

15 May 2025

Ben Woodham

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Dear Ben

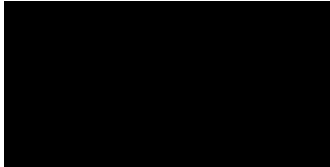
Firstlight – catastrophic event reconsideration consultation

1. This is Vector's submission on the Commerce Commission's (Commission) draft decision on Firstlight's catastrophic event re-opener application.
2. Cyclone Gabrielle was an unprecedented weather event in New Zealand. We are pleased the draft decision recognises that –
 - Cyclone Gabrielle was a catastrophic event and clearly beyond EDB control;
 - DPP3 did not provide either explicitly or implicitly for expenditure to address an event of this magnitude; and
 - An event of this magnitude could not have been foreseen at the time DPP3 was determined.
3. We agree with the Commission's approach to base the materiality threshold on the reasonable costs presented in the application rather than remediation costs accepted after the Commission's assessment. We agree with the draft decision this will better promote certainty.
4. We don't agree with the Commission's interpretation that "additional net costs" are limited to IRIS penalty amounts. We consider the better interpretation is that "additional net costs" are at least the difference between building blocks allowable revenue with and without the costs incurred for the reasons set out in our catastrophic event re-opener application.¹
5. We recommend the Commission apply the concept of proportionate scrutiny as a key consideration in determining all re-opener applications. In the context of a catastrophic event, the Commission also must bear in mind the operational conditions in which the expenditure occurred (i.e. in the case of Cyclone Gabrielle, during an unprecedented natural disaster). If the Commission does not apply proportionate scrutiny the re-opener

¹ At para 16

process will cause unnecessary costs to be incurred and, ultimately, could harm investment incentives if EDBs are deterred from using the re-opener process to recover their efficient costs.

Yours sincerely



Richard Sharp

GM Economic Regulation and Pricing