

27 October 2023

Commerce Commission  
PO Box 2351  
Wellington 6140  
Via email to [IM.Review@comcom.govt.nz](mailto:IM.Review@comcom.govt.nz)

Dear Jo,

Electricity Networks Aotearoa (ENA) welcomes the opportunity to submit this cross-submission on the Commerce Commission's (Commission's) proposed Input Methodologies (IM) cost of debt wash-up mechanism. ENA represents the 27 electricity distribution businesses in New Zealand (see Appendix A) that provide local and regional electricity networks.

In its original submission on the Debt Wash-up mechanism, ENA noted that the proposed approach does not address the underlying cause of the issue but simply masks its symptoms.<sup>1</sup>

Given the complexity and consequential impacts on EDB prices and financeability of the cost of debt issues, ENA welcomes the detailed analysis of the debt wash-up conducted by the Competition Economists Group (CEG) on behalf of the "Big 6" EDBs.

ENA agrees with CEG's view that "the Blended CPI model is a significant improvement on the Commission's preferred revenue adjustment model." and that the additional complexity of the Blended CPI approach is "trivial when compared to the cost of additional complexity in EDBs' capital management if a revenue wash-up is implemented."

ENA also notes CEG's finding that "[t]here would also be significant economic costs and dislocation to EDB's capital management activities, cash-flows, and "financeability" if a revenue wash-up were pursued."

Additionally, as noted by Chorus, the Commission's assumption that EDBs fix all their debt costs at the beginning of the regulatory period is incorrect and conflicts with the operation of the current and proposed uncertainty mechanisms within the IMs. For example, this assumption does not hold if an EDB were to apply for increased capex through a reopener. The additional capex awarded through the reopener would need to be funded at the rates at the time not the rates at the beginning of the period.

Given the above, ENA supports Vector, the Big 6 and CEG's call for the Commission to implement the amended Blended CPI approach as set out in the CEG report.

Yours sincerely

Keith Hutchinson  
Regulatory Manager

---

<sup>1</sup> ENA, 2023 Submission on Cost of Debt Wash-up, available at <https://www.ena.org.nz/submissions/previously-published-ena-submissions/2023-submissions/>  
Level 5, Legal House, 101 Lambton Quay  
Wellington 6011, New Zealand  
[ena.org.nz](https://www.ena.org.nz)

## Appendix A

The Electricity Networks Aotearoa makes this submission along with the support of its members, listed below.

Alpine Energy  
Aurora Energy  
Buller Electricity  
Centralines  
Counties Energy  
Electra  
EA Networks  
Firstlight Network  
Horizon Energy Distribution  
Mainpower NZ  
Marlborough Lines  
Nelson Electricity  
Network Tasman  
Network Waitaki  
Northpower  
Orion New Zealand  
Powerco  
PowerNet  
Scanpower  
The Lines Company  
Top Energy  
Unison Networks  
Vector  
Waipa Networks  
WEL Networks  
Wellington Electricity Lines  
Westpower