

16 June 2026

Hristina Dantcheva, Head of Price Quality Regulation  
Cc: Ben Woodham, Electricity Distribution Manager

By email to: [infrastructure.regulation@comcom.govt.nz](mailto:infrastructure.regulation@comcom.govt.nz)

Dear Hristina,

## **Submission to the Commerce Commission (Commission) on the targeted amendments to the Cost of Capital Input Methodologies for Airports – equity beta and related parameters draft decision**

Electricity Networks Aotearoa (ENA) appreciates the opportunity to comment on the Commission's draft decision on *the targeted amendments to the Cost of Capital Input Methodologies (IMs) for Airports – equity beta and related parameters*.

ENA is the industry membership body that represents the 28 electricity distribution businesses (EDBs) that take power from the national grid and deliver it to homes and businesses (our members are listed in Appendix A).

EDBs employ over 7,800 people, deliver energy to more than two million homes and businesses, and have spent or invested \$6.8 billion in network assets over the last five years. ENA harnesses members' collective expertise to promote safe, reliable, and affordable power for our members' customers.

### **1 Introduction**

ENA does not seek to comment on the specific cost of capital parameters proposed for airports, nor on the unique characteristics of airport services. Our interest is in the broader regulatory implications of the approach proposed in the draft decision and the precedent it may establish for Part 4 regulated sectors more generally.

### **2 Regulatory certainty and predictability**

ENA considers that regulatory certainty and predictability are fundamental features of a credible regulatory regime. Businesses make long-term investment decisions based on expectations that regulatory methodologies will be applied consistently and will only be revisited through established review processes, except in clearly defined and limited circumstances.

This is important not only for regulated suppliers, but also for consumers. From a customer perspective, uncertainty in cost of capital settings can translate into greater volatility in regulatory outcomes, including pricing and investment signals. Maintaining stable and predictable methodologies supports efficient long-term investment decisions and more consistent outcomes for consumers.

The Commission notes that it does not generally consider it appropriate to reconsider fundamental input methodologies outside the statutory review cycle, except where there are compelling reasons to do so. ENA supports that principle.

While ENA acknowledges the coding errors identified in the 2023 review and the need to address them, we are concerned that the draft decision appears to go beyond correcting those errors. Rather than applying a corrected version of the methodology adopted in 2023, the draft decision appears to propose a new assessment based on updated data and a different methodological approach.

In ENA's view, there is a material distinction between correcting an error and reopening the analytical framework used to determine a parameter. Maintaining that distinction is important for preserving confidence in the stability and predictability of regulatory settings across all regulated sectors.

### 3 Long-run estimation of systematic risk

ENA also considers that cost of capital methodologies should remain anchored in long-run estimates that are representative of systematic risk across a range of market conditions.

While recent data can provide useful information, ENA is concerned about the broader implications of selectively including or excluding particular periods from the estimation window. The draft decision relies on a judgement that the Covid-19 period represented a temporary disruption that should largely be excluded from the assessment, while the subsequent three-year period should be treated as representative of ongoing risk.

The challenge is not specific to Covid-19. Capital markets are regularly affected by significant events, including financial crises, geopolitical conflicts, natural disasters, energy shocks, technological disruption and other low-frequency but potentially high-impact events. Investors price assets in the presence of these risks, regardless of whether the risks ultimately materialise. Accordingly, a measured beta observed during a period that is considered relatively stable may not fully capture investor expectations regarding low-frequency but potentially high-impact events.

In ENA's view, a key strength of long-run estimation approaches is that they avoid the need for regulators to make ex post judgements about which periods should be regarded as representative and which should be treated as exceptional. Once a regulator begins excluding particular periods from the sample, questions inevitably arise about where the boundaries should be drawn and what criteria should be applied in future cases. Equally, it becomes unclear whether future periods characterised by unusually low volatility, favourable economic conditions, or other atypical outcomes would be subject to similar scrutiny. For this reason, ENA considers that long-run estimation approaches, applied consistently through time, generally provide a more transparent and predictable basis for parameter estimation.

ENA is therefore concerned that the draft decision may create uncertainty regarding the circumstances in which observed market outcomes will be incorporated into, or excluded from, future cost of capital assessments. Greater clarity regarding the principles that govern such judgements would assist in maintaining confidence in the predictability and consistency of regulatory decision-making.

### 4 Precedent for future regulatory decisions

ENA's principal concern is the precedent that may be created if a process initiated to address identified errors results in a broader reassessment of methodology and judgement outside the normal review cycle.

The implications of that precedent extend beyond airports and are relevant to all sectors subject to economic regulation. Regulated suppliers across multiple sectors rely on confidence that established methodologies will not be reopened whenever new data becomes available or when subsequent evidence suggests a different outcome may have been reached.

For that reason, ENA encourages the Commission to place significant weight on maintaining confidence in the stability, predictability and durability of established regulatory methodologies when reaching its final decision.

However, if the Commission decides to proceed with these proposals, ENA encourages the Commission to provide a clear and robust justification for departing from established methodologies and long-run estimation approaches outside the statutory review cycle. This should include the criteria used to determine that intervention is warranted, why the circumstances are sufficiently exceptional to justify a departure from established practice, and why the issue could not reasonably be addressed through the next IM review.

ENA also encourages the Commission to explain how the approach adopted in this case is intended to be distinguished from future circumstances. Greater clarity on these matters would help reduce uncertainty regarding how similar situations may be assessed in future and maintain confidence in the predictability and stability of regulatory decision-making.

ENA thanks the Commission for considering these comments. If you have any questions about ENA's submission please contact Gemma Pascall, Regulatory Manager ( ).

Yours sincerely

Gemma Pascall

Regulatory Manager

## Appendix A: ENA Members

Electricity Networks Aotearoa makes this submission along with the support of its members. Listed below are the lines companies represented:

- Alpine Energy
- Aurora Energy
- Buller Electricity
- Centralines
- Counties Energy
- EA Networks
- Electra
- Electricity Invercargill
- Firstlight Network
- Horizon Networks
- MainPower
- Marlborough Lines
- Network Tasman Limited
- Network Waitaki
- Northpower
- Orion New Zealand
- OtagoNet – represented by PowerNet
- Powerco
- Scanpower
- The Power Company – represented by PowerNet
- Top Energy
- The Lines Company
- Unison Networks
- Vector
- Waipa Networks
- WEL Networks
- Wellington Electricity
- Westpower