

# **Input methodologies review decisions**

## **Introduction and process paper**

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## Associated documents

Publication date	Reference	Title
20 December 2016	978-1-869455-43-9	Input methodologies review decisions: Summary paper
20 December 2016	978-1-869455-53-8	Input methodologies review decisions: Framework for the IM review
20 December 2016	978-1-869455-45-3	Input methodologies review decisions: Topic paper 1 – Form of control and RAB indexation for EDBs, GPBs and Transpower
20 December 2016	978-1-869455-46-0	Input methodologies review decisions: Topic paper 2 – CPP requirements
20 December 2016	978-1-869455-47-7	Input methodologies review decisions: Topic paper 3 – The future impact of emerging technologies in the energy sector
20 December 2016	978-1-869455-48-4	Input methodologies review decisions: Topic paper 4 – Cost of capital issues
20 December 2016	978-1-869455-49-1	Input methodologies review decisions: Topic paper 5 – Airports profitability assessment
20 December 2016	978-1-869455-50-7	Input methodologies review decisions: Topic paper 6 – WACC percentile for airports
20 December 2016	978-1-869455-51-4	Input methodologies review decisions: Report on the IM review
20 December 2016	1178-2560	<i>Electricity Distribution Services Input Methodologies Amendments Determination 2016 [2016] NZCC 24</i>
20 December 2016	1178-2560	<i>Gas Distribution Services Input Methodologies Amendments Determination 2016 [2016] NZCC 25</i>
20 December 2016	1178-2560	<i>Gas Transmission Services Input Methodologies Amendments Determination 2016 [2016] NZCC 26</i>
20 December 2016	1178-2560	<i>Transpower Input Methodologies Amendments Determination 2016 [2016] NZCC 27</i>
20 December 2016	1178-2560	<i>Airport Services Input Methodologies Amendments Determination 2016 [2016] NZCC 28</i>
20 December 2016	1178-2560	<i>Airport Services Information Disclosure Amendments Determination 2016 [2016] NZCC 29</i>

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## CONTENTS

<b>EXECUTIVE SUMMARY .....</b>	<b>2</b>
PURPOSE OF THIS PAPER.....	2
WHAT ARE INPUT METHODOLOGIES? .....	2
WHAT IS THE IM REVIEW?.....	2
OUR PROCESS FOR REVIEWING THE IMS .....	3
OUR PACKAGE OF DECISIONS PAPERS .....	3
NEXT STEPS FOR AREAS WHERE WE HAVE NOT YET REACHED DECISIONS .....	4
<b>CHAPTER 1: INTRODUCTION .....</b>	<b>5</b>
PURPOSE OF THIS PAPER.....	5
WHERE THIS PAPER FITS IN TO OUR PACKAGE OF DECISIONS PAPERS .....	5
STRUCTURE OF THIS PAPER.....	5
<b>CHAPTER 2: BACKGROUND TO THE IM REVIEW .....</b>	<b>6</b>
PURPOSE OF THIS CHAPTER .....	6
WHAT ARE INPUT METHODOLOGIES? .....	6
INTRODUCTION TO THE IM REVIEW .....	7
<b>CHAPTER 3: THE IM REVIEW PROCESS.....</b>	<b>10</b>
PURPOSE OF THIS CHAPTER .....	10
THE PROCESS WE FOLLOWED IN REACHING DECISIONS ON THE IM REVIEW .....	10
FIGURE 1: THE SOURCES OF OUR DECISIONS ON THE IM REVIEW .....	11
SOME ISSUES WERE FAST TRACKED AS PART OF THE IM REVIEW.....	13
THE AMENDMENTS DETERMINATIONS PROCESS .....	14
THE RECORD FOR THE IM REVIEW .....	15
<b>CHAPTER 4: THE PACKAGE OF DECISIONS PAPERS .....</b>	<b>16</b>
PURPOSE OF THIS CHAPTER .....	16
OUR PACKAGE OF DECISIONS PAPERS .....	16
HOW THE DECISIONS PAPERS FIT TOGETHER .....	18
<b>CHAPTER 5: NEXT STEPS FOR AREAS WHERE WE HAVE NOT YET REACHED DECISIONS .....</b>	<b>20</b>
PURPOSE OF THIS CHAPTER .....	20
AREAS OF THE IMS WHERE WE HAVE NOT YET REACHED DECISIONS.....	20
RELATED PARTY TRANSACTIONS.....	21
TRANSPower IRIS.....	21
CPP INFORMATION REQUIREMENTS FOR GAS PIPELINE BUSINESS.....	22
<b>ATTACHMENT A: KEY STEPS IN THE IM REVIEW PROCESS .....</b>	<b>23</b>
<b>ATTACHMENT B: LIST OF ALL IM DETERMINATIONS AND REASONS PAPERS.....</b>	<b>29</b>

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## Executive summary

### Purpose of this paper

- X1. The purpose of this paper is to:
- X1.1 describe the process we have followed in reaching our decisions on the input methodologies review (**IM review**);
  - X1.2 explain the package of papers we have released to communicate our decisions on the IM review; and
  - X1.3 provide an update on the next steps for those areas where we have not yet reached decisions.

### What are input methodologies?

- X2. Input methodologies (**IMs**) are the upfront rules, processes and requirements of Part 4 regulation. Their purpose is to promote certainty for suppliers and consumers in relation to the rules, requirements and processes applying to regulation of the supplier under Part 4. IMs apply to all suppliers of electricity distribution services, gas pipeline services, specified airport services and Transpower.
- X3. We determined the original IMs on 22 December 2010.<sup>1</sup> In 2012, following judicial review proceedings, we re-determined the IMs to extend our IM decisions on cost allocation, asset valuation and the treatment of taxation to also apply to default price-quality paths (**DPPs**).<sup>2</sup> In addition, following merits review of the original IMs, specific aspects of a small number of IMs were amended.<sup>3</sup> Some of these IMs have also been subject to amendment pursuant to s 52X of the Commerce Act 1986 (the **Act**).

### What is the IM review?

- X4. The Act requires us to review all IMs no later than 7 years after their publication.<sup>4</sup>
- X5. We commenced the current review of all IMs (except the Transpower Capex IM) on 10 June 2015 by issuing a notice of intention.<sup>5</sup> We must review all IMs within the scope of the notice of intention. We may then amend, replace, decide to amend or replace the IMs at a later point, or make no changes to the IMs we have reviewed.

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<sup>1</sup> The input methodologies for Transpower's capital expenditure proposals were determined on 31 January 2012 and published on 9 February 2012.

<sup>2</sup> See footnote 9.

<sup>3</sup> *Wellington International Airport Ltd & others v Commerce Commission* [2013] NZHC 3289; *Vector Ltd v Commerce Commission* [2012] NZCA 220.

<sup>4</sup> Section 52Y of the Act.

<sup>5</sup> Commerce Commission "Notice of intention: Input methodologies review" (10 June 2015); subsequently amended by Commerce Commission "Amended notice of intention: Input methodologies review" (14 September 2016).

- X6. The IM review is now complete for all areas within the scope of the notice of intention, except for the three areas where we have not yet reached decisions.<sup>6</sup>
- X7. The review will be complete when our final decisions are made on all IMs within the scope of the review.

#### **Our process for reviewing the IMs**

- X8. We adopted a tailored, fit-for-purpose approach to reviewing the IMs and reaching decisions. Our approach to the review involved two main components:
- X8.1 **Our effectiveness review** – a review of the effectiveness of all input methodologies subject to review.
- X8.2 **Our consultation on the key topics for the review** – where stakeholders or our internal review suggested there were particular problems that we might be able to address in the IM review, we engaged with stakeholders and experts to review and test potential solutions to these problems. This consultation was largely organised around key topics for the review.
- X9. Our decisions on whether and how to change the IMs have drawn on both of these components.

#### **Our package of decisions papers**

- X10. Our decisions package comprises a number of papers, which are listed in Table 1 on page 16. There are broadly four elements to the package of decisions papers:
- X10.1 the overarching papers; being the summary paper, this introduction and process paper, and the framework paper;
- X10.2 topic papers, which, for each of the key topics for the IM review,<sup>7</sup> explain the problems we have identified and our solutions for addressing those problems;
- X10.3 the Report on the IM review, which presents our decisions on whether and how to change the IMs as a result of the IM review; and
- X10.4 the amendment determinations that give effect to our decisions.

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<sup>6</sup> These are the Transpower IRIS, the CPP information requirements for gas, and the related party transactions provisions.

<sup>7</sup> Except for the related party transactions topic; as noted at paragraph 23, our review of the related party transactions provisions is ongoing.

### Next steps for areas where we have not yet reached decisions

X11. Our current decisions package presents decisions on all IMs within the scope of the review except for three areas where we have not yet reached decisions. An overview of the anticipated process for reaching our decisions on these areas is set out in Table X1.

**Table X1: Anticipated process steps for areas where we have not yet reached decisions**

Step	Date
Related party transactions – Emerging views paper	February 2017
Transpower IRIS – Draft decision	Q1 2017
Related party transactions – Draft decision	Q2 2017
Transpower IRIS – Final decision	Q2 2017
CPP information requirements for gas pipeline businesses – Draft decision	Q3 2017
Related party transactions – Final decision	Q4 2017
CPP information requirements for gas pipeline businesses – Final decision	Q4 2017

## **Chapter 1: Introduction**

### **Purpose of this paper**

1. The purpose of this paper is to:
  - 1.1 describe the process we have followed in reaching our decisions on the input methodologies review (**IM review**);
  - 1.2 explain the package of papers we have released to communicate our decisions on the IM review; and
  - 1.3 provide an update on the next steps for those areas where we have not yet reached decisions.

### **Where this paper fits in to our package of decisions papers**

2. This paper provides an introduction to our package of decisions papers. It explains the structure of the package of decisions papers and how they fit together.
3. To help readers identify which papers might of be most interest to them, it includes a table (Table 1) describing which sectors each paper applies to.

### **Structure of this paper**

4. Chapter 2 provides some essential background to the IM review, including an introduction to what the input methodologies (**IMs**) are and what the IM review is.
5. Chapter 3 explains the process that we have followed in reaching decisions on the IM review.
6. Chapter 4 explains the package of decisions papers, how to navigate them, and which papers are likely to be of interest to which sectors.
7. Chapter 5 provides an update on the next steps for those areas where we have not yet reached decisions.
8. Attachment A lists the key steps in the IM review process to date.
9. Attachment B lists all IM determinations and their accompanying reasons papers.

## Chapter 2: Background to the IM review

### Purpose of this chapter

10. This chapter provides some background to the IM review, including explaining:
  - 10.1 what the IMs are; and
  - 10.2 what the IM review is.

### What are input methodologies?

11. IMs are the upfront rules, processes and requirements of Part 4 regulation. Their purpose is to promote certainty for suppliers and consumers in relation to the rules, requirements and processes applying to regulation of the supplier under Part 4.
12. We determined the original IMs required by s 52T(1) on 22 December 2010.<sup>8</sup> In 2012, following judicial review proceedings, we re-determined the IMs to extend our IM decisions on cost allocation, asset valuation and the treatment of taxation to also apply to default price-quality paths (DPPs).<sup>9</sup> In addition, following merits review of the original IMs, specific aspects of a small number of IMs were amended.<sup>10</sup> Some of these IMs have also been subject to amendment pursuant to s 52X.
13. IMs apply to:
  - 13.1 all suppliers of electricity lines services, gas pipeline services and specified airport services subject to information disclosure regulation; and
  - 13.2 all suppliers of gas pipeline services, 17 suppliers of electricity distribution services and Transpower New Zealand (**Transpower**) subject to price-quality regulation.
14. A list of all IM determinations and their accompanying reasons papers can be found at Attachment B.

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<sup>8</sup> We also determined an IRIS IM not required by s 52T for EDBs, GPBs and Transpower. The input methodologies for Transpower's capital expenditure proposals were determined on 31 January 2012 under s 54S of the Act and published on 9 February 2012.

<sup>9</sup> Originally, our IM decisions for these matters were only specified as applicable to customised price-quality path proposals, and to information disclosure regulation. We extended the application of those IM decisions to apply to DPPs by taking the existing IMs as a starting point and simplifying the components where necessary. See: Commerce Commission "Specification and Amendment of Input Methodologies as Applicable to Default Price-Quality Paths: Reasons paper" (28 September 2012), available at: <http://www.comcom.govt.nz/dmsdocument/9506>.

<sup>10</sup> *Wellington International Airport Ltd & others v Commerce Commission* [2013] NZHC 3289; *Vector Ltd v Commerce Commission* [2012] NZCA 220.

## Introduction to the IM review

15. Section 52Y(1) of the Act requires us to review each IM no later than 7 years after its date of publication. It is open to us to conduct the review earlier within the seven year timeframe (as long as it is completed for each IM no later than 7 years after publication).
16. We are not obliged to review all IM determinations at the same time. Nevertheless, we were alert to the general desirability of taking a cross-sectoral approach when determining which IMs should be reviewed at this time, and in conducting the review.
17. We decided to begin the IM review of all IMs except Transpower's Capex IM in June 2015, with an indicative end date of December 2016, on the basis that:
  - 17.1 A final decision for the reset of the default price-quality paths for gas pipeline businesses (**GPBs**) is due by 31 May 2017. Completing the IM review in December 2016 allows any resultant change to the IMs to be applied before the 2017 reset of the DPP for GPBs. If the review was not completed until after the reset, any updated input methodologies would not be given effect to in the default price-quality paths for gas pipeline businesses until the following reset in 2022.
  - 17.2 Resets of the price-quality paths applying to 17 electricity distribution businesses (**EDBs**) and Transpower must be determined by 30 November 2019. Completing the IM review in December 2016 provides increased certainty for electricity distributors and Transpower on the input methodologies that will apply to the resets.
  - 17.3 Price setting events by Auckland and Christchurch airports are expected to occur in July 2017. The next Wellington Airport price setting event is due in April 2019. Completing the IM review in December 2016 allowed us to address issues with the IMs identified in the s 56G reports, and, in particular, to consider the appropriate weighted average cost of capital (**WACC**) estimates to publish for airports, prior to the next price setting events.
18. Although we considered incorporating the Transpower Capex IM in the review, ultimately we considered it appropriate to defer the review of the Capex IM. The Transpower Capex IM was originally determined in January 2012, separately from the other IMs, has recently been amended, and does not substantially drive decisions in relation to the other IMs. We expect to provide an update on the timing for commencing our review of the Transpower Capex IM in Q2 2017.

19. The IMs within the scope of the IM review are therefore (in each case including all subsequent amendments, including the fast track amendments already made as part of the IM review):<sup>11</sup>
- 19.1 *Commerce Act (Specified Airport Services Input Methodologies) Determination 2010* (Commerce Commission Decision 709, 22 December 2010);
  - 19.2 *Transpower Input Methodologies Determination 2012* [2012] NZCC 17;
  - 19.3 *Gas Distribution Services Input Methodologies Determination 2012* [2012] NZCC 27;
  - 19.4 *Gas Transmission Services Input Methodologies Determination 2012* [2012] NZCC 28; and
  - 19.5 *Electricity Distribution Services Input Methodologies Determination 2012* [2012] NZCC 26.
20. Once we decide to conduct an IM review, the process in s 52V of the Act applies to the review. Accordingly, on 10 June 2015, as required under s 52V(1), we issued a notice of intention to commence the review of all IMs, except the Transpower Capex IM, under s 52Y.<sup>12</sup>
21. We must review all IMs within the scope of the notice of intention.<sup>13</sup>
22. The review will be complete when our final decisions are made on all IMs within the scope of the review. Our decision on an IM in the review may include a decision to amend it as part of the IM review; to not amend it as part of the review; or to not amend it as part of the review and instead:
- 22.1 consider whether to change the IM at a later date (under s 52X or at the next s 52Y review);
  - 22.2 undertake a separate process involving our summary and analysis or compliance function;
  - 22.3 change s 52P determinations;
  - 22.4 publish guidance; or

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<sup>11</sup> Commerce Commission "Notice of intention: Input methodologies review" (10 June 2015); subsequently amended by Commerce Commission "Amended notice of intention: Input methodologies review" (14 September 2016).

<sup>12</sup> Commerce Commission "Notice of intention: Input methodologies review" (10 June 2015); subsequently amended by Commerce Commission "Amended notice of intention: Input methodologies review" (14 September 2016).

<sup>13</sup> Commerce Commission "Notice of intention: Input methodologies review" (10 June 2015); subsequently amended by Commerce Commission "Amended notice of intention: Input methodologies review" (14 September 2016).

- 22.5 a combination of the above.
- 23. The IM review is now complete for all areas within the scope of the notice of intention, except for three areas where we have not yet reached decisions:
  - 23.1 the Transpower Incremental Rolling Incentive Scheme (**IRIS**) IM;
  - 23.2 the IMs relating to customised price-quality path (**CPP**) information requirements for gas; and
  - 23.3 related party transactions provisions.

## Chapter 3: The IM review process

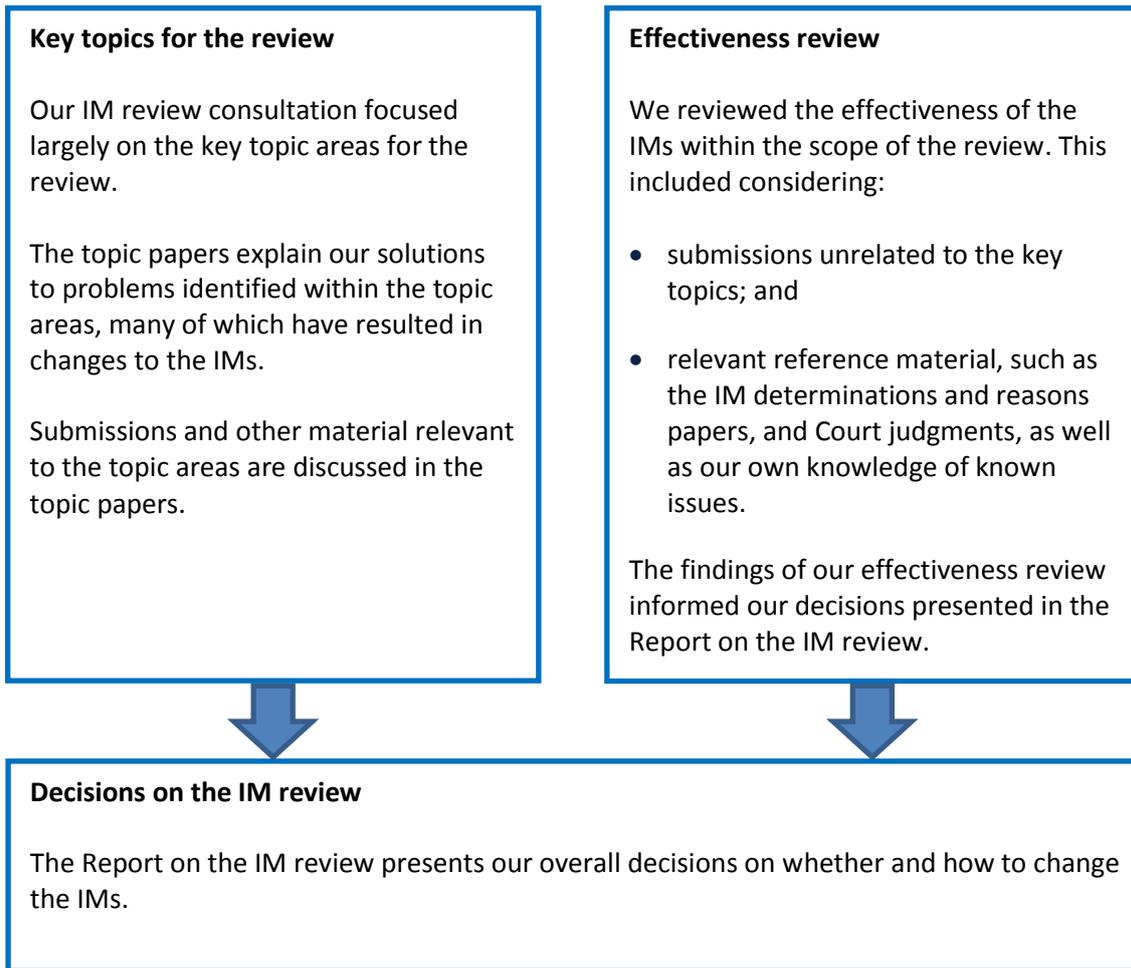
### Purpose of this chapter

24. The purpose of this chapter is to explain the process that we followed in reaching decisions on the IM review.
25. A table summarising the key steps in the IM review process is provided at Attachment A.

### The process we followed in reaching decisions on the IM review

26. Today we published our decisions on the IM review. We have reached decisions on whether and how to change all existing IMs within the scope of the review, except for those areas noted at paragraph 23.
27. We adopted a tailored, fit-for-purpose approach to reviewing the IMs and reaching decisions. We have reviewed the IMs for effectiveness, while drilling down into a number of specific topics that were identified by us and stakeholders as potentially containing problems that could be addressed by changing the IMs.
28. Our approach to the review involved two main components:
  - 28.1 **Our effectiveness review** – a review of the effectiveness of all input methodologies subject to review.
  - 28.2 **Our consultation on the key topics for the review** – where stakeholders or our internal review suggested there were particular problems that we might be able to address in the IM review, we engaged with stakeholders and experts to review and test potential solutions to these problems. This consultation was largely organised around key topics for the review.
29. As illustrated by Figure 1, our decisions on whether and how to change the IMs have drawn on both of these components of the IM review.

**Figure 1: The sources of our decisions on the IM review**



30. We describe each of the two main components of the review below.

*Our effectiveness review of the IMs*

31. We reviewed the IMs for effectiveness based on:

31.1 stakeholder submissions on the IM review; and

31.2 relevant reference material, such as the IM determinations and reasons papers, and Court judgments, as well as our own knowledge of known issues.

32. The framework paper discusses the types of questions we considered when reviewing the IMs.<sup>14</sup>

<sup>14</sup> Commerce Commission "Input methodologies review decisions: Framework for the IM review" (20 December 2016).

33. Where the results of our effectiveness review related to one of the key topic areas for the review, we considered them in that context. Our effectiveness review also led us to make a number of minor changes that are generally outside the scope of the key topics for the review. The bulk of the changes are to clarify the IMs, remove ambiguities, correct errors, or reduce unnecessary complexity and compliance costs.
34. As shown in Figure 1, the findings of our effectiveness review informed the decisions presented in the Report on the IM review.

*Consultation on the key topics for the review*

35. Our engagement with stakeholders was primarily issue driven (as opposed to IM driven), and organised according to a number of key topics for the review. The rationale for this approach was our desire to:
  - 35.1 focus stakeholder efforts on the most significant problems that the review could address, and on which we needed the most input;
  - 35.2 develop solutions only in light of clearly defined problems, rather than considering potential solutions before clearly defining the problem those potential solutions might seek to address;
  - 35.3 only make changes to the IMs where doing so is likely to:
    - 35.3.1 promote the Part 4 purpose in s 52A more effectively;
    - 35.3.2 promote the IM purpose in s 52R more effectively (without detrimentally affecting the promotion of the s 52A purpose); or
    - 35.3.3 significantly reduce compliance costs, other regulatory costs or complexity (without detrimentally affecting the promotion of the s 52A purpose).
36. Before commencing the review, we consulted with stakeholders on what the key focus areas for the review should be, as well as the appropriate timing for the review.<sup>15</sup> These key topic areas largely remained the same as we moved through the review, although the key topics and their scope were refined through the various consultation processes we held.
37. The key topics for the review were:
  - 37.1 form of control and regulated asset base (**RAB**) indexation for EDBs, GPBs and Transpower;
  - 37.2 CPP requirements;

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<sup>15</sup> Commerce Commission "Open letter on our proposed scope, timing and focus for the review of input methodologies" (27 February 2015).

- 37.3 the future impact of emerging technologies in the energy sector;
  - 37.4 cost of capital issues;
  - 37.5 airports profitability assessment;
  - 37.6 WACC percentile for airports; and
  - 37.7 related party transactions.
38. Within the key topic areas, we sought to identify and define the specific problems that we could seek to address through the IM review. Our problem definitions were influenced by both our effectiveness review, and topic-focussed consultation with stakeholders.
39. Stakeholders also played an important role in shaping our solutions to the problems identified within the key topic areas. Our solutions to problems identified within the key topic areas are explained in the topic papers released today as part of our decisions package.
40. To the extent they involve changes to the IMs, our solutions to topic-based problems informed our decisions on whether and how to change the IMs.

#### **Some issues were fast tracked as part of the IM review**

41. A number of specific issues relating to airports and CPPs were progressed at a faster pace to the rest of the review. This occurred:
- 41.1 to ensure amendments to specific IMs for airports services, such as land valuation rules were available in time to be used for the 2017 airport price setting events; and
  - 41.2 to provide benefits for CPP applications that we anticipated receiving before the scheduled completion of the IM review in December 2016.<sup>16</sup>
42. We published our decision on the fast track CPP amendments on 12 November 2015,<sup>17</sup> and the airports fast track amendments on 24 February 2016.<sup>18</sup>

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<sup>16</sup> In the event, Powerco decided to defer its intended CPP application beyond 2016. See: Commerce Commission "Input methodologies review process update paper: Second update on CPP fast track amendments" (9 October 2015). As a result, we deferred our decision on the alignment of the WACC for CPPs with the prevailing WACC for DPPs, which was originally part of the fast track, until today. See: Commerce Commission "Input methodologies review decisions: Topic paper 4 – Cost of capital (20 December 2016).

<sup>17</sup> *Electricity and Gas (Customised Paths) Input Methodology Amendments Determination 2015* [2015] NZCC 28.

<sup>18</sup> *Airport Services (Land Valuation) Input Methodologies Amendments Determination 2016* [2016] NZCC 3.

43. Once made, these amendments were rolled back into, and considered as part of, the overall IM review.

### The amendments determinations process

44. We published our draft decisions on the IM review on 16 and 22 June 2016 (**June draft decisions**), which included draft amended IM determinations.<sup>19, 20</sup> We also published draft amendments to the airports information disclosure (**ID**) determination at that time under s 52Q of the Act.<sup>21</sup>
45. In October 2016 we consulted on changes we had made to our June draft determinations by publishing revised draft determinations.<sup>22</sup> This consultation included:<sup>23</sup>
- 45.1 drafting refinements to better give effect to our June draft decisions;
  - 45.2 new drafting to give effect to areas where our views had been updated;<sup>24</sup> and
  - 45.3 new drafting to give effect to timing and transition arrangements for the introduction of the amendments.

<sup>19</sup> These are: Draft amendments to Electricity Distribution Services Input Methodologies Determination 2012 [2012] NZCC 26 (22 June 2016); Draft amendments to Gas Distribution Services Input Methodologies Determination 2012 [2012] NZCC 27 (22 June 2016); Draft amendments to Gas Transmission Services Input Methodologies Determination 2012 [2012] NZCC 28 (22 June 2016); Draft amendments to Commerce Act (Specified Airport Services Input Methodologies) Determination 2010 (Decision 709, 22 December 2010) (22 June 2016); Draft amendments to Transpower Input Methodologies Determination 2012 [2012] NZCC 17 (22 June 2016); Draft amendments to Commerce Act (Specified Airport Services Information Disclosure) Determination 2010 (Decision 715, 22 December 2010) (22 June 2016) (together, the **June draft determinations**).

<sup>20</sup> Following submissions on the June draft decisions, in September we published our updated draft decision on cost allocation for electricity distribution and gas pipeline businesses. See: Commerce Commission "Input methodologies review – Updated draft decision on cost allocation for electricity distribution and gas pipeline businesses" (22 September 2016).

<sup>21</sup> See footnote 19.

<sup>22</sup> These are: [REVISED DRAFT] Electricity Distribution Services Input Methodologies Amendments Determination 2016 (13 October 2016); [REVISED DRAFT] Gas Distribution Services Input Methodologies Amendments Determination 2016 (13 October 2016); [REVISED DRAFT] Gas Transmission Services Input Methodologies Amendments Determination 2016 (13 October 2016); [REVISED DRAFT] Transpower Input Methodologies Amendments Determination 2016 (13 October 2016); [REVISED DRAFT] Airports (Specified Airport Services) Input Methodologies Amendments Determination 2016 (13 October 2016); [REVISED DRAFT] Commerce Act (Specified Airport Services) Information Disclosure Amendments Determination 2016 (13 October 2016) (together, the **revised draft determinations**).

<sup>23</sup> Commerce Commission "Input methodologies review – Technical consultation update paper" (13 October 2016).

<sup>24</sup> In its submission to this consultation, Transpower noted that the consultation contained significant new policy proposals that interested parties had not previously had the opportunity to comment on. We do not share Transpower's concerns as one of the purposes of the technical consultation was to seek submissions on the areas where we had updated our views from the June draft decisions. See: Transpower "Input methodologies review: Technical consultation on updates to draft determinations" (3 November 2016), p. 1.

46. Submissions received on the revised draft determinations have been considered and, where appropriate, incorporated in the amendments determinations published today.

### **The record for the IM review**

47. We reviewed nearly all IMs at the same time out of recognition of the general desirability in taking a cross-sectoral approach, particularly in relation to topics such as cost of capital.<sup>25</sup>
48. While the review involved a number of focussed topic areas (some of which were sector specific), we consider this to be consistent with a cross-sectoral approach to reviewing the IMs (by reviewing nearly all IMs at the same time and considering alignment issues where appropriate).
49. Any material on our website that is relevant to the IM review forms part of the record for the IM review.
50. The record therefore includes any material provided during Commission workshops or other engagements held in the course of the IM review, including any material that may cover matters wider than the IMs. For instance, the airports profitability topic concerned changes to both the IMs and the airports ID determination, and our consultation on the 2017 gas DPP reset also highlighted matters relevant to the IM review. We consider that this is appropriate because it was impractical to separate IM review material and material that may be wider than the IMs. It was also beneficial to engage on these topics with a wider view as it was a pragmatic approach to the process and allowed consideration of how the IMs are implemented in practice.
51. As previously indicated,<sup>26</sup> submissions or material provided in relation to the gas DPP reset that was also relevant to the IM review, and was received before we reached our final decisions on the IM review, also forms part of the record for the IM review.
52. In reaching our decisions on the IM review, we only took into account written, published material.<sup>27</sup> This includes:
- 52.1 published written submissions; and
  - 52.2 published transcripts and minutes from forums, workshops and other stakeholder meetings.

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<sup>25</sup> Commerce Commission "Open letter on our proposed scope, timing and focus for the review of input methodologies" (27 February 2015), para 9.

<sup>26</sup> See, for example: Commerce Commission "Default price-quality paths for gas pipeline services from 1 October 2017: Process and issues paper" (29 February 2016), para 2.7.

<sup>27</sup> Except where information is explicitly identified as confidential.

## Chapter 4: The package of decisions papers

### Purpose of this chapter

53. The purpose of this chapter is to explain the package of papers we have released to communicate our decisions on the IM review.

### Our package of decisions papers

54. Our decisions package comprises a number of papers, which are listed in Table 1. There are broadly four elements to the package of papers for our decisions:
- 54.1 the overarching papers, being the summary paper, this introduction and process paper, and the framework paper;
  - 54.2 topic papers, which, for each of the key topics for the review,<sup>28</sup> explain the problems we have identified and our solutions to address those problems;
  - 54.3 the Report on the IM review, which presents our decisions on whether and how to change the IMs as a result of the IM review; and
  - 54.4 the amendments to the IM (and airports ID) determinations.
55. Table 1 also indicates which papers apply to which sectors. We note that these papers might also be of interest to stakeholders other than those to whom they directly apply, as identified in the introduction of each topic paper.

**Table 1: The package of decisions papers**

Paper name	Applies to
<b>Overarching papers</b>	
Summary paper	All sectors
Introduction and process paper	All sectors
Framework for the IM review	All sectors

<sup>28</sup> Except for the related party transactions topic; as noted at paragraph 23, our review of the related party transactions provisions is ongoing.

<b>Topic papers</b>	
Topic paper 1: Form of control and RAB indexation for EDBs, GPBs and Transpower	Applies to the following sectors: <ul style="list-style-type: none"> <li>• Electricity distribution businesses</li> <li>• Gas transmission businesses</li> <li>• Gas distribution businesses</li> <li>• Transpower<sup>29</sup></li> </ul>
Topic paper 2: CPP requirements	Applies to the following sectors: <ul style="list-style-type: none"> <li>• Electricity distribution businesses</li> <li>• Gas transmission businesses</li> <li>• Gas distribution businesses</li> </ul>
Topic paper 3: The future impact of emerging technologies in the energy sector	All of the solutions and changes to IMs described within this paper apply to electricity distribution businesses, and the changes to the cost allocation IM presented in Chapter 4 (Regulatory treatment of revenues and costs from emerging technologies) also apply to gas pipeline businesses
Topic paper 4: Cost of capital issues	All sectors
Topic paper 5: Airports profitability assessment	Airports
Topic paper 6: WACC percentile for airports	Airports
<b>Report on the IM review</b>	All sectors
<b>IM amendments</b>	
EDB IM amendment determination	Electricity distribution businesses
Transpower IM amendment determination	Transpower

<sup>29</sup> For Transpower, we only discuss RAB indexation, not the form of control.

GDB IM amendment determination	Gas distribution businesses
GTB IM amendment determination	Gas transmission businesses
Airports IM amendment determination	Airports
<b>ID amendments for airports</b>	
Airports ID amendment determination	Airports

### **How the decisions papers fit together**

#### *Summary paper*

56. The summary paper sits across our decisions package, providing a summary of the key findings in our decisions.

#### *Introduction and process paper*

57. This paper:
- 57.1 describes the process we followed in reaching our decisions on the IM review;
  - 57.2 explains the package of papers we have released to communicate our decisions on the IM review; and
  - 57.3 provides an update on the next steps for those areas where we have not yet reached decisions.

#### *Framework paper*

58. The framework paper describes the decision-making framework and key economic principles we applied in reaching our decisions. This framework supports our solutions to problems identified in each of the key topic areas for the review, as well as our ultimate decisions on whether and how to change the IMs, which are recorded in the Report on the IM review.

*Topic papers*

59. We have published six topic papers, one for each of the key topics for the review.<sup>30</sup> These papers explain the problems we have identified within each topic area and our solutions for addressing them. In doing so, these papers:
- 59.1 explain how we arrived at the particular problems we identified in each topic area; and
  - 59.2 explain why we favoured our chosen solutions to these problems, as opposed to alternative solutions considered.
60. As our consultation on the IM review has been aligned with the key topics for the review, the topic papers provide the most comprehensive discussion of, and response to, submissions.

*Report on the IM review*

61. The Report on the IM review records our decisions on whether and how we have changed the IMs as a result of the IM review. Unlike the topic papers, which are structured by problems within topic areas, the Report on the IM review is structured by IM.
62. The Report on the IM review presents our IM review decisions against the pre-review IM decisions.<sup>31</sup> We consider that this is easier to follow, and more useful, than presenting the results of the review on an IM determination, clause-by-clause basis. Presenting the results of the IM review in terms of the pre-review IM decisions allows us to illustrate where our IM review decisions involve changes to:
- 62.1 the policy intent of a pre-review IM decision; and/or
  - 62.2 the way a pre-review IM decision is implemented.
63. The Report on the IM review also explains the timing for when the IM changes we have made as a result of the IM review come into effect.

*Amendment determinations*

64. To give effect to our decisions, we have published IM (and airports ID) amendment determinations.<sup>32</sup>

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<sup>30</sup> Except for the related party transactions topic; as noted at paragraph 23, our review of the related party transactions provisions is ongoing.

<sup>31</sup> As discussed in the Report on the IM review, we have derived the pre-review IM decisions from our previous IM reasons papers. The set of pre-review IM decisions were given effect through the IM determinations published prior to today.

<sup>32</sup> For convenience, we have also published consolidated versions of the airports IM and ID determinations that incorporate today's amendment determinations. We will publish consolidated versions of the IM determinations for EDBs, GTBs and Transpower in Q1 2017.

## Chapter 5: Next steps for areas where we have not yet reached decisions

### Purpose of this chapter

65. The purpose of this chapter is to provide an update on the next steps for those areas of the IM review where we have not yet reached decisions.

### Areas of the IMs where we have not yet reached decisions

66. Our current decisions package presents decisions on all IMs within the scope of the review except for:<sup>33</sup>

66.1 the Transpower IRIS IM;

66.2 the IMs relating to CPP information requirements for gas; and

66.3 related party transactions provisions.

67. While these areas are still within the scope of the IM review, we have not yet reached decisions on them.

68. The anticipated process steps for these areas are summarised in Table 2.

**Table 2: Anticipated process steps for areas where we have not yet reached decisions**

Step	Date
Related party transactions – Emerging views paper	February 2017
Transpower IRIS – Draft decision	Q1 2017
Related party transactions – Draft decision	Q2 2017
Transpower IRIS – Final decision	Q2 2017
CPP information requirements for gas pipeline businesses – Draft decision	Q3 2017
Related party transactions – Final decision	Q4 2017
CPP information requirements for gas pipeline businesses – Final decision	Q4 2017

<sup>33</sup> All IMs are within the scope of the IM review, except for the Transpower Capex IM. See: Commerce Commission "Amended notice of intention: Input methodologies review" (14 September 2016).

## Related party transactions

69. In February 2017 we expect to publish an emerging views paper on the problem definition for our review of the related party transaction provisions. The paper will build on the related party transactions topic paper we published in June 2016.<sup>34</sup> It will present our emerging views on the problem definition based on further work we have undertaken since June 2016. It will also include a proposed outline of the next phases of our review in 2017. As previously advised, we will invite interested parties to submit on the paper.
70. To assess the workability of the related party transaction regime and see whether there is any broader problem that needs addressing in the IMs, we have been meeting with a sample of EDBs which have a variety of ownership and operating structures. We received a positive response from the industry. The meetings have helped us to better understand typical company structures and the variety of methods of valuation of related party transactions between entities in the electricity distribution sector. This better informed us of the potential issues faced by the industry in applying the current regime.
71. Our emerging views paper will seek public consultation on our emerging views on the workability of the current regime, where we will welcome formal input from all stakeholders, including the gas sector, on refining the problem definition and suggested solutions.
72. Following consultation on our emerging views paper, we expect to publish:
- 72.1 our draft decision in Q2 2017; and
  - 72.2 our final decision in Q4 2017.<sup>35</sup>

## Transpower IRIS

73. In respect of the Transpower IRIS IM, we expect to publish our:
- 73.1 draft decision in Q1 2017; and
  - 73.2 final decision in Q2 2017.

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<sup>34</sup> Commerce Commission "Input methodologies review draft decisions: Topic paper 7 – Related party transactions" (16 June 2016).

<sup>35</sup> We are aiming to ensure that any IM or ID amendments are published with sufficient time for regulated suppliers to implement any system or process changes for 2018/19 disclosure year data, which may be used in the next EDB price-quality path reset.

**CPP information requirements for gas pipeline business**

74. In respect of the CPP information requirements for gas, we expect to publish our:

74.1 draft decision in Q3 2017; and

74.2 final decision in Q4 2017.

## Attachment A: Key steps in the IM review process

75. The table below lists the key steps in the IM review process to date.

**Table A1: Key steps in the IM review process**

<b>Date</b>	<b>Process step</b>
27 February 2015	Published open letter on our proposed scope, timing and focus for the IM review
7 May 2015	Published IM review update email No. 1 – proposed timing and next steps for the IM review
3 June 2015	Published IM review update email No. 2 – dates for forum and update on notice of intention
10 June 2015	Published the notice of intention to commence the IM review, along with a covering letter
16 June 2015	Published invitation to contribute to problem definition for the IM review
3 July 2015	Published IM review process paper: Decision on whether to fast track certain amendments
22 July 2015	Published the discussion draft decision-making frameworks document for the IM review
27 July 2015	Published the programme for the IM review forum 29-30 July 2015
29–30 July 2015	Hosted IM review forum
7 August 2015	Published the transcript of the IM review forum 29-30 July 2015
7 September 2015	Published draft decision on limb 1 CPP fast track amendments
15 September 2015	Published draft agenda and workshop papers for the airports land valuation workshop 2 October 2015
18 September 2015	Published IM review process update email
18 September 2015	Published Dr Martin Lally's paper on complications arising from the option to apply for a CPP
2 October 2015	Hosted airports fast track land valuation workshop
9 October 2015	Published CPP fast track process update paper on the decision to discontinue CPP limb 2

20 October 2015	Published summary of views and final agenda and workshop papers from the airport land valuation workshop
30 October 2015	Published IM review process update paper
6 November 2015	Published draft agenda for the first airports profitability assessment workshop
10 November 2015	Published draft decision for fast track review of IMs for the application of airport land valuation methodology – Mark-up of proposed amendments to Schedule A for airports fast track
10 November 2015	Published Ernst and Young’s supporting paper for amendments to Schedule A for airports fast track review of IMs
12 November 2015	Published final reasons paper for limb 1 of the CPP fast track
12 November 2015	Published the final CPP fast track amendments ( <i>Electricity and Gas Customised Paths Input Methodologies Amendments Determination 2015</i> [2015] NZCC 28)
30 November 2015	Published update paper on the IM review of the cost of capital
30 November 2015	Published draft agenda for the emerging technology workshop
30 November 2015	Published pre-workshop paper for the emerging technology workshop
1 December 2015	Hosted first airports profitability assessment workshop
2 December 2015	Published our amended notice of intention
3 December 2015	Published agenda for gas pipeline stakeholder meeting
8 December 2015	Met with gas pipeline stakeholders
11 December 2015	Published CEPA’s regulatory practice paper on weighted average cost of capital
14 December 2015	Hosted emerging technology workshop
14 December 2015	Published Powerco’s presentation slides from the emerging technology workshop
16 December 2015	Emailed stakeholders to encourage those submitting evidence on the TAMRP for the IM review to consider and comment on the final decision on the TAMRP for the UBA/UCLL FPP, released on 15 December 2015
16 December 2015	Published final agenda for the emerging technology workshop

16 December 2015	Published Commission presentation slides from the emerging technology workshop
18 December 2015	Published final agenda for the first airports profitability assessment workshop
18 December 2015	Published final workshop papers for the first airports profitability assessment workshop
18 December 2015	Published summary of views for the first airports profitability assessment workshop
22 December 2015	Published Commission presentation slides from the meeting with gas pipeline stakeholders (held 8 December 15)
22 December 2015	Published summary of views from the meeting with gas pipeline stakeholders (held 8 December 15)
22 December 2015	Published consolidated list of all material released since October 2015 for the IM review
22 December 2015	Published terms of reference for Dr Lally's expert advice on cost of capital topics
22 December 2015	Published the transcript from the emerging technology workshop
1 February 2016	Published submissions received on the gas pipeline stakeholder meeting
3 February 2016	Published consolidated EDB IM Determination
3 February 2016	Published consolidated GDB IM Determination
3 February 2016	Published consolidated GTB IM Determination
11 February 2016	Published process update email and the submissions received on our cost of capital update paper
11 February 2016	Published submissions received on our cost of capital update paper
12 February 2016	Published consolidated Transpower IM Determination
19 February 2016	Published Professor George Yarrow's expert advice on airport WACC percentile, our emerging views, and the terms of reference for expert advice on cost of capital
24 February 2016	Published our final decision on the airports fast track amendments ( <i>Airport Services (Land Valuation) Input Methodologies Amendments Determination 2016</i> [2016] NZCC 3)

24 February 2016	Published consolidated Airports IM Determination
25 February 2016	Published Dr Lally's expert advice on asset beta adjustments and Black's simple discounting rule
29 February 2016	Published our emerging views on opportunities to improve the way default and customised price-quality paths work together
29 February 2016	Published notification email on the process update paper and other documents published
29 February 2016	Published default price-quality paths for gas pipeline services from 1 October 2017 – Process and issues paper
29 February 2016	Published an IM review process update paper
29 February 2016	Published our emerging views on form of control
3 March 2016	Published Sue Begg's Downstream 2016 presentation, 'Regulation and the future impact of emerging technologies'
9 March 2016	Published an infographic giving an overview of the 29 February 2016 publications and key dates leading up to June 2016
10 March 2016	Hosted gas pipeline DPP reset 2017 question and answer session on process and issues paper
18 March 2016	Published the questions and answer session notes for gas pipeline DPP reset 2017 – Process and issues paper
30 March 2016	Notification email CPP workshop for EDBs – Pre-draft decision workshop on CPP information requirements and number of projects verifier must assess
30 March 2016	Published materials ahead of the pre-draft decision workshop for EDBs on CPP information requirements and number of projects verifier must assess – Overview of matters to be discussed at the workshop
30 March 2016	Published materials ahead of the pre-draft decision workshop for EDBs on CPP information requirements and number of projects verifier must assess – Electricity distribution services input methodology Determinations 2016 – Proposed Schedule D – Capital and operating expenditure information

30 March 2016	Published materials ahead of the pre-draft decision workshop for EDBs on CPP information requirements and number of projects verifier must assess – Electricity distribution services input methodology Determinations 2016 – CPP proposal – Capital and operating expenditure Templates – Tables 1-10
31 March 2016	Published comments received on IMs matter in the Gas DPP process and issues paper
19 April 2016	Hosted pre-draft decision workshop for EDBs on CPP information requirements and number of projects verifier must assess
19 April 2016	Published agenda, workshop papers and stylised examples for the second airports profitability workshop held 26 April 2016
21 April 2016	Emailed stakeholders advising that we have entering the drafting stage and will not be seeking further engagement until after the draft (other than planned workshops)
26 April 2016	Hosted second airports profitability workshop
10 May 2016	Published email confirming the mid-year publication dates for the IM review draft decision, related Determinations, due dates for submissions, and the Gas DPP paper
20 May 2016	Published notification email advising of date change for the release of Dr Lally's expert advice on the cost of debt, asset beta adjustments for GPBs, RAB indexation and inflation risk, and TAMRP
25 May 2016	Published email notifying of the release of Dr Lally's expert advice on the cost of debt, asset beta adjustments for GPBs, RAB indexation and inflation risk, and TAMRP
25 May 2016	Published Dr Lally's expert advice on the cost of debt, asset beta adjustments for GPBs, RAB indexation and inflation risk, and TAMRP
7 June 2016	Published notification email inviting interested persons to attend the market analyst briefing following the release of our draft decisions
16 June 2016	Published our draft decisions package (excluding draft determinations and the Report on the IM review)
22 June 2016	Published the Report on the IM review
22 June 2016	Published our draft amended determinations (including draft amended information disclosure determination for airports)

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28 June 2016	Published Gas DPP reset paper discussing implementation matters arising from proposed IM changes
7 September 2016	Held additional workshop on cost of capital
14 September 2016	Published a process update paper
22 September 2016	Published further targeted consultation paper on cost allocation for electricity and gas businesses
6 October 2016	Published transcript from 7 September 2016 cost of capital workshop
13 October 2016	Published a technical consultation package: revised draft determinations and a supporting technical consultation update paper
9 December 2016	Published early confirmation of our IM review risk-free rate decision for the cost of capital
20 December 2016	Published our final decisions package

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## Attachment B: List of all IM determinations and reasons papers

76. Table B1 lists the pre-review, consolidated versions of the IM determinations. These include all IM amendments made prior to 20 December 2016. As such, these consolidated versions represent the IMs that were the subject of the IM review (with the exception of the Transpower Capex IM Determination).
77. Tables B2–B7 list all IM determinations and reasons papers published by the Commission.<sup>36</sup> It also includes a brief description of each.

**Table B1: List of pre-review consolidated IM determinations for all sectors**

Sector	Current consolidated IM determination	Date published
Electricity distribution	<a href="#"><i>Electricity Distribution Services Input Methodology Determination 2012 [2012] NZCC 26 – consolidated as of 15 December 2015</i></a>	3 February 2016
Gas distribution	<a href="#"><i>Gas Distribution Services Input Methodology Determination 2012 [2012] NZCC 27 – consolidated as of 15 December 2015</i></a>	3 February 2016
Gas transmission	<a href="#"><i>Gas Transmission Services Input Methodology Determination 2012 [2012] NZCC 28 – consolidated as of 15 December 2015</i></a>	3 February 2016
Transpower	<a href="#"><i>Consolidated Transpower Input Methodologies Determination 2012 [2012] NZCC 17 – consolidated as at 12 February 2016</i></a>	12 February 2016
Transpower Capex	<a href="#"><i>Transpower Capital Expenditure Input Methodology Determination 2012 [2012] NZCC 2 – consolidated as at 5 February 2015</i></a>	5 February 2015
Airports	<a href="#"><i>Commerce Act (Specified Airport Services Input Methodologies) Determination 2010, decision number 709 (22 December 2010) – consolidated as of 29 February 2016</i></a>	29 February 2016

<sup>36</sup> We have published various consolidated versions of the IMs as we have made IM amendments. Consolidated determinations are not actually determinations and so are not listed in Tables B2–B7.

**Table B2: List of IM determinations and reasons papers published by the Commission in respect of electricity distributors**

IM determination	Associated reasons paper	Brief description of determination
<a href="#"><u>Commerce Act (Electricity Distribution Services Input Methodologies) Determination 2010, decision number 710 (22 December 2010)</u></a>	<a href="#"><u>Input Methodologies (Electricity Distribution and Gas Pipeline Services): Reasons Paper (22 December 2010)</u></a>	Original IMs determination for EDBs.
<a href="#"><u>Electricity and Gas Input Methodologies Determination Amendments (No. 1) 2012 [2012] NZCC 18 (29 June 2012)</u></a>	<a href="#"><u>Electricity and Gas Input Methodologies Determination Amendments (No.1) 2012: Reasons Paper (29 June 2012)</u></a>	This amendment provides regulated suppliers of gas distribution, gas transmission, and electricity distribution services with additional means for valuing assets of the regulated supplier obtained from a related party for the purposes of ID and CPP proposals.
<a href="#"><u>Electricity Distribution Services Input Methodologies Determination 2012 [2012] NZCC 26 (28 September 2012)</u></a>	<a href="#"><u>Specification and Amendment of Input Methodologies as Applicable to Default Price-Quality Paths: Reasons Papers (28 September 2012)</u></a>	Redetermination of the Commerce Act (Electricity Distribution Services Input Methodologies) Determination 2010 (Commerce Commission Decision 710, 22 December 2010), as required by the High Court in <i>Vector Limited v Commerce Commission</i> , HC WN CIV-2011-485-536 [26 September 2011], including all amendments made as of the date of this determination.
<a href="#"><u>Electricity and Gas Input Methodologies Determination Amendments (No. 2) 2012 [2012] NZCC 34 (15 November 2012)</u></a>	<a href="#"><u>Electricity and Gas Input Methodologies Determination Amendments (No.2) 2012: Reasons paper (15 November 2012)</u></a>	Amendments relating to the assumptions of the timing of cash-flows used to determine CPPs for EDBs and GPBs.

<p><a href="#"><u>Electricity Lines Services Input Methodologies Determination Amendment 2014 [2014] NZCC 24 (26 September 2014)</u></a></p>	<p><a href="#"><u>Amendment to the WACC determination date for electricity lines services, including Transpower: Reasons paper (29 September 2014)</u></a></p>	<p>Amended the date by which we must determine the estimates of WACC for EDBs and Transpower.</p>
<p><a href="#"><u>Electricity Lines Services and Gas Pipeline Services Input Methodologies Determination Amendment (WACC percentile for price-quality regulation) 2014 [2014] NZCC 27 (29 October 2014)</u></a></p>	<p><a href="#"><u>Amendment to the WACC percentile for price-quality regulation for electricity lines services and gas pipeline services: Reasons paper (30 October 2014)</u></a></p>	<p>This amendment gives effect to the Commission's decision to move from using the 75<sup>th</sup> percentile estimate of WACC to the 67<sup>th</sup> percentile estimate of WACC for the purposes of price-quality regulation for electricity lines services and gas pipeline services.</p>
<p><a href="#"><u>Publication of Electricity, Gas, and Airport Input Methodology Amendments ordered by the High Court (27 November 2014)</u></a></p>	<p><a href="#"><u>Wellington International Airport Ltd &amp; Ors v Commerce Commission [2013] NZHC 3289 (11 December 2013)</u></a></p>	<p>Amendments by the High Court following merits appeal.</p>
<p><a href="#"><u>Electricity Distribution Input Methodology Amendments Determination 2014 [2014] NZCC 31 (27 November 2014)</u></a></p>	<p><a href="#"><u>Input methodology amendments for electricity distribution services: Default price-quality paths (Reasons paper) (27 November 2014)</u></a></p>	<p>Amendments primarily relating to changes to the IMs for DPPs. However, they also include related amendments which affect the IMs for ID and CPPs.</p>
<p><a href="#"><u>Incremental Rolling Incentive Scheme Input Methodology Amendments Determination 2014 [2014] NZCC 32 (27 November 2014)</u></a></p>	<p><a href="#"><u>Amendments to input methodologies for electricity distribution services and Transpower New Zealand: Incremental Rolling Incentive Scheme (Reasons paper) (27 November 2014)</u></a></p>	<p>Amendments to the IRIS in the IMs for EDBs and Transpower New Zealand. The amendments will affect incentives to control expenditure under DPPs and IPPs.</p>

<p><a href="#"><u>Electricity Lines Services and Gas Pipeline Services Input Methodologies Determination Amendment (WACC percentile for information disclosure regulation) 2014 [2014] NZCC 38 (11 December 2014)</u></a></p>	<p><a href="#"><u>Amendments to the WACC percentile range for information disclosure regulation for electricity lines services and gas pipeline services: Reasons Paper (12 December 2014)</u></a></p>	<p>Sets out our decision not to amend the 25<sup>th</sup> to 75<sup>th</sup> percentile range for ID for electricity lines services and gas pipeline services. These percentile estimates of WACC will continue to be determined and published annually, along with the mid-point estimate (which is also currently published annually). In addition, we will annually determine and publish 67<sup>th</sup> percentile estimates so that these are available to ourselves and other interested persons to be used in analysing the performance of suppliers.</p>
<p><a href="#"><u>Electricity and Gas (Customised Paths) Input Methodology Amendments Determination 2015 [2015] NZCC 28 (12 November 2015)</u></a></p>	<p><a href="#"><u>Input methodologies review: Amendments to input methodologies for customised price-quality paths – Final reasons paper for Limb 1 of the CPP fast track (12 November 2015)</u></a></p>	<p>Amendments to the IMs for CPPs applying in respect of EDBs and GPBs to improve the cost-effectiveness of the preparation, assessment and determination of CPP applications.</p>
<p><a href="#"><u>Electricity Distribution Services (Incremental Rolling Incentive Scheme) Input Methodology Amendments Determination 2015 [2015] NZCC 32 (25 November 2015)</u></a></p>	<p><a href="#"><u>Further amendments to input methodologies for electricity distributors subject to price-quality regulation: Incremental Rolling Incentive Scheme (IRIS) (Reasons paper) (25 November 2015)</u></a></p>	<p>Amendments to the IMs affecting the incentives EDBs have to control expenditure when their prices are regulated.</p>
<p><a href="#"><u>Electricity Distribution Services Input Methodologies Amendments Determination 2016 [2016] NZCC 24 (20 December 2016)</u></a></p>	<p><a href="#"><u>Input methodologies review decisions papers</u></a></p>	<p>Amendments to the IMs made as part of the 2016 IM review.</p>

**Table B3: List of IM determinations and reasons papers published by the Commission in respect of gas distribution businesses**

IM determination	Associated reasons paper	Brief description
<a href="#"><u>Commerce Act (Gas Distribution Services Input Methodologies) Determination 2010, decision number 711 (22 December 2010)</u></a>	<a href="#"><u>Input Methodologies (Electricity Distribution and Gas Pipeline Services) Reasons Paper (22 December 2010)</u></a>	Original IMs determination for GDBs.
<a href="#"><u>Electricity and Gas Input Methodologies Determination Amendments (No. 1) 2012 [2012] NZCC 18 (29 June 2012)</u></a>	<a href="#"><u>Electricity and Gas Input Methodologies Determination Amendments (No.1) 2012: Reasons Paper (29 June 2012)</u></a>	This amendment provides regulated suppliers of gas distribution, gas transmission, and electricity distribution services with additional means for valuing assets of the regulated supplier obtained from a related party for the purposes of ID and CPP proposals.
<a href="#"><u>Gas Distribution Services Input Methodologies Determination 2012 [2012] NZCC 27 (28 September 2012)</u></a>	<a href="#"><u>Specification and Amendment of Input Methodologies as Applicable to Default Price-Quality Paths: Reasons paper (28 September 2012)</u></a>	Redetermination of the <i>Commerce Act (Gas Distribution Services Input Methodologies) Determination 2010</i> (Commerce Commission Decision 711, 22 December 2010), as required by the High Court in <i>Vector Limited v Commerce Commission</i> , HC WN CIV-2011-485-536 [26 September 2011], including all amendments made as of the date of this determination.
<a href="#"><u>Electricity and Gas Input Methodologies Determination Amendments (No. 2) 2012 [2012] NZCC 34 (15 November 2012)</u></a>	<a href="#"><u>Electricity and Gas Input Methodologies Determination Amendments (No.2) 2012: Reasons Paper (15 November 2012)</u></a>	Amendments relating to the assumptions of the timing of cash-flows used to determine CPPs for EDBs and GPBs.

<p><a href="#"><u>Gas Pipeline Services Input Methodologies Determination Amendment (No. 1) 2013 [2013] NZCC 3 (25 February 2013)</u></a></p>	<p><a href="#"><u>Amendments to input methodologies for gas distribution and transmission services: Reasons paper (26 February 2013)</u></a></p>	<p>Amendments to the IMs that apply to default price-quality paths for suppliers of GPBs, including error corrections.</p>
<p><a href="#"><u>Gas Distribution Services Input Methodologies Determination Amendment 2013 [2013] NZCC 23 (3 December 2013)</u></a></p>	<p><a href="#"><u>Implementing the change to Powerco's disclosure year: Technical briefing paper on amendments to gas input methodologies (3 December 2013)</u></a></p>	<p>Amendments to the IMs for GDBs. Specifically, the amendments are to clause 1.1.4 ('interpretation') which defines 'disclosure year' and those clauses in Part 2 Subpart 2 ('asset valuation') relating to the initial RAB.</p>
<p><a href="#"><u>Electricity Lines Services and Gas Pipeline Services Input Methodologies Determination Amendment (WACC percentile for price-quality regulation) 2014 [2014] NZCC 27 (29 October 2014)</u></a></p>	<p><a href="#"><u>Amendment to the WACC percentile for price-quality regulation for electricity lines services and gas pipeline services: Reasons paper (30 October 2014)</u></a></p>	<p>This amendment gives effect to the Commission's decision to move from using the 75<sup>th</sup> percentile estimate of WACC to the 67<sup>th</sup> percentile estimate of WACC for the purposes of price-quality regulation for electricity lines services and gas pipeline services.</p>
<p><a href="#"><u>Publication of Electricity, Gas, and Airport Input Methodology Amendments ordered by the High Court (27 November 2014)</u></a></p>	<p><a href="#"><u>Wellington International Airport Ltd &amp; Ors v Commerce Commission [2013] NZHC 3289 (11 December 2013)</u></a></p>	<p>Amendments by the High Court following merits appeal.</p>

<p><a href="#"><u>Electricity Lines Services and Gas Pipeline Services Input Methodologies Determination Amendment (WACC percentile for information disclosure regulation) 2014 [2014] NZCC 38 (11 December 2014)</u></a></p>	<p><a href="#"><u>Amendments to the WACC percentile range for information disclosure regulation for electricity lines services and gas pipeline services: Reasons Paper (12 December 2014)</u></a></p>	<p>Sets out our decision not to amend the 25<sup>th</sup> to 75<sup>th</sup> percentile range for ID for electricity lines services and gas pipeline services. These percentile estimates of WACC will continue to be determined and published annually, along with the mid-point estimate (which is also currently published annually). In addition, we will annually determine and publish 67<sup>th</sup> percentile estimates so that these are available to ourselves and other interested persons to be used in analysing the performance of suppliers.</p>
<p><a href="#"><u>Electricity and Gas (Customised Paths) Input Methodology Amendments Determination 2015 [2015] NZCC 28 (12 November 2015)</u></a></p>	<p><a href="#"><u>Input methodologies review: Amendments to input methodologies for customised price-quality paths – Final reasons paper for Limb 1 of the CPP fast track (12 November 2015)</u></a></p>	<p>Amendments to the IMs for customised price-quality paths applying in respect of electricity distribution services and gas pipeline services to improve the cost-effectiveness of the preparation, assessment and determination of CPP applications.</p>
<p><a href="#"><u>Gas Distribution Services Input Methodologies Amendments Determination 2016 [2016] NZCC 25 (20 December 2016)</u></a></p>	<p><a href="#"><u>Input methodologies review decisions papers</u></a></p>	<p>Amendments to the IMs made as part of the 2016 IM review.</p>

**Table B4: List of IM determinations and reasons papers published by the Commission in respect of gas transmission businesses**

IM determination	Associated reasons paper	Brief description
<a href="#"><u>Commerce Act (Gas Transmission Services Input Methodologies) Determination 2010, decision number 712 (22 December 2010)</u></a>	<a href="#"><u>Input Methodologies (Electricity Distribution and Gas Pipeline Services) Reasons Paper (22 December 2010)</u></a>	Original IMs determination for GTBs.
<a href="#"><u>Commerce Act (Gas Transmission Services Input Methodologies) Amendment Determination 2011, decision number 744 (19 December 2011)</u></a>	Explanatory note provided in the determination.	This amendment corrects a typographical error made in the printing of the Commission's determination of the applicable equity beta.
<a href="#"><u>Electricity and Gas Input Methodologies Determination Amendments (No. 1) 2012 [2012] NZCC 18 (29 June 2012)</u></a>	<a href="#"><u>Electricity and Gas Input Methodologies Determination Amendments (No.1) 2012: Reasons Paper (29 June 2012)</u></a>	This amendment provides regulated suppliers of gas distribution, gas transmission, and electricity distribution services with additional means for valuing assets of the regulated supplier obtained from a related party for the purposes of ID and CPP proposals.
<a href="#"><u>Gas Transmission Services Input Methodology Determination 2012 [2012] NZCC 28 (28 September 2012)</u></a>	<a href="#"><u>Specification and Amendment of Input Methodologies as Applicable to Default Price-Quality Paths: Reasons paper (28 September 2012)</u></a>	Redetermination of the <i>Commerce Act (Gas Transmission Services Input Methodologies) Determination 2010</i> (Commerce Commission Decision 712, 22 December 2010), as required by the High Court in <i>Vector Limited v Commerce Commission</i> , HC WN CIV-2011-485-536 [26 September 2011], including all amendments made as of the date of this determination.

<a href="#"><u>Electricity and Gas Input Methodologies Determination Amendments (No. 2) 2012 [2012] NZCC 34 (15 November 2012)</u></a>	<a href="#"><u>Electricity and Gas Input Methodologies Determination Amendments (No.2) 2012: Reasons Paper (15 November 2012)</u></a>	Amendments relating to the assumptions of the timing of cash-flows used to determine CPPs for EDBs and GPBs.
<a href="#"><u>Gas Pipeline Services Input Methodologies Determination Amendment (No. 1) 2013 [2013] NZCC 3 (25 February 2013)</u></a>	<a href="#"><u>Amendments to input methodologies for gas distribution and transmission services: Reasons paper (26 February 2013)</u></a>	Amendments to the IMs that apply to DPPs for GPBs, including error corrections.
<a href="#"><u>Electricity Lines Services and Gas Pipeline Services Input Methodologies Determination Amendment (WACC percentile for price-quality regulation) 2014 [2014] NZCC 27 (29 October 2014)</u></a>	<a href="#"><u>Amendment to the WACC percentile for price-quality regulation for electricity lines services and gas pipeline services: Reasons paper (30 October 2014)</u></a>	This amendment gives effect to the Commission's decision to move from using the 75 <sup>th</sup> percentile estimate of WACC to the 67 <sup>th</sup> percentile estimate of WACC for the purposes of price-quality regulation for electricity lines services and gas pipeline services.
<a href="#"><u>Publication of Electricity, Gas, and Airport Input Methodology Amendments ordered by the High Court (27 November 2014)</u></a>	<a href="#"><u>Wellington International Airport Ltd &amp; Ors v Commerce Commission [2013] NZHC 3289 (11 December 2013)</u></a>	Amendments by the High Court following merits appeal.

<p><a href="#"><u>Electricity Lines Services and Gas Pipeline Services Input Methodologies Determination Amendment (WACC percentile for information disclosure regulation) 2014 [2014] NZCC 38 (11 December 2014)</u></a></p>	<p><a href="#"><u>Amendment to the WACC percentile for price-quality regulation for electricity lines services and gas pipeline services: Reasons paper (30 October 2014)</u></a></p>	<p>Sets out our decision not to amend the 25<sup>th</sup> to 75<sup>th</sup> percentile range for information disclosure for electricity lines services and gas pipeline services. These percentile estimates of WACC will continue to be determined and published annually, along with the mid-point estimate (which is also currently published annually). In addition, we will annually determine and publish 67<sup>th</sup> percentile estimates so that these are available to ourselves and other interested persons to be used in analysing the performance of suppliers.</p>
<p><a href="#"><u>Electricity and Gas (Customised Paths) Input Methodology Amendment Determination 2015 [2015] NZCC 28 (12 November 2015)</u></a></p>	<p><a href="#"><u>Input methodologies review: Amendments to input methodologies for customised price-quality paths – Final reasons paper for Limb 1 of the CPP fast track (12 November 2015)</u></a></p>	<p>Amendments to the IMs for CPPs applying in respect of EDBs and GPBs to improve the cost-effectiveness of the preparation, assessment and determination of CPP applications.</p>
<p><a href="#"><u>Gas Transmission Services Input Methodologies Amendments Determination 2016 [2016] NZCC 26 (20 December 2016)</u></a></p>	<p><a href="#"><u>Input methodologies review decisions papers</u></a></p>	<p>Amendments to the IMs made as part of the 2016 IM review.</p>

Table B5: List of IM determinations and reasons papers published by the Commission in respect of Transpower

IM determination	Associated reasons paper	Brief description
<a href="#"><u>Commerce Act (Transpower Input Methodologies) Determination 2010, decision number 713, (22 December 2010)</u></a>	<a href="#"><u>Input Methodologies (Transpower) Reasons Paper (22 December 2010)</u></a>	Original IMs determination for Transpower
<a href="#"><u>Commerce Act (Transpower Input Methodologies) Amendment Determination (No. 1) 2011, Decision number 736 (1 November 2011)</u></a>	Explanatory note provided in the determination.	Amendments to clarify certain components of the determination and to reflect the final decisions on the content of the determination, which were explained in the Commission's Input Methodologies (Transpower) Reasons Paper, December 2010.
<a href="#"><u>Commerce Act (Transpower Input Methodologies) Determination 2010 [2012] NZCC 17 (29 June 2012)</u></a>	<a href="#"><u>Input Methodologies (Transpower) Supplementary Reasons Paper for Leverage in Cost of Capital (29 June 2012)</u></a>	Redetermination of the original Transpower IM determination following the Court's direction to consult further on the leverage setting used in determining the cost of capital that applies for Transpower.
<a href="#"><u>Transpower Input Methodologies Amendments Determination 2014 [2014] NZCC 22 (28 August 2014)</u></a>	<a href="#"><u>Amendments to input methodologies for Transpower 2014: Reasons paper (28 August 2014)</u></a>	Amendments to address issues relevant to the determination of Transpower's IPP to apply from 1 April 2015.
<a href="#"><u>Electricity Lines Services Input Methodologies Determination Amendment 2014 [2014] NZCC 24 (26 September 2014)</u></a>	<a href="#"><u>Amendment to the WACC determination date for electricity lines services, including Transpower: Reasons paper (29 September 2014)</u></a>	Amended the date by which we must determine the estimates of WACC for EDBs and Transpower.

<p><a href="#"><u>Electricity Lines Services and Gas Pipeline Services Input Methodologies Determination Amendment (WACC percentile for price-quality regulation) 2014 [2014] NZCC 27 (29 October 2014)</u></a></p>	<p><a href="#"><u>Amendment to the WACC percentile for price-quality regulation for electricity lines services and gas pipeline services: Reasons paper (30 October 2014)</u></a></p>	<p>This amendment gives effect to the Commission's decision to move from using the 75<sup>th</sup> percentile estimate of WACC to the 67<sup>th</sup> percentile estimate of WACC for the purposes of price-quality regulation for electricity lines services and gas pipeline services.</p>
<p><a href="#"><u>Incremental Rolling Incentive Scheme Input Methodology Amendments Determination 2014 [2014] NZCC 32 (27 November 2014)</u></a></p>	<p><a href="#"><u>Amendments to input methodologies for electricity distribution services and Transpower New Zealand: Incremental Rolling Incentive Scheme (27 November 2014)</u></a></p>	<p>Amendments to the IRIS in the IMs for EDBs and Transpower New Zealand. The amendments affect incentives to control expenditure under DPPs and CPPs.</p>
<p><a href="#"><u>Transpower Input Methodologies Amendments Determination 2014 (No. 2) [2014] NZCC 34 (27 November 2014)</u></a></p>	<p><a href="#"><u>Amendments to input methodologies for Transpower to provide a listed project mechanism: Reasons paper (27 November 2014)</u></a></p>	<p>Provides a listed project mechanism through amendments to the input methodologies for electricity lines services supplied by Transpower.</p>
<p><a href="#"><u>Electricity Lines Services and Gas Pipeline Services Input Methodologies Determination Amendment (WACC percentile for information disclosure regulation) 2014 [2014] NZCC 38 (11 December 2014)</u></a></p>	<p><a href="#"><u>Amendments to the WACC percentile range for information disclosure regulation for electricity lines services and gas pipeline services: Reasons paper (12 December 2014)</u></a></p>	<p>Sets out our decision not to amend the 25<sup>th</sup> to 75<sup>th</sup> percentile range ID for electricity lines services and gas pipeline services. These percentile estimates of WACC will continue to be determined and published annually, along with the mid-point estimate (which is also currently published annually). In addition, we will annually determine and publish 67<sup>th</sup> percentile estimates so that these are available to ourselves and other interested persons to be used in analysing the performance of suppliers.</p>

<a href="#"><u>Transpower Input Methodologies Amendment Determination 2015 [2015] NZCC 3 (5 February 2015)</u></a>	<p>Explanatory note provided in the determination.</p>	<p>This amendment corrects two errors identified post-publication in amendments to the Transpower Input Methodologies Amendments Determination 2014 [2014] NZCC 22 and in the Transpower Input Methodologies Amendments Determination 2014 (No.2) [2014] NZCC 34.</p>
<a href="#"><u>Transpower Input Methodologies Amendment Determination 2015 (No.2) [2015] NZCC 27 (21 October 2015)</u></a>	<p>Explanatory note provided in the determination.</p>	<p>This amendment fills the gap in the Transpower IM Determination by substituting an equivalent reference set for defunct Bloomberg reference set. The amendment enables Transpower to apply the IM requirements relating to the calculation to the calculation of the TCSD.</p>
<a href="#"><u>Transpower Input Methodologies Amendments Determination 2016 [2016] NZCC 27 (20 December 2016)</u></a>	<a href="#"><u>Input methodologies review decisions papers</u></a>	<p>Amendments to the IMs made as part of the 2016 IM review.</p>

**Table B6: List of IM determinations and reasons papers published by the Commission in respect of Transpower's capex<sup>37</sup>**

IM determination	Associated reasons paper	Brief description
<a href="#">Transpower Capital Expenditure Input Methodology Determination 2012 [2012] NZCC 2 (31 January 2012)</a>	<a href="#">Transpower Capital Expenditure Input Methodology: Reasons Paper (31 January 2012)</a>	Original IMs determination for Transpower's capex.
Error correction: repaired reference links in clause D1(2)(b) (2 February 2012)	n/a	Re-publication of the Transpower Capex IM determination including the repaired reference links in clause D1(2)(b).
<a href="#">Transpower Input Methodologies Amendments Determination 2014 [2014] NZCC 22 (28 August 2014)</a>	<a href="#">Amendments to input methodologies for Transpower 2014: Reasons paper (28 August 2014)</a>	Amendments to address issues relevant to the determination of Transpower's IPP to apply from 1 April 2015.
<a href="#">Transpower Input Methodologies Amendments Determination 2014 (No. 2) [2014] NZCC 34 (27 November 2014)</a>	<a href="#">Amendments to input methodologies for Transpower to provide a listed project mechanism: Reasons paper (27 November 2014)</a>	Provides a listed project mechanism through amendments to the IMs for electricity lines services supplied by Transpower.

<sup>37</sup> The Transpower Capex IMs are not within the scope of the current IM review. However, they are listed here so as to provide a complete record of all IM determinations.

<a href="#"><u>Transpower Input Methodologies Amendment Determination 2015 [2015] NZCC 3 (5 February 2015)</u></a>	<p>Explanatory note provided in the determination.</p>	<p>This amendment corrects two errors identified post-publication in amendments to the <i>Transpower Input Methodologies Amendments Determination 2014</i> [2014] NZCC 22 and in the <i>Transpower Input Methodologies Amendments Determination 2014 (No.2)</i> [2014] NZCC 34.</p>
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**Table B7: List of IM determinations and reasons papers published by the Commission in respect of airports**

IM determination	Associated reasons paper	Brief description
<a href="#"><u>Commerce Act (Specified Airport Services Input Methodologies) Determination 2010, decision number 709 (22 December 2010)</u></a>	<a href="#"><u>Input Methodologies (Airport Services): Reasons Paper (22 December 2010)</u></a>	<p>Original IMs determination for airports.</p>
<a href="#"><u>Publication of Electricity, Gas, and Airport Input Methodology Amendments ordered by the High Court (27 November 2014)</u></a>	<a href="#"><u>Wellington International Airport Ltd &amp; Ors v Commerce Commission [2013] NZHC 3289 (11 December 2013)</u></a>	<p>Amendments by the High Court following merits appeal.</p>
<a href="#"><u>Airport Services (Land Valuation) Input Methodologies Amendments Determination 2016 [2016] NZCC 3 (24 February 2016)</u></a>	<a href="#"><u>Input methodologies review: Amendments to input methodologies for airports land valuation – Final reasons paper for the airports fast track review (24 February 2016)</u></a>	<p>Amendments to the application of the Market Value Alternative Use (MVAU) land valuation methodology for airports. These amendments were fast tracked as part of the IM review.</p>
<a href="#"><u>Airports (Specified Airport Services) Input Methodologies Amendments Determination 2016 [2016] NZCC 28 (20 December 2016)</u></a>	<a href="#"><u>Input methodologies review decisions papers</u></a>	<p>Amendments to the IMs made as part of the 2016 IM review.</p>