirements for other sectors.
- X6 This paper outlines our ID Review and discusses some potential changes that have already been identified. We may propose extending some of these changes to the ID requirements that apply to Transpower —the supplier of electricity transmission services— after considering submissions we receive in response to this paper.
- X7 The potential ID changes for EDBs that we discuss in this paper fall into four key interconnected categories:
- X7.1 **quality of service:** expand measures of quality to capture the consumer's full experience and make requirements more consistent across all EDBs;
 - X7.2 **decarbonisation:** reflect changing usage of electricity and new technology;
 - X7.3 **asset management:** shine a light on EDBs' preparedness for the future, including network resilience challenges posed by climate change; and
 - X7.4 alignment of ID with other regulatory rules.
- X8 We invite your views on this paper. Your feedback helps us better understand the key issues and how to address them, informing our draft decision on any ID changes. Submissions are due by 20 April 2022, and cross-submissions by 4 May 2022. The process for making submissions (including confidential submissions) and our proposed timeline for this review is outlined in Chapter 4.
- X9 We are also currently reviewing our Part 4 input methodologies (IMs). The IMs are the rules, requirements and processes that we determine must be applied to our regulation of EDBs, Transpower, gas pipeline businesses, and the three main international airports. The IMs underpin both the ID requirements and price-quality paths.

- X10 This review of IMs (IM Review) is an opportunity for you to raise broader issues related to our regulation under Part 4. We will invite your submissions on a process and approach paper for the IM Review early in the second quarter of 2022. Independently of both the IM Review and this ID Review, we intend to make less strategic “tidy-up” ID changes on a regular basis. This will cover correcting or improving the ID requirements to address narrower issues, for any of the sectors we regulate under Part 4.

Chapter 1 Introduction

Purpose of this paper

- 1.1 We are considering making changes to the information disclosure (ID) requirements that apply to electricity distribution businesses (EDBs) under Part 4 of the Commerce Act 1986 (Part 4). The purpose of ID is to ensure sufficient information is available for stakeholders to assess suppliers' performance. We want to improve the ID requirements for EDBs to ensure they continue to be fit for this purpose in a changing environment and reflect our growing experience of ID regulation. This paper outlines our targeted ID review for EDBs (ID Review) and discusses some potential changes that have already been identified. These potential changes fall into four key interconnected categories:
 - 1.1.1 quality of service;
 - 1.1.2 decarbonisation;
 - 1.1.3 asset management; and
 - 1.1.4 alignment of ID with other regulatory rules.
- 1.2 We invite your views in response to this paper. Submissions are due by 20 April 2022, and cross-submissions are due by 4 May 2022. The process for making submissions (including confidential submissions), is outlined in Chapter 4.
- 1.3 We may propose extending some of these changes to the ID requirements that apply to Transpower, the supplier of electricity transmission services, after considering submissions received in response to this paper. We will clearly signal any such proposed changes in our draft decision and consult on them before making our final decision.

Purpose and scope of this ID Review

Why we use ID

- 1.4 Information disclosure is a regulatory tool provided for under Part 4. We use it to regulate certain markets where there is little or no competition (and little prospect of future competition) by requiring suppliers in the market to publicly disclose information about their performance. The purpose of ID is to ensure that sufficient information is readily available to interested persons (stakeholders) to assess whether the purpose of Part 4 is being met.⁴ We then analyse and summarise that information into a form that is helpful for consumers and other stakeholders to understand.
- 1.5 An effective information disclosure regime provides transparency to stakeholders on the performance of regulated suppliers. Information is disclosed regularly over years, to provide an ongoing source of information so that multi-year trends can be identified and monitored over time. This is designed to allow stakeholders to assess whether, in relation to a regulated supplier, outcomes are broadly consistent with what is expected in a competitive market. Publishing our analysis of the information that a supplier publicly discloses can also promote incentives for the supplier to improve its performance, by highlighting performance levels, relative performance, and performance trends to stakeholders including other suppliers.
- 1.6 We also set price and quality controls for EDBs that are not consumer-owned. We set “price-quality paths” that restrict the revenue these EDBs can earn or the maximum average prices they can charge, and require them to deliver services at a quality that consumers would expect. EDBs that are consumer-owned (13 of 29) are exempt from price-quality paths as Parliament has decided that their consumers have enough input into how the business is run.

⁴ We interpret the reference to ‘interested persons’ in section 53A to include: consumers and consumer groups; electricity and gas retailers, and their representative groups; central government and regional authorities; other regulatory agencies (such as the Electricity Authority and the Gas Industry Company Ltd); any other stakeholder of the regulated supplier, including investors; and their advisers (such as equity analysts and other professional advisors), and owners of regulated suppliers. The Commission is also an interested person. See Commerce Commission, “Information disclosure for EDBs and GPBs – Final Reasons Paper” (1 October 2012), p 17.

Context

- 1.7 We are undertaking this review of our ID requirements to ensure sufficient information is available for stakeholders to assess EDBs’ performance and continue to do so in a changing environment. This is part of ensuring our regulation remains fit for purpose as the external context changes. It is important that our rules and processes ensure that businesses have incentives to continue to invest and innovate to maintain reliable services, while responding to changing consumer preferences, technology, and other environmental factors, including climate change.⁵
- 1.8 The energy sector is in a period of transition and change, particularly in relation to the transition to a low carbon economy and other impacts of climate change, and the challenges and opportunities posed by new technology. The recent advice to the Government from He Pou a Rangi, the Climate Change Commission, outlined a decarbonisation pathway for New Zealand that will likely mean an increasingly significant role for electricity, as a substitute for fossil fuels in transport and in process heat applications.⁶ The Government is expected to respond to the recommendations in the form of the Emissions Reduction Plan in May 2022.
- 1.9 Climate change will pose increasing challenges to EDBs, including regarding network resilience to weather events. There are new technologies and alternative solutions for accommodating growth on electricity networks emerging, and expectations on the sector are also increasing—particularly in the area of consumer engagement and new technology.
- 1.10 We are continuing to work closely with the Electricity Authority (EA). The EA has recently consulted on their work in related areas, such as their consultation on *Updating the regulatory settings for distribution networks*.⁷ We will continue to work with the EA to understand the changes in EDBs’ operating environment.
- 1.11 We have identified other improvements to the ID requirements based on our own experience and feedback from stakeholders. Over time we have seen information disclosed by EDBs mature and improve, the time series have grown for key metrics, and we have published multiple pieces of performance analysis using ID data.⁸ Our growing experience of ID regulation has enabled us to identify ways we can improve our ID requirements for EDBs. We have also received detailed and useful feedback from stakeholders, including EDBs themselves, on issues with and opportunities for improvement in ID.

⁵ Commerce Commission “Ensuring our energy and airports regulation remains fit for purpose” (2022).

⁶ He Pou a Rangi “Ināia tonu nei: a low emissions future for Aotearoa” (2021).

⁷ The Electricity Authority’s consultation and the resulting submissions are available on its website [here](#).

⁸ Our pieces of performance analysis using ID data are available on our website [here](#).

- 1.12 The current ID requirements for EDBs were determined in October 2012, following the determination of the IMs in December 2010.^{9,10} Changes were then made to the ID requirements in 2015 and 2017 to address certain issues that we had identified.¹¹ In 2021 we set additional ID requirements for one EDB, Aurora, after it was moved to a customised price-quality path.¹²
- 1.13 This ID Review is informed heavily by our past engagement with stakeholders. In preparing for this review, we considered issues and areas for improvement that had already been identified in the following:
- 1.13.1 feedback from EDBs on their experience in producing information to meet our requirements;¹³
 - 1.13.2 our 2020 reset of EDB price-quality paths;^{14,15}
 - 1.13.3 feedback on our open letter of 29 April 2021;¹⁶
 - 1.13.4 recommendations on our regime by the Electricity Authority’s Innovation and Participation Advisory Group (IPAG);¹⁷
 - 1.13.5 our recent review of EDB asset management practices and the Partna review of EDB risk preparedness which we commissioned;¹⁸ and

⁹ The relevant ID determination that sets out the current ID requirements that apply to all EDBs is the *Electricity Distribution Information Disclosure Determination 2012* [2012] NZCC 22 (consolidated 9 December 2021). A copy of the current EDB ID determination is accessible via our website [here](#).

¹⁰ Commerce Commission “Electricity Distribution Services Input Methodologies Determination 2010” (22 December 2010).

¹¹ Commerce Commission “2015 Amendment to the Electricity Distribution Information Disclosure Determination 2012” (24 March 2015), Commerce Commission “2017 Amendment to the Electricity Distribution Information Disclosure Determination 2012” (21 December 2017).

¹² Information on our customised price-quality path and additional ID requirements for Aurora, including our determination amendments and final reasons paper, are available on our website [here](#).

¹³ A register of issues raised in the past on EDB and gas pipelines ID requirements is available on our website [here](#).

¹⁴ [Commerce Commission “Default price-quality paths for electricity distribution businesses – Final decision” \(2019\)](#).

¹⁵ [ENA Working Group on Quality of Service Regulation “Interim Report to the Commerce Commission” \(2018\)](#).

¹⁶ [Commerce Commission, “Ensuring our energy and airports regulation is fit for purpose” \(29 April 2021\)](#), [Commerce Commission, “Summary of submissions received on letter published 29 April 2021” \(12 October 2021\)](#).

¹⁷ [IPAG “Equal Access” \(2019\)](#), [IPAG “Access to input services draft advice” \(2019\)](#), [IPAG “Transpower DR programme review” \(2021\)](#).

¹⁸ [Commerce Commission “Reporting of asset management practices by EDBs – a targeted review of potential improvements” \(2021\)](#), [Partna Consulting Group, “AMP Review of EDB Risk Preparedness” \(May 2019\)](#).

- 1.13.6 our recent review of EDBs' reporting on their preparedness for decarbonisation, and the decarbonisation workshop we ran with stakeholders on 7 December 2021 and subsequent written submissions.¹⁹

This is a targeted review

- 1.14 In this paper, we are seeking your views on issues within a targeted scope in order to allow us to prioritise higher-impact changes and to conduct an efficient process. This paper is not meant to provide an exhaustive list of ID changes we will consider making in future.
- 1.15 We are seeking your feedback on ID requirements for EDBs in particular because of the increasing pace of change and potentially significant challenges that EDBs face from decarbonisation and new technology. We are seeing signals of this in, for example, recent advice from He Pou a Rangi, the Climate Change Commission.²⁰ We also prioritised EDBs to obtain benefits from some of the information being disclosed in time for the next price-quality path reset in 2025.
- 1.16 We are also focusing consultation on a non-exhaustive set of issues that fall into four categories. For a number of these issues, we have already gathered and analysed stakeholder feedback in our previous work and want your feedback on some potential solutions we have identified. Some of the issues we cover in this paper need more consultation and analysis, so we are seeking your views more broadly including your suggestions of potential solutions.
- 1.17 The potential ID changes we discuss in this paper are in the following four categories:
- 1.17.1 quality of service;
 - 1.17.2 decarbonisation;
 - 1.17.3 asset management; and
 - 1.17.4 aligning ID with other regulatory rules.
- 1.18 Potential changes around decarbonisation generally relate to quality or asset management information, but we have drawn out the theme of decarbonisation as a category to highlight its importance and interconnectedness.

¹⁹ [Commerce Commission "Workshop on the impact of decarbonisation on electricity lines services" \(summary of stakeholder views, February 2022\).](#)

²⁰ [He Pou a Rangi "Ināia tonu nei: a low emissions future for Aotearoa" \(2021\).](#)

1.19 We focused on each of these categories for this ID Review because:

- 1.19.1 *Quality of service*: For our ID to be effective, it is critical that we are measuring the things that stakeholders are most concerned about. Current ID requirements may not reflect all the dimensions of quality of service that matter to consumers of the service. Current ID requirements on quality are also relatively high level and may not capture localised or more specific issues. At the 2020 reset of EDB price-quality paths, we signalled that broadening our ID requirements to include such additional dimensions of quality could also be helpful in setting additional quality standards or incentives in future.²¹
- 1.19.2 *Decarbonisation*: Electricity will likely be substituted increasingly for fossil fuels in transport and in process heat applications. At the same time as electricity demand is expected to increase, new technologies and alternative solutions are expected to become more widely available for accommodating growth on electricity networks. Decarbonisation will likely have a major impact on EDBs (and to a lesser extent, Transpower) so ID must reflect that in order to continue to enable stakeholders to assess EDBs' performance.
- 1.19.3 *Asset management*: EDB asset management has been a focus for us in the last five years. We issued an open letter and conducted two reviews of aspects of EDBs' asset management practices.²² Asset management is at the heart of EDBs' work to ensure their networks continue to deliver safe and reliable services. Effective asset management also enables EDBs to deliver services efficiently and at an appropriate quality. Asset management has links to both decarbonisation and quality, which are also categories of this review. It underpins network resilience and EDBs' ability to manage new technology and increasing electrification. It is also important for EDBs to measure different aspects of quality on the network.

²¹ The potential usefulness of additional ID for better informing ourselves to assist with setting quality standards in the future, as well as the potential for ID as a sufficient tool in itself for addressing a wider suite of quality measures, is discussed in Attachment N of our final reasons paper on the 2020 reset of default price-quality paths for EDBs which is available [here](#).

²² Commerce Commission "[Open letter – Ensuring our energy and airports regulation is fit for purpose](#)", Commerce Commission "[Reporting of asset management practices by EDBs – a targeted review of potential improvements](#)" (2021), Partna Consulting Group, "[AMP Review of EDB Risk Preparedness](#)" (May 2019).

- 1.19.4 *Alignment of ID with other regulatory rules:* We are aware of some inconsistencies between ID requirements and our other regulatory rules that apply to EDBs. We will consider ID changes to address these issues as part of this ID Review where the changes are simple enough to be made in time for the 2025 price-quality reset, and important enough for improving EDB performance.

How this ID Review fits within our wider work programme

- 1.20 We are currently reviewing our Part 4 input methodologies (IMs). The IMs are the rules, requirements and processes that we determine must be applied to our regulation of EDBs, Transpower, gas pipeline businesses, and the three main international airports. The IMs underpin both the price-quality paths and ID requirements. The Part 4 IM Review (IM Review) formally commenced on 23 February 2022 and is planned to be completed by the end of 2023. The IM Review is an opportunity for you to raise broader issues with, and potential changes to, the IMs. We will invite your submissions on a Process and Issues paper for the IM Review early in the second quarter of 2022.
- 1.21 If you would like to make submissions on matters that fall within the scope of the IM Review, and are not specific to ID, please make these submissions in response to the IM Review Process and Issues paper (and later consultation papers). The ID Review is a targeted review on specific areas of focus that do not include issues with, or potential changes to the IMs, which are broader areas of focus best suited to the IM Review. If any submissions made under the ID Review are relevant to the IM Review, we will consider them as part of the IM Review process.²³ However, as part of the ID Review, we do not intend to consider submissions received on the IM Review. Chapter 4 contains more detail regarding the process we are following for this ID Review and also includes a summary of the work programme and associated timeframes for this ID Review and the IM Review.
- 1.22 Outside of this ID Review, we plan to address a number of small “tidy-up” ID issues we are already aware of (eg, clarifying definitions). These are best considered outside of this ID Review because they are not as high-priority and do not call for complex stakeholder discussions or considering larger themes. We intend to make such “tidy-up” changes to our ID requirements under Part 4 on a regular basis.

²³ Details on the IM process will be provided in the upcoming Process and Issues paper on the IM Review. Further details on this can be found on the IM webpage [here](#).

- 1.23 In light of our wider work programme, we are seeking your views on the following issues in this paper:
- 1.23.1 *Issues that fall under quality of service and asset management:* These issues relate to ID and are not directly related to our IMs.
 - 1.23.2 *Some issues related to decarbonisation:* Issues related to how EDBs will respond to decarbonisation are in scope when they do not directly relate to our IMs (usually because they ultimately form part of quality of service or asset management).
 - 1.23.3 *Issues about consistency between ID and our price-quality paths:* We have canvassed a number of fairly specific issues that can likely be addressed through ID changes.
- 1.24 We are not currently seeking your views on the following issues:
- 1.24.1 *Underlying issues related to financial performance and data:* These issues are best considered in the IM Review.
 - 1.24.2 *Issues relating to gas pipeline businesses or the three main international airports:* We are open to considering ID changes for these sectors in the future, but we are prioritising EDBs for now. Issues relating solely to Transpower are also out of scope of this ID Review. However, where issues we consider for EDBs are relevant to Transpower, we may consider extending our ID requirements by setting requirements for Transpower.
 - 1.24.3 *Narrower issues related to correcting or improving Part 4 ID requirements:* such issues are best considered as part of regular “tidy-ups” to ID that we plan to undertake.
- 1.25 Attachment A shows the indicative timing of our wider work programme, including the IM Review.

Timing of ID changes made in this ID Review

- 1.26 We have categorised the potential changes discussed in this paper into two tranches:
- 1.26.1 Tranche 1 is proposed to come into effect in April 2023. We will publish our draft decision on Tranche 1 on 6 June 2022 and we plan to publish our final decision in September 2022. The proposed timing of Tranche 1 means that one year of disclosed information will be publicly available before the next price-quality path reset in 2025.

- 1.26.2 We expect to release a draft decision on Tranche 2 changes in early-mid calendar year 2023. We will give further consideration to the timing of the Tranche 2 changes after the final decision on the Tranche 1 changes.
- 1.27 Some of the changes we are considering are proposed to be in Tranche 1 because they can be consulted on and finalised in 2022, while others are proposed for Tranche 2 because they will either require more time for our analysis or are not as high-priority. We have also proposed prioritising some of the potential changes, such as additional information on quality, to be included in Tranche 1 where we consider the information may be useful to inform the next price-quality path reset.
- 1.28 We will consider the compliance burden and varying capabilities of EDBs when we consider making changes to ID. We can use our two-tranche timing to support better information being disclosed in a reasonable timeframe and at reasonable cost for EDBs. For example, we are considering expanding ID requirements on network constraints. EDBs will likely have varying capabilities and existing approaches in this area. We may consider an initial requirement in Tranche 1 that accommodates these factors, then review the disclosed information and feedback from stakeholders to inform us going forward. This will enable us to consider potential further changes that make our requirements more specific and consistent across all EDBs in the longer term.

How you can provide your views on our issues paper

- 1.29 We would like to hear your views on:
- 1.29.1 the potential changes discussed in this paper, the problems they are addressing and the outcomes which the changes are designed to achieve;
 - 1.29.2 other potential changes you would like us to consider in order to achieve the outcomes we are seeking; and
 - 1.29.3 the proposed process and timeframe, including the allocation of potential changes into Tranches 1 and 2.
- 1.30 Your views on this paper will help inform our process and our draft decision on proposed changes to the EDB ID determination. In making our draft decision we will also take into consideration relevant feedback we've received from stakeholders before this process, eg, in our 2021 decarbonisation workshop. Chapter 4 provides further details on how you can provide your views, including the process for making confidential submissions.

Chapter 2 Regulatory framework

Purpose of this chapter

- 2.1 This chapter summarises the legal framework that applies for our ID regulation for EDBs. It will explain:
- 2.1.1 the function of ID regulation;
 - 2.1.2 the purpose of ID regulation; and
 - 2.1.3 the decision-making criteria we apply when determining whether to set ID requirements for EDBs.

The function of ID regulation

- 2.2 Information disclosure regulation or ‘ID regulation’ is a form of regulation we use under Part 4 of the Act to regulate certain markets where there is little or no competition (and little prospect of future competition).²⁴ This form of regulation requires a supplier of goods or services in a regulated market to publicly disclose information in accordance with requirements we determine.²⁵ We call these requirements information disclosure requirements or ‘ID requirements’, and set them out in determinations we make under section 52P of the Act (ID determination).
- 2.3 All EDBs, as suppliers of electricity distribution services, are subject to ID regulation under Part 4 because they operate as natural monopolies (ie, there is little or no competition in the markets for the electricity distribution services they offer).²⁶
- 2.4 The effect of being subject to ID regulation is set out in section 53B of the Act. Section 53B(1) provides:

Section 53B Effect of being subject to information disclosure regulation

- (1) Every supplier of goods or services that are subject to information disclosure regulation must—
- (a) publicly disclose information in accordance with the information disclosure requirements set out in the relevant section 52P determination; and
 - (b) supply to the Commission a copy of all information disclosed in accordance with the section 52P determination, within 5 working days after the information is first made publicly available; and

²⁴ Commerce Act 1986, section 52.

²⁵ Commerce Act 1986, section 52B(2)(a).

²⁶ Section 54F of the Commerce Act 1986 provides that electricity lines services are subject to information disclosure regulation.

(c) supply to the Commission, in accordance with a written notice by the Commission, any further statements, reports, agreements, particulars, or other information required for the purpose of monitoring the supplier's compliance with the section 52P determination.

- 2.5 The relevant ID determination that sets out the current ID requirements that apply to all EDBs is the *Electricity Distribution Information Disclosure Determination 2012* [2012] NZCC 22 (consolidated 9 December 2021).^{27,28}

The purpose of ID regulation

- 2.6 The purpose of ID regulation is to ensure that sufficient information is readily available to interested persons²⁹ to assess whether the purpose of Part 4 of the Act is being met.³⁰ When this is achieved, it helps promote the purpose of Part 4 itself by incentivising regulated businesses to improve their performance.

- 2.7 Section 52A(1) sets out the purpose of Part 4:

The purpose of this Part is to promote the long-term benefit of consumers in markets referred to in section 52 by promoting outcomes that are consistent with outcomes produced in competitive markets such that suppliers of regulated goods or services—

- (a) have incentives to innovate and to invest, including in replacement, upgraded, and new assets; and
- (b) have incentives to improve efficiency and provide services at a quality that reflects consumer demands; and
- (c) share with consumers the benefits of efficiency gains in the supply of the regulated goods or services, including through lower prices; and
- (d) are limited in their ability to extract excessive profits.³¹

²⁷ A copy of the current EDB ID determination is accessible via our website [here](#).

²⁸ Most of these requirements apply to all EDBs, but some do not, eg ID requirements set for Aurora following its move to a customised price-quality path. When we discuss ID requirements for EDBs, we mean requirements that apply to all EDBs, unless we specify otherwise.

²⁹ We interpret the reference to 'interested persons' in section 53A to include: consumers and consumer groups; electricity and gas retailers, and their representative groups; central government and regional authorities; other regulatory agencies (such as the Electricity Authority and the Gas Industry Company Ltd); any other stakeholder of the regulated supplier, including investors; and their advisers (such as equity analysts and other professional advisers), and owners of regulated suppliers. The Commission is also an interested person. See Commerce Commission, "Information disclosure for EDBs and GPBs – Final Reasons Paper" (1 October 2012), p 17.

³⁰ Commerce Act 1986, section 53A.

³¹ Commerce Act 1986, s 52A.

- 2.8 To understand whether the relevant outcomes consistent with workably competitive markets are being promoted, interested persons should have sufficient information to assess the actual performance of suppliers. Having “sufficient information” will encompass both quantitative and qualitative information, with information sufficiently disaggregated to allow interested persons to understand what is driving the supplier’s performance.³²
- 2.9 The Part 4 purpose highlights the importance of incentives:
- 2.9.1 incentives to innovate and to invest (s 52A(1)(a)); and
 - 2.9.2 incentives to improve efficiency and provide services at a quality that reflects consumer demands (s 52A(1)(b)).
- 2.10 We consider that the practical test of whether incentives are working is whether suppliers are responding to those incentives. We therefore consider that interested persons can only assess whether these elements of the Part 4 purpose are being met by examining evidence of their performance – historical, current and expected future performance.

Our decision-making criteria for setting ID requirements

- 2.11 Our key consideration in setting ID requirements (or making amendments to ID requirements) must be what information is necessary to ensure that interested persons have sufficient information readily available to assess whether the Part 4 purpose is being met (consistent with the purpose of ID regulation).³³ In other words, what information is needed to determine whether the performance of a regulated supplier is consistent with the performance outcomes one would expect to find in a workably competitive market (the outcomes listed in the purpose of Part 4; section 52A(1)(a)-(d)).

³² We discuss the meaning of “sufficient information” at paragraph 2.17 of our final reasons paper for the EDB ID requirements we set in the original EDB ID determination in 2012 (Commerce Commission Information Disclosure for Electricity Distribution Businesses and Gas Pipeline Businesses: Final Reasons Paper (1 October 2012)). A copy of this paper is accessible via our website [here](#).

³³ We discuss our decision-making framework in our final reasons paper for the EDB ID requirements we set in the original EDB ID determination in 2012 (Commerce Commission Information Disclosure for Electricity Distribution Businesses and Gas Pipeline Businesses: Final Reasons Paper (1 October 2012)). We referred to this recently in our additional information disclosure requirements for Aurora (Commerce Commission, Aurora Energy Limited Additional Information Disclosure Requirements: Final Reasons Paper (31 August 2021)).

- 2.12 When considering what information an interested person needs in order to assess whether the four limbs of s 52A(1)(a)-(d) set out above are being promoted, we consider what information would be sufficient to answer certain key questions related to regulated suppliers' historical, current and future performance, for example:
- 2.12.1 Is the supplier operating and investing in their assets efficiently? (section 52A(1)(a)-(b));
 - 2.12.2 Is the supplier innovating where appropriate? (section 52A(1)(a));
 - 2.12.3 Is the supplier providing services at a quality that reflects consumer demands? (section 52A(1)(b));
 - 2.12.4 Is the supplier sharing the benefits of efficiency gains with consumers, including through lower prices? (section 52A(1)(c));
 - 2.12.5 Do the prices set by the supplier promote efficiency? (section 52A(1)(a)-(b)); and
 - 2.12.6 Is the supplier earning an appropriate economic return over time? (section 52A(1)(d)).
- 2.13 The ID purpose includes ensuring *sufficient* information is available to assess whether the Part 4 purpose is being achieved. To make sure the information is sufficient, we must consider the level of detail (granularity), whether the information is qualitative or quantitative, and the types of information needed (eg, financial information, forecasts). Interested persons may need additional information available outside of ID disclosures to make some assessments. For example, current and past inflation rates are very relevant as context for assessing supplier performance, but this information is publicly available completely independent of ID.
- 2.14 The ID purpose also includes ensuring this information is *readily available* to *interested persons*. Interested persons are diverse and so are their information needs, so what "readily available" information looks like varies. We consider the two main types of interested persons are those in or associated with the industry (eg, regulated businesses and their owners, electricity generators and retailers, the Commerce Commission) and those who do not generally have industry knowledge (eg, consumers and consumer groups). The first group is more likely to use detailed or technical information, undertake their own analysis and use their own knowledge to interpret or complement the information. The second group is likely to have limited ability to do this, and rather needs information that has already been summarised or analysed meaning it can be more readily interpreted. This informs our published outputs in relation to the information disclosed.

We summarise and analyse the information EDBs disclose

- 2.15 We are required to publish summary and analysis of the disclosed information to promote greater understanding of supplier performance.³⁴ This requirement confers an ongoing, active role on us in respect of the ID regime after the ID requirements have been set. We must analyse the information that regulated suppliers publicly disclose and then publish that analysis for the public (along with a summary of the disclosed information). As information is disclosed and analysed over the years, it provides an ongoing source of information so that performance trends can be identified and monitored over time.
- 2.16 We publish regular summary and analysis of the information disclosed under our existing requirements, and we will include new information disclosed under future requirements as soon as is practicable. The intended outcomes of publishing this work are:
- 2.16.1 to summarise information from different suppliers in one place;
 - 2.16.2 to translate information into a more accessible form for interested persons who do not have the technical skills or resources to analyse disclosed information directly; and
 - 2.16.3 to enable interested persons to draw comparisons and conclusions, eg, by ranking suppliers by various metrics and presenting time series graphs.
- 2.17 Our summary and analysis assists interested persons in assessing whether the Part 4 Purpose is being met because the summary and analysis we produce helps people to better understand the information that was publicly disclosed by the regulated supplier.
- 2.18 Our analysis role under ID is not simply to explain the information disclosed under ID, but to promote greater understanding of a supplier's performance. We consider our role is to enable these persons to engage with this information by ensuring it is readily available and understandable for them. While they can choose to engage or not, we want to ensure that they are not choosing not to engage simply because the information is not accessible to them.

³⁴ Commerce Act 1986, s 53B(2)(b).

- 2.19 To ensure information is *readily available* we also must consider how consistent it is, to allow comparisons over time and between businesses, and the format in which it is available. Sometimes, we set ID requirements that do not on their own produce readily available information, because the businesses do not have all of the information or it would be unreasonably costly to produce. Then, we ensure the whole package is sufficient by publishing our own analysis of the businesses' disclosed information that puts the relevant information in one place, adds to it, and makes it more accessible.

Chapter 3 Potential changes to ID

Purpose of this chapter

- 3.1 This chapter discusses the policy rationale for the four targeted categories of this ID Review. In each category we have identified the problems with the existing ID requirements and the outcomes we are seeking. In order to give stakeholders the best basis for consultation and enable practical discussions, we have also listed examples of potential solutions. This is intended to enable specific and practical discussions during consultation and to clarify complex issues in advance of our draft decision. The potential changes we have listed are not exhaustive and we welcome your views on other problems/opportunities and potential solutions that may be in scope of this review.
- 3.2 We may propose changes in our draft decision that are not discussed in this paper, but you will get an opportunity to engage with and submit on all changes—including any not discussed here— when we consult on our draft decision. In this paper, we have prioritised consulting on big themes, such as decarbonisation, and potential changes that may need to be clarified through specific and significant submissions and cross-submissions.
- 3.3 For each category of this review, we have presented our intended outcomes, identified problems, and potential solutions in tabular form. Many of the potential solutions are informed by feedback we have received from stakeholders. A number are also informed by our experience in setting additional ID requirements for Aurora, following their move to a customised price-quality path. While Aurora's additional ID requirements were specific to its individual circumstances, some of those requirements also potentially have broader application beyond Aurora. We learnt a lot from stakeholders during the consultation process and are interested to understand whether there is benefit in considering some of those issues in this ID Review, with respect to EDBs in general.

Quality of service

- 3.4 In order for ID to be effective, it is critical that disclosed information reflects the consumer's experience of quality of service, enabling a more meaningful assessment of quality. Current ID requirements focus on reliability because we consider that is the most important dimension of quality.

- 3.5 However, the consumers experience of quality of service goes beyond simply whether the power is on or off, and includes customer service, communication, timeliness, and the availability of alternative options to meet consumer needs. We heard about these dimensions of quality from consumers and other stakeholders during our consultation on the last price-quality path reset, and Aurora's customised price-quality path and additional ID requirements. We consider there may be benefit in expanding ID requirements to capture more dimensions of quality for all EDBs.
- 3.6 Current ID requirements relating to quality are also relatively high level and do not capture certain specific issues that may be affecting consumers significantly. We want to improve visibility of localised issues that disproportionately affect a smaller number of consumers or happen less frequently but have a great impact on the affected consumers. We have received useful and specific feedback on this area from a number of stakeholders, especially EDBs themselves.³⁵ We have heard from them that there can be technical challenges in collecting accurate and meaningful detailed information from the network, and that the capabilities of EDBs to address these issues can vary; this is something we will consider and invite feedback on.
- 3.7 Disclosed information must be comparable and consistent over time to be useful to stakeholders, especially information that stakeholders (including us) analyse further. This issue is particularly relevant to quality of service information, and we have heard from stakeholders (especially EDBs) that there are technical capability challenges (such as obtaining power quality data) to be considered on this issue.
- 3.8 At the 2020 reset of EDB price-quality paths, we decided not to introduce new quality standards or quality incentive schemes because we needed to gather more information about current levels of performance and engage with consumers on what measures of quality are most meaningful to them, and also because other options were available outside price-quality path reset regulation. However, we signalled that we intended to consider changes to our ID requirements to ensure that EDBs report data that may be required for the future setting of additional quality standards, building on the work undertaken by the Electricity Networks Association (ENA) Quality of Service Working Group.
- 3.9 The ENA Working Group also proposed that the use of guaranteed service level (customer compensation) schemes be considered, although it acknowledged that a considerable amount of work would be required to design such a scheme. We also indicated that we would consider how we can better support consumer voice and accountability of EDBs, particularly regarding investment delivery.

³⁵ The ENA provided a paper on this topic at the last price-quality path reset. This paper can be found [here](#).

Table 3.1 Potential ID changes related to quality of service

Outcomes we are seeking	Problems with current ID requirements in achieving the outcomes sought	Potential options to achieve outcomes	Amendment No.	Timing
Disclosed information reflects the consumer's experience of quality of service, enabling a more meaningful assessment of quality.	The consumer's experience of quality of service includes things beyond simply whether the power is on or off. As it stands, ID does not capture all of the aspects, meaning it gives a limited picture of quality. Changes in the use of electricity and in technology will likely make the meaning of quality of service expand further and increase consumer interest in this topic.	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. ³⁶	Q1	Tranche 1
		Add ID requirements on power quality. ³⁷	Q2	Tranche 1
		Add ID requirements on time taken to set up new connections.	Q3	Tranche 1
		Add ID requirements on customer service, eg customer complaints. ³⁸	Q4	Tranche 1
		Add ID requirements on information about customer charters and guaranteed service level (customer compensation) schemes, eg information about existing schemes, information that could be relevant to such schemes in the future. ³⁹	Q5	Tranche 1
		Expand ID requirements on response time to outages.	Q6	Tranche 1
		Expand forward-looking AMP requirements on how EDBs will continue to perform for consumers, eg commitments to develop the network for future technology.	Q7	Tranche 2

³⁶ We included notice of planned outages in our additional ID requirements for Aurora ([link](#) pp 100-101). While Aurora has its own specific circumstances, we may consider whether something similar could be appropriate for other EDBs.

³⁷ We included some aspects of power quality in our additional ID requirements for Aurora ([link](#) pp 118-119). While Aurora has its own specific circumstances, we may consider whether something similar could be appropriate for other EDBs.

³⁸ The ENA suggested this at the last price-quality path reset ([link](#) p18). We included consumer engagement initiatives and responding to complaints in our additional ID requirements for Aurora ([link](#) pp 98-99).

³⁹ [Vector "Vector Submission to Commerce Commission Default Price Quality Path Draft Decision" \(2019\)](#).

Outcomes we are seeking	Problems with current ID requirements in achieving the outcomes sought	Potential options to achieve outcomes	Amendment No.	Timing
	<p>ID could better capture the consumer’s experience of quality of service, when it comes to electricity reliability, by expanding it to include different types of measures. Without these other measures, ID gives a limited picture of how good quality actually is.</p>	<p>Add ID requirements on the Momentary Average Interruption Frequency Index (MAIFI) to capture momentary interruptions that can be hidden or misrepresented by existing SAIDI and SAIFI requirements.⁴⁰</p>	Q8	Tranche 1
	<p>The consumer’s experience of quality of service varies and can include localised problems that disproportionately affect small groups of consumers. Current ID requirements relating to quality are sometimes aggregated to a level that does not pick up these localised issues.</p>	<p>Add ID requirements regarding those customers worst served on the network in terms of reliability.⁴¹ We had some requirements in this area in the regime that came before Part 4, but questions were raised about the value of the disclosed information in light of technical challenges producing it. We welcome feedback from EDBs in particular on the feasibility and usefulness of such information.</p>	Q9	Tranche 1
		<p>Expand ID requirements to include disaggregated SAIDI and SAIFI by network category (eg urban, rural) and region.⁴²</p>	Q10	Tranche 2

⁴⁰ The ENA submitted on this at the last price-quality path reset, submitting that the information can be useful but may not be feasible for all EDBs without large expense ([link pp 11-12](#)).

⁴¹ We included information on worst-served customers on the network in our additional ID requirements for Aurora ([link p 118](#)). We may consider whether something similar could be appropriate for other EDBs given their own specific circumstances.

⁴² We included SAIDI and SAIFI by region in our additional ID requirements for Aurora ([link pp 104](#)). While Aurora has its own specific circumstances, we may consider whether something similar could be appropriate for other EDBs .

Outcomes we are seeking	Problems with current ID requirements in achieving the outcomes sought	Potential options to achieve outcomes	Amendment No.	Timing
<p>Disclosed quality information is comparable between EDBs and consistent over the time series, allowing both better assessment of quality and greater ability to learn and improve ID requirements and associated summary and analysis.</p>	<p>Low prescription/guidance on some interruption reporting requirements creates unnecessary inconsistency between EDBs, and over time.</p>	<p>Refine ID requirements on interruptions by clarifying definitions to ensure successive interruptions are recorded consistently.⁴³</p>	<p>Q11</p>	<p>Tranche 1</p>
		<p>Refine ID requirements or add guidance on assigning interruptions to cause categories.</p>	<p>Q12</p>	<p>Tranche 1</p>
<p>The usefulness of disclosed information is maximised by targeting the requirements where appropriate.</p>	<p>Some ID requirements are too high level to allow important trends or underlying factors to be identified.</p>	<p>Refine ID requirements on third party interference interruptions by breaking down into more specific categories, such as vehicle damage, “dig in”, overhead contact, and vandalism.</p>	<p>Q13</p>	<p>Tranche 1</p>
		<p>Expand ID requirements to include some raw outage data, which is currently only provided to us by non-exempt EDBs in advance of price-quality path resets.</p>	<p>Q14</p>	<p>Tranche 2</p>

⁴³ We consulted on this known issue at the last price-quality path reset ([link](#)). The ENA published a position paper on this issue ([link](#)) and we kept the status quo in our final decision ([link](#) p 348, 359).

Decarbonisation

- 3.10 As we discussed in our recently released Review of Electricity Distribution Businesses' 2021 Asset Management Plans in relation to decarbonisation, the main consequence for EDBs from decarbonisation of the economy will be greater electrification.^{44,45}
- 3.11 EDBs' preparedness for such changes will affect the service they are able to provide and is therefore relevant to their performance. In order to ensure the long-term benefit of consumers is being promoted, by promoting outcomes consistent with those produced in competitive markets, we expect EDBs to plan for and react appropriately to changing market conditions, consistent with the purpose of Part 4, as set out in s 52A(1).
- 3.12 The potential changes to ID that relate to preparedness for decarbonisation (outlined in Table 3.2 below) are to ensure that sufficient information is readily available to interested persons to assess whether the purpose of Part 4 in s 52A(1) is being met. The elements of s 52A(1) that are most relevant to preparedness for decarbonisation are whether EDBs:
- 3.12.1 have incentives to innovate and to invest, including in replacement, upgraded, and new assets (52A(1)(a)); and
 - 3.12.2 have incentives to improve efficiency and provide services at a quality that reflects consumer demands (52A(1)(b)).
- 3.13 The potential changes and associated information disclosed will assist stakeholders to understand whether EDBs are planning appropriately so that they can continue to meet the needs of consumers in an ever-changing environment. EDBs need to plan on the supply-side to ensure that their assets are maintained and replaced as appropriate, that they innovate and invest in lower cost alternative solutions, and that their ongoing operations enable them to deliver the service at the quality demanded by consumers. They also need to plan and prepare for the impact that changes in future demand could have on their business.

⁴⁴ Review of Electricity Distribution Businesses' 2021 Asset Management Plans in relation to decarbonisation (can be viewed [here](#)). See especially the diagram on page 9 which shows how EDBs will potentially be affected by greater electrification and related developments.

⁴⁵ Whakama I Te Mauri Hiko "Monitoring Report" page 4 (March 2021), can be viewed [here](#).

- 3.14 Consumers and other stakeholders may be increasingly interested in understanding how EDBs are operating and investing in their networks, including through investing in or procuring flexible resources that are innovative, cost effective and reliable. Flexibility resources are delivered through distributed energy resources (DER) and larger resources like grid-connected generation that are controllable.⁴⁶ In light of this, we are considering ID changes that require EDBs to provide information that will assist stakeholders to understand:
- 3.14.1 how well EDBs are planning and preparing for greater electrification; and
 - 3.14.2 how EDBs are adapting to the changing environment and technical settings in which they operate.
- 3.15 Pricing performance is important in this context, with potentially increasing demand peaks and new technology providing opportunities for consumers or aggregators to shift demand. We are considering whether changes to existing ID requirements on line charge revenues may better enable analysis of pricing by interested parties. Our existing ID requirements provide that EDBs must publish pricing methodologies. Among other things, EDBs must explain whether their pricing methodologies are consistent with the pricing principles published by the EA in its 2019 distribution pricing principles and accompanying Practice Note.⁴⁷
- 3.16 We consider that stakeholders will want to have confidence and know that EDBs have considered the effect that greater electrification will have on their networks, especially in areas where it is likely to be most pronounced, eg on the low voltage network, and understand how they are planning for it. In relation to planning, we are considering changes that will help stakeholders understand how EDBs.⁴⁸
- 3.16.1 investment planning will respond to changes in the speed of change in demand or technology; and
 - 3.16.2 are considering the most efficient means of delivering the increased level and different services including through new technologies and innovations, such as the use of flexibility resources.

⁴⁶ By contrast, distributed solar without a battery is not a flexibility resource because it is not controllable.

⁴⁷ [EA "The 2019 distribution pricing principles" \(2019\)](#), [EA "Distribution Pricing: Practice Note" \(2021\)](#).

⁴⁸ We note the Electricity Authority's advisory group IPAG has made recommendations in this area.

Table 3.2 Potential ID changes related to decarbonisation

Outcomes we are seeking	Problems with current ID requirements in achieving the outcomes sought	Potential options to achieve outcomes	Amendment No.	Timing
Stakeholders better understand how EDBs are planning and preparing for decarbonisation.	<p>We expect that decarbonisation may affect EDBs' networks in terms of increased power flow, potentially, resulting in localised congestion and power quality issues, caused by EV uptake and new DER connections. A significant portion of EDBs' assets consist of low voltage (LV)⁴⁹ networks, which unlike the higher voltage networks, generally have limited network monitoring. Current ID requirements do not require EDBs to provide much information about their LV networks and stakeholders have very little visibility of EDBs' LV networks, in terms of information on capacity and power quality.</p>	<p>The range of changes that could be made to ID for EDBs to provide more information on their LV networks fall along a spectrum. At the more prescriptive end of the spectrum, there could be a requirement for EDBs to provide detailed and potentially much more frequent information about metrics of their LV network, such as those on capacity and power quality.</p> <p>A less prescriptive approach would be for EDBs to disclose their plans to develop and improve their LV network practices. This would be similar to the approach adopted for Aurora.⁵⁰</p> <p>We welcome feedback from stakeholders on the appropriate approach to take.</p>	D1	Tranche 2
	<p>Some EDBs have included in their AMPs an assessment of the potential effect of decarbonisation driving significant new large load on their network. However, this is not consistent across EDBs, and in any event, is not information that is explicitly required in ID.</p>	<p>There are various approaches that could be used to require EDBs to report more consistently and provide greater transparency, which would allow stakeholders to better understand the magnitude and effect of new large electricity loads on EDBs' networks.</p> <p>One example of this would be a requirement for an EDB to identify and report on the top 10 fossil-fuel loads in their area that could convert to electricity and the effect on their network and how they were preparing. Alternatively, a threshold (either absolute or proportional) could be introduced which required EDBs to report this information on new loads above a certain size.</p>	D2	Tranche 1

⁴⁹ Low voltage is defined in the Information Disclosure Regulations as the nominal Alternating Current (AC) voltage of less than 1000 volts or the assets of the EDB that are directly associated with the transport or delivery of electricity at those voltages.

⁵⁰ Electricity Distribution Information Disclosure (Aurora Energy Limited) Amendment Determination 2021, p 68, can be found on our website [here](#).

Outcomes we are seeking	Problems with current ID requirements in achieving the outcomes sought	Potential options to achieve outcomes	Amendment No.	Timing
	<p>There are existing disclosure requirements (clause 2.3.13) specific to related party transactions which require affected EDBs to provide a map of their anticipated network expenditure and network constraints.</p> <p>However, not all EDBs undertake related party transactions, meaning these requirements do not apply to all EDBs.</p>	<p>We want stakeholders to be better able to understand the current and likely future constraints on EDB networks. This includes helping those providing new technology or services to be able to plan to compete to offer a solution to the constraints and helping those planning to connect to the system to choose where to locate. There is a spectrum of options, from simply requiring EDBs to report on their plans and progress and different scenarios in this area, to more prescriptive approaches that could require EDBs to provide information on current and expected constraints in a standardised (geo-spatial) format.</p> <p>We want to understand how ID can help facilitate a shift to national level reporting of constraints with an approach that does not impose an unnecessary regulatory burden on EDBs.⁵¹</p> <p>For example, would simply expanding the requirements so that they apply to all EDBs be sufficient or do the existing requirements not capture all of the information necessary to properly explain the full nature of a constraint.</p>	D3	Tranche 1

⁵¹ This is an example of a requirement we would consider applying to Transpower, although it may be tailored differently to them.

Outcomes we are seeking	Problems with current ID requirements in achieving the outcomes sought	Potential options to achieve outcomes	Amendment No.	Timing
<p>Stakeholders have a better understanding of how EDBs are adapting to the changing environment and technical settings in which they operate, which is especially important given the impact decarbonisation will have on EDBs.</p>	<p>EDBs are required to report on their innovation activities under various clauses within ID. However, it can be difficult to identify the full spectrum of such activities being undertaken by EDBs through their disclosed information.</p>	<p>There are various options, but one approach might be to require EDBs to specifically report their innovations practices in a stand-alone way in terms of: (a) what measures are EDBs taking that are innovative; (b) why are they innovative; (c) what EDBs are trying to achieve by carrying out the particular innovation; and (d) how EDBs are measuring their success.</p>	D4	Tranche 1
	<p>Currently ID requires EDBs to report on their activities related to distributed generation. However, the requirements do not cover all flexibility resources, such as demand response. Further, there is no requirement for EDBs to make a specific declaration regarding the investigations and investment they have undertaken into exploring flexibility resources, as an option to provide innovative, cost effective and reliable electricity distribution services.</p>	<p>Require information on the investigations undertaken and investment into flexibility resources.⁵²</p>	D5	Tranche 1
<p>Stakeholders are better able to assess and compare EDBs' performance on pricing</p>	<p>We currently require EDBs to disclose revenue by price category and component, but the information is not standardised which we understand has made interested parties' analysis of pricing unnecessarily difficult. Understanding pricing performance is increasingly important given the increased demands on capacity during peak times due to increased electrification, and the ability of technologies to respond to price signals.</p>	<p>Refine current requirements by providing standardised price components and/or price categories that EDBs can record revenue against in addition to a free field for revenue that does not fit one of the standardised categories or components.</p>	D6	Tranche 2

⁵² This reflects recommendations from IPAG in relation to areas such equal access, and the review of Transpower's Demand Response.

Asset Management

- 3.17 The asset management practices of EDBs underpin their investment and operational activities. Effective asset management enables EDBs to provide a more reliable and efficient electricity lines service and is an integral part of ensuring that EDBs provide services at a price and quality that reflects the demands of consumers.
- 3.18 Our window into an EDB’s asset management practices is through its information disclosure, an important source of information that enables a wide range of stakeholders to understand and assess an EDB’s performance and asset management practices. We have a focus on encouraging improvements to asset management reporting by EDBs, which in turn encourages improvement of the asset management practices that underpin this reporting.
- 3.19 The amendments related to asset management in this paper have been informed both by issues raised by external parties and issues identified internally in previous work we have undertaken related to asset management, such as:
- 3.19.1 the reporting of asset management practices by EDBs; and ⁵³
 - 3.19.2 the AMP Review of EDB Risk Preparedness.⁵⁴
- 3.20 EDBs operate in a changing environment, meaning that historical performance and expenditure information may not necessarily be a guide to future outcomes in the sector. We are also aware of the challenges facing EDBs around maintaining resilience and managing increased weather-related impacts on their networks, and the need to ensure EDBs undertake efficient investment in light of these challenges. It is therefore important we adapt our ID disclosures to capture new information relevant to the changing operating environment facing the electricity distribution sector.

⁵³ [Commerce Commission “Reporting of asset management practices by EDBs – a targeted review of potential improvements” \(2021\)](#)

⁵⁴ [Partna Consulting Group, “AMP Review of EDB Risk Preparedness” \(May 2019\).](#)

Table 3.3 Potential ID changes related to asset management

Outcomes we are seeking	Problems with current ID requirements in achieving the outcomes sought	Potential options to achieve outcomes	Amendment No.	Timing
EDBs' investment and operational efficiency are better understood by stakeholders.	Asset age data currently captured by ID is not sufficient to support Replacement Expenditure (Repex) modelling because it lacks specificity. Repex modelling can be used to help inform stakeholders as to whether a particular EDB is making optimal asset replacement decisions.	Possible improvements to improve the specificity of asset age data disclosed under ID include: <ul style="list-style-type: none"> • Finding an appropriate way to report what is currently designated as 'unknown' in the asset age category; and • Splitting out asset age data at a level that is more granular than by decade for assets installed before 2000. 	AM1	Tranche 1
	The expenditure categories that EDBs are required to report are not sufficiently granular to enable stakeholders to understand the nature and efficiency of EDBs' expenditure.	Identifying cost categories with known or observable relationships to other data that can enable better understanding of the efficiency of EDBs' expenditure plans. Unit costs are one basic approach we might explore, including: <ul style="list-style-type: none"> • Capex unit costs eg, asset replacement cost per unit (poles, conductors, transformers etc.); and • Opex unit costs eg, vegetation management expenditure/per km cut. 	AM2	Tranche 2
Key asset management information is more accurate and/or accessible to stakeholders, and better accounts for the challenges facing EDBs around maintaining resilience and managing	Key information relating to asset management practices is located in various places within the AMPs, and the structure of AMPs varies between EDBs. This makes it difficult for stakeholders to identify and access such information.	There is a wide spectrum of information that may be useful to stakeholders as well as various options for presentation in terms of format and location within the AMP. We are seeking feedback from stakeholders on the key information that stakeholders would like to be most accessible and the most useful manner it can be presented within an AMP. One approach to receiving this feedback may be through a user group forum to inform areas of interest.	AM3	Tranche 2

Outcomes we are seeking	Problems with current ID requirements in achieving the outcomes sought	Potential options to achieve outcomes	Amendment No.	Timing
<p>increased weather-related impacts on their networks.</p> <p>Key asset management information is more accurate and accessible to stakeholders, and better accounts for the challenges facing EDBs around maintaining resilience and managing increased weather-related impacts on their networks.</p>	<p>EDB reporting is currently not comprehensive enough to fully capture the range of resilience related risks EDBs face, including those posed by the effects of climate change on weather and sea levels (and possibly other factors such as vegetation growth rates).</p>	<p>Improved reporting on the resilience and contingency planning of an EDB’s network could be enabled through ID changes, which we note would consequently support the work of the EA and other stakeholders. We are seeking feedback on how disclosure requirements could capture more comprehensive information on resilience and contingency planning.</p>	AM4	Tranche 2
	<p>It is not always clear whether an outage that occurs during a storm is (a) primarily due to the storm itself; or (b) due to the impact of the storm on network assets that are in a poor state of repair or with insufficient design tolerance for their conditions.</p>	<p>Require a summary report of each significant storm event. This could be informed by internal reporting and recording that could include the following:</p> <ul style="list-style-type: none"> • wind speed and wind direction data; and • whether the wind speed actually exceeded the design tolerances of the network. <p>We are seeking further feedback on this from stakeholders to achieve a cost-effective solution that is useful to stakeholders.</p>	AM5	Tranche 2
	<p>There appears to be a minor clarification required around what is classified as “Overhead circuit requiring vegetation management” with values ranging from 0% to 100%. More accurate data on the proportion of an EDB’s network that requires vegetation management can help stakeholders better understand the efficiency of EDBs’ vegetation management expenditure.</p>	<p>Potential changes to the definition of ‘overhead circuit requiring vegetation management’ so that it is based upon a maximum distance between vegetation and an overhead circuit. We welcome feedback on what this distance should be or how else it can be consistently defined in the ID determination.</p>	AM6	Tranche 1

Outcomes we are seeking	Problems with current ID requirements in achieving the outcomes sought	Potential options to achieve outcomes	Amendment No.	Timing
<p>Improved confidence in forecasts disclosures:</p> <ul style="list-style-type: none"> • Give stakeholders greater confidence in the robustness of EDB spend forecasts; and • Support price-quality path resets, as changes in EDBs' operating environment may mean historic spend requirements are no longer a good indicator of future spend requirements. 	<p>Current reporting requirements on lifecycle asset management planning: (a) do not cover vegetation management-related maintenance; and (b) lack sufficient detail to properly justify the expenditure projections of each asset category.</p>	<p>Potential changes to the lifecycle asset management planning provisions to: (a) include vegetation management-related maintenance; and (b) include sufficient detail on the assumptions, modelling and economic justifications underpinning the relevant policies, programmes, actions and expenditure projections of each asset category.</p>	AM7	Tranche 1
	<p>Current reporting requirements on lifecycle asset management planning: (a) do not include sufficient information related to the data used to forecast asset replacement and renewal projects and programmes; and (b) lack sufficient detail to explain the methodology used by the EDB to determine the forecast expenditure within the AMP planning period.</p>	<p>Potential changes to the lifecycle asset management planning provisions to: (a) include the processes and systems used to gather and verify the data used to forecast asset replacement and renewal projects and programmes; and (b) provide sufficient detail on the assumptions, modelling, and consideration of non-network alternatives underpinning the methodology used by the EDB to determine the forecast expenditure within the AMP planning period.</p>	AM8	Tranche 1
	<p>EDBs must disclose 'single point' values in their forecasting schedules.⁵⁵ However, in certain situations it may be beneficial for stakeholders if EDBs were to provide an explanation and exploration of scenarios, in addition to providing a single point forecast.</p>	<p>We welcome further stakeholder feedback on whether it may be beneficial if EDBs were to disclose an explanation and exploration of scenarios, in addition to providing a single point forecast in their forecasting schedules, and if so, in which areas and format would this be most useful.</p>	AM9	Tranche 1
	<p>Schedule 12 forecasts number of new connections (gross increase) but doesn't account for disconnection so that stakeholders can understand the forecast disconnections.</p>	<p>Change the relevant provisions so that stakeholders can understand the number of forecast disconnections on an EDB's network.</p>	AM10	Tranche 1

Outcomes we are seeking	Problems with current ID requirements in achieving the outcomes sought	Potential options to achieve outcomes	Amendment No.	Timing
	Additional information is required to enable stakeholders to better understand, test, and assess EDBs' expenditure. In particular, additional or different data would have better enabled related ID metrics to support our capex forecasting for our last reset.	Potential changes to enable ID data to better inform stakeholders understanding of EDBs' expenditure proposals. Capex forecasts (particularly in the context of decarbonisation and technological change).	AM11	Tranche 1

⁵⁵ This issue originates from Vector Lines' proposal to include ranges within their expenditure forecasting schedules.

Aligning ID with other regulatory rules

3.21 This section includes amendments designed to remove material inconsistencies between the ID requirements and the requirements related to either the IMs or to the current price-quality path. We have included changes that are simple enough to be made in time for the 2025 reset, and important enough with regards to improving EDB performance. Aligning ID with our regulatory rules also lowers compliance costs and provides greater regulatory certainty for EDBs.

Table 3.4 Potential ID changes related to Aligning ID with other regulatory rules

Outcomes we are seeking	Problems with current ID requirements in achieving the outcomes sought	Potential options to achieve outcomes	Amendment No.	Timing
ID is aligned with our other regulatory rules	The definitions of “recoverable costs” and “pass through costs” are inconsistent between the ID determination, the IMs and the current price-quality path.	Changes proposed to the relevant clauses to ensure consistency of definitions of “recoverable costs” and “pass through costs”.	A1	Tranche 2
	Currently there is no mechanism in ID to allow EDBs to disclose their accelerated depreciation data. In our 2016 IM Review we decided to allow applications for adjustment factors in order to allow non-exempt EDBs, successful in an adjustment factor application, to disclose their accelerated depreciation data.	As part of this change, we will consider whether to amend the definition of 'asset or assets with changes to depreciation'.	A2	Tranche 2

Chapter 4 Next steps and how you can provide your views

Purpose of this chapter

4.1 This chapter sets out the process we intend to follow for the ID Review and what each step of the process will address. It also provides details on how you can provide your views on this paper.⁵⁶

Process for the EDB ID Review

4.2 We have structured the ID Review process to allow stakeholders opportunities to participate in its development. In Table 4.1 we set out the key dates of the ID Review process, which are then discussed below.

Table 4.1 EDB ID Review key dates and milestones (milestones after 4 May 2022 are indicative)

Date	Key process or publication
23 March 2022	Process and Issues paper published
20 April 2022	Submissions on Process and Issues paper due
4 May 2022	Cross submissions on Process and Issues paper due
15 June 2022	Draft decisions on first tranche published
13 July 2022	Submissions on first tranche draft decisions due
27 July 2022	Cross-submissions on first tranche draft decisions
September 2022	Final decision on first tranche published
Mid 2023 (TBC)	Draft decisions on second tranche published

Process and Issues paper

4.3 As discussed in Chapter 1, the purpose of this Process and Issues paper is to consult on the issues that exist in achieving the intended outcomes of ID, and potential ID changes that can address those issues. We welcome your feedback on:

4.3.1 other potential issues you would like us to consider, and any feedback on the issues we have described in this paper;

⁵⁶ Details on the IM process will be provided in the upcoming Process and Issues paper on the IM Review. Further details on this can be found on the IM webpage [here](#).

- 4.3.2 potential ID changes that could address the issues, and feedback on the potential changes described in this paper; and
 - 4.3.3 the proposed process and timeframe, including the allocation of potential changes to two different tranches - Tranche 1 and Tranche 2.
- 4.4 To assist us in our process, we ask you to refer to the four categories of this review and the high-level intended outcomes (described in the tables in this paper) in your submission, wherever possible.
- 4.5 Details on the submission process are provided below.

Draft decision

- 4.6 We intend to publish a draft decision on 15 June 2022 on those Tranche 1 issues on which we propose making a final decision before the end of September 2022 to allow EDBs time to put systems in place to implement the changes and start collecting data from 1 April 2023. In allocating potential ID changes to the first tranche of amendments, we will need to consider the overall scale of the tranche 1 amendments and our resources available to make those ID changes in addition to considering the feedback from submissions. This draft decision will provide more details on issues on which we propose making a final decision by September and the changes we propose to make, building on the material discussed in this paper and informed by submissions we receive in response.
- 4.7 The draft decision will include:
- 4.7.1 a reasons paper explaining the rationale for the changes which we propose should apply; and
 - 4.7.2 a draft determination reflecting the associated changes to ID necessary to implement the changes proposed.
- 4.8 The draft decision will be followed by a four-week submission period and a two-week period for cross-submissions.

Final decision

- 4.9 We intend to publish our final decisions on the first tranche changes in September 2022.

Second tranche changes

- 4.10 We expect to release a draft decision on the second tranche of changes in early-mid calendar year 2023. We will give further consideration to the timing of the Tranche 2 changes after the final decision on the Tranche 1 changes.

How you can provide your views

Submissions on this paper

4.11 We welcome your views on the matters raised in this paper, and on any other matters relevant to the ID Review, within the timeframe below:

4.11.1 submissions by 5pm on **Wednesday, 20 April 2022**; and

4.11.2 cross-submissions by 5pm on **Wednesday, 4 May 2022**.

Address for submissions

4.12 Please email your submissions to:

4.12.1 regulation.branch@comcom.govt.nz; and

4.12.2 include “EDB Targeted ID Review” in the subject line of your email.

4.13 We prefer submissions in formats suitable for data analysis and for publication on our website, such as Microsoft Word or PDF document.

Confidential submissions

4.14 We encourage public submissions so that all information can be tested in an open and transparent manner. We recognise that there may be cases where parties that make submissions wish to provide information in confidence. We offer the following guidance:

4.14.1 if it is necessary to include confidential material in a submission, the information should be clearly marked, with reasons why that information is confidential;

4.14.2 where commercial sensitivity is asserted, submitters must explain why publication of the information would be likely to unreasonably prejudice their commercial position or that of another person who is the subject of the information;

4.14.3 both confidential and public versions of the submission should be provided and clearly labelled accordingly; and

4.14.4 the responsibility for ensuring that confidential information is not included in a public version of a submission rests entirely with the party making the submission.

- 4.15 Please note that all submissions we receive, including any parts that we do not publish, can be requested under the Official Information Act 1982. This means we would be required to release material that we do not publish unless good reason existed under the Official Information Act 1982 to withhold it. We would normally consult with the party that provided the information before any disclosure is made.

Attachment A Work programme for EDB Targeted ID Review and IM Review

