

Good morning

This email updates you on the Commission's proposed timing and next steps for the review of input methodologies (IMs) under section 52Y of the Commerce Act 1986.

### **Thank you for your comments in response to our open letter**

The comments received on our open letter have been posted on our website:

<http://www.comcom.govt.nz/regulated-industries/input-methodologies-2/amendments-and-clarifications/>.

We thank everyone who submitted comments for sharing their thoughts. A range of views were expressed. Most parties favoured an early start to the IM review, but parties in the energy sector generally did not see a need to complete the review of IMs before the DPP reset for gas pipeline businesses.

### **Proposed start date for the review**

We propose to issue a notice of intention to begin work on the IM review in the next two weeks, along with a covering letter. This is in line with the majority of comments on our open letter, which supported getting started on the IM review as soon as possible.

### **Proposed end date for the review**

In comments on our open letter, those interested in the airports sector generally supported completing the review by December 2016. Energy businesses generally preferred a longer process, stretching well into 2017. However, many parties advocating a longer duration did not sufficiently explain why such a long process is necessary. We are now exploring with some parties from the energy sector why such a lengthy review process may be necessary. These discussions will be further progressed with all interested stakeholders, possibly in an open forum which we discuss further below.

At this stage, based on the issues we currently see on the table, we think an aim to complete the review by December 2016 is realistic. As such, we propose to include December 2016 as the indicative end date in the notice of intention. We propose to re-assess this end date for the review once we have a clearer picture of the issues and problem definitions for the review, as discussed below.

### **Proposed next steps – preliminary issues paper and an open forum**

We are keen to develop a tailored, fit-for-purpose process for reviewing the IMs. In particular, we seek to adopt a process that properly addresses the issues and our review requirements while managing costs and time commitments for all parties.

Once we have issued the notice of intention to start work, our proposed next step is to issue a brief preliminary issues paper. The intention of that paper would be to explain our current understanding of the issues relevant to the IM review and invite submissions from interested parties that would assist us in understanding the issues and the defining the specific problems as they relate to the IMs. Between releasing a preliminary issues paper and receiving submissions on that paper, we propose holding an open forum discussion with a range of interested parties. This would occur at an early date, say in July 2015, and give interested parties an opportunity to present the issues as they see them, to us and to other interested parties at an early stage, and to discuss these in a relatively informal setting with potentially lower cost to parties. In our view, this would have a number of benefits for all parties:

- It would allow as many material issues as possible to be identified and shared broadly with all interested parties early in the process;
- It would assist in more quickly defining the underlying problem that potential changes to any particular IM are intended to address;

- It would allow parties and their expert advisors to explore these issues with other parties as well as ourselves prior to making formal written submissions. This may assist parties to develop their submissions, by allowing them to test the clarity of expression and to anticipate possible questions and counter-perspectives. All parties will eventually benefit from receiving well-developed written submissions; and
- It would inform our process and allow us to re-assess the end date for the review.

For the proposed forum to achieve its goals, it will be necessary to prepare effectively in advance of it, so that presentations to the forum, and the discussions during the forum, are of high quality. We would encourage parties to continue considering and developing their thinking in this regard, as well as engaging expert advisers in anticipation of participating.

Following the forum and subsequent submissions from stakeholders, we expect to have a much clearer picture of the issues and problem definitions relevant to the review. This should allow us to formulate an appropriate process for the next phase of the review, including re-assessing the timeframes and the end date.

We intend to confirm the proposed next steps outlined above in a letter in the next two weeks. That letter is also likely to provide further details on the forum, invite parties to express an interest in presenting to the forum and provide an indicative scope for any such presentation opportunities. If you have any urgent questions on this matter please contact me. Further details will be provided in two weeks in the letter that accompanies the notice of intention.

Kind regards

**Keston Ruxton**

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