



**Proposed process –
Default price-quality paths from 2015
6 September 2013**

Purpose

1. The purpose of this paper is to seek views on the process we propose to follow to set the next default price-quality paths for 17 electricity distributors. You are invited to provide your views on this process by 20 September 2013.

Default price-quality paths from 1 April 2015

2. 17 electricity distributors are currently subject to a default price-quality path under Part 4 of the Commerce Act 1986. Each of these paths specifies the maximum price, and quality standards, that a distributor must comply with during the current regulatory period, ie, 1 April 2010 to 31 March 2015.
3. Four months before the end of the regulatory period we are required to reset the default price-quality paths applying to each distributor.¹ Amongst other things, we must reset starting prices, rates of change and quality standards. These paths will take effect from 1 April 2015.
4. We currently expect to publish our final determination on or before 30 November 2014.

Proposed process

5. Table 1 sets out the process we propose to follow and the indicative dates for completion. We appreciate the feedback we received on our process for setting the previous default price-quality path and this has informed our plans for the forthcoming reset.

¹ All distributors that are subject to default/customised price-quality regulation will have their starting price reset under s 53P(3)(a) or (b) prior to the beginning of the next regulatory period for the default price-quality path. Starting prices will be reset even if that distributor is subject to a customised price-quality path at the time. However, those starting prices will not apply until the customised price-quality path ends, and only then if those starting prices are not adjusted again under s 53X(2).

Table 1: Indicative dates for key publications and events

Indicative date	Publication / event
Mid November 2013	Preliminary version of financial model*
Early December 2013	Question and answer session on financial model*
Late December 2013	Signal of proposed content of information gathering request
February 2014	Information gathering request
February/March 2014	Issues paper for reset*
June 2014	Draft determination and supporting material, including reasons paper*
July 2014	Question and answer session on models for draft determination
Late July 2014	Information gathering request possible
Late September 2014	Updated version of determination*
November 2014	Final determination and supporting material, including reasons paper

* Denotes publications that will seek written submissions.

6. We will provide more definite dates closer to the time of the publication or event. Further publications or events, such as additional workshops, may be added to the process later, and updated information will be provided as required.

Key features of the proposed process

7. This section explains the key features of our proposed process, which are grouped as follows:
 - 7.1 Financial model;
 - 7.2 Information gathering requests; and
 - 7.3 Draft and final determinations.
8. These features are explained in the sections that follow.

Financial model

9. In light of feedback on our process to reset default price-quality paths in November 2012, we have prioritised the early release of the financial model for consultation.² This may help minimise the extent of changes in approach between the draft and final determination.
10. The preliminary version of the financial model will apply the relevant upfront rules, processes and requirements of regulation (which are collectively known as input methodologies). The model is expected to be similar to the financial model used for the last reset.³ However, the preliminary version of the model will not be populated with data for any business.
11. We also propose to hold a question and answer session on the financial model two weeks after it has been released. We welcome submissions on the timing of the question and answer session and the amount of time we should allow for written responses.
12. The proposed question and answer sessions would allow interested parties an opportunity to submit questions in advance for discussion with Commission staff. We propose that the first session (in December) will focus exclusively on the preliminary version of the financial model. However, we propose the second session (in July) will cover all models used in reaching our draft determination.

² Commerce Commission, *Resetting the 2010-15 Default Price-Quality Paths for 16 Electricity Distributors*, 30 November 2012. Feedback received on our process to reset default price-quality paths on 30 November 2012 is published on our website, available at <http://www.comcom.govt.nz/2010-2015-default-price-quality-path/>.

³ Expenditure and revenue models will be developed separately. We have released a timetable paper for summary and analysis and through this process we are likely to explore various approaches for analysing expenditure and revenue. The default price-quality path reset and summary and analysis are different and separate tasks, and separate processes will be followed for each. However, it is likely that our approach for summary and analysis will inform how we develop expenditure and revenue models for the default price-quality path reset.

Information gathering request

13. We have also provided indicative dates on which we would signal the contents for any information gathering request we may issue ahead of our draft determination.
14. While we expect that the majority of information will have already been disclosed by distributors under information disclosure requirements, we may require some additional information to allow us to reach a draft determination. As suggested in some submissions on our previous process, we expect to engage with industry representatives from the Electricity Networks Association (ENA) when developing the format of any request.
15. It is possible that another information gathering request will be made following the draft determination if we require further information to implement our draft determination. That being the case, a second signal would be provided with the draft determination for that information gathering request.

Issues paper

16. We propose to publish an issues paper in February or March 2014 to invite submissions on issues that we should consider ahead of our draft determination. We propose four weeks for submissions on this issues paper.

Draft and final determinations

17. Alongside our draft determination, we will publish an accompanying reasons paper, and other supporting material. We propose to allow interested parties four weeks for submissions and two weeks for cross-submissions on all documents, including the determination.
18. Interested parties will have two opportunities to provide views on the drafting of the determination. Firstly, we will invite views when we publish the draft determination. Secondly, we propose to allow interested parties two weeks for submissions on a revised determination, as well as accompanying drafting instructions. This is the final version of the determination that interested parties will be able to submit on.

Role of working groups led by the ENA

19. The ENA have established a number of working groups on technical matters related to the reset. In particular, the working groups are considering:
 - 19.1 Energy efficiency, demand-side management and reduction of electrical losses;
 - 19.2 Quality of service and incentives; and
 - 19.3 Forecasting approaches for key variables required to reset default price-quality paths for 17 electricity distributors.

20. Commission staff attend these working groups but as observers only. Any comment made by Commission staff is not a Commission view or opinion. Nothing that Commission staff say or do can bind Commissioners, who must be able to come to their own views on all matters.
21. In preparing the issues paper, we intend to take into account any material we receive in the 2013 calendar year. Material received next year would only be taken into account for our draft determination.

How you can provide your views

22. You are invited to provide your written views on this process paper no later than **5pm Friday, 20 September 2013**.
23. You should address your responses to:

John McLaren (Chief Adviser, Regulation Branch)
c/o regulation.branch@comcom.govt.nz
24. We prefer responses to be provided in a file format suitable for word processing in addition to PDF file format.

Requests for confidentiality

25. While we discourage requests for non-disclosure of submissions so that all information can be tested in an open and transparent manner, we recognise that there may be cases where parties that make submissions wish to provide information in confidence. We offer the following guidance:⁴
 - 25.1 If it is necessary to include confidential material in a submission, the information should be clearly marked, with reasons why that information is confidential.
 - 25.2 Both confidential and public versions of the submission should be provided.
 - 25.3 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.

⁴ Parties can also request that we make orders under s 100 of the Act in respect of information that should not be made public. Any request for a s 100 order must be made when the relevant information is supplied to us, and must identify the reasons why the relevant information should not be made public. We will provide further information on s 100 orders if requested by parties. A key benefit of such orders is to enable confidential information to be shared with specified parties on a restricted basis for the purpose of making submissions. Any s 100 order will apply for a limited time only as specified in the order. Once an order expires, we will follow our usual process in response to any request for information under the Official Information Act 1982.

26. 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'.