ISBN 978-1-99-133239-4
Project no. 17.01/PRJ0047448

PUBLIC version

Amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters)

Final decision and reasons paper

Date of publication: 27 March 2025

Associated documents

Publication date	Reference	Title
27 March 2025	[2025] NZCC 5	Electricity Distribution Services Input Methodologies (Reopeners and Other Matters) Amendment Determination 2025
27 March 2025	[2025] NZCC 4	Transpower Input Methodologies (Reopeners and Other Matters) Amendment Determination 2025
12 December 2024	ISBN 978-1-99-133218-9	Proposed amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – Draft decision reasons paper
11 December 2024	ISBN 978-1-99-133205-9	Amendments to input methodologies for electricity distribution businesses, gas pipeline businesses and Transpower relating to insurance entitlements, compensatory entitlements, third-party liability entitlements and other regulated income – final decision and reasons paper
11 December 2024	[2024] NZCC 36	Electricity Distribution Services Input Methodologies (treatment of insurance entitlements) Amendment Determination 2024
11 December 2024	[2024] NZCC 39	Transpower Input Methodologies (treatment of insurance entitlements) Amendment Determination 2024
20 November 2024	[2024] NZCC 26	Transpower Individual Price-Quality Path Determination 2025
20 November 2024	ISBN 978-1-991287-71-7	Amendments to input methodologies for electricity distribution businesses – wash-up amounts – Final decision reasons paper
20 November 2024	[2024] NZCC 27	Electricity Distribution Services Input Methodologies (Wash-up Amounts) Amendment Determination 2024
11 September 2024		Notice of Intention, amended and reissued 11 September 2024 - Potential amendments to Input Methodologies for Electricity Distribution and Transmission Services
28 September 2012	[2012] NZCC 26	Electricity Distribution Services Input Methodologies Determination 2012
2 July 2024		Notice of Intention – Potential amendments to Input Methodologies for Electricity Distribution Services
29 June 2012	[2012] NZCC 17	Transpower Input Methodologies Determination

Commerce Commission
Wellington, New Zealand

Contents

Executive summary

X1 This paper sets out our final decision on amendments we proposed to the input methodologies (IMs) for Electricity Distribution Businesses (EDBs) and Transpower, in relation to:[1]

X1.1 discrete issues with particular IM provisions concerning reopeners and the reopener event allowance (REA); and

X1.2 further changes that are needed to give effect to our policy decisions in the IM Review in 2023 (IM Review 2023).

X2 The IM changes we are making will apply from 1 April 2025.

Input methodologies amendments

X3 The technical amendments we are making are intended to:

X3.1 ensure the IMs correctly give effect to our policy decisions;

X3.2 improve the workability of the IMs relating to reopeners; and

X3.3 improve the clarity and certainty of the rules and processes for reopeners, to reduce compliance and regulatory costs for regulated suppliers, other stakeholders, and the Commission.

X4 Table X1 summarises our final decisions, and the relevant EDB and Transpower IMs that we have amended to give effect to our final decisions.

---

1 As part of the IM amendments package that we notified on 11 September 2024, we separately published on 20 November 2024 a final decision on amendments to the EDB IMs that relates to correcting errors in the EDB revenue wash-up and reducing the volatility of the revenue path.

Table X1: Summary of final decisions

Driver for IM change:[2]	Improve rules and processes	Correct errors	No change

Decision number[3]	Issue	Relevant IMs	Change from draft decision
1.1 **1.2**	Time limits and expenditure eligibility for 'reopener events'	EDB: DPP, CPP Transpower	Drafting clarification
2.1 **2.2**	Scope of the 'reopener event allowance' (REA)	EDB: DPP, CPP Transpower	No change
3.1 **3.2**	Classification of price-quality path reopener events as different categories of 'reopener events'	EDB: DPP, CPP Transpower	No change
4.1	Processes for reopening EDB revenue allowances	EDB: DPP, CPP	Drafting clarification
5.1[4]	Double recovery of capital costs already included in a REA and definition of 'additional net costs'	EDB: DPP, CPP	New definition of 'additional net costs'
6.1 **7.1** **8.1**	Incremental rolling incentive scheme (IRIS): calculation of incentive adjustments where a price-quality path is amended following a reopener event	EDB: DPP, CPP	No change
9.1 **9.2**	Application of the 'change event' price-quality path reopener	EDB: DPP, CPP Transpower	Drafting clarification (to 9.2 only)
10.1	Distinguishing price-quality path reopener event criteria from reopener assessment factors	EDB: DPP	No change
11.1	Catastrophic event reopener application criteria - treatment of quality requirements	EDB: DPP, CPP	Drafting clarification (including new definitions)
12.1 **12.2**	Catastrophic event reopener application criteria - treatment of insurance	EDB: DPP, CPP Transpower	No change
13.1 **13.2**	Changes to mandatory considerations in price-quality path amendment assessment factors	EDB: DPP, CPP Transpower	No change
14.1	CPP treatment of catastrophic events	EDB: CPP	No change
15.1	Inadvertent removal of the foregone revenue cap	N/A	No change
16.1 **16.2**	Time limit for reopener events across regulatory periods	EDB: DPP, CPP Transpower	New decision

2 The tables in Attachment A summarise the purpose of each change and provide clause references.

3 The decision number X.1 denotes the amendment to the EDB IMs and decision number X.2 denotes the amendment to the Transpower IMs or Transpower IPP determination.

4 We are no longer amending the definition of 'EV account entry' in the Transpower IPP determination (Draft decision 5.2).

Chapter 1 Introduction

Purpose of this paper

1.1 This paper sets out our final decisions to amend the:

1.1.1 Electricity Distribution Services Input Methodologies Determination 2012 [2012] NZCC 26, as amended (EDB IMs);[5] and

1.1.2 Transpower Input Methodologies Determination [2012] NZCC 17, as amended (Transpower IMs).[6]

1.2 We have made the technical amendments in this paper to:[7]

1.2.1 ensure the IMs correctly give effect to our policy decisions;

1.2.2 improve the workability of the IMs relating to reopeners; and

1.2.3 improve the clarity and certainty of the rules and processes for reopeners, to reduce compliance and regulatory costs for regulated suppliers, other stakeholders and the Commission.

1.3 The amendments have been assessed in accordance with the decision-making framework outlined below.

1.4 We consider these changes are required to be made in advance of the forthcoming EDB DPP4 regulatory period and Transpower's RCP4 regulatory period to preserve certainty for suppliers and consumers, consistent with our decision-making framework for out of cycle amendments.[8] The next statutory review of the IMs under s 52Y of the Act is expected to be completed no later than 2030.

---

5 The EDB principal determination was amended on 13 December 2023: Commerce Commission "Input methodologies review 2023 – [Final] Electricity Distribution Services Input Methodologies (IM Review 2023) Amendment Determination 2023 [2023] NZCC 35" (13 December 2023), on 20 November 2024: Commerce Commission "Electricity Distribution Services Input Methodologies (Wash-up Amounts) Amendment Determination 2024 [2024] NZCC 27", and December 2024: Commerce Commission "Electricity Distribution Services Input Methodologies (treatment of insurance entitlements) Amendment Determination 2024 [2024] NZCC 36".

6 The Transpower principal determination was amended on 20 December 2023: Commerce Commission "Input methodologies review 2023 – [Final] Transpower Input Methodologies (IM Review 2023) Amendment Determination 2023 [2023] NZCC 38" (13 December 2023), and on 29 August 2024: Commerce Commission "Transpower Input Methodologies Amendment Determination 2024 [2024] NZCC 19" (29 August 2024), and December 2024: Commerce Commission "Transpower Input Methodologies (treatment of insurance entitlements) Amendment Determination 2024 [2024] NZCC 39".

7 We set out the general context for these amendments in our draft decisions paper. (Commerce Commission "Proposed amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – Draft decision reasons paper" (12 December 2024), paragraphs 1.5-1.10.)

8 Commerce Commission "Proposed amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – Draft decision reasons paper" (12 December 2024), Chapter 2.

Structure of this paper

1.5 Chapter 2 sets out our final decisions on amendments to clarify the rules and processes for revenue recovery following a reopener event and to improve workability.

1.6 Chapter 3 sets out our final decisions on technical amendments to reopener criteria and assessment criteria.

1.7 Chapter 4 sets out our final decisions on two matters outside the rules and processes for reopeners, that affect the allocation of risk of catastrophic events. These are: the availability of claw-back for catastrophic events under a customised price-quality path (CPP), and the inadvertent removal of the foregone revenue cap.

1.8 Chapter 5 responds to additional proposals raised by submitters, including our final decision on the time limit for reopener events whose impact falls across regulatory periods.

Decision-making framework

1.9 We have assessed the amendments described in this paper in accordance with the decision-making framework outlined in Chapter 2 of our draft decision paper.[9] This is a framework that we have developed over time to support our decision making under Part 4 of the Act.[10] This has been consulted on and used as part of prior processes, and it helps provide consistency and transparency in our decision making.

1.10 The Commission carefully assesses what amendments are appropriate to consider outside the statutory IM review cycle. This is to preserve certainty for suppliers and consumers in accordance with s 52R of the Commerce Act 1986 (the Act).

1.11 As such, we have not considered substantive policy changes that would be more appropriately dealt with under a statutory IM review.[11]

1.12 For each amendment we have considered whether it would:

1.12.1 promote the Part 4 purpose in s 52A of the Act more effectively;

1.12.2 promote the IMs purpose in s 52R of the Act more effectively (without detrimentally affecting the promotion of the s 52A purpose); and

---

9 Commerce Commission "Proposed amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – Draft decision reasons paper" (12 December 2024), Chapter 2.

10 Commerce Commission "Part 4 Input Methodologies Review 2023 - Framework paper" (13 October 2022), paragraphs X20-X21.

11 The last statutory review of the IMs under Part 4 of the Act was completed in 2023. Commerce Commission "Report on the IM Review 2023: Part 4 Input Methodologies Review 2023 – Final decision" (13 December 2023).

1.12.3 significantly reduce compliance costs, other regulatory costs, or complexity (without detrimentally affecting the promotion of the s 52A purpose).

1.13 We have also taken the following into account where they are relevant and where doing so does not compromise our promotion of the s 52A purpose of Part 4:

1.13.1 whether there are alternative ways to address the identified issues with the relevant IM without changing the IMs;

1.13.2 the permissive considerations under s 5ZN of the Climate Change Response Act 2002;[12] and

1.13.3 other Part 4 provisions, namely:

1.13.3.1 the purpose of ID (s 53A);

1.13.3.2 the purpose of default/customised price-quality regulation (s 53K);

1.13.3.3 requirements relating to energy efficiency (s 54Q); and

1.13.3.4 decisions made under the Electricity Industry Act 2010 (s 54V).

Sectors affected

1.14 These changes apply to:

1.14.1 price-quality regulated EDBs subject to the DPP and any future CPPs; and

1.14.2 where applicable, Transpower.

Entry into effect

1.15 The amendments discussed in this paper will come into force on the date of publication in the *Gazette* in accordance with s 52W of the Act. They will apply as follows:

1.15.1 for amendments relating to the EDB DPP, from the commencement of DPP4 on 1 April 2025;

1.15.2 for amendments relating to an EDB CPP, from the date of a CPP application made on or after the date the amendments come into force (ie, the day of publication in the *Gazette* as noted above); and

---

12 Commerce Commission "Default price-quality paths for gas pipeline businesses from 1 October 2022 – Final reasons paper" (31 May 2022) (Gas DPP3 final decision), paragraphs 2.24-2.25; Commerce Commission "Note of clarification – our Part 4 Input Methodologies Review 2023 Framework paper" (21 December 2022).

1.15.3 for amendments relating to the Transpower IPP, from the commencement of RCP4 on 1 April 2025.

The process we have followed

1.16 The amendments to the EDB IMs and the Transpower IMs described in this paper are made in accordance with s 52X of the Act.

1.17 In accordance with s 52V of the Act, on 2 July 2024 we published a Notice of Intention relating to potential IM amendments set out in this paper, which we amended and reissued on 11 September 2024 to include further possible amendments.

1.18 On 12 December 2024 we released our draft decision, seeking submissions from stakeholders on our proposed amendments. Submissions closed on 23 January 2025, and cross submissions closed on 12 February 2025.

1.19 We received five submissions and two cross-submissions on our draft decision. We have taken these into consideration when making our final decision.

Materials published alongside this paper

1.20 Alongside this paper we have published:

1.20.1 the Electricity Distribution Services Input Methodologies (Reopeners and Other Matters) Amendment Determination 2025 (EDB IM amendment determination); and

1.20.2 the Transpower Input Methodologies (Reopeners and Other Matters) Amendment Determination 2025 (Transpower IM amendment determination).[13]

[13] Alongside the draft decision, we also published a draft *Transpower Individual Price-Quality Path Amendment Determination*. Given changes to how we have implemented our final decision on double recovery in the REA (decision 5.2 discussed below at paragraph 2.74) this amendment is no longer necessary, and consequently we have not published a final IPP amendment determination.

Chapter 2 Revenue recovery following a reopener event

Purpose and structure of this chapter

2.1 In this chapter we discuss amendments to the EDB IM determination and, where appropriate, the Transpower IM determination, for the following matters:

2.1.1 time limits and expenditure eligibility for reopener events (**Decision 1**);

2.1.2 scope of the reopener event allowance (REA) (**Decision 2**);

2.1.3 classification of price-quality path reopener events as different categories of 'reopener events', to support implementation of the above decisions (**Decision 3**);

2.1.4 processes for reopening EDB revenue allowances (**Decision 4**);

2.1.5 double recovery of capital costs already included in a REA and definition of 'additional net costs' (**Decision 5**);

2.1.6 incremental rolling incentive scheme (IRIS): calculation of incentive adjustments where a price-quality path is amended following a reopener event (**Decisions 6, 7, and 8**).

Time limits and expenditure eligibility for reopener events (Decision 1)

Amendments to the EDB IMs (Decision 1.1)

2.2 Our final decision is to amend the EDB IMs to clarify that:

2.2.1 when amending the price-quality path following a prospective reopener event:[14]

2.2.1.1 the Commission may amend the price path to account for opex incurred or assets commissioned only in respect of opex incurred or assets commissioned after the date on which the reopener event was nominated; and

[14] These 'prospective' reopener events are, for DPPs: unforeseeable/foreseeable large project reopeners; for CPPs: contingent projects and unforeseen projects; for Transpower: E&D projects, anticipatory capacity projects.

2.2.1.2 we are amending the IMs to confirm that the date from which costs of responding to a prospective reopener event are eligible for recovery (the "application date") is the first date on which a regulated supplier provides a complete application with the information referenced in clause 4.5.2(3) or 5.6.2(3) of the EDB IMs, even if the Commission subsequently requests further information.[15]

2.2.2 when amending the price-quality path following a responsive reopener event, the Commission may amend the price path to account for opex incurred or assets commissioned only in respect of opex incurred or assets commissioned after the event date.

2.2.3 for capex as part of both prospective and responsive reopeners, recovery of costs via an amendment to the price-quality path including forecast net allowable revenue (FNAR), actual net allowable revenue (ANAR), any REA, and IRIS allowances is available in respect of *assets commissioned* after the relevant date (even where expenditure on those assets has been incurred prior to relevant date).

2.3 Alongside these changes, we are amending the IMs so that the REA is available for the recovery of costs incurred as a result of a responsive reopener event, from the event date to the application date.

2.4 We are also amending clause 5.6.13(2)(b) of the EDB CPP IMs to refer to any "change" resulting from a reopener event (replacing the previous reference to any "change in costs"). This technical amendment corrects an inconsistency between the EDB DPP IMs that define what amendments the Commission may make after reconsidering the price-quality path. The DPP IMs refer to "change" resulting from a reopener event; the CPP IMs refer to "change in costs", which is unduly restrictive. We are amending the CPP provisions to mirror the DPP ones.[16]

Amendments to the Transpower IMs (Decision 1.2)

2.5 Our final decision is to make the same amendments as above to the relevant Transpower IMs to specify that, for prospective and other reopener events, recovery is only available in respect of opex incurred or the assets commissioned after the application date. For responsive reopener events recovery of relevant pre-application costs will also be available via the REA.

---

[15] Paragraph 2.42 sets out what this means in practical terms.

[16] See 3.38 of our draft decision paper.

What we heard in submissions

2.6 ENA supported our decision and welcomed the extra clarity provided in our draft reasons paper.[17]

2.7 The Big Six,[18] Wellington Electricity, and Firstlight Network raised concerns with our draft decision that, for prospective reopener events, approval for additional expenditure is only available to account for opex incurred or assets commissioned after an application is made. They also had concerns with our related decision to exclude prospective reopeners from the scope of the REA.[19]

2.8 As a solution to their concerns, the Big Six proposed an alternative process with a streamlined nomination for prospective reopeners as an initial step, ahead of the full application. Wellington Electricity and Firstlight Network submitted similar proposals.

2.9 Below, we summarise:

2.9.1 the proposed alternative (put forward by the Bix Six, Wellington Electricity and Firstlight Network) for a streamlined nomination for prospective reopeners; and

2.9.2 the points highlighted by the Big Six, Wellington Electricity and Firstlight Network, relating to:

2.9.2.1 incentive impacts;

2.9.2.2 timing challenges;

2.9.2.3 recovery of opex associated with the application;

2.9.2.4 the point of eligibility for cost recovery; and

2.9.2.5 a lack of clarity in relation to options for giving effect to a reopener (FNAR, ANAR, and the REA).

---

17 ENA "Submission to the Commerce Commission (Commission) on proposed amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – draft decision" (23 January 2025), p. 2.

18 The 'Big Six' is a group of the six largest price-quality regulated electricity distribution businesses (EDBs) in New Zealand (the Group) - Aurora, Orion, PowerCo, Unison, Vector and Wellington Electricity.

19 See decisions 2.1 and 2.2, discussed below in paragraphs 2.49 to 2.58.

Proposed alternative: streamlined nomination for prospective reopeners

2.10 The Big Six acknowledged that making the application date the point of eligibility for cost recovery - rather than the effective date of the DPP amendment - is a partial solution to the challenges associated with large project/programmes. But they noted that to meet the relevant criteria in the IMs, a project would have to be reasonably progressed through the planning and development phases (with potentially significant costs incurred) before the EDB can file an application.[20]

2.11 To address this, they proposed a further amendment to the IMs to allow EDBs to nominate a prospective reopener event at the point that the applicable cost driver is identified, without providing the full information required under the IMs for us to assess whether a reopener event has occurred, and whether and how to amend the price path. Wellington Electricity and Firstlight Network supported this approach.[21] This approach would include a step in the IMs for the Commission to confirm the nomination as complete within, for example, four weeks to provide certainty regarding the point after which costs are eligible to be included in the reopener.[22]

Incentive impacts

2.12 The Big Six agreed in principle with our concern to preserve the incentives that arise from setting expenditure allowances on an *ex ante* rather than *ex post* basis.

2.13 However, they and Firstlight Network suggested that incentives are less relevant for large projects/programmes, particularly where these are customer-driven, as:

2.13.1 EDBs have limited ability to influence the timing or amount of expenditure;[23]

2.13.2 EDBs have some natural incentive to maintain competitive and efficient operations;[24] and

---

20 The Big Six "Proposed amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – Draft decision" (23 January 2025), paragraphs 10-11.

21 The Big Six "Proposed amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – Draft decision" (23 January 2025), paragraph 13; Wellington Electricity "Submission on EDB and Transpower IM amendments (reopeners and other matters) – Draft decision" (23 January 2025), p. 2; Firstlight Network "Proposed amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – Draft decision" (23 January 2025), p. 4.

22 The Big Six "Proposed amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – Draft decision" (23 January 2025), paragraph 18.

23 The Big Six "Proposed amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – Draft decision" (23 January 2025), paragraphs 6-8; Firstlight Network "Proposed amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – Draft decision" (23 January 2025), p. 3.

24 Firstlight Network "Proposed amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – Draft decision" (23 January 2025), p. 3.

2.13.3 "there is still a strong incentive to operate prudently and efficiently because the IMs provide that the Commission will only approve expenditure that meets the expenditure objective".[25]

Timing challenges

2.14 The Big Six, Wellington Electricity and Firstlight Network suggested that:

2.14.1 if an EDB must wait to commission an asset or incur opex until a reopener application is made, this would create a barrier to - or delay - new network investment, or undermine incentives to invest,[26] particularly given the time required to submit a reopener application;[27] and

2.14.2 our proposed approach has the potential to undermine financial capital maintenance (FCM) and therefore incentives to invest and places a disproportionate risk on EDBs by requiring them to fund prospective projects upfront without a guarantee of timely cost recovery.[28]

Recovery of opex associated with the application

2.15 Wellington Electricity also submitted that opex costs associated with assessing/costing options and developing reopener applications should be available.[29]

Point of eligibility for cost recovery

2.16 The Big Six requested that (whether or not we adopt their above proposal) we clarify whether the point of eligibility is the date of application, and whether any subsequent finding from the Commission that the application is incomplete would change the point of eligibility. They suggested the IMs include a step for the Commission to confirm the application as complete, to provide certainty.

---

25 The Big Six "Proposed amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – Draft decision" (23 January 2025), paragraphs 6-8; Firstlight Network "Proposed amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – Draft decision" (23 January 2025), p. 3.

26 Wellington Electricity "Submission on EDB and Transpower IM amendments (reopeners and other matters) – Draft decision" (23 January 2025), pp. 1-2; Firstlight Network "Proposed amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – Draft decision" (23 January 2025), p. 3; The Big Six "Proposed amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – Draft decision" (23 January 2025), paragraph 8.

27 The Big Six "Proposed amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – Draft decision" (23 January 2025), paragraphs 10-11.

28 Firstlight Network "Proposed amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – Draft decision" (23 January 2025), p. 3.

29 Wellington Electricity "Submission on EDB and Transpower IM amendments (reopeners and other matters) – Draft decision" (23 January 2025), p. 2.

Clarification of options for giving effect to a reopener (FNAR, ANAR, and the REA)

2.17 The Big Six asked for clarification of the Commission's preference for giving effect to a reopener by adjusting the price-path rather than a REA, and how this works in practice. They submitted that we expressly clarify in the IMs that the Commission can adjust FNAR/ANAR in respect of a completed disclosure year up to the deadline for submission of annual compliance statements, including for the final disclosure year in a regulatory period.[30]

2.18 We have provided the requested clarification below at paragraphs 2.43 to 2.47. We discuss the treatment of reopener events that occur towards the end of a regulatory period in Chapter 5, under Decision 16.

Our reasons

2.19 Our final decision confirms our draft decision. We set out our reasons for this decision in our draft decision paper, at paragraphs 3.5 to 3.38, and expand on these below to address the points raised by submitters. We also clarify that the first date on which a regulated supplier provides a complete reopener application is the date from which costs would be eligible, even if the Commission subsequently requests additional information (see paragraphs 2.41-2.42).

2.20 As we noted in our draft decision paper,[31] in general, the purpose of Part 4 of the Act (the long-term benefit of consumers) is best promoted where amendments to the price path are limited to costs not yet incurred, as: [32]

2.20.1 suppliers have the opportunity to earn a normal return on efficient investments, consistent with s 52A(1)(a) and (d);

2.20.2 suppliers are rewarded for superior performance, consistent with s 52A(1)(b); and

2.20.3 efficiency gains are shared with consumers when the price path is reset (or via the IRIS mechanism), consistent with s 52A(1)(c).

30 The Big Six "Proposed amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – Draft decision" (23 January 2025), paragraphs 22 to 25.

31 Commerce Commission "Proposed amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – Draft decision reasons paper" (12 December 2024), paragraph 3.18.

32 Commerce Commission "Part 4 Input Methodologies Review 2023: Framework paper" (13 October 2022), paragraph 4.10.

2.21 We apply this approach when determining price paths at the start of a regulatory period, and in general it is the one that applies when reopening the price path. Our treatment of responsive reopener events recognises that there are limited exceptions where, given the nature of an event, this approach does not promote the long-term benefit of consumers.[33] We also consider that, generally, our final decision better promotes the s 52R purpose by more clearly defining the point of eligibility for suppliers.

2.22 Consistent with the Big Six proposal outlined in paragraph 2.11 above, we also clarify that the date from which costs would be eligible is the application date.[34] This will be the case even if the Commission subsequently requests additional information. For this purpose, the information provided must be materially complete, ie, be sufficient to meet the requirements in clause 4.5.2(3) or 5.6.2(3) of the EDB IMs, or clause 3.7.2(3) of the Transpower IMs.[35] This aligns with the IMs, which require us to publish a notice on our website as soon as practicable after the reopener has been nominated.[36] This notice has the effect of confirming the date of the application.

2.23 Providing clarification in the IMs of the date from which costs would be eligible promotes the IMs purpose in s 52R more effectively, by providing greater certainty in relation to the rules that apply to prospective reopeners.

Proposed alternative: streamlined nomination for prospective reopeners

2.24 The alternative proposal suggested by the Big Six, Wellington Electricity and Firstlight Network has merit in principle. However, we:

2.24.1 have concerns about how this would operate in practice and the effect it would have on regulatory certainty;

2.24.2 consider it may add undue cost and complexity to the reopener process; and

2.24.3 consider it may create perverse incentives by undermining the *ex ante* nature of the price-quality regime.

33 Examples include catastrophic events, changes in regulations affecting the regulated service, or situations where it becomes apparent that information used to set the price path was incorrect or applied in error at the time the path was set (ie, error events or false and misleading information). Commerce Commission "Proposed amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – Draft decision reasons paper" (12 December 2024), paragraphs 3.21-3.22.

34 See paragraph 2.2.1.2.

35 See also paragraphs 2.41 and 2.42.

36 Clauses 4.4.2(5) and 5.6.2(4) of the EDB IMs, and clause 3.7.2(4) of the Transpower IMs.

Practical implementation and impact on certainty

2.25 To give the desired certainty that expenditure is eligible for recovery through a reopener application, the Commission requires sufficient information to be satisfied that a reopener event has occurred.

2.26 Thus, the “streamlined” nomination would still need to include sufficient information to assess whether the relevant reopener criteria are met (eg, the criteria in clauses 4.5.9 and 4.5.10 of the EDB IMs).

Impact on compliance costs and complexity of the process

2.27 We consider this proposal would potentially increase the cost of the reopener process, for both suppliers and the Commission, by introducing an additional step into the process for reopener events.

2.28 The supplier would be required to complete and submit a nomination. The Commission would assess the nomination to confirm whether we agree that a reopener event has occurred, and (if so) confirm the nomination date as the point of eligibility for cost recovery.

2.29 This would be followed by the existing full application and assessment process.

2.30 While we would seek opportunities to streamline our processes, such an approach creates potential for duplication of effort and costs for suppliers and the Commission between nomination and the full application. This is not consistent with:

2.30.1 the intent that the DPP provides a relatively low-cost approach to regulation;[37] or

2.30.2 our objective (in our decision-making framework) to seek to reduce compliance costs, regulatory costs, and complexity.[38]

Incentive impacts

2.31 This proposal might reduce the potential for EDBs to delay investment due to the application process, and so might lead to greater responsiveness to the timing of customer demands.

2.32 Conversely, it raises concerns about incentive impacts.

---

[37] Section 53K of the Act.

[38] Paragraph 1.12 of Chapter 1 of this paper.

2.33 In particular, the proposal creates an incentive for suppliers to nominate the reopener event date as early as possible and delay the full application until actual costs are known, to reduce cost risk.

2.34 In effect, this would allow for *ex post* approval of costs incurred from the confirmed reopener event date, thereby:

2.34.1 undermining any incentives for cost efficiencies in the planning and delivery of large projects (which is inconsistent with promoting s 52A(1)(b) of the Act), and

2.34.2 passing project cost risks onto consumers (which is inconsistent with promoting s 52A(1)(c) of the Act).

2.35 The Big Six submitted that the expenditure objective means there is a strong incentive for suppliers to operate prudently and efficiently in planning and delivering large projects/programmes.[39]

2.36 This suggests substantial reliance on the expenditure objective to make efficiency adjustments to already incurred costs of prospective reopeners (such as large network growth or connection projects). The proposal would represent a substantial shift in approach, and sits uncomfortably with the regime under Part 4 of the Act and the relatively low-cost regulatory framework of a DPP.

2.37 We do not agree that the types of timing challenges outlined in submissions negate the importance of efficiency incentives in relation to prospective reopeners, or that they justify shifting cost risk onto consumers. Even where these constraints exist, suppliers of electricity lines services are still generally better placed to manage risks with planning, assessment, and construction of network assets than consumers.[40]

Timing challenges

2.38 We acknowledge the practical challenges raised by submitters in preparing a reopener application alongside planning and delivering foreseen/unforeseen large projects. Our expectation is that the evidence to support reopener applications should be readily available as the applicant is likely to have used it to inform its own investment decisions.

---

[39] The Big Six "Proposed amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – Draft decision" (23 January 2025), paragraph 9.

[40] Our risk allocation principle is that, ideally, particular risks should be allocated to suppliers or consumers depending on which are best placed to manage them and, in particular, suppliers should bear (at least some of) the costs associated with risks they are best placed to manage. (Commerce Commission "Part 4 Input Methodologies Review 2023 – Framework paper" (13 October 2022), paragraphs 4.12 and 4.13.1) This would usually include risks associated with planning and constructing new network assets.

2.39 To reduce the time required for EDBs to prepare and submit an application, we are taking steps alongside these IM amendments towards addressing the timing challenges raised by EDBs:

2.39.1 we are releasing guidance to assist EDBs in submitting reopener applications; and

2.39.2 we are streamlining our internal processes for assessing reopener applications.

Recovery of opex associated with the application

2.40 Wellington Electricity submitted that opex costs associated with assessing/costing options and developing reopener applications should be available. Our expectation is that these costs, particularly relating to early planning and development of large projects, would be recovered within the existing revenue allowance under the DPP. We also note that the business support portion of base opex allowances is intended to provide for business-as-usual engagement with connecting parties.

Point of eligibility for cost recovery

2.41 We acknowledge the Big Six's comments on the importance of certainty for suppliers as to the point of eligibility for expenditure. As noted above in paragraphs 2.22 and 2.23, we are amending the IMs to confirm that the date from which costs of responding to a prospective reopener event are eligible for recovery is the first date on which a regulated supplier provides the information referenced in clause 4.5.2(3) or 5.6.2(3) of the EDB IMs, or clause 3.7.2(3) of the Transpower IMs.[41] This will not change even if we subsequently request further information.

2.42 In practical terms, a supplier providing information that is complete (in terms of, for example, clause 4.5.2(3) of the EDB IMs in relation to the DPP) is sufficient to meet the 'nomination' requirement in 4.5.15(3), even if that information is not sufficiently compelling in isolation (without further information) to persuade the Commission to exercise our discretion to reopen the price-quality path in response. At the same time, we would reject an application (and therefore 'reset' the start date) if it is materially incomplete in terms of the driver, quantum, and supporting reasoning for a reopener.[42]

Clarification of options for giving effect to a reopener (FNAR, ANAR, and the REA)

2.43 The Big Six asked for clarification of the Commission's preference for giving effect to a reopener by adjusting FNAR rather than a REA, and how this works in practice, suggesting we expressly clarify this in the IMs.

---

[41] Clause 4.5.15 and 5.6.13 of the EDB IMs, clause 3.7.11 of the Transpower IMs.

[42] This applies equally to nominations to reopen a CPP, under clause 5.6.2 of the EDB IMs, and to nominations to reopen Transpower's IPP under clause 3.7.2 of the Transpower IMs.

2.44 We do not consider it appropriate to clarify in the EDB IMs when the Commission can adjust FNAR and ANAR in a given disclosure year, as these timings are set by, for example, the DPP determination.[43] We also do not consider it appropriate or necessary to set out timing parameters in the IMs, as this would reduce our ability to adapt to changing circumstances over time, across regulatory periods. The effect of a reopener determination will be the same in net present value (NPV) terms, regardless of which option we use to give effect in the determination. The only difference would be the timing of cashflows.

2.45 To clarify what EDBs can expect:

2.45.1 Our preference is to amend FNAR, under new clause 3.1.1(5A). Adjusting FNAR preserves the compliance framework and incentives under the DPP. This option is workable where a reopener determination is made sufficiently in advance of the EDB setting prices for the relevant disclosure year, to be included (taking into account time required for audit and certification);

2.45.2 Where a reopener determination is made after price setting is completed, but regulatory compliance for the disclosure year has not yet been submitted, new clause 3.1.4(11A) will enable us to determine an adjustment to ANAR for the relevant disclosure year. The result will be that cost recovery in relation to that disclosure year will go into the wash-up;

2.45.3 For responsive reopener events, we can determine a REA to provide for revenue recovery in relation to years prior to the application date.

2.46 In most cases (except in the final year of a regulatory period) the incremental change to FNAR and/or ANAR will affect multiple years. Whether this is an adjustment to FNAR in all years, and adjustment to ANAR in the first year and FNAR in subsequent years, or a PV-equivalent adjustment only to subsequent years will depend on the timing of any final decision relative to the relevant compliance deadlines.

2.47 In any event, we consider the amended clauses 3.1.1(5A) and 3.1.4(11A) give us sufficient flexibility to ensure EDBs or consumers are made whole in any case.

Availability of the Large Connection Contract mechanism in some cases

2.48 We note that, for EDBs, some large connection projects can proceed without the need for a reopener application, where they meet the criteria for Large Connection Contracts.[44]

---

43 Commerce Commission *Electricity Distribution Services Default Price-Quality Path Determination 2025* [2024] NZCC 28 (20 November 2024), clause 11.

44 Commerce Commission "CPP and in-period adjustment mechanisms topic paper – Part 4 Input Methodologies Review 2023 – Final decision" (13 December 2023), Chapter 8. The relevant criteria are included in the definition of 'large connection contract' in clause 1.1.4(2) of the EDB IMs.

Scope of the reopener event allowance (Decision 2)

Amendments to the EDB IMs (Decision 2.1)

2.49 Our final decision is to amend the EDB IMs to clarify that the REA is only available for responsive reopener events, by amending the definition to exclude prospective reopener events,[45] WACC change event reopeners, and quality standard variation proposals from the scope of the REA.

Amendments to the Transpower IMs (Decision 2.2)

2.50 Similarly, our final decision is to amend the Transpower IMs to exclude the following reopener events from the scope of the REA:

2.50.1 the 'E&D project reopener';

2.50.2 the anticipatory capacity project reopener;

2.50.3 the large build up in EV account balance reopener; and

2.50.4 the delivery risk adjustment reopener.

What we heard in submissions

2.51 ENA supported our draft decision.[46] In their submissions on Decision 1.1 (discussed in the previous section), the Big Six and Firstlight Network disagreed with our decision that prospective reopeners, such as foreseen and unforeseen large projects, are not eligible for the REA.[47]

2.52 The Big Six also noted that excluding prospective reopener events from the scope of the REA would mean the Commission must decide a reopener application filed in respect of a disclosure year before the annual compliance statements for that year are finalised.[48]

Our reasons

2.53 Our final decision in paragraphs 2.49 and 2.50 confirms our draft decision.

---

45 Prospective reopener events are, for DPPs: unforeseeable/foreseeable large project reopeners; for CPPs: contingent projects and unforeseen projects; for Transpower: E&D projects, anticipatory capacity projects. (see paragraph 2.59 and Table 2.1).

46 ENA "Submission to the Commerce Commission (Commission) on proposed amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – draft decision" (23 January 2025), p. 2.

47 The Big Six "Proposed amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – Draft decision" (23 January 2025), pp. 2-4; Firstlight Network "Proposed amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – Draft decision" (23 January 2025), pp. 3-4.

48 The Big Six "Proposed amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – Draft decision" (23 January 2025), paragraph 15.

2.54 In paragraphs 2.19 to 2.48 above we set out our reasons for confirming our decision that revenue recovery for prospective reopeners is available only in respect of opex incurred or assets commissioned after the application date (Decision 1), including responses to points raised by the Big Six and Firstlight Network.

2.55 Consistent with this, and for the reasons set out in our draft decision paper at paragraphs 3.5 to 3.31 and 3.39 to 3.43, we consider that recovery of pre-application costs via the REA should only be available for responsive reopener events.

2.56 We have noted the Big Six's comment (set out in paragraph 2.52 above) that this decision means the Commission must decide a reopener application filed in respect of a disclosure year before the annual compliance statements for that year are finalised. We do not consider this consideration outweighs the concerns we have about making *ex post* recovery available for prospective reopeners through the REA.

2.57 In practice, the timing constraint noted by the Big Six only applies in a very narrow subset of circumstances where we receive the application for a reopener in the last quarter of the last disclosure year of a regulatory period, and the assets covered by the reopener are commissioned in that same quarter.

2.58 Given the limited scope of this issue, we do not consider it necessary to amend the IMs.[49]

Classification of price-quality path 'reopener events' (Decision 3)

Amendments to the EDB IMs and Transpower IMs (Decisions 3.1 and 3.2)

2.59 Our final decision is to amend the EDB and Transpower IMs to create two defined categories under the definition of 'reopener event': 'reopener event (responsive)' and 'reopener event (prospective)'. The basis for this grouping is:

2.59.1 'reopener event (responsive)' reopeners are those that respond to an identifiable event that has already occurred; and

2.59.2 'reopener event (prospective)' reopeners relate to anticipated or forecast events, where a supplier will have some notice or foresight for a need to invest.

2.60 Table 2.1 shows how reopener events are grouped into these categories in the EDB IMs and Transpower IMs respectively.

2.61 Some reopener types that are special cases remain separate from these two new categories, as they have their own distinct processes.

---

[49] This is consistent with our decision-making framework, at paragraph 1.13.1 of this paper.

Table 2.1: Classification of 'reopener events'

Sector	Responsive reopener events	Prospective reopener events	Reopener events outside these categories
EDBs	• Catastrophic event • Change event • Error event • False or misleading information • Major transaction event • Risk event (DPP only)	• Unforeseeable large project (DPP only) • Foreseeable large project (DPP only) • Contingent project (CPP only) • Unforeseen project (CPP only)	• Quality standard variation proposal (DPP only) • WACC change event (CPP only)
Transpower	• Catastrophic event • Change event • Error event • False or misleading information	• E&D project • Anticipatory capacity project	• Large buildup in EV account balance • Delivery risk adjustment

2.62 We are also making consequential amendments to address instances where the defined term 'reopener event' was used, but where that term was intended to have limited application (either to a specific reopener or one of the new categories set out above).

What we heard in submissions

2.63 ENA submitted in support of this decision.[50] We received no opposing submissions.

Our reasons

2.64 Our final decision confirms our draft decision. We set out our reasons for this decision in our draft decision paper, at paragraphs 3.44 to 3.58.

Processes for reopening EDB revenue allowances (Decision 4)

Amendments to the EDB IMs (Decision 4.1)

2.65 Our final decision is to amend clause 3.1.1 of the EDB IMs to enable a simplified process for calculating adjustments to forecast net allowable revenue ('FNAR') following a reopener event.

2.66 The amendment creates a 'carve-out' that will enable an adjustment to be added on top of (or deducted from) the FNAR for the relevant years, without having to relate it to Y1. The adjusted FNAR could then be projected forward for the remainder of the regulatory period with CPI and the X factor.

50 ENA "Submission to the Commerce Commission (Commission) on proposed amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – draft decision" (23 January 2025), p. 2.

2.67 We are also amending clause 3.1.4 of the EDB IMs to create a similar 'carve-out' for actual net allowable revenue ('ANAR'), to simplify the process of amending the net revenue path where reopener adjustments cannot be reflected in the FNAR (such as where the application or approval of the reopeners occurs after an EDB has already set prices for the relevant year).

What we heard in submissions

2.68 ENA and the Big Six supported our proposal to allow for a simplified amendment to the FNAR in the relevant disclosure year, rather than the current approach of amending the year 1 FNAR and then projecting forward the sequence of FNAR and ANAR to the relevant disclosure year.[51, 52]

2.69 The Big Six suggested a technical amendment to the drafting of clause 3.1.1(5A) to more clearly implement this decision, to refer to the "disclosure year *in relation to which the price path is amended*" (instead of the "disclosure year in which the price path is amended").[53]

Our reasons

2.70 Our final decision confirms our draft decision. We set out our reasons for this decision in our draft decision paper, at paragraphs 3.59 to 3.74.

2.71 We have revised the drafting of the new clause 3.1.1(5A) as proposed by the Big Six. This better reflects the policy intent and improves certainty in accordance with s 52R, by accommodating situations where a determination to amend the price path is made outside the first year to which the amendment relates.

2.72 Clause 3.1.1(5A) now reads:

> "… if the price path is amended following a **reopener event**, the **forecast net allowable revenue** for the *first* **disclosure year** in *relation to* which the price path is amended, and in each subsequent **disclosure year**, must be calculated on the basis specified in the **DPP determination** or **CPP determination** as amended."

---

[51] ENA "Submission to the Commerce Commission (Commission) on proposed amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – draft decision" (23 January 2025), p. 2.

[52] The Big Six "Proposed amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – Draft decision" (23 January 2025), paragraphs 26.1 and 27-28.

[53] The Big Six "Proposed amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – Draft decision" (23 January 2025), paragraph 26.1.

Double recovery of capital costs already included in a REA and definition of 'additional net costs' (Decision 5)

Amendment to the EDB IMs (Decision 5.1)

2.73 Our final decision is to:

2.73.1 amend the capex wash-up provisions in the EDB IMs to require the deduction of any capital costs already included in a REA; and

2.73.2 include a definition of 'additional net costs' in the EDB IMs for the purpose of the REA and the urgent project allowance, providing that (subject to our decisions 1.1 and 2.1 on expenditure eligibility and scope of the REA) 'additional net costs' include:

2.73.2.1 capital costs (ie, either or both the return on or return of regulated service asset values), opex, tax, negative opex incentive amounts (after offsetting any positive opex incentive amount or retention adjustment), negative retention adjustments (after offsetting any positive opex incentive amount), and any other types of costs determined by the Commission; and

2.73.2.2 adjustments to offset any benefits of insurance entitlements, third-party liability entitlements and compensatory entitlements, and any other amounts determined by the Commission.

Amendment to the Transpower IPP determination (Draft decision 5.2)

2.74 We are no longer amending the definition of 'EV account entry' in the Transpower IPP determination, so that any capex wash-up amount for capital costs (being the return on and of capital in the EV account) is offset by any capital costs already included in a REA. This is a change from our draft decision; our final decision is not to make any amendments to the Transpower IPP determination as part of this decision package.

What we heard in submissions

2.75 ENA supported our draft decision to amend the capex wash-up provisions in the EDB IMs to prevent double recovery of capital costs (Decision 5.1).[54] The Big Six agreed with the intention of preventing double-recovery, noting the potential for double-recovery to occur depends on the Commission's interpretation of 'additional net costs' in the definition of the REA and stating:[55]

54 ENA "Submission to the Commerce Commission (Commission) on proposed amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – draft decision" (23 January 2025), p. 2.

55 The Big Six "Proposed amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – Draft decision" (23 January 2025), paragraphs 29-31.

"in our view this point is sufficiently material to the certainty the IMs are intended to provide that the definition should be clarified in the IMs themselves".

2.76 The Big Six proposed "additional net costs" for the purposes of the REA should include:[56]

2.76.1 return of and on capital for additional assets commissioned between the reopener event and the date of application as a result of the reopener event; and

2.76.2 opex incurred between the reopener event and the date of application as a result of the reopener event.

2.77 Transpower submitted that there should be no amendment to Transpower's IPP in any capacity as there is no exposure to double recovery of capital costs, as the REA would only shield Transpower against any unintended incentive outcome.[57]

Our reasons - EDBs

2.78 In relation to the EDB IMs, our final decision confirms our draft decision to amend the capex wash-up provisions in the EDB IMs to avoid double-counting of any capital costs already included in a REA. We set out our reasons for this decision in our draft decision paper, at paragraphs 3.76 to 3.82.

2.79 We have considered the Big Six's submission that the term 'additional net costs' used in the definition of the REA is sufficiently material to certainty that it should be defined in the IMs. We agree that defining 'additional net costs' in the EDB IMs, for the purposes of the REA and the urgent project allowance, to clarify that it includes the costs identified by submitters, better supports the s 52R purpose of the IMs.

2.80 In their submission, the Big Six referred to our letter to EDBs of 11 April 2024.[58] This letter responded to queries relating to Cyclone Gabrielle and the Auckland floods of 2023. We note that this reopener process occurred during DPP3, prior to the application of the IM Review 2023 amendments.

Our reasons - Transpower

2.81 Our draft decision was to amend the capex wash-up provisions in the Transpower IPP determination to require the deduction of any capital costs already included in a REA from Transpower's EV account mechanism.

---

56 The Big Six "Proposed amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – Draft decision" (23 January 2025), paragraph 31.

57 Transpower New Zealand Limited "Proposed amendments to input methodologies for Transpower (reopeners and other matters) – Draft decision" (23 January 2025), p. 2.

58 The Big Six "Proposed amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – Draft decision" (23 January 2025), paragraph 30.

2.82 Transpower's submission that there should be no amendment to Transpower's IPP has merit. We have adopted its proposed approach in our final decision. We set out our reasons below.

2.83 Any additional capex incurred by Transpower is recovered through the wash-up mechanisms in Transpower's IPP.[59] With additional return on and of capital being recovered via the wash-up mechanism (set out in the Transpower IMs and the Transpower IPP as the EV account),[60] the only portion Transpower is exposed to is any incentive penalties that may result from the additional, unforeseen capex.

2.84 As the actual capex can be recovered through other mechanisms (albeit with a delay in recovery timing), we would likely only use the REA to compensate for the incentive penalties. If we only use the REA to compensate for the capex incentive penalties and not the additional capex incurred, there is no risk of double recovery and therefore, the mechanism set out in our draft decision is not required.

2.85 Based on the reasons above, and taking account of the differences in wash-up provisions between EDBs and Transpower,[61] we have decided not to confirm our draft decision to implement a mechanism to prevent double recovery of capex. This means we are not making any amendments to the Transpower IPP determination as part of this decision package.

Incremental rolling incentive scheme: Scope of clause 3.3.13 (Decision 6)

Amendment to the EDB IMs (Decision 6.1)

2.86 Clause 3.3.13(1) of the EDB IMs provides for the calculation of alternative incentive adjustment amounts when a price quality path is amended following a reopener, for the purpose of the IRIS.

2.87 Our final decision is to amend clause 3.3.13(1) to clarify that this clause does not apply to WACC change events and quality standard variations.

What we heard in submissions

2.88 ENA submitted in support of this decision and agreed that the amendments provide greater certainty and clarity.[62] We received no opposing submissions.

---

59 Set out in Schedule E of the *Transpower Individual Price Quality Path 2025* [2024] NZCC 26.

60 Note that the wash-up amount is only recovered in the subsequent regulatory control period.

61 Note that the wash-up mechanism in the Transpower IPP is set out at a building blocks level. This is different to the EDB wash-up mechanism, which is set at an aggregate revenue level.

62 ENA "Submission to the Commerce Commission (Commission) on proposed amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – draft decision" (23 January 2025), p. 3.

Our reasons

2.89 Our final decision confirms our draft decision. We set out our reasons for this decision in our draft decision paper, at paragraphs 3.92 to 3.97.

Incremental rolling incentive scheme: Overlapping treatment of 'major transaction events' (Decision 7)

Amendment to the EDB IMs (Decision 7.1)

2.90 Our final decision is to amend the EDB IMs to remove major transaction events from clause 3.3.14.

2.91 The Commission will retain, under clause 3.3.13(1), the ability to specify adjusted amounts to be used in calculating incentive adjustments where the price-quality path is amended following a major transaction event.

What we heard in submissions

2.92 ENA submitted in support of this decision and agreed that the amendments provide greater certainty and clarity.[63] We received no opposing submissions.

Our reasons

2.93 Our final decision confirms our draft decision. We set out our reasons for this decision in our draft decision paper, at paragraphs 3.98 to 3.104.

---

63 ENA "Submission to the Commerce Commission (Commission) on proposed amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – draft decision" (23 January 2025), p. 3.

Incremental rolling incentive scheme: Workability of the calculation of incentive adjustment amounts under clause 3.3.13 and 3.3.14 (Decision 8)

Amendments to the EDB IMs (Decision 8.1)

2.94 Our final decision is to amend clause 3.3.13(1) to:

2.94.1 include provision for calculation of adjusted capex incentive amounts;

2.94.2 provide for 'forecast aggregate value of commissioned assets' or the sum of the 'forecast value of commissioned assets', to provide for amendments to DPPs or CPPs respectively (this will bring the drafting of clause 3.3.13(1) into alignment with clause 3.3.14); and

2.94.3 make consequential amendments to clauses 3.3.13(2), 3.3.13(3), and 3.3.14 for consistency with the changes above.

2.95 We are also amending clause 4.2.5 to make it clear that the requirement that 'forecast aggregate value of commissioned assets' is equal to forecast capital expenditure for the relevant disclosure year, as determined by the Commission, and only applies for the purpose of setting forecast allowable revenues for the next regulatory period.

What we heard in submissions

2.96 ENA submitted in support of this decision and agreed that the amendments provide greater certainty and clarity.[64] We received no opposing submissions.

Our reasons

2.97 Our final decision confirms our draft decision. We set out our reasons for this decision in our draft decision paper, at paragraphs 3.105 to 3.117.

64 ENA "Submission to the Commerce Commission (Commission) on proposed amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – draft decision" (23 January 2025), p. 3.

Chapter 3 Reopener criteria and assessment criteria: Technical amendments to improve certainty and workability

Purpose and structure of this chapter

3.1 In this chapter we discuss amendments to the EDB IM determination and, where appropriate, the Transpower IM determination, relating to:

3.1.1 application of the ‘change event’ price-quality path reopener (**Decision 9**);

3.1.2 distinguishing price-quality path reopener event criteria from reopener assessment factors (**Decision 10**);

3.1.3 catastrophic event reopener application criteria:

3.1.3.1 treatment of quality requirements in the catastrophic event reopener application criteria (**Decision 11**); and

3.1.3.2 treatment of insurance in the catastrophic event reopener application criteria (**Decision 12**); and

3.1.4 changes to mandatory considerations in price-quality path amendment assessment factors (**Decision 13**).

Application of the ‘change event’ price-quality path reopener (Decision 9)

Amendments to the EDB IMs and the Transpower IMs (Decisions 9.1 and 9.2)

3.2 Our final decision is to amend the EDB IMs and the Transpower IMs to ensure that the change event reopener for a legislative or regulatory change:

3.2.1 is defined symmetrically to include both positive and negative financial impacts on EDBs and Transpower;

3.2.2 includes revenue impacts on EDBs and Transpower in addition to cost impacts;

3.2.3 removes the current specificity on the types of costs (currently limited to capex, opex, or both);

3.2.4 applies an “impact on revenue” test as a basis for establishing the threshold with the inclusion of revenue impacts; and

3.2.5 allows for the quality standards or quality incentive measures to be amended if the legislative or regulatory change has an effect on an EDB's or Transpower's ability to meet its quality standards greater than a defined threshold:

3.2.5.1 for EDBs, the threshold for the impact on quality standards resulting from a legislative or regulatory change is 5% or more of a limit set for a quality standard;

3.2.5.2 for Transpower, the threshold for the impact on quality standards resulting from a legislative or regulatory change is *(grid output target – collar)/2*.[65]

What we heard in submissions

3.3 ENA supported our draft decision. The Big Six submitted that the Commission should also set out its approach under the low cost DPP to determining the scope and materiality of relevant changes,[66] to clarify likely eligibility for a change event reopener within the IMs.[67] The Bix Six proposed this be done by including, in the criteria for a change event reopener for a legislative or regulatory change, a standard based on what the EDB reasonably considers is efficient compliance with a change in a regulatory or legislative requirement that applies to an EDB.[68]

3.4 The Big Six and ENA noted the Electricity Authority's (EA's) recent consultations on distribution connection pricing and processes, including proposed pricing methodologies for distribution connection charges. In particular, they:

3.4.1 highlighted the potential impact the EA's final decisions may have on future connection projects, and the potential implications for future prospective reopener applications;[69] and

3.4.2 requested that we clarify how we will manage these changes with the EA, particularly with regards to timelines and implications for the IMs.[70]

---

65 This is a change from our draft decision, which was to set the quality threshold for the change event reopener in the Transpower IMs as the formula: grid output target – (grid output target – collar)/2.

66 The Big Six "Proposed amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – Draft decision" (23 January 2025), p. 9.

67 The Big Six "Proposed amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – cross submission" (12 February 2025), paragraph 3.

68 The Big Six "Proposed amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – cross submission" (12 February 2025), paragraphs 4-5.

69 The Big Six "Proposed amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – Draft decision" (23 January 2025), paragraph 35.

70 ENA "Submission to the Commerce Commission (Commission) on proposed amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – draft decision" (23 January 2025), pp. 1-2.

3.5 Transpower proposed that we change our draft decision on the threshold for the impact on quality standards in the Transpower IMs from defining the level *grid output target – (grid output target – collar)/2* to the change *(grid output target – collar)/2*.[71]

Our reasons

3.6 Our final decision largely confirms our draft decision. We set out our reasons for this decision in our draft decision paper, at paragraphs 3.118 to 3.140. The exception is the articulation of the threshold for the impact on quality standards in the Transpower IMs (Decision 9.2), which we discuss below. There is no change in the threshold value itself.

Approach to the EA'S distribution pricing consultation

3.7 With respect to the EA's ongoing work on electricity distribution pricing, that work is currently the subject of post-consultation analysis; the EA will not reach final decisions until after DPP4 has commenced, and after the IM amendments discussed in this paper come into effect.

3.8 The Part 4 regulatory framework for EDBs provides two mechanisms for addressing any implications for the IMs, or DPP4, arising from the EA's final decision:

3.8.1 the change event reopener for legislative or regulatory change enables us to reopen the price path, where appropriate, in response to a decision by the EA; or

3.8.2 the legislative process under s 54V of the Act, which governs how we interact with the EA in relation to processes like this.

3.9 Section 54V sets out requirements for dealing with the impact of certain decisions made under the Electricity Industry Act 2010. As part of this, the EA is required to consult with and advise the Commission of relevant changes to the regulations it administers.

3.10 We are following the s 54V process in this case, and are engaging closely with the EA as its work progresses.

3.11 Once the EA has made its final decisions:

3.11.1 section 54V(5) may apply, meaning that if the EA asks the Commission to reconsider the DPP4 determination, we may decide to amend the determination if we consider it necessary or desirable to do so to take account of the EA's final decision; and

---

71 Transpower New Zealand Limited "Submission on change event reopener with quality impacts" (12 February 2025), p. 2.

3.11.2 we will apply the IMs in a way that is appropriate to the context and takes account of the EA's final decisions. As we have already noted,[72] if because of the EA's process an EDB must accelerate its reopener application, and begin work faster than would have otherwise been the case, the date on which we first receive the complete application under clause 4.5.2 (or 5.6.2 for a CPP) of the EDB IMs will be the point of eligibility for cost recovery, even if we subsequently request further information.

Standard for determining the scope and materiality of relevant changes

3.12 We have considered the Big Six's submission that we include in the IMs a criterion for determining the scope and materiality of impact from a legislative or regulatory change, such as a standard based on "what the EDB reasonably considers is efficient compliance". Our final decision is not to adopt the Big Six's proposal, for the following reasons.

3.13 The EDB IMs and Transpower IMs already include a threshold test for determining whether a legislative or regulatory change should be treated as a change event.[73] In addition, the EDB IMs provide that in determining the extent of any amendment to the price path following a change event, we must take into account the expenditure objective, which applies the standard of "efficient costs that a prudent non-exempt EDB would require …" to comply with applicable regulatory obligations associated with supplying electricity distribution services.[74] This appropriately sets the test based on a prudent EDB, not on the costs of a specific EDB.

3.14 Change events include both events nominated by a supplier and events nominated by the Commission (eg, where a legislative or regulatory change reduces costs). The proposed solution does not apply easily to the latter, nor does it easily accommodate decreases in regulatory obligations/costs.

3.15 For the above reasons, we do not consider that the Big Six's proposed standard promotes the Part 4 purpose, or the s 52R purpose of promoting certainty, more effectively than the existing provisions in the IMs.

Transpower: Threshold for impact on quality standards

3.16 We consider Transpower's submitted formula reflects the policy intent as it calculates the movement in the grid output assessed value, ie, the required impact on quality standard metrics resulting from the change event required for us to reopen the price-quality path.

---

72 Paragraphs 2.2.1.2, 2.22-2.23, and 2.41-2.42 of this paper.

73 EDB IMs, clauses 4.5.5(2) and (3), and 5.6.5(2) and (3), and Transpower IMs clause 3.7.5 (as discussed in paragraphs 3.16-3.18 below, we are making a technical amendment to the quality threshold for Transpower).

74 EDB IMs clauses 4.5.15(6) and 5.6.13(5).

3.17 We consider Transpower's drafting better reflects the policy intent and is more aligned to the EDB IM approach, which defines the threshold in regard to the observed impact on the quality metric due to the change event. We also consider the submitted drafting would operate better with the symmetrical application of the threshold to capture both positive and negative observed quality standard impacts resulting from a change event.

3.18 We consider this technical amendment better promotes the purpose under s 52R as it provides more certainty by better aligning the IMs with our policy intent.

Distinguishing price-quality path reopener criteria from reopener assessment factors (Decision 10)

Amendments to the EDB IMs (Decision 10.1)

3.19 Our final decision is to amend the criteria in the definitions for catastrophic event and change event in the EDB DPP IMs, to remove the "not explicitly or implicitly provided for in the DPP" criterion. The criterion would still exist in the assessment factors in clause 4.5.13 of the EDB IMs.

What we heard in submissions

3.20 ENA and the Big Six supported this amendment.

3.21 Firstlight Network proposed a variation to our draft decision. It submitted:[75]

> We agree that EDBs would not have any information if a project has/has not been provided for in a DPP. Hence, we propose introducing a formal preliminary review process, allowing EDBs to seek clarification on whether specific expenditures might be considered "not provided for" in a Default Price-Quality Path (DPP) before committing to a full application. This would help avoid unnecessary regulatory burden and improve efficiency for both applicants and the Commission.

Our reasons

3.22 Our final decision confirms our draft decision. We set out our reasons for this decision in our draft decision paper, at paragraphs 3.141 to 3.152.

3.23 In response to Firstlight Network's submission, we consider there are alternative ways to address the identified issue, that do not involve amending the IMs.[76] We are setting out in EDB Reopener Guidance how the "explicitly or implicitly provided for in the DPP" clause may be applied during DPP4.

---

[75] Firstlight Network, "Proposed amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – Draft Decision" (23 January 2025), p. 4.

[76] Consistent with the decision-making framework considerations in paragraph 1.13 of this paper.

Catastrophic event reopener application criteria - treatment of quality requirements (Decision 11)

Amendments to EDB IMs (Decision 11.1)

3.24 Our final decision is to amend the criteria for a 'catastrophic event' by changing the threshold for the 'impact on quality standards' to a quantifiable measure.[77] This measure can be assessed independently by EDBs and does not take into account any effects of the quality standard assessment under a DPP or CPP.

What we heard in submissions

3.25 We received submissions from ENA and the Big Six. ENA agreed with our draft decision. The Big Six submitted:[78]

> We broadly agree with the policy intent of adopting a quantifiable measure, subject to the following comments:
>
> • the terms "SAIDI minutes" and "customer interruption minutes" are not defined anywhere in the IMs, which potentially introduces ambiguity. The terms "customer interruption minutes" and "SAIDI value" are the terms used in the DPP determination to describe 'raw' SAIDI, which we understand is what the Commission is intending to refer to here;
>
> • the meaning of the phrase "resulting from all unplanned interruptions that start within a 24-hour period" is unclear and could be clarified.

Our reasons

3.26 Our final decision confirms our draft decision. Our reasons at draft for adopting our choice of drafting were that the threshold would be consistent with the extreme event standard limits under the EDB DPP determination. We considered this would allow us to focus on the events that have the largest impact on customers and represent extreme one-off events.[79] We set out our full reasons for this decision in our draft decision paper, at paragraphs 3.153 to 3.165.

3.27 We have considered the Big Six's submission on our draft decision. We consider that there is value in including 'SAIDI value' and 'customer interruption minutes' as defined terms. In our final decision we have introduced these (and consequential definitions) to the EDB IMs.

---

77 Either: a SAIDI value of 120 minutes of all unplanned interruptions that start during any 24-hour period (starting on the hour or half past the hour); or 6 million customer interruption minutes resulting from all unplanned interruptions that start during any 24-hour period (starting on the hour or half past the hour).

78 The Big Six "Proposed amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – Draft Decision" (23 January 2025), p. 10.

79 Commerce Commission "Proposed amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – Draft decision – Reasons paper" (12 December 2024), paragraph 3.162.

3.28 In response to the Big Six submission, we have also clarified that 'SAIDI value' refers to unplanned interruptions that start during any 24-hour period. We have amended the drafting so the framing of the time period is consistent across both the SAIDI value and customer interruption minutes thresholds, to remove potential confusion.

3.29 We consider these implementation drafting changes better align with the policy decision at draft, where we outlined that our intention was to make the thresholds consistent with the extreme event standard limits in the DPP determination. The revised drafting and defined terms now achieve the consistency with the DPP4 Determination we initially envisaged, and the additional defined terms provide further certainty in accordance with s 52R of the Act.

Catastrophic event reopener application criteria - treatment of insurance (Decision 12)

EDB IMs and Transpower IMs (Decisions 12.1 and 12.2)

3.30 To meet the threshold for a 'catastrophic event' reopener the costs of remediation for an event, net of any insurance or compensatory entitlements, must have an impact on the price path of at least 1% of forecast net allowable revenue.[80]

3.31 For both EDBs and Transpower our final decision is to amend the application of this threshold to express it as a gross value, such that the threshold applies to the costs of remediation *before* the recognition of any insurance entitlements, third-party liability entitlements, and compensatory entitlements.

What we heard in submissions

3.32 ENA and the Big Six supported this amendment. We received no opposing submissions.

Our reasons

3.33 Our final decision confirms our draft decision. We set out our reasons for this decision in our draft decision paper, at paragraphs 3.166 to 3.174.

---

80 From 1 April 2025 this is specified as:
(a) 1% of the EDB's forecast net allowable revenue for the DPP regulatory period; and
(b) $5 million for Vector Limited or Powerco Limited, or $2.5 million for any other EDB.

Changes to mandatory considerations in price-quality path amendment assessment factors (Decision 13)

EDB IMs and Transpower IMs (Decisions 13.1 and 13.2)

3.34 Our final decision is to:

3.34.1 amend clauses 4.5.13 and 5.6.12 of the EDB IMs and clause 3.7.10 of the Transpower IMs so that the Commission must have regard to at least each of the listed matters "to the extent that the Commission considers the matter is relevant". This clarifies that the Commission is not required to consider each and every listed assessment factor – only those that it considers relevant.

3.34.2 amend the EDB IMs and the Transpower IMs to clarify that the requirement for suppliers to demonstrate that the criteria have been met is at the time the reopener event is nominated.[81] We note that this change would not prevent the Commission from seeking (for example via our s 53ZD information gathering powers) and the supplier from providing additional information in response to such a request during the reconsideration process.

What we heard in submissions

3.35 ENA and the Big Six supported our draft decision. The Big Six noted that:

> [w]e agree with this proposed amendment subject to the clarification on the ambiguity about the timing for suppliers demonstrating the criteria have been met under clauses 4.5.2(3) and 5.6.2(3).

Our reasons

3.36 Our final decision confirms our draft decision. We set out our reasons for this decision in our draft decision paper, at paragraphs 3.175 to 3.185.

3.37 In response to the Big Six submission, we note that our final decision remains the same as our draft decision, in which we noted and clarified:[82]

> With respect to the ambiguity about the timing for suppliers demonstrating the criteria have been met, we propose clarifying that this is at the time the reopener event is nominated. We note that this change would not prevent the Commission from seeking (for example via our s 53ZD information gathering powers) and the supplier from providing additional information in response to such a request during the reconsideration process.
> *[footnotes omitted]*

---

81 Commerce Commission "Electricity Distribution Services Input Methodologies (Reopeners and Other Matters) Amendment Determination 2025 [2025] NZCC 5", clauses 4.5.2(3) and 5.6.2(3); Commerce Commission "Transpower Input Methodologies (Reopeners and Other Matters) Amendment Determination 2025 [2025] NZCC 4", clause 3.7.2(3).

82 See Commerce Commission "Proposed amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – Draft decision – Reasons paper" (12 December 2024), paragraph 3.180.

3.38 We have also confirmed that the timing for suppliers to demonstrate clauses 4.5.2(3) and 5.6.2(3) are met - the “application date” - is the first date on which a supplier provides the information referenced in clauses 4.5.2(3) or 5.6.2(3) of the EDB IMs (or clause 3.7.2(3) of the Transpower IMs). And that this is the case even if the Commission subsequently requests further information.[83] .

3.39 We consider this provides sufficient clarity to address the Big Six’s submission.

[83] See paragraphs 2.2.1, 2.22 and 2.41-2.42 of this paper.

Chapter 4 Other IM amendments

Purpose and structure of this chapter

4.1 In this chapter we discuss our decisions on matters outside the rules and processes for reopeners, that affect the allocation of risk of catastrophic events. These are:

4.1.1 the CPP treatment of catastrophic events, and the availability of claw-back; and

4.1.2 the inadvertent removal of the foregone revenue cap.

CPP treatment of catastrophic events (Decision 14)

Amendments to the EDB IMs (Decision 14.1)

4.2 Our final decision is to clarify that the Commission may determine a claw-back amount for costs incurred in responding to a catastrophic event, by:

4.2.1 amending clause 5.3.4(2)(a)(ii) to specifically apply to CPPs where the CPP proposal is in response to a 'catastrophic event' (with a consequential drafting change to clause 5.3.4(4)(b)) for consistency); and

4.2.2 amending the definition of 'catastrophic event' in the CPP IMs to reinstate our previous approach, which allowed for claw-back of expenditure related to a catastrophic event, where the EDB was subject to a DPP at the time of the event, and the expenditure was not provided for in the DPP.[84]

What we heard in submissions

4.3 ENA and the Big Six supported this decision.

Our reasons

4.4 Our final decision confirms our draft decision. We set out our reasons for this decision in our draft decision paper, at paragraphs 4.2 to 4.12.

4.5 In its submission, ENA sought clarification on how the provisions for claw-back in the CPP IMs, in response to a catastrophic event, relate to the REA.

4.6 A REA is available in situations where the Commission considers it is appropriate to amend an existing DPP or CPP determination.

4.7 Where an EDB applies for a CPP following a catastrophic event – or the Commission may, under clause 4.5.14 of the EDB IMs, determine that a CPP proposal is more appropriate – a REA would not be available.

[84] EDB IMs, clause 5.6.4(1).

4.8 Providing for claw-back in response to a catastrophic event, for prudent additional costs incurred in responding to the event before a CPP takes effect, enables the Commission to recognise those costs in determining the CPP price path.

Inadvertent removal of the foregone revenue cap – EDBs (Decision 15)

Final decision (Decision 15.1)

4.9 In 2016 the Commission introduced a cap on the amount of revenue that may be recovered through the wash-up mechanism ('the revenue foregone provisions'), to ensure that suppliers bear some of the risk if an unforeseen major demand event occurs (eg, a catastrophic event).[85] This was inadvertently removed in the IM Review 2023.

4.10 We have considered reinstating the revenue foregone provisions. Our final decision is not to do so at this time, as we consider we can achieve a similar policy outcome during the DPP4 regulatory period through the existing reopener provisions.

What we heard in submissions

4.11 ENA and the Big Six supported our decision.[86]

Our reasons

4.12 Our final decision confirms our draft decision. We set out our reasons for this decision in our draft decision paper, at paragraphs 4.13 to 4.20.

---

85 Commerce Commission "Input methodologies review decisions - Topic paper 1: Form of control and RAB indexation for EDBs, GPBs and Transpower" (20 December 2016), paragraphs 150-159.

86 ENA "Submission to the Commerce Commission (Commission) on proposed amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – draft decision" (23 January 2025), p. 4; The Big Six "Proposed amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – Draft decision" (23 January 2025), p. 11.

Chapter 5 Additional proposals raised by submitters

Purpose of this chapter

5.1 In their submission, the Big Six proposed 11 further technical amendments in addition to those covered in our draft decisions, which they "hope the Commission will either address in this consultation or put on the agenda for future consideration."[87] Firstlight Network also raised a matter not covered by our draft decisions.

5.2 One of these amendments relates to the definition of 'reopener event' in clause 4.5.1(2) of the EDB IMs. This definition includes events that occur in the 12 months before the start of the regulatory period. We refer to this window of time before a regulatory period in the definition of 'reopener event' as the "leading window".

5.3 The Big Six submitted that the 12-month leading window does not reflect the complexities and challenges of, for example, a catastrophic event. They recommended amending the clause to add discretion to the Commission to approve a reopener event that occurs before the 12-month leading window.[88]

5.4 We have addressed these points raised by the Big Six in our final decision, as discussed in paragraphs 5.6 to 5.21 below.

5.5 We have considered the other additional matters put forward in submissions and respond to each in Table 5.1 on page 46. We are not making changes to the IMs in response to these submissions at this time.

Time limit for reopener events across regulatory periods (Decision 16)

Amendments to the EDB IMs and Transpower IMs (Decisions 16.1 and 16.2)

5.6 Our final decision is to amend clauses 4.5.1 and 5.6.1 in the EDB IMs and clause 3.7.1 in the Transpower IMs to provide that, a reopener event:

5.6.1 is an event that occurs in the period that begins on the date that is 18 months before the start of the regulatory period and ends at the end of the regulatory period; and

5.6.2 the Commission has discretion to consider responsive reopener events that occurred earlier than 18 months before the start of the regulatory period in exceptional circumstances, where we consider an application to reopen the preceding regulatory period was not reasonably possible before the end of that period.

---

87 The Big Six "Proposed amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – Draft decision" (23 January 2025), paragraph 3 and Annex

88 The Big Six "Proposed amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – Draft decision" (23 January 2025), paragraphs 19-21.

Current IM requirements

5.7 In the current EDB IMs, the definition of a 'reopener event' requires that the event occurs in the regulatory period or the 12-month 'leading window' before it.[89] The same time limit is provided for certain reopener events in the Transpower IMs.[90]

What we heard in submissions

5.8 The Big Six submitted that their understanding is that an EDB cannot apply for a reopener for events in years 1 to 4 of a preceding regulatory period once that regulatory period has ended. The Big Six suggested extending the 12-month timeframe for reopener events, citing difficulties in applying during truly catastrophic events. They proposed giving the Commission discretion to extend the time limit.[91]

5.9 Firstlight Network, impacted by Cyclone Gabrielle in February 2023, applied in August 2024 to reopen DPP3. In their submission on the current consultation, they sought clarification on whether revenue recovery could be extended to include event-related costs which were not incurred until DPP4.[92]

5.10 ENA[93] and Firstlight Network[94] also requested further clarification of our statement, in paragraph 3.10 of our draft reasons paper, that the definition of the REA means that "revenue recovery is potentially available … from the date of the event (up to 12 months prior to the beginning of the regulatory period) to the end of the regulatory period". They sought clarification as to whether that means the REA can be used to reopen a previous regulatory period.

Our reasons

5.11 In the IM Review 2023, we amended the EDB, GDB, GTB, and Transpower IMs to define a 'reopener event' as an event, or a series of related events, that begins on the date that is 12 months before the start of the regulatory period and ends at the end of the regulatory period.[95]

---

89 Clause 4.5.1 (2), 5.6.1(2) of the EDB IMs.

90 Clause 3.7.1(2) of the Transpower IMs.

91 The Big Six "Proposed amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – Draft decision" (23 January 2025), pp. 4-5.

92 Firstlight Network "Proposed amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – Draft decision" (23 January 2025), pp. 2-3.

93 ENA "Submission to the Commerce Commission (Commission) on proposed amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – draft decision" (23 January 2025), p. 2.

94 Firstlight Network "Proposed amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – Draft decision" (23 January 2025), p. 2.

95 Commerce Commission "CPP and in-period adjustment mechanisms topic paper – Part 4 Input Methodologies Review 2023 – Final decision" (13 December 2023), paragraph 5.24.

5.12 This decision recognised that providing a timeframe for reopener events which starts in advance of the regulatory period is appropriate, as it allows the application of the reopener provisions to events which may not be able, due to timing relative to when the price-quality path is being set, to be appropriately reflected in the price path for the next period.[96]

5.13 We consider that the policy intent in the IM Review 2023 for the 12-month 'leading window' to allow for the inclusion of events that occurred near the end of the preceding regulatory period remains appropriate. Decisions 16.1 and 16.2 reflect a view that this intent may be better served by extending the 12-month window to 18 months.

5.14 We have considered the submissions from the Big Six and Firstlight Network. We consider some events before the 12-month window may prevent timely reopener application due to external factors. Our work on Cyclone Gabrielle reopeners for Vector, Firstlight Network, and Unison indicated that the 12-month window may be too short to reflect the policy intent.

5.15 For example, a hypothetical event that occurred after 1 October 2023 (ie, 18 months prior to the start of DPP4) may not be accounted for in setting the price path for DPP4, and so (if it meets the relevant criteria) should be treated as a reopener event under DPP4. Thus, revenue recovery is potentially available for reopener events that are eligible for the REA and that occur up to 18 months before the start of the regulatory period. This is not reopening a previous price path (for example DPP3); it is a recognition that such events may justifiably not have been accounted for in setting the new price path.

5.16 We consider extending the window to 18 months achieves the policy intent in most cases:

5.16.1 For events that occurred before this time-window (eg, before 1 October 2023) we consider there should generally be sufficient time for a reopener application before the end of the regulatory period in which the event occurred.

5.16.2 For the events occurring between the 18 months and the end of the preceding regulatory period (eg, after 1 October 2023, with respect to the DPP4 regulatory period), an application is allowed within the regulatory period.

[96] Commerce Commission "CPP and in-period adjustment mechanisms topic paper – Part 4 Input Methodologies Review 2023 – Final decision" (13 December 2023), paragraph 5.26.

5.17 We consider this extension better promotes the s 52R purpose without negatively impacting the s 52A purpose, reducing the risk of a significant event not being recognised during a price-quality path reset.

5.18 The amended IMs also include a provision for us to consider events that occurred earlier than 18 months before the start of the regulatory period. We would only utilise this discretion in exceptional circumstances where we consider that evidence provided by an applicant demonstrates that it was not reasonably possible to reopen the preceding regulatory period (ie, that there was not an unreasonable delay between the event, the reopener application, and the expenditure in response) or include in the reset.

5.19 Other options we considered included removing the 12-month window entirely, and extending it to 24 months. Our view is that granting discretion to the Commission without specifying any time limit would not improve clarity or reduce complexity. Similarly, too long a window could decrease certainty and create a moral hazard, leading to inadequate mitigation efforts. This may also impact providers' incentives for investment and efficiency improvement (s 52A(1)(a) and (b) of the Act).

5.20 Of these options, we consider that our decision to apply an 18-month window, with a discretion for exceptional events outside this window, better promotes the long-term interests of consumers.

5.21 It is important to note for EDBs that, for complex and challenging catastrophic events, a CPP may be more suitable than a reopener. Applicants should consider this, particularly where the event is outside the 18-month window. Under our final decision regarding the CPP treatment of catastrophic events and related claw-back provisions, costs related to such events that occurred before the 18-month window may be recovered through claw-back.

Additional technical amendments proposed by submitters

5.22 We have considered the other amendments proposed by EDBs and have decided not to include them in this set of amendments. Table 5.1, below, outlines our responses to each of these proposals.

5.23 In preparing our response to these additional matters, we have followed the decision-making framework in Chapter 1. The primary rationale for not considering these matters at this time includes that they:

5.23.1 are outside the scope of the Notice of Intention;

5.23.2 relate to CPP IMs, so are better considered together with any CPP IM amendments;

5.23.3 do not promote the Part 4 purpose and the purpose of the IMs more effectively than the current provisions; or

5.24 can be addressed through an alternative option, such as:

5.24.1.1 guidance;

5.24.1.2 clarification in this paper; and

5.24.1.3 one-on-one discussion between the Commission and EDBs who are preparing a reopener application.

5.25 We have also considered the following:

5.25.1 whether the issue has a material impact on DPP4; and

5.25.2 the impact of deferring assessment / consideration to a future round of amendments.

5.26 We consider the impact of deferring consideration of these proposals to a future process to be low. And such deferral will allow for a more considered analysis than the timeline for this project permits.

Table 5.1: Responses to additional technical amendments proposed by submitters[97]

Amendment proposed by submitters	Our response
Clause 4.5.2(4)(b) – process for the reconsideration of the DPP (the Big Six)[98] Clarify that an application will not be rejected/considered incomplete solely because the Commission has requested information to assess whether a CPP application is more appropriate.	*Amendment not necessary to promote s 52A or s 52R purposes* In our final decision, we have clarified in clause 4.5.2(3) that an EDB that nominates a reopener event must provide, at the time of nomination, sufficient information to enable the Commission to assess a reopener event. We do not consider that the application is rejected or considered incomplete solely because the Commission has *requested* information to assess whether a CPP application is more appropriate. We intend to outline in our EDB Reopener Guidance the type of information that applicants should provide for the “more appropriate as a CPP” clause which would likely assist with reducing requests from us for further information. The IM Review 2023 made it clear that this clause provides the Commission with the *option* to decline DPP reopener applications that are better suited to a CPP application. Allowing for the option to decline reopener applications that are better suited to CPPs, does not give the Commission discretion not to consider a reopener application. [99]

[97] Clause references in this table refer to the EDB IMs.

[98] The Big Six “Proposed amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – Draft decision” (23 January 2025), p. 12.

[99] Commerce Commission “CPP and in-period adjustment mechanisms topic paper – Part 4 Input Methodologies Review 2023 – Final decision” (13 December 2023), Chapter 5, pp. 61 and 73.

Amendment proposed by submitters	Our response
Clause 4.5.5 – Change event (the Big Six)[100] Clause 4.5.5(2) provides that a change event is a regulatory or legislative requirement that applies as a result of new or amended legislation, or judicial clarification of legislation. It is not clear what the Commission considers is a "regulatory" requirement, as distinct from a "legislative" requirement, that applies as a result of legislation. Past decisions of the Commission have suggested the Commission construes the change event reopener very narrowly; for example the Commission decision to decline Vector's application for a reopener based on the passage of the Health and Safety at Work Act 2015. It would be helpful to have more clarity on the scope of the change event reopener for example, an IM definition as proposed above, and some idea of the kinds of regulatory or legislative requirement that the Commission is contemplating. For example, would the Commission consider it to be a change event if a local or regional council enacts a managed retreat adaptation plan that results in an EDB having to remove asset at cost and/or build new asset to accommodate the relocation?	*Amendment not necessary to promote s 52A or s 52R purposes* The section on our Decision 9.1 provides details about how the amendments to the application of the 'change event' price-quality path reopener better promote the Part 4 Purpose (s 52A(1)(a) and (b) of the Act). We consider paragraph 3.2 in this paper provides a clearly expanded scope for a change event reopener. Legislative requirements are requirements that are written in Acts of Parliament (eg, the Commerce Act 1986). Regulatory requirements are requirements that are developed by Government and other regulatory bodies (eg, the Commerce Commission) to implement acts of Parliament, and are written in secondary legislation (such as the input methodologies). While a change in legislation or regulation can be a trigger for an application for a change event reopener, the change itself would not guarantee that the Commission will consider the event as a reopener. We are mindful of the risks of providing premature guidance on the types of scenarios that change event reopeners are available for in the absence of complete information about the scenarios in question. This is also consistent with the extent of interpretation guidance in our EDB Reopener Guidance due to be published shortly. We may consider providing high-level guidance in future in the form of FAQs on the Reopener page of our website if there are lessons learnt from having assessed and evaluated change event reopeners.

[100] The Big Six "Proposed amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – Draft decision" (23 January 2025), p. 12.

Amendment proposed by submitters	Our response
Clause 4.5.7 – false or misleading information (the Big Six)[101] The provision of false and misleading information constitutes a reopener event, but in contrast to other clauses that define reopener events, the meaning of this clause is unclear. It might more clearly read: The discovery of false or misleading information will constitute a reopener event if the false or misleading information— (a) related to the making or amending of a DPP determination and was— (i) provided by an EDB [et seq]	*Do not consider amendment is consistent with original policy intent and does not better promote s 52A or s 52R purposes* We consider the proposed drafting does not promote the Part 4 purpose and the purpose of the IMs more effectively than the current provisions. It limits the provider of false or misleading information to EDBs only, which was not our policy intention.

[101] The Big Six "Proposed amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – Draft decision" (23 January 2025), p. 12.

Amendment proposed by submitters	Our response
Clause 4.5.9/10 – unforeseeable/foreseeable large projects (the Big Six)[102] The definition of unforeseeable/foreseeable large projects allows for recovery of resilience capex but not opex solutions. This means that, as between a capex solution and a more efficient opex solution, the IMs as currently drafted encourage an EDB to prefer the capex solution. It is not clear why the IMs do not allow for recovery of opex solutions for resilience through a reopener. The Commission should consider the outcome that an EDB applies for a capex solution for resilience, is successful, and following certainty of the capex funding tenders an equivalent opex solution to ensure efficiency for its consumers. If the opex solution is more cost efficient for its consumers over the long-term, the EDB may better deliver a least cost life cycle basis solution by implementing the opex solution and relying on IRIS to equalise the capex underspend and opex overspend.	*Do not consider amendment is consistent with original policy intent and does not better promote s 52A or s 52R purposes* The IM Review 2023 made amendments to the EDB Unforeseeable large capex project and the Foreseeable large capex project reopeners in the EDB IMs, by providing for predominantly opex solutions in relation to system growth, and by including opex consequential to the implementation of capex-based solutions. [103] Where a more efficient opex solution (or alternative capex-based solution) emerges after a reopener has been applied for and approved, the regime provides the flexibility for an EDB to choose it and the IRIS mechanism provides an incentive to do so (as is the case for all reopeners and for base opex and capex allowances). EDB Foreseeable large project resilience capex subcategory was provided for circumstances faced by the regulated supplier such as a zone substation needs to be relocated due to flood risk. [104] Potential circumstances that require resilience opex was not obvious to us at that time. In general, most resilience expenditure should occur as part of a regulated supplier's ordinary asset management and renewal programme of work. Resilience expenditure that qualifies for the resilience reopeners will be limited to a capex project or programme, and any consequential opex, that has a primary driver relating to "resilience capex". [105] We noted this matter and may consider this in the future. At this time, we are only considering technical changes that correctly give effect to our policy decisions, improve workability of the IMs relating to reopeners, and improve the clarity and certainty of the rules and processes for reopeners.

[102] The Big Six "Proposed amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – Draft decision" (23 January 2025), pp. 12-13.

[103] Commerce Commission "CPP and in-period adjustment mechanisms topic paper – Part 4 Input Methodologies Review 2023 – Final decision" (13 December 2023), page 94.

Amendment proposed by submitters	Our response
Clause 4.5.10(1)(i)(ii) – foreseeable large projects (the Big Six)[106] A requirement for a foreseeable large project reopener is that: (i) the project was included in the EDB's forecast used to determine the EBD, but (ii) excluded by the Commission from the expenditure allowance. Given expenditure allowances are fully substitutable, it is not clear what information/evidence EDBs should provide to demonstrate that a project is not included in the expenditure allowance. Having certainty on this issue is important as a number of EDBs whose AMPs were moderated in the DPP determination will be relying on an expectation that the foreseeable large project reopener is available to recover some of that forecast expenditure (without the need to apply for a CPP). We would appreciate more clarity in the IMs, or guidance from the Commission, on this issue.	*Amendment not necessary to promote s 52A or s 52R purposes* We support the submission that providing clarity on what information and evidence EDBs should provide to demonstrate that a project is not included in the expenditure allowance is important. We are planning to provide high-level guidance on this in our EDB Reopener Guidance due to be published shortly and we consider this should provide sufficient clarity for EDBs.

104 Commerce Commission "CPP and in-period adjustment mechanisms topic paper – Part 4 Input Methodologies Review 2023 – Final decision" (13 December 2023), page 49.

105 Commerce Commission "CPP and in-period adjustment mechanisms topic paper – Part 4 Input Methodologies Review 2023 – Final decision" (13 December 2023), page 113.

106 The Big Six "Proposed amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – Draft decision" (23 January 2025), p. 13.

Amendment proposed by submitters	Our response
Clause 4.5.13 and 4.5.15 (the Big Six)[107] Clauses 4.5.13 and 4.5.15 appear to set up a two-stage assessment process where the Commission: • first assesses under clause 4.5.13 "whether" to amend the DPP; and then • if the Commission has decided to amend the DPP, separately and subsequently decides under clause 4.5.15 how (ie, to what extent) to amend the DPP. The two-stage approach, on a plain reading, suggests that the matters set out in clause 4.5.13 are relevant only to the binary decision whether or not to reopen and conversely are not relevant to the question of how to amend the DPP. Is that what the Commission intends? Further comments on clause 4.5.13: • clause 4.5.13(1)(a) appears to duplicate the criteria that apply when determining whether or not a reopener event has occurred (eg, FNAR thresholds); • under clause 4.5.13(1)(c)(ii)(B) it's not clear what the "adverse consequences" of a foreseeable/unforeseeable large project reopener event are. The language of "adverse consequences" is apt for a catastrophic event, but potentially not for other reopeners.	*Amendment not necessary to promote s 52A or s 52R purposes* The matters under Clause 4.5.13 relate to the decision on whether to amend the DPP and are separate to the matters under clause 4.5.15 which relate to the decision on the extent of amendment (how much to amend) to the price-quality path. Both these clauses are located in Section 3 "Commission consideration of whether and how to amend the DPP". Clause 4.5.13(1)(a) is not a duplication. The clauses in Section 2 Events that may be reopener events relate to minimum materiality thresholds for reopeners whereas Clause 4.5.13(1)(a) considers the overall impact of the reopener event. Regarding clause 4.5.13(1)(c)(ii)(B), although we agree that the use of the word "adverse" may not be apt for all reopeners, it does not impact how the clause applies.

[107] The Big Six "Proposed amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – Draft decision" (23 January 2025), pp. 13-14.

Amendment proposed by submitters	Our response
Clause 4.5.14 – Commission may determine CPP proposal more appropriate (the Big Six)[108] There are a number of terms in this clause that are not clearly explained and could usefully be clarified; for example: • "a wide range of costs specific to the EDB that were used explicitly or implicitly to set the DPP"; • "the materiality of the likely…quality of service effects on consumers of the amendment to the price path to mitigate the effect of the reopener event on the DPP"; • "whether the amendment…is likely to have any upstream or downstream effects on the network" (for example, "…downstream effects of material expenditure of quality impacts on the network").	*Amendment not necessary to promote s 52A or s 52R purposes* In the IM Review 2023, we included these subclauses on characteristics of a CPP to guide EDBs and avoid them making an application that might be declined as a DPP reopener. We will be providing some further guidance in the EDB Reopener Guidance on how the overall clause is applied.
Clause 4.5.15 – Amending DPP after reconsideration (the Big Six)[109] It is not clear what the relationship is between clauses 4.5.15(5)(a) and (b). Subclause (a) refers to "mitigating the effect" of the reopener event while (b) refers to "taking account of the change resulting from the reopener event". These provisions appear to significantly overlap, or alternatively the distinct meaning of these provisions is unclear. Clause 4.5.15(8) appears to duplicate (6).	*Amendment not necessary to promote s 52A or s 52R purposes* Clause 4.5.15(5)(a) refers to mitigating the effect of the reopener event on the DPP, while clause 4.5.15(5)(b) specifically refers to taking account of the change resulting from the reopener event, less any costs already approved in a reopener event allowance for the same reopener event. Both clause 4.5.15(6) and 4.5.15(8) refer to the expenditure objective though phrased differently. One relies on the definition of 'expenditure objective' whereas the other expands the definition within the clause. 4.5.15(8) is also specific to the unforeseeable and foreseeable large project reopeners. We consider an amendment does not promote the Part 4 purpose and the purpose of the IMs more effectively than the current provisions. We have noted this matter for future consideration in future IM reviews.

108 The Big Six "Proposed amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – Draft decision" (23 January 2025), p. 14.

109 The Big Six "Proposed amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – Draft decision" (23 January 2025), p. 14.

Amendment proposed by submitters	Our response
Clause 5.6.1 – when a CPP may be amended (the Big Six)[110] The DPP reopeners include "risk events", but this is a not a category of reopener under the CPP. In our view, the rationale that supports inclusion of the risk event reopener in the DPP applies equally in the context of a CPP, and should be considered for inclusion in the CPP IMs.	*Amendment does not need to be considered before the start of DPP4* The 'risk events' reopener was added to DPP section of the EDB IMs in the IM Review 2023. We did not receive any submissions requesting this reopener be considered for CPPs at that time. This matter has not been considered as we are only considering technical changes that correctly give effect to our policy decisions, improve workability of the IMs relating to reopeners, and improve the clarity and certainty of the rules and processes for reopeners. We have noted this matter for future consideration, and we may consider it as part of any future CPP IM amendments.
Clause 5.6.11 – unforeseen project (the Big Six)[111] The criteria for unforeseen projects under the CPP IMs are much simpler than the equivalent reopener in the DPP IMs. The Commission may want to consider whether the criteria in the IMs sufficiently capture the matters that the Commission would intend to consider in practice. If not, then the IMs should be amended so that EDBs have more clarity on how this reopener will function. We would also appreciate the Commission's confirmation that, unlike the unforeseeable large project reopener in the DPP, the unforeseen project reopener in the CPP can apply to any category of expenditure, including asset renewals, and is not limited to those categories of expenditure that are recoverable under the equivalent DPP reopener.	*Amendment does not need to be considered before the start of DPP4* This is a type of reopener specific to CPP only – it allows for incremental expenditure for projects where timing, cost and scope were not known at the time the CPP was set. It is intentional that the Unforeseen project definition (clause 5.6.11 of the EDB IMs) is different to the Unforeseeable large project (clause 4.5.9 of the EDB IMs). It is a general reopener and not specific to primary drivers of expenditure.

110 The Big Six "Proposed amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – Draft decision" (23 January 2025), p. 14.

111 The Big Six "Proposed amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – Draft decision" (23 January 2025), pp. 14-15.

Amendment proposed by submitters	Our response
Guidance for demonstrating reprioritisation (Firstlight Network) Clarify if the requirement in the IMs to demonstrate that 'planned Capex and Opex have been appropriately reviewed and reprioritised' implies that EDBs are expected to use any potential or expected efficiency savings for the remainder of the regulatory period to fund the costs associated with a reopener event. Need to explicitly clarify in the IMs how efficiency savings achieved by an EDB should be treated differently to other reprioritisation opportunities in a reopener event. We are concerned that demonstrating reprioritization will involve considerable administrative effort and have unintended costs and challenges. The process of demonstrating reprioritization can create delays in implementing critical projects or decisions. The complexity of their financial and operational decision-making processes could increase. The objective of promoting responsible financial management and ensuring regulatory compliance can only be achieved if the criteria is applied with sufficient flexibility, taking into account the materiality of the reopener application value and ensuring that the scrutiny and reprioritisation efforts are proportionate to the value of the reopener. Seek clear guidance on the criteria the Commission will use to assess the reprioritisation efforts of EDBs.	*Amendment not necessary to promote s 52A or s 52R purposes* In our view EDBs should always prioritise expenditure to provide services in an efficient way. This matter is noted. We are planning to provide high-level guidance in our EDB Reopener Guidance on review and reprioritisation.

Amendment proposed by submitters	Our response
Reviewing the major transaction and transfer provisions in the IMs and the DPP determinations (the Big Six) The major transaction and transfer provisions in the IMs and the DPP determination should be reviewed. Those provisions have a number of practical implementation problems that unnecessarily complicate transactions between EDBs, or by investors in EDBs. To take two examples: the DPP determination defines as a "merger" any acquisition which gives one EDB a "substantial degree of influence" over another EDB, which could include the acquisition of a minority interest, including by a holding company. In that situation, the DPP determination requires adjustments to the price paths, even if the EDBs remain operationally separate and with largely separate ownership; and the general rule where two EDBs merge is that the price paths are amalgamated. But given that most transactions will be effected by means of a share sale rather than asset sale, both regulated entities will continue to exist post-merger and could, in principle, continue to operate under separate price-quality paths. That may be an appropriate outcome where, for example, a financial investor owns multiple EDBs that are operationally separate. More flexibility should be available to EDBs to adjust or amalgamate price paths as is most appropriate in the circumstances.	*Issue is outside the scope of the Notice of Intention* This matter is noted for future consideration.

Attachment A Overview of how these amendments affect the reopener process for EDB DPP, CPP and Transpower

Table A1: EDBs - Overview of how these amendments affect the reopener process for the DPP

Note: Decision numbers for each final decision are referenced in **bold** for ease of reference, for example **[1.1]**.[112]
Clause references refer to the Electricity Distribution Services Input Methodologies (Reopeners and Other Matters) Amendment Determination 2025.

Final decisions	Purpose of this change	Clause references
Section 1 When the Commission can reconsider the DPP		
[3.1] Classification of price-quality path reopener events as different categories of 'reopener events', to reflect differences in policy treatment.	Ensure the IMs correctly give effect to our policy decisions. Support implementation of decisions relating to reopeners.	1.1.4(2) 4.5.1(3) 4.5.2(1) 4.5.2(4) 4.5.9(1)-(2) 4.5.10(1)-(2) 4.5.14(2)
[16.1] Time limit for reopener events across regulatory periods.	Better promotes the s 52R purpose by reducing the risk of a significant event not being recognized during a price-quality path reset.	4.5.1(2) 4.5.1(2A)
Process for reconsideration of the DPP (included in Section 1)		
Drafting changes to clause 4.5.2 that are consequential to decisions 1.1, 3.1 and 13.1 (as noted elsewhere in this table).		

[112] Where a decision applies to both the EDBs and Transpower, the decision number X.1 denotes the amendment to the EDB IMs and decision number X.2 denotes the amendment to the Transpower IMs or Transpower IPP determination.

Final decisions	Purpose of this change	Clause references
Section 2 Reopener event definitions ("Events that may be reopener events")		
[9.1] Application of the 'change event' price-quality path reopener.	Better promote the Part 4 Purpose (s 52A(1)(a) and (b) of the Act).	4.5.5(2)
[10.1] Distinguishing price-quality path reopener event criteria from reopener assessment factors.	Improve the clarity and certainty of the rules and processes for reopeners.	4.5.4(1) 4.5.5(1)
[11.1] Catastrophic event reopener application criteria – treatment of quality requirements.	Ensure the IMs correctly give effect to our policy decisions; improve the clarity and certainty of the rules and processes for reopeners.	1.1.4(2) 4.5.4
[12.1] Catastrophic event reopener application criteria - treatment of insurance.	Improve the clarity and certainty of the rules and processes for reopeners.	4.5.4(1)
Section 3 Commission consideration of whether to amend the DPP ("assessment factors")		
[13.1] Changes to mandatory considerations in price-quality path amendment assessment factors.	Reduce compliance and regulatory costs.	4.5.1(1) 4.5.2(3)-(4) 4.5.13(1)
Amending the DPP after reconsideration (included in Section 3)		
[1.1] Time limits and expenditure eligibility for 'reopener events'.	Improve certainty regarding the rules and processes that apply.	1.1.4(2) 4.5.2 4.5.15(3)-(4) & 4A 4.5.15(5)
[2.1] Scope of the 'reopener event allowance' (REA).	Ensure the IMs correctly give effect to our policy decisions.	1.1.4(2)
[4.1] Processes for reopening EDB revenue allowances.	Reduce complexity, and reduce regulatory and compliance costs. Improve the workability of the IMs relating to reopeners, such that they are	3.1.1(5A) 3.1.4(4) 3.1.4(11A)

Final decisions	Purpose of this change	Clause references
	fit-for-purpose for the DPP4 regulatory period.	
[5.1] Double recovery of capital costs already included in a REA and definition of 'additional net costs'.	Improve certainty regarding the rules and processes that apply. Better promote the Part 4 Purpose (s 52A(1)(a) and (d) of the Act).	1.1.4(2) 3.1.3(1) 3.3.11(2)
[6.1, 7.1, 8.1] Incremental rolling incentive scheme (IRIS): calculation of incentive adjustments where a price-quality path is amended following a reopener event • scope of clause 3.3.13; • overlapping treatment of 'major transaction events'; • workability of the calculation of incentive adjustment amounts under clause 3.3.13 and 3.3.14.	Ensure the IMs correctly give effect to our policy decisions.	3.3.13 3.3.14 4.2.5(1)

Table A2: EDBs - Overview of how these amendments affect the reopener process for CPPs

Note: Decision numbers for each final decision are referenced in **bold** for ease of reference, for example **[1.1]**.
Clause references refer to the Electricity Distribution Services Input Methodologies (Reopeners and Other Matters) Amendment Determination 2025.

Final decisions	Purpose of this change	Clause references
Section 1 When the Commission can reconsider the CPP		
[3.1] Classification of price-quality path reopener events as different categories of 'reopener events', to reflect differences in policy treatment.	Ensure the IMs correctly give effect to our policy decisions. Support implementation of decisions relating to reopeners.	1.1.4(2) 5.6.1(3) 5.6.2(1)
[16.1] Time limit for reopener events across regulatory periods.	Better promotes the s 52R purpose by reducing the risk of a significant event not being recognized during a price-quality path reset.	5.6.1(2) 5.6.1(2A)
Process for reconsideration of the CPP (included in Section 1)		
Drafting changes to clause 5.6.2 that are consequential to decisions 1.1, 3.1 and 13.1 (as noted elsewhere in this table).		
Section 2 Reopener event definitions ("Events that may be reopener events")		
[9.1] Application of the 'change event' price-quality path reopener.	Better promote the Part 4 Purpose (s 52A(1)(a) and (b) of the Act).	5.6.5(2)
[11.1] Catastrophic event reopener application criteria – treatment of quality requirements.	Ensure the IMs correctly give effect to our policy decisions. Improve the clarity and certainty of the rules and processes for reopeners.	1.1.4(2) 5.6.4(1) 5.6.4(1A)

Final decisions	Purpose of this change	Clause references
[12.1] Catastrophic event reopener application criteria - treatment of insurance.	Improve the clarity and certainty of the rules and processes for reopeners.	5.6.4(1)
Section 3 Commission consideration of whether to amend the CPP ("assessment factors")		
[13.1] Changes to mandatory considerations in price-quality path amendment assessment factors.	Reduce compliance and regulatory costs.	5.6.1(1) 5.6.2(3) 5.6.12(1)
Amending the CPP after reconsideration (included in Section 3)		
[1.1] Time limits and expenditure eligibility for 'reopener events'.	Improve certainty regarding the rules and processes that apply.	1.1.4(2) 5.6.2 5.6.13(2) 5.6.13(3), (4) and (5)
[2.1] Scope of the 'reopener event allowance' (REA).	Ensure the IMs correctly give effect to our policy decisions.	1.1.4(2)
[4.1] Processes for reopening EDB revenue allowances.	Reduce complexity and reduce regulatory and compliance costs. Improve the workability of the IMs relating to reopeners, such that they are fit-for-purpose for the DPP4 regulatory period.	3.1.1(5A) 3.1.4(4) 3.1.4(11A)
[5.1] Double recovery of capital costs already included in a REA and definition of 'additional net costs'.	Improve certainty regarding the rules and processes that apply. Better promote the Part 4 Purpose (s 52A(1)(a) and (d) of the Act).	1.1.4(2) 3.1.3(1) 3.3.11(2)
[6.1, 7.1, 8.1] Incremental rolling incentive scheme (IRIS): calculation of incentive adjustments where a price-quality path is amended following a reopener event:	Ensure the IMs correctly give effect to our policy decisions.	3.3.13 3.3.14

Final decisions	Purpose of this change	Clause references
• scope of clause 3.3.13; • overlapping treatment of 'major transaction events'; • workability of the calculation of incentive adjustment amounts under clause 3.3.13 and 3.3.14.	Improve the workability of the IMs relating to reopeners, such that they are fit-for-purpose for the DPP4 regulatory period.	
Technical change to correct drafting error: Catastrophic events in advance of a CPP application		
[14.1] CPP treatment of catastrophic events.	Ensure the IMs correctly give effect to our policy decisions.	5.3.4(2) 5.3.4(4) 5.6.4(1)

Table A3: Transpower - Overview of how these amendments affect the reopener process

Note: Decision numbers for each final decision are referenced in **bold** for ease of reference, for example **[1.2]**.
Clause references refer to the Transpower Input Methodologies (Reopeners and Other Matters) Amendment Determination 2025 and, for decision 5.2, to the Transpower Individual Price-Quality Path Amendment Determination 2025 (No. 2).

Final decisions	Purpose of this change	Clause references
Section 1 When the Commission can reconsider the IPP		
[3.2] Classification of price-quality path reopener events as different categories of 'reopener events', to reflect differences in policy treatment.	Ensure the IMs correctly give effect to our policy decisions.	1.1.4(2) 3.6.5 3.7.1(2) 3.7.2(1) 3.7.11(6)-(7)
[16.2] Time limit for reopener events across regulatory periods.	Better promotes the s 52R purpose by reducing the risk of a significant event not being recognized during a price-quality path reset.	3.7.1(2) 3.7.1(2A)
Process for reconsideration of the IPP (included in Section 1)		
Drafting changes to clause 3.7.2 that are consequential to decisions 1.2, 3.2 and 13.2 (as noted elsewhere in this table).		
Section 2 Reopener event definitions ("Events that may be reopener events")		
[9.2] Application of the 'change event' price-quality path reopener.	Better promote the Part 4 Purpose (s 52A(1)(a) and (b) of the Act).	3.7.5(2)-(2A)
[12.2] Catastrophic event reopener application criteria - treatment of insurance.	Improve the clarity and certainty of the rules and processes for reopeners.	3.7.4(1)

Final decisions	Purpose of this change	Clause references
Section 3 Commission consideration of whether to amend the IPP ("assessment factors")		
[13.2] Changes to mandatory considerations in price-quality path amendment assessment factors.	Reduce compliance and regulatory costs.	3.7.1(1) 3.7.2(3) 3.7.10(1)
Amending the IPP after reconsideration (included in Section 3)		
[1.2] Time limits and expenditure eligibility for 'reopener events'.	Improve certainty regarding the rules and processes that apply.	1.1.4(2) 3.7.2 3.7.11(2)-(5)
[2.2] Scope of the 'reopener event allowance' (REA).	Ensure the IMs correctly give effect to our policy decisions.	1.1.4(2)

Attachment B Glossary

Abbreviation	Definition
the Act	Commerce Act 1986
ANAR	Actual Net Allowable Revenue
AMP	Asset Management Plan
BBAR	Building Blocks Allowable Revenue
Capex	Capital Expenditure
CPP	Customised Price-quality Path
DPP	Default Price-quality Path
DPP3	DPP that applies from 1 April 2020 to 31 March 2025
DPP4	DPP that will apply from 1 April 2025 to 31 March 2030
EA	Electricity Authority
EDB	Electricity Distribution Business
EDB IMs	Input methodologies for electricity distribution businesses
ENA	Electricity Networks Aotearoa
EV account	Economic Value account
FCM	Financial capital maintenance
Fibre IMs	Fibre IMs set under Part 6 of the Telecommunications Act 2001
FMCP	Foreseeable major capex project
FNAR	Forecast Net Allowable Revenue
GAAP	Generally Accepted Accounting Practice
Gas IMs	Input Methodologies for gas pipeline businesses
ICP	Installation Control Points
ID	Information Disclosure
IMs	Input Methodologies (refers to Part 4 IMs which are the subject of the IM Review, unless identified otherwise)
IM Review 2023	Input Methodologies Review 2023
IPP	Individual Price-quality Path
IPP determination	Transpower Individual Price-Quality Path Determination 2025
IRIS	Incremental Rolling Incentive Scheme
MAR	Maximum Allowable Revenue
Opex	Operating expenditure
Part 4	Part 4 of the Commerce Act 1986
PQ	Price-quality
Price-quality path	Refers to the maximum revenues (or weighted average prices) regulated suppliers can recover from their consumers and the minimum quality standards they must meet when delivering electricity and/or gas transmission and distribution services.
PV	Present Value
RAB	Regulated Asset Base
RCP4	IPP that will apply from 1 April 2025 to 31 March 2030
REA	Reopener Event Allowance
SAIDI	System Average Interruption Duration Index
SAIFI	System Average Interruption Frequency Index
Transpower IMs	Input methodologies for Transpower
Transpower IPP	Transpower Individual Price-Quality Path
WACC	Weighted Average Cost of Capital