Submission to Commerce Commission on Draft Input Methodologies for Default Price-Quality Paths

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INTRODUCTION

1. Vector welcomes the opportunity to provide this submission to the Commerce Commission (Commission) on the consultation paper *Draft Input Methodologies for Default Price-Quality Paths: Allocation of Costs, Valuation of Assets and Treatment of Taxation; Amendment to Cost of Capital Input Methodology* (Consultation paper), dated 15 June 2012. This submission is not confidential.

2. Vector has seen and endorses the submission by the Electricity Networks Association (ENA) on this consultation paper and supports the suggested drafting amendments put forward by the ENA.

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EXECUTIVE SUMMARY

4. Vector makes two key points in response to the Commission's current proposals:

   a) While not required to determine its Starting Price Adjustment (SPA) methodology as an input methodology (IM) under the Commerce Act 1986, the Commission can nevertheless elect to do so. In Vector's view, including its SPA methodology in the additional IMs would be materially better at meeting the Part 4 purpose than not including it.

   b) Even if it could be argued that including a SPA methodology in the additional IMs was not a materially better approach, aspects of the Commission's additional IMs are so broadly drafted that:

      i. they do not meet even the narrow test applied by the Court of Appeal in relation to section 52T(2); and / or

      ii. a more detailed approach would be materially better at promoting the Part 4 purpose.

5. In relation to (b) above, Vector considers that the DPP IMs should:

a) specify how forecasts of commissioned assets and disposals are to be determined; and
b) specify in advance what the "base year" for price resets will be.

6. Without prejudice to the above, Vector broadly supports the Commission's proposed approach regarding the development of simplifying assumptions for setting the IMs for DPPs. The proposals are generally a sensible way of simplifying the requirements of information disclosure and customised price-quality paths to provide requirements suitable for the DPP. However, some further improvements could be made to the draft IMs, including:

a) Providing a consistent approach to cash-flow timing issues; and
b) Providing for appropriate tax treatment of capital contributions and permanent and temporary differences.

SCOPE OF THE ADDITIONAL DPP INPUT METHODOLOGIES

Introduction

7. The Commission is consulting on additional DPP IMs following the High Court judgment in *Vector v Commerce Commission* (where the Commission was ordered to determine IMs for asset valuation, cost allocation and treatment of tax for DPP regulation).[1]

8. The Commission was also in the process of consulting on and determining as an IM its approach to setting DPP prices (referred to as a SPA methodology) pending the outcome of its appeal of this aspect of the High Court judgment. The Court of Appeal decision released on 1 June 2012 held that the Commission was not required to determine a standalone SPA IM.[2] The Commission's decision is to not proceed with the determination of its SPA methodology as an IM.

9. While the Commission is not required to determine a stand alone SPA IM, the Commission is not prevented from including its SPA methodology in the additional DPP IMs. Vector submits that investment and efficiency incentives would be strengthened, and the Part 4 Purpose would be achieved in a materially better manner, if further detail was included in the IMs to assist regulated suppliers to estimate the likely material effects of the IMs on their businesses. Vector recommends the Commission includes the SPA methodology as a DPP IM and

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[1] *Vector Limited v Commerce Commission*, HC Wellington, CIV-2011-485-536, 26 September 2011 (High Court Judgment).
[2] *Commerce Commission v Vector Limited* [2012] NZCA 220 (Court of Appeal Judgment).

consults on it, as it was about to do prior to the release of the Court of Appeal judgment.

Commission not prevented from including SPA methodology in additional IMs

10. The Court of Appeal was clear that, while section 52T(1) requires IMs to be published in relation to certain matters, it does not prevent the Commission from publishing IMs in relation to other matters.[3] This reflected the agreed position of Vector and the Commission.

11. One approach would be for the Commission simply to include its method for setting DPP prices in each additional DPP IM that it is currently consulting on. The most pragmatic approach would be for the method for setting DPP prices to be included in full in, say, the DPP asset valuation IM and then simply cross-referenced in the other additional IMs. Vector submits that the Commission is not prevented from adopting this approach (notwithstanding the Court of Appeal judgment) as:

a) The Act does not limit the level of detail that the Commission can include in relation to each IM specified in section 52T(1). For example, the Commission's IMs can include the description of how the IM in question will be applied for price setting purposes (that is, the SPA IM).

b) The Court of Appeal's finding on section 52T(2) and the "how" was simply that the Commission was not required to include a SPA IM in order to comply with that subsection. It did not find that the Commission was prevented from including the details of the "how" for price setting in relation to any particular IM.

c) The High Court judgment did not specify what the Commission should include in the additional IMs. Rather, the extent to which the Commission chose to include additional matters was left as a matter for its discretion.[4] This finding is not affected by the Court of Appeal decision.

[3] Court of Appeal Judgment, para 7(c).
[4] See, for example, High Court Judgment, para 153(a).

12. In any event, the Commission is free to amend its existing IMs under section 52X in order to include its method for setting DPP prices (noting that it must consult in the case of a material amendment).[5]

Inclusion of SPA IM materially better

13. Vector considers that notwithstanding the Court of Appeal's findings regarding the level of certainty required as a matter of law under Part 4, inclusion of a SPA IM would be materially better at meeting the Part 4 Purpose compared to not including a SPA IM.

14. In particular:

a) Without a SPA IM, a regulated supplier is unable to predict within any reasonable range its likely allowable revenue under DPP regulation.[6]

b) If the SPA methodology is not set as an IM, the range of outcomes referred to in (a) above will be a permanent feature of the Part 4 regime. For example, a different SPA method might apply at each DPP reset, and following any successful merits appeal (in which case suppliers will be concerned that any benefits derived from such an appeal could be lost). In addition, the method applied is not itself subject to merits review appeal.

c) The result of (a) and (b) above is that Vector's ability to manage its business will be negatively impacted with a chilling effect on investment.[7] For example, when deciding whether to invest in capital assets which substantially reduce its operating costs, Vector will necessarily take a more risk averse approach than if a SPA IM had been determined (that is, Vector will not reduce operating costs and not invest in equipment).[8] Vector's processes for approving

[5] Vector also refers to its previous submissions that a SPA IM should be included in the DPP processes and rules IM .
[6] Affidavit of Allan Charles Carvell dated 9 June 2011, section 3.
[7] Affidavit of Allan Charles Carvell dated 9 June 2011, section 4; Affidavit of Simon James Mackenzie dated 8 June 2011, sections 4-5; Affidavit of Paul Hayden Goodeve dated 25 July 2011, para 21 and exhibit PHG-1; Affidavit of Lynne Maree Taylor dated 8 June 2011, paras 5.9-5.15. Ms Taylor's expert evidence stated that: "It is my view that without more certainty about how starting prices will be set, suppliers will be unable to adequately plan their operating, investing and funding activities from one DPP period to the next. Further, the ability to raise additional sources of external funds at reasonable prices will be more difficult if the supplier is unable to provide indicative revenue forecasts for more than five years": ibid, para 5.11.
[8] Affidavit of Allan Charles Carvell dated 9 June 2011, section 4.

investment businesses cases, and for obtaining overseas investment funding, will also be adversely affected.[9]

d) The SPA methodology is also a key lever for determining the rewards regulated suppliers will receive from improving efficiency. Absent a SPA IM, and in light of the possibility of that the SPA methodology could be changed at each DPP reset, regulated suppliers will have less certainty about the extent to which they will receive benefits from innovation and improving efficiency (including the risk that any such efficiency gains will be passed on to consumers before regulated suppliers receive adequate reward to make efficiency initiatives worthwhile).

e) As Vector has previously explained, the option of a CPP will not remove the disincentives to investment under a DPP referred to above. In short, given the cost and risk of a CPP application, many suppliers will choose to remain on a defective DPP and adjust their investment decisions in the manner set out above, contrary to the purpose of Part 4. [10]

No downside to setting SPA input methodology

15. Further, there is no apparent downside to the Commission determining the SPA methodology as an IM. Specifically:

a) In relation to the Part 4 purpose in section 52A(1), including the SPA methodology as an IM would better promote incentives to innovate and invest (outcome (a)), the provision of services at the quality that reflects consumer demands (outcome (b)), and the sharing of efficiency gains with consumers (outcome (c)). It will not have any adverse impact on the limitation of the ability to earn excess profits (outcome (d)).

b) The details of a SPA IM have been developed in draft (with a final draft decision having been only days from publication) and could be inserted into the additional IMs at limited additional time and cost.

[9] Simon Mackenize, paras 4.27 to 4.32 and 5.1 to 5.9; Affidavit of Allan Charles Carvell dated 9 June 2011, paras 4.17 - 4.19.

[10] Affidavit of Lynne Maree Taylor in reply dated 22 July 2011, paras 3.1-3.10; Affidavit of Allan Charles Carvell in reply dated 25 July 2011, paras 3.1-3.11; Affidavit of Paul Hayden Goodeve dated 25 July 2011, paras 23-24.

c) The Commission has provided no good reason why including its draft SPA methodology as an IM should not now occur. The Commission has not explained or provided evidence setting the SPA methodology as an IM would not best meet the purpose of Part 4 or why it is desirable for the Commission to retain maximum flexibility to change the inputs at every reset, including after a successful IM appeal. This is particularly so when suppliers are aware that a full draft SPA IM has already been developed.

16. In summary, Vector submits that it would go some way to improving confidence in the current regime if the Commission set out up-front the methods by which revenues will be set and the timeframes in which efficiency gains will be able to be retained. In Vector's view, including this detail in the DPP IMs would be materially better at meeting the Part 4 Purpose and could be done with minimal additional work or cost.

In any event, additional IMs provide insufficient detail in key respects

17. In the draft additional IMs the Commission has specified some parts of the SPA framework, such as methods of forecasting inflation, depreciation, remaining lives of assets and tax costs. Vector supports this. However, the Commission has granted itself considerable discretion in the draft IMs (e.g. as discussed further below, the ability to choose the base year from which forecasts will be rolled forward and to determine commissioned asset and disposal values). Vector submits that this discretion is unnecessary and the provision of more detail would be materially better at meeting the purpose statement, in particular in promoting incentives to invest and is required under section 52T(2) of the Act (as interpreted by the Court of Appeal).

ASSET VALUATION DPP INPUT METHODOLOGY

Commissioned and disposed assets

18. The draft DPP asset valuation IMs provide that the forecast value of commissioned and disposed assets will be determined by the Commission. We assume this will be done as part of the SPA methodology and will be a subject of consultation before the Commission's DPP determinations are made.

19. Vector does not consider this aspect of the draft asset valuation IM meets the requirements of section 52T(2) of the Act, as interpreted by the Court of Appeal judgment. In paragraph 54 of the judgment, the Court of Appeal indicated that section 52T(2) required that:

> [T]he Commission must give sufficient detail in the input methodology to enable a regulated firm to understand how it applies to its operations in respect of the matter with which it deals.[11]

20. The Court of Appeal went on to state that the input methodology must be sufficiently detailed to permit regulated firms to calculate the cost of capital or approach to asset valuations consistently with the IM.[12]

21. Vector considers that the Commission's proposals with regard to commissioned assets and disposals fail to meet this test. In particular, a statement within the IMs that the Commission will determine forecasts of disposals and commissioned assets is insufficient to enable regulated suppliers to understand how to determine or calculate what their asset valuation will be.

22. Vector submits that the IMs are insufficiently detailed for regulated suppliers to calculate their forecast commissioned assets and disposals consistently with the Commission's approach. As we set out below, it is possible to develop clear and robust approaches for forecasting commissioned assets and disposals. Accordingly, there is no need for the Commission to provide itself with the level of discretion contained in the draft IMs.

23. Vector also submits that the way the relevant clauses have been drafted could create confusion. In particular, the following definition:

> Aggregate value of disposed assets means the value of assets forecast to be disposed by an EDB in the disclosure year in question...

could be read as suggesting that the forecasts to be used are forecasts developed by an EDB. While we understand this is not the Commission's intention, it is one possible interpretation of that definition. A similar issue is found in the clause relating to commissioned assets.

Commissioned assets – alternative approach

24. Vector recommends the IMs specify that commissioned asset forecasts are based on the forecasts of capital expenditure in the most recently produced asset management plan (AMP) of each regulated supplier, adjusted for commissioning dates of assets where known. The Commission is proposing significant enhancement of the AMP requirements of regulated suppliers through the forthcoming information disclosure determinations, including increased detail and assurance requirements. It would be unfortunate if the AMPs were not used as

[11] Para 54.
[12] Paras 55 and 57(a).

inputs to the DPP starting price adjustment process as the AMPs contain better information regarding expenditure plans of regulated suppliers than any other source of data available to the Commission.

25. We recognise the Commission's concerns with regard to the possible poor incentives a pre-stated reliance on AMP forecasts could create.[13] Vector submits that the Commission could develop incentives for suppliers to stick to the forecasts put forward in the AMP (i.e. suppliers may set their own forecasts but there are revenue penalties associated with material under-spending and rewards for meeting expenditure forecasts). Similar incentives are already in place in the UK[14] and could be adopted in New Zealand.

26. Vector recommends that the AMP forecasts used be stated in real terms, rather than nominal. At present, the Commission has signalled an intention for AMP capex forecasts to be prepared in nominal terms during the current information disclosure consultations, which could lead to significant differences between suppliers' nominal forecasts. A better approach is for the Commission to use real forecasts and specify the inflation assumptions to be applied. This inflation assumption should be based on a robust, industry-specific set of criteria, which may need to be specifically commissioned. Where there is no AMP available, Vector recommends the IMs specify that forecast commissioned assets are equal to commissioned assets forecasts provided to the Commission in accordance with a statutory notice under Part 4 of the Commerce Act. We note that the Commission has recently requested information from gas pipeline businesses about their forecasts of commissioned assets.

Disposals – alternative approach

27. Vector recommends the IMs specify that disposals are equal to the disposals of the regulated supplier as reported through information disclosure in the base year, rolled forward at the rate of change of the RAB value. This approach would be consistent with the treatment of other items within the DPP IMs (e.g. term credit spread differential allowance).

Average asset lives for depreciation

28. Vector supports the Commission's approach of setting different asset lives for the depreciation of assets already in the RAB and assets that are projected to

[13] Commerce Commission, *Additional Input Methodologies for Default Price-Quality Paths: Process and Issues Paper*, 9 December 2011, paragraph 163.
[14] Ofgem, *Electricity Distribution Price Control Review Final Proposals – Allowed revenue – Cost assessment*, 7 December 2009, section 8. Ofgem, *Handbook for implementing the RIIO model*, 4 October 2010, section 8.

be commissioned over the regulatory period. This is a pragmatic approach to address the issue that the remaining lives of assets already in the RAB will be known at the time of the DPP reset, but the remaining lives of assets to be commissioned within the regulatory period will not be known in advance and thus an estimate will need to be made.

29. Vector supports the average life assumption of 45 years for new network assets. This is a reasonable approximation of the average life of new network assets across the regulated services. However, we note that the 45 year life may not be suitable for non-network assets. On the basis of some non-audited internal analysis, Vector's non-network assets have an average life of approximately 13 or 14 years, although we recognise other suppliers may own longer-life non-network assets such as office buildings. Vector recommends suppliers are able to propose an alternative average life for new non-network assets if supported by Directors' Certification.

Definition of forecast inflation

30. Vector supports the Commission's proposed definition of forecast inflation.

Adjustment for actual inflation

31. Vector supports the Commission's approach of not adjusting the inflation forecast for actual inflation during the regulatory period where it is known, in order to maintain consistency with investor expectations at the time the cost of capital was determined.

Time at which inflation is applied to calculate depreciation

32. As has previously been explained by Competition Economists Group (CEG),[15] the Commission's approach to modelling of depreciation does not allow for full recovery of the asset value over the life of the asset. In the presence of inflation the Commission's cost model has the effect of never fully depreciating an asset. Specifically, the Commission's cost model only delivers depreciation of the asset in nominal terms over its life. In the presence of inflation, this will be less than the real value of the asset. In order to ensure that assets are depreciated over their useful economic lives it is necessary that the real value of depreciation (opening RAB divided by residual life) is scaled up for inflation.

[15] Dr Tom Hird, CEG, *Industry wide forecasts and default price paths: A report for Vector*, May 2011, paragraph 2; and *Review of Draft Decisions Paper on Starting Price on 2010-15 Default Price-Quality Path for Electricity Distribution: A report for Vector*, August 2011, section 2.

33. The Commission has noted previous submissions on this topic. The Commission purports to agree with a PWC report on behalf of Powerco when it states the proposed changes would only affect the timing of cash flows, not the expected value. We note that this same PWC report quoted by the Commission advised that an alternative approach to that proposed by the Commission would be more appropriate. Therefore, the PWC report should not be considered supportive of the Commission's failure to provide for recovery of the full asset value over the life of the asset.

34. The Commission's apparent view that their approach is acceptable because it only affects cash flow timings, not values seems inconsistent with other approaches taken by the Commission. In the July 2011 draft decision on SPAs for EDBs the Commission proposed a highly complex approach to estimating EDB cash flow timings and proposed amendments to this approach in the December 2011 Process and Issues Paper. We also note that footnote 17 of the current consultation paper suggests that the CPP IMs will be amended to reflect the Commission's new focus on implementing very detailed cash-flow timing assumptions.

35. In other words, the Commission is rejecting concerns raised by Vector about the time at which revaluations are calculated on the grounds that the proposals "only affect the timing of cash flows",[16] while at the same time progressing with detailed proposals to attempt to precisely model the timing of cash flows during the regulatory year. We can see no principled reason for the Commission simultaneously taking such divergent positions.

36. Vector recommends that the Commission provides for the depreciation of assets over their useful economic lives, as previously described by CEG.

TREATMENT OF TAXATION DPP INPUT METHODOLOGY

Recognition of disposals

37. Vector recommends the DPP IMs recognise that assets are disposed for tax purposes, just as they are disposed for asset valuation purposes. The current DPP IMs do not recognise this. Vector recommends the value of tax disposals in the base year is used and rolled forward at the rate of changes in the RAB value. This would be an appropriate treatment of disposals for tax purposes and is consistent with our proposed approach for disposal forecasting and the roll-forward approach used for other items in the DPP IMs.

[16] Consultation paper, paragraph 57.

Inaccuracy moving from reference to forecast years

38. To simplify things the DPP tax IMs make the assumption that the values for permanent differences and certain temporary differences (i.e. temporary differences other than depreciation temporary differences) are nil for the forecast years of the regulatory period.

39. However, these permanent and temporary values are not nil in the base year. They were provided in the 2010 section 53ZD notices for electricity and gas pipeline businesses and they will be provided under information disclosure. As suppliers move from the base year into the first year of the forecast period, they will experience a step change from the various disclosed values to a nil value. This could have significant revenue implications and, as a forecast, is likely to be inaccurate. Vector recommends that the Commission takes the disclosed values for the base year and rolls them forward with appropriate indexation. We consider that this alternative approach would be materially better.

Impact of new tax rules for capital contributions

40. The tax treatment of capital contributions changed with effect from 21 May 2010. Consequently as the 2010 statutory notices generally reported on periods prior to this time, the impact of the change was not recorded in the previous statutory notices. For many regulated suppliers the capital contributions are a material amount and depending on the tax elections made (refer below) in accordance with the Income Tax Act 2007, these amounts if dealt with under the income method could be overlooked under the Commission's proposals.

41. The Income Tax Act 2007 allows suppliers to elect to treat the contributions in one of the following two ways:

a) Income method - Capital contributions are treated as income by returning 1/10th of the amount as taxable income in the year received and in each of the following nine years;[17] or

b) Reduction in the tax depreciation base method – Reducing the tax book value of the relevant assets to the extent that they have been funded by the capital contribution.[18]

42. It appears the Commission is making the assumption that all regulated suppliers will apply the same approach to capital contributions for tax purposes as

[17] Section CG 8 of the Income Tax Act 2007

[18] Section DB 64 of the Income Tax Act 2007

is required for RAB purposes (i.e. the reduction in tax depreciation base method). Thus the DPP IMs should retain permanent and temporary differences.

Other comments

43. Vector has the following comments on the detail of draft tax IMs:

a) Clause X4.3.6(1) specifies how to determine the value for change in deferred tax. The DPP IMs do not use the concept of change in tax value. This appears to be a drafting error.

b) Clause X4.3.3(2) uses the term "opening investment value". This term is not defined in the IMs. We assume the clause should read "regulatory investment value".

c) Clause X4.3.3(4)(a) refers to assets sold or acquired. It is unclear if it is intended that this covers all acquisitions and sales or just acquisitions and sales from/to another regulated supplier. Also, we would be grateful for clarification of whether it is the Commission's intention that regulated suppliers should be classifying disposals in terms of whether those asset disposals formed part of the initial difference.

d) Clause X4.3.5(3)(c): The formula for 'total closing regulatory tax asset value' should also be reduced by the amount of 'aggregate value of disposed assets'.

TERM CREDIT SPREAD DIFFERENTIAL ALLOWANCE AMENDMENT

44. As the Commission explains, the existing cost of capital DPP IM provides for the use of a disclosed term credit spread differential allowance (TCSD) to be treated as an expense in an assessment of a supplier's profitability. However, it does not provide for the TCSD to be used in terms of setting prices under a DPP.

45. The Commission's proposal is to use the TCSD disclosed in the base year and roll forward that value based on changes in the RAB value. This is a reasonable approach in the DPP context.

46. One further issue is that it is possible for the TCSD to be negative for suppliers. This is contrary to the purpose of the TCSD. Vector recommends that where the TCSD is a negative value, the IMs should provide that it be set at nil.

47. However, Vector remains of the view that a materially better approach to providing for the term over which debt is held by regulated suppliers is to set a

term of 10 years for the cost of debt and the cost of equity. A 10-year term better reflects:

a) the actual and prudent practices of regulated suppliers in managing refinancing risk;
b) the actual debt issuance practices of the comparator companies selected by the Commission for its beta studies; and
c) a more stable benchmark for the cost of equity, ameliorating the counterintuitive feature of the Commission's model that the cost of equity falls in a financial crisis.

48. If a 10-year term was adopted there would be no need for the TCSD.

TREATMENT OF PERIODS THAT ARE NOT 12 MONTHS

49. Vector is concerned with the substantial discretion the Commission is providing to itself to set roll-forward methodologies for periods other than 12 months across all regulated suppliers. There should be no need for a roll forward of anything other than 12 months for electricity distribution businesses. There also does not appear to be a need for roll forward of a non-12 month period for gas pipeline businesses following the decision to set the disclosure year for gas equal to the supplier's financial year. Vector recommends this provision is removed from the DPP IMs.

50. If the Commission wishes to retain the discretion to roll forward for periods other than 12 months, Vector recommends the Commission specifies in more detail when and how this ability will be applied.

OTHER ISSUES

Base year

51. The draft IM determinations allow the Commission full flexibility to set the reference year, or base year, for the DPP determinations. Setting of the base year is a decision with material implications for the impacts of the DPP IMs on regulated suppliers and should not be left wholly to the Commission's discretion. The IMs would even allow the Commission to choose different years for different cost items without any clear justification.

52. Vector recommends that the IMs specify which year the base year will be. Vector submits that the base year should be the most recent year in the previous regulatory period for which disclosure information is available for the supplier at

the time of determining the SPAs. Where there is no information disclosure data available, as for the first SPA, the IMs should provide for the Commission to use one year's data from the most recent year practicable prior to the start of the regulatory period, as provided to the Commission following a statutory notice information request.

53. Vector submits that the base year(s) should be prior to the start of the regulatory period even where the SPA is a mid-period reset. This is because it may be necessary, as part of the mid-period reset, to apply claw-back over the previous years of the current regulatory period (e.g. where the mid-period reset is taking place due to a merits review decision that orders a change to an input methodology) and the selection of a base year from within the regulatory period will impede the Commission's ability to apply claw-back. The other problem with using a base year after the start of the regulatory period is that it could result in removal of efficiency gains that regulated suppliers have made during the regulatory period, which would have a substantial dampening impact on incentives to improve efficiency or innovate.

Timing factors

54. The interpretation sections of the new draft IMs include the terms $TF_{other\ income}$ $TF_{revenue}$ and TF_{tax}. These terms do not appear to be used in the new draft IMs and are not explained or discussed in the consultation paper. Vector recommends they are deleted.

Description of starting price adjustment methodologies

55. The consultation paper discusses the two broad approaches to making SPAs that have previously been consulted on by the Commission with regard to electricity distribution businesses. The paper refers to the proposal to assess costs of regulated suppliers in all years of a regulatory period as a "full building blocks approach". Vector submits that this is an inappropriate term for the industry-wide and company-specific forecasting approaches that were consulted on in 2011. Internationally, the term "full building blocks" implies a much more detailed assessment of business costs and revenues than is possible under a DPP. It therefore risks being a misleading term with regard to the degree of precision and accuracy of the approach. As the Commission recognises in paragraphs 32-33, the Commission's approach will involve some degree of estimation due to the intended low-cost nature of the DPP. Vector recommends the term "cost and revenue forecasting approach" is used instead. For similar reasons, we also consider that "ROI band approach" is a better and more accurate term than "partial building blocks approach".