PUBLIC

ISBN: 978-1-99-133267-7

COMMERCE COMMISSION NEW ZEALAND
Te Komihana Tauhokohoko

Reconsideration of DPP3 default price-quality path for Unison – Cyclone Gabrielle catastrophic event

Draft decision

25 September 2025

Overview of Unison's application and our draft decision

1. This paper sets out our draft decision on Unison Networks Limited's (Unison) application to reopen its default price-quality path 2020-2025 (DPP3) in response to Cyclone Gabrielle.

2. Cyclone Gabrielle was a severe weather event which struck the upper North Island in mid-February 2023 causing extensive damage.

3. Unison is the electricity distribution business (EDB) serving consumers in the Hawke's Bay, Taupo and Rotorua regions. The cyclone severely impacted the Hawke's Bay region, including Unison's network.

4. Unison's revenues are regulated by us under the Commerce Act. It applied to recover an additional $2.887 million from its consumers for costs it incurred responding to the cyclone.

5. Our draft decision is to reopen Unison's DPP3 price path and determine a catastrophic event reopener allowance of $2.703 million. The event was outside Unison's control and compensation promotes appropriate investment in the network to meet the needs of consumers.

6. We are seeking views on our draft decision by 10 October 2025.

Cyclone Gabrielle and Unison's catastrophic event reopener application

7. Over a week in February 2023, Cyclone Gabrielle brought sustained high winds and rainfall - causing flooding, toppled trees and land subsidence. There was extensive damage to electricity network infrastructure, as well as roads and bridges, which hampered remediation. A national state of emergency was declared on 14 February 2023 and this remained in place for a month.[1]

8. Unison is subject to a default price-quality path limiting the amount of revenue it can recover from its consumers in return for the lines services it provides. The default price-quality path allows for EDBs to apply to us for additional revenues under certain circumstances (called 'reopeners'). One such circumstance is if a network is affected by a catastrophic event.

9. On 31 March 2025, Unison applied for a catastrophic event reopener, seeking a catastrophic event (CE) allowance of $3.84 million related to the impacts of the cyclone on its network and service.[2]

[1] https://www.civildefence.govt.nz/resources/previous-emergencies/declared-states-of-emergency.
[2] Unison Networks Limited, DPP3 catastrophic event reopener application, 31 March 2025.

10. Due to changes in insurance entitlements, Unison updated their application to $2.887 million.[3] This revised claim consisted of $2.83 million of additional net opex and capex costs and $59,592 for the impact of the cyclone on its quality incentive adjustment (QIA).[4]

11. This is the third DPP3 catastrophic event reopener application relating to Cyclone Gabrelle. On 26 June 2025 we published the final decision on Firstlight's catastrophic event reopener.[5] On 3 September 2025 we published the final decision on Vector's catastrophic event reopener.[6]

Our draft decision is to reopen Unison's DPP3 price path and determine a catastrophic event reopener allowance of $2.703 million

12. Our draft decision is:that the impact of Cyclone Gabrielle on Unison's network qualifies as a catastrophic event. Attachment B outlines our assessment of Unison's application, including how it qualifies against the catastrophic event criteria; and

    12.2 to reopen Unison's DPP3 price path and determine a CE allowance of $2.703 million (present value 31 March 2025).[7] Detailed reasons for our draft decision to amend, and how we amend, the DPP3 price path are outlined in Attachment E.

13. This allowance includes $2.647 million for additional net costs and $56,618 for the impact of the cyclone on Unison's quality incentive adjustment.

14. The allowance we approved in our draft decision is $0.183 million less than Unison applied for.[8] We explain the difference in Attachment E, which consists of four adjustments[9]:

    14.1 **insurance entitlements reclassification:** We treat $1.151 million of insurance entitlements as other regulated income for DY25 less retained entitlements for DY25, instead of offsetting it against opex for DY24;

    14.2 **updated opex IRIS recoverable cost calculation:** We calculate an updated, higher opex allowance, reflecting the recoverable cost amount calculated in our published IRIS model;

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[3] Unison reduced the CE allowance in its updated application. This adjustment is based on updated costs reflecting the draft insurance entitlements for disclosure year DY25 and value of commissioned assets.

[4] Under clause 1.1.4(2) of the IMs, a CE allowance can include the impact of the event on an EDB's quality incentive adjustment (QIA). The QIA provides a reward if an EDB exceeds quality targets, and a penalty if it falls short. Refer to para 18 and footnote 12 for the explanation about how the IMs apply to our draft decision.

[5] Commerce Commission, Reconsideration of DPP3 default price-quality path for Firstlight Network Limited – Cyclone Gabrielle catastrophic event Final decision, 26 June 2025.

[6] Commerce Commission, Reconsideration of DPP3 default price-quality path for Vector Lines Limited – Cyclone Gabrielle catastrophic event final decision, 3 September 2025.

[7] This allowance is for additional net costs associated with the accepted event remediation costs, determined as the amounts not recovered through opex IRIS and capex retention, less insurance entitlements, and plus the impact on Unison's quality incentive adjustment (QIA).

[8] The allowance Unison applied for is $2,886,958.11. The allowance calculated by the Commission is $2,703,458.12. The difference is $183,499.99, rounded to $0.183 million.

[9] See Appendix E, E11-E18 for why we made these adjustments, and Table E2, for the value of the changes of each the adjustments we made to the additional net costs.

14.3 **correcting the relevant Disclosure Year (DY) for insurance entitlements treated as other regulated income**: The opex insurance entitlements of $539,127 treated by Unison as other regulated income for DY24 were not recognised for accounting purposes under its Information Disclosures for DY24, but will be recognised in DY25. We have treated it as other regulated income less retained entitlements in DY25; and

14.4 **time value of money on insurance proceeds received prior to the related expenditure in DPP4**: This benefit was not included in Unison's calculation of their allowance, but has been included in our assessment of additional net costs incurred as a result of the cyclone.

Impact on consumers and why compensating Unison is in their long-term interests

15. The CE allowance is a recoverable allowance for DY25 which Unison may recover through consumer pricing from DY27.[10] With about 122,000 consumer connections (ie, installation control points (ICP)) in Unison's network, the approved allowance works out to about $22 for each ICP. If Unison recovers this allowance over one year, it equates to an average one-off increase of less than $2 per month per ICP over that year. Unison may choose to recover the allowance over a longer time period, reducing this average monthly impact.

16. We are satisfied that reopening the price path in these circumstances is in the long-term interests of consumers, consistent with the purpose of our regulation under Part 4 of the Commerce Act. Allowing Unison to recover costs incurred in remediating cyclone damage that qualifies as a CE promotes network investment to meet consumer needs. Table 1.1 provides a summary of Unison's application and our draft decision.

[10] While transitional wash-up balances are now available for drawdown from year one of the following regulatory period (DY26), under the IMs, the practical timing of this decision means the adjustment to the wash-up account will occur after Unison has already set pricing for DY26.

Table 1.1 Summary of Unison's application and our draft decision

Reopener type	**Catastrophic event (DPP3)**
Application link	Unison Networks Limited catastrophic event application (Cyclone Gabrielle)
Catastrophic event	The impact of Cyclone Gabrielle on Unison's network in February 2023 qualifies as a catastrophic event.
Materiality threshold	The materiality threshold has been met. As set out in Attachment B, the DPP3 price path impact resulting from event remediation opex and capex in Unison's application is $2.3 million. This exceeds 1% of the aggregate forecast net allowable revenue (FNAR) for the DPP3 years in which event remediation costs were incurred.
Draft outcome	Reopening Unison's DPP3 price path and determining a catastrophic event reopener allowance of $2.703 million, as a recoverable cost for DY25. Effective date 31 March 2025, the last day of the DPP3 period.
Estimated consumer bill impact	Total (non-recurring) impact of $2.703 million. This is about 0.3% of Unison's $882 million total maximum allowed revenue for DPP4, the period in which the allowance becomes recoverable. For Unison's 122,000 ICPs this averages to about $22 per ICP. If recovered in one year this amounts to, on average, less than $2 per ICP per month for that year.
Specific consultation questions	We have not included specific consultation questions. We welcome views on all aspects of the draft decision.

17. Our draft decision includes accepting all of Unison's event remediation costs and value of commissioned assets (VCA) presented in Table 1.2 below,[11] specifically:

    17.1 accepting all of the event remediation capex ($11.6 million) and associated VCA ($10.6 million) in their updated application; and

    17.2 accepting all of the $5.3 million event remediation opex.

[11] These costs are the gross costs incurred, before offsetting any insurance entitlements.

Table 1.2 Event remediation costs presented in Unison's application - nominal ($million)

Category	Disclosure year	Event remediation costs in original application - 31 March 2025 ($m)	Event remediation costs in updated application - May 2025 ($m)
Opex	DY23	$3.11	$3.11
	DY24	$2.22	$2.22
	DY25	$0	$0
	Total	**$5.33**	**$5.33**
Capex	DY23	$6.93	$6.93
	DY24	$4.66	$4.66
	DY25	$0	$0
	Total	**$11.59**	**$11.59**
VCA	DY23	$0	$0.09
	DY24	$0	$10.32
	DY25	$0	$0.18
	Total	**$0**	**$10.59**

Our assessment of Unison's application

18. We have assessed Unison's application and made our draft decision in accordance with the rules for reopeners set out in the electricity distribution business input methodologies. The relevant input methodology determinations are:

    18.1 Electricity Distribution Business Input Methodologies Determination 2012 [2012] NZCC 26 (consolidated as of 23 April 2024). We refer to this consolidated version as the "IMs" in the rest of the paper. [12]

    18.2 Electricity Distribution Services Input Methodologies (treatment of insurance entitlements) Amendment Determination 2024, of which some relevant amendments apply for DPP3. We refer to this amendment determination as the "Insurance IM amendments" in the rest of the paper. [13]

[12] Consolidated version is available here: https://www.comcom.govt.nz/__data/assets/pdf_file/0017/60542/electricity-distribution-services-input-methodologies-determination-2012-consolidated-as-of-23-april-2024.pdf

[13] The Insurance IMs amendment is available here: https://www.comcom.govt.nz/assets/pdf_file/0029/363728/Electricity-Distribution-Services-Input-Methodologies-treatment-of-insurance-entitlements-Amendment-Determination-2024.pdf. The majority of the insurance entitlements related to the cyclone were not recognised until DY25, after a number of relevant insurance amendments affecting the treatment of the entitlements had come into effect through the Insurance IM amendments.

19. We have scrutinised Unison's application in a way which seeks to balance the materiality of the application with our requirements when assessing applications. In particular, we can reopen Unison's price path only in relation to costs we assess as prudent, reasonably necessary, and related to the event. To enable this assessment, we needed to ask Unison for additional information, and it provided more details on event costs, assets commissioned and processes and controls.

20. The regulatory framework, interpretations and assessments of Unison's application and our draft decision are consistent with our recent draft decision to reopen Vector's and Firstlight Network's DPP3 price paths in accordance with the IMs. Details of the regulatory framework, interpretations and assessments underpinning our draft decision are presented in the following attachments:

    20.1 Attachment A – Reconsideration framework presents the regulatory framework for assessing Unison's application.

    20.2 Attachment B – Assessment of catastrophic event criteria provides more detail on our assessment of Unison's application, related to qualification against the catastrophic event criteria.

    20.3 Attachment C – Assessment of event remediation costs sets out our assessment of event remediation costs presented by Unison.

    20.4 Attachment D – Impact on quality incentive adjustment assesses the cyclone's impact on Unison's QIA.

    20.5 Attachment E – Reopening Unison's price path sets out our draft decision to reopen Unison's DPP3 price, i.e., whether to, how, and by how much.

Submissions on this paper

21. We seek your views on the matters discussed in this paper and the proposed drafting of the Electricity Distribution Services default price-quality path (Unison Catastrophic Event) Amendment Determination 2025 by 5pm, 10 October 2025.

22. Please address your submission to Ben Woodham, EDB Manager c/o infrastructure.regulation@comcom.govt.nz with 'Unison catastrophic event reconsideration consultation' in the subject line of your email.

23. We prefer submissions in both a format suitable for word processing (such as a Microsoft Word document), as well as a 'locked' format (such as a PDF) for publication on our website.

Confidential submissions

24. 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:

24.1 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;

24.2 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;

24.3 both confidential and public versions of the submission should be provided; and

24.4 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.

25. Please note that all submissions we receive, including any parts that we do not publish, can be requested under the Official Information Act 1982. This means we would be required to release material that we do not publish unless good reasons exist under the Official Information Act 1982 to withhold it. We would normally consult with the party that has provided the information before any disclosure is made.

26. 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.

Attachment A Reconsideration framework

A1 This attachment presents the regulatory framework for assessing Unison's application to reconsider and amend its DPP3 price path using a catastrophic event reopener due to the impacts of the cyclone on its network and service.

The DPP price path and quality standards may only be reconsidered in limited circumstances

A2 Unison is a non-exempt EDB subject to price-quality regulation by the Commission under Part 4 of the Commerce Act 1986 (the Act). The revenues it may recover from its consumers for the period in which the cyclone occurred were determined in the default price-quality path DPP3.[14]

A3 We determined the DPP3 price path on a forecast, *ex-ante* basis to cover the regulatory period of 1 April 2020 to 31 March 2025. Once determined, the DPP3 price path and quality standards may not be reconsidered (or reopened) within the regulatory period except in limited circumstances.[15] Under s 52T(1)(c)(ii) of the Act, these circumstances include those specified in Subpart 5 of Part 4 of the EDB IMs.

A4 The wording of section 52T(1)(c)(ii) indicates that reopeners are limited to *within* the DPP regulatory period. We cannot reopen a different regulatory period to the one in which the reopener event occurred.

A5 Under clause 4.5.6(1)(a)(i) of the IMs, one of the specified circumstances where we may reconsider the DPP3 price path is if an EDB applies to the Commission and satisfies us that a 'catastrophic event' has occurred under clause 4.5.1 of the IMs.

A6 In addition, we have assessed Unison's application against the Insurance IMs amendment. The other amendments related to reopeners published in March 2025 do not apply here.[16]

A catastrophic event reopener enables an EDB to remediate the impacts of an event beyond its control

A7 Catastrophic event reopeners are intended to ensure EDBs are appropriately compensated for costs incurred in relation to a catastrophic event so that their incentive to invest and deliver the service consumers need is maintained. [17]

Reopener criteria under clause 4.5.1 of the EDB IMs

A8 To qualify as a catastrophic event, the event must meet the criteria below from clause 4.5.1 of the IMs. The event must be:

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[14] Commerce Commission, Electricity Distribution Services Default Price-Quality Path Determination 2020 [2019] NZCC 21, (27 November 2019)

[15] Sections 52T(1)(c)(ii) and 53ZB of the Act.

[16] Commerce Commission, Amendments to input methodologies for electricity distribution businesses and Transpower (Reopeners and other matters), 27 March 2025

[17] Commerce Commission, DPP3 Final decision reasons paper, 27 November 2019, paragraph 4.37.

(a) beyond the reasonable control of the EDB;

*(b) in relation to which expenditure is not explicitly or implicitly provided for in the **DPP**;*

*(c) that could not have been reasonably foreseen at the time the **DPP** was determined; and*

(d) in respect of which –

*(i) action required to rectify its adverse consequences cannot be delayed until a future **regulatory period** without quality standards being breached;*

*(ii) remediation requires either or both of **capital expenditure** or **operating expenditure** during the **regulatory period**;*

*(iii) the full remediation costs are not provided for in the **DPP**; and*

*(iv) in respect of an **EDB** subject to a **DPP**, the cost of remediation net of any insurance or compensatory entitlements has had or will have an impact on the price path over the **disclosure years** of the **DPP** remaining on and after the first date at which a remediation cost is proposed to be or has been incurred, by an amount equivalent to at least 1% of the aggregated **forecast net allowable revenue** for the **disclosure years** of the **DPP** in which the cost was or will be incurred.*

Interpretation of costs incurred

A9 The terms 'cost' and 'incurred' are not defined in the IMs, and require interpretation. The timing of when costs are incurred is important as it determines forecast net allowable revenue (FNAR) from which years is included in the 1% of aggregate FNAR threshold.

A10 For assessing clause 4.5.1(d)(iv), we treat operational expenditure (ie, opex) as a cost incurred in the year of spend. Our interpretation is that capital expenditure (ie, capex) is likewise a cost incurred in the year of spend.[18]

A11 If event remediation opex and capex are incurred in a single year, with no further expenditure, then the 1% of FNAR calculation is confined to that single year. The materiality threshold calculation should ignore the commissioning date of the same capex if it occurs in a later year. If opex and capex are incurred in additional years, then those additional years should also be included in the 1% of aggregate FNAR calculation.

A12 In considering these costs net of any insurance entitlements for the purpose of assessing qualification against the catastrophic event threshold, we have applied the insurance entitlements as an offset to the related costs, regardless of when or how the insurance entitlements are actually recognised.

[18] This supersedes any previous views, including that capital costs (ie, the return on and of capital) on assets commissioned in event remediation are the costs relevant to capital works when assessing this threshold.

Our discretion to reopen and amend the DPP3 price-quality path

A13 Our decision making to reopen and amend a price-quality path is a two-step process:

A13.1 first, we assess whether the event meets the criteria for a 'catastrophic event' under clause 4.5.1 of the IMs.

A13.2 then, if we decide the event does meet the clause 4.5.1 criteria, under clauses 4.5.6(1)(a)(i),4.5.6(2) and 4.5.7 of the IMs, we exercise our discretion on whether and how to reopen and amend the DPP3 price-quality path.

A14 Our discretion whether to reopen the price-quality path is guided by the extent to which reopening the price path in these circumstances would promote the s 52A purpose of Part 4 of the Act.

A15 Under clause 4.5.7(1), where we have determined that the DPP should be amended, we may amend either or both of the price path or the quality standards and quality measures specified in the DPP determination. Unison has not applied for any reconsideration of its quality standards or measures, and we have limited our reconsideration to amending its price path.

A16 If we decide to reopen the price path under clause 4.5.6(1), then under clause 4.5.7(2), we cannot amend the price path more than is necessary to mitigate the effect of the catastrophic event.

Reopening the DPP3 price path could involve one or both of a catastrophic event reopener allowance and an amendment to price path allowed revenues

A17 Under the IMs, if we reopen the DPP3 price path, we may amend the price path to mitigate the catastrophic event with one or both of two mechanisms:

A17.1 a CE allowance in relation to costs incurred between the date of the event and the effective date of our decision, applied as a recoverable cost to the DPP3 price path;[19] and/ or

A17.2 a forward-looking price path amendment, in which we may update the FNAR and forecast aggregate value of commissioned assets (FAVCA) for relevant years in the DPP3 regulatory period. [20]

A18 Each option allows us to apply a quality incentive scheme adjustment caused by the impact of the catastrophic event.

A19 CE allowance is defined in the IMs in clause 1.1.4(2) as:

... the amount determined by the Commission for–

[19] Clause 3.1.3(1)(m) of the IMs.

[20] Clause 4.5.7(1) of the IMs.

(a) *additional net costs (over and above those provided for in a DPP determination or CPP determination) prudently incurred by an EDB in responding to a catastrophic event, other than costs that are foregone revenue;*

(b) *recoverable costs and passthrough costs the EDB was permitted to recover under the applicable DPP determination or CPP determination through prices, but did not recover due to a catastrophic event; and*

(c) *the impact of a catastrophic event on any quality incentive adjustment, incurred in or relating to the period between a catastrophic event and the effective date of an amendment to the DPP or CPP following reconsideration of the price-quality path under clause 4.5.4(1)(a)(i) or clause 5.6.7(2)(a).*

Additional net costs

Additional net costs is not a defined term in the IMs. It has been defined in subsequent IM amendments which do not apply for DPP3.[21] For discussion of our interpretation of additional net costs in the present case, see Attachment E.

[21] Commerce Commission, Amendments to input methodologies for electricity distribution businesses and Transpower (Reopeners and other matters), 27 March 2025, paragraph 2.73

Attachment B Assessment of catastrophic event criteria

B1 This attachment provides more detail on our assessment of Unison's application, related to qualification against the catastrophic event criteria.

Assessment of catastrophic event criteria

B2 Table B1 below sets out the IMs criteria, Unison's views and supporting evidence on meeting them, and our assessment of that evidence for the purpose of our draft decision.

B3 We are satisfied that the impacts of Cyclone Gabrielle on its network was an event beyond Unison's control, could not have been foreseen when the DPP was set, and that significant expenditure not provided in the DPP3 price path was required to remedy the adverse consequences.

B4 To increase certainty about progressing applications, our view is that it is preferable to assess the materiality threshold on the basis of reasonable opex and VCA values provided by the supplier in their application. If the materiality threshold is met on this basis, we will then proceed to assess the application against the other IMs catastrophic event criteria. We have done this for the Unison application. We do, however, reserve the right to not approve applications where our detailed scrutiny of the remediation costs demonstrates that the materiality threshold is not met.

B5 Also see Attachment A, section *interpretation of costs incurred*, for interpretations relevant to assessing the materiality threshold.

Table B1 Assessment of Unison's Gabrielle application against the IMs catastrophic event criteria

IM determination criteria	Unison's view and evidence[22]	Our assessment
DPP3 EDB IMs, clause 4.5.1 – Catastrophic Event means an event -		
(a) beyond the reasonable control of the **EDB;**	Cyclone Gabrielle was a natural disaster which resulted in significant damage. While Unison had emergency response and contingency plans in place to help mitigate the impact on consumers of HILP [high impact low probability] events, the extent of damage incurred was beyond Unison's reasonable control. Supporting evidence: • Tropical Cyclone Gabrielle – Event summary February 2023 - MetService Blog • Unison regulatory asset management plan 2018 section 7	Criterion has been met. We accept that Cyclone Gabrielle was an unforeseeable natural disaster which resulted in significant damage in the Hawke's Bay region. During the event, rainfall totals reached nearly 450 mm, roughly a quarter of the usual amount in an entire year. Rainfall intensity peaked at nearly 40 mm per hour in some places. NIWA analysed that pre-Cyclone Gabrielle, the probability of a flood this size occurring in a given year, known as an Annual Recurrence Interval (ARI), was as high as a one in 1,000-year event at one river site, according to NIWA's modelling.[23] The occurrence of the cyclone was clearly beyond Unison's control. We have also considered the extent to which Unison could have prevented or substantially mitigated the impact of the event through undertaking risk assessment on high impact low probability (HILP) events and implementing mitigations. We do not believe Unison could reasonably have prevented or substantially mitigated the impact of the event.
(b) in relation to which expenditure is not explicitly or implicitly provided for in the **DPP;**	Expenditure associated with a HILP event comparable to the Cyclone Gabrielle was not included in the base, step, trend opex forecast used to set DPP3 or in Unison's 2019 AMP. Supporting evidence: • Default price-quality paths for electricity distribution businesses from 1 April 2020 –	Criterion has been met.

[22] Per summary table in Unison's cyclone Gabrielle application, Attachment A.

[23] https://www.hbrc.govt.nz/assets/Document-Library/Reports/External-Reports/NIWA-letterreport-230224.pdf, page 12

IM determination criteria	Unison's view and evidence[22]	Our assessment
	Final decision reasons paper (27 November 2019) Attachments A and B • Unison Regulatory Asset Management Plan Update 2019	The DPP reflects the typical costs of running each EDB, which includes some budget towards responding to weather events as these would have been included in the historic data set used for setting capex and opex forecasts. However, Cyclone Gabrielle was an extreme weather event and as such, additional expenditure was not provided for in the DPP.
(c) that could not have been reasonably foreseen at the time the **DPP** was determined; and	The unprecedented nature of Cyclone Gabrielle could not have reasonably been foreseen at the time of the DPP was determined. Ten days ahead of its impacts MetService's tropical cyclone specialists first raised the potential of a tropical cyclone developing. Supporting evidence: • Tropical Cyclone Gabrielle – Event summary February 2023 – MetService Blog	Criterion has been met. A rare event with high impact on networks such as Cyclone Gabrielle could not have been reasonably foreseen to occur specifically within the DPP3 period at the time DPP3 was determined. While we would expect some storm event preparation, and potential forecasting of HILP events, we would not expect individual occurrences of HILP events to be "reasonably foreseen", or the consequences allowed for in setting a DPP.
(d) in respect of which- (i) action required to rectify its adverse consequences cannot be delayed until a future **regulatory period** without quality standards being breached;	Action required could not be delayed. The natural disaster occurred in February 2023, over 2 years before the start of the next DPP. The action was required to restore power to impacted ICPs. In some instances, Unison has implemented temporary differences with permanent solutions deferred until the next period – refer paragraph 15 [of Unison's application].	Criterion has been met. The natural disaster occurred in February 2023, over 2 years before the start of the next DPP. The actions taken were of urgency to resolve extensive loss of service. Unison took actions to reinstate the network and reduce the impact on consumers. From the damage to the network, it was evident that it had to be reinstated to provide supply. It was not possible for Unison to defer the works until DPP4 without exceeding the relevant quality standard.

IM determination criteria	Unison's view and evidence[22]	Our assessment
(ii) remediation requires either or both of **capital expenditure** or **operating expenditure** during the **regulatory period;**	Remediation required both operational and capital expenditure. Supporting evidence: Table 1 [of the Unison application]: DPP3 catastrophic event cost, identifies the value of capital and operational expenditure required to rectify its adverse consequences.	Criterion has been met. We are satisfied that cyclone remediation required both capital expenditure and operating expenditure to be incurred in the DPP3 regulatory period.
(iii) the full remediation costs are not provided for in the **DPP**; and	Expenditure associated with a HILP comparable to Cyclone Gabrielle was not included in the base, step, trend opex forecast used to set DPP3 or in Unison's 2019 AMP. Supporting evidence: • Default price-quality paths for electricity distribution businesses from 1 April 2020 – Final decision reasons paper (27 November 2019) Attachments A and B • Unison regulatory asset management plan update 2019	Criterion has been met. DPP3 opex forecasts were set based upon a base-step-trend methodology, with 2019 actual opex setting the base level. Remediation costs for an event of this type were not included in either the base, step or trend of the DPP3 opex forecasts.

IM determination criteria	Unison's view and evidence[22]	Our assessment
Materiality threshold calculation (iv) in respect of an **EDB** subject to a **DPP,** the cost of remediation net of any insurance or compensatory entitlements has had or will have an impact on the price path over the **disclosure years** of the **DPP** remaining on and after the first date at which a remediation cost in proposed to be or has been incurred, by an amount equivalent to at least 1% of the aggregated **forecast net allowable revenue** for the **disclosure years** of the DPP in which the cost was or will be incurred.	The cost of remediation net of virtually certain insurance or compensation exceeds 1% of FNAR in the FY23 and FY24 years. [24] Supporting evidence: Refer paragraphs 41-46 [of the Unison application].	Criterion has been met. Materiality threshold has been met, assessed on the reasonable costs presented in Unison's application, net of insurance. Costs were incurred in DY23 and DY24. The nominal FNAR values for these years in the DPP3 determination are: $104.3 million, $106.4 million respectively. The materiality threshold, being 1% of the aggregate FNAR for these years, is then $2.1 million. We have calculated the price path impact for the remaining years of the regulatory period of the event costs presented in Unison's application, using the DPP3 financial model. The impact is $2.3 million, which exceeds the materiality threshold.

[24] Unison's application referred to FY25 in error. Their 1% of FNAR calculation does not include FY25.

Attachment C Assessment of event remediation costs

C1 This attachment sets out our assessment of event remediation costs presented in Unison's application.

We have assessed Unison's event remediation costs as presented in its application

C2 We have assessed Unison's event remediation costs against the requirements in the EDB IMs for the costs to be prudent, reasonably necessary and related to the cyclone.

C3 These requirements include:

C3.1 clause 4.5.7(2) of the IMs requiring that price path amendments can be no more than is reasonably necessary to mitigate the effect of the catastrophic event; and

C3.2 the clause 1.1.4(2) definition of CE allowance as including additional net costs 'prudently incurred by an EDB in responding to a catastrophic event'.

C4 The result of our assessment is that we are satisfied that our draft decision is consistent with the requirements of clauses 1.1.4(2) and 4.5.7(2).

C5 Our assessment was based on the descriptions and supporting information provided by Unison, including:

C5.1 the information in the original application provided in March 2025, including a confidential workbook with a line-by-line summary of the costs incurred;

C5.2 additional information provided separately, including two confidential reports: Unison's 'Incident Management Response Plan', and 'Substation Flood Damage Independent Review' by an engineering consultancy;

C5.3 additional information relating to insurance entitlements for DY25 and VCA information provided in May 2025; and

C5.4 Unison's internal policies, management controls and audit processes. Unison has provided assurance that its internal policies and audit processes were appropriately followed.

C6 While Unison's workbook included all of its event remediation costs, there was insufficient expenditure classification and information to support many expenditure items. As a result, our initial analysis of the expenditure found evidence that specifically supported 97% of capex, and 12% of opex.

C7 To gain sufficient assurance over the remaining opex, without the need for further detailed review, we sought to consider whether Unison had processes and controls in place to mitigate the risk of expenditure not being prudent. We also considered the likely impact of error. Our assessment reflects an exercise of judgement, in which we balance the likely cost and value of further information and work with potential consumer benefit.

C8 We have relied on the following processes, in particular:

C8.1 Costs were predominantly incurred at previously agreed rates for labour and plant and pre-set policies and processes were consistently followed.

C8.2 Specific assurance of related party transactions being valued at no greater than 'arm's length' by Audit NZ through our regulated information disclosure process.

C8.3 Engineer and financial reviews undertaken for insurance purposes that found no concerns about legitimacy or efficiency of expenditure.[25]

C9 Based on this assessment and assurances from Unison that internal policies and audit processes were appropriately followed, our draft decision is that the opex and capex costs presented by Unison in its application represent prudent and reasonably necessary costs incurred in response to the cyclone.

[25] Unison Networks Limited, DPP3 catastrophic event reopener application, 31 March 2025, para 21.

Attachment D Impact on quality incentive adjustment

D1 This attachment assesses Unison's claim for the cyclone's impact on its quality incentive adjustment (QIA).

D2 A catastrophic event (CE) allowance may include the impact of the event on the EDBs QIA. We interpret this as the difference between the actual QIA (which includes the effect of the event) and the counterfactual case had the event not occurred.

D3 In its original application submitted in March 2025, Unison applied for $52,000 as the impact of the cyclone on its QIA, calculated as the normalised unplanned SAIDI minutes associated with the cyclone (3.22 minutes) multiplied by its incentive rate ($16,185). In its updated application submitted in May 2025, Unison applied a similar approach, with a time value for money adjustment of 4.57% pa applied for 3 years. The total impact on QIA applied for was $59,592.

D4 Applying the methodology set out in paragraph 5 of Schedule 4 of the DPP3 Determination, we find that the QIA impact of Cyclone Gabrielle on Unison's QIA is $56,618, and accordingly our draft decision is to include this amount in Unison's CE allowance.

The quality incentive adjustment method of calculation and parameters are in the DPP3 determination

D5 The DPP3 determination sets out in paragraph 5 of Schedule 4 how to calculate the quality incentive adjustment.[26]

> *(5) The quality incentive adjustment is –*
>
> *(a) the lessor of:*
>
> *(i) the sum of:*
>
> *A.* $(SAIDI_{unplanned, target} - SAIDI_{unplanned, assessed}) \times IR$*; and*
>
> *B.* $(SAIDI_{planned, target} - SAIDI_{planned, assessed}) \times IR$*;*
>
> *and*
>
> *(ii) the* ***revenue at risk;***
>
> *and*
>
> *(b) after calculating the sum in paragraph (a), that sum is adjusted for the time value for money by multiplying the sum in accordance with the following formula*
>
> $1+\mathbf{67^{th}}$ ***percentile estimate of post-tax WACC)***^{2}

D6 Clause 4.2 of the DPP3 Determination specifies the 67th percentile estimate of post-tax WACC for DPP3 as 4.23%.[27]

[26] Commerce Commission, Electricity Distribution Services Default Price-Quality Path Determination 2020 [2019] NZCC 21, (27 November 2019)

[27] *Ibid*

D7 The impact of the cyclone on QIA is the difference between the full QIA calculation above for the with- and without cyclone cases.

D8 Table D1 below steps through this calculation using the parameters from the DPP3 determination, Unison's CPI-adjusted ANAR and actual SAIDI values from its DY23 Compliance Statement.[28]

D9 The 'with case' uses actual DY23 SAIDI values, and the 'without case' is actual SAIDI less event SAIDI reported by Unison (3.22 normalised SAIDI minutes). Unison's unplanned SAIDI cap did not bind in either case, and the difference is $56,618 (PV 31 March 2025).

D10 This value is different to what Unison claimed ($59,592) because of a different time value of money adjustment. Unison adjusted by the 67th percentile Vanilla WACC for three years, resulting in multiplication by a factor of $(1+4.57\%)^3$. The methodology above specifies the 67th percentile post-tax WACC for two years, being $(1+4.23\%)^2$. This formula reflects a two-year lag between when the outcomes occur and when the adjustment becomes a recoverable cost. It does not need to be further adjusted as it relates to DY23 and becomes a recoverable cost two years later in DY25. [29]

[28] Unison's Default Price-Quality Path Annual Compliance Statement 2022-23, 31 August 2023

[29] As a part of the wash-up account balance the amount will receive further time value of money adjustments from DY25 until it is drawn down.

Table D1 Unison Quality Incentive Adjustment for DY23, with and without the cyclone

The with cyclone DY23 QIA for Unison is reproduced from its DY23 Compliance Statement. Unplanned SAIDI is 75.99. The Total Incentive A+B is -$255,885 which is smaller in magnitude than the 2% ANAR revenue at risk. Adjusted for time value for money this is negative $277,991.

The without cyclone case (highlighted red) has unplanned SAIDI = 72.77, which is the without cyclone value less the 3.22 normalised SAIDI minutes reported for the cyclone by Unison. In this case there is no change to planned SAIDI and therefore no change to Incentive amount B – PLANNED. The total incentive A+B is -$203,769. Adjusted for time value for money this is negative $221,373.*

The difference between these amounts is the impact of the cyclone on Unison's QIA and is negative $56,618 (that is, it increased the QIA 'penalty' on Unison by this amount).

Parameters

ANAR 2023 per DY23 Compliance Statement	$113,626,000
Revenue at risk (2% of ANAR)	$2,272,520
Incentive rate IR	$16,185
WACC 67th post-tax	4.23%

Methodology

A = (SAIDI(unplanned, target) - SAIDI(unplanned, assessed)) x IR

B = (SAIDI(planned, target) - SAIDI(planned, assessed)) x IR x 0.5

Incentive amounts from SAIDI quantities	**B - Planned**	**A – Unplanned**	**A* - Unplanned (excl cyclone)**
target	41.72	67.81	67.81
cap	125.16	82.34	82.34
assessed	56.98	75.99	72.77
assessed capped	56.98	75.99	72.77
target - assessed capped	-15.26	-8.18	-4.96
multiplier	0.5	1	1
A and B amounts:	-$123,492	-$132,393	-$80,278
Total A+B		-$255,885	-$203,769
Quality incentive adjustment = min(Revenue at risk, A+B) x (1+ 67th percentile post-tax WACC)^2			
min(Revenue at risk, A+B)		-$255,885	-$203,769
WACC uplift amount		-$22,106	-$17,603
QIS adjustment Value		-$277,991	-$221,373
Difference = impact of Cyclone on QIA		**-$56,618**	

Attachment E Reopening Unison's price path

E1 This attachment sets out our draft decision to reopen Unison's DPP3 price path and determine a CE allowance, and how we have calculated the value of this allowance.

Our draft decision is to reopen Unison's DPP3 price path

E2 Our draft decision is to reopen Unison's DPP3 price path. We have assessed the impact of Cyclone Gabrielle on Unison's network as having met the criteria to qualify as a catastrophic event. In addition, we are satisfied that the event remediation costs presented by Unison meet the requirements to be prudent, reasonably necessary, and related to Cyclone Gabrielle.[30]

E3 We are satisfied that reopening Unison's DPP3 price path in these circumstances promotes the Part 4 purpose, in particular s 52A(1)(a) and (b). It does so by enabling Unison to recover revenue for remediation costs prudently incurred in responding to the cyclone and not fully provided for in DPP3. This maintains Unison's incentives to invest, including in replacement assets and to provide and restore services in a timely manner at a quality that reflects consumer demands.

E4 Furthermore, our scrutiny of Unison's application against the criteria in the IMs limits Unison's ability to extract excessive profits - promoting the outcome in s 52A(1)(d).

How and by how much to amend Unison's price path

E5 As set out in Attachment A, the IMs provide two mechanisms for reopening the DPP3 price path in response to a catastrophic event:

E5.1 a CE allowance in relation to costs incurred between the date of the event and the effective date of our decision, applied as a recoverable cost to the DPP3 price path; and

E5.2 a forward-looking price path amendment, in which we may update the forecast net allowable revenue (FNAR) and forecast aggregate value of commissioned asset (FAVCA) for relevant years in the DPP3 regulatory period.

E6 Our draft decision is to determine a CE allowance which includes additional net costs (associated with the accepted event remediation costs, less insurance entitlements), and the impact on Unison's quality incentive adjustment (QIA).

We have assessed additional net costs as the incentive penalties on accepted event costs less the benefits of insurance entitlements

E7 As set out in clause 1.1.4(2) of the IMs, a CE allowance may include three types of cost: (a) additional net costs prudently incurred in relation to the event; (b) recoverable and pass through costs not recovered due to the event; and (c) the impact of the event of any quality incentive adjustment (QIA). [31]

[30] CE allowance definition part (a) in clause 1.1.4(2) of the IMs refers to costs "prudently incurred by an EDB in responding to a catastrophic event".

[31] See clause 1.1.4(2) of the IMs.

E8 Additional net costs is not defined in the IMs. Our interpretation is that additional net costs are the opex IRIS and capex retention adjustment penalties arising from the additional remediation costs, less the benefits of insurance entitlements. This view is consistent with the definition of additional net costs included in recent IM amendments applicable for DPP4, which includes IRIS costs among other costs.[32]

E9 Our intention here is to compensate Unison in a present-value-neutral way for the IRIS incentive impacts of its additional expenditure in responding to the cyclone, as calculated in our published IRIS model consistent with the IMs.[33] The capex retention adjustment calculation in our model, which calculates the incentive impact, applies the fixed retention factor of 23.5% to Unison's approved event VCA net of insurance. This amount is $1.681 million (PV 31 March 2025).

E10 The opex IRIS incentive calculation in the published IRIS model sets out Unison's approved event opex, the IRIS amounts carried forward, and the resulting IRIS incentive amount. It uses the DPP3 WACC 4.57% as the discount factor in DPP3 years and the DPP4 WACC 6.68% in DPP4 years (and the first year of DPP5 RY31).[34] This reflects more accurately what the actual IRIS values will be, when calculated, now that the DPP4 WACC has been determined. The opex IRIS incentive calculation reflects the actual IRIS recoverable cost values calculated in the IRIS model after correcting for the opex insurance offsets incorrectly applied by Unison, as discussed below in paragraph E15. This amount is $1.692 million (PV 31 March 2025).

Adjustments we made to the treatment of insurance for the calculation of the CE allowance

E11 Table E1 shows the insurance entitlements information, including draft insurance entitlements to be recognised in information disclosure for 2025, as provided by Unison.

Table E1 Total insurance entitlements as recognised by Unison, including draft insurance entitlements to be recognised in information disclosure for 2025[35]

Insurance entitlements	
Insurance entitlements related to EDB DPP3	*$7,700,000*
Recognised as:	
Value of commissioned assets DY24	$1,970,000
Other regulated income in DY24	$2,030,000
Value of commissioned assets DY25	$2,009,496
Offset against opex in DY24	$1,151,377

[32] Commerce Commission, Amendments to input methodologies for electricity distribution business and Transpower (reopeners and other matters) - Final decision and reasons paper, (27 March 2025), p. 25

[33] IRIS Recoverable costs indicative amounts model-EDB DPP4 final determination-20 November 2024 at https://comcom.govt.nz/__data/assets/file/0025/363292/PUBLISH-AS-ZIP-FILE-EDB_DPP4_-Financial_modelling-suite-20-November-2024.zip

[34] For DPP3 the relevant value is the 67th percentile vanilla WACC. Following an IM amendment the relevant value for DPP4 is the midpoint vanilla WACC.

[35] Unison provided us with updated draft insurance entitlements in May 2025, to amend those provided in its original application in March 2025.

Other regulated income DY24	$539,127
Insurance entitlements related to DPP4 capex	*$7,200,000*
Total insurance entitlements	**$14,900,000**

E12 The above offsets were accepted in determining the costs of remediation net of any insurance or compensatory entitlements for the purpose of assessing the impact on the price path under the catastrophic event threshold test. Due to the way in which the threshold test is worded, how or when the insurance entitlements are recognised for accounting purposes within the regulatory period does not matter so long as there is a causal link to the costs incurred.

E13 On the other hand, when calculating the value of the CE allowance to compensate for the penalties to be calculated in the IRIS model, it is necessary to apply the treatment required under the IMs, as implemented in the model.

E14 Our Insurance IM amendments, effective from DY25, allow regulated businesses to treat insurance entitlements in respect of capex the same way as capital contributions under the EDB and GPB IMs, reducing the cost of relevant asset repairs or replacement, or as other regulated income (ORI) less retained entitlements, where the retained entitlements are the value of IRIS penalties associated with the additional expenditure.

E15 The amendments also allow the option to net off insurance entitlements for opex that arise from damaged assets (including destroyed assets) and third-party liability entitlements against operating expenditure or treat them as ORI less retained entitlements. We have therefore made the following adjustments to Unison's treatment of insurance entitlements in calculating the CE allowance:

E15.1 The retrospective offset against opex for DY24 of $1,151,377 is not permissible under the IMs. Although the Insurance IM amendments that enable opex insurance entitlements to be offset against the related opex became effective from DY25, the first year in which the insurance entitlements were recognised, in our view it cannot be applied retrospectively to restate the opex in earlier disclosure years.[36] We have instead treated these opex insurance entitlements as other regulated income less retained entitlements in DY25, which does not require implementation with retrospective effect. The correction requires reversal of the DY24 IRIS impact as calculated by Unison of $271k (23.5% of $1.151m) and calculation of an equivalent retained entitlement benefit for DY25, included in E15.3 below, that Unison is entitled to keep under our amended IMs.[37]

[36] While the amendment provides for opex insurance entitlements to be offset against the corresponding opex in the year that it was incurred, we do not consider this allows the restatement of opex in the period before the Insurance IM amendments came into effect.

[37] Under our Insurance IM amendments, EDBs can keep the IRIS component of the other regulated income (23.5%) defined as a retained entitlement. This is to compensate them for the IRIS costs associated with the overspend that gave rise to the insurance entitlement. Prior to our amendments they had to give back all the insurance entitlement recognised as other regulated income to consumers.

E15.2 The opex insurance entitlements of $539,127 treated as other regulated income for DY24 in Unison's application was not actually recognised under ID for DY24, but will be recognised in DY25. We have treated it as other regulated income less retained entitlements in DY25 in accordance with our amended IMs.[38]

E15.3 The total retained entitlement adjustment = $397,268 (23.5% x ($1,151,377+ $539,127)).[39]

E16 Our interpretation of additional net costs takes into account all the benefits of insurance entitlements. Unison received insurance progress payments of $14.9 million in 2024 of which $7.2 million relates to planned DPP4 expenditure.[40] They will receive a time value of money (TVOM) benefit of this $7.2 million for one remaining year of DPP3 before the associated expenditure will be incurred in DPP4. As it is a benefit related to the catastrophic event, we have deducted this TVOM benefit from the calculation of the CE allowance.

E17 We also made some small adjustments to make sure the right discount rate (called the Present Value or PV factor) and years of discounting[41] were used to express the CE allowance as at 31 March 2025.

E18 Table E2 explains the difference between our calculation and Unison's calculation of the additional net costs.

Table E2 Reconciliation of the difference between the additional net costs applied for by Unison and the Commission's draft decision

Adjustments to additional net cost applied for by Unison	Amount ($m)	Relevant discussions in this paper
Initial application by Unison on 31 March 2025	3.540	Paragraph 9
Unison updated application on 19 May 2025	(0.713)	Paragraph 10
Updated additional net costs by Unison on 19 May 2025	**2.827**	Paragraph 10
Adjustments we made relating to Capex to correct years of discounting	(0.038)	Attachment E, E17

[38] Retained entitlements are not calculated for the insurance entitlements of $2.03m correctly recognised as other regulated income for DY24. The Insurance IM amendments provisions allowing the calculation of retained entitlements did not become effective until DY25

[39] The retention factor rate to be applied to calculate retained entitlements under this option is specified at 1.1.4(2)(b) of the Insurance IM amendment determination and is 23.5% for DPP3.

[40] The final value of the insurance entitlement is uncertain, but Unison has stated it received $15 million in cash progress payments during the year ended 31 March 2024 of which $0.1m related to Unison's former fibre subsidiary Unison Fibre Limited. See: Unison Networks Limited, DPP3 catastrophic event reopener application, 31 March 2025, paragraph 36.

[41] According to clause 3.3.10.2.a, the retention adjustment should be discounted by half a year (0.5 years) for capex, not a full year as Unison did. We have expressed the opex penalty as at 31 March 2025, which means we have discounted the cashflows from the opex overspend back to that date. Unison used a simpler, but less precise, method.

Adjustment we made relating to reclassification of $1.15m insurance entitlements to other regulated income	0.271	Attachment E, E15.1
Adjustment to IRIS incentive calculation for opex	0.325	Attachment E, E10
Adjustment we made relating to Opex to correct years of discounting	(0.012)	Attachment E, E17
Adjustment we made relating to retained entitlement	(0.397)	Attachment E, E15.1 to E15.3
Adjustment we made to recognise TVOM on insurance relating to DPP4	(0.329)	Attachment E, E16
Commission draft decision additional net costs	**2.647**	To Table E3

E19 Table E3 below sets out the calculation of the CE allowance, using the IRIS model. The detail of the Commission's calculations is shown in the workbook published with our draft decision.

Table E3 Calculation of Unison's CE allowance

IRIS impacts and QIA for Unison's CE allowance, all amounts ($m)	DY23 ($m)	DY24 ($m)	DY25 ($m)	Total
IRIS impact adjustment Capex				1.681
IRIS impact adjustment Opex				1.692
Total IRIS impact adjustment				3.373
Less: Retained entitlement adjustment				(0.397)
Less: TVOM adjustment on insurance proceeds related to DPP4 expenditure				(0.329)
Total ANC, end DY25 (PV 31 March 2025)				**2.647**
Impact on QIA (PV 31 March 2025) - from D10				0.057
Total CE allowance				**2.703**

Our draft decision is a CE allowance of $2.703 million (DY25)

E20 Following the approach above, our draft decision is to reopen Unison's DPP3 price path and determine a CE allowance of $2.703 million (PV 31 March 2025), comprising:

E20.1 $2.647 million for additional net costs on the approved event costs; and

E20.2 $56,618 for the impact on Unison's quality incentive adjustment set out in Attachment D.

E21 Any underspend due to deferring planned work has not been taken into account in calculating additional net costs and the CE allowance.

The CE allowance is a recoverable cost for DY25

E22 The CE allowance resulting from the above approach is an un-forecasted recoverable cost for DY25. This allowance will result in a wash-up accrual amount available to be drawn down by Unison for recovery in consumer prices from DY27.[42] If it were drawn down in a single year, it would equate to less than $2 (ex-gst) per ICP per month for that year.

[42] While transitional wash-up balances are now available for drawdown from year one of the following regulatory period under the IMs, the practical timing of this decision means the adjustment to the wash-up account will occur after Unison has already set pricing for DY26.