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EDB Targeted ID Review

1. This is Vector's feedback on the Commerce Commission's (Commission) Process and Issues Paper (PIP), dated 24 March 2022, for the Targeted Information Disclosure (ID) review. No part of this feedback is considered confidential.
2. Vector has actively participated in the Electricity Networks Association (ENA) Information Disclosure Working Group (IDWG), which has been actively reviewing Electricity Distribution Businesses' (EDBs) ID requirements. We broadly support the ENA's response to the PIP which includes the IDWG's report reviewing the current electricity IDs.
3. We have structured our feedback into three distinct sections:
 - i. Proposed process and timeframe;
 - ii. Overarching issues to consider; and
 - iii. Individual proposals in the PIP.

Proposed Process and Timeframe

4. The timeline suggests that the Commission will be producing their draft decision on the Tranche 1 proposals solely based on the consultation responses to the PIP. This implies no direct engagement with EDBs or other stakeholders ahead of the draft decision. We consider this is a missed opportunity for the Commission to hear first-hand what the issues are with the current suite of disclosures and what new disclosures could be added that would benefit of interested parties. We encourage the Commission to hold a workshop with stakeholders before producing the draft decision.
5. Vector believes that stakeholders especially customers should be heard in the ID review process. It was not clear from the PIP what levels of engagement the Commission has had with end consumers in determining the proposals in the PIP. The PIP states that this review

has been heavily informed by past engagement with stakeholders but only names EDBs, and the Electricity Authority's Innovation and Participation Advisory Group (IPAG) specifically. We would like to understand how many of the proposals were suggested by interested parties and those that have been raised solely by the Commission.

6. The PIP states *"At the 2020 reset of EDB price-quality paths, we decided not to introduce new quality standards or quality incentive schemes because we needed to gather more information about current levels of performance and engage with consumers on what measures of quality are most meaningful to them, and also because other options were available outside price-quality path reset regulation."*
7. We encourage the Commission to share the stakeholder engagement that has led to the proposals being put forward as this would enable a better understanding of the needs they are endeavouring to address. It would also better inform a consideration of the costs versus the benefits.
8. Some of the proposals put forward in the PIP are complex. The Commission needs to gather information on what proposals would have the biggest implications for EDBs' costs including systems and workforce. Consideration is needed on whether these costs are allowed for in EDB DPP expenditure allowances and if not, how those costs can be recovered.
9. In order to ensure that the new proposals meet section 52A(1)(a)-(d) of the Commerce Act, Vector suggests that the Commission prioritise the proposals that are most relevant to achieving the Part 4 purpose.

Overarching Issues to Consider

Cost of Compliance

10. Each proposed new disclosure should have a use case that closely examines benefits and costs of that proposal. We consider that the Commission could have done these use cases in advance of the PIP being issued, with assistance provided by EDBs and the ENA.
11. Imposing more reporting requirements on EDBs' without giving due consideration to the costs and benefits of compliance could result in EDBs investing in systems that are not in the long-term interests of consumers. Costs are also not limited just to systems. For example, directors are required to certify that disclosures are materially correct to the best

of their knowledge. This means that for any additional information disclosures introduced, a significant amount of time from staff through to directors is required to ensure the appropriate level of preparation, review and governance is applied to enable certification and publication to take place. Moreover, from the 33 proposals put forward in the PIP, there is no indication of auditing requirements. Moving forward in this targeted review process the Commission must provide a view as to which disclosures would be subject to audit, as this will factor heavily in the cost benefit test described above. We would like to assume that all non-financial proposals would not require audit but confirmation of this is needed.

What Matters to Customers

12. The customer should be at the centre of this ID Review ensuring that reporting leads to clear customer outcomes.
13. Alongside the our response to the Open Letter in May 2021, Vector submitted a report produced by FTI-CL which offers a Regulatory Blueprint to meet customers' expectations. By reviewing what is practised abroad, FTI-CL was able to suggest both short term and longer-term aspirations for the New Zealand framework. These include some metrics that the Commission has proposed but what is missing from the proposals are the drivers and the aspiration for each of them.
14. The Commission should take stock of international practices where ID is used tangibly to drive performance through for example incentive mechanisms or to set price control allowances. In the UK some ID requirements have a financial reward associated with them such as Ofgem's Business Plan Incentive.
15. Ultimately, the aim must be to avoid increasing the regulatory burden by requiring the gathering and reporting of data and information that is not used or useful.

Removal of Superfluous ID Requirements

16. While the Commission has proposed additional requirements, it has not made any attempt to remove or amend disclosures that are superfluous or outdated. We would assume any outreach done by the Commission would have identified disclosures that have limited use to stakeholders.
17. If this has not occurred, we would encourage the Commission to expand its review to include a fulsome review to cull those existing requirements that do not aid the achievement of the Part 4 objectives. For example, we would like to see the disaggregation by network

of the non-financial schedules in the Electricity Information Disclosure (EID) removed. There is more information on this in the ENA's feedback and more specifically in the IDWG's report.

Links to Input Methodology (IM) Review

18. The Commission's Process and Issues Paper states the following on the links to the IM Review: *"The ID Review is a targeted review on specific areas of focus that do not include issues with, or potential changes to the IMs, which are broader areas of focus best suited to the IM Review. If any submissions made under the ID Review are relevant to the IM Review, we will consider them as part of the IM Review process."*
19. Vector believes that greater consideration should be given to the interaction between the ID and IM reviews. The proposed process risks repeating the issues of the past where, four years on from the Commission's final DPP3 decision, the IDs still contain vestiges of the IRIS regime from DPP2.
20. The final decision on Tranche 2 of the ID review will be made a matter of months before the final IM decision. We are concerned that any new ID data from that Tranche would be likely to inform the DPP4 reset. This review should consider any new and / or changed reporting requirements for DPP4 also. Consequently, we suggest the Commission ensures that the teams involved in the ID and IM reviews work together to achieve the best outcomes across the two reviews.

Individual Proposals in the PIP

21. We have outlined below in Tables 1-3 our feedback on the individual proposals put forward in the PIP. To provide an indicative view of the proposals we have put a RAG status against each of them where Green we are supportive, Orange needs further work / guidance, and Red we are not supportive. The comments in the tables below are additional to the general comments above, that for each potential option there must be a clearly defined stakeholder need that is being met and what are the costs and benefits of meeting that need.

Quality

Table 1 – feedback on Quality proposals

No.	Potential options to achieve outcomes	Our high-level comments
Q1	Expand ID requirements related to how much notice of planned outages is given to consumers, including planned outages that are booked but not carried out.	Assuming this is HV only - Vector already provides this information to our auditors when compiling our planned SAIDI disclosures.
Q2	Add ID requirements on power quality.	Such a metric would require specialised metering equipment in zone and distribution substations. We also consider this would not result in considerable improvements for customers.
Q3	Add ID requirements on time taken to set up new connections.	<p>We measure these times on a monthly basis and share the results with our field service providers.</p> <p>However, a new ID requirement around the time taken to install a new connection must consider that there are many elements to making a connection which could impact times differently across suppliers which could lead to incorrect conclusions being drawn if comparing across suppliers. For example:</p> <ol style="list-style-type: none"> 1. Depending on the scope of work the completion time will vary hugely (e.g. a transformer upgrade vs a fuse upgrade) 2. A new connection for a residential customer will be different to a commercial customer, as would their expectations 3. The involvement of 3rd parties can impact times (e.g. Auckland Council, Auckland Transport, other utilities) 4. Definitions around when a job starts, stops, and ends to calculate the duration of a new connection will need to be clearly defined, worked out and agreed amongst EDBs for this measure to work properly
Q4	Add ID requirements on customer service, e.g. customer complaints.	<p>Customer service - Vector surveys its customers after a new connection, a general enquiry, or an outage. This happens automatically through a voluntary survey, and monthly through a follow up survey by our Insights team. To be done properly through ID would require the same survey and method to be carried out consistently across EDBs.</p> <p>Customer complaints - Vector has an internal deadline of responding to complaints and technical enquiries which we take very seriously. Whilst we understand the Commission's desire to review performance in this area, it would appear to overlap with work carried out by Utilities Disputes.</p>
Q5	Add ID requirements on information about customer charters and guaranteed service level (customer compensation) schemes, e.g. information about existing schemes, information that could be relevant to such schemes in the future.	We already have service standards. Vector's service standards cover a number of areas such as the time we take to restore power, the number of interruptions a customer may experience etc.

No.	Potential options to achieve outcomes	Our high-level comments
Q6	Expand ID requirements on response time to outages.	Response time to outages would need a lot of work clearly defining the different steps in responding to an outage (e.g. response time, on site time etc.) Such a measure could have unintended consequences in regard to safety - we must seek to drive the right behaviours when attending outages (time vs risk).
Q7	Expand forward-looking AMP requirements on how EDBs will continue to perform for consumers, e.g. commitments to develop the network for future technology.	Any work developing reporting of network transformation should align with the ENA work on the Network Transformation Roadmap.
Q8	Add ID requirements on the Momentary Average Interruption Frequency Index (MAIFI) to capture momentary interruptions that can be hidden or misrepresented by existing SAIDI and SAIFI requirements.	We would need to invest in systems and processes to achieve ID reporting for this. Appropriate amount of work would need to go into guidance and definitions to ensure consistency of reporting.
Q9	Add ID requirements regarding those customers worst served on the network in terms of reliability. We had some requirements in this area in the regime that came before Part 4, but questions were raised about the value of the disclosed information in light of technical challenges producing it. We welcome feedback from EDBs in particular on the feasibility and usefulness of such information.	Further progress within the industry in regard to accessing smart meter data is needed to better understand worst served customers.
Q10	Expand ID requirements to include disaggregated SAIDI and SAIFI by network category (e.g. urban, rural) and region.	There needs to be clear definitions for "rural" and "urban" to ensure consistency of reporting and ensure all ICPs are allocated to the correct category.
Q11	Refine ID requirements on interruptions by clarifying definitions to ensure successive interruptions are recorded consistently.	We support the clarification of definitions. However, any application should only be on a prospective basis. Any changes must also be considered alongside current quality targets which are based on historical reporting.
Q12	Refine ID requirements or add guidance on assigning interruptions to cause categories.	We support the need for additional guidance and believe the ENA is the right forum to review and agree amongst EDBs.
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 support more specific categories which we have already implemented in our systems to better understand outages and monitor performance.
Q14	Expand ID requirements to include some raw outage data, which is currently only provided to us by non-exempt EDBs in advance of price-quality path resets.	As a non-exempt EDB we already submit this information.

Decarbonisation

Table 2 - feedback on Decarbonisation proposals

No.	Potential options to achieve outcomes	Our high-level comments
D1	<p>The range of changes that could be made to ID for EDBs to provide more information on their LV networks fall along a spectrum. At the more prescriptive end of the spectrum, there could be a requirement for EDBs to provide detailed and potentially much more frequent information about metrics of their LV network, such as those on capacity and power quality. A less prescriptive approach would be for EDBs to disclose their plans to develop and improve their LV network practices. This would be similar to the approach adopted for Aurora. We welcome feedback from stakeholders on the appropriate approach to take.</p>	<p>At this stage we believe that in order to have visibility of the LV network there is work to carry out in gaining access to and processing smart meter data, before we jump ahead to look at metrics around the performance of that network. We want to first better understand the performance of LV network in its current state. Also required is the need to survey customers around their experience which Vector does on a regularly basis through our Customer Insights team.</p>
D2	<p>There are various approaches that could be used to require EDBs to report more consistently and provide greater transparency, which would allow stakeholders to better understand the magnitude and effect of new large electricity loads on EDBs' networks. One example of this would be a requirement for an EDB to identify and report on the top 10 fossil-fuel loads in their area that could convert to electricity and the effect on their network and how they were preparing. Alternatively, a threshold (either absolute or proportional) could be introduced which required EDBs to report this information on new loads above a certain size.</p>	<p>Whilst we have modelling in place to better understand how electricity loads will affect our networks, these movements will primarily come from our customers and this poses a few questions around the disclosure of such information:</p> <ol style="list-style-type: none"> 1. Confidentiality 2. In a given area customers may not all be ready at once 3. Plans change
D3	<p>We want stakeholders to be better able to understand the current and likely future constraints on EDB networks. This includes helping those providing new technology or services to be able to plan to compete to offer a solution to the constraints and helping those planning to connect to the system to choose where to locate. There is a spectrum of options, from simply requiring EDBs to report on their plans and progress and different scenarios in this area, to more prescriptive approaches that could require EDBs to provide information on current and expected constraints in a standardised (geo-spatial) format. We want to understand how ID can help facilitate a shift to national level reporting of constraints with an approach that does not impose an unnecessary regulatory burden on EDBs. For example, would simply expanding the requirements so that they apply to all EDBs be sufficient or do the existing requirements not capture all of the information necessary to properly explain the full nature of a constraint.</p>	<p>Vector looks at constraints from two perspectives: capacity and security both of which are reflected in our AMP. Regardless of this information or any additional information such as heat maps, stakeholders will still make enquiries of us. The rate of growth in Auckland means that levels of capacity change regularly. Noting most of that growth is at a distribution transformer level of which we have thousands. Also, in Auckland connection growth is very often driven by land rather than capacity which adds even more complexity to this proposal for it to be of value.</p>
D4	<p>There are various options, but one approach might be to require EDBs to specifically report their innovations practices in a stand-alone way in terms of:</p> <ol style="list-style-type: none"> (a) what measures are EDBs taking that are innovative; (b) why are they innovative; (c) what EDBs are trying to achieve by carrying out the particular innovation; and (d) how EDBs are measuring their success 	<p>We do not believe this should be a disclosure requirement - instead the Commission should review the usefulness of its innovation project allowance which is limited in both scope, process, and materiality. The Commission should be promoting innovation and a more useful way of doing that would be to facilitate collaboration rather than prescribing more reporting. We would also note that innovation is not a standalone</p>

No.	Potential options to achieve outcomes	Our high-level comments
		activity - every single department at Vector innovates in its own way and is part of BAU so this is not something that is easily able to be reported on.
D5	Require information on the investigations undertaken and investment into flexibility resources.	Vector produces forecasts on where the procurement of flexibility services could be an option including seeking out non-wire alternatives. However, the outlook of NZ adopting flexibility services is still far off (there are currently no flexibility traders in NZ). Resource and efforts should be focussed on developing our roadmap and ensuring the right structures are in place to get the best value for our customers when DER is more prevalent.
D6	Refine current requirements by providing standardised price components and/or price categories that EDBs can record revenue against in addition to a free field for revenue that does not fit one of the standardised categories or components.	We would like more information on this proposal - more granular reporting on pricing can be found in Schedule 8 (EID) and our Pricing Methodologies.

Asset Management

Table 3 - feedback on Asset Management proposals

No.	Potential options to achieve outcomes	Our high-level comments
AM1	Possible improvements to improve the specificity of asset age data disclosed under ID include: <ul style="list-style-type: none"> • Finding an appropriate way to report what is currently designated as 'unknown' in the asset age category; and • Splitting out asset age data at a level that is more granular than by decade for assets installed before 2000. 	To look back and ascertain "unknown" or "assets installed before 2000" more precisely could only be achieved in a cost effective way by making assumptions. Another option would be to survey our assets to gather more accurate data however this would come at a large cost (especially for underground assets).
AM2	Identifying cost categories with known or observable relationships to other data that can enable better understanding of the efficiency of EDBs' expenditure plans. Unit costs are one basic approach we might explore, including: <ul style="list-style-type: none"> • Capex unit costs eg, asset replacement cost per unit (poles, conductors, transformers etc.); and • Opex unit costs eg, vegetation management expenditure/per km cut. 	We do not support the proposal - we ask what the unit cost information is going to be used for. If it is used for comparative purposes the range of values will be huge between companies due to a variety of reasons such as regional differences. It would also be an extensive undertaking to produce annually if that is what this proposal is suggesting.
AM3	There is a wide spectrum of information that may be useful to stakeholders as well as various options for presentation in terms of format and location within the AMP. We are seeking feedback from stakeholders on the key information that stakeholders would like to be most accessible and the most useful manner it can be presented within an AMP. One approach to receiving this feedback may be through a user group forum to inform areas of interest.	Our main stakeholder groups looking at capacity constraints are developers and data centres who we always encourage to speak to us directly given the rapid changes on our network. Vector is always open to engaging with customers and stakeholders to discuss their needs, but we are not sure the AMP is the best place to respond.

No.	Potential options to achieve outcomes	Our high-level comments
AM4	Improved reporting on the resilience and contingency planning of an EDB's network could be enabled through ID changes, which we note would consequently support the work of the EA and other stakeholders. We are seeking feedback on how disclosure requirements could capture more comprehensive information on resilience and contingency planning.	We believe Vector achieves the right level of reporting which extends into areas we believe are important such as climate adaptation including climate resilience. Contingency planning is a function of our electricity operational centre and needs to be flexible to respond to all sorts of contingency events especially given a network of our scale – translating that into an AMP would be very complex unless done at a high level.
AM5	Require a summary report of each significant storm event. This could be informed by internal reporting and recording that could include the following: <ul style="list-style-type: none"> • wind speed and wind direction data; and • whether the wind speed actually exceeded the design tolerances of the network. We are seeking further feedback on this from stakeholders to achieve a cost-effective solution that is useful to stakeholders. 	Vector is exploring options to best obtain this type of information for post storm reviews. We recently used MetService information for our review of Cyclone Dovi. We must be clear on definitions and we suggest adopting international standards of reporting wind speed and direction.
AM6	Potential changes to the definition of 'overhead circuit requiring vegetation management' so that it is based upon a maximum distance between vegetation and an overhead circuit. We welcome feedback on what this distance should be or how else it can be consistently defined in the ID determination.	We believe that the cost outweighs the benefits of reporting this other than as '100% of network'. The trees never stop growing which means the distance is quickly out of date and would require extensive surveying costs. Once MBIE has reviewed the Tree Regulations then it will be a good time to review the ID relating to vegetation management.
AM7	Schedule 12 forecasts number of new connections (gross increase) but doesn't account for disconnection so that stakeholders can understand the forecast disconnections.	We would like to understand the stakeholders that would benefit from this.
AM8	Potential changes to the lifecycle asset management planning provisions to: <p>(a) include the processes and systems used to gather and verify the data used to forecast asset replacement and renewal projects and programmes; and</p> <p>(b) provide sufficient detail on the assumptions, modelling, and consideration of non-network alternatives underpinning the methodology used by the EDB to determine the forecast expenditure within the AMP planning period.</p>	We support this proposal: <p>(A) We already do this to a certain degree with CBARM – describing tools and details around age and risk of asset population – see section 12 of our AMP</p> <p>(B) This will become increasingly important in particular optioneering with non-wire alternatives.</p>
AM9	We welcome further stakeholder feedback on whether it may be beneficial if EDBs were to disclose an explanation and exploration of scenarios, in addition to providing a single point forecast in their forecasting schedules, and if so, in which areas and format would this be most useful.	Our AMP disclosure is based on our Symphony scenario chosen out of four outlined options we produced from our scenario modelling. Our Symphony scenario responds to customer demand, and our AMP reflects this. If we were to showcase other scenarios our AMP would become a huge document representing not only our chosen scenario but also those we did not choose. We wondered who this information would ultimately benefit given the size of the task.
AM10	Change the relevant provisions so that stakeholders can understand the number of forecast disconnections on an EDB's network.	Please see AM7

No.	Potential options to achieve outcomes	Our high-level comments
AM11	Potential changes to enable ID data to better inform stakeholders understanding of EDBs' expenditure proposals. Capex forecasts (particularly in the context of decarbonisation and technological change).	We would like to see more specificity to this proposal given that we are already forecasting to invest in projects and programmes related to decarbonisation such as EVs and DERs, and platforms to give customers choice with these technologies.

Consistency

Table 4 - feedback on Consistency proposals

No.	Potential options to achieve outcomes	Our high-level comments
A1	Changes proposed to the relevant clauses to ensure consistency of definitions of "recoverable costs" and "pass through costs".	We support this change - but why Tranche 2 this could be resolved sooner.
A2	As part of this change, we will consider whether to amend the definition of 'asset or assets with changes to depreciation'.	We support this change and note that it is also relevant for Gas ID.

Yours sincerely
For and On Behalf of Vector Limited



Richard Sharp
GM Economic Regulation and Pricing