

NOTICE OF INTENTION

15 NOVEMBER 2018

Proposal to Amend Input Methodologies for Electricity Distribution Services

1. The purpose of this notice of intention is to advise that the Commerce Commission (**Commission**) is beginning work to consider amendments to the input methodologies (**IMs**) for electricity distribution services contained in the *Electricity Distribution Services Input Methodologies Determination* [2012] NZCC 26 (**EDB IM determination**).¹
2. The proposed amendments relate to changes to the IMs for both default price-quality paths (**DPPs**) and customised price-quality paths (**CPPs**) in respect of the specification and definition of prices for electricity distribution services, specifically introducing a mechanism allowing a limit on the annual percentage increase in forecast revenue from prices (**Proposed IM amendments**).
3. In accordance with sections 52V(1) and 52X of the Commerce Act 1986, this notice outlines the process that will be followed in considering and consulting on the Proposed IM amendments, and the proposed timeframes for the amendments.

Proposed IM amendments

4. We intend to consider and consult on proposed amendments to the IMs for both DPPs and CPPs in respect of the specification and definition of prices for electricity distribution services, specifically introducing a further mechanism allowing for a limit on the annual percentage increase in forecast revenue from prices, as a method for mitigating price shock risks.
5. We intend to consult on these Proposed IM amendments at the same time as our draft decision in Q2 2019 on the DPP reset for electricity distribution businesses (**EDBs**) that will apply from 1 April 2020 (**DPP3**).²
6. In considering whether to consult on these Proposed IM amendments, we will have regard to any views received from interested persons on the 'Workability of the implementation of the limit on forecast allowable revenue as a function of demand'

¹ The principal determination was most recently amended in November 2018 by the *Electricity Distribution Services Input Methodologies (Accelerated Depreciation) Amendments Determination* 2018 [2018] NZCC 19.

² Although running concurrently, there will be separate consultation and decision processes for the Proposed IM amendments and DPP3.

issue and the ‘Drivers of price shocks’ issue, as both are identified in our *Default price-quality paths for electricity distribution businesses from 1 April 2020: Issues paper*.³

Potential impacts on DPP3

7. As part of our EDB DPP3 draft decision, we intend to consult on whether to propose a limit for EDBs on the annual percentage increase in forecast revenue from prices for DPP3.⁴
8. If we propose a limit for EDBs on the annual percentage increase in forecast revenue from prices in our DPP3 draft decision, we will:
 - 8.1. consult on a draft EDB DPP3 determination which would specify a proposed limit for EDBs on the annual percentage increase in forecast revenue from prices; and
 - 8.2. explain why we have proposed this limit for EDBs.

Table 1: Process for Proposed IM amendments

Process		Indicative time frame
1.	Commission consultation on proposed IM amendments in relation to DPP and CPP specification and definition of prices for electricity distribution services Publication of draft reasons paper and draft amendments.	May 2019
2.	Submissions due from interested persons on proposed IM amendments in relation to DPP and CPP specification and definition of prices for electricity distribution services	June 2019
3.	Cross-submissions due from interested persons on proposed IM amendments in relation to DPP and CPP specification and definition of prices for electricity distribution services	July 2019
4.	Final decision by the Commission on IM amendments in relation to DPP and CPP specification and definition of prices for electricity distribution services Publication of final reasons paper and amendments.	November 2019

Updates and any process refinements will be published on the Commerce Commission’s website.

³ Commerce Commission “Default price-quality paths for electricity distribution businesses from 1 April 2020: Issues paper” (15 November 2018), para G25-G42 of Attachment G.

⁴ Our updated dates for the DPP consultation process are explained in Commerce Commission “Default price-quality paths for electricity distribution businesses from 1 April 2020: Process update (6 September 2018), p. 7.