

11 July 2022

Dane Gunnell
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Commerce Commission
By email to im.review@comcom.govt.nz

Dear Dane

IM draft framework paper

1. This is a submission from the Major Electricity Users' Group (MEUG) on the Commerce Commission "Part 4 Input Methodologies Review 2023, Draft Framework paper" dated 20th May 2022.¹ In parallel the Commission is consulting on an IM review process and issues paper that MEUG has separately submitted on.
2. MEUG members have been consulted in the preparation of this submission. This submission is not confidential. Members may lodge separate submissions.
3. The decision-making framework comprises three conventional economic principles² that underpin the primary statutory objectives³ and second order legislative provisions and other factors to be mindful of when testing issues to achieve the primary statutory objectives⁴. This is a well bedded-in approach with the debate on interpretation and application of the framework to each issue rather than the framework itself.
4. The Commission's approach with the IM review in the Review element stage has been sound in identifying issues that need to go onto a longlist of issues. The question is what decision framework does the Commission use to screen and rank issues from the longlist to the shortlist for the Change element stage? This is important because once a ranking is decided, the Commission will deploy resources to further investigate those issues. However, those issues that don't make the cut will languish unless interested parties deploy resources to make a late run to persuade the Commission to reverse a decision on that issue and put it on the shortlist.

¹ Document https://comcom.govt.nz/_data/assets/pdf_file/0030/283863/Part-4-Input-Methodologies-Review-2023-Draft-Framework-paper-20-May-2022.pdf at <https://comcom.govt.nz/regulated-industries/input-methodologies/input-methodologies-for-electricity,-gas-and-airports/input-methodologies-projects/2023-input-methodologies-review>

² Draft framework paper paragraph [X22].

³ Ibid [X18].

⁴ Ibid [X19]

5. Suppliers have the resources to promote an issue back onto the shortlist in the Change element phase whereas consumers do not. To overcome this asymmetry of resources between suppliers and consumers, MEUG recommends the framework paper explicitly requires an assessment of the change in the long-term benefit of consumers for each issue in the longlist and that is used to rank issues to progress to the shortlist in the Change element stage. At a minimum, the quantification of the change in long-term benefits of consumers would have an expected value, with upper and lower bounds, calculated using a probability weighted estimate of the likelihood of change net of implementation costs.

Yours sincerely



Ralph Matthes
Executive Director