

# **Fibre Input Methodologies (Crown Financing and Individual Capex Design Proposal) Amendment Determination 2024**

**[2024] NZCC 29**

**The Commission:** Tristan Gilbertson  
Vhari McWha  
Nathan Strong

**Date of decision:** 21 November 2024



Tristan Gilbertson, Telecommunications Commissioner

Dated at Wellington this 21<sup>st</sup> day of November 2024

COMMERCE COMMISSION

Wellington, New Zealand

<b>Determination history</b>		
<b>Determination date</b>	<b>Decision number</b>	<b>Determination name</b>
13 October 2020	[2020] NZCC 21	Fibre Input Methodologies Determination 2020
3 November 2020	[2020] NZCC 24	Fibre Input Methodologies (initial value of financial loss asset) Amendment Determination 2020
29 September 2021	[2021] NZCC 17	Fibre Input Methodologies (base capex and connection capex baseline allowance determination dates) Amendment Determination 2021
29 November 2021	[2021] NZCC 25	Fibre Input Methodologies Amendment Determination (No.2) 2021
28 June 2023	[2023] NZCC 13	Fibre Input Methodologies Amendment Determination 2023
28 May 2024	[2024] NZCC 11	Fibre Input Methodologies (tax-adjusted market risk premium) Amendment Determination 2024
21 November 2024	[2024] NZCC 29	Fibre Input Methodologies (Crown Financing and Individual Capex Design Proposal) Amendment Determination 2024

[Drafting notes:

- This amendment determination amends the Fibre Input Methodologies Determination 2020, as previously amended ('principal determination').
- The included amendments which are secondary legislation are made under the Legislation Act 2019 and Part 6 of the Telecommunications Act 2001.]

Under Part 6 of the Telecommunications Act 2001, the Commerce Commission makes the following determination:

**1. TITLE**

1.1 This determination is the Fibre Input Methodologies (Crown Financing and Individual Capex Design Proposal) Amendment Determination 2024.

**2. DETERMINATION AMENDED**

2.1 This determination amends the *Fibre Input Methodologies Determination 2020* [2020] NZCC 21.

**3. INTERPRETATION**

3.1 In this determination:

3.1.1 **principal determination** means the *Fibre Input Methodologies Determination 2020* [2020] NZCC 21; and

3.1.2 words or phrases in bold type (other than headings) have the same meanings as in the **principal determination**.

**4. COMMENCEMENT AND APPLICATION**

4.1 This determination comes into force on 21 November 2024, which is the day on which **public notice** of it is given in the New Zealand Gazette under the Legislation Act 2019 in accordance with s 180 of the **Act**.

4.2 Despite clause 4.1,—

4.2.1 the amendments to the **principal determination** in clauses 5.1 and 5.2 below apply from the commencement of **disclosure year 2026**; and

4.2.2 the amendments to the **principal determination** in clauses 5.3 and 5.4 below apply to a **PQ determination** that commences on 1 January 2025.

4.3 For the avoidance of doubt, if the **Commission** determines that any forecast values must be calculated consistently with Part 3 of the **principal determination** for the determination of a **PQ determination** which commences on 1 January 2025, the provisions in Part 3 of the **principal determination** apply as amended by this determination to the setting of the forecast values.

## 5. FIBRE IM AMENDMENTS

5.1 Replace clause 2.4.10 with:

“2.4.10 Annual benefit of Crown financing building block for regulated fibre service providers subject to both information disclosure regulation and price-quality regulation

(1) In respect of **regulated fibre service providers** subject to both information disclosure regulation and price-quality regulation in regulations made under s 226 of the **Act**, ‘annual benefit of Crown financing building block’ for a **disclosure year** is the sum of the amounts calculated for each day of the **disclosure year** in accordance with the following formula:

$$(A \times B) + (C \times D)$$

where:

(a) *A* is the amount determined in accordance with the following formula:

$$[(\textit{proportion of 'B' that is senior debt} \times \textit{cost of debt for that disclosure year}) + (\textit{proportion of 'B' that is subordinated debt} \times (\textit{cost of debt for that disclosure year} + 0.41\%))] \times E;$$

(b) *B* is the amount of **Crown financing** outstanding in respect of the **regulated provider** (or related party as referred to in section 164 of the **Act**) at the start of the day that is debt (whether senior or subordinated);

(c) *C* is the amount determined in accordance with the following formula:

$$[(0.75 \times \textit{cost of equity for that disclosure year}) + (0.25 \times \textit{cost of debt for that disclosure year})] \times E;$$

(d) *D* is the amount of **Crown financing** outstanding in respect of the **regulated provider** (or related party as referred to in section 164 of the **Act**) at the start of the day that is equity; and

(e) *E* is determined in accordance with the following formula:

$$1 \div \textit{number of days in the disclosure year.}”$$

5.2 Replace clause 2.4.11 with:

“2.4.11 Annual benefit of Crown financing building block for regulated providers subject only to information disclosure regulation

- (1) In respect of **regulated providers** subject only to information disclosure regulation in regulations made under s 226 of the **Act**, ‘annual benefit of Crown financing building block’ for a **disclosure year** is the sum of the amounts calculated for each day of the **disclosure year** in accordance with the following formula:

$$A \times B$$

where:

(a) *A* is:

- (i) where **Crown financing** is provided, in substance, by way of a combination of debt and equity, the amount calculated in accordance with the following formula:

$$[(C \times D) + ((1 - C) \times E)] \times F$$

where:

*C* is the proportion of **Crown financing** outstanding at the start of the day which, in substance, is debt;

*D* is the **cost of debt** for that **disclosure year**;

*E* is the **cost of equity** for that **disclosure year**; and

*F* is determined in accordance with the following formula:

$$1 \div \text{number of days in the disclosure year,}$$

- (ii) where **Crown financing** is provided, in substance, by way of debt, the **cost of debt** for that **disclosure year**; and

- (iii) where **Crown financing** is provided, in substance, by way of equity, the **cost of equity** for that **disclosure year**; and

(b) *B* is the amount of **Crown financing** outstanding in respect of the **regulated provider** (or related party as referred to in section 164 of the **Act**) at the start of the day.”

5.3 Replace clause 3.5.11 with:

“3.5.11 Annual benefit of Crown financing building block

- (1) For the purposes of specifying a price-quality path, “annual benefit of Crown financing building block” for a **regulatory year** in a **regulatory period** is the sum of the amounts determined for each day of the **regulatory year** in accordance with the following formula -

$$(A \times B) + (C \times D)$$

where:

- (a) *A* is the amount determined in accordance with the following formula:

$$[(\textit{proportion of 'B' that is forecast to be senior debt} \times \textit{cost of debt for that regulatory period}) + (\textit{proportion of 'B' that is forecast to be subordinated debt} \times (\textit{cost of debt for that regulatory period} + 0.41\%))] \times E;$$

- (b) *B* is the forecast amount of **Crown financing** outstanding in respect of the **regulated provider** (or related party as referred to in section 164 of the **Act**) on the start of the day that is debt (whether senior or subordinated);

- (c) *C* is the amount determined in accordance with the following formula:

$$[(0.75 \times \textit{cost of equity for that regulatory period}) + (0.25 \times \textit{cost of debt for that regulatory period})] \times E;$$

- (d) *D* is the forecast amount of **Crown financing** outstanding in respect of the **regulated provider** (or related party as referred to in section 164 of the **Act**) at the start of the day that is equity; and

- (e) *E* is determined in accordance with the following formula:

$$1 \div \textit{number of days in the regulatory year.}''$$

- 5.4 In clause 3.7.24(1) of the **principal determination**, replace “one month” with “two months”.