

By email

14 March 2018

Greg Skelton
Chief Executive Officer
Wellington Electricity Lines Limited
85 The Esplanade, Petone
Lower Hutt, New Zealand
Email: GSkelton@welectricity.co.nz

Dear Greg

Exemption request response – Pricing Methodology information disclosure exemption for Wellington Electricity Lines Limited

1. We refer to your letter of 9 March 2018 in which you requested the Commerce Commission (Commission) to grant an exemption to Wellington Electricity Lines Limited (WELL) from the pricing methodology disclosure requirement of clause 2.4.3(3) of the Electricity Distribution Information Disclosure Determination 2012, as amended (ID Determination) to allow WELL to disclose target revenue for a period other than the full disclosure year of 1 April 2018 to 31 March 2019.

Background to the request

2. Clause 2.4.3(3) of the ID Determination requires that electricity distribution businesses (EDBs) “state the target revenue expected to be collected for the disclosure year to which the pricing methodology applies.”
3. WELL has applied to the Commission for a streamlined customised price-quality path (CPP) which is expected to apply for a three year period commencing 1 April 2018, and is yet to be approved by the Commission. To allow for the CPP determination to be made, WELL has deferred the timing of its price changes, from 1 April 2018 to 1 July 2018. Accordingly, it is proposed that WELL’s pricing methodology disclosure document that is to be published by 31 March 2018 under clause 2.4.1 of the ID Determination would relate to the period 1 April 2018 to 30 June 2018.

Exemptions requested

4. On the basis that the pricing methodology disclosure document that is to be published by WELL by 31 March 2018 covers the three month period 1 April 2018 to 30 June 2018, WELL proposes to state the target revenue for only the first three months of the 2018 disclosure year.

5. The remaining disclosure requirements under clauses 2.4.1 to 2.4.5 of the ID Determination for the pricing methodology will be met, and WELL will clearly state the period to which they relate and the rationale for the prices that will apply for this three month period.
6. WELL proposes to issue a subsequent pricing methodology disclosure by 30 June 2018 reflecting the impacts of any price changes arising from the CPP determination.

Exemptions granted

7. The Commission considers that the exemption requested by WELL is necessary within the circumstances created by the timing of the CPP determination and that disclosing target revenue for the three month period, 1 April 2018 to 30 June 2018, is likely to be a more accurate representation of the target revenue figures known to WELL before the CPP is determined.
8. Under clause 2.11.1 of the ID Determination the Commission grants WELL an exemption from the requirement in clause 2.4.3(3) of the ID Determination on the condition that WELL:
 - 8.1 notes on its website by 31 March 2018 that it has been granted this exemption;
 - 8.2 by 31 March 2018, discloses the target revenue for the three month period 1 April 2018 to 30 June 2018;
 - 8.3 prepares and discloses by 30 June 2018 a subsequent version of the pricing methodology disclosure document, which reflects the impacts of any price changes arising from the CPP determination. This version of the pricing methodology disclosure will include the target revenue for the remainder of the 2018 disclosure year (1 July 2018 to 31 March 2019) as well as for the full year 1 April 2018 to 31 March 2019;
 - 8.4 notes that it has been granted this exemption with the publication of each of the disclosures referred to in paragraphs 8.2 and 8.3 above, and in each case clearly stating the period to which the disclosure relates; and
 - 8.5 the remaining pricing methodology disclosure requirements under clauses 2.4.1 to 2.4.5 of the ID Determination will be met.
9. This exemption only applies to disclosure year 2018.

Further information

10. This exemption may be revoked or amended in accordance with clause 2.11.1(2) of the ID Determination.
11. A copy of this exemption response letter will be published on the Commission's website.

12. For any further questions relating to this letter, please contact Alison Young on (04) 924 3823 or alison.young@comcom.govt.nz.

Yours sincerely

A handwritten signature in black ink that reads "Sue Begg". The signature is written in a cursive style with a large initial 'S' and 'B'.

Sue Begg

Deputy Chair