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Tēnā koutou

SUBMISSION ON TREATMENT OF GOVERNMENT GRANTS AND RELATED INCOME

Unison Networks Limited (Unison) and Centralines Limited (Centralines) are consumer-owned electricity distribution businesses serving communities in Hawke's Bay, Taupō, Rotorua, and Central Hawke's Bay. Thank you for the opportunity to provide feedback on the Commerce Commission's draft decision on amendments to the Input Methodologies relating to the treatment of government grants related to income.

As consumer-owned entities, we operate in the best interests of the communities we serve. Guided by our vision, and values, we strive to deliver economic benefits to both our customers and community shareholders, while championing a sustainable energy future. We are committed to maintaining the right balance between keeping electricity affordable and making strategic investments that secure the long-term reliability and resilience of our network. In all aspects of our operations, we place strong emphasis on meeting industry compliance requirements, ensuring we uphold all relevant standards. This approach not only supports New Zealand's transition to new energy solutions but also enables our communities to access cleaner, smarter, and more flexible energy options, now and for generations to come.

Executive Summary

The draft decision represents a pragmatic extension of the existing framework, ensuring government grant funding is treated consistently and that consumers benefit where such funding offsets regulated expenditure.

The draft decision appropriately aligns with recent amendments and introduces a workable approach that accommodates a range of funding scenarios. Retaining flexibility in treatment, maintaining IRIS neutrality, and avoiding unnecessary restatement of prior period information will be critical to effective implementation.

Overall, the draft decision improves clarity, consistency, and workability within the regulatory regime, while supporting efficient participation in government-funded initiatives

Mechanics of Treatment and Implementation

The effectiveness of the proposal will depend on how the treatment is applied in practice.

Alignment with the recent insurance IM amendments is appropriate and should be maintained. We support retaining optionality between:

- netting against operating expenditure; and
- treatment through other regulated income (ORI) with a retained entitlement adjustment.

This flexibility is important to accommodate timing and structural differences in funding arrangements and should be preserved, provided outcomes remain NPV neutral to consumers.

In many cases, netting is likely to represent the most straightforward approach, avoids unnecessary IRIS interactions, and enables funding to directly offset the associated expenditure.

However, the ORI less retained entitlement approach remains an important and appropriate alternative, particularly where there are timing mismatches between expenditure and funding, or where there are reasons to avoid excluding from future allowance assessments.

A clear no-restatement principle is also important. Regulated suppliers should not be required or expected to reopen or restate prior period audited information to give effect to grant treatment. Where timing misalignment occurs, the ORI approach should provide a practical prospective solution.

Maintaining IRIS neutrality is important. EDBs should not be financially disadvantaged for undertaking grant-funded expenditure, and the retained entitlement mechanism should operate to preserve this outcome in practice

To support consistent and efficient implementation, we encourage the Commission to provide guidance that:

- supports consistent application across suppliers;
- avoids the need for restatement of prior period information; and
- minimises compliance and audit complexity.

Conclusion

We support the proposed draft decision and consider it a sensible refinement to the Input Methodologies.

No part of this submission is confidential, and we acknowledge it will be published. Please contact us should you require any further information, including details on operational considerations.

Nā māua noa, nā

Jason Larkin / Tarryn Butcher
GM Commercial and Regulatory / Regulatory Manager
[redacted]