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SUBMISSION – FIRSTLIGHT NETWORK QSV DRAFT DECISION

1. INTRODUCTION

1. Orion welcomes this opportunity to provide feedback on the Commerce Commission's (the Commission's) draft decision, '*Reconsideration of DPP4 default price quality path for Firstlight – Quality Standards Variation*' (the Draft Decision).

2. No part of this submission is confidential.

3. Orion owns and operates the electricity distribution infrastructure in Central Canterbury, including Ōtautahi Christchurch city and Selwyn district. Our network is both rural and urban and extends over 8,000 square kilometres from the Waimakariri River in the north, to the Rakaia River in the south; from the Canterbury coast to Arthur's Pass. We deliver electricity to more than 230,000 homes and businesses and are New Zealand's third largest Electricity Distribution Business (EDB).

2. BACKGROUND

4. Firstlight Network Limited (Firstlight) submitted a quality standard variation (QSV) application on 30 March 2026, seeking to have its SAIDI boundary value for the fourth default price-quality path (DPP4) reconsidered.

5. Firstlight believes that three weather-related events captured in the reliability reference period dataset for setting the DPP4 quality standards unduly skewed the SAIDI boundary value.

3. COMMISSION'S DRAFT DECISION

6. The Commission's draft decision is not to adjust Firstlight's SAIDI boundary value for the DPP4 regulatory period. Instead, the Commission proposes:

   6.1. for the first assessment period, to make no amendment;

   6.2. for the second assessment period, to "*amend the unplanned SAIDI and SAIFI quality settings and associated quality incentive measures, to the equivalent values that applied to Firstlight during the DPP3 regulatory period*."

   6.3. for the remaining assessment periods, to make no amendment.[1]

7. The Commission's reasoning for only amending Firstlight's quality settings for the second assessment period is that:

   7.1. amending the quality settings for the first assessment period would be inconsistent with the ex-ante nature of the DPP and would not have any incentive effect, since the assessment period had effectively closed;[2]

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1 Commission. (2026) *Reconsideration of DPP4 default price quality path for Firstlight – Quality Standards Variation.* Paragraph 6, pp 2-3.

2 Ibid. Paragraphs 34.1-34.3, pp 7-8.

and

7.2. acquisition of the Firstlight Network by Powerco renders amending the quality settings for the third, fourth and fifth assessment periods irrelevant.[3]

4. ORION'S VIEWS

8. Orion agrees with aspects of the Commission's decision, including to adjust Firstlight's quality settings, but has concerns over the specific adjustment proposed, as set out below.

4.1. Amending Quality Settings for the Second Assessment Period Only

9. Orion agrees with the Commission's draft decision to amend Firstlight's quality settings for the second assessment period of DPP4, only.

10. Firstlight submitted its QSV application on the penultimate day of the first assessment period which, in our view, is too late to allow changes to be made for that period. While Firstlight's application asserts that the timing of its application is consistent with Aurora's 2020 QSV proposal,[4] Aurora submitted its application at the end of the first quarter of the assessment period, allowing sufficient time for some incentive effect.

11. In its final decision on Aurora's QSV application, the Commission noted key issues that further distinguishes Aurora's approach from Firstlight's, including that:

11.1. Aurora was relying on independent verification and consumer consultation associated with its customised price-quality path (CPP) proposal to support its QSV application, and the Commission had signalled its comfort with that approach; and

11.2. Aurora had signalled to the Commission, before the Commencement of DPP3, that it was unlikely to be able to comply with the DPP3 quality standards as determined, and the Commission had signalled the potential viability of a QSV application.[5]

4.2. Reversion to DPP3 Unplanned Quality Parameters

12. The Commission rejected Firstlight's proposal that the DPP4 SAIDI boundary value be recalculated. The Commission's reasons for that rejection are four-fold:

12.1. Weather effects and underlying network performance cannot easily be separated;

12.2. Case-by-case exclusion of events would be subjective and resource intensive;

12.3. Past extreme events may be relevant to future conditions; and

12.4. The approach would likely be inconsistent with the low-cost DPP regime.[6]

13. The Commission, instead, proposes that Firstlight's unplanned quality standard and incentive parameters should revert to their DPP3 values. The Commission noted that events that would have been normalised under DPP3 may no longer be normalised under DPP4, increasing the risk of non-compliance, because:

13.1. The DPP4 reference period included recent years with poorer reliability performance; and

13.2. The DPP4 SAIDI boundary value increased by 44 percent from DPP3 values, whereas inter-period caps constrained the uplift in SAIDI and SAFI limits to 5 percent.

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3 Ibid. Paragraph 32, p7.
4 Firstlight Network. (2026). *Firstlight Network Quality Standard Variation Application*. Section 3.4, p21.
5 Commerce Commission. (2020). *Quality Standard Variation (QSV) to Aurora's default price quality path – Final decision*. Paragraphs 23-25, p10.
6 Ibid. Paragraph 26, p6

14. While we understand the Commission's concerns regarding amending Firstlight's SAIDI boundary value in isolation, we are not convinced that reverting to DPP3 settings is more reasonable.

4.3. Orion's Recommendation

15. Orion considers that Firstlight's approach was headed in the right direction, but was both too narrowly focussed in seeking adjustment of only the SAIDI boundary, and too broad in the events that it was seeking to have excluded.

16. Orion **recommends** that Firstlight's QSV is approved by:

    16.1. Excluding the effects of Cyclone Gabrielle, only, from Firstlight's DPP4 reference period;

    16.2. Recalculating Firstlight's SAIDI and SAIFI unplanned quality standards and incentive parameters; and

    16.3. Applying the adjustments to the second assessment period of DPP4 only.

17. Our reasons for this recommendation are that:

    17.1. Cyclone Gabrielle was accepted by the Commission as a qualifying catastrophic event for the purpose of determining catastrophic event reopeners, and therefore is an objective exclusion requiring little or no judgement in the context of determining Firstlight's QSV proposal;

    17.2. Recalculating Firstlight's unplanned quality standards and incentive parameters preserves the integrated nature of the quality framework; and

    17.3. Amending Firstlight's unplanned quality standards and incentive parameters in this manner is consistent with the relatively low-cost nature of the DPP.

18. We expand on our reasoning, below.

4.3.1. Objective Exclusion

19. Orion agrees with the Commission that adjusting for extraordinary events can be problematic; however, this can be substantially mitigated if clear and objective criteria can be applied to select qualifying events.

20. From the first DPP, quality standards included boundary values to normalise for major events. We understand that boundary values were originally set using the 2.5 Beta Method specified within IEEE 1366:2003 "*IEEE Guide for Electric Power Distribution Reliability Indices*", which set an expectation that, on average, EDBs would experience 2.3 major events per year. While the DPP normalisation methodology has become more complex (e.g., rolling 24-hour periods, etc.), our understanding is that the calculation of boundary values remains underpinned by the expectation of 2.3 major even days per year.[7]

21. In Orion's view, the normalisation methodology would benefit from making a distinction between a major event and a catastrophic event. A major event has an implied return period of 22.6 weeks; however, a catastrophic event has return period of years, or potentially decades, and reflects a much larger consequence. Excluding catastrophic events would ensure that boundary values do not increase excessively at resets.

22. The Commission has an existing framework for assessing whether a catastrophic event has occurred which, in terms of the reliability threshold, requires the EDB to have incurred a SAIDI impact of 120 minutes or 6 million customer minutes.[8] Firstlight applied for a catastrophic event reopener in respect of the impacts of Cyclone Gabrielle, which was approved by the Commission, and therefore it would be both objective and reasonable to determine that the reliability impact of the catastrophic event should be excluded from the DPP4 reliability

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[7] We note that IEEE 1366 was updated in 2022; however, we have not examined the new standard to determine whether the boundary value calculation approach has changed.

[8] Commerce Commission. (2026). *Electricity Distribution Services Input Methodologies Determination*. 1 September 2026 (consolidated), clause 4.5.4, pp 132-133.

reference period dataset.

23. On this basis, Orion further **recommends** that the reliability impact of approved catastrophic event reopeners is removed from the relevant EDB's reliability reference period dataset as a matter of normal process discipline during future DPP resets.

24. Additionally, in Orion's view, the event on 12 December 2016 where a light aircraft collided with 110kV lines would also be worthy of exclusion, in principle.[9,10] Clearly not weather-related and beyond Firstlight's reasonable control, the only issue that might prevent exclusion would be if the design of the network provided inadequate resilience, having regard to the costs and benefits of a more resilient configuration.

25. To be clear, we are not recommending that this event be excluded, largely because the event was also included in the DPP3 reference period dataset without issue for Firstlight. However, we think that the Commission should consider, for future DPP resets, whether such uncontrollable, high-impact-low-probability events are contemplated by IEEE 1366, and whether they should be removed from reliability reference period datasets as a matter of course.

4.3.2. Recalculating Relevant Reliability Parameters

26. We agree with the Commission that "*unplanned interruption quality settings and associated incentive measures operate as an integrated framework and amendments to one parameter in isolation may not produce the desired regulatory outcome.*"[11]

27. For this reason, having concluded that the Cyclone Gabrielle catastrophic event should be removed from Firstlight's DPP4 reliability reference period dataset, Orion considers that all unplanned quality standard and incentive parameters should be recalculated. It is not, in Orion's view, appropriate to adjust only the SAIDI boundary value, nor is it appropriate to adjust SAIDI parameters without also adjusting SAIFI parameters.

4.3.3. Relatively Low-Cost Considerations

28. The Commission considers that case-by-case assessments of whether major events should be included in reliability reference period datasets may not be consistent with the relatively low-cost nature of the DPP.[12]

29. We make two points in relation to our recommendation and the 'relatively low-cost' imperative:

    29.1. Our recommendation does not suggest a case-by-case assessment for Firstlight or for the process of setting quality standards and incentives at the DPP reset. It is narrowly focussed on removing the reliability impact associated with approved catastrophic event reopeners, only; and

    29.2. Relatively low-cost is not 'low cost'. Section 54K of the Commerce Act 1986 is clear that a DPP is to be set at a cost that is low relative to the cost of a CPP, which includes preparation, consultation, verification, audit, assessment and determination. CPP costs are significant and this affords the Commission considerable latitude to consider the costs that may be incurred in the DPP-setting process while remaining 'relatively low-cost'.

30. In Orion's view, determining Firstlight's QSV application by removing the reliability impact of the Cyclone Gabrielle catastrophic event and recalculating Firstlight's unplanned quality standard and incentive parameters remains relatively low-cost, especially since it involves adjustment to existing reliability models.

31. We also consider that removing the reliability impact of approved catastrophic event reopeners during the DPP reset process would also qualify as relatively low cost due to the rarity of such events and the likelihood that

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9 Ibid. Table 1, p8.
10 Ibid. Paragraph 28, p6.
11 Ibid. Paragraph 34.5, p8.
12 Ibid. Paragraph 26, p6.

proactive treatment would limit the need for QSV applications like Firstlight's.

4.4. Alternative Recommendation

32. Should the Commission be minded to reject our recommendation in section 4.3, we offer an alternative.

33. The Commission has noted that the treatment of inter-period changes to reliability limits and boundary values is inconsistent, with a ±5 percent cap applying to changes in reliability limits while changes to boundary values remain uncapped.[13]

34. Orion's **alternative recommendation** is that the Commission determines Firstlight's QSV by:

    34.1. Limiting Firstlight's SAIDI and SAIFI boundary values to 5 percent above its DPP3 values; and

    34.2. Recalculating all unplanned quality standard and incentive parameters.

35. While, in our view, this approach is somewhat arbitrary relative to our primary recommendation at paragraph 16, we consider that it is a more reasoned approach than simply reverting to Firstlight's DPP3 unplanned reliability settings.

5. CLOSING

36. Thank you for the opportunity to provide our views on Commission's draft decision on Firstlight's QSV application. Please contact the undersigned if you require further information.

Yours sincerely



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[13] Ibid. Paragraph 22, p5.