

11 November 2003

Submissions on ODV Handbook Issues Paper  
Network Performance Group  
Commerce Commission  
PO Box 2351  
**WELLINGTON**

Dear Sir/Madam

### **ODV HANDBOOK REVIEW**

Thank you for the opportunity to comment on the above.

Given the critical nature of valuations under the targeted control regime as set out in section 57E of the Commerce Act and in particular ensuring that excessive profits are not made by line companies it is important that valuations of line companies are not overstated.

I have two key concerns in this area:

1. That assets previously expensed are excluded from the ODV, and
2. That future valuations are based on historical cost not the ratchet effect of ODV based on revised unit rates over time. What other business has ever had this ability?

In respect of assets that have been previously expensed, consumers should not have to pay twice. In particular prior to 1987 (in 1987 MED's and Power Boards became liable to pay tax) most overhead to underground conversions were expensed and not capitalised. As such assets should be excluded from line company ODV's.

Generally this applied to municipal authorities at the time which included the following:

- a. Napier MED
- b. Taupo MED
- c. Timaru MED
- d. Nelson MED
- e. Invercargill MED
- f. New Plymouth MED
- g. Palmerson North MED
- h. Wellington MED
- i. Whangarei MED

Other power boards such as Auckland also undertook a considerable amount of overhead to underground.

While the ownership of a number of the above has changed hands financial records should still be available to determine whether or not conversion programmes were expensed or capitalised from the original owners.

On behalf of consumers I would urge the Commerce Commission to take all reasonable steps to ensure consumers do not pay twice and that assets previously expensed are excluded from a line companies ODV's. For overhead to underground conversion projects the onus of proof should be on line companies to prove that it was capitalised.

Yours faithfully

**Concerned Consumer Wellington**

Copied to Consumers Institute