

29 August 2014



Vector Limited
101 Carlton Gore Road
PO Box 99882, Newmarket
Auckland 1149,
New Zealand
www.vector.co.nz
Corporate Telephone
+64-9-978 7788
Corporate Facsimile
+64-9-978 7799

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

Dear John,

Default Price-Quality Path 2015-2020 Draft Decision: Correction to submission on Forecasting Approaches

1. This submission corrects an error we have noticed in our submission on the Low-Cost Forecasting Approaches paper. We apologise for any confusion this may have caused. If it assists, this submission can be seen as a cross-submission on the Low-Cost Forecasting Approaches submissions.
2. In paragraph 50 of Vector's submission on Low-cost forecasting approaches for the 2015 DPP reset, we recommended the Commission replace its assumption of 0% per annum change in residential consumption with the values calculated by Castalia for each EDB in Table 3.3 of the Castalia Report.¹ This recommendation was not correct as Table 3.3 of the Castalia Report does not contain residential consumption per ICP growth forecasts for each EDB, but total residential consumption growth forecasts for each EDB. We therefore correct our recommendation in paragraph 50 of that submission as follows:

*Vector **recommends** the Commission adopts Castalia's forecasts of change in residential consumption growth per household for all EDBs (which can be derived from Table 3.2 of the Castalia Report) as an input into its DPP model, to replace the current assumption of a 0% change in usage per customer.*

¹ Castalia Advisors, *Review of Electricity Default Price-Quality Path Draft Determination 2015: Report to Vector*, August 2014, Table 3.3. Vector Limited, *Submission on DPP low-cost forecasting approaches*, 15 August 2014, paragraph 50.

Alternatively, Vector **recommends** the Commission adopts Castalia's forecasts of residential electricity consumption growth for each EDB (set out in Table 3.3 of the Castalia Report), to replace the residential revenue growth forecasts it has developed for each EDB.

Yours sincerely,

A handwritten signature in blue ink that reads "B. Girdwood". The signature is written in a cursive style with a period at the end.

Bruce Girdwood
Group Manager Regulatory Affairs