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**Submission to the Commerce Commission  
on the Initial Reset of the Default Price-  
Quality Path for Electricity Distribution  
Businesses Consultation Update Paper**

Submitted by

**Wellington Electricity Lines Limited**

20 November 2009

## 1. Introduction

1.1 Wellington Electricity Lines Limited (“Wellington Electricity”) welcomes the opportunity to provide feedback to the Commerce Commission (“CC”) on its Initial Reset of the Default Price-Quality Path for Electricity Distribution Businesses Consultation Update Paper (“Consultation Update Paper”).

1.2 Wellington Electricity is supportive of the Electricity Networks Association’s (“ENA”) submission on the Consultation Update Paper. We urge the CC to give particular regard to the ENA’s submission. We confirm that Wellington Electricity’s position remains the same as our submissions on the CC’s 8 September 2009 Draft Decisions Paper and the 16 October 2009 Draft Determination.

1.3 For any questions related to this submission, please contact:

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## 2. General Comments

2.1 We now make some short comments on the Consultation Update Paper.

### 2.2 Definition of quality – t-1 versus t-2 approach.

Wellington Electricity supports the CC's decision to amend its views on lagged base quantities so that an EDB will calculate its allowable notional revenue and notional revenue using the t-2 approach described in the 8 September 2009 Draft Decisions Paper.

2.3 As we noted in our submission on the 8 September 2009 Draft Decisions Paper,<sup>1</sup> there is potential for material variances between actual and estimated quantities under the t-1 approach simply due to abnormal weather and movements associated with wash ups that occur during the year. The CC's decision to instead use a t-2 approach is welcomed by Wellington Electricity.

### 2.4 Consequences of extreme events.

Wellington Electricity notes that the CC has decided that this matter is sufficiently taken into account in its draft decisions and that no amendment is necessary. As stated in the Consultation Update Paper,<sup>2</sup> the CC considers that the frequency of major events will tend to be consistent across both reference and assessment periods. And that it also considers that the relative scale and impact of MEDs will tend to be of a similar nature in both periods. Further, as the effects of MEDs (including planned and unplanned outages) will also be present in the reference dataset, the CC believes that their effect will largely be accounted for in reliability limits.

2.5 Wellington Electricity notes the points the CC has made, but considers that they are not valid: planned and unplanned outages of the type needed after an MED to make temporary repairs permanent are important to restore network integrity which avoids deterioration of the five year reference period.

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<sup>1</sup> Wellington Electricity Submission to the Commerce Commission on the Initial Reset of the Default Price-Quality Path for Electricity Distribution Businesses Draft Decisions Paper, 12 October 2009, 4.43, p. 4.

<sup>2</sup> Consultation Update Paper, Appendix A, point #17, p. 18.

- 2.6 Where a large MED occurs and integrity restoration is required across a subsequent year (e.g. a 1 in 60 year event), this type of situation is unlikely to be recorded within the reference dataset.
- 2.7 The MED event and the repair in the subsequent year would breach the 2 out of 3 year threshold and penalise the EDB for efficiently returning the network to a level of integrity that existed at the time of the reference period to meet the “no deterioration” principle.
- 2.8 Further, MEDs are unique in almost every case as the majority are driven by adverse low probability, high impact meteorological events and therefore are unlikely to be reflected in the reference dataset.
- 2.9 In addition, we do not consider that the scale and impact of MEDs will tend to be of a similar nature across a reference and measurement period. This will be affected by a number of factors including position on the asset management cycle.