

Emerging capex framework for DPP4

Online workshop held Monday 26 February 2024

On 26 February 2024, we held an online workshop to share our early thinking on key components of the capex framework (process by which we will set capex allowances for DPP4), including how we are thinking about using the 2023 AMP review. The workshop slides and recording of the workshop are available on our [website](#).

We welcome your views on the questions raised in the capex workshop slide pack, or on other matters relevant to our capex framework.

We prefer submission in both a format suitable for word processing (such as Microsoft Word document) as well as a 'locked' format (such as a PDF) for publication on our website.

Please send your feedback to us by 5pm on 11 March 2023 with "Submission on EDB DPP4 capex workshop" in the subject line of your email

Responses should be addressed to:

Ben Woodham, Electricity Distribution Manager

c/o infrastructure.regulation@comcom.govt.nz

Confidential submissions

We discourage requests for non-disclosure of submissions so that all information can be tested in an open and transparent manner. However, we recognise that there may be cases where parties that make submissions may wish to provide information in confidence. We offer the following guidance:

- If it is necessary to include confidential material in a submission, the information should be clearly marked, with reasons why that information is confidential.
- 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 subject to the information.
- Both confidential and public versions of the submission should be provided.
- 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.
- We request that you provide multiple versions of your submission if it contains confidential information or if you wish for the published electronic copies to be 'locked'. This is because we intend to publish all submissions on our website. Where relevant, please provide both an 'unlocked' electronic copy of your submission, and a clearly labelled 'public version'.

Questions for written feedback

We have collated the questions from our capex workshop slides in one place so that interested submitters can download this table in a format that allows them to include their responses to the questions proposed.

Stakeholders are not limited from providing additional information related to components of the capex framework beyond those framed in the questions below.

The page number references relate to the capex workshop slides published on our [website](#).

Findings from review of 2023 Asset Management Plans (slides 15-18)

Question 1:

In your view how could the “NZ EDB 2023 AMP Review” report be taken into account within our capex framework?

Answer:

Metrics for assessing system growth, consumer connections, and renewal-related expenditure (slides 28-52)

Question 2:

Are the proposed metrics (individually and/or in combination) useful for identifying EDBs where additional scrutiny may be warranted?

Answer:

Question 3:

Are there other metrics we should consider? Please explain your reasons and provide evidence to support your proposal.

Answer:

Question 4:

Where an EDB’s capex intensity is expected to change significantly (eg, 5% or more than historical), please provide indication where your 2023 AMP or s53ZD response explains the overall expected change in expenditure mix and the extent to which you have assessed the efficiency of this change (given the emerging scope for non-network/non-traditional solutions).

Alternatively, please state whether you are expecting to provide an explanation as part of your 2024 AMP.

Answer:

Question 5:

How could we assess that forecast expenditure has appropriately considered impacts that could be achieved through distribution pricing (in the context of a relatively low-cost DPP)?

Answer:

Application of additional tests in the capex framework (slide 54)**Question 6:**

Some EDBs are expected to be identified (according to the proposed metrics or alternative metrics) to belong to a 'further scrutiny grouping', for one or several expenditure categories. Please identify effective means of providing additional assurance (consistent with the relatively low-cost nature of a DPP) that the forecast levels of investments are in the long-term interest of consumers:

- additional information requirements and/or tests that could be applied
- how investments that are particularly uncertain could be identified (on the basis that they may be better addressed through reopeners).

Answer:

Historical reference periods (slide 55 - 56)**Question 7:**

Historical reference periods are likely required to assess the scale of change. What reference period should the capex framework adopt for DPP4 and why?

Answer:

Flexibility mechanisms (slides 61 to 66)**Question 8:**

Please identify whether large connection contracts (LCC)-eligible connection expenditure is listed in AMP 2023 and/or information provided in response to the s53ZD notice (issued November 2023) and the location of this information within the documentation provided.

- If you haven't identified LCC-eligible connection expenditure, please comment on the feasibility of creating a list of connection projects and programmes that would potentially meet the definition of an LCC in AMP 2024.
- If the information is readily available, please provide the listing.

Answer:

Deliverability and additional reporting requirements (slides 67-77)

Question 9:

We understand that forecast expenditure is driven by project size and scope, volume of work and cost of the work programme. To the extent that the increase in the forecast work programme is due to cost, please explain the variation in cost increases across capex categories beyond CGPI. What supporting information / analysis can you provide?

Apart from having considered the challenges of delivering your work programme at an individual EDB level, what approach and evidence do you have that you have also taken into account potential sector-wide deliverability constraints?

What are your views on our proposal to consider deliverability as part of uncertainty regarding EDB expenditure, alongside need, timing and cost?

- What alternatives do you propose?
- Are there particular categories or capital expenditure which are more likely to be exposed to potential deliverability constraints?

Answer:

Question 10:

What are your views regarding our proposal to place additional reporting requirements on EDBs with significant increases in work programmes?

- What alternative proposals can you suggest that would achieve a similar outcome of enabling interested stakeholders to assess how well EDBs are delivering their significantly increased work programmes?

What are the challenges you perceive in providing additional reporting?

- Are there any implementation or workability concerns that we should be aware of?
- What information do you currently produce for internal reporting purposes that could be used to achieve similar outcomes?

Answer:

Other feedback

Question 11:

Please add in any other feedback that you would like to share about key components of the emerging capex framework below.

Answer:
