Submission

Information Disclosure Regulation: Process and Issues Paper

9 March 2011

Introduction

1. Thank you for the opportunity to submit on the Process and Issues Paper, published by the Commission on 23 February 2011. The Commission is seeking feedback on:
    - the issues that should be considered as part of a discussion stage, rather than at the draft decision stage;
    - the questions that the Commission would like to explore further for each issue; and
    - the appropriate form of consultation for each topic.

Proposed Consultation Process and Recommended Forms for Consultation

2. Powerco supports the proposed consultation approach: a limited number of issues in the discussion stage and one comprehensive consultation on the draft decision stage.

3. As there are only three gas distribution businesses (GDBs), Powerco recommends that the Commission uses a more informal process to develop requirements. For example, meeting with each company, or holding a small workshop to discuss significant issues. Powerco appreciated being able to meet with the Commission in February to discuss the development of a gas AMP and found the meeting very useful.

4. We recognise that with 29 EDBs, a more formal process may need to be followed for electricity. We recommend holding a workshop and that the Commission use the expertise of Lynne Taylor at PwC, who has excellent understanding of how to develop requirements that can be more easily interpreted by EDBs.

5. Some issues only impact a small number of EDBs and the Commission could meet with these groups as part of the discussion stage. For example:
    - difficulties of consolidated accounts for companies who have a July/ June financial year and different information disclosure periods for gas and electricity;
    - companies who provide non-contiguous network information; and
    - companies who are unable to meet the pricing breakdowns specified by the Commission.

Consistency of Information Disclosure

6. Powerco agrees that consumer-owned trusts should be subject to the same information disclosure requirements as non-exempt EDBs.

7. We also support GDBs following similar requirements to EDBs, particularly for the financial schedules. However, as Powerco outlined in detail in our submission on 11 September 2009, the technical requirements for GDBs should:

- be proportionate to the size of the market; the gas industry is much smaller, with only 260,000 ICPs compared to nearly 2 million ICPs for electricity; and
- have a lower compliance cost as they compete with businesses who do not have information disclosure requirements (eg other fuel sources and non-regulated gas distribution companies).

8. Powerco's gas distribution business competes with Nova Gas. We believe that Nova Gas should be subject to information disclosure, although we recognise the Commerce Act prevents this. Our main request is that our competitiveness is not disadvantaged due to disclosing commercially sensitive information, or having a very high burden of disclosure requirements that is dis-proportionate to the size of the business.

9. As the Commission considers the volume of information to be supplied each year, it must consider that there is not only an establishment cost, but an ongoing cost each year to businesses:
    - once the provision of data becomes a regulatory requirement, costs escalate due to the need for strong data validation and audit processes (typically over and above core business requirements);
    - the costs of validated field data are material (for example, Powerco has borne additional costs in the order of $100,000 per annum from its service providers to collect, collate and validate gas quality data in the gas authorisation).
    - the ongoing cost of maintaining systems and putting in processes to ensure that data is validated is material for both our IT group and our gas and GIS teams.

Timing of first disclosure under the new requirements

10. The Commission states that the new information disclosure requirements will apply to both gas and electricity for the 2011/12 disclosure year. This means that the current rules will apply to all disclosures in 2011. Powerco would request as long a lead time as possible for new disclosures. While the disclosure for the 2011/12 year may not be due until after March 2012, Powerco may be required to make system changes or gather additional information from 1 April 2011. This is likely to be particularly important for gas which is likely to face significant additional information requirements from those which previously existed.

11. Powerco does not oppose disclosing under the old rules, our main concern is the inefficiency of disclosing the same information twice (under two sets of rules).

Gas Distribution

12. The Commission requires the 2010/11 financial information (in a form consistent with the input methodologies) by the end of calendar year 2011 to determine the gas distribution Po by February 2012. However, the current gas information disclosure does not reconcile very easily with the new gas distribution input methodologies.

13. It is likely that the extent of difference between the methodologies will require Powerco to complete two separate versions of the financial accounts and regulatory asset base. If GDBs are required to complete the Po information request at the same time as the annual financial disclosures (ie November 2011), the current financial disclosure may be a lot of additional work, for little useful information. We recommend we meet to discuss these concerns during the discussion stage.

Electricity

14. Powerco is confused by paragraphs 52-53 in the section “Historical Financial Performance Information”. Powerco is not opposed to disclosing 2010/11 information under the current rules. However, these paragraphs give the impression that the Commission will require Powerco to complete all the 2010/11 financials again, applying the new information disclosure requirements. For example, the Commission states “the information required by the final SPA is only a subset of the information on historic final performance likely to be required”. Please could the Commission confirm what information it will be asking EDBs to disclose twice for 2010/11 disclosure year at the discussion stage.

Gas Quality Information via April Gas Discussion Paper

15. Powerco supports the Commission providing its views on quality indicators for gas information disclosure requirements at the same time as those for quality standards for the gas DPP.

Issues that should be considered part of the Discussion Stage

16. Powerco supports all the issues identified by the Commission in paragraphs 26-53 being included in the discussion stage. This does not mean Powerco supports the proposals, just that if the Commission continues to pursue them, they require detailed consideration. Due to the short timeframe we have only included a brief outline of our response to disclosing consolidated accounts and AMPs.

Consolidated Disclosures

17. Powerco’s statutory accounts cover the period 1 July – 30 June, and so could not be compared directly to Powerco’s electricity information disclosure that covers the period 1 April – 30 March.

18. We will not repeat all the arguments against consolidated accounts from previous submissions, however we continue to question if it would pass a cost benefit test. For example, the cost allocation input methodology requires a very detailed audited disclosure and will provide information on unregulated businesses. In Powerco’s case, we have so few unregulated businesses, that consolidated statements will show very little. However, due to the timing issues, a consolidated statement would be a substantial amount of work for Powerco.

19. At the very least, a number of options should be explored at the discussion stage, for example, requiring a disclosure once every five years or setting a threshold, where businesses do not have to disclose if less than 20% of total revenue is unregulated.

Asset Management Plans for Gas

20. Powerco notes the Commission's indication that AMPs for GDBs would be a likely future requirement. Powerco are not opposed to the idea of disclosing AMPs provided associated costs and competitive issues are recognised and a pragmatic way of agreeing the requirements is established, specifically as follows:

    - detailed requirements should reflect the scale of GDBs. (AMPs, by their nature are 'asset specific'; that is they focus on the investment and management themes relevant to that asset, and for maximum usefulness, focus on key areas of future investment or high public or customer risk. An AMP for a GDB will look very different from an Electricity AMP in the detail. This is desirable from the point of view of creating an effective management document. Powerco recognises however, that the higher level 'ideals' for the asset management process which underpin the GDB AMP will remain consistent with electricity.);
    - detailed requirements should reflect that an AMP based disclosure regime will take time to mature;
    - costs of establishing and maintaining an AMP (noting both are material) should be reflected in DPP / CPP calculation methodologies;
    - informal discussion to design an AMP framework which aligns to business need is a sensible way forward; and
    - detailed requirements should not reduce Powerco's competitive position in the market.

Additional Issues to be Included in Discussion Stage

21. There are a number of areas included in the 2009 Information Disclosure Discussion Paper that the Commission has not included in the discussion stage. If the Commission still intends to pursue the following proposals, they must be included in the discussion stage.

Issue	**Reason for including in the discussion stage**
Using Key Performance Indicators: Should they be used and if so, which ones?	If the Commission intends to use KPIs, the indicators chosen need detailed consultation due to their impact on incentives on regulated businesses.
Disclosing a wide range of policies	The Commission proposed in 2009 that a number of policies would have to be disclosed (eg credit policy, delegated authority policy, sponsorship policy and insurance policy). If this is required, more discussion is needed due to the potential cost of disclosure.
Customer service requirements	These would be new requirements and would therefore need consultation.
Consumer consultation requirements for gas	We understand that the electricity threshold consumer consultation requirements will shift into the information disclosure regime. Discussion is needed on how this should transition across.

22. In addition, Powerco requests that the following issues relating to electricity information disclosure are reconsidered by the Commission.

Disclosing technical information by non-contiguous network

23. Powerco has disclosed separate statistics for its Eastern and Western networks for three years. We continue to struggle to understand how this requirement passes a cost-benefit test. It is a significant extra cost to compile and audit this information each year. After three years of disclosure, the Commission seems to have done nothing with the information.

24. We understand why the Commission might want to check that one network is not being supplied a substantially poorer service or higher line charges. However, it can determine this from the three years of information provided. We urge the Commission to look at the non-contiguous network information and decide if there are any issues. If there are not, then it should remove the non-contiguous requirement (or at the most only require it every five years).

25. In addition, Powerco has 43 geographically non contiguous networks on its gas network, separated into five regions. Disclosing at either level of detail for 100,000 ICPs is not efficient. Powerco has disclosed detailed pricing information on its regions, so there is little additional information the Commission requires.

Requirement 27 to disclose prices in two separate editions of each newspaper that is widely read by electricity consumers

26. Powerco has to disclose prices twice per year in six regional newspapers. This requires Powerco purchasing 12 pages of advertising space at a cost of around $95,000. An example of the Eastern Region advert is on the next page. This would usually be the size of a newspaper page.

27. We are not opposed to advertising pricing in newspapers, but do object to the required content and resulting cost. Experience shows that the information probably means very little to consumers. It would be more informative to show how the average price increase contributes to the average retail price increase and provide a link to the website where Powerco's prices are disclosed. We think it is worth re-opening a discussion on the best way to communicate annual price changes to consumers.

Breakdown of pricing statistics: boundaries between small, medium and large consumers

28. Powerco has to request an exemption each year from the Commission as we do not hold information on the pricing breakdown in the kVA required by the Commission. We recommend exploring options with the aim of removing this need for an exemption.

Thank you for considering the points raised in this submission.

POWERco ELECTRICITY INFORMATION DISCLOSURE

Line Charges for areas including Coromandel, Bay of Plenty, Tauranga, and South Waikato.
Effective from 1 April 2011 pursuant to Requirement 27 of the Electricity Information Disclosure Requirements 2004

DISCLOSURE OF POWERCO'S NEW LINE CHARGES EFFECTIVE 1 APRIL 2011

Other Lines and Use of System charges or conditions may also apply. Please refer to the full Powerco Pricing Schedule. Total line rates are quoted including their transmission component. All charges exclude GST (Goods and Services Tax). Powerco is not required to disclose line charges if the number or estimated number of consumers by whom the line charge is to be paid is less than 5.

VALLEY NETWORK – Grid Exit Points of Injection: Hinuera, Kinleith, Kopu, Waihou, Waikino

RESIDENTIAL – Low Usage Tariff Option (1 & 2 Phase 60amp & 3 phase 60 amp) (V1x)

Tariff Option	Line Charges effective 1 April 2011: Fixed Rate (c/day)	Line Charges effective 1 April 2011: Variable Rate (c/kWh)	Estimated number of consumers	Previous Line Charges: Fixed Rate (c/day)	Previous Line Charges: Variable Rate (c/kWh)
Single – Controllable	15.00	9.3013	38,377	15.00	8.9326
Controlled		7.7159			7.4066
Uncontrolled		9.5537			9.1755
Night		1.6168			1.5553

UNMETERED

Tariff Option	Line Charges effective 1 April 2011: Fixed Rate (c/day)	Line Charges effective 1 April 2011: Variable Rate (c/kWh)	Estimated Number of Consumers	Previous Line Charges: Fixed Rate (c/day)	Previous Line Charges: Variable Rate (c/kWh)
Unmetered supply other than street lighting (V01)		9.6019	99		9.4608
Unmetered street lighting (V02)	13.2698		11,074	12.7900	

ALL OTHER CONNECTIONS – Standard Residential & Commercial Tariff Options

Tariff Option	Line Charges effective 1 April 2011: Fixed Rate (c/day)	Night Supply Only (c/kWh)	24 Hour Supply (c/kWh)	Controlled 17 hours on (c/kWh)	Controlled (c/kWh)	Estimated number of consumers	Previous Line Charges: Fixed Rate (c/day)	Night Supply Only (c/kWh)	24 Hour Supply (c/kWh)	Controlled 17 hours on (c/kWh)	Controlled (c/kWh)
Standard Usage Residential & Commercial (1, 2 & 3 phase up to & including 60 amp) (V0x)	72.1561	1.6168	6.9868	6.6924	5.1080	38,379	69.50	1.5553	6.699	6.4468	4.9198
Commercial three phase 61A - 200A (V24)	1,902.909			3.3017		374	1,855.9414			3.1306	
> 200 Amp up to 299 kVA (V28)	3,213.9076		3.4661	3.4661	1.6315	31	3,007.4479			3.2733	

TRANSMISSION COMPONENT (Requirement 26(3)(b))

The component of each new line charge that is attributable to transmission charges is 35%. (Where the line charge is the total lines charge payable by each end-consumer and may be made up of different charge types including fixed, variable, demand and Transformer charges as detailed in the tables above.)
This component includes recovery of Transpower's connection, interconnection and new investment charges.
Note: Transpower's loss rental rebates and Transpower's EVA rebate do not form a part of the individual line charges. These items will be paid or credited directly to Retailers on a monthly basis based on the actual amount invoiced or rebated by Transpower.

VALLEY NETWORK GROUPS 40 AND 60 CONSUMERS

TRANSMISSION CHARGES GROUP 40 & 60

Grid Exit Point	Line Charges effective 1 April 2011: Rates: Any time Demand $/kW	On peak Demand $/kW	Loss Factors: High Voltage	Low Voltage	Previous Line Charges: Rates: Any time Demand $/kW	On peak Demand $/kW	Loss Factors: High Voltage	Low Voltage
Valley Network								
Hinuera GXP	19.80	76.14	3.30%	4.45%	22.39	69.10	3.30%	4.45%
Kinleith GXP	13.47				15.55			
Kopu GXP	46.08				49.99			
Waihou GXP	16.68				32.54			
Waikino GXP	33.00				35.09			

NETWORK CHARGES – GROUP 40 CONSUMERS

	Network Assets and Maintenance Charge, based on Average Demand $/kW	Network Indirect Demand Charge, based on On-Peak Demand $/kW	Network Indirect Fixed Charge $/Annum	Estimated Number of Consumers
New Charges	95.31	3.31	1,989.78	70
Previous Charges	99.54	3.40	1,989.78	66

*Group 40 and 60 consumers are also charged for assets employed in servicing the connection.

NETWORK CHARGES – GROUP 60 CONSUMERS

	Network	Maintenance Charge, based on On-Peak Demand $/kW	Network Indirect Demand Charge, based on On-Peak Demand and $/kW	Network Indirect Fixed Charge $/Annum	Estimated Number of Consumers
New Charges	Valley				
	Hinuera GXP	30.13	4.41	10,439	19
	Kopu GXP	14.63			
	Waihou GXP	13.78			
	Waikino GXP	8.00			
Previous Charges	Valley				
	Hinuera GXP	27.03	5.94	8,351	17
	Kopu GXP	10.75			
	Waihou GXP	11.58			
	Waikino GXP	31.39			

TAURANGA NETWORK Points of Supply: Tauranga, Mt Maunganui, Te Matai

RESIDENTIAL – Low Usage Tariff Option (1 & 2 Phase 60amp & 3 phase 60 amp) (T0x)

Tariff Option	Line Charges effective 1 April 2011: Fixed Rate (c/day)	Line Charges effective 1 April 2011: Variable Rate (c/kWh)	Estimated number of consumers	Previous Line Charges: Fixed Rate (c/day)	Previous Line Charges: Variable Rate (c/kWh)
Single – Controllable	15.00	7.2981	11,076	15.00	7.0061
Controlled		4.3780			4.1950
Uncontrolled		8.5904			8.2487
Night		1.6158			1.5562

UNMETERED

Tariff Option	Line Charges effective 1 April 2011: Fixed Rate (c/day)	Line Charges effective 1 April 2011: Variable Rate (c/kWh)	Estimated Number of Consumers	Previous Line Charges: Fixed Rate (c/day)	Previous Line Charges: Variable Rate (c/kWh)
Unmetered supply other than street lighting (V01)		8.8930	159		8.5641
Unmetered street lighting (V02)	12.3468		13,433	12.7900	

Standard Residential & Commercial (1 & 2 phase 60amp up to and including 3 phase 60-amp) (T4x)

Tariff Option	Line Charges effective 1 April 2011: Fixed Rate (c/day)	Line Charges effective 1 April 2011: Variable Rate (c/kWh)	Estimated number of consumers	Previous Line Charges: Fixed Rate (c/day)	Previous Line Charges: Variable Rate (c/kWh)
Residential - Night Supply Only	39.9705	1.5631	61,313	38.50	1.5074
Residential - 24 hour supply uncontrolled		7.4513			7.1747
Residential - Controlled		3.3093			3.19
Residential - Controlled 17 hours on		6.1587			5.9319
Commercial - Day/Night - Day rate		5.8769			5.6604
Commercial - Day/Night - Night rate		1.5631			1.3449

OTHER COMMERCIAL – 100kVA TO 299kVA (No TOU metering required)

Tariff Option	Line Charges effective 1 April 2011: Fixed Rate (c/day)	24 Hour Supply (c/kWh)	Night (c/kWh)	Controlled (c/kWh)	Estimated number of consumers	Previous Line Charges: Fixed Rate (c/day)	24 Hour Supply (c/kWh)	Controlled (c/kWh)	Commercial - Day (c/kWh)	Commercial - Night (c/kWh)
100kVA - 199kVA (T30)	734.9398	5.8463	1.8133	2.6920	103	707.8543	5.6309	2.594	5.8463	1.4113
200kVA - 299kVA (T34)	2,414.114	5.4048		2.4999	48	2,372.3433	5.2057	2.3990		

CAPACITY 300kVA AND GREATER (Fixed Service, Transformer, Capacity (where applicable) and Variable Rate Apply)

Tariff Option	Line Charges effective 1 April 2011: Fixed Rate (c/day)	Fixed Rate ($/kVA/month)	Estimated No of consumers	Previous Line Charges: Fixed Rate (c/day)	Fixed Rate ($/kVA/month)
Fixed Rate (T41)	1,030.9216		69	982.2273	
Fixed Rate (T43)		1.1940	198		1.15
Variable Rate (c/kWh)					
Summer day (0700 - 2300)	3.0014			2.8908	
Summer night (2300 - 0700)	0.8148			0.7848	
Winter day (0700 - 2300) excluding peak times	5.2558			5.0633	
Winter morning peak (0800 - 1100)	11.1092			10.70	
Winter evening peak (1700 - 2000)	19.1639			18.457	
Winter night (2300 - 0700)	1.0966			1.0568	

TRANSMISSION COMPONENT (REQUIREMENT 26(3)(b))

The component of each new line charge attributable to transmission charges is 37%. (Where the line charge is the total lines charge payable by each end-consumer and may be made up of different charge types including fixed, variable, demand and Transformer charges as detailed in the tables above.) This component includes recovery of Transpower's connection, interconnection and new investment charges.

TAURANGA NETWORK GROUP 50 CONSUMERS

TRANSMISSION CHARGES GROUP 50

Grid Exit Point	Line Charges effective 1 April 2011: Rates: Any time Demand $/kW	On peak Demand $/kW	Previous Line Charges: Rates: Any time Demand $/kW	On peak Demand $/kW
Valley Network				
Tauranga GXP	38.25	76.14	31.13	69.10
Mt Maunganui GXP	18.53		20.99	
Te Matai GXP	28.44		31.01	

* Group 50 are also charged for assets employed in servicing the connection.

NETWORK CHARGES – GROUP 50 CONSUMERS

	Network Assets and Maintenance Charge $/kW	Network Indirect Demand Charge, based on On-Peak Demand $/kW	Network Indirect Fixed Charge $/Annum	Estimated Number of Consumers
New Charges	67.70	6.95	3,275.68	37
Previous Charges	66.02	6.95	3,275.68	39

TAURANGA LOSS FACTORS

Capacity and Voltage Connection	Code	Factor 33kV GXP	Code	Factor 11kV GXP
Low Voltage Single Phase Connection metered at Low Voltage	T1PLV3	1.070	T1PLV1	1.045
Low Voltage Three Phase Connection metered at Low Voltage	T3PLV3	1.070	T3PLV1	1.045
Transfer Connection metered at Low Voltage	TXCLV3	1.048	TXCLV1	1.043
High Voltage Connection metered at Low Voltage	THVLV3	1.048	THVLV1	1.043
Transformer Connection metered at High Voltage	TXCHV3	1.030	TXCHV1	1.028
High Voltage Connection metered at High Voltage	THVHV3	1.030	THVHV1	1.028

Powerco is New Zealand's second largest electricity and gas distribution utility with around 420,000 consumers connected to its networks. Powerco's electricity networks are in Western Bay of Plenty, Thames, Coromandel, Eastern and Southern Waikato, Taranaki, Wanganui, Rangitikei, Manawatu and the Wairarapa. Its gas pipeline networks are in Taranaki, Hutt Valley, Porirua, Wellington, Horowhenua, Manawatu and Hawke's Bay.

To view online please go to www.powerco.co.nz