unison
The Powerlines People

26 January 2024

Ben Woodham, Electricity Distribution Manager
Commerce Commission
Te Komihana Tauhokohoko
E: infrastructure.regulation@comcom.govt.nz

UNISON NETWORKS LIMITED CROSS SUBMISSION ON THE DPP4 RESET ISSUES PAPER

The submissions in response to the Issues Paper indicate significant consensus with EDBs and wider stakeholders that justified investment needs to be fairly funded in DPP4.

Various types of consumers are represented in submissions. Many submissions demonstrate that consumers do not consider it is in their long-term interests for EDBs to receive a default price-path that:

- constrains prudent investment in reliability and growth in response to increased demand on existing connections and large connection requests; and
- fails to genuinely incentivise, or continues existing disincentives in, flexibility services / demand-side management.

We highlight aspects we consider naturally flow from the consensus between EDBs and stakeholders:

- a substantial starting price increase in DPP4 is required to minimise future inequities that will flow from continuing settings that have worsened under recovery in DPP3;
- a financeability test will provide more certainty for EDBs and accuracy navigating the challenging tension between price shocks and financial hardship; and
- uncertainty mechanisms are a balanced regulatory response to forecasting challenges relating to the electricity market (the price/quality trade off) and 'provide a relatively low-cost way of setting price-quality paths' consistent with s 53K of the Commerce Act 1986 (**Act**).

There are pragmatic DPP solutions

As clear in PWC's work for PowerCo,[1] there are demonstrably justified uplifts in prices that are a mere function of the Commission's previous default price-path (**DPP3**). Alongside its peers, and with the benefit of wider stakeholder input on the Issues Paper, Unison supports the Commission reviewing whether the largely traditional approach it took to uncertainty mechanisms during the Input Methodologies Review 2023 helps or hinders it to promote s 52A of the Commerce Act in the DPP4 reset. For example, Use it or Lose it Allowances for engaging flexibility are pragmatic and transparent, and can be scrutinised proportionately to protect consumers from EDBs earning excessive profits.

Pragmatic solutions at a time of growing regulatory burden will also improve efficiency at EDBs, which over time will be shared with consumers (in the alternative, the cost of several alternative high-cost CPPs and regulatory inefficiency will also be shared with a large group of consumers). At a time of considerable opex pressure (widely referred to by EDBs) ever increasing regulatory burden needs careful analysis against its purpose and benefits.

There appears to be likely groupings of EDB capex requirements within the industry (high, medium, and low). It appears consistent with ss 52A, 52R and 53K to develop settings that apply to each group within a price-path, and where necessary alter the Input Methodologies to better promote s 52A in that context.

[1] PowerCo's submission, Pg 42 onwards.

A financeability test will support fairer alternate rates of change

We encourage the Commission to consider how the regime can promote s 52A by responding to a group with high capex needs, and who are subject to similar constraints and risks.

Section 53P(8)(a) and (b) envisage EDB specific alternative rates of change to starting prices. A financeability test in the Input Methodologies will give the Commission greater confidence in its justification for setting the alternate rate of change. We note the broad support for the Commission assessing price shocks to consumers more granularly.

Passing-on independently verified insurance costs is again a pragmatic mechanism to promote optimal allocation of risk to consumers. The alternative is that these out-of-EDB-control increases lead to imprudent insurance decisions or accepting costs that undermine the incentives to invest, improve efficiency, and provide services at a quality that reflect demand otherwise provided by Input Methodologies and the price-path.

The pathway to a CPP must be balanced against fit-for-purpose DPP solutions

Re-balancing the regulatory settings now is fundamental to the integrity of the regime. Section 53K of the Act does not indicate a preference in the regime for a CPP to respond to particular circumstances. It provides a CPP as an option, to be proposed by a supplier, as an alternative price-quality path to 'better' meet its 'particular circumstances'. That voluntary option does not provide an alternative to the Commission creating a low-cost default price-path that tries to respond to those circumstances, especially when shared with industry peers.

Practically, considering the timing of preparing a CPP, alongside the statutory timeframe of the Commission, the Act requires the Commission process up to four CPPs in one year, each with a statutory timeframe of a maximum 320 days from receipt.[2] That would require considerable resource and cost at the Commission, and at the EDBs proposing a CPP.

That collective cost appears difficult to justify against fit-for-purpose uncertainty mechanisms that embed proportionate scrutiny and promote s 52A incentives (including as a subset, s 54Q incentives in demand side management). The collective costs for the industry include:

- diverting internal Commission resource on efficient reopeners applications;
- diverting EDB internal resource from delivering forecast projects, and management and technical experts from responding to customer expectations at a transformative time; and
- resourcing with external consultants.

A potential unintended consequence of preventing price-path certainty for the sector is that it may impact the delivery of projects in the first half of the DPP until there is certainty about the CPP process. That is a significant cost in itself that is not in the long-term interests of consumers.

Submissions

The purpose of the table below is to confirm Unison's support or opposition for the position of submitters related to its views above and on other key matters, including alignment with its 19 December submission.

[2] Commerce Act 1986, ss 53S, 53T, and 53U.

Submitter	Issue and Unison's position
	Process
Vector	**Support** The Commission must inform stakeholders of dates and topics for any discrete issues papers and information requests in early 2024 as soon as reasonably practicable. The Commission must bring forward IAENGG's final report for EDBs to have some opportunity to incorporate IAENGG's feedback in their 2024 AMPs due 31 March 2024.
	Financeability and financial hardship
Alpine Energy	**Support** [46] Acknowledging that there is a lag between when forecast revenue from prices are set and wash-up balances are determined, the Commission needs to ensure the revenue recovery is largely completed during the regulatory period (DPP4) with minimal carryover to the following regulatory period (DPP5).
Alpine Energy	**Support** [47] However, the tension between mitigating price shocks to consumers and avoiding financial hardship for suppliers remains. It would be inconsistent with the long-term benefit of end users if financeability of Alpine is negatively impacted. If this is the case, the following may occur: a. Delaying or abandoning investment programmes that are of benefit to consumers and society. b. Debt becomes more expensive, and this will over time result in higher prices. c. If EDBs cannot recover these cost increases from consumers, this increases the risk that suppliers will underinvest, and future consumers will effectively pay for the higher financing costs, or alternatively, receive a lesser level of service.
Aurora Energy	**Support** The Commission needs to carefully consider the impact revenue deferrals will have on distributors cashflows. The Commission's view on undue financial hardship is only likely to apply in extreme scenarios and does not recognise that any deferral of revenue will have an impact on distributors cashflows and debt profiles. It is important that these impacts are reflected in the credit rating assumptions used in the calculation of the Weighted Average Cost of Capital (WACC).
Contact Energy	**Support** Pg 1. To ensure that this investment is possible, we support calls for the Commission to undertake a financeability test as part of the draft decision. Applying such a test will provide better information to the Commission, the wider government and other stakeholders about the challenges of the next period
Wellington Electricity	**Support** Pg 13. The consequence of underinvesting or investing too late is much larger than the cost of investing too early which is becoming trivial. [Support list of additional issues not captured in the Issues Paper.]
Wellington Electricity	**Support** Early in 2024 the Commission must detail how it will consider financeability when setting the DPP. This must include how key regulatory mechanisms will be set including how P0 changes will be implemented as well as: • Revenue smoothing (within-period smoothing or revenue caps) • Wash-up account drawdown specifics given inflation has seen wash-up balances within DPP3 grow more than previously observed.

Submitter	Issue and Unison's position
Vector	**Support** The Commission must ensure that the uncertainty created by the floated changes by the Electricity Authority (Authority) in relation to capital contributions, has no unintended consequences on EDBs' abilities to finance DPP4 expenditures and invest in electrification.
Vector	**Support** Pg 3. The continued significance of financeability is not just in section 53P (8)(a) and reference to "financial hardship" to the supplier. Financeability and the confidence upon which increased investment translates to increased cashflows goes to the heart of Part 4's statutory purpose - the incentive to innovate and invest. Pg 3. Part of the Commission's logic in rejecting calls for financeability to be expressly addressed within an existing or a new input methodology (IM) is that a customised price-quality path (CPP) application is available for individually impacted EDB businesses. We do not accept this logic. Without knowing with confidence how the Commission intends to approach financing and cashflow considerations (as is the objective of IMs) it would seem highly unlikely that regulated EDBs would apply for a CPP to address financeability concerns.
Vector, additional information	**Support** Oxera report Pg 5, Financeability analysis and cashflow considerations are important for assessing the real-world conditions faced by companies. Moody's, for example, considers cashflow timing under a regulatory regime as part of its credit rating assessment. It considers that deferral of allowed revenue (i.e. slow recoupment of CAPEX, through regulatory cashflow backloading) places negative pressure on companies' creditworthiness. Pg 15 The following steps could be taken by the NZCC in its financeability assessments to make its approach more robust. 1 First, define the target credit rating that the NZCC requires/intends companies to achieve. 2 Second, define the relevant metrics that will be measured and, where appropriate, the thresholds that will apply to indicate whether or not the financeability test is passed. 3 Finally, should a problem be identified, propose financeability remedies, and then test whether they are effective in remediating the modelled cashflow shortfall by running the same financeability analysis, but with the remedy applied.
	Starting prices, BBAR and revenue 'cap'
Aurora Energy	**Support** Consumer prices are essentially a function of revenue divided by volumes. Therefore, any measure of consumer price impact needs to consider both changes in revenue, and changes in volume. This is particularly important during the DPP4 transition period where electricity consumption is expected to grow as consumers transition from fossil fuels. The current revenue cap mechanism should include an annual adjustment for movements in volume to ensure that it is truly a measure of consumer price impact and does not disadvantage distributors who are experiencing high growth on their networks. Our submission includes a practical example of how this can be achieved during the annual price-setting process by including a measure of increased kWh delivered. ***Unison comment: we support Aurora's example but encourage broad consumer categories to reflect more accurate impacts.***

Submitter	Issue and Unison's position
Aurora Energy	**Support** [58.] We support the principle of allowing distributors to apply for accelerated depreciation rates for shorter life assets.
Consumer Advocacy Council	**Support** [20.] We note the commission's comments (para 5.41) regarding the importance of communicating clearly and accurately the likely impact on consumers' bills from this DPP reset. The Council welcomes the commission's focus on providing clearer information.
Contact Energy	**Oppose example** Pg 2. To help inform this judgement, we encourage the Commission to do further work on defining a price shock. For example, one proxy for a price shock could be retail customer-switching behaviour. This shows a revealed preference of price sensitivity. ***Unison comment: we support further work on defining a price shock however, retail customer-switching behaviour is a function of a workably competitive market and is an inappropriate proxy in the context of the Part 4 purpose. We do not equate 'price sensitivity' with 'price shock'.***
Electric Kiwi	**Support** Pg 2. The concerns are borne out by MBIE residential price monitoring which shows that while residential prices did go down following the last reset, the bulk of the network price reductions were absorbed in the energy (retail/wholesale) component of consumer bills. This highlights wider questions about how competitive the electricity market is and the extent to which it can be relied on to ensure consumers get the full benefits of network price regulation. … One of the things the above observations highlight is that it could be simplistic to assess price shocks for consumers using the real change in aggregate distribution revenue. The experience with the 2020 price reset is that network price changes are not necessarily fully passed through to consumers.
PowerCo	**Support** Pg 30 Q 27. We support the assessment of price shock and alternative x factors focusing on:..[we support the list provided].
Vector	**Support** The Commission in its decision on the IM framework identified ex-ante real financial capital maintenance (FCM) as a fundamental economic principle for the Part 4 regime. When considering smoothing to mitigate price shocks, the Commission must be mindful of this key economic principle and ensure that the entire revenue allowance (including wash-ups) be recovered within the DPP4 regulatory period (i.e. no planned deferral of revenues between DPP4 and DPP5).
Wellington Electricity	**Support** Network owners may need to double the capital that is currently required to operate distribution networks in New Zealand. Local councils and trusts are unlikely to have access to the levels of new debt and equity required to fund the ERP-related investment. To attract new investors, the DPP price path must be set at a level where EDBs can expect to earn a real return for their investment. As highlighted in the Commission's, Trends in Local Lines Companies Performance, EDBs have not earned WACC for both the DPP2 and DPP3 regulatory periods. Allowances for operating expenses for the last two regulatory periods have not been large enough to cover actual costs and most non-[exempt] networks are incurring regulatory penalties for overspending.

Submitter	Issue and Unison's position
Wellington Electricity	**Support** The consequence of underinvesting or investing too late is much larger than the cost of investing too early which is becoming trivial.
	Capex, deliverability and resilience
Alpine	**Support** [15.] [w]hile the Commission has indicated the AMPs would be the starting point in its capex forecasting approach, the comparisons and adjustments are expected to be in relation to historical spend levels. Given the structural changes all regulated EDBs are currently witnessing, we do not believe that past expenditure is a relevant indicator or predictor of future expenditure profiles.
Aurora Energy	**Support** [8] We encourage the Commission to support the energy transition by removing arbitrary capex limits that have traditionally been applied when assessing distributors capex allowances.
Aurora Energy	**Support** [24.] We believe there is a strong argument that the provisional limit of 10% currently applied to 'cap' EDB's forecast revenue increases, serves as a 'cash flow' penalty for EDB's that are investing prudently for the long-term benefit of consumers. Retaining the traditional approach of limiting capex allowances by reference to historical expenditure at a time when step changes to support electrification of the economy are required, carries the risk of disincentivising investment through the imposition of an additional penalty in the form of an IRIS calculation.
Aurora Energy	**Support** [28.] Deliverability, including sector-wide factors, is already considered when distributors prepare their AMPs. Any sector-wide adjustment for deliverability would ignore the fact that each distributor has their own unique deliverability considerations and mitigations in place. … [30] Throughout the CPP period we have successfully scaled up our internal and external works delivery capability and we do not see deliverability as a reason to deliberately constrain our forecasts and plans, which are linked to safety and consumer outcomes. ***Unison comment: we have scaled up our internal and external works delivery capability in DPP3. We will prove our capability to deliver our ten-year profile in FY24 and FY25.***
MEUG	**Oppose** [16.] We encourage the Commission to consider what mechanisms it has available if EDBs face significant delivery issues and by mid DPP4, are disclosing that they are not delivering the proposed level of investment. It is not in the best interest for consumers to continue to pay higher distribution charges, where projects are not being delivered and benefits not realised. ***Unison comment: the price-path must be considered in parallel to other mechanisms which provide transparency and incentives on deliverability. There is no evidence of excessive profits earned in DPP3 (confirmed by the Commission in the IM Review) and the increased debt profiles reduce the probability of that outcome in DPP4.***
Wellington Electricity	**Support** Pg 21 Without clear regulatory support of the increasing work programme, the market will not have the confidence to adjust their current labour supply. The delivery of the CPP work programmes provide a good example of suppliers expanding their delivery capacity in response to programme increases.

Submitter	Issue and Unison's position
Wellington Electricity	**Support** Pg 23 (Q5.b) Balanced capital contribution policies Maintaining this balance over time is important. If a network change this allocation and a connecting customer pays a larger proportion, say 100% of the connection cost, and has the standard network tariffs applied to their on-going use, then they would be subsiding other customers who on average only paid 70% of their connection cost and are also paying the relatively the same (depending on their use and connection size) ongoing amounts using the same network tariffs. The consistent application of the share of connection costs ensures an equable application of tariff revenue going forward.
Wellington Electricity	**Support** We have found that the lowest long-term cost is often to install enough capacity at the time of installation to meet all new growth over the asset life.
Vector	**Support** (Pg 4.) The Commission must not set the framework without engagement with stakeholders. This could be achieved by providing previews of their emerging views at least a week ahead of a capex framework workshop. This will ensure that EDBs can properly engage on the proposals for the 'design' and 'adjust' phases and ascertain what the emerging views mean for their own circumstances. The Commission needs to add additional flexibility mechanisms to what it allowed for in its IM Review. Such as Use-It-Or-Lose-It (UIOLI) page 2 of 55 funding for resilience spend, consider storm response costs as eligible for 'pass-through' or a targeted innovation scheme for flexibility expenditure. These flexibility mechanisms must also be considered along with the capping of revenues. There is little point in having these mechanisms if the additional revenue they provide is locked up in a wash-up account and the additional cashflow not able to be accessed for a considerable period of time after the expenditure takes place.
Transpower	**Support** As not all of trainees' time can be capitalised to projects, this opex needs to be considered when ramping up a workforce. The tight workforce may also drive-up labour costs, feeding into both capex and opex. The Commission needs to recognise this in the indices it chooses to forecast costs. The indices need to reflect the cost pressures specific to the electricity sector.
	Opex
Alpine	**Support** [30.] Alpine Energy is of the view that if scaling trend factors are carefully selected it would be a reasonable predictor of network maintenance spend. Whilst we are supportive of the Commission's use of ICPs and network length to predict network maintenance, we believe that the Commission should use alternative scaling factors such as peak capacity and volume conveyed to account for recent structural changes in the energy sector.
Alpine	**Support** [34 and 35] Alpine Energy is of the view that the Commission should follow a more granular approach in estimating the non-network opex in line with the AMP.
Aurora Energy	**Support** [42]…In practice, for a spend category to meet the robustly verifiable criteria the need would have to arise at the exact time of the DPP reset. In the case of cyber security this need was foreseen at the time of the DPP3 reset, however the amount of the spend required only became clearer during the regulatory period – forcing distributors

Submitter	Issue and Unison's position
	to either delay spend and risk the security of their networks, or sacrifice a fair shareholder return by incurring IRIS penalties. [43]. The Commission needs to demonstrate that it is genuinely following a base-step-trend method for forecasting operating expenditure, rather than a base-trend method that relies on distributors essentially proving the validity of expenditure through their willingness to incur IRIS penalties to get the expenditure considered in their base spend.
Aurora Energy	**Support** [68]. We agree with the approach of setting an x-factor of 0% for all distributors across the DPP4 period. The application of productivity targets during the transitional DPP4 period would introduce unnecessary delivery risks during a time of critical importance. Productivity is a topic best left until future regulatory periods when expenditure levels can be more accurately baselined and measured.
Aurora Energy	**Support** [70.] We also have concerns that the Commission's historic measures of productivity that focus on kWh and number of ICPs supplied are overly simplistic as they do not consider the growing service expectations of consumers, technology trends and the increased costs involved in maintaining a social 'license to operate'. Over the past decade distributors have seen numerous cost increases that are not reflected in historic measures of productivity, [we support the list supplied].
Vector	**Support** The Commission's opex base step and trend approach must be reviewed – it does not account for costs that are genuinely new to DPP4, that have arisen in DPP3 but will have step changes in scale over DPP4 or are hard to assess within a low-cost regime and where the level of cost would not justify or meet the criteria for a reopener or CPP. The Commission's approach to using capex as a driver for non-network opex, must go further and start using EDBs' non-network opex forecasts instead of a base step trend approach.
Vector	**Support** Pg 6. The Commission must find new ways to look at productivity which considers EDB outputs that are not considered in their productivity modelling.
Vector	**Support** [99] Reexamine the holding of strategic spares.
Wellington Electricity	**Support** The current methodology for calculating operating allowances (both that proposed in the Issues Paper and what was used for DPP3) does not capture all of the costs an EDB needs to operate their network. EDBs are overspending their allowances to meet these increases. While it's an EDBs choice about the services they use and how they allocate their budgets, networks are incurring additional costs not covered in allowances, that they cannot avoid if they are to meet the quality standards and their regulatory, legislative and legal obligations.
Wellington Electricity	**Support** Pg 32 (Q9) We note that capex could be a good cost driver of the increase in energy being delivered from existing connections. Rather than capturing the change in network size, it would capture the works needed to build the new capacity. We agree with the Issues Paper that this should be explored as an additional non-network opex driver. …

Submitter	Issue and Unison's position
	Pg 33 The relationship between increasing opex costs and new growth from existing connections may not exist in the historic data set.
Wellington Electricity	**Support** Pg 36 Objective step change criteria will provide regulatory certainty.
Wellington Electricity	**Support** These CPP principles may not be practical to apply at a specific mechanism level. For example, the criteria that a cost increase must apply to most or all EDBs is used to highlight when a cost increase is unique to a network and might be best assessed as part of a CPP application. However, the step change may be material in the context of an increase in operating expenditure, but it may not be material in the context of the entire price path.
Wellington Electricity	**Support** Pg 24 (Q6) We would support an aggregated or group reopener application to allow the Commission to assess whether additional opex would also be needed to fund the higher costs of debt to support an increase in capex.
	Pass-through: insurance and storm costs
Alpine	**Support** New Zealand Insurance (NZI) as the lead insurer indicated that premiums could continue to increase by up to 20% annually. The year-on-year increase for Alpine Energy from 2023 to the 2024 is 84%.
Aurora Energy	**Support** [41] We support the inclusion of a separate escalator for insurance costs. Since RY21 we have observed a significant increase in insurance levies that are not accommodated within our CPP allowances. ***Unison comment: The price-path needs a targeted response to insurance costs which CPPs have so far failed to adequately resolve.***
Transpower	**Support** We have a material increase in our insurance premiums over RCP3. The increases have been well in excess of our forecast set out in our RCP3 proposal
Vector	**Support** [97] Pass-through storm costs.
Wellington Electricity	**Support** Pg 46 As highlighted in our submission to the IM Draft decision, insurance costs are largely out of the control of an EDBs and we believe that they are better suited to a pass-through. A reopener and a supporting specific price escalator would be better than the current approach of providing no additional allowances for known cost increases. However, as shown in Figure 9, annual premium uplifts are volatile and reflect global supply and demand for coverage and not a forecastable trend. We believe that insurance is best treated as a pass-through to ensure that customers maintain a prudent level of coverage. Pg 48 The key decision that an EDB can influence is what level of insurance is efficient for consumers. We could do this by using external experts (actuaries) to set what a prudent level of insurance is. We believe that networks should be obliged to regularly review their insurance coverage. For example, for WELL this would mean checking

Submitter	Issue and Unison's position
	that our current approach of only insuring for our substation and zone substation assets is a prudent approach and that's it's not better to insure more of fewer assets
Wellington Electricity	**Support** Pg 54 If the Tree Regulations are finalised in time to include in draft price path, then we would support a step change to reflect any quality impact. If they are not finalised in time, then we agree with the proposed approach of using a reopener.
	Quality
Infrastructure New Zealand	**Support** [20.] Therefore, we recommend creating a more permissive investment environment for EDBs, by increasing the prices that they can charge to consumers, for the purposes of network upgrades. While we acknowledge that this will have a negative impact on household budgets, we consider that the missed opportunity in not investing in the required network infrastructure to be too great to miss, and that wider government policy can be used to address household income challenges.
Vector	**Support** Pg 5. The Commission should consider a reliability standard change by carving out or normalising SAIDI and SAIFI for any instances of shutdowns to manage bush fire risk. The Commission must reconsider its allowance for major event days when setting quality standards. This must be done looking forward not backwards as history will not be a good predictor in this case as climate change will result in a level of major events not seen in past years. The Commission must work with weather agencies in forming its view. The Commission must consider the carving out of SAIDI and SAIFI minutes solely as a result of emergency services prohibiting access to the outage site. We are encouraged that the Commission is considering a carve out for outage minutes resulting from an event caused by a flexibility provider. We support a carve out for these types of events. This should also cover when the network operator has issued a dynamic operating envelope (DOE) and third parties have failed to comply.
Wellington Electricity	**Support** Pg 13: We ask that any change to quality standards are applied through the price/quality reset so that the cost implications can be considered.
Wellington Electricity	**Support** Pg 55 (Q 21) Excluding flexibility services from quality targets while they are being developed.
	Uncertainty mechanisms
Aurora Energy	**Support** [36]. We consider that distributors capital contribution policies including any recent changes will be reflected in the AMP forecasts. Further material changes to policies, including those arising from regulatory changes, should be accommodated through the reopener process.
SolarZero	**Support** Intuitively it makes sense that in some areas it is more cost effective to support the uptake of solar and batteries from a resilience perspective than to invest in hardening the network. In other words, use a resilience-focused non-network solution. ***Unison comment: we support exploring opportunities where DER can support resilience and variable demand (including peaks). However, investment is needed across the sector to facilitate electrification and decarbonisation to achieve net zero by 2050.***

Submitter	Issue and Unison's position
	The regime needs genuine incentives within the regulatory regime, as stated in our submission on Q24 ***"There are several paths opening to address poor outcomes for vulnerable communities and others as electricity prices rise. Solutions include:*** ***…*** ***community DER and battery schemes to stop consumers being reliant on the wholesale market, reduce peak demand on the network (including to optimise benefits from EDB Time of Use pricing), and provide resilience to severe weather events;…"***
Vector	**Support** Pg 7. The Commission must look at expanding the uncertainty mechanisms at their disposal. [170.] A potential solution that could speed up the reopener process the Commission should consider is to fast-track applications for suppliers who obtain independent verification.
	Length of regulatory period
Aurora	**Support** We encourage the Commission to support the energy transition by removing arbitrary capex limits that have traditionally been applied when assessing distributors capex allowances.
Drive Electric	**Oppose** Q17. It may make good sense to shorten the regulatory period so that the Commission has the additional flexibility that such a move would bring.
Utilities Disputes	**Oppose** Pg 3 Q17 We agree with the comment in the Commerce Commission, Default price-quality paths for electricity distribution businesses from 1 April 2025: Proposed process 25 May 2023 paper - that reducing regulatory period to 4 years would help manage forecasting uncertainty by allowing for an earlier reset of the DPP.
Wellington Electricity	**Support** Pg 63. Our preference is to keep the five-year regulatory period and adjust and broaden the uncertainty mechanisms like reopeners that are available and to make them agnostic of when in the regulatory period an unforeseen project might fall. A shorter regulatory period would also increase the regulatory compliance costs for the DPP regime which is designed to be a light-handed and low-cost.
	Innovation, energy efficiency and demand side management scheme
Consumer Advocacy Council	[10] However, we consider there should be a greater focus on demand management and that this must be integral to EDBs' forecasting. ***Unison comment: the difficulty with the emerging flexibility market is forecasting will be inherently inaccurate as costs are not yet well understood against traditional solutions. We consider the regime can create the greater focus by genuinely strong incentives to invest in flexibility and resolving existing disincentives. This could be supported through the innovation allowance or uncertainty mechanisms.***

Submitter	Issue and Unison's position
Consumer Advocacy Council	**Support** [13] "However, we disagree with the commission's initial view (para X34) that a specific incentive for demand-side management and energy efficiency is not required. We believe this needs to be considered to help control costs and ensure EDBs are not just taking a "business-as-usual" approach." [14] "Strong incentives are therefore appropriate to help ensure EDBs keep consumers' costs to a minimum". [16] "EDBs have an important role to play in this shift, supporting consumers' participation in demand side management and use of DER, as well as helping consumers understand the cost implications of different decisions about electricity use."
Orion	**Support** A well designed 54Q incentive that contemplates EDB involvement in energy efficiency of buildings, vehicles and appliances having the effect of maximising energy use, minimising energy loss and reducing customer costs as it pertains to electricity service is beneficial to the whole of system too. Section 54Q of the Act states that in regulating electricity lines services, the Commission must promote incentives, and avoid imposing disincentives, for EDBs to invest in energy efficiency and demand-side management, and to reduce energy losses.
PowerCo	**Support** Pg 28, Q 22 Under investment in innovation and non-traditional solutions will create risks that: • the adoption of lower cost new technologies is delayed • a reactive response materially increases costs • relatively low asset utilisation levels will persist • asset management processes and capabilities aren't maximised • EDBs are unable to perform the functions demanded by consumers when required • feasible commercial opportunities for third-party flexibility service providers, or for customers to participate in providing these services, are not realised • the electricity distribution industry doesn't maximise it's potential to help New Zealand reach its low carbon economy goals.
Vector	**Support** Pg 7. Incentives are needed for energy efficiency and demand-side response: a targeted innovation scheme for flexibility services should be introduced. The Commission must look at expanding the uncertainty mechanisms at their disposal.

We look forward to the workshops in February.

Ngā mihi

Rachael Balasingam
Regulatory Manager