

Commerce Commission – Input methodologies review – process update email

Good afternoon

We thank stakeholders for their ongoing engagement with the input methodologies review, and we particularly appreciate your efforts in drafting submissions over the holiday season.

In our Process Update Paper issued on 30 October 2015, we indicated that we would provide a further process update in February 2016 to confirm the processes described in that paper for 2016 and to notify stakeholders of any changes to processes planned for the IM review. We intend to release a process update paper during the week commencing 29 February 2016.

In the meantime, this email provides an initial update on material we have published to date in February 2016, as well as advance notice of further material we intend to publish in the next few weeks, both prior to, and alongside, the release of our more comprehensive process update. It also provides an update on our plans for a workshop on information requirements for CPP proposals and our plans for releasing expert advice on cost of capital topics.

So far this month we have published:

- Submissions responding to our gas pipeline sector stakeholder meeting held 8 December 2015 – published on 1 February
- Consolidated input methodology determinations for EDBs, GDBs and GTBs – published on 3 February
- Submissions on emerging technology pre-workshop paper (due 4 Feb) – published on 11 February
- Submissions on cost of capital update paper (due 5 Feb) – published on 11 February

We also intend to publish the following this month. Please note, the dates provided are indicative and may change:

- Consolidated input methodologies determination for Transpower – 12 February
- Professor George Yarrow's expert advice on airports WACC percentile, the terms of reference for this work, and the Commission's emerging views on the topic – week commencing 15 February
- Airports fast-track final decision – week commencing 22 February
- Input methodologies review: process update paper – week commencing 29 February
- Consolidated input methodologies determination for airports – week commencing 29 February
- Emerging views on opportunities to improve the way default and customised price-quality paths work together (this follows on from Topic 8 of the Invitation to Contribute to Problem Definition paper: cost-effectiveness of the rules and processes for CPP applications) – week commencing 29 February
- Emerging views on form of control – week commencing 29 February
- Dr Martin Lally's expert advice and response to submissions on asset beta adjustments and Black's simple discounting rule – week commencing 29 February

In addition, we also intend to release a process paper for the 2017 gas pipeline default price-quality path resets during the week commencing 29 February.

Electricity sector workshop on information requirements for CPP proposals

In December 2015, we advised you of an electricity sector workshop on information requirements for customised price-quality path (CPP) proposals. Following discussions with a number of interested parties, we are now proposing to hold the workshop in mid-April 2016. The aim of the workshop will be to discuss potential revisions to the information requirements for CPPs to help address some of the cost/complexity concerns highlighted by interested parties in relation to the EDB input methodologies, in particular Schedules D and E. We expect to publish workshop materials for review by the end of March 2016.

Expert advice on cost of capital topics

We consider it is important for Dr Lally to review submissions on the cost of capital update paper in providing his expert advice on specific topic areas. At this stage we have prioritised the two topics of asset beta adjustments and Black's simple discounting rule. His advice on these topics will, therefore, be published for stakeholder comment in the week commencing 29 February. We intend to release the rest of his expert advice on the topics listed in the terms of reference at a later date, however we do not plan to receive any further stakeholder comment on these other topics prior to the draft decision.

Kind regards

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