



Process Update Paper:
Default price-quality paths for electricity distributors and
associated input methodologies
10 October 2014

Purpose

1. The purpose of this paper is to notify interested persons of the publication date and timeframe for submissions for consultation on:
 - 1.1 the drafting of proposed amendments to input methodologies for default price-quality paths for electricity distribution services (first and second type);¹ and
 - 1.2 the drafting of the s 52P determination for default price-quality paths for 17 electricity distributors.
2. The first type amendments focus on changes that would primarily affect the model we use to set starting prices based on the current and project profitability of each distributor.²
3. The second type of proposed amendments focus on changes that would affect other aspects of default price-quality paths.³
4. These papers will include a targeted number of additional matters for consultation. Examples are signalled in paragraph 10 of this Process Update Paper.

¹ Proposed amendments to the input methodologies for electricity distribution services are issued under section 52X and 52V(2) of the Commerce Act 1986.

² Commerce Commission “Proposed amendments to input methodologies for electricity distribution services – consultation paper”, released on 24 June 2014.

³ On 18 July 2014 we published proposed amendments (second type) to the input methodologies and default price-quality path draft determination for electricity distribution services.

Process from here

5. The publication date and timeframe for submissions are shown below.

| Date | Publication or event |
|-----------------------|--|
| 20 October 2014 | Publication of: <ul style="list-style-type: none"> • revised version of proposed amendments to input methodologies (first and second type); • revised version of draft s 52P determination for default price-quality paths; and • companion papers. |
| 31 October 2014 (5pm) | Due date for submissions. |

Consultation on the drafting of the determinations

6. The companion papers that we publish alongside the revised versions of the determinations will set out the specific matters that are intended to be reflected in the revised versions of the determinations. We invite you to highlight any instances in which the updated draft determinations do not reflect the list provided.
7. To the extent practicable, the revised versions of each determination will take into account submissions and cross-submissions on an earlier version.⁴ We note that one submission from the Electricity Networks Association (the ENA) was provided outside of the timeframe for providing responses to our earlier version.⁵
8. As shown in the table above, the proposed consultation will also include consultation on the drafting of the proposed amendments to input methodologies for default price-quality paths (first and second type). We have extended the consultation to include these matters following a request from the ENA.⁶
9. Any changes to this timeline will be updated on the regulatory calendar on our website.

⁴ We invited submissions on the draft determination and proposed amendments for first and second type, due by 29 August 2014 and cross-submissions by 12 September 2014. On 18 July 2014, we also published a Compliance Requirements paper alongside the draft determination, 'Proposed Compliance Requirements for the 2015-2020 Default Price-Quality Paths for Electricity Distributors'. The paper provided an explanation of the reporting requirements for the draft determination published on 18 July 2014.

⁵ The ENA's submission has been made available on our website alongside this Process Update Paper. We invite you to provide your views on that submission as part of this consultation step.

⁶ The ENA's request for an extension has also been made available on our website alongside this Process Update Paper.

Consultation on a targeted number of additional matters

10. In addition to consulting on the revised drafting of the determinations, there are a small number of additional matters that we will seek views on through the companion papers that we publish on 20 October 2014. The additional matters are likely to include:
 - 10.1 Revised approach to pass-through costs under the price path;
 - 10.2 Price restructuring;
 - 10.3 Large transactions;
 - 10.4 Revised methodology of components of and compliance with the quality path; and
 - 10.5 Recoverable cost term for change events.