

Keston Ruxton
Manager Fibre
Infrastructure Regulation Branch
Commerce Commission
WELLINGTON

23 September 2025

Dear Keston,

TIMING OF FIBRE EXPENDITURE PROPOSALS

The purpose of this letter is to provide further information to the Commission about the timing of future fibre expenditure proposals, for the Commission to consider in the current review of the Fibre Input Methodologies (IMs). This letter is not confidential.

In our recent submission on the IM review tranche 1 issues paper, we noted issues with the current timeframes for determining capex allowances, but did not put forward a preferred solution.

Since then, we have confirmed our internal business planning processes that will form the basis of our next expenditure proposal. We will base our PQP3 expenditure proposal on business plans developed in calendar year 2026 rather than 2027. This reflects our new planning process of determining long-run plans separately to (and after) the annual budget is set, which means the long-run plan that is determined in 2027 will not be approved early enough to inform the PQP3 proposal.

We believe this business planning change creates an opportunity to change the timing of expenditure proposals for fibre in a way that will address current challenges faced by both Chorus and the Commission.

We recommend the following approach is taken for future base capex proposals, and is reflected in the IMs:

- The due date for the base capex proposal should be 16 months before the start of the regulatory period, rather than the current 14 months – ie the PQP3 proposal is submitted by the end of August 2027 rather than the end of October 2027.
- The Commission should be required to make decisions on the base capex proposal and price-quality settings at the same time and this should be four months before the start of the regulatory period (for PQP3, by the end of August 2028). As a consequence, the current requirement for the Commission to determine expenditure allowances six months before the start of the regulatory period should be removed.
- The consultation process for the combined draft expenditure and PQ decision should be six weeks for submissions and three weeks for cross-submissions.
- A short technical drafting consultation step should be included in the process.
- For avoidance of doubt, the regulatory year remains 1 January to 31 December.

The benefits of our recommended approach are:

- The Commission will have more time to consider and assess the expenditure proposal (12 months under this recommendation versus 8 months under the current IMs).
- Only one draft decision round will be required, reducing effort for the Commission and Chorus.
- A final PQ decision at least four months prior to the start of the regulatory period would, in most circumstances, give Chorus sufficient time to adjust pricing and service quality settings to comply with the new determination from the start of the regulatory period. This would minimise the need for any transitional provisions.
- The independent verifier will be able to consider confirmed, approved expenditure plans (for PQP2, the verifier initially reviewed plans based on draft forecasts because the then business planning timeframes meant that Chorus' business plan was only confirmed after the verifier's review had started).

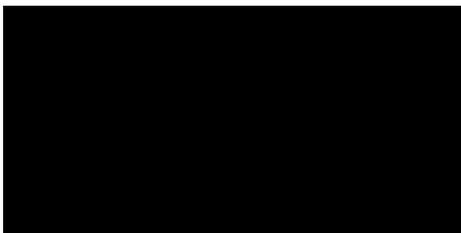
The downsides of our recommended approach are:

- An earlier proposal will mean the information Chorus includes in our expenditure proposal will be less current. However, given changes to our business planning process noted above, this will be the case anyway. Chorus' business is also becoming more stable as fibre uptake matures, meaning there is less risk of material changes in spending forecasts from one year to the next.
- The Commission may have less time to develop the price-quality element of its decision, but we believe that should be manageable given it has more time to consider the expenditure decision and only one draft decision process to manage.

Overall, we believe this recommended approach is the best option for streamlining the evaluation process and supporting high-quality decisions.

We are happy to discuss this with you further.

Yours sincerely,



Ian Ferguson
Head of Regulation