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Tēnā koe Ben

FIRSTLIGHT CATASTROPHIC EVENT RECONSIDERATION CONSULTATION

1. Unison Networks Limited (**Unison**) welcomes the opportunity to provide our views on the Firstlight catastrophic event draft decision.
2. Unison submitted a catastrophic event reopener application (Unison CE reopener) on 31 March 2025 that is currently being considered by the Commission. Firstlight's catastrophic event application is the first catastrophic event application to be considered by the Commission.
3. This submission sets out Unison's views on:
 - Threshold calculation
 - Proportionate scrutiny
 - Quality incentive adjustment
4. Interpretation matters relevant to the Firstlight application are presented in this submission. Unison intends engaging with the Commission on matters that are relevant only to the Unison application when the Commission considers that application.

Threshold calculation

5. Unison supports the Commission's proposed interpretation that capital expenditure (capex) is a cost incurred in the year of spend when determining the materiality of a CE reopener.
6. Unison also supports the Commission's intention to increase certainty by interpreting the materiality threshold as a gate through which an application must pass for further assessment. Applicants have incurred significant time and resource to prepare their applications, including engagement with the Commission on the uncertainty that is inherent in the catastrophic event requirements. Assessing the materiality of the threshold once at the beginning of the process

will provide certainty to applicants that the investment in the application was appropriate by reducing the risk that applications will be declined based on differences in interpretation or refined forecast values.

Proportionate scrutiny

7. Unison recommends that the Commission provide clarity on how it intends to apply proportionate scrutiny. Firstlight provided advice from an independent third party on the prudence and efficiency of costs included in their application. It appears that the Commission has then also applied additional scrutiny to those costs.
8. This level of scrutiny appears greater than the scrutiny that is applied in other regulatory decisions, such as DPPs and CPPs. Unison's concern is that if the Commission is seen as using catastrophic event applications or other reopener application processes as a means of applying additional scrutiny to an EDB then the required incentive of reopeners will be weakened.
9. The application of additional scrutiny also has a financial cost and impact on already constrained resources. When responding to catastrophic events, EDBs are time and resource poor. Clarity on how the Commission intends to apply proportionate scrutiny will allow EDBs to allocate resources to the needs of their customers and community at a time when their needs are high.
10. Unison, in its application, has outlined how Unison's management has relied on its internal controls and processes in assessing the efficiency and prudence of catastrophic event costs. These are the same or similar controls and processes that are place when costs are incurred that the Commission relies on when making DPP decisions. Scrutiny beyond a DPP decision should be proportionate, explained and justified.
11. A decision on the application of proportionate scrutiny for the Unison CE reopener should also factor in that the decision will likely be less than 0.5% of the DPP decision.
12. We look forward to working with the Commission to determine how best to apply scrutiny that is proportionate, cost effective and therefore in the best interest of consumers.

Quality incentive

13. The Commission's draft decision is that the cyclone had no impact on Firstlight's quality incentive adjustment (QIA) amount. The decision is based on the Commission's analysis that there is no financial impact of the cyclone on the Quality Incentive Adjustment for Firstlight in FY23.
14. We contend that the approach applied by the Commission in making this draft decision is too narrow and potentially does not encompass all the impacts of the event on quality.
15. The impact of an event on quality is not always limited to the period of the event, as has been assumed in the draft decision. There can also be implications for quality in the period beyond the actual event. Impaired network assets and the reallocation of resources to address cyclone

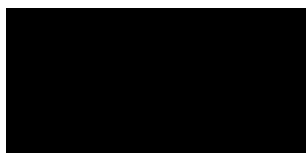
implications impact reliability on an on-going basis. The approach applied in the Firstlight draft decision fails to recognise these impacts.

16. Unison cannot speak to the impact of this on the Firstlight application. However, we will engage with the Commission on this as part of the consideration of the Unison CE reopener.

Concluding comment

17. Thank you for the opportunity to provide views on the Firstlight catastrophic event reconsideration draft decision. If you have any questions on this submission, you can contact me at [REDACTED]

Nāku noa, nā



Jason Larkin
GM Commercial and Regulatory