



31 August 2022

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Dear Jo

Submission: Targeted Information Disclosure Review - Tranche 1 amendments Draft Decision

Introduction

1. Orion appreciates the opportunity given to industry stakeholders by the Commerce Commission (the Commission) inviting responses to the draft decision (Tranche 1 amendments) of the Information Disclosures (ID).
 - The Commission published the draft decision of the targeted ID review on 3 August 2022¹. The purpose of the draft decision is to provide regulated businesses the opportunity to review the Commission's intended changes to the ID reporting on:
 - quality of service,
 - decarbonisation,
 - asset management, and

¹ https://comcom.govt.nz/_data/assets/pdf_file/0028/289207/Targeted-information-disclosure-review-for-electricity-distribution-businesses-Tranche-1-draft-decisions-paper-3-August-2022.pdf

- alignment of ID with other regulatory rules.

Summary

2. We have reviewed the draft decision which was published on the Commerce Commission's website.
3. This submission supports some of the views expressed and raises additional concerns.

Other Feedback

4. We support the submission of the Electricity Network's Association and have contributed to its development.

Purpose of Part 4 of the Act

5. We support the majority of the proposed changes which will provide stakeholders more detailed information in the information disclosures as well as provide insights into the practices of EDB's to address future uncertainties in respect of uptake of distributed energy resources and decarbonisation.
6. A number of the proposed changes are already reported to other organisations such as the Utilities Disputes and the Electricity Authority. We recommend that the Commission considers whether duplicated reporting creates an unnecessary administrative burden before including it in the final decision.
7. Information Disclosure reporting can be challenging when it comes to the detail and some of the proposed amendments do not have specific details to ensure a consistent reporting approach when implemented by EDB's. We will gladly engage with the Commission to ensure the reporting requirements are implementable and robust.

Feedback on proposed changes

8. A number of the proposed timing and form of the first disclosure and narrative information commences from 30 June 2023. Backward-looking information is required to be reported from 31 August 2023. This requires EDBs to report on information for the year commencing on 1 April 2022 to 31 March 2023, which is retrospective regulatory reporting and may not currently be recorded by some EDBs.
9. We appreciate that the timing of providing the information in the proposed changes is important for the Commission in formulating an approach for DPP4, we would like the Commission to consider excluding these as part of the audited schedules which requires director certification, at least for the first year of implementation.

10. The following is Orion's response to the proposed changes to the Information Disclosures detailed on pages 15 to 30 of the Draft Decision:

10.1 Amendment Q1 – expand ID requirements related to how much notice of planned interruptions is given to consumers, including planned interruptions that are booked but not carried out

Orion supports expanding the ID requirements relating to planned interruptions. However, outage notifications are already reported in EIEP5A files required by the Electricity Authority so could be a potential duplication of reporting.

Referring to point 2, under the proposed new schedule 10(vi) *“the number of unplanned interruptions that the EDB intentionally initiated to carry out work on its network that did not directly relate to a fault, e.g., planned interruptions that are recorded as unplanned because they are not properly notified”*. We currently record these but it's not being analysed at this stage which will require some retrospective work to be done to fully comply with the reporting requirements. This could be challenging for the wider industry if they are not currently recording this information.

10.2 Amendment Q2 – add ID requirements on power quality

Orion currently reports on power quality in our Asset Management Plan 2022² in Sections 6.6.2.1 and 6.6.2.2, to fulfil the requirements of this amendment.

Referring to the second point, *“work it is doing on their LV network to address any non-compliance with the applicable voltage requirements of the Electricity (Safety) Regulations 2010;”*

We will endeavour to comply and address any non-compliance as soon as it becomes known to us. We recommend that the Commission change the wording from any non-compliance to known non-compliance.

10.3 Amendment Q3 – add ID requirements on time taken to set up new connections

Some of the requirements to create new ICPs are already covered in order to comply with the Electricity Industry Participation Code³ in respect of time taken to create an ICP and relying on external parties such as retailers claiming ICPs.

² https://www.oriongroup.co.nz/assets/Orion_AMP2022-web.pdf

³ <https://www.ea.govt.nz/assets/TheCodeParts/FULL-MERGED-CODE-3-May-2022.pdf>

We also encourage more detailed definitions for:

- a Connection and ICP as these may be different depending on the configuration of a site.
- Quote start and end times (milestones) as there are certain factors outside our control when a customer decides on accepting or not accepting our, or a contractor's price.

10.4 Amendment Q4 – add ID requirements on customer service, e.g., customer complaints.

Orion and other EDBs have an obligation to report customer complaints annually to Utilities Disputes. This is also included in an EDBs audit during the Electricity Authority distributor compliance audit.

In addition, Orion undertakes customer engagement surveys which are reported in the AMP.

We recommend that the Commission consider whether these reporting requirements are a duplication as it is already being covered under other related regulatory reporting obligations.

10.5 Amendment Q5 – add ID requirements on information about customer charters and guaranteed service level (customer compensation) schemes, e.g. information about existing schemes

Note that EDBs are required to publish their Electricity Authority's Default Distributor Agreement⁴ (DDA) on their website which includes service levels.

Orion also has agreed upon customer service levels and compensation schemes published on our website⁵.

We recommend that the Commission consider whether these reporting requirements are a duplication as they are already being covered under other related regulatory obligations.

10.6 Amendment Q11 – refine ID requirements on interruptions by clarifying definitions to ensure successive interruptions are recorded consistently.

In principle, we support the approach to record successive interruptions consistently across EDBs.

⁴ <https://www.oriongroup.co.nz/assets/Customers/Orion-DDA-v1-17-Dec-2020.pdf>

⁵ <https://www.oriongroup.co.nz/customers/load-management-and-hot-water-control/irrigation-interruptibility-scheme/>

- The draft decision amendment Q11⁶ states:

“Our draft decision is to modify the definition of SAIFI values and SAIDI values to ensure EDBs record successive interruptions as an additional SAIFI value or SAIDI value if restoration of supply occurs for longer than one minute.

We are also introducing a transitional reporting requirement in Schedule 10(i), for the 2023 and 2024 disclosure years, where EDBs that do not currently record their SAIFI and SAIDI values using the ‘multi-count’ approach continue to record their SAIFI and SAIDI values on the same basis that they employed as at 31 March 2022.”

- The amended Interruption definition in the draft determination includes:

“in relation to the supply of electricity lines services to a consumer by means of a prescribed voltage electric line, means the cessation of supply of electricity lines services to that consumer for a period of 1 minute or longer, including any temporary restoration of supply mid-cessation for less than one minute, other than by reason of disconnection of that consumer”

We are unsure of the intention of the amendment and whether this refers to future reporting on MAIFI (momentary outages). Transpower used to report MAIFI but it did not show any specific trends in outages year on year that could be acted upon and therefore the value of this metric is questionable.

We recommend that the Commission consider the intention of reporting brief outages (e.g. from branches blowing across lines, irrigation, etc) of less than one minute and whether it adds value to outage reporting.

10.7 Amendment Q13 – refine ID requirements on third party interference interruptions by breaking down into more specific categories, such as vehicle damage, “dig in”, overhead contact, and vandalism.

We would retrospectively need to allocate it to these additional sub-categories which will add additional administrative cost and audit fees. Schedule 10 is audited, and we would recommend that for FY23 (reported by 31 August 2023) that this is not audited nor certified in, at least the first year of implementation.

⁶ https://comcom.govt.nz/__data/assets/pdf_file/0028/289207/Targeted-information-disclosure-review-for-electricity-distribution-businesses-Tranche-1-draft-decisions-paper-3-August-2022.pdf

10.8 Amendment D2 – add requirements on new network loads likely to have a significant impact on network operations or asset management priorities

While we appreciate that the Commission may be seeking some level of certainty of the future, we are concerned about the level of detail which the Commission requires. The reasons are:

- We have engaged with 15 potential customers of approximately 30-40MW since our last AMP was published and some of these won't require electrification going forward. There is also a potential milk processing plant would add an additional 80MW of load.
- Increases to the GIDI fund which is beyond our control, has resulted in additional enquiries and these types of incentives will accelerate transformation.

Network loads can therefore change rapidly as time progresses and may be hard to predict. We may only be able to update this with any level of certainty when a customer commits to the installation. We recommend that the Commission use a 3-tier horizon model which would indicate the likelihood of new network load if this requirement is included in the final decision e.g. H1 (1-3 years), H2 (2-5 years) and H3 (5-12 Years). These 3 categories could include "earliest start years" for projects similar to the way Transpower groups their network loads.

10.9 Amendment D4 – add reporting requirements on EDBs' innovation practices

We support the introduction of reporting on innovation practices and ask that the Commission clearly define innovation e.g. continuous improvement vs innovation. For example, Ofgem set out clear guidance on the reporting requirements for innovation projects run using innovation allowances⁷. As EDB innovation is predominantly self-funded (as opposed to retrospective approval via the Innovation Allowance), clear criteria is required to determine which activities are considered innovation and fall under reporting requirements.

There is an underlying assumption that all networks have innovation processes, teams and procurement practices. We encourage the Commission to consider smaller EDBs and how to incentivise them to innovate.

⁷ <https://www.ofgem.gov.uk/sites/default/files/2021-10/R2%20NIA%20Governance%20Doc%20v2%20Oct21%20Clean.pdf>

Orion have recently established an innovation pipeline to support the development of ideas into innovation projects. At what stage would we be required to report on our innovation practices i.e. opportunity development, planning, execution or handover/closedown. Given the changeable nature of innovation, we recommend only reporting ideas that have been approved to progress to the execution stage.

We recommend that the Commission considers these factors when making the final decision on innovation practices.

10.10 Amendment AM6 – Amend the definition of 'overhead circuit requiring vegetation management'

We support amending the definition of 'overhead circuit requiring vegetation management'. It makes sense that the “notice zone” distance definition is automatically updated when the definitions for the Hazards from Trees is updated in the Electricity Regulations 2003, and that it flows through to the Information Disclosures.

10.11 Amendment AM7A/AM7B – improve lifecycle asset management planning provisions (vegetation, assumptions)

We do not support the modelling provisions in AM7A for vegetation and seasonal growth may be challenging to predict. We therefore consider modelling is not an appropriate way of predicting vegetation management practices. Orion works on a cycle of every 2 years, in general and 4 years for LV vegetation management as reported in the AMP.

We question whether using modelling in AM7B and rationale used to inform capital expenditure for assets is appropriate. Orion has a Condition Based Risk Management process⁸ which is in the first stage of the asset replacement programme. It would be better to report on the assumptions or rationale informing capital expenditure as opposed to reporting on a modelling approach.

⁸ <https://www.oriongroup.co.nz/assets/Company/Corporate-publications/Orion-AMP-FINAL-2019.pdf>, Figure 5.6.4

10.12 Amendment AM8A/AM8B – improve lifecycle asset management planning provisions (processes, forecast assumptions) and provide additional information on data and models

While we generally support improving asset management planning provisions, at this stage we base our assessment on asset condition data mostly on overhead assets and expect to improve our secondary system management from 2024 onwards. It will therefore prove challenging to provide formal models to inform expenditure projections. We also look at historical data to identify, and locations where we have constraints, to trial solutions. We also consider future capacity constraints, network performance, resilience and customers willingness to trial new non-traditional solutions when looking at asset renewal options. We will be able to forecast assumptions but only be able to provide more informed decisions on Quality of Supply cost versus value towards the end of DPP4.

We recommend that the Commission consider the challenges which EDBs face in modelling forecast assumptions.

10.13 Amendment AM9 – add explanation and exploration of scenarios, in addition to providing a single point forecast in forecasting schedules

We support reporting of single point forecast estimates with additional space to voluntarily describe the options and considerations made in our assessment of forecasting scenarios.

10.14 Amendment AM10 – disconnections data

There is a requirement for EDBs to report “*forecast and actual disconnections (in Schedules 9e (1) and 12C (1) of the electricity distribution information disclosures, respectively) for both individual connection points (ICPs) and distributed generation disconnects*”. These happen on a continual basis as retailers have the ability to disconnect their customers making them active / inactive in the registry.

Customers currently do not notify us if they disconnect their distributed generation (DG) and will be difficult to monitor when DG gets disconnected.

We recommend that the Commission clarify whether the intention is a disconnection or only at the point of decommissioning of a site. Decommissioning is defined by Part 1 of the Electricity Industry Participation Code (the Code)

10.15 Amendment AM13 – require EDBs to make a confidential disclosure of operational expenditure on cybersecurity

We support this requirement and appreciate that this gets kept confidential for security risk purposes. This will inform the Commission of the investment which EDBs are making to protect information, software and hardware.

10.16 Amendment A1 – changes to recoverable and pass-through costs definition

We support this change.

Concluding Remarks

Thank you for the opportunity to provide feedback. I do not consider any part of this feedback as confidential.

Please contact me if you have any questions on 027 234 4017 or rob.tweedie@oriongroup.co.nz.

Yours sincerely



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