



29 August 2014

Brett Woods
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Commerce Commission

By email: regulation.branch@com.com.govt.nz

Dear Brett

Submission on IM amendment for estimated WACC determination date

We appreciate the opportunity to comment on the Commission's consultation on its proposed amendment to the Input Methodologies¹ (IMs) determined in December 2010 to account for a change in determination date for WACC parameters.

Date amendment should be drafted as a one-off

We strongly support the Commission's alternative approach to amend the applicable input methodologies so that the change expressly applies only to the 2015 price-quality resets for EDBs and Transpower. We do not agree with the Commission's proposed option to amend the determination date due to its WACC percentile decision process and then to reconsider the determination date 'potentially' under the seven year review.

The effect of taking the alternative approach is to retain the current upfront certainty on process (specifically, the process for WACC determination prior to a regulatory control period) that is the purpose of the input methodology framework and a timing metric arrived at through previous consultation. Consequently we do not agree with the drafting as proposed which reflects the Commission's preliminary view. We consider it will be straightforward to accommodate in the IMs the drafting specific to the unique circumstance for the need to change the determination date for RCP2.

The Commissions' decision to consider substantive change to the WACC percentile outside the statutory review mechanism, and the consequential determination date amendment, has affected our ability to inform our Customers of their charges and rates information within established timeframes. The date change results in delay to our final charges communication to mid-December with flow on effects to for example Distributor communication of those charges to Retailers. We are working to prioritise the final charges communication to those Customers facing particular contractual constraints with their own pricing process because of our delay.

¹ *Transpower Input Methodologies Determination* [2012] NZCC 17 (the Transpower IM Determination)

Please let me know if you have any questions or would like to further discuss this submission.

Yours sincerely

A handwritten signature in black ink, consisting of a stylized 'J' and 'C' followed by a horizontal line.

Jeremy Cain
Regulatory Affairs Manager