



95 – 99 Molesworth St  
PO Box 12332  
Thorndon  
WELLINGTON  
New Zealand

+64 4 471 0312

[bill.heaps@strataenergy.co.nz](mailto:bill.heaps@strataenergy.co.nz)

# Overview of the draft CPP information requirements for EDBs

**Customised Price-quality Path Workshop  
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# *Presentation will cover*

- Approach to developing EDB CPP information requirements
- Key considerations
- Draft EDB CPP information requirements
- How the draft EDB CPP information requirements might work in practice
- Worked example

# Approach

- When preparing the draft information requirements, we gave particular consideration to the following:
  - The Part 4 Purpose Statement
  - Commission’s preliminary and emerging views
  - Evaluation criteria
    - Capex & opex should reflect efficient costs of providing services demanded by consumers and performing legal/regulatory obligations
  - The electricity and gas IDRs, including the AMP requirements
  - Distribution services definitions in current commercial use and those developed by the Electricity Commission

## ***Approach (continued)***

- Relevant Australian regulatory arrangements (in particular, those used by the Australian Energy Regulator)
- Policies, strategies and processes typically adopted by regulated suppliers in respect of asset management, capex/opex forecasting and demand forecasting
- Expenditure review techniques and the information required for these to be applied to a CPP proposal
- Audit/verification processes that may be applicable to the information contained in a CPP proposal
- Consistency of information requirements across sectors

# *Extent of information requirements*

- We identified information needed to enable a full independent assessment of a CPP proposal
  - Consideration not limited to current IDRs but builds on these
  - Considered that information should be limited to that which a well-governed and managed business would hold
  - Any additional information to assess a CPP would require justification
- Information contained in AMPs is insufficient for a CPP assessment, for example:
  - Policies, strategies and processes are typically only summarised
  - Specific project justification and documentation is not included
  - Use of contingency sums is not provided
  - Assessment of deliverability not usually included
- Purpose of information required to assess a CPP proposal is specific and not necessarily the same as that required for an AMP, the purpose of which is to inform a wide range of people.

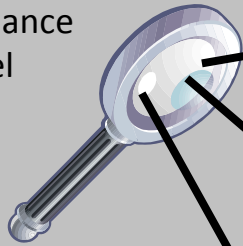
# *Key components of the proposed approach*

- A top-down approach to CPP information requirements
- A service-based approach to CPP information requirements
- Categorising information requirements into qualitative and quantitative components

# Top-down focus

The Commission's focus is at the qualitative governance and management level

Supported by quantitative building block information provided at a level that demonstrates practical application of sound policies, strategies and procedures



Services and levels demanded by consumers and Legal and regulatory requirements

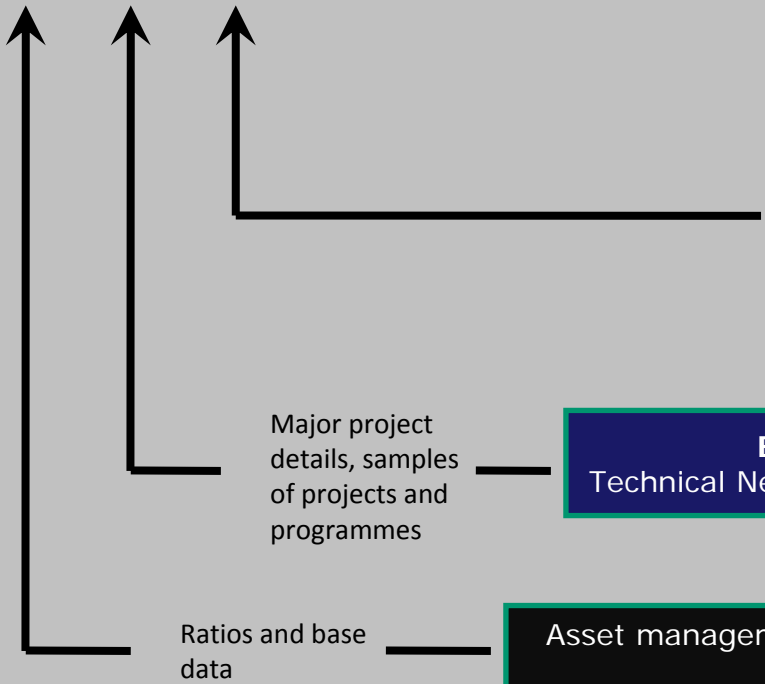
**Governance and Management**  
Policies, strategies and procedures that deliver services demanded by consumers at least cost

**Business management**  
Assessment and approval of expenditure plans

**Expenditure plans**

**Engineering and technical**  
Technical Network and asset management planning

**Asset management data (condition, age, network loadings and performance etc.)**



# *Service based approach*

Reasons why a service based approach was adopted:

- Provides the link between expenditure and the services demanded by consumers at specified levels of service quality
- Is also aligned with the need to fulfil legal/regulatory obligations that also drives expenditures
- Is directly relevant to the evaluation criteria for a CPP
- Is expected to be identified by the EDB when undertaking needs assessments in expenditure justification analysis
- Complementary to the top-down approach
- Responsive to changing consumer needs and legal/regulatory obligations
- Enables expenditure for innovation and new services to be identified and included in a CPP proposal.

# Service categories

- Service categories were derived from:
  - current commercial practice within NZ EDBs; and
  - definitions used in the model use of system agreements
    - developed by electricity industry through the Electricity Commission
    - used to define services provided by EDBs in contracts with consumers (i.e. retailers & end-consumers)
- It is considered that service measures should reflect relevant, quantifiable, objective metrics by which each service is measured by the CPP applicant, for example:
  - SAIDI, SAIFI, CAIDI, MAIFI
  - supply restoration times following outages
  - response times to customer requests for supply quality investigations
- It was found that service measures used in practice (e.g. published in AMPs) align well with the proposed service categories

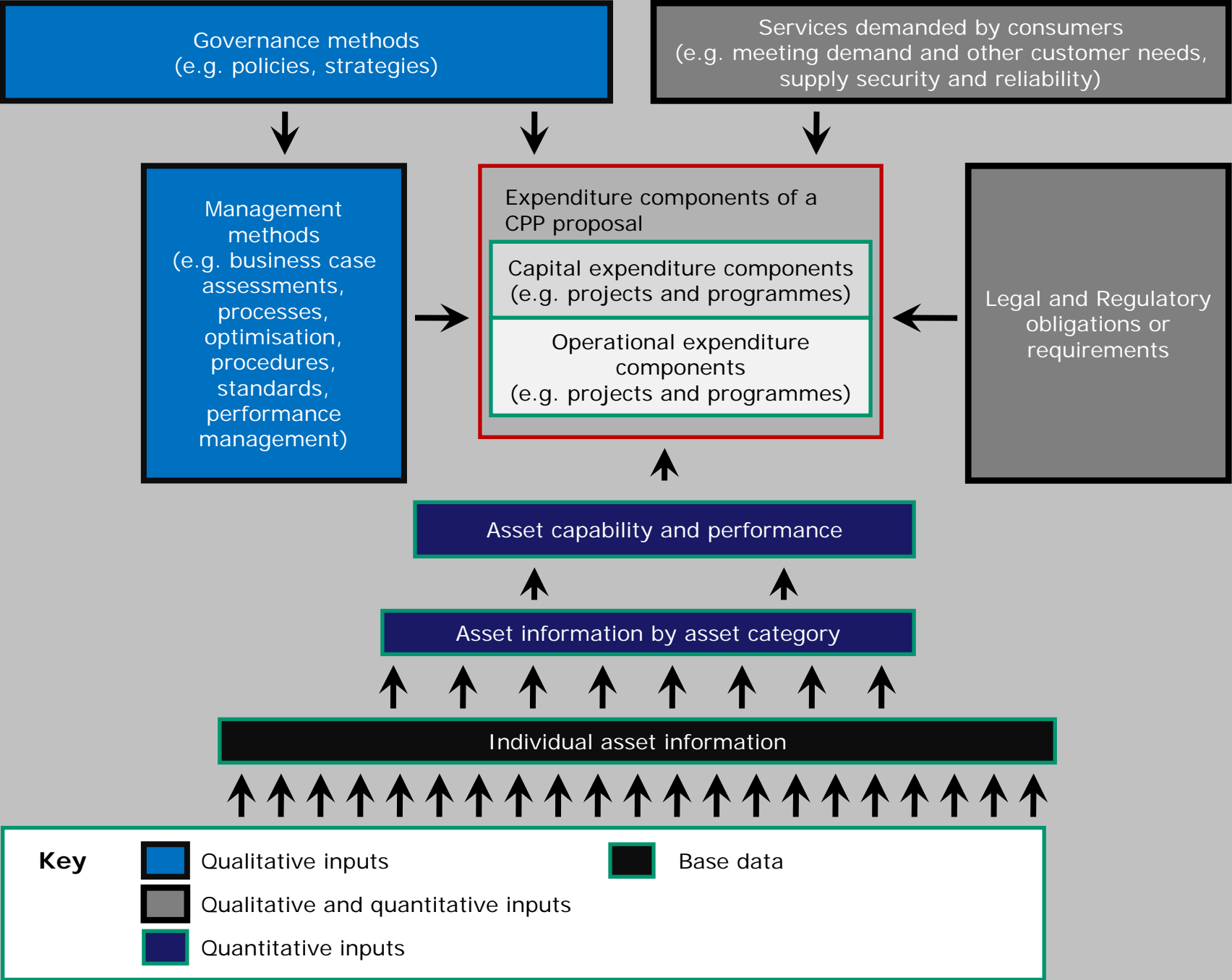
## ***Service categories (continued)***

- A CPP applicant's forecast capex and opex expenditures for projects and programmes are likely to be driven by:
  - The need to maintain service performance to existing target service levels;
  - Changes to target service levels for each service measure, driven by consumer preferences, regulatory or legal requirements; and
  - The need to improve current service performance to meet existing target service levels.
- Service levels can also be used as measures against which the actual performance of a CPP may be assessed retrospectively.

# *The proposed service categories*

1. Provide network infrastructure between input and offtake connection points and deliver electricity through the network
2. Investigate and repair network faults
3. Provide load management services
4. Provide connection services, including changes of connection point capacity and/or reliability
5. Provide for rearrangement of network assets at third party request (includes undergrounding)
6. Provide other services for retailers and third parties

The proposed structure provides for the regulated supplier to use additional service categories if appropriate.

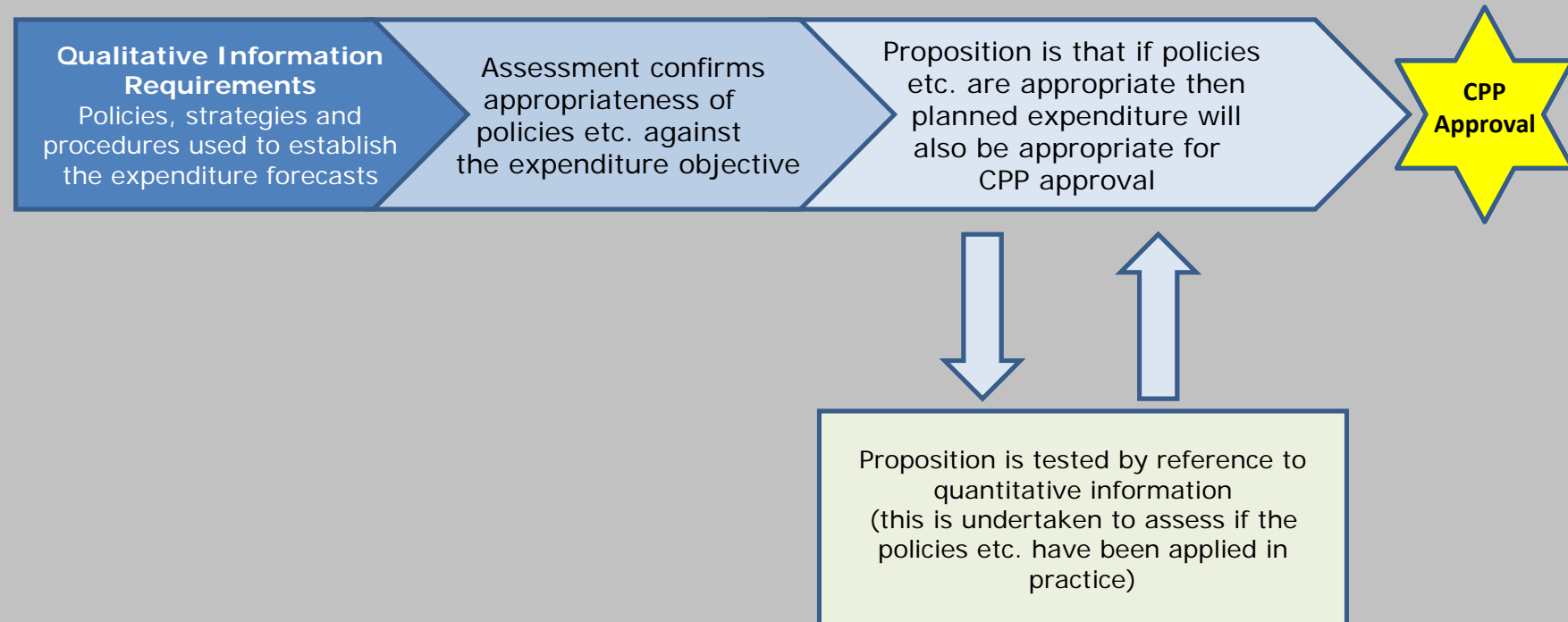


Key	
<span style="display: inline-block; width: 15px; height: 15px; background-color: blue; border: 1px solid black; margin-right: 5px;"></span>	Qualitative inputs
<span style="display: inline-block; width: 15px; height: 15px; background-color: grey; border: 1px solid black; margin-right: 5px;"></span>	Qualitative and quantitative inputs
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<span style="display: inline-block; width: 15px; height: 15px; background-color: black; border: 1px solid green; margin-right: 5px;"></span>	Base data

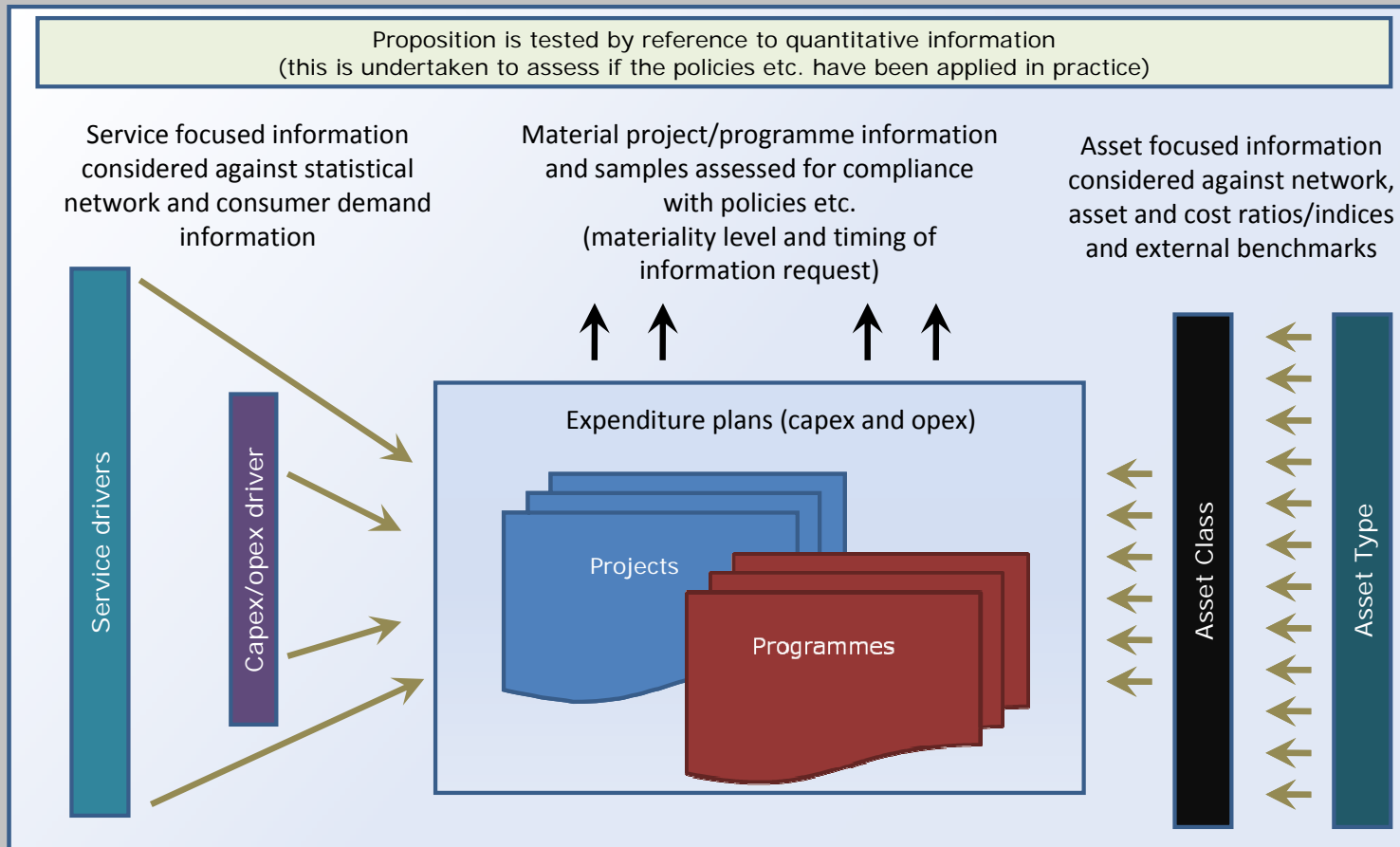
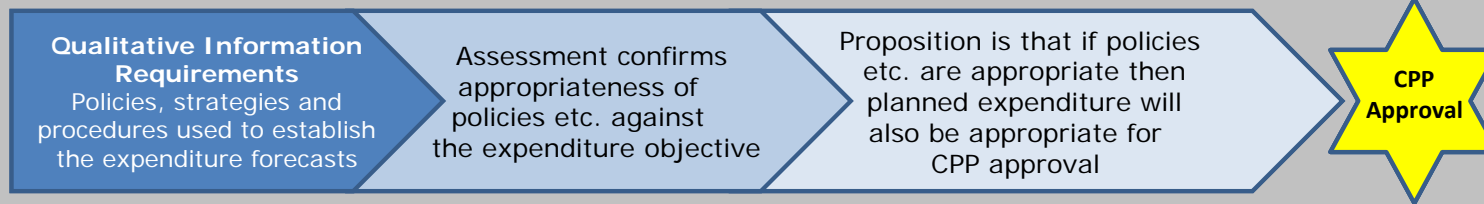
# *How the proposed approach might work in practice*

- CPP proposals will be subjected to:
  - (pre-submission) independent verification by a pre-assessment verifier; and
  - (post-submission) assessment by the Commission
- The initial focus will be on the qualitative aspects
  - qualitative information assists assessment of whether an EDB's strategies, policies etc. are appropriate
- Qualitative & quantitative information assists to determine whether an EDB is applying its strategies, policies etc. in practice
- Enhanced scrutiny is placed on the more material projects and programmes
  - thus, more detailed qualitative information is specified for material projects/programmes

# Method of assessment : qualitative



# Method of assessment :quantitative



# *Populating the template*

- Template structured to assist population of data in a logical sequence
- Not all fields are required to be populated for each project/programme
- Structure is based on observed practice (e.g. expenditure planning and reporting and AMP information)
- Worked example helps to explain intended use of the template

***Worked example***

INPUT METHODOLOGIES  
QUANTITATIVE INFORMATION HIERARCHY

ELECTRICITY DISTRIBUTION SERVICE EXPENDITURE  
TEMPLATES

Application of asset management planning policies,  
strategies, procedures, analyses

Projects & Programmes

Projects & Programmes categorised by relevant Service Category & Capex/Opex Category

Template records capex and opex for each Project & Programme for each year of the Current & Next Regulatory Periods

Indirect costs

General Management, Administration and Overheads

Service Category	Capex Category
Provide network infrastructure between input and offtake connection points and deliver electricity/gas through the network	Customer Connection
Investigate & repair network faults	System Growth
Provide load management services (EDBs only)	Reliability, Safety and Environment
Provide connection services, including changes of connection point capacity and/or reliability	Asset Replacement and Renewal
Provide for rearrangement of network assets at 3rd party request (includes undergrounding for EDBs)	Asset Relocations
Provide other services for retailers & 3rd parties	Non-System Fixed Assets
	Opex Category
	System Management and Operations
	Routine and Preventative Maintenance
	Refurbishment and Renewal Maintenance
	Fault and Emergency Maintenance
	Other

	Asset Class	Asset Type
Lines	Subtransmission	Overhead Lines
	Distribution	Underground Cables
	LV	Easements
Substations	Zone Substations	Transformers
	Distribution Substations	Switchgear, Controls and Protection (including Gantries)
	Other System Fixed Assets	Land and Buildings (including Development)
		SCADA and Communications Equipment
		Ripple Injection Plant
		Local Service Transformers
		Voltage Regulating Plant
		Strategic Spares (incl. mobile generators & substations)
Other		Other Assets (must be itemised)

Labour Source
In-house
Related Party Contractors
Non-related Party Contractors

**INPUT METHODOLOGIES  
QUANTITATIVE INFORMATION TEMPLATE**

Project/Programme Name	33kV Pole replacements
Project/Programme Description	Replace 5% of poles by total line length annually based on condition assessments and prioritisation criteria
Policy reference	Refer qualitative information document A123:45 XYZ
Service Category	Provide network infrastructure between input and offtake connection points and deliver electricity through the network
Capex/Opex Category	Asset Replacement and Renewal

Denotes a user input cell

Asset Class: Lines & Cables	Asset Type	Current Regulatory Period					Next Regulatory Period					Year 6	Year 7	Year 8	Year 9	Year 10
		Year 1	Year 2	Year 3	Year 4	Year 5	Year 1	Year 2	Year 3	Year 4	Year 5					
Subtransmission	Overhead Lines	\$ 75,000	\$ 60,000	\$ 50,000	\$ 80,000	\$ 87,000	\$ 70,000	\$ 71,000	\$ 71,000	\$ 73,000	\$ 74,000	\$ 75,000	\$ 77,000	\$ 79,000	\$ 81,000	\$ 84,000
	Underground Cables															
	Easements															
	<b>Total Subtransmission</b>	\$ 75,000	\$ 60,000	\$ 50,000	\$ 80,000	\$ 87,000	\$ 70,000	\$ 71,000	\$ 71,000	\$ 73,000	\$ 74,000	\$ 75,000	\$ 77,000	\$ 79,000	\$ 81,000	\$ 84,000
Distribution Lines & Cables	Overhead Lines															
	Underground Cables															
	Easements															
	<b>Total Distribution Lines &amp; Cables</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
LV	Overhead Lines															
	Underground Cables															
	Easements															
	<b>Total LV</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Lines &amp; Cables</b>	\$ 75,000	\$ 60,000	\$ 50,000	\$ 80,000	\$ 87,000	\$ 70,000	\$ 71,000	\$ 71,000	\$ 73,000	\$ 74,000	\$ 75,000	\$ 77,000	\$ 79,000	\$ 81,000	\$ 84,000	

Asset Class: Substations	Asset Type	Current Regulatory Period					Next Regulatory Period					Year 6	Year 7	Year 8	Year 9	Year 10	
		Year 1	Year 2	Year 3	Year 4	Year 5	Year 1	Year 2	Year 3	Year 4	Year 5						
Zone substations	Transformers																
	Switchgear, Controls and Protection (including Gentries)																
	Land and Buildings (including Development)																
	SCADA and Communications Equipment																
	Ripple Injection Plant																
	Local Service Transformers																
	Voltage Regulating Plant																
	Strategic Spares (incl. mobile generators & substations)																
	Other Assets (must be itemised)																
	<b>Total Zone substations</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Distribution substations	Transformers																
	Switchgear, Controls and Protection (including Gentries)																
	Land and Buildings (including Development)																
	SCADA and Communications Equipment																
	Ripple Injection Plant																
	Local Service Transformers																
	Voltage Regulating Plant																
	Strategic Spares (incl. mobile generators & substations)																
	Other Assets (must be itemised)																
	<b>Total Distribution substations</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Substations</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	