



6 July 2020

Dane Gunnell
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Commerce Commission
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By email: regulation.branch@comcom.govt.nz

Dear Dane

Feedback to open letter on processes for resetting price-quality paths (the Paper)

Introduction

1. Orion welcomes the opportunity to provide feedback on the processes for resetting price-quality paths (DPP3) for electricity distribution businesses from 1 April 2020.

Summary

2. Even with the normal pressures of project timelines we broadly support the DPP3 process and consider that generally it was well communicated and smoothly conducted.
3. We appreciate that the Commission was able to deviate from the set plan to discover more detail or information to inform its decisions.
4. We believe the use of technology for virtual attendance at workshops was beneficial, but we also appreciate the willingness to meet in person as topics arose and the accessibility to discuss matters with the Commission team.
5. We suggest that where the Commission intends to make complex and detailed changes (e.g. to the quality regime, incentives) this should happen much earlier in the reset process in future or better yet, the process should be extended and begin earlier. This would also allow breadth to deal with more substantial issues.

6. The Commission should allocate more time toward engaging on more complex concerns raised by EDBs such as CPI forecasting. We want the Commission to prioritise engagement on this topic as part of the process for the next IM Review and DPP4.

Ongoing considerations

7. Orion recognises the benefit derived from the Commission having internal engineering expertise to build asset management and operational knowledge within the regulator. We suggest this is maintained as a practice by the Commission.
8. During the reset process EDBs raised concern about the long-term impact of CPI forecast error on revenues. We appreciate that this could have been raised earlier and this may have inhibited the Commission from addressing the matter more in depth. We want the Commission to prioritise engagement on this topic as part of the process for the next IM review and DPP4.
9. The Commission must raise their understanding of the necessary strategic shift EDBs are making to prepare our systems, processes and assets to respond to changing technology, climate change/sustainability objectives and customer choice. There are necessary cost and expenditure impacts from this.

Timing and attention

10. We compliment the Commission on the quality of the technical wording in the determination. We believe this documentation quality has improved from previous resets.
11. In Orion's case we would have appreciated more dialogue on how the Commission was thinking about our transition from the CPP/gap year to DPP. Earlier clarity, on how the transition would be treated, would have been beneficial especially for quality. The Commission has several CPPs over the next period that will also need to transition back to a DPP at some point.
12. The Commission made substantial changes to the quality regime. Understanding the intricacies of the new solution had to occur at pace and in time to submit meaningfully. To facilitate correct application the Commission's framework could have been socialised before further detail comes out in a draft decision.
13. Conducting the lease consultation mid DPP process was not ideal and should have occurred prior. We found the consultation to be poorly drafted thus frustrating the timing issue.
14. We thank you for provision of a reliability (SAIDI and SAIFI) demonstration model and the willingness of Commission personnel to review our interpretation of determination wording to ensure correct implementation of planned notification requirements. Earlier provision of the reliability model would have reduced the need for elements of this interaction and could be considered in DPP4.

15.The requirement to respond to 53ZD notices was signalled early and the requirements were scoped clearly.

16.The issue of how SAIFI successive interruptions are recorded was an unexpected element, not helped by its late surfacing in the DPP3 process. A joint approach to addressing this was important and we believe the outcome was pragmatic however further consideration of this may be required for DPP4.

Websites

17.One aspect of the administrative management that did create some confusion and risked less engagement was the presentation of some workstreams in different locations on the website.

18.The parallel process of 'IM Amendment for EDBs DPP' was a separate webpage that had no link to the overall '2020/2025 default price-quality path' webpage. This created some confusion from our perspective which would have been alleviated by providing a linkage between the two projects or combining the IM Amendments into the overall DPP3 project webpage.

Workshops

19.The Commission's workshops on knowledge sharing, quality and consumer outcomes, and innovation and dealing with uncertainty were well received.

20.We were especially appreciative of the unscheduled targeted workshop on quality following the draft decision. We believe this was beneficial for both parties and enhanced the final quality decision.

Concluding remarks

Thank you for the opportunity to provide this feedback. We do not consider that any part of this feedback 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