

Reconsideration of DPP3 default price-quality path – CPI Error in reopeners

Draft decision

25 September 2025



Introduction

1. We have identified an error in the implementation of the unforeseen capex reopeners during the Default price quality path for electricity distribution businesses (DPP3). The error relates to the difference between actual Consumer Price Index (CPI) and forecast CPI in the calculation of Actual Net Allowable Revenue (ANAR) when the DPP3 price-path was reopened and revenues amended.
2. This paper sets out our draft decision to amend DPP3 to re-exercise our power under section 52P of the Commerce Act to correct an error in determining three DPP3 reopener decisions.
3. Our draft decision is to reopen the DPP3 determination to correct the CPI error for the following decisions:
 - 3.1 The 2022 Unison unforeseen capex reopener;¹
 - 3.2 The 2024 Unison unforeseen capex reopener;² and
 - 3.3 The 2024 Wellington Electricity unforeseen capex reopener.³(together, the **reopener decisions**)

¹ *Electricity Distribution Services Default Price-Quality Path (Unison unforeseeable major capex project) Amendment Determination 2022 [2022] NZCC [2]*

² *Electricity Distribution Services Default Price-Quality Path (Unison Networks Limited Unforeseeable Major Capex Project) Amendment Determination 2024 [2024] NZCC [20]*

³ *Electricity Distribution Services Default Price-Quality Path (Wellington Electricity Lines Limited Unforeseeable Major Capex Projects) Amendment Determination 2024 [2024] NZCC [13]*

Our implementation of some DPP3 reopeners deprives EDBs of inflation compensation

4. We made reopener decisions during DPP3 relying on the provisions in subpart 5 of the Electricity Distribution Services Input Methodologies (EDB IMs) that applied to DPP3, as well as sections 52P and 52Q of the Commerce Act 1986.
5. The EDB IMs that applied to DPP3 required that Forecast Net Allowable Revenue (FNAR) and Actual Net Allowable Revenue (ANAR) be specified based on Year-1 FNAR.⁴
6. Therefore, for revenue-amending reopeners during DPP3, an updated Year-1 FNAR was required to be calculated to give effect to the reopeners. The updated Year-1 FNAR value was then used to calculate the ANAR for subsequent years.
7. The error is in the formula used to deflate the reopened FNAR to create a new Year-1 FNAR.⁵
8. The CPI aspect of the formula is intended to calculate the difference between forecast CPI and actual CPI over the relevant time period.
9. The formula should divide FNAR by the cumulative “forecast CPI” to create a new Year-1 FNAR. This Year-1 FNAR is then multiplied by “CPI” to arrive at the ANAR value for the year affected by the reopener. When specified correctly the formula accounts for the difference between forecast and actual CPI, appropriately compensating EDBs for inflation.
10. However, as currently specified in the determination, the formula used to calculate the appropriate ANAR says divide by (actual) “CPI” then multiply by (actual) “CPI” – operations that cancel each other out.
11. The result of the error is that the ANAR provided in the reopened price path is lower than intended. The error deprives EDBs of compensation for inflation in a manner that is inconsistent with the IMs and that undermines the underlying real Financial Capital Maintenance (FCM) principle.
12. Our reopener decisions themselves set out the amended FNAR value in the year related to the reopener but do not set out the ANAR calculations outlined above. The ANAR calculations were performed by the EDBs and reported in annual compliance statements. To show the impact of the error we have revisited those calculations, with the difference between each EDB’s ANAR as in the current determination and with our proposed amendments shown in Table 1.1.

⁴ That is the *Electricity Distribution Services Input Methodologies Determination* 2012 [2012] NZCC 26 (as amended) that was in place on 1 April 2020, before the IM Review 2023.

⁵ For example, clause (8E) of Commerce Commission “Electricity Distribution Services Default Price-Quality Path (Wellington Electricity Lines Limited Unforeseeable Major Capex Projects) Amendment Determination 2024 [2024] NZCC [13]”, (8 August 2024).

Table 1.1 Difference between ANAR as in the determination and as intended (\$'000, nominal)

Disclosure year				
	2022	2023	2024	2025
Unison Networks	-3,863	-4,137	-4,437	-13,365
Wellington Electricity	0	0	0	-8,466

Our draft decision is to correct the errors

13. Our draft decision is to re-exercise the power under section 52P of the Commerce Act, and the relevant EDB IMs, to correct the error in determining the reopener decisions.⁶
14. The method used to give effect to this decision in the DPP3 determination is to revoke and replace the amendment determinations giving effect to the reopener decisions. The replacement determinations change the formulae for FNAR for the first assessment period of DPP3, which is used to calculate ANAR for subsequent years. In particular, the formulae for FNAR are amended to deflate the reopener year FNAR by specified forecast CPI values, instead of actual CPI. The forecast CPI values are specified as the forecasts of CPI that applied for the relevant years at the time DPP3 was set.⁷
15. The relevant changes are found in:
 - 15.1 Clause (2B) of the 2022 Unison unforeseen capex reopener;
 - 15.2 Clause (3F) of the 2024 Unison unforeseen capex reopener; and
 - 15.3 Clause (8E) of the 2024 Wellington Electricity unforeseen capex reopener.
16. For each determination, we are proposing to change the reference “ Δ CPI” to “ Δ forecastCPI” and update the associated definitions to specify the value of forecast CPI for each year, using the forecast CPI values which were used when we set the price path.⁸
17. The exception is the reference to Δ CPI for 2022 in the Wellington Electricity reopener. Wellington Electricity joined the DPP for disclosure year 2022. At the time that Wellington rejoined the DPP, we had to set its price path based off ‘year 1’ FNAR. To do this we deflated the year 2 ‘starting price’ using Actual CPI to generate a year 1 FNAR

⁶ Under section 46 of the Legislation Act 2019, we can re-exercise a power to correct for errors in the original exercise of that power.

⁷ Refer to Commerce Commission “[Default price-quality paths for electricity distribution businesses from 1 April 2020 – Final decision](#)” (27 November 2019), Table C1.

⁸ Commerce Commission “[Default price-quality paths for electricity distribution businesses from 1 April 2020 – Final decision](#)” (27 November 2019), Table C1.

that was then reinflated to give the year 2 ANAR. As such retaining actual CPI for 2022 is appropriate.

18. These amendments are complex. To show the effect of these draft decisions, we have published the following documents alongside this reasons paper:
 - 18.1 Draft amendment determination for the 2022 Unison unforeseen capex reopener;
 - 18.2 Draft amendment determination for the 2024 Unison unforeseen capex reopener;
 - 18.3 Draft amendment determination for the 2024 Wellington Electricity unforeseen capex reopener; and
 - 18.4 A consolidated version of the EDB DPP3 determination, as at 3 September 2025, showing the draft amendments in tracked changes.⁹

Reasoning

19. Our draft decision specifies the correct CPI values to be used in the calculation of FNAR for the first assessment period. This is so that the resulting Year-1 FNAR, used to calculate ANAR, will accurately reflect the cumulative impact of forecast CPI. When this new Year-1 FNAR is then inflated by actual CPI to get ANAR, suppliers are correctly compensated for differences between forecast and actual CPI, in accordance with our original reopener decisions.¹⁰
20. As such, amending the DPP3 determination to correct the error in the Year-1 FNAR formulae:
 - 20.1 reverses the effect of a material error in our determinations and gives effect to the intention of the reopener decisions; and
 - 20.2 is consistent with the purpose of the Commerce Act to promote the long-term benefit of consumers, by ensuring Wellington Electricity and Unison recover revenue for expenditure we have assessed as prudent and efficient under the relevant EDB IMs.¹¹
21. This decision has the effect of increasing the ANAR that may be recovered by Wellington Electricity and Unison. However, the revenue allowance is only increased to the amount approved under our original reopener decisions, with the difference being that between actual and forecast CPI over the relevant periods for each reopener.
22. Accordingly, we consider there is no additional cost to consumers beyond that which we have already assessed and approved when we made the reopener decisions under

⁹ This is not an official consolidated version of the EDB DPP3 determination. It is provided to show the effect of the draft amendment determinations that would give effect to this error correction draft decision.

¹⁰ *Electricity Distribution Services Input Methodologies Determination 2012* [2012] NZCC 26 (as amended), cl. 3.1.3 (13)(i).

¹¹ *Electricity Distribution Services Input Methodologies Determination 2012* [2012] NZCC 26, cl 4.5.5A, 4.5.6 and 4.5.7

the relevant EDB IMs. The additional revenue the EDBs would recover represents costs that we have already determined are appropriate for consumers to bear, considering the relevant EDB IMs and the purpose of Part 4 of the Commerce Act.

Legal basis for the decisions

23. Under section 46 of the Legislation Act 2019, we can re-exercise a power to correct for errors or omissions in the original exercise of that power. Section 46 provides:

46 Power to do things may be exercised to correct errors

(1) The power to do anything may be exercised to correct an error or omission in a previous exercise of the power.

(2) Subsection (1) applies even though the power is not generally capable of being exercised more than once.

24. The relevant power that we are re-exercising in this draft decision is under section 52P of the Commerce Act, which empowers the Commission to make determinations specifying how price-quality regulation applies to regulated suppliers. Section 52Q is related to section 52P, and outlines the relevant consultation and notice requirements which apply when the Commission amends a section 52P determination.
25. In re-exercising this power, we are not making any changes to our original reopener decisions other than the correction of the error. We are re-exercising the power to correct an error in the formulae we used to determine those decisions, to properly give effect to the original decisions.

Other matters

26. The timing of this draft decision will mean that any change to the revenue allowances for Wellington Electricity and Unison will not be reflected in the annual compliance statements already submitted by Unison and Wellington Electricity. We do not require these suppliers to re-submit past compliance statements and we recommend they provide an explanatory note to reconcile these values in future compliance statements.
27. Our draft decision only covers the unforeseen major capex reopeners that occurred during DPP3 (the reopener decisions). There were no other DPP3 reopeners in which there was a change to FNAR.
28. We have recently published decisions on DPP3 catastrophic event reopeners for Firstlight and Vector, and are considering an application from Unison.¹² These reopeners are unaffected by this error. This is because they provide additional revenue via the catastrophic event allowance as a recoverable cost, rather than respecifying Year-1 FNAR. Because the allowance is specified as a dollar value, and not using a formula that calculates the difference between forecast and actual CPI, no error arises.

¹² Commerce Commission “[Reconsideration of default price-quality path for Firstlight Network Limited – Cyclone Gabrielle catastrophic event - Final decision](#)” (26 June 2025); Commerce Commission “[Reconsideration of DPP3 default price-quality path for Vector Limited – Cyclone Gabrielle catastrophic event – Final decision](#)” (3 September 2025).

How you can provide your views

29. We seek your written views on our draft decision and our draft amendment determinations, published alongside this paper, within the timeframe below:
 - 29.1 Submissions by 5pm 10 October 2025.
30. Please address your submission to Ben Woodham c/o infrastructure.regulation@comcom.govt.nz with 'Reopener CPI error consultation' in the subject line of your email.
31. We prefer submission in both a format suitable for word processing (such as Microsoft Word document) as well as a 'locked' format (such as PDF) for publication on our website.

Confidential submissions

32. We encourage public submissions so that all information can be tested in an open and transparent manner. However, we recognise that parties making submissions may wish to provide information in confidence. We offer the following guidance:
 - 32.1 if it is necessary to include confidential material in a submission, the information should be clearly marked, with reasons why that information is considered to be confidential;
 - 32.2 where commercial sensitivity is asserted, submitters must explain why publication of the information would be likely to unreasonably prejudice their commercial position or that of another person who is the subject of the information;
 - 32.3 both confidential and public versions of the submission are required to be provided; and
 - 32.4 the responsibility for ensuring that confidential information is not included in a public version of a submission rests entirely with the party making the submission.
33. We request that you provide multiple versions of your submission if it contains confidential information or if you wish for the published electronic copies to be 'locked'. This is because we intend to publish all submissions on our website. Where relevant, please provide both an 'unlocked' electronic copy of your submission, and a clearly labelled 'public version'.