



25 July 2017

Rhianne Ogilvie
Senior Analyst, Regulation Branch
Commerce Commission
By email: regulation.branch@comcom.govt.nz

Dear Rhianne

Submission on proposed changes to ID determinations for airport, electricity distribution and gas pipeline services

Orion New Zealand Limited (Orion) welcomes the opportunity to comment on the Commerce Commission's (the Commission) paper "Proposed changes to ID determinations for airport, electricity distribution and gas pipeline services", 30 June 2017.

1. Most of the changes appear to have minor impact and relate to parameter updates from the IM Review, extension of Schedules to accommodate the next reset period, removal of transitional provisions which are no longer relevant and simplification of cross referencing from clause level to part and subpart level.
2. Orion notes under section 6.1 of the companion paper the addition of a requirement for suppliers to disclose the value of each asset class at the end of each disclosure year. This is the addition of a column to Schedule 9a entitled 'total closing RAB value (\$000)' and including the addition of rows 61, 62, 63 for total network assets (\$000), non-network assets (\$000) and total regulated assets (\$000).
3. Orion does not maintain records to the level of disaggregation required by this new reporting requirement. Orion will be unable to comply for many of the asset classes. For example:
 - 66kV cable of all types, with the same remaining life, are valued together as a single entry
 - we do not maintain a value split between poles and the overhead line on those poles
4. Orion holds separate valuation and asset registers. The asset register provides sufficient detail to complete the existing schedule, but there is no direct link between this and the valuation register to enable corresponding values to be established at that level of disaggregation.
5. You have indicated that you anticipate using RAB value to asset class level for future summary and analysis on asset health.
6. While we appreciate that requiring suppliers to disclose the value of each asset class will allow interested parties to assess the materiality of specific assets to a supplier's RAB, there is no method by which we can establish the value of separate components within a grouped valuation entry (for example, there is no method to establish the value split between poles and the lines on those poles). At best this would be an estimation.

7. This appears to be a return to an ODV approach which was moved away from some years ago. While Orion may have been in a position to provide this level of detail at that time we have substantially moved away from this in line with regulatory requirements, where assets are capitalised at actual cost on a project basis, rather than component by component.
8. Complying in a substantive way with this new requirement would require administrative and system changes for comparatively little benefit given existing Schedule 4(vii): "Disclosure by Asset Category" provides for asset groupings with RAB value at a high level which does provide information for interested parties.
9. Orion propose that the change for RAB value and summary to Schedule 9a be removed.

Concluding remarks

10. Thank you for the opportunity to make this submission. We do not consider that any part of this submission is confidential. If you have any questions please contact Dayle Parris (Regulatory Manager), DDI 03 363 9874, email dayle.parris@oriongroup.co.nz.

Yours sincerely



Dayle Parris

Regulatory Manager