NZ AIRPORTS
ASSOCIATION

26 May 2021

Mr Andy Burgess,
Head of Energy, Airports, and Dairy Regulation
Commerce Commission New Zealand
PO Box 2351,
Wellington 6140

Dear Mr Burgess,

RE: Open letter—ensuring our energy and airports regulation is fit for purpose

NZ Airports thanks the Commerce Commission for the opportunity to comment on the open letter and the elements within it that relate to New Zealand's three regulated airports.

The regulated airports have confirmed that they are happy for NZ Airports to provide the following feedback on their behalf.

Overall, the regulated airports are comfortable with the Commission's three main priorities as set out in the first page of your open letter, namely:

- upcoming reset of price-quality paths for gas pipeline businesses by the end of May 2022 (gas reset)
- upcoming input methodologies (IMs) review, most by December 2023 (IM review)
- ongoing summary and analysis of disclosed information, and a planned project of targeted amendments to the information disclosure regime (targeted ID review).

We note that the primary focus of the first and third items appears to be regarding gas and electricity distribution businesses. Given the Commission's quite active airport regulation programme over recent years (e.g., the airport IM review, reviews of recent price setting decisions, and changes to information disclosure regime to better align with aeronautical pricing), and the very difficult trading position and uncertain outlook faced by the regulated airports owing to COVID-19, the airports support the Commission's primary focus at this time on the regulation of energy networks.

Please correct us if wrong, that the IM review timeline and the planned targeted amendments to the information disclosure regime also applies to airports. We understand that the requirement for the Commission to review the IMs follows a seven-year cycle. By design, this timetable cannot always provide certainty for all regulated entities ahead of price setting events. It is likely that both Auckland Airport and Christchurch Airport will reset prices ahead of the scheduled release of the Final Input Methodologies.

We consider that conclusions drawn on the impact of COVID-19 for forward looking business risks will differ materially by sector and that airports will need to bring this evidence forth when prices are reset. The regulated airports would welcome discussions on the intended timeframe and process for updating airport sector WACC estimates.

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At present we have not identified any significant barriers in Part 4 itself or the IMs that affect the decarbonisation priorities of airports. The main airports are already targeting energy use reductions and are preparing for a likely increase in electricity demand from its airline customers. As such we are concerned about the capacity of the electricity network to meet growing demands. Inadequate incentivisation of investment, and inadequate mobilisation of resources from government and business, could hold back New Zealand's ability to meet its climate change targets.

Nor do we think that change to the information disclosure regime for airports is a high priority.

We note that mandatory climate-related disclosures are imminent (by 2023) for all three regulated airports per the External Reporting Board (XRB) process to develop TCFD-related reporting standards to support the Government's proposed new climate reporting regime. This is because all three airports have listed debt &/or equity securities on the NZX. We would welcome an approach which avoids the duplication, inefficiency and potential conflicts of possible new decarbonisation disclosures for the airport ID regime with the new statutory climate-related reporting regime already under development in NZ.

Please contact NZ Airports if you wish to clarify any part of this letter.

Yours sincerely,

Kevin Ward
Chief Executive