

9 March 2011



Mr John Groot
Regulation Branch
Commerce Commission
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WELLINGTON

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Dear Mr Groot

Re: Information Disclosure Requirements – Process and Issues Paper

1. Introduction

Wellington Electricity Lines Limited (**Wellington Electricity**) welcomes the opportunity to comment on the Commerce Commission's (**Commission**) consultation paper entitled "*Information Disclosure Regulation Electricity Lines Services and Gas Pipeline Services Process and Issues Paper*" (**IDR Process and Issues Paper**) published on 23 February 2011.

2. Development of new Information Disclosure Requirements

The existing information Disclosure Requirements (**IDRs**) being the "*Electricity Distribution (Information Disclosure) Requirements 2008*", were developed pursuant to Part 4A of the *Commerce Act 1986 (Act)*, which has been repealed and replaced with Part 4.

The Commission is now proposing to develop new IDRs that give effect to Part 4 of the Act and the Final Input Methodology Decisions (**Final IM Decisions**) that were published in December 2010.

The Commission's IDR Process and Issues Paper invites comment from interested parties, including electricity distribution businesses (**EDBs**), on:

- The scope of issues to be included in the discussion phase; and
- The proposed process for developing new IDRs. Wellington Electricity understands that the key steps of the proposed process are as per Table 1 below:

| Key Step | Timing |
|---|----------------------|
| Process and Issus Paper: | Current stage |
| Commission to publish Discussion Paper | April 2011 |
| Submissions on Discussion Paper | May 2011 |
| Commission to publish Draft Determination and Reasons Paper | Early September 2011 |
| Submission on Draft Determination and Reasons Paper | Early October |
| Commission to publish Revised Draft Determination and Technical Consultation Update | Mid November |
| Commission to publish Final Determination and Reasons Paper | Mid December 2011 |

Table 1: Key steps in IDR process

Wellington Electricity welcomes the development of new IDRs, as this will promote consistency in the new regulatory framework.

2.1. Scope of issues to be considered in the discussion phase

The IDR Process and Issues Paper identifies a number of matters on which the Commission will seek comment during the discussion phase in around April to May 2011. These matters include:

- Asset Management Plan (**AMP**) disclosure;
- Consolidated disclosures;
- Related party transactions;
- Mergers and acquisitions;
- Contract disclosures; and
- Historical financial performance information.

Wellington Electricity notes that this is only a sub-set of matters currently covered by the existing IDRs and considers that the discussion phase should be comprehensive and address all matters currently included in the IDRs – regardless of whether or not the Commission intends retaining existing provisions. Other matters addressed by the exiting IDRs include:

- Forward looking financial information;
- Pricing methodologies;
- Quality disclosure;
- Performance Indicators such as profitability; and
- Consumer consultation requirements.

Wellington Electricity will provide detailed comments on each of these matters during the discussion phase, however it highlights that any reporting obligations on these matters should be guided by the Part 4 Purpose Statement. In particular, reporting obligations should be developed such that they are limited to providing sufficient information for interested persons to assess whether the purpose of Part 4 is being met. Wellington Electricity cautions that they should not go beyond this to require complex and costly reporting on matters which fall outside the scope of this requirement.

The IDR Process and Issues Paper, in particular paragraphs 29, 36 and 52, indicates that the Final Starting Price Adjustment (**SPA**) Information Request (**SPA Information Request**), will form the basis for the required historical information under the new IDRs.

Wellington Electricity considers this to be reasonable, however it considers that this information will need to be revised to ensure that it satisfies the requirements of the IDRs. Wellington Electricity considers that as the SPA Information Request is being developed for a different purpose some changes will be required for the IDRs and EDBs should have the opportunity to comment on this. Wellington Electricity will provide further comment on this during the discussion phase. Further Wellington Electricity refers the Commission to its submission of 28 February 2011 on the Commission's *Consultation Paper on Draft Information Request and Process Update*. This submission sets out Wellington Electricity's current views on the SPA Information Request.

2.2. Proposed process for developing new IDRs

Wellington Electricity appreciates that the Commission has included numerous steps in its proposed timeframe for developing new IDRs. Wellington Electricity supports this approach

as it provides interested parties with the necessary opportunity to raise and debate all relevant issues prior to the Commission publishing its Final Determination.

Wellington Electricity notes, however, that there is a considerable amount of regulatory work that EDBs are required to complete during the proposed discussion phase. The Electricity Networks Association (**ENA**) has detailed the nature of this work at length in its submission. On this basis, Wellington Electricity considers that it would preferable if the Commission extended the time for submissions on its Discussion Paper to allow EDBs sufficient time to respond.

Wellington Electricity also supports the ENA's comments that the Commission should commence consultation on the historical financial disclosure templates during the discussion phase rather than defer it until the Draft Determination Stage. This will ensure sufficient opportunity for interest parties to raise relevant issues.

3. Closing

Wellington Electricity would welcome the opportunity to discuss any of the matters raised in this submission.

Please do not hesitate to contact Stephanie McDougall, Manager Regulatory Projects, on (04) 915 6125 or smcdougall@welectricity.co.nz if you have any questions.

Yours sincerely

A handwritten signature in black ink, consisting of a large, stylized loop followed by a horizontal line extending to the right.

John Calleja - IISC
Wellington Electricity Lines Limited