



15 August 2024

Claire Harkess
Manager, Data and Information Disclosure
Commerce Commission

Infrastructure.regulation@comcom.govt.nz

Dear Claire,

Input Methodologies Amendment Determination 2024

Orion welcomes the opportunity to provide feedback on the changes that are proposed to the Information Disclosure (ID) requirements to better reflect the Input Methodologies (IMs).

We support the intention of the Commission to align the ID requirements to the newly amended IMs review.

In addition to the points made below, Orion supports the submission from Electricity Networks Aotearoa (ENA).

Orion does not consider that this submission is confidential. It can be publicly released.

Issue 4 – Network lease opex clarification

Orion supports the intention of the Commission to ensure that the ID requirements align with Generally Accepted Accounting Principles (GAAP). But we have some concerns about how this is being implemented with the proposed changes.

We encourage the Commission to consider how Transpower payments are considered under the new ID requirements. For example, we have a Transpower New Investment Agreement which is treated as a finance lease for accounting purposes, but for regulatory purposes the monthly charge forms part of our recoverable costs (i.e. within the regulatory framework our payments are essentially treated as an operating lease and expensed in total in the calculation of regulatory profit as part of Schedule 3). ***We seek that the Commission clarifies that Transpower payments are not to be treated as finance leases in the ID requirements.***

Also, smaller finance leases can be treated as operating leases under the New Zealand Equivalent to International Financial Reporting Standard 16 Leases (NZ IFRS 16), if they are low value or short term. This standard encourages compliance for material items without being overly burdensome by including immaterial items. We request that this be allowed to continue under the ID requirements.

To align with NZ IFRS 16, we submit that the Commission should not remove all references to operating leases but instead rely on compliance with GAAP and allow low value/short term leases to remain as operating leases. Such an approach would align the treatment of leases between financial and regulatory reporting (i.e. if a lease is not treated as a finance lease for financial reporting, it isn't treated as a finance lease for regulatory reporting), rather than ruling out operating leases entirely. There would need to be the key exception where leases are treated as a recoverable cost for regulatory purposes, such as the Transpower leases discussed above.

Issue 8 – Schedule 11c error

We support the removal of the audit requirement from Schedule 11c.

General comments

The proposed changes come into effect across two disclosure years. ***We encourage the Commission to consider how it publishes the final decisions to ensure that it is clear which amendments are in force on which date.*** This could involve publishing a version of the ID requirements with different coloured text depending on the disclosure year that a particular provision comes into effect (similar to the current approach of providing a red-lined version) or producing separate red lined versions for disclosure year 2025 and 2026.

Having this clarity will assist EDBs to comply with their obligations. The current approach of providing a red-lined version, with changes across all disclosure years included, may increase the risk that EDBs fail to comply, due to a misunderstanding of the requirements.

Concluding comments

We do not consider any part of this cross submission to be confidential. Please do not hesitate to contact me at 03 363 9898 if you wish to discuss our cross submission.

Yours sincerely,

Kelly Chapman

Regulatory Lead