

Chorus submission on length of second regulatory period

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Discussion

1. This is Chorus' submission on the paper *Duration of the second regulatory period for Chorus' price-quality path – draft decision*, dated 8 December 2022 (**draft decision**). This submission is not confidential.

Length of regulatory period

2. We agree with the draft decision to set the length of Chorus' second regulatory period (**PQP2**) at four years, from 1 January 2025 to 31 December 2028. This length strikes the right balance between the costs of preparing and reviewing expenditure proposals while minimising forecast uncertainty, as well as providing improved incentives (relative to PQP1) to find and deliver efficiency gains.

Timing of final decision

3. We welcome the draft decision to confirm the length of PQP2 before the end of February 2023. This is a pragmatic and sensible step that will help Chorus focus our PQP2 expenditure proposal on the years covered by PQP2. The Input Methodologies (**IMs**) still require our expenditure proposal to include forecast information covering five years from the start of PQP2.¹ However, having early certainty about the length of the regulatory period means we can focus our proposal for PQP2 on:
 - a. end user outcomes (including quality performance) and our capability development goals (including for asset management and consumer engagement)
 - b. quality standards that promote good end-user outcomes
 - c. analysis, explanation, verification, and assurance of forecast expenditure
 - d. revenue smoothing settings, including within and between periods, and potential regulatory incentive arrangements.
4. As a complement to the decision on the length of the regulatory period, it would also be useful to have early confirmation that information notices will not require forecast information beyond the five years specified in the IMs.

Chorus' regulatory year

5. We agree that Chorus' regulatory year should not change from the current December year-end. The draft decision paper considered setting the duration of PQP2 to align with Chorus' fibre pricing (September year-end) or financial reporting (June year-end).
6. Chorus has already invested to establish reporting systems that are based on the current January-December regulatory year. Changing to a new reporting year would be costly and could cause confusion in terms of the time series of data. We agree there is not sufficient value to justify such a change at this stage.

¹ Clause 3.7.7(1).

Default length for future regulatory periods

7. The draft decision does not propose setting a default length for Chorus' future regulatory periods. However, the Commission believes there may be potential benefits from setting a default length in future. Chorus agrees this is worth considering. We suggest it is assessed during the next fibre IM review as there may be consequential changes to the IMs to reflect this practice (eg if the default length is less than five years, the standard requirement to provide five-year forecasts in each expenditure proposal could be relaxed in some circumstances).