

3 November 2009

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**SUBMISSION ON THE INITIAL RESET DETERMINATION (DRAFT) OF THE  
DEFAULT PRICE-QUALITY PATH FOR ELECTRICITY DISTRIBUTION  
BUSINESSES**

- 1 This letter and the appendices to this letter comprise Unison Networks Limited's (Unison's) submission in response to the Commission's Initial Reset Determination (DRAFT) consultation paper dated 16 October 2009 (the "Draft Determination").
- 2 By way of introduction, Unison supports the submission made by the Electricity Networks Association (ENA).
- 3 In addition to the various issues raised in the ENA's submission, there are two particular issues that Unison wishes to bring to the Commission's attention:
  - 3.1 The price restructuring provisions in the draft clause 8.5 are completely unworkable. Our analysis of the draft clause is provided in Appendix B, and our suggested alternative wording is provided in our answer to Question 5; and
  - 3.2 When prices are set the pass-through costs included in the calculation of Allowable Notional Revenue will be an estimate, and the pass-through costs included in the calculation of Notional Revenue will be a forecast. It is inevitable that both estimates of pass-through costs will differ from actual pass-through costs. Technical breaches will only be avoided if the Default Price-Quality Path (DPP) Determination provides a means of addressing the over- or under-estimates. Our answer to Question 9 suggests a reconciliation of actual pass-through costs against the pass-through costs recovered, with any under- or over-recovery added to pass-through costs in the subsequent year. This would avoid technical breaches while also removing the potential for either windfall gains or windfall losses by the Electricity Distribution Business (EDB).

- 4 We note that the Draft Determination is intended to reflect the Commission's Draft Decisions, and does not reflect any changes that might be made in the light of submissions on those Draft Decisions. Key issues that will need to be addressed in a revised draft of the determination include reopeners, using forecast rather than lagged CPI (and we support Vector's proposal of using the latest forecast from the Reserve Bank plus a wash up for the difference between actual and forecast CPI), and the ENA's suggested changes to the specification of the price path.
- 5 I would also like to take this opportunity to support Vector's recommendation that the Commission add productivity analysis to its list of topics to revisit after 1 April 2010. The development of an S factor and energy efficiency incentives are also topics that should be addressed. Unison is hopeful that it will be possible to agree on a methodology and a dataset for productivity analysis well before the next DPP reset, and thus avoid any unnecessary contention at the time of the reset.
- 6 Please contact me directly on 06 873 9301 if you require further information on this submission.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ken Sutherland', written in a cursive style.

Ken Sutherland  
**CHIEF EXECUTIVE**