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Commerce Commission
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By email: regulation.branch@comcom.govt.nz

RECONSIDERATION OF DEFAULT PRICE-QUALITY PATH FOR UNISON NETWORKS LIMITED

We welcome the opportunity to submit our views on the Commerce Commission's (the **Commission's**) *"Reconsideration of default price-quality path for Unison Networks Limited – unforeseeable major capex project to supply Tauhara geothermal power station – Draft decision"* paper.

We do not consider any part of our submission to be confidential.

We support the Commission's decision to accept Unison's request to amend its DPP3 price path.

It is encouraging to see that the reconsideration mechanisms available to distributors under the Electricity Distribution Services Input Methodologies Determination 2012 (**IMs**) are being utilised.

In a rapidly changing environment, the reconsideration mechanisms will likely be an important mechanism to enable distributors to meet demand that is unable to be forecast with certainty at the time the regulatory period is reset.

Operating expenditure

The Commission declined to approve additional operating expenditure of \$4,400 per annum, from RY2024, in respect of increased insurance premia associated with the new assets created by Unison's unforeseeable major capex project (**UMCP**). The Commission's rationale for declining to consider the insurance premia is that the IMs require that capital expenditure only be considered¹.

We consider that an alternative interpretation of the IMs is available to the Commission, which would lead to the operational expenditure being eligible for consideration.

Clause 4.5.6 of the IMs sets out the circumstances under which a DPP may be reconsidered by the Commission and, in the context of Unison's application, clause 4.5.5A defines the characteristics of an UMCP. While these key definitional clauses clearly restrict the events that give rise to a DPP reopener, neither clause specifically restrains the Commission from considering operational expenditure impacts. All the clauses do is:

- identify the circumstances under which the DPP may be reopened; and
- describe, for each relevant event, the characteristics that must be observed to qualify.

¹ Commerce Commission. (2021). Reconsideration of default price-quality path for Unison Networks Limited – unforeseeable major capex project to supply Tauhara geothermal power station – Draft decision. Paragraph 4.9, p19.

Further, reconsideration of the DPP is inclusive, and does not specify that only certain expenditure types may or must be excluded from consideration.

In Aurora's view, it is entirely appropriate that no restriction exists, as non-network alternatives can be expected to play an increasingly pivotal role in the delivery of electricity lines services. It is entirely conceivable that future UMCP's, while remaining predominantly capital expenditure, may also include a material component of operational expenditure.

In Aurora's view, the additional insurance premia identified by Unison is clearly consequential to the UMCP and, given that the Commission is not constrained from assessing that expenditure, should be included in the DPP reopening considerations.

Yours sincerely

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke at the end.

Shaan Ross

Regulatory Manager