

18 March 2010

Network Performance Branch  
Commerce Commission  
Wellington

by email: regulation.branch@comcom.govt.nz

## PRE-WORKSHOP SUBMISSION ON THE CPP INFORMATION REQUIREMENTS

- 1 Orion New Zealand Limited (**Orion**) welcomes the opportunity to make a submission on several matters arising from the Commerce Commission's (**Commission's**) papers relating to the Input methodologies customised price-quality path (CPP) information requirements –
  - 1.1 the Commission's draft Independent verifier engagement framework;<sup>1</sup> and
  - 1.2 draft Strata Energy Consulting Ltd's (**Strata**) information requirements papers (**Strata papers**).<sup>2</sup>
- 2 At a high level Orion supports the framework outlined by Strata that the CPP proposal information requirements should:<sup>3</sup>

*reflect the type, quality and quantity of information that one might reasonably expect the directors and management of a business with sound governance to require in order to drive efficient investment in, and operation and maintenance of, the distribution/transmission network while having regard to the level of service (including the quality of service) provided to consumers. Therefore, a CPP proposal should not be expected to require the CPP applicant to provide information that is additional to that which would already be available if sound governance practices were present.*

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<sup>1</sup> Commerce Commission, *Draft Independent Verifier Engagement Framework and Terms of Reference*, 11 February 2010.

<sup>2</sup> Strata, *Specifying the CPP information requirements relating to capital expenditure, operating and maintenance expenditure and demand (draft): Draft qualitative CPP information requirements; and Draft quantitative CPP information requirements* – prepared for the Commerce Commission, February 2010.

<sup>3</sup> See: Strata, *Specifying the CPP information requirements relating to capital expenditure, operating and maintenance expenditure, and demand (draft)*, February 2010, Para 25.

## Key issues

- 3 That said, Orion has significant concerns with the Strata proposals:
- 3.1 the absence of evaluation criteria is a significant omission that needs to be addressed. We believe that an overly prescriptive approach to the information requirements should be avoided. The workshop should address the issue of evaluation criteria as a starting point to the development of the CPP information requirements. It is the evaluation criteria which should inform the CPP information requirements;
  - 3.2 we re-iterate our previous comment that in some circumstances a 'less than full building blocks' analysis may be appropriate, and this should be encouraged where feasible<sup>4</sup>. We consider that this will reduce the overall workload of the Commission and EDBs while avoiding unnecessary costs to both the Commission and the EDBs and ultimately the customer. We believe that the Commission should consider whether for a specific project an approach that required an EDB to demonstrate that their proposal is consistent with the purpose statement s52A and that appropriate consultation has been carried would be sufficient;
  - 3.3 the Strata papers do not give sufficient weight to an EDB's asset management plan (**AMP**) which is a key planning document for EDB's and should in our opinion form the basis for appropriate levels of information in a CPP proposal;
  - 3.4 the Strata papers provide contradictory messages in relation to information disclosure requirements (IDRs). On the one hand Strata's proposal relies heavily on the previous information disclosures requirements, while on the other hand Strata acknowledges that the information disclosure requirements for electricity and gas distribution/transmission businesses under Part 4 have yet to be determined by the Commission. The paper also suggests that the final CPP information requirements should inform the development of the new disclosure requirements, in our view this approach would be totally inappropriate;
  - 3.5 as few EDB's will choose to apply for CPP's we consider that the regime should not burden the entire industry with unnecessary IDR compliance requirements. As we have previously submitted, the new IDR requirements (under the control regime of Part 4) should be

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<sup>4</sup> Orion *Post conference cross submission on input methodologies* 15 October 2009 Para 22

less extensive than the existing disclosure regime (developed in a thresholds context). It should not be assumed for CPP purposes, as Strata appears to, that the disclosure requirements will be replicated wholesale as an input methodology;

- 3.6 the Strata approach will require *all* (or at least, a very large amount) of planning and expenditure information together with historic information to be disclosed in every case. While this level of information may be required in some cases in our view it will go far beyond what is relevant and material for the assessment of a particular CPP proposal;
  - 3.7 the service categories and other elements of the CPP information requirements proposed by Strata appear to be inconsistent with various provisions of the Commerce Act, the framework set out above (at paragraph 2), and the preliminary views outlined by the Commission Input Methodologies (Electricity Distribution) Emerging Views Paper (**EV Paper**).<sup>5</sup>
- 4 In this submission we summarise some of our concerns with the proposed CPP information requirements and the principles and legislation which are relevant to setting those requirements.
  - 5 The remainder of this submission is structured as follows:
    - 5.1 section 1 sets out the statutory context of CPP proposals;
    - 5.2 section 2 outlines the relationship between CPP proposals and the existing information disclosure regime;
    - 5.3 section 3 comments on the evaluation criteria;
    - 5.4 section 4 comments on concerns with the definition of “material programme” and its application to capex;
    - 5.5 section 5 outlines Orion’s concerns about the proposed opex requirements and service categories;
    - 5.6 section 6 sets out Orion’s view that the information requirements should relate to the upcoming regulatory period, not a longer timeframe such as seven years;

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<sup>5</sup> Commerce Commission, *Input Methodologies (Electricity Distribution) – Emerging Views Paper*, December 2009, Commerce Commission, *Input Methodologies (Gas Pipeline Services) – Emerging Views Paper*, December 2009.

- 5.7 section 7 comments on the role of the independent verifier and draft terms of engagement; and
- 5.8 section 8 describes some minor points on which Orion considers clarification is required.

### **1. Statutory context of CPP proposals**

- 6 The touchstone for assessing any input methodology setting the information requirements for a CPP proposal is s52T(1)(d), which provides that such an input methodology must set out:
  - 6.1 the information requirements that must be met by the proposing EDB; and
  - 6.2 the criteria which the Commission will use to evaluate the proposal.
- 7 These two limbs of s52T(1)(d) are linked. Any proposing EDB must ensure that the scope and specificity of information provided to the Commission is sufficient to enable evaluation against the criteria. The flipside is the CPP information requirements must be tailored to the evaluation phase. When designing the CPP information requirements this context should be kept “front of mind” at all times.
- 8 Also relevant to the CPP information requirements are other legislative provisions relating to input methodologies generally:
  - 8.1 the need for an EDB to be able to *reasonably estimate* the material effects of the CPP methodology (s52T(2)(a)); and
  - 8.2 *consistency* with other input methodologies applicable to the same goods and services (s52T(2)(b)).
- 9 Section 52T is more important in the CPP context than the provisions identified by Strata as “key regulatory drivers” (s52A and s54Q).<sup>6</sup> The specific sections in the Commerce Act setting out the CPP proposal and approval regime must prevail over the general provisions of Part 4 (such as the s52A purpose statement when considering CPP information requirements. While s52A is obviously relevant, it is not correct to assume (as Strata appears to) that s52A offers specific guidance on regulatory design issues such as types of CPP expenditure service categories.

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<sup>6</sup> See: Strata, *Specifying the CPP information requirements relating to capital expenditure, operating and maintenance expenditure, and demand (draft)*, February 2010, Para 102.

- 10 The theme underpinning the CPP proposal and approval regime established by s52T and s53 is that an EDB should be able to assess the material effects of a CPP in its case and what form a compliant CPP proposal must take. These issues cannot be considered in isolation from one another.<sup>7</sup> The Strata material does not address what evaluation criteria will be applied to a CPP proposal – it mentions the Farrier Swier report but does not comment on the linkages (if any) between the evaluation criteria in that report and the proposed CPP information requirements. It is extremely difficult to offer an informed opinion of information requirements such as “compliant proposal”, “areas of concern” and “material programmes” without some indication of what shape the evaluation process will take.
- 11 Ultimately any CPP information requirements must be fit for purpose and so must enable the Commission to focus on the material aspects of a proposal, be directly linked to the evaluation criteria to be applied, be consistent with other input methodologies, and enable a proposing EDB to reasonably estimate how the methodology will be applied. Orion considers the Strata’s draft requirements, while a useful discussion document, will need substantial amendment and clarification before these legislative objectives are met. That discussion will be further enabled by release of the draft CPP evaluation criteria.

## **2. Relationship with information disclosure regime**

- 12 We believe the relationship between Strata’s proposed CPP information requirements and the information disclosure regime is at best unclear. Strata correctly point out that the information disclosure requirements for electricity and gas distribution under Part 4 have yet to be determined by the Commission<sup>8</sup>. Yet Strata’s proposal relies extensively on the existing IDR’s<sup>9</sup>:

*“[As]...the draft information requirements have been developed with reference to the information already required to be published by a regulated supplier in accordance with the electricity IDR’s. In particular the quantitative information requirements have drawn significantly from information category definitions used in the annual regulatory returns under the electricity IDRs.”*

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<sup>7</sup> We assume the Commission will consider the issue of evaluation criteria at the next stage of the consultative process, although we note there is some discussion of possible criteria in the Farrier Swier report dated 3 June 2009

<sup>8</sup> See: Strata, *Specifying the CPP information requirements relating to capital expenditure, operating and maintenance expenditure, and demand (draft)*, February 2010, Para 56.

<sup>9</sup> See: Strata, *Specifying the CPP information requirements relating to capital expenditure, operating and maintenance expenditure, and demand (draft)*, February 2010, Para 83.

- 13 Strata's also suggests that the "*final CPP information requirements should inform the development of the new disclosure requirements*" this is in our opinion a totally circular argument – the existing IDR's inform the CPP which informs the IDRs. This approach risks pre-empting the consultation on IDR's.
- 14 We believe that information disclosure requirements for EDB's should be less onerous under the Part 4 regime and should not be driven by the CPP proposal input methodology. We say this because:
- 14.1 the existing information disclosure requirements for EDB's were designed under a thresholds regime. As we have previously submitted, far less information is required to assess compliance with a price-quality path under Part 4;<sup>10</sup>
- 14.2 not all CPP's will require consideration of a large volume of disclosed information, whereas the Strata paper appears to assume that the quantitative information requirements can be "substantively" based on the existing information disclosure regime<sup>11</sup> but that additional information will always be required;
- and, in any event
- 14.3 it cannot be assumed the onerous and lengthy CPP process is a suitable model for "generic" information disclosure in the DPP environment. For this reason we consider the Commission will have to significantly modify the Strata's proposal<sup>12</sup> for the CPP information requirements to inform the information disclosure regime or reject it entirely.
- 15 That said, EDB's have sound governance and asset management practices and maintain AMPs which are a key planning document and contain extensive information on planned expenditure and system growth assumptions (and comply with existing regulatory requirements). EDB's devote significant time and effort to developing AMPs. For this reason an AMP should form the basis for appropriate levels of information in a CPP proposal.

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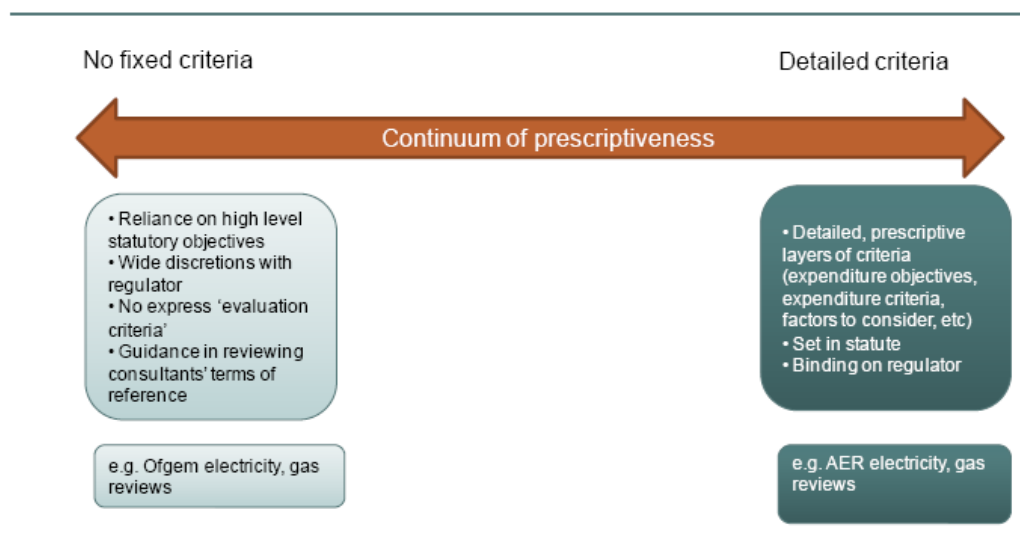
<sup>10</sup> Orion New Zealand Limited *Submission on the Information Disclosure Discussion Paper* 11 September 2009 at para 7.

<sup>11</sup> For example, See: Strata, *Specifying the CPP information requirements relating to capital expenditure, operating and maintenance expenditure, and demand (draft)*, February 2010, Para 83.

<sup>12</sup> Strata, *Specifying the CPP information requirements relating to capital expenditure, operating and maintenance expenditure and demand (draft)*, February 2010, Para 56.

### 3. Evaluation criteria

- 16 The Strata proposal does not deal in any substantive way with the issue of evaluation criteria, we consider this is a significant omission. We note that the Commission in conjunction with the input methodologies discussion paper released a paper Farrier Swier paper<sup>13</sup>. That paper provides some useful insights into the difficulties in specifying appropriate evaluation criteria in particular that scope and specificity of information required will vary according to the nature of the particular CPP proposal. In summary Farrier Swier noted that there is a spectrum of evaluation criteria



- 17 Farrier Swier rejected the detailed prescriptive approach of the AER and considered that an approach closer to the UK model is more appropriate.

*"We excluded the option of detailed prescriptive layers of tests because:*

- Best practice regulation dictates that regulatory processes and requirements should be as simple as possible in achieving the regulatory objectives. In our view, the statutory purposes can be achieved without excessive detail.*
- Greater prescription and detail increases the risk of perceived (or real) regulatory micromanagement of regulated businesses.*
- The relative immaturity of the regulatory regime and the risks of locking in detailed positions that experience later shows to be unwarranted, or incorrect. At this time, it would be difficult to develop very detailed, prescriptive criteria and mandatory considerations under the new Part 4 with sufficient confidence as to their need, effect or content. We think it would be premature and risky to follow the Australian electricity rule*

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<sup>13</sup> Farrier Swier, *Assessing expenditure in a customised Price – Quality path review*, 3 June 2009.

*example, with its tests comprising separate expenditure criteria, objectives, and factors because:*

*– The AER model is at one end of the spectrum of approaches is relatively new and unproven.*

*– It was developed after 10 years relatively stable experience of incentive-based regulation. Arguably, it would not have been meaningful if the model were introduced in this form at the outset.*

*• The flexibility evident in the UK arrangements appears desirable for New Zealand as well. For example, that flexibility sees the focus areas of Ofgem's current fifth distribution price control review as:*

*– Giving distributors financial incentives to play their full part in tackling climate change*

*– Encouraging distributors to respond to the needs of current and future customers, and to strike an appropriate balance between delivering quality of service and managing network costs*

*– Providing incentives to invest efficiently so that security of supply is provided at reasonable costs.*

*• Our view on the flexibility needed by the regulator and framework, and the discipline that should be placed on the regulator, to consider the expenditure allowance in total.*

*– A prescribed and detailed assessment checklist can tend to promote box ticking, and discourage (or disallow) appropriate sense testing of the total impacts. The sense testing works to the benefit of regulators, regulated businesses, and customers."<sup>14</sup>*

18 In our view these factors tell strongly in favour of a less prescriptive approach which preserves flexibility for applicants and for the Commission, and which ensures time and effort are not expended in collating and assessing information which may not be material to the particular proposal:

18.1 because of the new Part 4 regime there is no history of industry experience of applying for and evaluating CPP proposals;

18.2 the DPP is the basic control regime with the CPP being used occasionally for the exceptions;

18.3 the timeframe for assessing CPP proposals (150 days) is short by international standards (12 to 18 months).

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<sup>14</sup> Farrier Swier, *Assessing expenditure in a customised Price – Quality path review*, 3 June 2009  
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19 Farrier Swier went on to propose the following evaluation criteria for CPP's

For inclusion in core content	Additional guidance
Capital and operating expenditure should reflect the efficient costs that a prudent regulated supplier would require, to:	Detailed expectations of a prudent service provider, by industry, sector
1. Meet or manage the expected demand for relevant services <ul style="list-style-type: none"> <li>• at the appropriate service standards</li> <li>• during the relevant regulatory period and over the long term</li> </ul>	Form of demand, energy and customer forecasts, whether they require audit prior to submitting CPP Description of applicable standards, and their source (i.e. set by government, or in contracts) Expectation that long term focus allows for innovation Indicative list of factors that will be considered
2. Comply with all applicable regulatory obligations associated with the services.	List of indicative categories, such as safety, environmental, and social regulatory obligations

20 While we accept the customised nature of CPP applications will require a significant level of detail. We consider that an overly prescriptive approach to definitions and form of data required to be continuously collected should be avoided. As Farrier Swier noted in its paper,<sup>15</sup> extremely detailed tests may be cumbersome and not necessarily as helpful at a distribution level as they are for transmission expenditure.

21 Nor does the legislative framework demand a one size fits all approach with a very prescriptive level of detail for every CPP application: the words “scope and specificity” in s52T must be read in context as an example of the “requirements” which must be met by a particular supplier. Plainly these requirements might vary according to the type of proposal. The legislation should be read in the context of its purpose and not as a straightjacket which precludes any flexibility to tailor the scope and specificity of information required to the circumstances of a regulated supplier.

22 We consider that the workshop should address the issue of evaluation criteria as a *starting point*, as they inform the CPP information requirements which must be tailored to the evaluation criteria.

*Less than full building blocks approach*

23 We re-iterate our previous comment that in some circumstances a ‘less than full building blocks’ analysis may be appropriate, and this should be encouraged where feasible<sup>16</sup>. We consider that this will reduce the overall

<sup>15</sup> Farrier Swier, *Assessing expenditure in a customised Price – Quality path review* 3 June 2009 at p79.

<sup>16</sup> Orion *Post conference cross submission on input methodologies* 15 October 2009 para 22

workload of the Commission and EDBs while avoiding unnecessary costs to both the Commission and the EDBs and ultimately the customer.

- 24 We believe that the Commission should consider whether for a specific project an approach that required an EDB to demonstrate that their proposal is consistent with the purpose statement s52A and that appropriate consultation has been carried out would be sufficient.

#### **4. Definition of “material programme”**

- 25 The draft Strata CPP information requirements propose a definition of “material programme” which is in Orion’s view unnecessarily complex and will likely require a proposing EDB to make available very large volumes of information which is not relevant (and indeed which may not even exist at the time of the CPP proposal!)
- 26 The proposal appears to be more reflective of a transmission approach in which there are relatively few assets but the assets have high values, compared to EDBs that have numerous lower value assets. (For example, Transpower has approximately 178 substations with ball park values from \$m3-\$m50, while Orion has 10,000 substations ranging in value from \$m0.01-\$m8). In the case of fewer high value assets, it is easier to identify projects than it is for multiple lower value assets.
- 27 We believe there is no need for prescriptive definitions or cost group definitions, as it is for the proposing EDB to provide appropriate information (within a general set of information requirements) to be validated by independent verifiers to support a CPP. EDB’s have processes and information that are unique to that company, a CPP proposal should be based on the information the EDB would collect in the normal course of doing business and it is in their interest to provide full and sufficient information.
- 28 Further indication of the flaws in the proposed definition of “material programme” are for example if we consider the interplay between an EDB’s ten largest projects and the projects which aggregate to 30 per cent of capex as (or opex as the case may be) several outcomes are conceptually possible:
- 28.1 an EDB’s may have the “top ten” projects account for 50 per cent or more of forecast capex; or
- 28.2 an EDB’s may have 20 or more projects which aggregate to 30 per cent of forecast capex.

- 29 These divergent outcomes highlight the unusual structure of the definition which we believe will not enable a clear focus on material projects because of the varying sizes and features of CPP proposals.
- 30 We also note that the independent verifier is to undertake a detailed review of the 10 planned “material programmes” contained in the capex or opex forecasts as well as 10 other projects or programmes that are not covered by the “material programmes” definition<sup>17</sup>. It is unclear why the independent verifier should undertake a detailed review of the same number of projects or programmes that by definition are immaterial as she has to do for the “so called” material projects.
- 31 Further section 3 of Strata’s draft qualitative proposal requires detailed information on:
- 31.1 projects or programmes (other than material programmes);
  - 31.2 system growth capex;
  - 31.3 asset replacement and renewal capex;
  - 31.4 reliability, safety and environment capex;
  - 31.5 non-system fixed asset capex.
- 32 It is probable that a “material programme(s)” undertaken by an EDB will cover aspects of many, if not all, of these other areas. The result risks confusion with unnecessary duplication and possible double counting of capex expenditure.
- 33 Finally, we note the definition of “programme” means a “group of projects”, which further complicates the assessment of the ten largest “material programmes”. This is because a “material programme” may be a project or a programme. Thus a single material programme could consist of ten projects.
- 34 In summary, we consider that the definition of “material programmes” as it relates to capex is unnecessary and is not fit for purpose. The draft Strata proposal contains repetitive and sometimes overlapping requirements, and as a result there is a risk a proposing EDB will be required to compile vastly more information (and in more onerous detail) than will be relevant to the Commission’s evaluation of the CPP proposal.

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<sup>17</sup> Commerce Commission Draft Independent verifier engagement framework and terms of reference Para 3.3 (1)(c) and Para 3.4 (1)(g)

## 5. Opex and service categories

- 35 We consider that in the context of opex expenditure the meaning of a “material programme” is even more obscure than in its proposed application for capex.
- 36 We do not usually describe or define operating and maintenance expenditure in terms of a project or programme. Occasionally in exceptional cases we may create a specific project (eg in the case of replacement of 66kV cable joints) but this is not the norm.
- 37 Again, we submit that Strata’s proposed “material programme” definition is unnecessary and not fit for purpose.

### *Service categories*

- 38 A related issue is the “service categories” definition in the draft Strata requirements.<sup>18</sup> This definition is intended to reflect an EDB’s core business of “conveyance of electricity by line”. In Orion’s view, however, the definition also potentially includes EDB services which are not regulated under Part 4 and hence not subject to CPP regulation. In particular, the service categories relating to rearranging network assets if requested by a third party and providing “other services for third parties” are plainly not within the scope of “conveyance of electricity by line” (see s54C).
- 39 Orion submits that to include a service category requiring information about “other services” risks requiring an EDB to spend time and effort compiling data about unregulated activities. The information would not be relevant to the CPP proposal, which applies solely to that EDB’s electricity lines services.

## 6. Term of the CPP information requirements

- 40 The draft Strata CPP information requirements will require that the CPP proposal must contain forecasts of capex and opex for the **next period** (seven years) following the end of the current regulatory period.<sup>19</sup>
- 41 We are concerned with the proposed requirements to have forecasts of capex and opex that go beyond the end of the CPP term. Since the **EV**

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<sup>18</sup> See Strata draft qualitative requirements, p15.

<sup>19</sup> See: Definitions - **Next Period**, Strata, *Draft qualitative CPP information requirements relating to capital expenditure, operating and maintenance expenditure and demand* – For the Commerce Commission, February 2010.

**Paper** indicates that the CPP term will be for a five year period, unless a supplier justifies a shorter period,<sup>20</sup> the CPP proposal:

- 41.1 will include at least two years of forecast capex and opex that occurs *after* the end of the next regulatory period; and
  - 41.2 may define projects that occur after the end of the next regulatory period as a “material programme”.
- 42 Consequently, the information requirements proposed by Strata involve significant management effort being directed to assessing and justifying expenditure that will have no direct impact on the CPP determined by the Commission. In our opinion, the obligation to provide seven years of capex and opex forecasts conflicts with the Commission’s preliminary view that:<sup>21</sup>

*Information supporting a CPP proposal should be material to its assessment and outcomes*

- 43 That statement accords with the general legal principle that only information concerning the upcoming regulatory period is relevant to the Commission’s decision to approve a CPP proposal. Any information requirements for a CPP proposal must be directed at expenditure information which is relevant to the Commission’s evaluation of the price and quality standards “with respect to a specified regulatory period”: s53M. Additionally, if an EDB sought another CPP after five years, the information for years 6-7 would need to be updated and resubmitted in support of the new application.
- 44 For these reasons Orion submits only five years’ worth of information for a specified regulatory period (i.e. the next five-year regulatory period) should be required in a CPP proposal. Requiring seven years’ of forecast expenditure would require an EDB to produce information which is not relevant to the specified regulatory period and thus not relevant to the Commission’s assessment of that CPP proposal. The correct CPP outcome can still be arrived at without such additional information, and unnecessary effort and cost will be avoided.

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<sup>20</sup> Commerce Commission, *Input Methodologies (Electricity Distribution) – Emerging Views Paper*, December 2009, p 57, Commerce Commission, *Input Methodologies (Gas Pipeline Services) – Emerging Views Paper*, December 2009, p59.

<sup>21</sup> Commerce Commission, *Terms of Reference Input Methodologies: Matters relating to capex-opex forecast information templates in proposals by a regulated supplier for a customised price-quality path*, November 2009.

## **7. Role of independent verifier and draft terms of engagement**

- 45 We note that under the proposal a verifier will have two (and perhaps three) separate roles in the CPP process:
- 45.1 verifying and auditing the accuracy of information provided as part of a CPP proposal (s52T(1)(d));
  - 45.2 assisting the Commission in its decision whether a CPP proposal complies with the relevant input methodologies (s53S(1)); and
  - 45.3 assisting the Commission in its assessment of a CPP proposal and in setting an appropriate CPP (s53T and s53ZD(a)).
- 46 It is important in our view to keep these functions distinct: the role of the verifier will be different depending on whether the verifier is acting as a decision-maker (e.g. when auditing information) or an adviser (in the evaluation stage). The terms of reference should reflect this distinction: in particular, Strata's references to "assessment" by the verifier should be amended to clarify whether the verifier is verifying and auditing information required to support a CPP a proposal (under s52T), or acting as consultant and assisting the Commission in evaluating a proposal (under s53ZD).
- 47 We also note the proposed mechanism for selecting and assessing the independence of a verifier is potentially time-consuming and complex. A simpler solution might be for the Commission to appoint an informal "panel" of verifiers which are acceptable to it, and a proposing EDB could take its pick of verifier, or nominate a first and second choice.
- 48 The terms of reference for the independent verifier appear to be tailored to the proposed Strata requirements. We consider that these will need to be totally reviewed in light of the revised set of CPP requirements that develop from the consultation.

## **8. Further points for clarification**

- 49 Additional minor points in relation to the Strata information requirements are:
- 49.1 there does not appear to us to be a difference between "making information available" and "providing it".<sup>22</sup> The Commission should guard against assuming (as Strata appears to) that it is somehow

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<sup>22</sup> See: Strata, *Specifying the CPP information requirements relating to capital expenditure, operating and maintenance expenditure, and demand (draft)*, February 2010, Para 92.

less onerous for an EDB to collate and prepare information, but not send it; and

- 49.2 reference to concepts such as “service levels” and “service standards” are unhelpful and potentially confusing. The term used in Part 4 is “quality standards”. There was extensive consultation on quality standards for EDBs in the context of the reset of the DPP: SAIDI and SAIFI measures were considered appropriate. There is no need for quality in a CPP proposal to be specified in any more detail, although it of course remains open to an EDB to propose a CPP with a *higher* level of quality and seek incentives for meeting that level, including its responsiveness to consumers.

### **Workshop**

- 50 Orion would like to attend the workshop on the 30<sup>th</sup> and 31<sup>st</sup> March. To assist in ensuring that maximum benefit can be obtained from the workshop it would be useful for the Commission to release the workshop agenda as soon as possible.

### **Concluding Remarks**

- 51 Thank you for the opportunity to make this submission. Orion does not consider that any part of this submission is confidential. If you have any questions please contact: Dennis Jones (Industry Developments Manager), DDI 03 363 9526, email [dennis.jones@oriongroup.co.nz](mailto:dennis.jones@oriongroup.co.nz).

Yours sincerely



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