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Vector cross-submission on information disclosure (Input Methodologies Amendment Determination 2024)

1. This is Vector's ('our,' 'we,' 'us') cross-submission on the Commerce Commission's (Commission) draft decision for the information disclosure (ID) requirements' alignment with the changes from the Input Methodologies (IM) Review 2023. No part of this submission is confidential, and it can be published on the Commission's website.
2. For clarity, the comments from our original submission applied to electricity and gas distribution, for the issues from the draft decision which covered both sectors. In our cross-submission we are commenting on two issues: Issue #1 relates only to electricity distribution and Issue #4 relates to both electricity and gas distribution. Additionally, we propose amending Schedules 2 and 3 for pass-through and recoverable costs disclosure.

Disclosure of IRIS carry forward balances (Issue #1)

3. Despite Unison's revised proposal for Schedule 3a, Vector continues to oppose the introduction of this new requirement. This is information disclosure which only benefits EDBs who have not mastered the IRIS mechanism, which must be noted has been in place for over nine years. We repeat that EDBs should use the Commission's model at their disposal to forecast IRIS adjustments. Adding this Schedule to the electricity information disclosures simply adds internal governance efforts with directors required to certify an additional schedule, and external auditing costs.
4. Unison's proposal shows expenditure variances in the current DPP without any projection of penalty amounts. The Commission indicated that the point of this schedule was for EDBs to

understand the impacts that their over/ underspending would have on the penalties they were going to incur. If there is no projection of these penalties, then this goal is not achieved.

5. And even if this aim was realised through a different proposal, auditors are often weary of forecast information when certifying disclosures. The Commission should bear this in mind if/ when it considers any new iterations.

Network lease opex clarification (Issue #4)

6. Prompted by Orion's submission on issue #4, Vector has concerns about the Commission's proposed amendment which attempts to clarify the correct categorisation of leases in accordance with the IMs.
7. Some finance leases can be treated as operating leases under NZ IFRS 16, if they are low value or short term. There will also be leases that do not meet the lease definition per the standard (for e.g., no identified asset/ no right to control the asset would mean no lease) – these too would be treated as opex. This standard encourages compliance for material items without being overly burdensome by including immaterial items. We request that this be allowed to continue under the ID requirements.

Pass through and recoverable costs

8. Vector proposes removing the current division of pass-through and recoverable costs into (1) normal pass-through and recoverable costs, and (2) financial incentives and wash-ups, as disclosed in Schedule 3(ii) and Schedule 2(v) of the Electricity Information Disclosure (EID) template. This division is redundant, requiring reconciliation between two schedules and creating uncertainty in defining financial incentives under the current ID and IMs. The ID lacks comprehensive details on all financial incentives, and the IMs do not distinguish between financial and non-financial incentives.
9. Schedule 3 of the EID, which reports regulatory profit, should include all pass-through and recoverable costs, aligning with our annual compliance statement. Consolidating these costs into Schedule 3 would remove the need to distinguish financial incentives, reducing audit costs. Additionally, simplifying Schedule 2 to reflect Return on Investment (ROI) on all revenue earned only would streamline reporting and focus on target revenue, removing unnecessary ROI calculations.

Yours sincerely



Richard Sharp

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