

6 May 2026

Nathan Strong  
Associate Commissioner  
Commerce Commission  
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Sent via email: [infrastructure.regulation@comcom.govt.nz](mailto:infrastructure.regulation@comcom.govt.nz)

Dear Nathan

## Common cost of capital input methodologies review

1. The Major Electricity Users' Group (MEUG) welcomes the opportunity to provide brief feedback on the Commerce Commission's (Commission) draft decision reasons paper "*Common cost of capital input methodologies review (fibre and regulated suppliers under Part 4)*"<sup>1</sup> published on 10 March 2026.
2. This cross-submission does not contain any confidential information and can be published on the Commission's website unaltered. Members may lodge separate responses.

### Support the proactive approach taken by the Commission

3. MEUG would like to reiterate our support<sup>2</sup> for the proactive approach the Commission has taken to this input methodologies (IM) review. As this paper outlines, many stakeholders have voiced concerns about the consumer price shocks resulting from the current approach to setting WACC for regulated electricity distribution businesses (EDBs) and Transpower. We were one of the several organisations who wrote a joint letter to the Commission in August 2025 requesting changes to the IMs that might help reduce price shocks and deliver better outcomes for all electricity consumers.
4. Therefore, it was pleasing to see that the Commission has taken stakeholder concerns seriously and undertaken open engagement on this matter, supported by thorough analysis of the different options available around a trailing average cost of debt (TACD). The Commission should be commended for how it has approached this work and then engaged with stakeholders to discuss the findings of this draft decisions reasons paper. MEUG found the direct briefing extremely helpful, alongside the Commission's response to the joint letter. It is encouraging to see a willingness to seek robust discussion on an important matter and ensure that stakeholders are well informed of the work done to date.

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<sup>1</sup> <https://www.comcom.govt.nz/assets/Documents/fibre-input-methodologies-review-2027/Common-cost-of-capital-input-methodologies-review-fibre-and-regulated-suppliers-under-Part-4-draft-decision-reasons-paper-10-March-2026.pdf>

<sup>2</sup> <https://www.linkedin.com/posts/last-year-ena-joined-eight-other-organisations-share-7437225387903922176-QI-W/>

## Further analysis required to reinforce the Commission's position

5. While MEUG welcomes the approach, we remained unconvinced about the Commission's draft decision to remain with the status quo. We believe several submitters have raised important points, supported by independent expert analysis, that indicates that a shift to a trailing average could provide benefits to consumers and would not be as complex to administer as perhaps suggested by the Commission.
6. From our high-level review of submissions, we note the following points:
  - Meridian<sup>3</sup> emphasises that even though *"the potential impact is moderate, current pressures on consumers mean that the Commission should do all that it can to pursue measures that would help alleviate future price volatility, such as that which occurred at the start of DPP4 and in each subsequent year of DPP4"*. We strongly support their view that the current regime is not "fit for purpose". MEUG considers that the current Part 4 regime is not driving the best outcomes for consumers around affordability and we would certainly welcome greater discussion on changes that could be made.
  - Several submitters note that a TACD approach is used in a number of other jurisdictions such as the United Kingdom and Australia, showing that the implementation barriers are not insurmountable and there is international regulatory precedent (Vector<sup>4</sup>, ENA, Meridian).
  - ENA<sup>5</sup>, Transpower<sup>6</sup> Chorus<sup>7</sup> and CEG<sup>8</sup> set out how the Commission has only viewed this issue through one lens, and therefore has not given sufficient weighting to:
    - What is the most accurate proxy for the prevailing cost of debt
    - How risk is allocated between customers and suppliers, and
    - How a different approach would better reflect efficient financing practices over time.

There is also concern that the Commission has *"focussed too heavily on the administrability and revenue smoothing impacts, despite acknowledging that both approaches perform similarly against statutory purposes."*
7. Given the level of analysis presented by submitters, we consider that further investigation and discussion is required, before the Commission comes to a final decision. We would certainly welcome the opportunity for a targeted workshop where submitters could present their views on this TACD and importantly, talk through the expert analysis that was commissioned on this matter. This additional step would add validity and reassurance to the final decision reached through this review.

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<sup>3</sup> <https://www.comcom.govt.nz/assets/Documents/fibre-input-methodologies-review-2027/Meridian-submission-on-common-cost-of-capital-IM-draft-decision-16-April-2026.pdf>

<sup>4</sup> <https://www.comcom.govt.nz/assets/Documents/fibre-input-methodologies-review-2027/Vector-submission-on-common-cost-of-capital-IM-draft-decision-16-April-2026.pdf>

<sup>5</sup> <https://www.comcom.govt.nz/assets/Documents/fibre-input-methodologies-review-2027/ENA-submission-on-IM-review-cost-of-capital-draft-decision-15-April-2026.pdf>

<sup>6</sup> <https://www.comcom.govt.nz/assets/Documents/fibre-input-methodologies-review-2027/Transpower-submission-on-common-cost-of-capital-IM-draft-decision-16-April-2026.pdf>

<sup>7</sup> <https://www.comcom.govt.nz/assets/Documents/fibre-input-methodologies-review-2027/Chorus-submission-on-common-cost-of-capital-IM-draft-decision-16-April-2026.pdf>

<sup>8</sup> <https://www.comcom.govt.nz/assets/Documents/fibre-input-methodologies-review-2027/CEG-on-behalf-of-Big-6-EDBs-Economic-assessment-of-status-quo-and-TACD-debt-methodologies-A-report-for-the-Big-Six-EDBs-16-April-2026.pdf>

### Next steps

8. If you have any questions regarding our cross submission, please contact MEUG on 027 472 7798 or via email at [karen@meug.co.nz](mailto:karen@meug.co.nz).

Yours sincerely



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