



Reconsideration of DPP3 default price-quality path for Vector Limited – Cyclone Gabrielle catastrophic event

Final decision

3 September 2025



Introduction

1. This paper sets out our final decision under section 52P of the Commerce Act 1986 (the Act) on Vector Limited's (Vector) application to reopen its DPP3 default price-quality path in response to Cyclone Gabrielle.
2. Cyclone Gabrielle was a severe weather event which struck the upper North Island in mid-February 2023 causing extensive damage.
3. Vector is the electricity distribution business (EDB) serving about 625,000 customer connections in the greater Auckland region. Vector's network and service was severely impacted by Cyclone Gabrielle.
4. Vector subsequently applied to us to recover an additional \$2.1 million from its consumers to cover the incentive penalties it will incur from the additional costs required to remediate the network.¹ Those incentive penalties comprised \$1.713 million from \$6.66 million remediation opex and \$400,337 for the impact of the cyclone on Vector's quality incentive adjustment (QIA). In its application, Vector also asked us to consider whether the incentive penalties associated with \$4.90 million capex that was required to remedy the network could be recovered.^{2 3}
5. Our draft decision on Vector's application was published on 3 July 2025.⁴ In our draft decision we accepted all event remediation capex, most but not all event remediation opex (\$6.396 million accepted) and the impact of the event on the QIA. To compensate Vector for the incentive penalties from these additional costs, our draft decision was to reopen Vector's DPP3 price-quality path and determine a catastrophic event allowance of \$3.649 million (present value 31 March 2025). The \$3.649 million allowance we have determined is higher than the \$2.1 million Vector applied for as it includes incentive penalties associated with event remediation capex which Vector did not include in its calculation.
6. We received one submission on our draft decision from Vector and one from Electricity Networks Aotearoa (ENA).⁵

¹ Vector Limited, [Catastrophic event allowance application for Cyclone Gabrielle](#), (15 November 2024).

² \$4.90 million event remediation capex resulted in a value of commissioned assets (VCA) of \$4.747 million (assets that were commissioned as a result of the capex spent). It is this VCA value that is relevant for the calculation of incentive penalties.

³ Commerce Commission, [Reconsideration of DPP3 default price-quality path for Vector Lines Limited – Cyclone Gabrielle catastrophic event – Draft decision](#), (3 July 2025), paras C11-C13.

⁴ Commerce Commission, [Reconsideration of DPP3 default price-quality path for Vector Lines Limited – Cyclone Gabrielle catastrophic event – Draft decision](#), (3 July 2025).

⁵ These submissions are being [published alongside this final decision](#).

Our final decision is to reopen Vector's DPP3 price path

7. Our final decision is to maintain our draft decision - that the impact of Cyclone Gabrielle on Vector's network meets the criteria to qualify as a catastrophic event, and to amend Vector's DPP3 price-quality path to determine a catastrophic event allowance of \$3.649 million.⁶
8. The allowance is calculated based on the incentive penalties associated with event remediation costs of \$4.90 million capex⁷, \$6.396 million opex and \$400,338 adjustment to the QIA.⁸ The \$3.649 million allowance (present value 31 March 2025) is a recoverable allowance for RY25 which Vector may recover through consumer pricing from RY27.⁹
9. If Vector recovers the allowance over one year, it will equate to an average one-off increase of \$6 per installation control point (ICP) (ie, per household - in total).
10. We have made this final decision because we are satisfied that reopening the price path in these circumstances is in the long-term interests of consumers and would promote the s 52A purpose of Part 4 of the Act. Allowing Vector to recover costs prudently incurred in remediating cyclone damage promotes network investment to meet consumer needs.

⁶ Commerce Commission, [Reconsideration of DPP3 default price-quality path for Vector Lines Limited – Cyclone Gabrielle catastrophic event – Draft decision](#), (3 July 2025), p. 2.

⁷ \$4.747 million of associated VCA.

⁸ Please note this varies from the draft decision by \$1 due to a rounding error. In the draft decision the figure was \$400,337.

⁹ The timing of this decision means the catastrophic event allowance determined in this decision was not reflected in Vector's RY25 annual compliance statement dated 31 August 2025. We recommend Vector provide an explanatory note to reconcile this value in future compliance statements.

Table 1.1 Summary of Vector’s application and our final decision

Reopener type	Catastrophic Event (DPP3)
Application link	Vector catastrophic event application (Cyclone Gabrielle)
Catastrophic event	The impact of Cyclone Gabrielle (11-17 February 2023) on Vector’s network qualifies as a catastrophic event.
Materiality threshold¹⁰	The materiality threshold has been met. The DPP3 price path impact resulting from event remediation opex and capex in Vector’s application is \$7.405 million. ¹¹ This exceeds 1% of the aggregate forecast net allowable revenue (FNAR) for the DPP3 years in which event remediation costs were or will be incurred (RY23 only here), being \$4.043 million.
Final outcome	Reopening Vector’s DPP3 price path and determining a catastrophic event reopener allowance of \$3.649 million, as a recoverable cost for RY25. Effective date 31 March 2025, the last day of the DPP3 period.
Estimated consumer bill impact	Total (non-recurring) impact of \$3.649 million. This is about 0.1% of Vector’s \$3.5 billion total maximum allowed revenue for DPP4, the period in which the allowance is recoverable. For Vector’s about 625,000 ICPs, this averages to a one-off cost increase of about \$6 per ICP in total.

Submissions received on draft decision

11. We received two submissions on our draft decision, from Vector and the ENA. We have summarised these submissions below by issue raised.

Definition of ‘additional net costs’

Summary of submissions

12. Vector welcomed our confirmation that ‘additional net costs’ included compensation for IRIS penalties that would otherwise be incurred for remediation costs in response to Cyclone Gabrielle.¹²
13. Vector submitted that it was open to us to interpret ‘additional net costs’ in terms of the difference between building blocks allowable revenue (BBAR) amounts, and that our approach in the draft decision to defining ‘additional net costs’ means:¹³

¹⁰ The materiality threshold is a ‘gate to pass through’ whereas the catastrophic event allowance is calculated to compensate for incentive penalties associated with event remediation costs not recovered through the regime’s incentive mechanisms (opex IRIS, capex retention adjustment and QIA).

¹¹ Commerce Commission, [Reconsideration of DPP3 default price-quality path for Vector Lines Limited – Cyclone Gabrielle catastrophic event – Draft decision](#), (3 July 2025), Attachment B.

¹² [Vector - Submission on Vector catastrophic event reopener draft decision - 17 July 2025](#), para 2.

¹³ [Vector - Submission on Vector catastrophic event reopener draft decision - 17 July 2025](#), para 5.

“that recovery of remediation expenditure is deferred, which may have significant cashflow implications for affected EDBs, particularly if those remediation costs are very substantial.”

14. However, Vector also acknowledged that our approach from the draft decision is simpler, as it does not require IRIS adjustments to prevent double recovery.¹⁴

Analysis and response

15. Our final decision maintains our draft decision for the definition and application of additional net costs. Our interpretation is that additional net costs here are the costs not recovered through the opex IRIS and capex retention adjustment mechanism. This view is consistent with the definition of additional net costs included in recent Input Methodologies (IM) amendments applicable for DPP4, which includes IRIS costs among other costs.¹⁵
16. We do not consider the BBAR approach, suggested by Vector, appropriate for this reopener. Applied under the DPP3 IMs, it would require a complicated work around to avoid double recovery. Our interpretation provides an appropriate solution that makes Vector whole for the costs incurred in responding to the catastrophic event while maintaining a low-cost regulation approach.
17. We therefore consider this decision best meets the Part 4 purpose (to promote incentives for Vector to provide services at a quality that reflects consumers demands and ensuring it is limited in its ability to extract excessive profits) while maintaining a low-cost approach and applying proportionate scrutiny.

Determination of the flooding and cyclone as separate events

Summary of submissions

18. Both Vector and the ENA submitted on the draft decision to determine the flooding event from January (the Auckland Floods) and Cyclone Gabrielle as separate events for the purpose of a catastrophic event reopener.
19. Vector submitted that the “event” could be defined as a state of emergency declared, as there was a continuous state of emergency across the Auckland region covering the two events.¹⁶ The regional state of emergency (originally created for the Auckland Floods) ran from 27 January 2023 until 14 February 2023, at which point it was superseded by the national state of emergency for Cyclone Gabrielle which then ran until 14 March 2023.¹⁷

¹⁴ [Vector - Submission on Vector catastrophic event reopener draft decision - 17 July 2025](#).

¹⁵ Commerce Commission, [Amendments to input methodologies for electricity distribution businesses and Transpower \(reopeners and other matters\)](#), (27 March 2025), p. 25.

¹⁶ [Vector - Submission on Vector catastrophic event reopener draft decision - 17 July 2025](#), para 8.

¹⁷ [Vector - Submission on Vector catastrophic event reopener draft decision - 17 July 2025](#), para 14.

20. Vector stated that:¹⁸

“The IMs do not themselves define what an ‘event’ is, which leaves some flexibility to determine what comprises an event and – critically – whether a sequence of extreme weather constitutes a single continuous event or several discrete events. We do not think the drafting of the IMs prevented the Commission from taking a more flexible approach in this case. The term ‘event’ is sufficiently broad to capture a series of proximate and related occurrences with a related cause or impacts.”

21. To support its interpretation of ‘event’, Vector submitted:¹⁹

21.1 the floods and cyclone were proximate in time – taking place within three weeks;

21.2 the impact on the network was “essentially continuous”;

21.3 both events occurred under a continuous regional and then national state of emergency;

21.4 the impacts of the events were closely connected and cumulative; and

21.5 the costs of responding to the events cannot be precisely attributed to either event.

22. Vector submitted that the definition of ‘event’ relies on how the proximate cause is defined and provided an example of an earthquake and several aftershocks. It submitted that it would be somewhat artificial to consider the earthquake and aftershocks and separate events.²⁰

“Imagine, for example, a major earthquake with a series of aftershocks occurring in the immediately following days. An aftershock can quite credibly be described as a distinct ‘event’ as that term is used in ordinary language, or equally as part of an overall earthquake event. A reasonable approach in that scenario would be to assess the damage related to that sequence of earthquakes as a whole, rather than seek to draw artificial distinctions.”

23. Vector also submitted that the treatment of the events as separate is only relevant to the materiality threshold, as the flooding in isolation would meet the remaining criteria for a catastrophic event reopener. It stated that as the price path is already being reopened, the cost of extending this reopener application to also include the Auckland Floods would not outweigh the benefits of reconsideration.²¹

24. The ENA similarly submitted that they do not consider the IMs preclude the interpretation that closely linked or compounding events could be treated as a single qualifying event for the purpose of a reopener.²² It also submitted that doing so in this case would support the long-term benefit of consumers by maintaining levels to invest

¹⁸ [Vector - Submission on Vector catastrophic event reopener draft decision - 17 July 2025](#), para 12.

¹⁹ [Vector - Submission on Vector catastrophic event reopener draft decision - 17 July 2025](#), para 14.

²⁰ [Vector - Submission on Vector catastrophic event reopener draft decision - 17 July 2025](#), para 17.

²¹ [Vector - Submission on Vector catastrophic event reopener draft decision - 17 July 2025](#), para 19 – 20.

²² [ENA - Submission on Vector catastrophic event reopener draft decision – 17 July 2025](#), p.2.

(s 52A(1)(a)), and, by enabling efficient service delivery and restoration at a level that meets consumer expectations for resilience and reliability (s 52A(1)(b)).²³

25. The ENA noted that for events that occur in close succession, their effects and associated costs often interact and make attribution and separation of the costs artificial or impractical.²⁴ The ENA submitted that treating the events separately could cause a perverse incentive for EDBs to delay necessary remediation if a possible subsequent qualifying event occurs or is forecast.²⁵

Analysis and response

26. Our final decision is to maintain our draft decision that considered the Auckland Floods and Cyclone Gabrielle as two separate events for the purposes of a reopener. This is because they were two separate meteorological events with different causes.²⁶ We also accept that the amount awarded in the catastrophic event allowance will cover some cyclone remediation costs which were exacerbated by the floods.
27. We have considered Vector's and the ENA's submissions. On balance, we consider that maintaining our draft decision best meets the Part 4 purpose.²⁷ Vector is being awarded a catastrophic event allowance for Cyclone Gabrielle, maintaining the incentive to restore the quality of service post a significant catastrophic event.²⁸ For smaller scale events that do not meet the threshold, we would expect an EDB to be able to respond to that within their existing revenue limits, maintaining the incentive to improve efficiency.²⁹
28. This decision does not exclude a different interpretation for multiple events in the future to be considered one 'event' for the purposes of a reopener if there was a clearer causal link between them. Taking the example provided by Vector of an earthquake and aftershocks, that could be distinguished from this reopener scenario as the 'events' would all have the same causal link (ie, the initial earthquake).

Conclusion

29. Our final decision is to amend Vector's DPP3 price-quality path to determine a catastrophic event allowance of \$3.649 million. We consider that this is in the long-term interests of consumers and would promote the s 52A purpose of Part 4 of the Act, specifically the incentive to provide and restore services in a timely manner at a quality that reflects consumer demands.³⁰
30. We have assessed Vector's application to amend its DPP3 price path, and made our final decision, in accordance with the Electricity Distribution Business Input

²³ [ENA - Submission on Vector catastrophic event reopener draft decision – 17 July 2025](#), p.1.

²⁴ [ENA - Submission on Vector catastrophic event reopener draft decision – 17 July 2025](#), p.2.

²⁵ [ENA - Submission on Vector catastrophic event reopener draft decision – 17 July 2025](#), p.2.

²⁶ NIWA, [Aotearoa New Zealand Climate Summary 2023](#), (10 January 2024), pp. 6-7, 26.

²⁷ Section 52A Commerce Act 1986.

²⁸ Section 52A(1)(b) Commerce Act 1986.

²⁹ Section 52A(1)(b) Commerce Act 1986.

³⁰ Section 52A(1)(a) and (b) Commerce Act 1986.

Methodologies (EDB IMs) in effect at the time of the cyclone.³¹ We are satisfied that Vector's application meets the catastrophic event criteria in the DPP3 EDB IMs, set out under clause 4.5.1.³²

31. We have also scrutinised Vector's application in a way which seeks to balance the materiality of the application with our requirements when assessing applications. In doing so, we are satisfied that our decision to reopen Vector's price path relates to costs we that we have assessed to be prudent, efficient and related to the event.³³
32. The full analysis of Vector's reopener application is included in the draft decision reasons paper.³⁴

³¹ That is the Electricity Distribution Services Input Methodologies Determination 2012 [2012] NZCC 26 (as amended). For convenience, we recommend referring to the consolidated version of the IMs: [Commerce Commission, Electricity Distribution Services Input Methodologies Determination 2012 – consolidated as of 23 April 2024](#).

³² Commerce Commission, [Reconsideration of DPP3 default price-quality path for Vector Lines Limited – Cyclone Gabrielle catastrophic event – Draft decision](#), (3 July 2025), pp 13 – 16.

³³ Commerce Commission, [Reconsideration of DPP3 default price-quality path for Vector Lines Limited – Cyclone Gabrielle catastrophic event – Draft decision](#), (3 July 2025), pp 17 – 19.

³⁴ Commerce Commission, [Reconsideration of DPP3 default price-quality path for Vector Lines Limited – Cyclone Gabrielle catastrophic event – Draft decision](#), (3 July 2025).