

Electricity Distribution Services Default Price-Quality Path (Wellington Electricity Lines Limited Unforeseeable Major Capex Projects) Amendment Determination 2024

[2024] NZCC 13

The Commission: Vhari McWha
 Bryan Chapple
 Dr Derek Johnston
 Nathan Strong

Date of decision: 8 August 2024

Vhari McWha, Commissioner

Dated at Wellington this 8th day of August 2024

COMMERCE COMMISSION

Wellington, New Zealand

Determination history		
Determination date	Decision number	Determination name
27 November 2019	[2019] NZCC 21	Electricity Distribution Services Default Price-Quality Path Determination 2020 [2019] NZCC 21
30 March 2020	[2020] NZCC 3	Electricity Distribution Services Default Price-Quality Path (Definition of discount) Amendments Determination 2020 [2020] NZCC 3
26 November 2020	[2020] NZCC 25	Electricity Distribution Services Default Price-Quality Path (Wellington Electricity transition) Amendments Determination 2020 [2020] NZCC 25
17 December 2020	[2020] NZCC 28	Electricity Distribution Services Default Price-Quality Path (Aurora quality standard variation) Amendments Determination 2020 [2020] NZCC 28
4 March 2022	[2022] NZCC 2	Electricity Distribution Services Default Price-Quality Path (Unison unforeseeable major capex project) Amendment Determination 2022 [2022] NZCC 2
30 November 2022	[2022] NZCC 25	Electricity Distribution Services Default Price-Quality Path (Powerco transition) Amendments Determination 2022 [2022] NZCC 25
1 March 2023	[2023] NZCC 3	Electricity Distribution Services Default Price-Quality Path (Compliance Statement Due Date) Amendment Determination 2023
10 November 2023	[2023] NZCC 29	Electricity Distribution Services Default Price-Quality Path (Innovation Project Allowance Approval Criteria) Amendment Determination 2023
8 August 2024	[2024] NZCC 13	Electricity Distribution Services Default Price-Quality Path (Wellington Electricity Lines Limited Unforeseeable Major Capex Projects) Amendment Determination 2024

[Drafting notes:

- This amendment determination amends the Electricity Distribution Services Default Price-Quality Path Determination 2020 [2019] NZCC 21 to increase Wellington Electricity Lines Limited's allowable revenue to provide for two unforeseeable major capex projects.
- The included amendments which are secondary legislation are made under the Legislation Act 2019 and Part 4 of the Commerce Act 1986.]

Electricity Distribution Services Default Price-Quality Path (Wellington Electricity Lines Limited Unforeseeable Major Capex Projects) Amendment Determination 2024

Under Part 4 of the Commerce Act 1986 (**Act**), the Commerce Commission makes the following determination:

1. TITLE

- 1.1 This determination is the Electricity Distribution Services Default Price-Quality Path (Wellington Electricity Lines Limited Unforeseeable Major Capex Projects) Amendment Determination 2024.

2. DETERMINATION AMENDED

- 2.1 This determination amends the Electricity Distribution Services Default Price-Quality Path Determination 2020 [2019] NZCC 21 (**principal determination**).

3. COMMENCEMENT

- 3.1 This determination comes into force on 9 August 2024.

4. PRINCIPAL DETERMINATION AMENDMENTS

- 4.1 In clause 4.2 of the **principal determination**, replace the definition of ‘**actual net allowable revenue**’ with:

“**actual net allowable revenue** means:

- (a) for the first **assessment period** of the **DPP regulatory period** for each **non-exempt EDB** other than Wellington Electricity Lines Limited, the amount specified as **forecast net allowable revenue** for the first **assessment period**;
- (b) for the first **assessment period** of the **DPP regulatory period** for Wellington Electricity Lines Limited,—
 - (i) where used to calculate the amount in paragraph (e), the **forecast net allowable revenue** for the first **assessment period** specified in paragraph (8E) of Schedule 1.6; and
 - (ii) where used for any other purpose, the **forecast net allowable revenue** for the first **assessment period** specified in paragraph (8) of Schedule 1.6;
- (c) for the second to fifth **assessment periods** of the **DPP regulatory period** for each **non-exempt EDB** other than Wellington Electricity

Lines Limited and Powerco Limited, the amount calculated for that **assessment period** in paragraph (3) of Schedule 1.6;

- (d) for the second to fourth **assessment periods** of the **DPP regulatory period** for Wellington Electricity Lines Limited, the amount calculated for that **assessment period** in paragraph (5) of Schedule 1.6;
- (e) for the fifth **assessment period** of the **DPP regulatory period** for Wellington Electricity Lines Limited, the amount calculated for that **assessment period** in paragraph (8A) of Schedule 1.6; and
- (f) for the second to fifth **assessment periods** of the **DPP regulatory period** for Powerco Limited, the amount calculated for that **assessment period** in paragraph (11) of Schedule 1.6”.

4.2 In clause 4.2 of the **principal determination**, replace the definition of **‘forecast net allowable revenue’** with:

“forecast net allowable revenue has the meaning given in the **IM determination** and is:

- (a) in respect of the first **assessment period**:
 - (i) for the purpose of calculating **actual net allowable revenue** for Unison Networks Limited for the first **assessment period**, the amount calculated according to paragraph (2B) of Schedule 1.6;
 - (ii) for the purpose of calculating **actual net allowable revenue** for Powerco Limited for the first **assessment period**, the amount calculated according to paragraph (14) of Schedule 1.6;
 - (iii) for the purpose of calculating **actual net allowable revenue** for Wellington Electricity Lines Limited for the first **assessment period**,—
 - (A) where used to calculate **actual net allowable revenue** for the first to fourth **assessment periods**, the amount calculated according to paragraph (8) of Schedule 1.6; and
 - (B) where used to calculate **actual net allowable revenue** for the fifth **assessment period**, the amount calculated according to paragraph (8E) of Schedule 1.6;
 - (iv) for all other purposes, the amount specified for a **non-exempt EDB** for the applicable **assessment period** in Schedule 1.4;
- (b) in respect of the second to fifth **assessment periods**, the amount specified for the relevant **assessment period** in Schedule 1.4”.

4.3 In the row for Wellington Electricity Lines Limited in Table 1.4.1 (“Forecast net allowable revenue for the DPP regulatory period”) of Schedule 1.4 of the **principal determination**, replace the value “96,709” in the column labelled “Assessment period ending 31 March 2025” with “97,023”.

4.4 In paragraph (5) of Schedule 1.6, replace “fifth” with “fourth”.

4.5 In paragraph (7) of Schedule 1.6, replace the existing text with the following:

“(7) For the purpose of paragraphs (6) and (8D), ‘actual net allowable revenue’ for the first **assessment period**,—

(a) where used to calculate the ‘actual net allowable revenue’ for the fifth **assessment period** of the **DPP regulatory period** under paragraph (8A), means the **forecast net allowable revenue** for the first **assessment period** specified in paragraph (8E); and

(b) where used for any other purpose, means the **forecast net allowable revenue** for the first **assessment period** specified in paragraph (8).”

4.6 In paragraph (8) of Schedule 1.6 replace “(7)” with “(7)(b)”.

4.7 After paragraph (8) of Schedule 1.6 and before paragraph (9) of Schedule 1.6, insert the following as new paragraphs “(8A)” to “(8E)”:

“(8A) For the purposes of paragraph (4) of Schedule 1.6, ‘actual net allowable revenue’ for the fifth **assessment period** of the **DPP regulatory period** means, the amount calculated using the following formula—

$$ANAR_{2024} \times (1 + \Delta CPI_t) \times (1 - X)$$

where—

$ANAR_{2024}$ is the ‘actual net allowable revenue’ for the fourth **assessment period** as calculated under paragraph (8B);

X is the annual rate of change as specified in Schedule 1.2; and

ΔCPI is the derived change in the **CPI** to be applied for the **assessment period**, calculated in accordance with the formula—

$$\Delta CPI = \frac{CPI_{Jun,t-1} + CPI_{Sep,t-1} + CPI_{Dec,t-1} + CPI_{Mar,t}}{CPI_{Jun,t-2} + CPI_{Sep,t-2} + CPI_{Dec,t-2} + CPI_{Mar,t-1}} - 1$$

where—

$CPI_{q,t-n}$ is the **CPI** for the quarter year ending q in the 12-month period n years prior to year t ; and

t is the year in which the **assessment period** ends.”

“(8B) For the purpose of paragraph (8A), the “actual net allowable revenue’ for the fourth assessment period” referred to in paragraph (8A) is calculated using the following formula—

$$ANAR_{2023} \times (1 + \Delta CPI_t) \times (1 - X)$$

where—

$ANAR_{2023}$ is the ‘actual net allowable revenue’ for the third **assessment period** as calculated under paragraph (8C);

X is the annual rate of change as specified in Schedule 1.2; and

ΔCPI is the derived change in the **CPI** to be applied for the **assessment period**, calculated in accordance with the formula—

$$\Delta CPI = \frac{CPI_{Jun,t-1} + CPI_{Sep,t-1} + CPI_{Dec,t-1} + CPI_{Mar,t}}{CPI_{Jun,t-2} + CPI_{Sep,t-2} + CPI_{Dec,t-2} + CPI_{Mar,t-1}} - 1$$

where—

$CPI_{q,t-n}$ is the **CPI** for the quarter year ending q in the 12-month period n years prior to year t ; and

t is the year in which the **assessment period** ends.”

“(8C) For the purpose of paragraph (8B), the “‘actual net allowable revenue’ for the third assessment period” referred to in paragraph (8B) is calculated using the following formula—

$$ANAR_{2022} \times (1 + \Delta CPI_t) \times (1 - X)$$

where—

$ANAR_{2022}$ is the ‘actual net allowable revenue’ for the second **assessment period** as calculated under paragraph (8D);

X is the annual rate of change as specified in Schedule 1.2; and

ΔCPI is the derived change in the **CPI** to be applied for the **assessment period**, calculated in accordance with the formula—

$$\Delta CPI = \frac{CPI_{Jun,t-1} + CPI_{Sep,t-1} + CPI_{Dec,t-1} + CPI_{Mar,t}}{CPI_{Jun,t-2} + CPI_{Sep,t-2} + CPI_{Dec,t-2} + CPI_{Mar,t-1}} - 1$$

where—

$CPI_{q,t-n}$ is the **CPI** for the quarter year ending q in the 12-month period n years prior to year t ; and

t is the year in which the **assessment period** ends.”

“(8D) For the purpose of paragraph (8C), the “‘actual net allowable revenue’ for the second assessment period” referred to in paragraph (8C) is calculated using the following formula—

$$ANAR_{2021} \times (1 + \Delta CPI_t) \times (1 - X)$$

where—

$ANAR_{2021}$ is the ‘actual net allowable revenue’ for the first **assessment period** under paragraph (7)(a);

X is the annual rate of change as specified in Schedule 1.2; and

ΔCPI is the derived change in the **CPI** to be applied for the **assessment period**, calculated in accordance with the formula—

$$\Delta CPI = \frac{CPI_{Jun,t-1} + CPI_{Sep,t-1} + CPI_{Dec,t-1} + CPI_{Mar,t}}{CPI_{Jun,t-2} + CPI_{Sep,t-2} + CPI_{Dec,t-2} + CPI_{Mar,t-1}} - 1$$

where—

$CPI_{q,t-n}$ is the **CPI** for the quarter year ending q in the 12-month period n years prior to year t ; and

t is the year in which the **assessment period** ends.”

“(8E) For the purpose of paragraph (7)(a), ‘forecast net allowable revenue’ for the first **assessment period** means the amount calculated using the following formula—

$$\begin{aligned} & \$97.023 \text{ million} \div ((1 + \Delta CPI_{2025}) \times (1 - X) \times (1 + \Delta CPI_{2024}) \\ & \times (1 - X) \times (1 + \Delta CPI_{2023}) \times (1 - X) \times (1 + \Delta CPI_{2022}) \times (1 - X)) \end{aligned}$$

where-

ΔCPI_{2025} has the meaning specified for ‘ ΔCPI ’ in paragraph (8A) that applied in respect of the fifth **assessment period**;

ΔCPI_{2024} has the meaning specified for ‘ ΔCPI ’ in paragraph (5) that applied in respect of the fourth **assessment period**;

ΔCPI_{2023} has the meaning specified for ‘ ΔCPI ’ in paragraph (5) that applied in respect of the third **assessment period**;

ΔCPI_{2022} has the meaning specified for ‘ ΔCPI ’ in paragraph (5) that applied in respect of the second **assessment period**; and

X is the annual rate of change as specified in Schedule 1.2.”

4.8 In the row for Wellington Electricity Lines Limited in Table 2.2.2 (“Forecast aggregate value of commissioned assets for non-exempt EDBs for the DPP regulatory period”) of Schedule 2.2 of the **principal determination**, replace the value “42,399” in the column labelled “Assessment period ending 31 March 2025” with “52,599”.