

Good morning

This email provides important information about the commencement of our review of the input methodologies under s 52Y of the Commerce Act 1986 (the Act). This includes explaining how we will consider the Airports WACC percentile and changes to the incremental rolling incentive scheme (IRIS) given that our review has now started.

Our review of input methodologies has commenced

We have today formally commenced our review of the input methodologies. A notice of intention and covering letter has been published on our website at <http://www.comcom.govt.nz/regulated-industries/input-methodologies-2/input-methodologies-review/>.

The covering letter which provides an explanation of:

- the scope and timing of the review; and
- the process as set out in the notice of intention, including the initial problem definition phase which involves an invitation paper, forum and submissions from interested parties.

The covering letter also outlines our approach to input methodologies amendments (current s 52X amendment processes and fast tracked amendments within the review). We are seeking submissions on whether certain parts of the review should be fast tracked to conclude well in advance of December 2016. These **submissions are due by 5pm on Tuesday 23 June**.

How we will consider the WACC percentile for airports

We have decided to not make any amendments to the WACC percentile for regulated airport services at this time. We will give further consideration to any potential amendments to the WACC percentile for airport services as part of our review of input methodologies.

The paper giving effect to this decision can be found on our website at:

<http://www.comcom.govt.nz/regulated-industries/input-methodologies-2/further-work-on-wacc/>

How we will consider changes to the IRIS

We have decided to not make any amendments to the IRIS for gas transmission services and gas distribution services (gas pipeline businesses) at this time. We will give further consideration to any potential amendments to the IRIS for gas pipeline businesses as part of our review of input methodologies.

The paper giving effect to this decision can be found on our website at:

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

IRIS amendments for electricity distributors

We will continue with our consideration of potential amendments to the IRIS for electricity distributors subject to a customised price-quality path, and electricity distributors transitioning between default and customised price-quality paths under s 52X of the Act. We consider we have sufficient information to reach a final decision on any amendments by the end of 2015.

Our review of input methodologies will also include consideration of any IRIS amendments that we determine for electricity distributors during this year.

Kind regards

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