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Commerce Commission
PO Box 2351
WELLINGTON

Attn: David Healy
Chief Adviser, Network performance Branch

By email: david.healy@comcom.govt.nz

COMMENTS ON COMMERCE COMMISSION'S PROPOSED PROCESS FOR RESETTING DISTRIBUTION PRICE AND QUALITY THRESHOLDS

- 1 Orion welcomes the opportunity to comment on the Commerce Commission's (the *Commission*) paper *Threshold Reset 2009 - Proposed Process* issued on 28 May 2007.
- 2 We have reviewed the Commission's intended process outline together with the indicative timetable. There are a number of issues that we foresee and we strongly suggest that the Commission should consider a one or two year extension to the current thresholds to provide for a more thorough review.
- 3 Our concerns include:
 - 3.1 The Commerce Act, on which the thresholds are based, is under review, and the impact of any resulting changes to the Act could better be considered if the threshold review is delayed.
 - 3.2 The implementation date of 1 April 2009 is only 22 months away. The uncertainty with the price path following 1 April 2009 is impacting on commercial decisions right now. We need more certainty in the short to medium term, in order to make prudent decisions about the significant capital investment requirements with which we are currently faced.
 - 3.3 The timetable is too tight and only provides for a finalised (Gazetted) threshold on 1 April 2009 (to apply immediately), whereas we will have to determine our prices applying from 1 April 2009 by December 2008. This will create a short period of considerable uncertainty for us and for the industry, which is likely to result in price volatility and impact on significant financial and economic decisions.

- 3.4 Orion would like to see a more principled price path that takes account of actual costs and return on assets. To achieve this, the planned update of ODV unit replacement costs must first be completed. This is a considerable task which has not been allowed for in the timetable.
- 4 The Commission must act now to address this situation, and clarify the basis for assessment from 1 April 2009 - we suggest this be achieved by extending the existing price path by two years. Providing this extension at a later date in the process will not relieve the uncertainty we are currently faced with.
- 5 Thank you for the opportunity to make these comments. If you have any questions, please contact Dennis Jones, our Industry Developments Manager, on (03) 363 9526 or by email to dennis.jones@oriongroup.co.nz.

Yours sincerely

A handwritten signature in black ink that reads "D. L. Jones". The signature is written in a cursive style with a large initial 'D' and 'J'.

Dennis Jones
Industry Developments Manager