

Input methodologies review draft decisions

Introduction and process paper

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Associated documents

Publication date	Reference	Title
16 June 2016	978-1-869455-08-8	Input methodologies review draft decisions: Summary paper
16 June 2016	978-1-869455-10-1	Input methodologies review draft decisions: Framework for the IM review
16 June 2016	978-1-869455-11-8	Input methodologies review draft decisions: Topic paper 1 – Form of control and RAB indexation for EDBs, GPBs and Transpower
16 June 2016	978-1-86 9455-18-7	Input methodologies review draft decisions: Topic paper 2 – CPP requirements
16 June 2016	978-1-869455-12-5	Input methodologies review draft decisions: Topic paper 3 – The future impact of emerging technologies in the energy sector
16 June 2016	978-1-869455-13-2	Input methodologies review draft decisions: Topic paper 4 – Cost of capital issues
16 June 2016	978-1-869455-14-9	Input methodologies review draft decisions: Topic paper 5 – Airports profitability assessment
16 June 2016	978-1-869455-15-6	Input methodologies review draft decisions: Topic paper 6 – WACC percentile for airports
16 June 2016	978-1-869455-17-0	Input methodologies review draft decisions: Topic paper 7 – Related party transactions
22 June 2016 (expected)	978-1-869455-16-3	Input methodologies review draft decisions: Report on the IM review
22 June 2016 (expected)	1178-2560	Draft amendments to <i>Electricity Distribution Services Input Methodologies Determination 2012</i> [2012] NZCC 26
22 June 2016 (expected)	1178-2560	Draft amendments to <i>Gas Distribution Services Input Methodologies Determination 2012</i> [2012] NZCC 27
22 June 2016 (expected)	1178-2560	Draft amendments to <i>Gas Transmission Services Input Methodologies Determination 2012</i> [2012] NZCC 28
22 June 2016 (expected)	1178-2560	Draft amendments to <i>Commerce Act (Specified Airport Services Input Methodologies) Determination 2010</i> (Decision 709, 22 December 2010)
22 June 2016 (expected)	1178-2560	Draft amendments to <i>Transpower Input Methodologies Determination 2012</i> [2012] NZCC 17
22 June 2016 (expected)	1178-2560	Draft amendments to <i>Commerce Act (Specified Airport Services Information Disclosure) Determination 2010</i> (Decision 715, 22 December 2010)

Commerce Commission
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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 draft decisions on the input methodologies review (**IM review**);
 - X1.2 explain the package of papers we have released to communicate our draft decisions on the IM review; and
 - X1.3 provide details of the next steps in the IM review process, including how to submit on our draft 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 lines services, gas pipeline services, specified airport services and Transpower.
- X3. We determined the original IMs on 22 December 2010.¹ 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**).² In addition, following merits review of the original IMs, specific aspects of a small number of IMs were amended.³ 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.⁴
- X5. We commenced the current review of IMs (except the Transpower Capex IM) on 10 June 2015 by issuing a notice of intention.⁵ 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.

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

² See footnote 9.

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

⁴ Section 52Y of the Act.

⁵ Commerce Commission "Notice of intention: Input methodologies review" (10 June 2015).

- X6. The review will be complete when the final review decision is made on all IMs within the scope of the review and any immediate resulting IM changes (amendments or replacements) are made.
- X7. Based on our review so far, we have reached draft decisions on whether, and if so how, to change all IMs within the scope of the review, except as noted at paragraph 69.

Our process for reviewing the IMs

- X8. We have adopted a tailored, fit for purpose approach to reviewing the IMs and reaching our draft decisions. Our approach to the review so far has 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 may be 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 draft decisions on whether and how to change the IMs have drawn on both of these components.

Our draft decisions package of papers

- X10. Our draft 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 draft decisions:
- 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 review, explain the problems we have identified and our proposed solutions for addressing those problems;
- X10.3. the Report on the IM review, which presents our draft decisions on whether and how to change the IMs as a result of the IM review so far;⁶ and
- X10.4. the draft amendments to the IM determinations.⁷

⁶ We expect to publish the Report on the IM review on 22 June 2016.

⁷ We expect to publish the draft amendments to the IM determinations on 22 June 2016.

Next steps

X11. We are still aiming to complete the IM review by December 2016. An overview of the anticipated process for reaching our final decisions is set out in Table X1.

Table X1: Anticipated process steps between now and reaching final decisions

Step	Date
Draft decisions papers published, except for the Report on the IM review	16 June 2016
Report on the IM review published	22 June 2016
Draft determinations (including draft ID amendments for airports) published	22 June 2016
Submissions on draft decisions papers due (including the Report on the IM Review, but excluding draft determinations)	28 July 2016
Cross submissions on draft decisions papers due (including the Report on the IM Review, but excluding draft determinations)	11 August 2016
Submissions on draft determinations (including draft ID amendments for airports) due	11 August 2016
Process update	September 2016 (anticipated)
Targeted technical consultation on updates to draft determinations	October 2016 (anticipated)
Final decisions on IM review	December 2016

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 draft decisions on the IM review;
 - 1.2 explain the package of papers we have released to communicate our draft decisions on the IM review; and
 - 1.3 provide details of the next steps in the IM review process, including how to submit on our draft decisions.

Where this paper fits in to our package of papers on our draft decisions

2. This paper provides an introduction to our package of draft decisions papers. It explains the structure of the package of draft 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 IMs are and what the IM review is.
5. Chapter 3 then explains the process that we have followed in arriving at our draft decisions on the IM review.
6. Chapter 4 explains the package of papers that make up our draft decisions, how to navigate them, and which papers are likely to be of interest to which sectors.
7. Chapter 5 explains our proposed next steps on the IM review, including how to make submissions on our draft decisions.
8. Attachment A lists the key steps to date in the IM review process.
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 2010.⁸ These IMs applied, and IMs continue to apply, to all suppliers of electricity lines services, gas pipeline services, specified airport services and Transpower. 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**).⁹ In addition, following merits review of the original IMs, specific aspects of a small number of IMs were amended.¹⁰ Some of these IMs have also been subject to amendment pursuant to s 52X.
13. IMs thus currently 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.

⁸ 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.

⁹ 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>.

¹⁰ *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 have been alert to the general desirability of taking a cross-sectoral approach when determining which IMs should be subject to the IM review 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. An end date of December 2016 would allow 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 distributors (**EDBs**) and Transpower must be determined by 30 November 2019. Completing the review by December 2016 would provide increased certainty for electricity distributors and Transpower on the input methodologies which would 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 review by December 2016 enables us to address issues with the current input methodologies 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 consider 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.

19. The IMs that form part 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):¹¹
- 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;
 - 19.5 *Electricity Distribution Services Input Methodologies Determination 2012* [2012] NZCC 26.
20. Once we decided 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.
21. We must review all IMs within the scope of the notice of intention.
22. The review will be complete when the final review decision is 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 to 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 to change s 52P determinations;
 - 22.4 to publish guidance; or
 - 22.5 a combination of the above.

¹¹ Commerce Commission “Amended notice of intention (further amending the notice of intention dated 10 June 2015): Input methodologies review” (2 December 2015).

Chapter 3: The IM review process

Purpose of this chapter

23. The purpose of this chapter is to explain the process that we have followed in arriving at our draft decisions on the IM review.
24. A table summarising the key steps in the IM review process to date is provided at Attachment A.

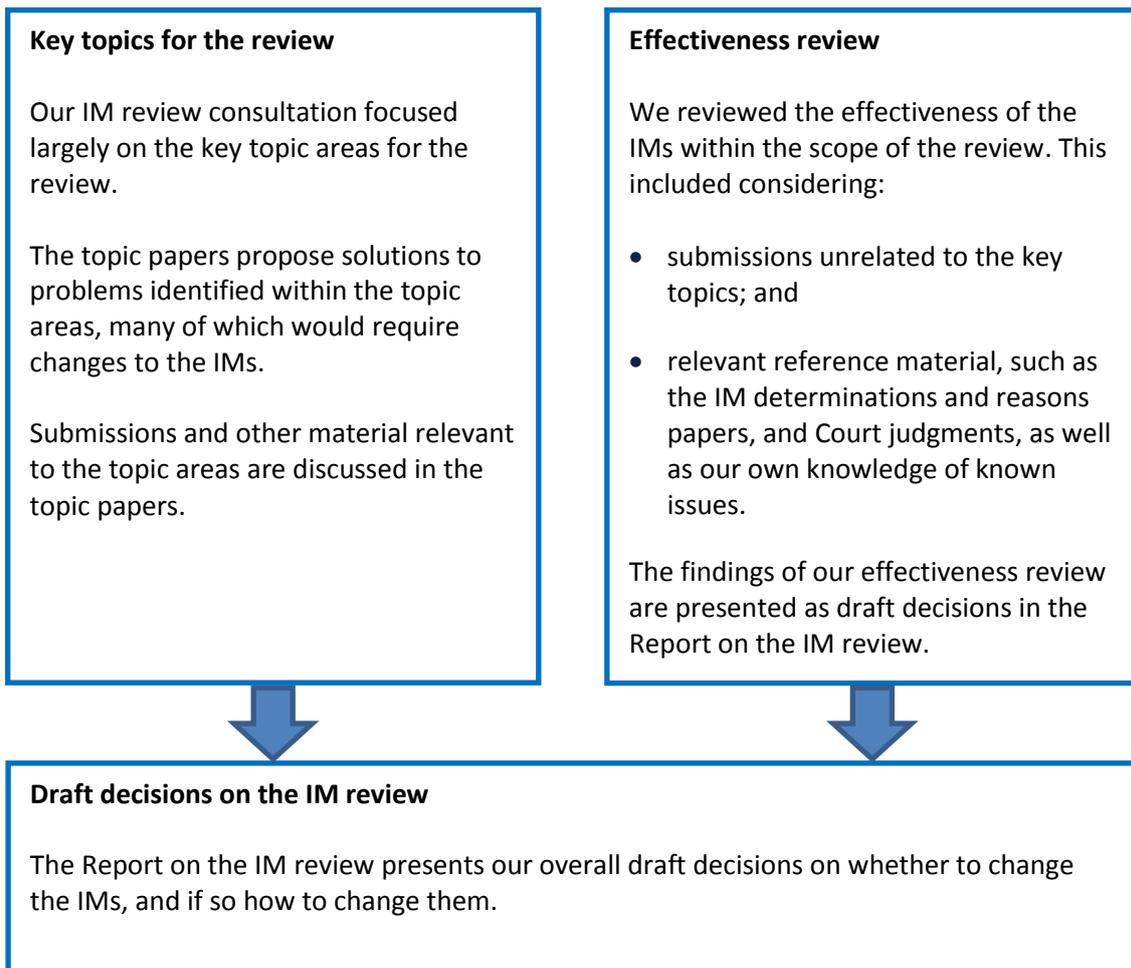
The process we have followed in reaching draft decisions on the IM review

25. Today we published our draft decisions on the IM review. We have reached draft decisions on whether and how to change all existing IMs within the scope of the review, except for those areas noted at paragraph 69.¹²
26. We have adopted a tailored, fit for purpose approach to reviewing the IMs and reaching our draft decisions. We have reviewed the IMs for effectiveness,¹³ while drilling down into a number of specific topics identified by us and stakeholders as potentially containing problems that could be addressed by the IMs.
27. Our approach to the review so far has involved two main components:
 - 27.1 **Our effectiveness review** – a review of the effectiveness of all input methodologies subject to review.
 - 27.2 **Our consultation on the key topics for the review** – where stakeholders or our internal review suggested there may be 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.
28. As illustrated by Figure 1, our draft decisions on whether and how to change the IMs have drawn on both of these components.

¹² These are the Transpower IRIS, the CPP information requirements for gas, and the related party transactions provisions.

¹³ With the exceptions noted at paragraph 69.

Figure 1: The sources of the draft decisions presented in this report



29. We go on to describe each of the two main components of the review so far in turn.

Our effectiveness review of the IMs

30. We have reviewed the IMs for effectiveness based on:

30.1 stakeholder submissions on the IM review; and

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

31. The framework paper discusses the types of questions we considered when reviewing the IMs.¹⁴

¹⁴ Commerce Commission “Input methodologies review draft decisions: Framework for the IM review” (16 June 2016).

32. 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 has also led us to propose a number of minor changes that are generally outside the scope of the key topics for the review. The bulk of the changes are aimed at clarifying the existing rules, removing ambiguities, correcting errors, or reducing unnecessary complexity and compliance costs.
33. As shown in Figure 1, the findings of our effectiveness review are presented as draft decisions in the Report on the IM review.

Consultation on the key topics for the review

34. 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:
- 34.1 focus stakeholder efforts on the most significant problems that the review might be able to address, and on which we needed the most input;
 - 34.2 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;
 - 34.3 only make changes to the IMs where doing so appears likely to:
 - 34.3.1 promote the Part 4 purpose in s 52A more effectively;
 - 34.3.2 promote the IM purpose in s 52R more effectively (without detrimentally affecting the promotion of the s 52A purpose); or
 - 34.3.3 significantly reduce compliance costs, other regulatory costs or complexity (without detrimentally affecting the promotion of the s 52A purpose).
35. 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.¹⁵ These key topic areas have largely remained the same as we have moved through the review, although the key topics and their scope have been refined through the various consultation processes we have been through to date.
36. Within the key topic areas, we have sought to identify and define the specific problems that we could seek to address through the IM review. Our problem definitions have been influenced by both our effectiveness review, and topic-focussed consultation with stakeholders.

¹⁵ Commerce Commission “Open letter on our proposed scope, timing and focus for the review of input methodologies” (27 February 2015).

37. Stakeholders have also played an important role in shaping our proposed solutions to the problems identified within the key topic areas. Our proposed solutions to problems identified within the key topic areas are explained in the topic papers released today as part of our draft decisions package.
38. To the extent they involve changes to the IMs, our proposed solutions to topic-based problems have informed our draft decisions on whether and how to change the IMs as part of the IM review.

Some issues were fast tracked as part of the IM review

39. A number of specific issues relating to airports and customised price-quality paths (CPPs) have been fast tracked and progressed at a faster pace to the rest of the review.¹⁶ This occurred:
 - 39.1 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
 - 39.2 to provide benefits for CPP applications anticipated to be received before the scheduled completion of the IM review in December 2016.
40. We published our decision on the fast track CPP amendments on 12 November 2015,¹⁷ and the airports fast track amendments on 24 February 2016.¹⁸
41. These amendments have since been rolled back into the overall IM review.

Keeping a record for the review

42. We are reviewing 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.¹⁹
43. While the review has a number of focussed topic areas (some of which are sector specific), we consider this to be consistent with a cross-sectoral approach to reviewing the IMs (by reviewing all IMs at the same time and considering alignment issues where appropriate).

¹⁶ As advised on 9 October 2015, the former Limb 2 of the CPP fast track amendments (which concerned the alignment of the WACC for CPPs with the prevailing WACC for DPPs) is no longer following a fast track process. (See Commerce Commission “Input methodologies review process update paper: Second update on CPP fast track amendments” (9 October 2015)). Instead, the WACC alignment issue is part of the main review on the same timetable as the rest of the cost of capital work, and is discussed in Topic paper 4: Cost of capital.

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

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

¹⁹ Commerce Commission “Open letter on our proposed scope, timing and focus for the review of input methodologies” (27 February 2015), para 9.

44. Table 1 indicates which papers apply to which sectors. However, stakeholders should be aware of all papers in the review.
45. Any material provided in the course of the IM review, including in any engagement planned on any topic, will form part of the record for the IM review. We have a record of all workshops available on our website.
46. The record will therefore include any material provided during Commission workshops or other engagements in the course of the IM review, including any material that may cover matters wider than the IMs. For instance, the airports profitability topic considers changes to both the IMs and the airports information disclosure (**ID**) Determination, and our consultation on the 2017 gas DPP reset might also highlight matters relevant to the IM review. We consider that this is appropriate because it is impractical to separate IM review material and material that may be wider than the IMs. It is also beneficial to engage on these topics with a wider view as it is a pragmatic approach to the process and allows consideration of how the IMs are implemented in practice.
47. As previously indicated,²⁰ we consider that any submissions or material provided in relation to the gas DPP reset that is also relevant to the IM review, and received before we reach our final decisions on the IM review, will also form part of the record for the IM review.
48. In reaching our draft decisions, we have only taken into account written, published material.²¹ This includes:
 - 48.1 published written submissions; and
 - 48.2 published transcripts and minutes from forums, workshops and other stakeholder meetings.

²⁰ 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.

²¹ Except where information is explicitly identified as confidential.

Chapter 4: The draft decisions package of papers

Purpose of this chapter

49. The purpose of this chapter is to explain the package of papers we have released to communicate, and seek your views on, our draft decisions on the IM review.

Our draft decisions package of papers

50. Our draft 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 draft decisions:
- 50.1 the overarching papers, being the summary paper, this introduction and process paper, and the framework paper;
 - 50.2 topic papers, which for each of the key topics for the review, explain the problems we have identified and our proposed solutions for addressing those problems;
 - 50.3 the Report on the IM review, which presents our draft decisions on whether and how to change the IMs as a result of the IM review so far;²² and
 - 50.4 the draft amendments to the IM determinations.²³
51. 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 draft decisions package of papers

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

²² We expect to publish the Report on the IM review on 22 June 2016.

²³ We expect to publish the draft amendments to the IM determinations on 22 June 2016.

Topic papers	
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"> • Electricity distribution businesses • Gas transmission businesses • Gas distribution businesses • Transpower²⁴
Topic paper 2: CPP requirements	Applies to the following sectors: <ul style="list-style-type: none"> • Electricity distribution businesses • Gas transmission businesses • Gas distribution businesses
Topic paper 3: The future impact of emerging technologies in the energy sector	All of the proposed solutions and changes to IMs described within this paper apply to electricity distribution businesses, and the proposed 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
Topic paper 7: Related party transactions	The issues described in this paper and our proposed approach to addressing them apply to electricity distribution businesses, gas distribution businesses, and gas transmission businesses
Report on the IM review	All sectors

²⁴ For Transpower, we only discuss RAB indexation, not the form of control.

Draft IM amendments	
Draft EDB IM amendments	Electricity distribution businesses
Draft Transpower IM amendments	Transpower
Draft GDB IM amendments	Gas distribution businesses
Draft GTB IM amendments	Gas transmission businesses
Draft airports IM amendments	Airports
Draft ID amendments for airports	Airports

52. In addition, we intend to publish a paper as part of our consultation for the 2017 gas DPP reset on 28 June 2016. That paper will discuss how a number of our draft changes to the IMs for gas distribution and transmission businesses (as proposed in our draft decisions on the IM review) would be implemented through the gas DPP reset. While the gas DPP reset is a separate process from the IM review, as noted above at paragraph 47, some submissions and material provided in relation to the gas DPP reset may also be relevant to the IM review.

How the draft decisions papers fit together

Summary paper

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

Introduction and process paper

54. This paper:
- 54.1 describes the process we have followed in reaching our draft decisions on the IM review;
 - 54.2 explains the package of papers we have released to communicate our draft decisions on the IM review; and
 - 54.3 provides details of the next steps in the IM review process, including how to submit on our draft decisions.

Framework paper

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

Topic papers

56. We have published seven topic papers, one for each of the key topics for the review. These papers explain the problems we have identified within each topic area and our proposed solutions for addressing them. In doing so, these papers:
- 56.1 explain how we arrived at the particular problems we have identified in each topic area; and
 - 56.2 explain why we favour our proposed solutions to these problems, as opposed to other alternative solutions considered.
57. As our consultation to date has been aligned with the key topics for the review, these papers provide the most comprehensive discussion of, and response to, submissions.

Report on the IM review

58. The Report on the IM review records our draft decisions on whether and how to change the existing IMs as part 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.²⁵
59. The Report on the IM review presents our draft decisions against the existing IM decisions.²⁶ 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 existing IM decisions allows us to illustrate where our draft decisions involve changes to:
- 59.1 the policy intent of an existing IM decision; and/or
 - 59.2 the way an existing decision is implemented.

Draft amended determinations

60. We will also publish marked-up versions of the current consolidated IM determinations for each sector to demonstrate the drafting amendments that we propose for giving effect to our draft decisions.
61. We expect to publish the draft amended IM determinations on 22 June 2016.
62. We also expect to publish draft ID amendments for airports on 22 June 2016.²⁷

²⁵ We expect to publish the Report on the IM review on 22 June 2016.

²⁶ As discussed in the Report on the IM review, we have derived the existing IM decisions from our previous IM reasons papers. The set of existing IM decisions are given effect to through the IM determinations.

²⁷ These draft ID amendments are made under s 52Q, rather than under s 52Y. However, these ID amendments support some of our proposed solutions to problems identified within the airports

Chapter 5: Next steps

Purpose of this chapter

63. The purpose of this chapter is to explain the next steps on the IM review and how to make submissions on our draft decisions.

Next steps on the IM review

64. We are still aiming to complete the IM review by December 2016. An overview of the anticipated process for reaching our final decisions is set out in Table 2 below.

Table 2: Anticipated process steps between now and reaching final decisions

Step	Date
Draft decisions papers published, except for the Report on the IM review	16 June 2016
Report on the IM review published	22 June 2016
Draft determinations (including draft ID amendments for airports) published	22 June 2016
Submissions on draft decisions papers due (including the Report on the IM review, but excluding draft determinations)	28 July 2016
Cross submissions on draft decisions papers due (including the Report on the IM review, but excluding draft determinations)	11 August 2016
Submissions on draft determinations (including draft ID amendments for airports) due	11 August 2016
Process update	September 2016 (anticipated)
Targeted technical consultation on updates to draft determinations	October 2016 (anticipated)
Final decisions on IM review	December 2016

profitability assessment topic for the IM review. Commerce Commission “Input methodologies review draft decisions: Topic paper 5 – Airports profitability assessment” (16 June 2016).

Submissions on our draft decisions

65. The process for submissions on our draft decisions is discussed below at paragraphs 72 to 83.

Process update

66. Following consideration of submissions and cross submissions received in response to our draft decisions, we will provide a process update on remaining engagement steps for our review process. At this stage, we anticipate providing this update in early September 2016.

67. We are open to adding additional engagement steps if, as we continue our analysis, we identify that there would be value in doing so.²⁸

Targeted technical consultation on updates to draft determinations

68. As shown in Table 2, we anticipate having targeted technical consultation on our draft determinations in October 2016. This may be targeted at those areas of the draft determinations that we consider would benefit from further technical consultation.

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

69. Our current draft decisions package presents draft decisions on all IMs within the scope of the review except the IMs for:²⁹

69.1 the Transpower Incremental Rolling Incentive Scheme (**IRIS**);³⁰

69.2 the CPP information requirements for gas;³¹ and

69.3 the related party transactions provisions.³²

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

²⁸ For example, as noted in Topic paper 4: Cost of capital issues, we are open to holding a workshop on whether an asset beta adjustment should apply for GPBs if, following consideration of submissions, we consider that this would be a useful addition to our process for reaching final decisions. Commerce Commission “Input methodologies review draft decisions: Topic paper 4 – Cost of capital issues” (16 June 2016).

²⁹ All IMs are within the scope of the IM review, except for the Transpower Capex IM. See: Commerce Commission “Amended notice of intention (further amending the notice of intention dated 10 June 2015): Input methodologies review” (2 December 2015).

³⁰ As discussed in Part 2 of the Report on the review, which we expect to publish on 22 June 2016.

³¹ As discussed in Commerce Commission “Input methodologies review draft decisions: Topic paper 2 – CPP requirements” (16 June 2016).

³² As discussed in Commerce Commission “Input methodologies review draft decisions: Topic paper 7 – Related party transactions” (16 June 2016).

71. In the case of the three areas noted above where we have not yet reached draft decisions, it is possible that, once we have defined the relevant problems or reached a draft decision, we may need to extend our final decision dates on those areas beyond December 2016. We will update interested parties on our timing for draft and final decisions on these areas in our anticipated September 2016 process update.

Invitation to make submissions

Timeframes for submissions

72. In respect of our draft decisions papers (including the Report on the IM review, but excluding draft determinations), we invite:
- 72.1 submissions by **5pm on 28 July 2016**; and
 - 72.2 cross submissions by **5pm on 11 August 2016**.
73. In respect of our draft amended determinations (including draft ID amendments for airports), we invite submissions by **5pm on 11 August 2016**.³³
74. The project timelines are set to allow a reasonable time for both interested parties and ourselves to engage with submissions. If submissions are received late it makes it difficult for them to be considered in full by all concerned. On that basis extensions may be granted on a case-by-case basis if requested by parties within a reasonable time and if such requests are accompanied by a proper explanation from the relevant chief executive.
75. Please also bear in mind that in a project this size that involves many interested parties, it might not be practical to grant extensions within a week before submissions/cross submissions are due except in exceptional circumstances.
76. Material provided outside of the indicated timeframes without an extension might not be considered in reaching our final decisions.

Address for submissions

77. Please address submissions and cross submissions to:

Keston Ruxton
Manager, Input Methodologies Review
Regulation Branch
im.review@comcom.govt.nz

³³ Rather than providing for cross submissions on the draft determinations, we have instead provided an extended period for primary submissions on those drafts.

Focus of submissions

78. Please clearly indicate within your submission which aspects of our draft decisions package it relates to.
79. For submissions on our draft determinations:
- 79.1 We encourage you to provide detailed comments on any concerns with the drafting proposed in our draft determinations; for example, where our proposed determination drafting is ambiguous to the reader or does not clearly give effect to our described draft decisions to change the IMs.
- 79.2 In addition to indicating any errors or issues with the drafting of the draft determinations, we would value examples of alternative drafting that might address those errors or issues.
- 79.3 We are also interested in your views on the timing for amendments coming into effect, and whether transitional arrangements may be required for some provisions. In particular, we seek your views on whether certain proposed changes to the IMs for ID should only take effect from the next regulatory period (ie, to maintain alignment between the IMs for ID and price-quality regulation for those suppliers subject to both types of regulation).
- 79.4 As noted in paragraph 68 above, any further technical consultation on our draft determinations following the receipt of cross submissions may be limited to specific areas where we consider that it would be helpful.

Format for submissions

80. We prefer submissions on our draft decisions in a file format suitable for word processing, rather than the PDF file format.
81. Submissions on our determination drafting may be provided in a combination of your written submission, your mark ups of a MS Word copy of the draft determination, and a tabular form in an unlocked MS Excel spreadsheet.

Requests for confidentiality

82. We encourage full disclosure of submissions so that all information can be tested in an open and transparent manner. However, we offer the following guidance where you wish to provide information in confidence:³⁴
- 82.1 if you include confidential material in a submission, both confidential and public versions of the submissions should be provided; and
 - 82.2 the responsibility for ensuring that confidential information is not included in a public version of a submission rests entirely with the party making the submission.
83. We request that you provide multiple versions of your submission if it contains confidential information or if you wish for the published electronic copies to be 'locked'. This is because we intend to publish all submissions and cross submissions on our website. Where relevant, please provide both an 'unlocked' electronic copy of your submission, and a clearly labelled 'public version'.

³⁴ You can also request that we make orders under s 100 of the Act in respect of information that should not be made public. Any request for a s 100 order must be made when the relevant information is supplied to us, and must identify the reasons why the relevant information should not be made public. We will provide further information on s 100 orders if requested by parties. A benefit of such orders is to enable confidential information to be shared with specified parties on a restricted basis for the purpose of making submissions. Any s 100 order will apply for a limited time only as specified in the order. Once an order expires, we will follow our usual process in response to any request for information under the Official Information Act 1982.

Attachment A: Key steps in the IM review process

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

Table A1: Key steps in the IM review process

Date	Process step
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 [2016] NZCC 3</i>)

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)

Attachment B: List of all IM determinations and reasons papers

85. Table B1 lists the current, consolidated versions of the IM determinations. These include all IM amendments made as at 16 June 2016. As such, these consolidated versions represent the current IMs, which are the subject of the IM review (with the exception of the Transpower Capex IM Determination).
86. Tables B2–B7 list all IM determinations and reasons papers published by the Commission.³⁵ It also includes a brief description of each.

Table B1: List of current consolidated IM determinations for all sectors

Sector	Current consolidated IM determination	Date published
Electricity distribution	<u>Electricity Distribution Services Input Methodology Determination 2012 [2012] NZCC 26 – consolidated as of 15 December 2015</u>	3 February 2016
Gas distribution	<u>Gas Distribution Services Input Methodology Determination 2012 [2012] NZCC 27 – consolidated as of 15 December 2015</u>	3 February 2016
Gas transmission	<u>Gas Transmission Services Input Methodology Determination 2012 [2012] NZCC 28 – consolidated as of 15 December 2015</u>	3 February 2016
Transpower	<u>Consolidated Transpower Input Methodologies Determination 2012 [2012] NZCC 17 – consolidated as at 12 February 2016</u>	12 February 2016
Transpower Capex	<u>Transpower Capital Expenditure Input Methodology Determination 2012 [2012] NZCC 2 – consolidated as at 5 February 2015</u>	5 February 2015

³⁵ 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 the tables in Attachment B.

Airports	<u>Commerce Act (Specified Airport Services Input Methodologies) Determination 2010, decision number 709 (22 December 2010) – consolidated as of 29 February 2016</u>	29 February 2016
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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
<u>Commerce Act (Electricity Distribution Services Input Methodologies) Determination 2010, decision number 710 (22 December 2010)</u>	<u>Input Methodologies (Electricity Distribution and Gas Pipeline Services): Reasons Paper (22 December 2010)</u>	Original IMs determination for electricity distribution services.
<u>Electricity and Gas Input Methodologies Determination Amendments (No. 1) 2012 [2012] NZCC 18 (29 June 2012)</u>	<u>Electricity and Gas Input Methodologies Determination Amendments (No.1) 2012: Reasons Paper (29 June 2012)</u>	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 information disclosure and customise price-quality path proposals.

<p><u>Electricity Distribution Services Input Methodologies Determination 2012 [2012] NZCC 26 (28 September 2012)</u></p>	<p><u>Specification and Amendment of Input Methodologies as Applicable to Default Price-Quality Paths: Reasons Papers (28 September 2012)</u></p>	<p>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.</p>
<p><u>Electricity and Gas Input Methodologies Determination Amendments (No. 2) 2012 [2012] NZCC 34 (15 November 2012)</u></p>	<p><u>Electricity and Gas Input Methodologies Determination Amendments (No.2) 2012: Reasons paper (15 November 2012)</u></p>	<p>Amendments relating to the assumptions of the timing of cash-flows used to determine customised price-quality paths for electricity distribution businesses, gas distribution businesses and gas transmission businesses.</p>
<p><u>Electricity Lines Services Input Methodologies Determination Amendment 2014 [2014] NZCC 24 (26 September 2014)</u></p>	<p><u>Amendment to the WACC determination date for electricity lines services, including Transpower: Reasons paper (29 September 2014)</u></p>	<p>Amended the date by which we must determine the estimates of WACC for electricity distributors and Transpower.</p>
<p><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></p>	<p><u>Amendment to the WACC percentile for price-quality regulation for electricity lines services and gas pipeline services: Reasons paper (30 October 2014)</u></p>	<p>This amendment gives effect to the Commission's decision to move from using the 75th percentile estimate of WACC to the 67th percentile estimate of WACC for the purposes of price-quality regulation for electricity lines services and gas pipeline services.</p>

<p><u>Publication of Electricity, Gas, and Airport Input Methodology Amendments ordered by the High Court (27 November 2014)</u></p>	<p><u>Wellington International Airport Ltd & Ors v Commerce Commission [2013] NZHC 3289 [11 December 2013]</u></p>	<p>Amendments by the High Court following merits appeal.</p>
<p><u>Electricity Distribution Input Methodology Amendments Determination 2014 [2014] NZCC 31 (27 November 2014)</u></p>	<p><u>Input methodology amendments for electricity distribution services: Default price-quality paths (Reasons paper) (27 November 2014)</u></p>	<p>Amendments primarily relating to changes to the input methodologies for default price-quality paths. However, they also include related amendments which affect the input methodologies for information disclosure and customised price-quality paths.</p>
<p><u>Incremental Rolling Incentive Scheme Input Methodology Amendments Determination 2014 [2014] NZCC 32 (27 November 2014)</u></p>	<p><u>Amendments to input methodologies for electricity distribution services and Transpower New Zealand: Incremental Rolling Incentive Scheme (Reasons paper) (27 November 2014)</u></p>	<p>Amendments to the IRIS in the input methodologies for electricity distribution services and Transpower New Zealand. The amendments will affect incentives to control expenditure under default and individual price-quality paths.</p>

<p><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></p>	<p><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></p>	<p>Sets out our decision not to amend the 25th to 75th 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 67th percentile estimates so that these are available to ourselves and other interested persons to be used in analysing the performance of suppliers.</p>
<p><u>Electricity and Gas (Customised Paths) Input Methodology Amendments Determination 2015 [2015] NZCC 28 (12 November 2015)</u></p>	<p><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></p>	<p>Amendments to the input methodologies 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><u>Electricity Distribution Services (Incremental Rolling Incentive Scheme) Input Methodology Amendments Determination 2015 [2015] NZCC 32 (25 November 2015)</u></p>	<p><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></p>	<p>Amendments to the input methodologies affecting the incentives electricity distributors have to control expenditure when their prices are regulated.</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
<u>Commerce Act (Gas Distribution Services Input Methodologies) Determination 2010, decision number 711 (22 December 2010)</u>	<u>Input Methodologies (Electricity Distribution and Gas Pipeline Services) Reasons Paper (22 December 2010)</u>	Original IMs determination for gas distribution businesses.
<u>Electricity and Gas Input Methodologies Determination Amendments (No. 1) 2012 [2012] NZCC 18 (29 June 2012)</u>	<u>Electricity and Gas Input Methodologies Determination Amendments (No.1) 2012: Reasons Paper (29 June 2012)</u>	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 information disclosure and customise price-quality path proposals.
<u>Gas Distribution Services Input Methodologies Determination 2012 [2012] NZCC 27 (28 September 2012)</u>	<u>Specification and Amendment of Input Methodologies as Applicable to Default Price-Quality Paths: Reasons paper (28 September 2012)</u>	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.
<u>Electricity and Gas Input Methodologies Determination Amendments (No. 2) 2012 [2012] NZCC 34 (15 November 2012)</u>	<u>Electricity and Gas Input Methodologies Determination Amendments (No.2) 2012: Reasons Paper (15 November 2012)</u>	Amendments relating to the assumptions of the timing of cash-flows used to determine customised price-quality paths for electricity distribution businesses, gas distribution businesses and gas transmission businesses.

<p><u>Gas Pipeline Services Input Methodologies Determination Amendment (No. 1) 2013 [2013] NZCC 3 (25 February 2013)</u></p>	<p><u>Amendments to input methodologies for gas distribution and transmission services: Reasons paper (26 February 2013)</u></p>	<p>Amendments to the IMs that apply to default price-quality paths for suppliers of gas pipeline services, including error corrections.</p>
<p><u>Gas Distribution Services Input Methodologies Determination Amendment 2013 [2013] NZCC 23 (3 December 2013)</u></p>	<p><u>Implementing the change to Powerco's disclosure year: Technical briefing paper on amendments to gas input methodologies (3 December 2013)</u></p>	<p>Amendments to the IMs for gas distribution services. 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><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></p>	<p><u>Amendment to the WACC percentile for price-quality regulation for electricity lines services and gas pipeline services: Reasons paper (30 October 2014)</u></p>	<p>This amendment gives effect to the Commission's decision to move from using the 75th percentile estimate of WACC to the 67th percentile estimate of WACC for the purposes of price-quality regulation for electricity lines services and gas pipeline services.</p>
<p><u>Publication of Electricity, Gas, and Airport Input Methodology Amendments ordered by the High Court (27 November 2014)</u></p>	<p><u>Wellington International Airport Ltd & Ors v Commerce Commission [2013] NZHC 3289 [11 December 2013]</u></p>	<p>Amendments by the High Court following merits appeal.</p>

<p><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></p>	<p><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></p>	<p>Sets out our decision not to amend the 25th to 75th 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 67th percentile estimates so that these are available to ourselves and other interested persons to be used in analysing the performance of suppliers.</p>
<p><u>Electricity and Gas (Customised Paths) Input Methodology Amendments Determination 2015 [2015] NZCC 28 (12 November 2015)</u></p>	<p><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></p>	<p>Amendments to the input methodologies 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>

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
<u>Commerce Act (Gas Transmission Services Input Methodologies) Determination 2010, decision number 712 (22 December 2010)</u>	<u>Input Methodologies (Electricity Distribution and Gas Pipeline Services) Reasons Paper (22 December 2010)</u>	Original IMs determination for gas transmission businesses.
<u>Commerce Act (Gas Transmission Services Input Methodologies) Amendment Determination 2011, decision number 744 (19 December 2011)</u>	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.
<u>Electricity and Gas Input Methodologies Determination Amendments (No. 1) 2012 [2012] NZCC 18 (29 June 2012)</u>	<u>Electricity and Gas Input Methodologies Determination Amendments (No.1) 2012: Reasons Paper (29 June 2012)</u>	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 information disclosure and customise price-quality path proposals.
<u>Gas Transmission Services Input Methodology Determination 2012 [2012] NZCC 28 (28 September 2012)</u>	<u>Specification and Amendment of Input Methodologies as Applicable to Default Price-Quality Paths: Reasons paper (28 September 2012)</u>	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.

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

<p><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></p>	<p><u>Amendment to the WACC percentile for price-quality regulation for electricity lines services and gas pipeline services: Reasons paper (30 October 2014)</u></p>	<p>Sets out our decision not to amend the 25th to 75th 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 67th percentile estimates so that these are available to ourselves and other interested persons to be used in analysing the performance of suppliers.</p>
<p><u>Electricity and Gas (Customised Paths) Input Methodology Amendment Determination 2015 [2015] NZCC 28 (12 November 2015)</u></p>	<p><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></p>	<p>Amendments to the input methodologies 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>

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

IM determination	Associated reasons paper	Brief description
<p><u>Commerce Act (Transpower Input Methodologies) Determination 2010, decision number 713, (22 December 2010)</u></p>	<p><u>Input Methodologies (Transpower) Reasons Paper (22 December 2010)</u></p>	<p>Original IMs determination for Transpower</p>

<p><u>Commerce Act (Transpower Input Methodologies) Amendment Determination (No. 1) 2011, Decision number 736 (1 November 2011)</u></p>	<p>Explanatory note provided in the determination.</p>	<p>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.</p>
<p><u>Commerce Act (Transpower Input Methodologies) Determination 2010 [2012] NZCC 17 (29 June 2012)</u></p>	<p><u>Input Methodologies (Transpower) Supplementary Reasons Paper for Leverage in Cost of Capital (29 June 2012)</u></p>	<p>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.</p>
<p><u>Transpower Input Methodologies Amendments Determination 2014 [2014] NZCC 22 (28 August 2014)</u></p>	<p><u>Amendments to input methodologies for Transpower 2014: Reasons paper (28 August 2014)</u></p>	<p>Amendments to address issues relevant to the determination of Transpower's individual price-quality path (IPP) to apply from 1 April 2015.</p>
<p><u>Electricity Lines Services Input Methodologies Determination Amendment 2014 [2014] NZCC 24 (26 September 2014)</u></p>	<p><u>Amendment to the WACC determination date for electricity lines services, including Transpower: Reasons paper (29 September 2014)</u></p>	<p>Amended the date by which we must determine the estimates of WACC for electricity distributors and Transpower.</p>

<p><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></p>	<p><u>Amendment to the WACC percentile for price-quality regulation for electricity lines services and gas pipeline services: Reasons paper (30 October 2014)</u></p>	<p>This amendment gives effect to the Commission's decision to move from using the 75th percentile estimate of WACC to the 67th percentile estimate of WACC for the purposes of price-quality regulation for electricity lines services and gas pipeline services.</p>
<p><u>Incremental Rolling Incentive Scheme Input Methodology Amendments Determination 2014 [2014] NZCC 32 (27 November 2014)</u></p>	<p><u>Amendments to input methodologies for electricity distribution services and Transpower New Zealand: Incremental Rolling Incentive Scheme (27 November 2014)</u></p>	<p>Amendments to the Incremental Rolling Incentive Scheme (IRIS) in the input methodologies for electricity distribution services and Transpower New Zealand. The amendments will affect incentives to control expenditure under default and individual price-quality paths.</p>
<p><u>Transpower Input Methodologies Amendments Determination 2014 (No. 2) [2014] NZCC 34 (27 November 2014)</u></p>	<p><u>Amendments to input methodologies for Transpower to provide a listed project mechanism: Reasons paper (27 November 2014)</u></p>	<p>Provides a listed project mechanism through amendments to the input methodologies for electricity lines services supplied by Transpower.</p>

<p><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></p>	<p><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></p>	<p>Sets out our decision not to amend the 25th to 75th 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 67th percentile estimates so that these are available to ourselves and other interested persons to be used in analysing the performance of suppliers.</p>
<p><u>Transpower Input Methodologies Amendment Determination 2015 [2015] NZCC 3 (5 February 2015)</u></p>	<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>
<p><u>Transpower Input Methodologies Amendment Determination 2015 (No.2) [2015] NZCC 27 (21 October 2015)</u></p>	<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>

Table B6: List of IM determinations and reasons papers published by the Commission in respect of Transpower's capex³⁶

IM determination	Associated reasons paper	Brief description
<u>Transpower Capital Expenditure Input Methodology Determination 2012 [2012] NZCC 2 (31 January 2012)</u>	<u>Transpower Capital Expenditure Input Methodology: Reasons Paper (31 January 2012)</u>	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).
<u>Transpower Input Methodologies Amendments Determination 2014 [2014] NZCC 22 (28 August 2014)</u>	<u>Amendments to input methodologies for Transpower 2014: Reasons paper (28 August 2014)</u>	Amendments to address issues relevant to the determination of Transpower's individual price-quality path (IPP) to apply from 1 April 2015.
<u>Transpower Input Methodologies Amendments Determination 2014 (No. 2) [2014] NZCC 34 (27 November 2014)</u>	<u>Amendments to input methodologies for Transpower to provide a listed project mechanism: Reasons paper (27 November 2014)</u>	Provides a listed project mechanism through amendments to the input methodologies for electricity lines services supplied by Transpower.

³⁶ 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.

Transpower Input Methodologies Amendment Determination 2015 [2015] NZCC 3 (5 February 2015)	<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
Commerce Act (Specified Airport Services Input Methodologies) Determination 2010, decision number 709 (22 December 2010)	Input Methodologies (Airport Services): Reasons Paper (22 December 2010)	<p>Original IMs determination for airports.</p>
Publication of Electricity, Gas, and Airport Input Methodology Amendments ordered by the High Court (27 November 2014)	Wellington International Airport Ltd & Ors v Commerce Commission [2013] NZHC 3289 [11 December 2013]	<p>Amendments by the High Court following merits appeal.</p>
Airport Services (Land Valuation) Input Methodologies Amendments Determination 2016 [2016] NZCC 3 (24 February 2016)	Input methodologies review: Amendments to input methodologies for airports land valuation – Final reasons paper for the airports fast track review (24 February 2016)	<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>