

3 November 2016

Keston Ruxton
Manager, Input Methodologies Review
Regulation Branch
Commerce Commission
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By email: im.review@comcom.govt.nz

Dear Keston,

Vector submission on electricity networks association letter on live line work impact for non-exempt electricity distribution businesses

1. This is Vector's submission on the Commerce Commission's (Commission) Input Methodology (IM) consultation on a letter submitted by the electricity networks association (ENA) on the impact of the reduction of live line work on non-exempt electricity distribution businesses (EDBs).
2. Vector's contact person for this submission is:

Richard Sharp
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3. No part of this submission is confidential.

Health and safety obligations

4. The new *Health and Safety at work Act 2015* (HSW Act) is pertinent to the activities of electricity distribution businesses (EDBs) given the nature of electricity transportation. The HSW Act imposes a positive duty to eliminate or otherwise minimise risks so far as is reasonably practicable. More specifically, *The Health and Safety at Work (General Risk and Workplace Management) Regulations 2016* details a hierarchy of control measures prioritising the use of any engineering controls available for addressing hazards or risks such as isolation which, in the case of EDBs, requires de-energisation for works on or near assets.
5. As discussed in the ENA's letter, the industry is developing new industry guidelines for working on or near electrical assets. The industry has been engaging with the health and safety regulator Worksafe to outline the circumstances when it is appropriate or not appropriate for EDBs to be working on electrical equipment in a "livened" state.

Vector response

6. Vector takes its responsibility for the health and safety of staff and contractors very seriously. In this regard, Vector is pioneering a new heightened live line work policy of limiting the occurrence of live-line work on our electricity assets. The new live-line working standard applies a risk justification matrix for the occurrence of live-line work on the network. The justification matrix limits works performed in an energised state to limited circumstances meeting very strict criteria. The objective of the justification matrix is to limit the occurrences of live-line work only to circumstances where it is safer than performing the works de-energised.

Impact on quality measures

7. As discussed in the ENA letter, the impact of implementing the higher health and safety standard is that interruption times and frequencies will increase. This will manifest in lower service quality performance as measured by the Commission's reliability indices (SAIDI and SAIFI).
8. Under Vector's new live-line work policy, we have experience with the effects of limiting live-line work on our assets. We have observed de-energised works results in additional switching to isolate affected circuits and increases to the outage coverage area between isolation points. Additional effort is also required for the works site establishment, completing the de-energised switching requirements and connecting standby generation.
9. The new operating environment of limiting live-line work makes it more difficult for EDBs to attain reliability targets for SAIDI and SAIFI derived from historical trends when limited live-line work was not normal business practice. We agree with the ENA's letter that live-line work restrictions puts EDBs at greater risk of breaching service quality performance as measured by the Commission's reliability indices for price-quality requirements in the *Commerce Act 1986 (the Act)*.

Interaction with the Commission's Input Methodology review

10. Vector supports the ENA's recommendations for more flexibility with default/customised price path reopeners where service quality metrics are being challenged by changes to relevant laws.
11. We support the ENA's recommendation of increasing flexibility for either the new quality standard default price path (DPP) reopener or change event reopener for DPP or customised price-quality paths (CPPs).

12. We understand the Commission is considering technical drafting amendments for the IMs which could include recommendations as proposed by the ENA. However, the Commission has also suggested any changes to the IMs relating to the quality standard and service quality incentives as specified by the DPP will only apply once the next DPP comes into effect on 1 April 2020. This is due to the limitations of section 53ZB of the Act for changes to IMs applying to DPPs “in flight”. The Commission has suggested in the interim it will continue to allow EDBs to apply for a quality-only CPP.

13. Given the HSW Act effects all non-exempt EDBs equally, we have reservations about the quality-only CPP being a reasonable solution to this issue. This is due to the limitations with CPPs such as the application “windows” and cap on how many CPP applications the Commission will assess in any one year. There is a real risk of perverse outcomes under the quality-only CPP solution. There is a real risk of some EDBs having their quality-only CPP applications assessed by the Commission and having their quality standard adjusted to reflect the new live-line work limitation impact on SAIDI/SAIFI while other non-exempt EDBs (that may be in the queue with a quality only CPP application) breaching the quality standard as a result of implementing new requirements around live-line work.

14. Vector recommends the issues around live-line work warrant the Commission using its powers under section 52Q of the Act. This will allow the Commission to amend the DPP determination to ensure quality standards for non-exempt EDBs reflect the new live-line limitations of the HSW Act. This will avoid the risks from the quality-only CPP applying to some EDBs and not others due to the complications of the CPP application process and avoid the perverse outcome of different laws creating conflicting obligations for suppliers. We encourage the Commission to work with stakeholders to reach a durable solution to this problem including for the “in flight” DPP.

Yours sincerely
For and on behalf of Vector Ltd

A handwritten signature in blue ink, appearing to read "Richard Sharp".

Richard Sharp
Head of Regulatory