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Sent by email to: regulation.branch@comcom.govt.nz

10 July 2019

Dear Dane

Treatment of operating leases issues paper

Powerco appreciates the opportunity to provide feedback on the Commerce Commission's issues paper of 6 June 2019. Our response prioritises simplicity (where consistency promotes accuracy) and proportionality. These are guiding principles of the DPP regime.

Key points:

- We support the ENA submission based on pwc analysis.
- We support alignment with GAAP. Powerco has already adopted NZ IFRS 16 and incorporated the impact of this in the Information Disclosure reports.
- We do not support changing the IRIS Input Methodologies during the regulatory period due to the costs outweighing the benefits because:
    - An initial analysis by pwc as referred to above suggests the combined effect of the regulatory amendments considered[1] is very low. It is therefore unlikely to affect the approach taken by EDBs to leases, nor materially distort incentive payments across the sector.
    - But it will create material compliance complexity. This is because the compliance costs to maintain two sets of account data to meet GAAP accounting and regulatory accounting will increase.

If you have any questions on this submission, or would like to discuss these issues further, please contact Leisa Patel (Leisa.Patel@powerco.co.nz).

Yours sincerely

Stuart Marshall
General Manager Regulation and Commercial

[1] Notional tax asset added; GAAP life applied to right of use assets (10 years); operating lease expenditure treated as opex for IRIS and right of use asset excluded from capex IRIS