

NOTICE OF INTENTION

10 JUNE 2015

Input Methodologies Review

1. The purpose of this notice of intention is to advise that the Commerce Commission has begun work on a review of input methodologies in accordance with section 52Y(1) of the Commerce Act 1986 (the Act).
2. The input methodologies¹ that will be reviewed are:
 - 2.1 *Commerce Act (Specified Airport Services Input Methodologies) Determination 2010* (Commerce Commission Decision 709, 22 December 2010);
 - 2.2 *Transpower Input Methodologies Determination 2012* [2012] NZCC 17;
 - 2.3 *Gas Distribution Services Input Methodologies Determination 2012* [2012] NZCC 27;
 - 2.4 *Gas Transmission Services Input Methodologies Determination 2012* [2012] NZCC 28;
 - 2.5 *Electricity Distribution Services Input Methodologies Determination 2012* [2012] NZCC 26 (with the exception described below in paragraph 3).
3. The input methodologies in the *Electricity Distribution Services Input Methodologies Determination 2012* relating to the application of the incremental rolling incentive scheme (the EDB IRIS) to default/customised price-quality regulation are currently in the process of potential amendment under section 52X of the Act. The process for considering these amendments was commenced by notice of intention dated 30 April 2013 and the Commission intends to complete that process by August 2015. The EDB IRIS is therefore excluded from this review pending completion of the amendment process. The Commission intends to issue another notice of intention to add the review of the EDB IRIS to this review of the electricity distribution services input methodologies following the final determination of the current section 52X amendment process.
4. The Commission is considering whether this review should include potential amendments to specified aspects of particular input methodologies on an earlier 'fast tracked' timeframe. Any fast tracked amendments would be completed in advance of the draft review decision(s), allowing the potentially amended input methodologies to be included as part of the overall review. The potential fast tracked amendments the Commission is considering are:
 - 4.1 Specified amendments to input methodologies in the *Electricity Distribution Services Input Methodologies Determination* to simplify requirements for applicants making a customised price quality path (CPP) proposal, including the consequential effects for our determination of the CPP. It is necessary for these amendments to be in place prior to any applicants seeking a CPP in February or May 2016; and

¹ Consolidated versions of the input methodologies (which include amendments made to the original input methodology determinations) are available on the Commerce Commission website. <http://www.comcom.govt.nz/>

4.2 Specified amendments to input methodologies in the *Commerce Act (Specified Airport Services Input Methodologies) Determination* related to rules which need to be applied by regulated airports, such as land valuation rules, so that the outcome of applying those rules is available to be used well in advance of any 2017 airport price setting events. It is necessary for these amendments to be in place before the indicative end date for the final decision on this review.

5. In accordance with sections 52Y(3) and 52V(1) of the Act, this notice outlines below the process that will be followed and the indicative timeframes for the review of the input methodologies set out in paragraph 2 and 4 (with the exceptions noted in paragraph 3).

Process		Indicative time frame
1.	Paper issued - Input Methodology Review: Invitation to contribute to problem definition (invitation paper) This paper will be issued by the Commission to provide an overview of some issues for consideration in reviewing the input methodologies and to inform discussion at the Forum in late July 2015	15 June 2015
2.	Decision by Commission on whether to conduct fast tracked amendments for specified airports and EDB CPP input methodologies and the process for fast track amendments	3 July 2015
3.	Forum with interested persons on the invitation paper	29 - 30 July 2015
4.	Submissions from interested persons on the invitation paper	21 August 2015
5.	Cross-submissions from interested persons on the invitation paper	4 September 2015
6.	Draft decision(s) on input methodologies review published for comment Publication of draft reasons paper(s) and any draft input methodology amendments	Mid Quarter 2 2016
7.	Submissions from interested persons on the draft decision(s)	Late Quarter 2 2016
8.	Technical consultation on input methodology amendments	Quarter 3 2016
9.	Final decision(s) on input methodologies review Publication of final reasons paper(s) and any input methodology amendments	December 2016

Further detail on the Commission's process for the review is provided in the cover letter to this notice. Regular updates on the process, including process refinements will also be published on the Commerce Commission's website <http://www.comcom.govt.nz>