

12 September 2014



Mr John McLaren
Manager (Part 4)
Regulation Branch
Commerce Commission
Wellington

Sent by email to: regulation.branch@comcom.govt.nz

Dear John,

Vector cross-submission to proposed DPP targets and incentives, compliance requirements and IM amendments for the IRIS

Introduction

1. Vector welcomes the opportunity to provide this cross-submission to the Commerce Commission's (the Commission) default price-quality path (DPP) draft decision companion papers, and proposed Input Methodology (IM) amendments dated 18 July 2014. No part of this submission is confidential.
2. Vector's contact person for this submission is:

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3. Vector has provided a concise single cross-submission for the three consultations. This cross-submission responds to the Commission's consultations in the order of: service quality targets and incentives; compliance requirement; and, finally, IM amendments for the incremental rolling incentive scheme (IRIS).

Service quality targets and incentives

4. Vector supports the proposed alternative targets, caps and collars proposed by the Electricity Networks Association (ENA) in attachment E of its submission. The ENA has calculated targets, caps and collars (as well as the dead-bands) by normalising SAIDI and SAIFI independently and Major Event Days (MEDs) are adjusted by applying the average of non-MED days. Vector

believes the ENA's submission provides values for quality standards that are more robust than those determined by the Commission, as they better measure underlying reliability performance without being unduly influenced by frequency and severity of major events.

Compliance requirements

5. As noted in submissions, the Commission's proposed compliance requirements will increase the level of administration for the forthcoming price path period.
6. Vector supports Powerco's recommendation of increasing the Compliance Statement from being required to be reported within 50 days to 70 days of the end of the pricing year. The additional time provides a reasonable period within which to meet the increased obligations for the Compliance Statement.
7. Vector also notes a valid concern raised in the ENA's submission on the change to require *ex-ante* approval for recoverable costs for distributed generation avoided cost of transmission. The proposed *ex-ante* approval for the recoverable cost is inconsistent with the transmission balance approach for transmission charges, which does not allow for lagged recovery. The ENA's concern provides a further reason for the Commission to abandon its apparent *ex-ante* requirement.

IM amendment for the IRIS

8. Vector supports the recommendation by Eastland Network that customer connections capex should be excluded from the capex IRIS. Customer connections capex is a cost category that electricity distribution businesses (EDB) have little or no control over and will vary within year and from year-to-year with no ability for the EDB to rein in costs when they exceed forecast. As such it is appropriate to exclude such costs from the expenditure incentive mechanism.

Yours sincerely,



Bruce Girdwood
Group Manager Regulatory Affairs