

AMENDED NOTICE OF INTENTION

AT 3 JULY 2015

(Amending the Notice of Intention dated 10 June 2015)

Input Methodologies Review

1. The purpose of this amended notice of intention is to advise:
 - 1.1. at 10 June 2015, 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)¹; and
 - 1.2. at 3 July 2015, that the Commission has decided to fast track potential amendments to airport services input methodologies relating to land valuation in accordance with section 52Y(1) of the Act.

2. The input methodologies² 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

¹ This notice of intention is reissued in amended form on 3 July 2015 in light of the Commission's decision to fast track potential amendments to airport services input methodologies for land valuation (within the review) on an earlier timeframe. Substantive changes to the form of the original notice issued on 10 June 2015 are limited to paragraph 4 and the addition of a new paragraph 6. This formalises the decision indicated in item two of the process timetable in paragraph 5 with respect to airport services input methodologies fast track amendments. It is noted that a further decision by the Commission on whether to fast track specified input methodology amendments to EDB CPP requirements is not made on 3 July 2015 as originally indicated.

² 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/>

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 are to be completed in advance of the draft decision(s) on the input methodologies review, allowing the potential fast track amendments to be included within the overall review. At 3 July 2015, the Commission:
 - 4.1. decided to fast track potential amendments to the requirements for undertaking the valuation of airport land in accordance with a market value alternative use (MVAU) methodology in the *Commerce Act (Specified Airport Services Input Methodologies) Determination* following the process set out in paragraph 6. The purpose of these amendments is to consider the application of the airport land MVAU valuation methodology including narrowing the potential range of airport land values derived under the requirements and updating requirements to align them with current valuation standards and practices;
 - 4.2. is still considering whether to fast track potential 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.

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

Process		Indicative time frame
1.	<p>Paper issued - Input Methodology Review: Invitation to contribute to problem definition (invitation paper)</p> <p>This paper was 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</p>	15 June 2015
2.	<p>Decision by Commission on whether to conduct fast tracked amendments for specified airports and EDB CPP input methodologies³ and the process for fast track amendments</p>	3 July 2015
3.	<p>Forum with interested persons on the invitation paper</p>	29 - 30 July 2015
4.	<p>Submissions from interested persons on the invitation paper</p>	21 August 2015
5.	<p>Cross-submissions from interested persons on the invitation paper</p>	4 September 2015
6.	<p>Draft decision(s) on input methodologies review published for comment</p> <p>Publication of draft reasons paper(s) and any draft input methodology amendments</p>	Mid Quarter 2 2016
7.	<p>Submissions from interested persons on the draft decision(s)</p>	Late Quarter 2 2016
8.	<p>Technical consultation on input methodology amendments</p>	Quarter 3 2016
9.	<p>Final decision(s) on input methodologies review</p> <p>Publication of final reasons paper(s) and any input methodology amendments</p>	December 2016

³ It is noted that the date for a decision by the Commission on whether to fast track specified input methodology amendments to EDB CPP requirements is not made on 3 July 2015 as originally indicated.

6. 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 fast track amendment of the airport services land valuation input methodologies as set out in paragraph 4.1.

	Process	Indicative time frame
1.	Publication of material for workshop	Early September 2015
2.	Workshop to discuss airport fast tracked matters, including framework for applying the MVAU valuation approach	Late September 2015
3.	Draft decision and draft input methodology amendments	Early November 2015
4.	Submissions on our draft decision and draft input methodology amendments	Early December 2015
5.	Cross-submissions on our draft decision and draft input methodology amendments	Mid December 2015
6.	Final decision and input methodology amendments	Late February 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>