

## **Electricity Distribution Services Input Methodologies Amendments Determination 2016**

### **[2016] NZCC 24**

Input methodologies amendments made under Part 4 of the Commerce Act 1986

**The Commission:**

**Input Methodologies Division**

Dr Mark Berry

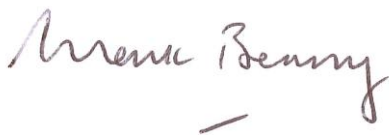
Sue Begg

Dr Stephen Gale

Dr Jill Walker

**Date of decision:**

20 December 2016



Dr Mark Berry, *Chair*

Dated at Wellington this 20<sup>th</sup> day of December 2016

COMMERCE COMMISSION

Wellington, New Zealand

[Drafting notes:

- This amendments determination amends the Electricity Distribution Services Input Methodologies Determination 2012 ('principal determination').
- The included amendments were made as a result of our Input Methodologies Review, which we completed in December 2016 in accordance with s 52Y of the Commerce Act 1986.
- Amendments to the body of the principal determination, Schedule A, Schedule D, Schedule F and Schedule G are marked as track changes in red.
- Schedule B, Schedule C and Schedule E in the principal determination have been amended in their entirety and therefore are not marked as track changes. The amended versions of these schedules are included in this amendments determination.]

<b>Determination history</b>		
<b>Determination date</b>	<b>Decision number</b>	<b>Determination name</b>
28 September 2012	[2012] NZCC 26	Electricity Distribution Services Input Methodologies Determination 2012 ('principal determination')*
15 November 2012	[2012] NZCC 34	Electricity and Gas Input Methodologies Determination Amendments (No. 2) 2012
26 September 2014	[2014] NZCC 24	Electricity Lines Services Input Methodologies Determination Amendment 2014
29 October 2014	[2014] NZCC 27	Electricity Lines Services and Gas Pipeline Services Input Methodologies Determination Amendment (WACC percentile for price-quality regulation) 2014
14 November 2014	n/a	Determination of Input Methodologies by the High Court in <i>Wellington International Airports Ltd and others v Commerce Commission</i> [2013] NZHC 3289 (11 December 2013)
27 November 2014	[2014] NZCC 31	Electricity Distribution Input Methodology Amendments Determination 2014
27 November 2014	[2014] NZCC 32	Incremental Rolling Incentive Scheme Input Methodology Amendments Determination 2014
11 December 2014	[2014] NZCC 38	Electricity Lines Services and Gas Pipeline Services Input Methodologies Determination Amendment (WACC percentile for information disclosure regulation) 2014
12 November 2015	[2015] NZCC 28	Electricity and Gas (Customised Paths) Input Methodology Amendments Determination 2015
25 November 2015	[2015] NZCC 32	Electricity Distribution Services (Incremental Rolling Incentive Scheme) Input Methodologies Amendments Determination 2015
20 December 2016	[2016] NZCC 24	Electricity Distribution Services Input Methodologies Amendments Determination 2016

\* The principal determination re-determined the input methodologies contained in *Commerce Act (Electricity Distribution Services Input Methodologies) Determination 2010* (Commerce Commission Decision No. 710, 22 December 2010), as amended by the *Electricity and Gas Input Methodologies Determination Amendments (No. 1) 2012* [2012] NZCC 18 (29 June 2012). A complete history of determinations relevant to the input methodologies applicable to electricity distribution services is available on the Commission's website.

# ELECTRICITY DISTRIBUTION SERVICES INPUT METHODOLOGIES AMENDMENTS DETERMINATION 2016

---

<b>PART 1</b>	<b>GENERAL PROVISIONS .....</b>	<b>6</b>
<b>PART 2</b>	<b>INPUT METHODOLOGIES FOR INFORMATION DISCLOSURE .....</b>	<b>55</b>
<b>SUBPART 1</b>	<b>Cost allocation.....</b>	<b>55</b>
<b>SUBPART 2</b>	<b>Asset valuation .....</b>	<b>61</b>
<b>SUBPART 3</b>	<b>Treatment of taxation .....</b>	<b>75</b>
<b>SUBPART 4</b>	<b>Cost of capital.....</b>	<b>83</b>
<b>PART 3</b>	<b>INPUT METHODOLOGIES FOR BOTH DEFAULT AND CUSTOMISED PRICE-QUALITY PATHS .....</b>	<b>94</b>
<b>SUBPART 1</b>	<b>Specification of price .....</b>	<b>94</b>
<b>SUBPART 2</b>	<b>Amalgamations .....</b>	<b>104</b>
<b>SUBPART 3</b>	<b>Incremental rolling incentive scheme .....</b>	<b>105</b>
<b>SECTION 1</b>	<b>Annual IRIS incentive adjustments .....</b>	<b>105</b>
<b>SECTION 2</b>	<b>Operating expenditure incentives .....</b>	<b>105</b>
<b>SECTION 3</b>	<b>Capital expenditure incentives .....</b>	<b>116</b>
<b>SECTION 4</b>	<b>Price-quality path amendments and other events .....</b>	<b>118</b>
<b>SECTION 5</b>	<b>Transitional provisions.....</b>	<b>120</b>
<b>PART 4</b>	<b>INPUT METHODOLOGIES FOR DEFAULT PRICE-QUALITY PATHS.....</b>	<b>122</b>
<b>SUBPART 1</b>	<b>Cost allocation.....</b>	<b>122</b>
<b>SUBPART 2</b>	<b>Asset Valuation .....</b>	<b>122</b>
<b>SUBPART 3</b>	<b>Treatment of taxation .....</b>	<b>126</b>
<b>SUBPART 4</b>	<b>Cost of capital.....</b>	<b>128</b>
<b>SUBPART 5</b>	<b>Reconsideration of the default price-quality path .....</b>	<b>136</b>
<b>SUBPART 6</b>	<b>Treatment of periods that are not 12 month periods .....</b>	<b>141</b>
<b>SUBPART 7</b>	<b>Availability of Information.....</b>	<b>141</b>
<b>PART 5</b>	<b>INPUT METHODOLOGIES FOR CUSTOMISED PRICE-QUALITY PATHS .....</b>	<b>142</b>
<b>SUBPART 1</b>	<b>Contents of a CPP application.....</b>	<b>142</b>
<b>SUBPART 2</b>	<b>Commission assessment of a customised price-quality path proposal.....</b>	<b>146</b>
<b>SUBPART 3</b>	<b>Determination of customised price-quality paths.....</b>	<b>147</b>
<b>SECTION 1</b>	<b>Determination of annual allowable revenues .....</b>	<b>147</b>
<b>SECTION 2</b>	<b>Cost allocation and asset valuation .....</b>	<b>152</b>

SECTION 3	Treatment of taxation .....	162
SECTION 4	Cost of capital .....	170
SECTION 5	Alternative methodologies with equivalent effect .....	182
<b>SUBPART 4</b>	<b>Information required in a CPP proposal.....</b>	<b>182</b>
SECTION 1	General matters .....	182
SECTION 2	Information regarding quality.....	183
SECTION 3	Price path information .....	184
SECTION 4	Cost allocation information .....	187
SECTION 5	Asset valuation information.....	190
SECTION 6	Tax information.....	194
SECTION 7	Cost of capital information .....	196
SECTION 8	Expenditure information.....	196
SECTION 9	Information relevant to prices .....	199
SECTION 10	Information relevant to alternative methodologies .....	200
<b>SUBPART 5</b>	<b>Consumer consultation, verification, audit and certification .....</b>	<b>200</b>
<b>SUBPART 6</b>	<b>Catastrophic events and reconsideration of a customised price-quality path .....</b>	<b>205</b>
<b>SCHEDULE A</b>	<b>STANDARD PHYSICAL ASSET LIVES .....</b>	<b>212</b>
<b>SCHEDULE B</b>	<b>COST ALLOCATION INFORMATION .....</b>	<b>216</b>
<b>SCHEDULE C</b>	<b>COST ALLOCATION INFORMATION .....</b>	<b>221</b>
<b>SCHEDULE D</b>	<b>CAPITAL AND OPERATING EXPENDITURE INFORMATION .....</b>	<b>226</b>
<b>SCHEDULE E</b>	<b>CAPITAL AND OPERATING EXPENDITURE - REGULATORY TEMPLATES.....</b>	<b>266</b>
<b>SCHEDULE F</b>	<b>ENGAGEMENT OF A VERIFIER.....</b>	<b>277</b>
<b>SCHEDULE G</b>	<b>TERMS OF REFERENCE FOR VERIFIERS .....</b>	<b>282</b>

Pursuant to Part 4 of the Commerce Act 1986 the Commerce Commission makes the following determination:

## PART 1 GENERAL PROVISIONS

### 1.1.1 Title

This amendments determination amends the Electricity Distribution Services Input Methodologies Determination 2012.

### 1.1.2 Application

- (1) The **input methodologies** in this determination apply to **electricity distribution services**.
- (2) The **input methodologies** relating to cost allocation in Part 2 Subpart 1, Part 5 Subpart 3 Section 2 and Part 5 Subpart 4 Section 4 also apply to any **other regulated service supplied** by an **EDB**, as provided by the provision in question.
- (3) The **input methodologies** in-
  - (a) Part 2 of this determination apply in relation to information disclosure regulation under Part 4 Subpart 4 of the **Act**;
  - (b) Part 3 of this determination apply to default/customised price-quality regulation under Part 4 Subpart 6 of the **Act**;
  - (c) Part 4 of this determination apply in relation to default price-quality paths under sections 53O and 53P of Part 4 Subpart 6 of the **Act**; and
  - (d) Part 5 of this determination apply in relation to customised price-quality paths under sections 53Q to 53ZA of Part 4 Subpart 4 of the **Act**.
- (4) Amendments to the **input methodologies** in this determination in-
  - (a) Part 2, Subpart 1, including any amended definitions in clause 1.1.4(2), apply from the commencement of **disclosure year 2019**;
  - (b) Part 2, Subparts 2 to 4, including any amended definitions in clause 1.1.4(2), apply from the first **disclosure year** commencing after the amendment to the **ID determination** made after the commencement date described in clause 1.1.3;
  - (c) Part 3, including any amended definitions in clause 1.1.4(2), apply for-
    - (i) a **DPP** in force from 1 April 2020; and
    - (ii) a **CPP application** made after the commencement date described in clause 1.1.3;
  - (d) Part 4, including any amended definitions in clause 1.1.4(2), apply for a **DPP** in force from 1 April 2020;
  - (e) Part 5, including any amended definitions in clause 1.1.4(2), apply for a **CPP application**, except for a **quality standard variation CPP application**, made after the commencement date described in clause 1.1.3; and
  - (f) the provisions that remove **quality standard variation CPP applications**, apply from 1 April 2020, including the application of any amended

definitions in clause 1.1.4(2) and the relevant **quality standard variation** aspects of amended clauses 3.3.2(4)(b), 3.3.3(2), 3.3.3(4), 3.3.3(8)(c), 3.3.4(3), 3.3.4(5), 3.3.4(6), 3.3.11(2)(c), 3.3.11(2)(d), 3.3.13(2), 3.3.13(3), 5.1.3(1), 5.4.1(2) and 5.5.2(1).

- (5) For the avoidance of doubt, if the **Commission** determines that any forecast values are required to be calculated consistent with Part 3 or Part 4 for the determination of a **DPP** that is to come into effect after the commencement date of this amendments determination, the amendments to the **input methodologies** relating to the forecast values in Part 3 and Part 4, and any amended definitions in clause 1.1.4(2), will apply at the time when the **Commission** requires the forecast information.
- (6) For the avoidance of doubt, if the **Commission** determines that any forecast values are required to be calculated consistent with the **input methodologies** relating to cost allocation in Part 2, Subpart 1 for the determination of a **DPP** that is to come into effect after the date specified in subclause (4)(a), the amendments to the **input methodologies** in respect of cost allocation, and any amended definitions in clause 1.1.4(2), will apply at the time when the **Commission** requires the forecast information.

#### 1.1.3 Commencement

This determination comes into force on the day after the date on which notice of it is given in the New Zealand Gazette under s 52W of the **Act**.

#### 1.1.4 Interpretation

- (1) In this determination-
  - (a) unless otherwise stated, references to-
    - (i) 'Sections' are to sections within the same subpart; and
    - (ii) 'Subparts' are to Subparts within the same part,in which the reference is made;
  - (b) unless stated otherwise, references to Parts, Subparts and Sections are to named and numbered parts, subparts and sections of the determination;
  - (c) unless the context otherwise requires, a word which denotes the singular also denotes the plural and vice versa; and
  - (d) unless stated otherwise, any reference to an allowance, amount, cost, sum or value is a reference to an allowance, amount, cost, value or sum calculated in relation to an **EDB** in respect of a **disclosure year**.
- (2) In this determination, including in the schedules, the words or phrases in bold type bear the following meanings:

**67th percentile estimate of WACC**

means, ~~estimate, made in accordance with,~~ for the purpose of-

- ~~(a)~~ Part 2, the 67th percentile estimate of post-tax WACC, determined in accordance with clause 2.4.75(45)(b), of the 67th percentile for the post-tax mid-point estimate of WACC;
- ~~(a)(b)~~ Part 3, the 67th percentile estimate of post-tax WACC, determined in accordance with clause 4.4.5(2); and
- ~~(b)~~ Part 4 and Part 5, the 67th percentile estimate of vanilla WACC, determined in accordance with clause 4.4.57(12), of the 67th percentile for the mid-point estimate of WACC; and
- ~~(c)~~ Part 5, clause 5.3.28, of the 67th percentile for the mid-point estimate of WACC;
- ~~(d)~~ 75th percentile estimate of WACC means, estimate, made in accordance with, for the purpose of Part 2, clause 2.4.7(3)(b)(i), of the 75th percentile for the post-tax mid-point estimate of WACC;
- (c)

**2009 disclosed asset**

means an asset included by the **EDB** in question in the 'Total Regulatory Asset Base Value (Excluding FDC)' category for the **disclosure year** in the **2009 disclosure reports**;

**2009 disclosure reports**

means the reports disclosed by the **EDB** in question in accordance with the Electricity Distribution (Information Disclosure) Requirements 2008 for the **disclosure year** 2009;

**2013-15 NPV wash-up allowance**

means the amount specified in the **DPP determination** for the **regulatory period**



commencing 1 April 2015 for Alpine Energy Limited, Centralines Limited, and Top Energy Limited reflecting the impact of the capped alternative rate of change for those suppliers in the *Electricity Distribution Services Default Price-Quality Path Determination 2012* [2012] NZCC 35;

## A

### ABAA

means accounting-based allocation approach, as described in, in the case of -

- (a) **operating costs**, clause 2.1.3(1);  
and
- (b) **regulated service asset values**, clause 2.1.3(2);

### ACAM

means avoidable cost allocation methodology, as described in clause 2.1.54;

### Act

means the Commerce Act 1986;

### actual allowable revenue

has the meaning specified in clause 3.1.3(13)(e);

### actual net allowable revenue

has the meaning specified in clause 3.1.3(13)(h) or 3.1.3(13)(i), as applicable;

### actual revenue

has the meaning specified in clause 3.1.3(13)(f);

### adjusted tax value

has the same meaning as in the **tax depreciation rules**;

### actual controllable opex

means the amount of **operating expenditure** made by the EDB in the categories to which **allowed controllable opex** relates;

### actual opex

has the meaning specified in clause 3.3.3(9);

<b>additional assets</b>	means assets of an <b>EDB</b> which are not <b>existing assets</b> and are forecast to be <b>commissioned</b> ;
<b><u>additional CPP assets</u></b>	<u>means assets of an <b>EDB</b> which, for the purpose of a <b>CPP proposal</b>, are forecast to be <b>commissioned</b> within the <b>assessment period</b> or the <b>CPP regulatory period</b>;</u>
<b>adjusted depreciation</b>	means <b>total depreciation</b> for all assets calculated as if no amount of <b>revaluation</b> had been included in the calculation of any <b>opening RAB value</b> following the determination of the <b>initial RAB</b> ;
<b>adjustment to the opex incentive</b>	means the amount calculated in accordance with clause 3.3.4;
<b>aggregate closing RAB value for additional assets</b>	means the amount determined in accordance with clause 4.2.1(5);
<b>aggregate closing RAB value for existing assets</b>	means the amount determined in accordance with clause 4.2.1(3);
<b>aggregate opening RAB value for additional assets</b>	means the amount determined in accordance with clause 4.2.1(4);
<b>aggregate opening RAB value for existing assets</b>	means the amount determined in accordance with clause 4.2.1(2);
<b>allocation methodology type</b>	means one of <b>ACAM</b> , <b>ABAA</b> or <b>OVABAA</b> ;
<b>allocator metric</b>	means the value in units (e.g., number of employees or kilometres of cable) for each <b>cost allocator</b> or <b>asset allocator</b> used to calculate the proportion of <b>operating costs</b> or <b>regulated service asset values</b> to be allocated to each of- <ul style="list-style-type: none"> <li>(a) <b>electricity distribution services</b>,</li> <li>(b) where applicable, each <b>other regulated service</b>; and</li> <li>(c) where applicable, each <b>unregulated service</b>;</li> </ul>

<b>allocator type</b>	means the basis for the attribution or allocation of an <b>operating cost</b> or <b>regulated service asset value</b> to <b>electricity distribution services</b> and <b>other regulated services</b> , viz. 'directly attributable', 'causal' or 'proxy';
<del><b>allowable notional revenue</b></del>	<del>has the meaning specified in clause 3.1.1(2);</del>
<b>allowable revenue before tax</b>	means allowable revenue before tax as determined by the <b>Commission</b> ;
<b>allowed controllable opex</b>	means the allowance (which is reasonable in light of the <b>expenditure objective</b> ) specified in a <b>CPP determination for operating expenditure</b> in categories specified as controllable;
<u><b>alternative depreciation method</b></u>	<u>means a depreciation method which is not the <b>standard depreciation method</b>;</u>
<b>amalgamate</b>	means amalgamate in accordance with Part 13 of the Companies Act 1993 and <b>amalgamation</b> is to be construed accordingly;
<b>amortisation of initial differences in asset values</b>	means the amount determined in accordance with, for the purpose of- <ul style="list-style-type: none"> <li>(a) Part 2, clause 2.3.5;</li> <li>(b) Part 4, clause 4.3.3(3); and</li> <li>(c) Part 5, clause 5.3.17;</li> </ul>
<b>amortisation of revaluations</b>	means the amount determined in accordance with, for the purpose of- <ul style="list-style-type: none"> <li>(a) Part 2, clause 2.3.6;</li> <li>(b) Part 4, clause 4.3.3(5); and</li> <li>(c) Part 5, clause 5.3.18;</li> </ul>
<b>amount carried forward</b>	means, for any given <b>disclosure year</b> , the amount determined in accordance with clause 3.3.3;
<b>arm's-length deduction</b>	means in respect of-

- (a) **operating costs not directly attributable**, an amount of **operating costs** incurred by an **EDB** in the **supply** of **unregulated services** that have been recouped in an **arm's-length transaction**; and
- (b) **regulated service asset values not directly attributable**, the amount of **regulated service asset values** in respect of assets used by an **EDB** in the **supply** of **unregulated services** for which a recoupment of **capital costs** has been made by the **EDB** in an **arm's-length transaction**,

in respect of which the **EDB** wishes account to be taken for cost allocation purposes;

**arm's-length transaction**

means a dealing or transaction that does not -

- (a) include terms that parties in their respective positions would usually omit; and
- (b) omit terms that parties in their respective positions would usually include,

if the parties were-

- (c) connected or related only by the dealing or transaction in question;
- (d) acting independently; and
- (e) each acting in its own best interests;

**assessment period**

means the period between the end of the most recent **disclosure year** prior to submission of the **CPP application** in question and the **EDB's** anticipated

commencement date of the **CPP**,  
assuming that-

- (a) the **CPP application** is neither discontinued in accordance with s 53S of the **Act** nor deferred in accordance with s 53Z of the **Act**; and
- (b) reasonable time is allotted for the **Commission** to undertake its assessment of the **CPP application** in accordance with ss 53S, 53T and 53U of the **Act**;

**asset adjustment process**

has the meaning specified in clause 2.2.1;

**asset allocator**

means a proportion of a quantifiable measure used to allocate **regulated service asset values** that are not **directly attributable** and whose quantum is-

- (a) based on a **causal relationship**;  
or
- (b) equal to a **proxy asset allocator**;

**asset category**

means any asset type described in [Table A.2: Asset lives for CPP commissioned assets of Schedule A](#);

~~— has the meaning specified in [Schedule D](#);~~

**asset life**

means a finite period in respect of an asset, being-

- (a) its **physical asset life**; or
- (b) where an alternative asset life to the **physical asset life** is sought for the purpose of a **CPP** pursuant to clause 5.4.12(~~32~~)(db), the alternative asset life determined pursuant to clause 5.3.8;

asset life for CPP commissioned assets

means the lives specified in Table A.2: Asset lives for CPP commissioned assets of Schedule A;

**auditor**

means-

- (a) where the **EDB** is a public entity (as defined in s 4 of the Public Audit Act 2001), the Auditor-General; or
- (b) a **person** who-
  - (i) is qualified for appointment as auditor of a company under the Companies Act 1993;
  - (ii) is **independent**; and

where the **EDB** is a **CPP applicant**-

- (iii) is not a **verifier** of the **EDB's CPP proposal**;
- (iv) has not assisted with the compilation of the information in that proposal;
- (v) has not provided opinions or advice (other than in relation to audit reports) on the methodologies or processes used or to be used in compiling the information in the proposal; and
- (vi) is neither professionally associated with nor directed by any **person** who has provided such assistance, opinions or advice;

average debt premium

has the meaning specified in, and is the amount determined in accordance with-

- (a) Part 2, clause 2.4.4(2); and

(b) Part 4, clause 4.4.4(2);

## B

<b>base year</b>	means the <b>disclosure year</b> selected by the <b>Commission</b> ;
<b>building blocks allowable revenue after tax</b>	means the amount determined in accordance with clause 5.3.3;
<b>building blocks allowable revenue before tax</b>	means the amount determined in accordance with clause 5.3.2;
<b>business</b>	has the same meaning as defined in s 2 of the <b>Act</b> ;
<b>business day</b>	means any day on which statistics relating to trading in New Zealand government bonds are published by a financial information service such as Bloomberg or Reuters;

## C

<b>capex</b>	means <b>capital expenditure</b> ;
<b>capex forecast</b>	means the part of the <b>CPP proposal</b> , provided pursuant to clause 5.4.29, that forecasts <b>capex</b> for the <b>next period</b> ;
<b>capex incentive amount</b>	means the amount determined in accordance with clause 3.3.10(2);
<b>capex wash-up adjustment</b>	means the amount that is the difference between the revenues for a <b>DPP regulatory period</b> or <b>CPP regulatory period</b> using the actual values of <b>commissioned</b> assets for a prior <b>regulatory period</b> and the revenues using forecast <b>commissioned</b> assets applied by the <b>Commission</b> when setting <b>prices</b> , and is calculated in accordance with clause 3.1.3(8);
<b>capital contributions</b>	means, for the purpose of-  (a) Part 2, money or the monetary value of other consideration charged to or received from

**consumers** or other parties for the purposes of asset construction, acquisition or enhancement;

- (b) Part 4, money or the monetary value of other consideration to be charged to or received from **consumers** or other parties for the purposes of asset construction, acquisition or enhancement; and
- (c) Part 5, money or the monetary value of other consideration forecast to be charged to or received from **consumers** or other parties for the purposes of asset construction, acquisition or enhancement;

**capital costs**

means either or both the return on or return of **regulated service asset values**;

**capital expenditure**

means costs, for the purposes of-

- (a) Part 2-
  - (i) incurred in the **acquisition** or development of an asset that is, or is intended to be, **commissioned**; and
  - (ii) that are or are intended to be included in the **value of commissioned asset**; and
- (b) Part 4-
  - (i) forecast to be incurred in the acquisition or development of an **additional asset**; and
  - (ii) that are included in the **forecast aggregate value of commissioned asset**,



but only to the extent that the costs are forecast to be included in an **aggregate closing RAB value for additional assets**; and

- (c) Part 5-
  - (i) incurred or forecast to be incurred in the acquisition or development of an asset that is, or is intended to be, **commissioned**; and
  - (ii) that are included or are intended to be included in the **value of commissioned asset** or **forecast value of commissioned asset**, as the case may be, but only to the extent that the costs are included or are intended to be included in a **closing RAB value**;

**catastrophic event**

has the meaning specified in, for the purposes of –

- (a) Part 4, clause 4.5.1; and
- (b) Part 5, clause 5.6.1;

**catastrophic event allowance**

means the amount determined by the **Commission** for–

- (a) additional net costs (over and above those provided for in a **DPP determination** or **CPP determination**) prudently incurred by an **EDB** in responding to a **catastrophic event**, other than costs that are foregone revenue;

- (b) **recoverable costs and pass-through costs** the EDB was permitted to recover under the applicable **DPP determination** or **CPP determination** through **prices**, but did not recover due to a **catastrophic event**; and
- (c) the impact of a **catastrophic event** on any **quality incentive adjustment**,

incurred in or relating to the period between a **catastrophic event** and the effective date of an amendment to the **DPP** or **CPP** following reconsideration of the **price-quality path** under clause 4.5.64(1)(ae)(i) or clause 5.6.74(2)(a);

means, in relation to-

- (a) **operating costs**, a circumstance in which a cost driver leads to an **operating cost** being incurred during the 18 month period terminating on the last day of the **disclosure year** in respect of which the cost allocation is carried out; and
- (b) **regulated service asset values**, a circumstance in which a factor influences the utilisation of an asset during the 18 month period terminating on the last day of the **disclosure year** in respect of which the asset allocation is carried out;

has the meaning specified in, for the purposes of-

- (a) Part 4, clause 4.5.2; and
- (b) Part 5, clause 5.6.2;

means the value determined in accordance with, for the purpose of-

**causal relationship**

**change event**

**closing RAB value**

	(a) Part 2, clause 2.2.4(4); and (b) Part 5, clause 5.3.6(3);
<b>closing tax losses</b>	means the amount determined in accordance with, for the purpose of-  (a) Part 2, clause 2.3.2(4); (b) Part 4, clause 4.3.2(3); and (c) Part 5, clause 5.3.14(5);
<b>closing works under construction</b>	means the amount determined in accordance with clause 5.3.12(3);
<b>Commission</b>	has the same meaning as defined in s 2 of the <b>Act</b> ;
<b>commissioned</b>	means used by an <b>EDB</b> to provide <b>electricity distribution services</b> and <b>commission</b> shall be construed accordingly;
<b>commissioning date</b>	means the date that an asset is or is forecast to be first <b>commissioned</b> , as the case may be;
<b><u>committed</u></b>	<b><u>in respect of a project or programme, means all approvals internal and external to the EDB that are required in order for work on the project to commence have been received;</u></b>
<b>consumer</b>	has the same meaning as defined in s 2(1) of the Electricity Act 1992;
<b>consumer-owned</b>	has the same meaning as defined in s 54D of the <b>Act</b> ;
<b><u>contingent project</u></b>	<b><u>has the meaning specified in clause 5.6.5(1);</u></b>
<b>corporate tax rate</b>	means the rate of income taxation applying to companies as specified in the <b>tax rules</b> ;
<b>cost allocator</b>	means a proportion of a quantifiable measure used to allocate <b>operating costs</b> that are not <b>directly attributable</b> , and whose quantum is-

**cost of debt**

- (a) based on a **causal relationship**;  
or
- (b) equal to a **proxy cost allocator**;

means the amount specified for  $r_d$  in, for the purpose of-

- (a) Part 2, clause 2.4.1(34); and
- (b) Part 4 and Part 5, clause 4.4.1(3); and
- ~~(c) Part 5, clause 5.3.22(3);~~

~~**cost of executing an interest rate swap**~~

~~has the meaning specified in, for the purpose of-~~

- ~~(a) Part 2, clause 2.4.9(3); and~~
- ~~(b) Part 5, clause 5.3.30(3);~~

**CPI**

means-

- (a) subject to paragraph (b), ~~in respect of the December 2010 quarter and subsequent quarters,~~ the consumer price index stipulated for each quarter in the 'All Groups Index SE9A' as published by Statistics New Zealand; and
- ~~(b) subject to paragraph (c) in respect of each quarter prior to the December 2010 quarter, the same index as described in paragraph (a) multiplied by 1.02; and~~
- (c)(b) in respect of quarters prior to any quarter in which the rate of **GST** is amended after this determination comes into force, the same index as described in paragraph (a), multiplied by the Reserve Bank of New Zealand's forecast change in that index (expressed as a decimal) arising from the amendment;

**CPP**

means customised price-quality path;

<b>CPP applicant</b>	means an <b>EDB</b> who- <ul style="list-style-type: none"> <li>(a) is preparing a <b>CPP proposal</b>; or</li> <li>(b) has made a <b>CPP proposal</b> that has not been determined;</li> </ul>
<b>CPP application</b>	has the meaning specified in clause 5.1.1(2);
<b>CPP determination</b>	means a determination of a <b>CPP</b> in relation to <b>electricity distribution services</b> made by the <b>Commission</b> under s 52P of the <b>Act</b> ;
<b><u>CPP inflation rate</u></b>	<b><u>has the meaning specified in clause 5.3.4(9);</u></b>
<b>CPP proposal</b>	means a proposal made by an <b>EDB</b> to the <b>Commission</b> for a <b>CPP</b> comprising the information specified in Part 5 Subpart 4;
<b>CPP regulatory period</b>	means- <ul style="list-style-type: none"> <li>(a) in relation to a <b>CPP proposal</b>, the 5 <b>disclosure years</b> following the <b>assessment period</b>; and</li> <li>(b) in relation to a particular <b>CPP</b>, the period to which the relevant <b>CPP determination</b> relates;</li> </ul>
<b>current period</b>	means the 5 <b>disclosure years</b> preceding the <b>disclosure year</b> in which the <b>CPP application</b> is submitted;

## D

<b><u>debt issuance costs</u></b>	<b><u>means costs associated with the issuance of debt by a supplier (including, but not limited to, arrangement fees, legal fees, brokerage, advertising, credit rating fees, registry costs, listing fees, syndicate fees, trustee fees, facility fees, line fees, roadshow and marketing costs, paying agency fees and any fee or premium incurred in entering into an</u></b>
-----------------------------------	---

**debt premium**

interest rate or cross-currency derivative);

for the purpose of Part 2 or Part 4, has the meaning specified in z, and is the amount determined in accordance with, clause 2.4.4(5);

~~for the purpose of~~

~~Part 2, clause 2.4.4;~~

~~Part 4, clause 4.4.4; and~~

~~Part 5, clause 5.3.25;~~

**debt premium reference year**

means a 12 month period ending on 31 August;

*Example: **debt premium reference year 2016** means the twelve month period ending 31 August 2016;*

**demand group**

means a pricing category (irrespective of the pricing methodology used) that has a discrete rate of growth in the demand for **electricity distribution services** over the **CPP regulatory period**;

*Examples: industrial consumers, commercial consumers, residential consumers, non-standard consumer groups, irrigation connections, large capacity connections, or a combination or sub-group of each of these;*

**depreciation**

means an allowance to account for the diminution in an asset's remaining service life potential in the **disclosure year** in question with respect to its **opening RAB value**, or, for the purpose of Part 4, its **aggregate opening RAB value for existing assets** and **aggregate opening RAB value for additional assets**, and the amount of such

	allowance is determined in accordance with, for the purpose of-
	(a) Part 2, clause 2.2.5(2);
	(b) Part 4, clause 4.2.2(2); and
	(c) Part 5, clause 5.3.7(2);
<b>depreciation temporary differences</b>	has the meaning specified, for the purpose of-
	(a) Part 2, clause 2.3.8(2);
	(b) Part 4, clause 4.3.5; and
	(c) Part 5, clause 5.3.20(2);
<b>designated individual</b>	means an individual who is-
	(a) <b>independent</b> ; and
	(b) engaged or instructed by a <b>person</b> falling within paragraph (a) of the definition of verifier to verify (in accordance with Schedule G) part or all of the <b>CPP proposal</b> which that <b>person</b> is engaged to verify;
<b>directly attributable</b>	means, in relation to-
	(a) <b>operating costs</b> , wholly and solely incurred by the <b>EDB</b> in or in relation to its <b>supply</b> of one <b>regulated service</b> ; and
	(b) <b>regulated service asset values</b> , wholly and solely related to an asset used by the <b>EDB</b> in or in relation to its <b>supply</b> of one <b>regulated service</b> ;
<b>director</b>	means, in the case of an <b>EDB</b> that is -
	(a) a company (as 'company' is defined in s 2 of the Companies Act 1993), an individual occupying the position of director of the <b>EDB</b> , by whatever name that position is called;
	(b) a partnership (other than a special partnership), a partner;

- (c) a special partnership, a general partner; and
- (d) any other body corporate or unincorporated **body**, an individual occupying a position in the body that is comparable with that of director of a company;

**disclosure year**

shall be construed as a 12 month period ending on the date specified in -

~~whilst they are in force, the Electricity Distribution (Information Disclosure) Requirements 2008; or~~

~~thereafter, an ID determination;~~

as the last date in the period to which annual disclosure relates;

*Example: ~~under clause 1(3) of the Electricity Distribution (Information Disclosure) Requirements 2008, the Requirements apply in respect of the financial year ending on 31 March. Until an ID determination is made, 'disclosure year' means 12 month period ending on 31 March, and 'Disclosure year 20170' means 12 month period ending on 31 March 20170.~~*

**discretionary discounts and customer rebates**

has the meaning specified in clause 2.3.3(6);

**disposed asset**

means, for the purpose of-

- (a) Part 2, an asset that, in the **disclosure year** in question, has been sold or transferred, or has been irrecoverably removed from the **EDB's** possession



	without consent but is not a <b>lost asset</b> ; and
	(b) Part 5, an asset that, in relation to a <b>disclosure year</b> , is-
	(i) sold or transferred but is not a lost asset; or
	(ii) forecast to be sold or transferred;
<b>distributed generation allowance</b>	means any positive allowance for costs incurred and amounts payable, or negative allowance for amounts receivable, in relation to avoided transmission charges arising from distributed generation, including embedded or notionally embedded generation, made in accordance with-
	(a) Schedule 6.4 of Part 6 of the Electricity Industry Participation Code; or
	(b) the Electricity Industry Act 2010;
<del><b>distribution prices</b></del>	<del>means the portion of prices excluding pass-through prices;</del>
<b>document</b>	has the same meaning as defined in s 2 of the <b>Act</b> ;
<b>DPP</b>	means default price-quality path;
<b>DPP determination</b>	means a <b>DPP</b> determination in relation to <b>electricity distribution services</b> made by the <b>Commission</b> under s 52P of the <b>Act</b> ;
<b>DPP regulatory period</b>	means the period to which the relevant <b>DPP determination</b> relates;

## E

<b>easement</b>	means a right to use but not possess <b>land</b> belonging to another <b>person</b> or a right to prevent certain uses of another <b>person's land</b> ;
<b>easement land</b>	means <b>land</b> acquired with the intention of-  (a) creating an <b>easement</b> in respect of it; and  (b) disposing of the <b>land</b> thereafter;
<b>EDB</b>	means a supplier of <b>electricity distribution services</b> ;
<b>electricity distribution services</b>	means all <b>electricity lines services</b> , other than those <b>supplied</b> by <b>Transpower</b> or any subsidiary of, or successor to <b>Transpower</b> ;
<b>Electricity Information Disclosure Requirements 2004</b>	means the Electricity Information Disclosure Requirements 2004 as were originally published by the <b>Commission</b> on 31 March 2004 and consolidating all amendments to 7 May 2004;
<b>electricity lines services</b>	has the same meaning as defined in s 54C of the <b>Act</b> ;
<del><b>energy efficiency and demand side management incentive allowance</b></del>	<del>means an allowance for foregone revenue attributable to energy efficiency or demand side management initiatives, projects, or activities as allowed by the <b>Commission</b> in a <b>DPP determination</b> or <b>CPP determination</b>;</del>
<b>engineer</b>	means an individual who is-  (a) a chartered professional engineer as defined in s 6 of the Chartered Professional Engineers <u>of New Zealand</u> Act 2002;  (b) acting in that professional capacity; and  (c) <b>independent</b> ;

**error event**

has the meaning specified in, for the purpose of-

- (a) Part 4, clause 4.5.3(1)~~4~~; and
- (b) Part 5, clause 5.6.3(1);

**excluded asset**

means an asset that is-

- (a) not used to **supply electricity distribution services** as on the last day of the **disclosure year** 2009;
- (b) designated as 'excluded' type as a result of the **asset adjustment process**; or
- (c) **easement land**;

**existing assets**

means assets of an **EDB** for which an **aggregate closing RAB value for existing assets** is calculated for the **base year**;

**existing CPP assets**

means assets of an **EDB** included in the **closing RAB value of the last year of the current period**;

**expenditure objective**

means objective that **capital expenditure** and **operating expenditure** reflect the efficient costs that a prudent **non-exempt EDB** would require to-

- (a) meet or manage the expected demand for **electricity distribution services**, at appropriate service standards, during the **CPP regulatory period** and over the longer term; and
- (b) comply with applicable regulatory obligations associated with those **services**;

**extended reserves allowance**

means an amount determined by the **Commission** as a positive allowance for costs incurred and amounts payable, or a negative allowance for amounts receivable, in accordance with

requirements in the Electricity Industry Participation Code 2010 relating to extended reserves made under the Electricity Industry Act 2010;

## F

false or misleading information

has the meaning specified in clause 4.5.6(3);

finance lease

has the same meaning as under **GAAP**;

fixed life easement

means an **easement** that-

- (a) is of fixed duration; or
- (b) whilst of indefinite duration, is to be held for a fixed period;

forecast aggregate value of commissioned asset

means the amount determined in accordance with clause 4.2.5;

forecast aggregate value of disposed assets means the amount determined in accordance with clause 4.2.6;

forecast allowable revenue

means the amount determined in accordance with clause 3.1.1(4);

forecast allowable revenue as a function of demand

means a value specified in clause 3.1.1(5);

forecast CPI

means the amount specified in, for the purpose of Part 3 and Part 5, clause 3.1.1(8); ~~for the purpose of~~

- ~~(a) — Part 4, for~~
  - ~~(i) — a quarter prior to the quarter for which the vanilla **WACC** applicable to the relevant **DPP** **regulatory period** was determined, **CPI** excluding any adjustments made under paragraphs (b) or (c) of the definition of 'CPI' arising as a result of an event that occurs after the issue of the **Monetary Policy**~~

Statement referred to in subparagraph (ii);

(ii) — ~~each later quarter for which a forecast of the change in headline CPI has been included in the Monetary Policy Statement last issued by the Reserve Bank of New Zealand prior to the date for which the vanilla WACC applicable to the relevant DPP regulatory period was determined, the CPI last applying under subparagraph (i) extended by the forecast change; and~~

(iii) — ~~in respect of later quarters, the forecast last applying under subparagraph (ii) adjusted such that an equal increment or decrement made to that forecast for each of the following three years results in the forecast for the last of those years being equal to the target midpoint for the change in headline CPI set out in the Monetary Policy Statement referred to in subparagraph (ii); and~~

(b) — ~~Part 3 and Part 5, CPI, unless CPI does not apply to the if there is no CPI value available for any part of the period in question, in which cases it means the most recent CPI extended by-~~

(i) — ~~in the case of a quarter for which a forecast of the annual percent change in the headline CPI contained in the~~

~~current Monetary Policy Statement issued by the Reserve Bank of New Zealand has been made, that forecast; and~~

~~in respect of later quarters, a constant annual percent change equal to the arithmetic mean of the values forecast in the most recent four quarters in respect of which a forecast described in subparagraph (i) has been made;~~

**forecast CPI for CPP revaluation**

means the amount specified in accordance with clause 5.3.10(5);

**forecast CPI for DPP revaluation**

means the amount specified in accordance with clause 4.2.3(4);

**forecast CPI for IRIS transitional provision**

means the amount specified in accordance with clause 3.3.15(6);

**forecast net allowable revenue**

means a value specified in clause 3.1.1(6) or 3.1.1(7), as applicable;

**forecast operating expenditure**

has the meaning specified in clause 5.3.2(6);

**forecast opex**

has the meaning specified in clause 3.3.3(8);

**forecast regulatory tax allowance**

has the meaning specified in clause 5.3.13;

**forecast revenue from prices**

means an amount specified in clause 3.1.1(3);

**forecast value of commissioned asset**

means the value determined in accordance with clause 5.3.11;

**found asset**

has the meaning specified in clause 2.2.12(1);

## G

<b>GAAP</b>	means generally accepted accounting practice in New Zealand, save that, where the cost of an asset is being determined in accordance with this determination, only the cost model of recognition is applied insofar as an election may be made between the cost model of recognition and the fair value model of recognition;
<b>GPB</b>	means GDB (as 'GDB' is defined in the Gas Distribution Input Methodologies Determination 2012) or GTB (as 'GTB' is defined in the Gas Transmission Input Methodologies Determination 2012);
<b>GST</b>	has the same meaning as defined in s YA 1 of the Income Tax Act 2007 as amended from time to time, and any equivalent legislation that supplements or replaces that definition;

## H

<b>highly probable</b>	<p>means one in respect of which the following conditions have been met at the time the <b>CPP application</b> is made:</p> <ul style="list-style-type: none"> <li>(a) the <b>directors</b> have approved a plan to sell either or both the <b>other regulated service</b> or <b>unregulated service</b>, as the case may be;</li> <li>(b) the <b>EDB</b> is taking active steps to- <ul style="list-style-type: none"> <li>(i) locate a buyer for the assets; and</li> <li>(ii) complete the plan,</li> </ul> referred to in paragraph (a);</li> <li>(c) the <b>EDB</b> is actively marketing the assets for sale at a price that is reasonable;</li> <li>(d) the <b>directors</b> expect the sale to complete within 12 months of</li> </ul>
------------------------	--

	the <b>CPP application</b> being made; and
	(e) actions to date do not contemplate that significant amendment to the plan may be made or that it will be withdrawn.
<b>ID determination</b>	means an information disclosure determination in relation to an <b>EDB</b> made by the <b>Commission</b> under s 52P of the <b>Act</b> ;
<b>identifiable non-monetary asset</b>	has the same meaning as under <b>GAAP</b> save that goodwill is excluded;
<b>identified programme</b>	<del>has the same meaning as</del> <u>a <b>project or programme</b> that an <b>EDB</b> intends to undertake during the <b>next period</b> and which is selected by the <b>verifier</b> for detailed assessment in accordance with clause G4(1);</u> <del>ing specified in clause D1;</del>
<b>incentive rate</b>	means the incremental rate of change used to calculate the <b>quality incentive adjustment</b> , as specified in a <b>DPP determination</b> or <b>CPP determination</b> ;
<b>included asset</b>	means an asset which, as a result of the <b>asset adjustment process</b> , is designated as 'included';
<b>included value</b>	means value assigned to an <b>included asset</b> ;
<b>incremental adjustment term</b>	means the amount determined in accordance with clause 3.3.15(4);
<b>independent</b>	means neither in a relationship with, nor having an interest in, the <b>EDB</b> in question that is likely to involve him her or it in a conflict of interest between his, her or its duties to the <b>EDB</b> and his, her or its duties to the <b>Commission</b> ;



<b>inflation rate</b>	has the meaning specified in clause 3.3.15(5);
<b>initial differences in asset values</b>	has the meaning specified in, for the purpose of- <ul style="list-style-type: none"> <li>(a) Part 2, clause 2.3.5(3); and</li> <li>(b) Part 5, clause 5.3.17(3);</li> </ul>
<b>initial RAB</b>	has the meaning specified in clause 2.2.2;
<b>initial RAB value</b>	means value of an asset in the <b>initial RAB</b> determined in accordance with clause 2.2.3(4);
<b>input methodology</b>	has the same meaning as defined in s 52C of the <b>Act</b> ;
<b>investment grade credit rated</b>	means endorsed with a credit rating by an established credit rating agency (such as Standard and Poor's) of "investment grade" on that agency's credit rating scale applicable to long-term investments;
<b>IRIS incentive adjustment</b>	means the recoverable cost amount determined under clause 3.3.1(2);

## L

<b>land</b>	excludes <b>easements</b> ;
<b>leverage</b>	means the ratio of debt capital to total capital and is the amount specified in, for the purpose of- <ul style="list-style-type: none"> <li>(a) Part 2, clause 2.4.2(1); <b>and</b></li> <li>(b) Part 4, clause 4.4.2(1); <b>and</b></li> <li><del>(c) Part 5, clause 5.3.23(1);</del></li> </ul>
<b>levy</b>	means a tax, charge or fee directly imposed by or under legislation- <ul style="list-style-type: none"> <li>(a) on- <ul style="list-style-type: none"> <li>(i) <b>EDBs</b> alone; or</li> <li>(ii) a class of persons (other than the general public</li> </ul> </li> </ul>

	or businesses in general) that includes <b>EDBs</b> ; or
<b>line item</b>	(b) in relation to <b>electricity distribution services</b> ;  means, in respect of-  (a) assets, a group of assets within an <b>asset category</b> for which the same <b>asset allocator</b> is used to allocate their <b>regulated service asset values</b> ; and  (b) costs, a group of <b>operating costs</b> within an <b>opex category</b> for which the same <b>cost allocator</b> is used to allocate them,  to <b>electricity distribution services</b> and <b>other regulated services</b> ;
<b>lines</b>	has the same meaning as defined in s 2 of the Electricity Act 1992;
<b>local authority</b>	has the same meaning as defined in s 5(1) of the Local Government Act 2002;
<b>lost asset</b>	means an asset-  (a) not included in the <b>initial RAB</b> ; and  (b) having, in relation to the <b>disclosure year in question</b> , an <b>unallocated opening RAB value</b> ,  but determined by the <b>EDB</b> in that <b>disclosure year</b> never to have been used to provide <b>electricity distribution services</b> ;

## M

### major transaction

has the meaning specified in, for the purpose of-

- (a) Part 3 and Part 4, clause 4.5.4;
- and
- (b) Part 5, clause 5.6.4;

<b>maximum allowable revenue after tax</b>	means the amount determined in accordance with clause 5.3.4;
<b>maximum allowable revenue before tax</b>	means the amount determined in accordance with clause 5.3.4;
<b>mid-point estimate of WACC</b>	<p>means, for the purpose of-</p> <p>(a) Part 2, the mid-point estimate of-</p> <p style="padding-left: 20px;">(i) vanilla <b>WACC</b> as estimated in accordance with clause 2.4.1(1); or</p> <p style="padding-left: 20px;">(ii) post-tax <b>WACC</b> as estimated in accordance with clause 2.4.1(2),</p> <p style="padding-left: 40px;">as the case may be;</p> <p><u>(b) Part 3, the mid-point estimate of post-tax <b>WACC</b>, as estimated in accordance with clause 4.4.1(2); and</u></p> <p><u>(c) Part 4, the mid-point estimate of-</u></p> <p style="padding-left: 20px;"><u>(i) vanilla <b>WACC</b>, as estimated in accordance with clause 4.4.1(1);</u></p> <p style="padding-left: 20px;"><u>(ii) post-tax <b>WACC</b> as estimated in accordance with clause 4.4.1(2),</u></p> <p style="padding-left: 40px;"><u>as the case may be; and</u></p> <p><del>(b) Part 5, the mid-point estimate of vanilla <b>WACC</b> for a-</del></p> <p style="padding-left: 20px;"><del>(i) 3 year period;</del></p> <p style="padding-left: 20px;"><del>(ii) 4 year period; or</del></p> <p style="padding-left: 20px;"><del>(iii) 5 year period,</del></p>

~~as the case may be, as each is estimated in accordance with clause 5.3.22;~~

**modified value**

means the value of a **value modified asset** assigned in accordance with clause 2.2.1;

**multi-rate PIE**

has the same meaning as defined in s YA 1 of the Income Tax Act 2007;

## N

**Nelson-Siegel-Svensson approach**

has the meaning specified in clause 2.4.4(9);

**network**

means the fixed assets used by an EDB to provide **electricity distribution services**;

**network spare**

means an asset that is held by an **EDB** to replace any other asset it holds should that other asset be withdrawn from use owing to failure or damage;

**next period**

means the period commencing on the first day of the **disclosure year** during which the **CPP application** is submitted and terminating on the last day of the 5 **disclosure years** following the **assessment period**;

**non-exempt EDB**

means an **EDB** other than a **consumer-owned EDB** exempt under s 54G(2) of the **Act**;

~~**notional revenue**~~

~~has the meaning specified in clause 3.1.1(3);~~

## O

**ODV handbook**

means Handbook for Optimised Deprival Valuation of System Fixed Assets of Electricity Lines Businesses published by the Commerce **Commission** on 30 August 2004 and effective 31 August 2004;

<b>ODV valuation</b>	means valuation of an asset as of 31 March 2004 in accordance with the <b>Electricity Information Disclosure Requirements 2004</b> and the <b>ODV handbook</b> ;
<b>opening deferred tax</b>	has the meaning specified in, for the purpose of- <ul style="list-style-type: none"> <li>(a) Part 2, clause 2.3.7;</li> <li>(b) Part 4, clause 4.3.4(1); and</li> <li>(c) Part 5, clause 5.3.19;</li> </ul>
<b>opening RAB value</b>	means the value determined in accordance with, for the purpose of- <ul style="list-style-type: none"> <li>(a) Part 2, clause 2.2.4(3); and</li> <li>(b) Part 5, clause 5.3.6(1);</li> </ul>
<b>opening tax losses</b>	means the amount determined in accordance with, for the purpose of – <ul style="list-style-type: none"> <li>(a) Part 2, clause 2.3.2(3);</li> <li>(b) Part 4, clause 4.3.2(3)(a); and</li> <li>(c) Part 5, clause 5.3.14(3);</li> </ul>
<b>opening works under construction</b>	has the meaning specified in clause 5.3.12(1);
<b>operating cost</b>	means a cost incurred by the <b>EDB</b> in question relating to the <b>supply</b> of- <ul style="list-style-type: none"> <li>(a) <b>regulated services</b> alone; or</li> <li>(b) <b>regulated services</b> and one or more <b>unregulated service</b>,</li> </ul> and excludes- <ul style="list-style-type: none"> <li>(c) a cost that is treated as a cost of an asset by <b>GAAP</b>;</li> <li>(d) amounts that are depreciation, tax, subvention payments, revaluations or an interest expense, in accordance with their meanings under <b>GAAP</b>;</li> <li>(e) <b>debt issuance costs</b>;</li> <li><del>(e)(f)</del> <b>pass-through costs</b>; <del>and</del></li> </ul>

<p><b>operating expenditure</b></p>	<p><u>(g)</u> <b>recoverable costs; and</b>  <del>(f)(h)</del> <b><u>distribution of profits to consumers;</u></b></p> <p><del>r</del>for the purpose of –</p> <p>(a) Part 4, means the value of <b>operating costs</b> attributable to <b>electricity distribution services</b> supplied by an <b>EDB</b> which are forecast to be incurred in the <b>disclosure year</b> in question as determined by the <b>Commission</b>; and</p> <p>(b) Part 5, means <b>operating costs</b> after application of clause 5.3.5;</p>
<p><b>opex</b></p>	<p>means <b>operating expenditure</b>;</p>
<p><b>opex category</b></p>	<p>has the meaning specified in Schedule D;</p>
<p><b>opex forecast</b></p>	<p>means the part of a <b>CPP proposal</b>, provided pursuant to clause 5.4.29, that forecasts <b>operating expenditure</b> for the <b>next period</b>;</p>
<p><b>opex incentive amount</b></p>	<p>means the amount determined in accordance with clause 3.3.2(2);</p>
<p><b>other regulated income</b></p>	<p><del>r</del>for the purpose of–</p> <p><u>(a)</u> <b><u>Part 3, means income associated with the supply of electricity distribution services other than-</u></b></p> <p><u>(i)</u> <b><u>through prices;</u></b></p> <p><u>(ii)</u> <b><u>investment-related income;</u></b></p> <p><u>(iii)</u> <b><u>capital contributions; or</u></b></p> <p><u>(iv)</u> <b><u>vested assets; and</u></b></p> <p><del>(a)</del><u>(b)</u> Part 4, means forecast income associated with the supply of <b>electricity distribution services</b> other than-</p> <p>(i) through <b>prices</b>;</p>

	<ul style="list-style-type: none"> <li>(ii) investment-related income;</li> <li>(iii) <b>capital contributions</b>; or</li> <li>(iv) <b>vested assets</b>,</li> </ul> <p>as determined by the <b>Commission</b>; <del>and</del></p> <p><del>Part 5, has the meaning specified in clause 5.3.2(7);</del></p>
<b>other regulated service</b>	means a <b>regulated service</b> , other than <b>electricity distribution services</b> , <b>supplied</b> by the <b>EDB</b> in question;
<b>OVABAA</b>	means the optional variation to accounting-based allocation approach, as described in clause 2.1.54;
<b>OVABAA allocation increase</b>	<p>means, in respect of either or both-</p> <ul style="list-style-type: none"> <li>(a) <b>operating costs</b>; and</li> <li>(b) <b>regulated service asset values</b>,</li> </ul> <p>not <b>directly attributable</b>, as the case may be, allocated to <b>electricity distribution services</b>, the dollar difference between the amount determined pursuant to the last application of clause 2.1.54(7)(c) and the application of clause 2.1.54(2)(a) or 2.1.54(3)(a), as the case may be;</p>
	<b>P</b>
<b>pass-through cost</b>	has the meaning specified in clause 3.1.2(1);
<del><b>pass-through prices</b></del>	<del>means the portion of prices attributable to pass-through costs and recoverable costs;</del>
<b>permanent differences</b>	<p>means the amount determined in accordance with, for the purpose of-</p> <ul style="list-style-type: none"> <li>(a) Part 2, clause 2.3.3; and</li> <li>(b) Part 5, clause 5.3.15;</li> </ul>

<b>person</b>	has the same meaning as defined in s 2 of the <b>Act</b> ;
<b>physical asset life</b>	has the meaning specified in clause 2.2.8;
<b>positive permanent differences</b>	has the meaning specified in clause 5.3.15(2);
<b>prescribed investor rate</b>	has the same meaning as defined in the Income Tax Act 2007 or any subsequent legislation that supplements or replaces the provisions relating to prescribed investor rate in the Income Tax Act 2007;
<b>prices</b>	has the meaning specified in clause 3.1.1( <del>94</del> );
<b>programme</b>	means a group of related <b>projects</b> with a common purpose;
<b>project</b>	means a temporary endeavour requiring concerted effort, undertaken to create a defined outcome;
<b>proxy asset allocator</b>	means a proportion of a quantifiable measure- <ul style="list-style-type: none"> <li>(a) used to allocate <b>regulated service asset values</b> for which a <b>causal relationship</b> cannot be established; and</li> <li>(b) whose quantum is based on factors in existence during the 18 month period terminating on the last day of the most recent <b>disclosure year</b> in respect of which the proxy allocation is carried out;</li> </ul>
<b>proxy cost allocator</b>	means a proportion of a quantifiable measure- <ul style="list-style-type: none"> <li>(a) used to allocate <b>operating costs</b> for which a <b>causal relationship</b> cannot be established; and</li> </ul>



- (b) whose quantum is based on factors in existence during the 18 month period terminating on the last day of the most recent **disclosure year** in respect of which the cost allocation is carried out;

**qualifying debt**

Q

has, for the purpose of-

(a) Part 2, the meaning specified in clause 2.4.7(1); and

(b) Part 5, the meaning specified in clause 5.3.25(1); ~~for the purpose of-~~

~~(a) Part 2, clause 2.4.9(1); and~~

~~(b) Part 5, clause 5.3.30(1);~~

**qualifying issuer**

means a New Zealand resident limited liability company -

- (a) that-
  - (i) undertakes the majority of its business activities in Australia and New Zealand; or
  - (ii) is part of a corporate group that undertakes the majority of its business activities in Australia and New Zealand;
- (b) that-
  - (i) does not operate predominantly in the banking or finance industries; or
  - (ii) is part of a corporate group that does not operate predominantly in

	the banking or finance industries; and
	(c) that issues <b>vanilla NZ\$ denominated bonds</b> that are publicly traded;
<b>qualifying rating</b>	means- <ul style="list-style-type: none"> <li>(a) a Standard and Poor's long term credit rating of the specified grade; or</li> <li>(b) an equivalent long term credit rating of another internationally recognised rating agency;</li> </ul>
<b>qualifying supplier</b>	has the meaning specified in, for the purpose of- <ul style="list-style-type: none"> <li><u>(a) Part 2, clause 2.4.7(2); and-</u></li> <li><u>(b) Part 5, clause 5.3.25(2);</u></li> <li><del>(a) Part 2, clause 2.4.9(2); and</del></li> <li><del>(b) Part 5, clause 5.3.30(2);</del></li> </ul>
<b>quality incentive adjustment</b>	means an amount to provide incentives for a <b>non-exempt EDB</b> to maintain or improve its quality of supply in accordance with s 53M(2) of the <b>Act</b> , and is a function of- <ul style="list-style-type: none"> <li>(a) a <b>non-exempt EDB's</b> performance above or below the quality targets, up to the caps or collars specified in relation to the quality targets;</li> <li>(b) <b>revenue at risk</b>; and</li> <li>(c) <b>incentive rate</b>,</li> </ul> calculated in accordance with the method specified in a <b>DPP determination</b> or <b>CPP determination</b> ;
<b>quality standard variation</b>	means variation to any standard- <ul style="list-style-type: none"> <li>(a) specified in a <b>DPP determination</b>; and</li> </ul>

- (b) which prescribes the use by an **EDB** of an historic time series of data relating to service quality measured in accordance with a specified metric ~~or metrics~~,

where the ~~effect of the~~ variation is limited to ~~a changed~~ values~~outcome~~ of the metric ~~or metrics~~ by which such quality standards ~~is~~are specified but not the metric itself ~~or metrics themselves~~;

quantity

has the meaning, for the purpose of Part 3, specified in clause 3.1.1(10);

## R

**reconsideration event allowance**

means the positive or negative amount determined by the **Commission**–

- (a) for additional net costs (over and above those provided for in a **DPP** or **CPP**) prudently incurred by an **EDB** as a result of a **change event** in the period between the **change event** and the effective date of an amendment to the **DPP** or **CPP** under clause 4.5.64(1)(a)(~~fi~~) or clause 5.6.74(2)(~~be~~);
- (b) to mitigate the effect of an **error event** or provision of **false or misleading information** on the relevant **DPP** or **CPP** under clauses 4.5.64(1)(a)(~~iiid~~), 4.5.64(1)(a)(~~ve~~), 5.6.74(2)(~~cb~~), or 5.6.74(~~54~~); ~~or and~~
- (c) for the impact of a **change event**, **error event**, or provision of **false or misleading information** under clauses 4.5.6(1)(a)(ii), 4.5.6(1)(a)(iii), 4.5.64(1)(a)(ve), 5.6.7(2)(b),

|

5.6.7(2)(c) or 5.6.74(54), on any **quality incentive adjustment**;

**recoverable cost**

has the meaning specified in clause 3.1.3;

**regulated goods or services**

has the same meaning as defined in s 52C of the **Act**;

**regulated service**

means a type of service **supplied** by an **EDB** pursuant to the **supply** of a **regulated good or service**, which, for the avoidance of doubt, includes the following types of services-

- (a) **electricity distribution services**;
- (b) gas distribution services as defined in the Gas Distribution Services Input Methodologies Determination 2012; and
- (c) gas transmission services as defined in the Gas Transmission Services Input Methodologies Determination 2012);

**regulated service asset value**

means, in respect of an asset-

- (a) used by an **EDB** in the **supply** of-
  - (i) one or more **regulated service**; or
  - (ii) one or more **regulated service** and one or more **unregulated service**;

where at least one of those **regulated services** is an **electricity distribution service-**

- (iii) in the **disclosure year** 2009, its **unallocated initial RAB value**; and
  - (iv) in all other **disclosure years**, its **unallocated closing RAB value**; and
- (b) used by an **EDB** only in the **supply** of-

	<ul style="list-style-type: none"> <li>(i) one or more <b>other regulated service</b>; or</li> <li>(ii) one or more <b>other regulated service</b> and one or more <b>unregulated service</b>;</li> </ul>
	in-
	<ul style="list-style-type: none"> <li>(iii) the <b>disclosure year</b> 2009, its unallocated initial RAB value; and</li> <li>(iv) all other <b>disclosure years</b>, its unallocated closing RAB value,</li> </ul>
	determined in accordance with the <b>input methodologies</b> applicable to the <b>other regulated service</b> .
<b>regulated supplier</b>	means a supplier of <b>regulated goods or services</b> ;
<b>regulatory investment value</b>	has the meaning specified in clause 5.3.2(2);
<b>regulatory net taxable income</b>	has the meaning specified in, for the purpose of- <ul style="list-style-type: none"> <li>(a) Part 2, clause 2.3.1(2);</li> <li>(b) Part 4, clause 4.3.1(2); and</li> <li>(c) Part 5, clause 5.3.13(2);</li> </ul>
<b>regulatory period</b>	means the regulatory period for default/customised price-quality regulation applicable to an <b>EDB</b> as specified in a determination made under s 52P of the <b>Act</b> ;
<b>regulatory profit / (loss) before tax</b>	has the meaning specified in, for the purpose of – <ul style="list-style-type: none"> <li>(a) Part 2, clause 2.3.1(4);</li> <li>(b) Part 4, clause 4.3.1(4); and</li> <li>(c) Part 5, clause 5.3.13(4);</li> </ul>

<b>regulatory taxable income</b>	means the amount determined in accordance with, for the purpose of- <ul style="list-style-type: none"> <li>(a) Part 2, clause 2.3.1(3); and</li> <li>(b) Part 4, clause 4.3.1(3); and</li> <li>(c) Part 5, clause 5.3.13(3);</li> </ul>
<b>regulatory tax adjustments</b>	means the amount determined in accordance with, for the purpose of- <ul style="list-style-type: none"> <li>(a) Part 2, clause 2.3.4;</li> <li>(b) Part 4, clause 4.3.3; and</li> <li>(c) Part 5, clause 5.3.16;</li> </ul>
<b>regulatory tax allowance</b>	has the meaning specified, for the purpose of – <ul style="list-style-type: none"> <li>(a) Part 2, clause 2.3.1; and</li> <li>(b) Part 4, clause 4.3.1;</li> </ul>
<b>regulatory tax asset value</b>	has the meaning specified in, for the purpose of- <ul style="list-style-type: none"> <li>(a) Part 2, clause 2.3.9; and</li> <li>(b) Part 5, clause 5.3.21;</li> </ul>
<b>regulatory templates</b>	has the meaning specified in clause 5.4.29(2);
<b>related party</b>	means- <ul style="list-style-type: none"> <li>(a) a <b>person</b> that, in accordance with <b>GAAP</b>, is related to the <b>EDB</b> in question; or</li> <li>(b) any part of the <b>EDB</b> in question that does not <b>supply electricity distribution services</b>;</li> </ul>
<b>remaining asset life</b>	means term remaining of an asset's <b>asset life</b> at the commencement of the <b>disclosure year</b> in question, <u>taking into account the reduction in asset life as specified in clause 2.2.8(4)(a)</u> ;
<b><u>remaining asset life for additional assets</u></b>	<del>has the meaning specified in clause 4.2.2(3)(b);</del>
<b><u>remaining asset life for existing assets</u></b>	<del>has the meaning specified in clause 4.2.2(3)(a);</del>

<u>remaining asset life for existing CPP assets</u>	<u>has the meaning specified in clause 5.3.7(4)(a);</u>
<b>retention factor</b>	means the percentage amount determined by the <b>Commission</b> in a <b>CPP determination</b> or <b>DPP determination</b> for the purpose of calculating the <b>capex incentive amount</b> ;
<b>revaluation</b>	means the amount determined in accordance with, for the purpose of- <ul style="list-style-type: none"> <li>(a) Part 2, clause 2.2.9(2);</li> <li>(b) Part 4, clause 4.2.3(2); and</li> <li>(c) Part 5, clause 5.3.10(2);</li> </ul> which, for the avoidance of doubt, may be a negative number;
<b>revaluation rate</b>	has the meaning specified in, for the purpose of- <ul style="list-style-type: none"> <li>(a) Part 2, clause 2.2.9(4);</li> <li>(b) Part 4, clause 4.2.3(3); and</li> <li>(c) Part 5, clause 5.3.10(4);</li> </ul>
<b>revenue at risk</b>	means the maximum financial reward or penalty arising under a <b>quality incentive adjustment</b> , as specified in a <b>DPP determination</b> or <b>CPP Determination</b> ;
<u>revenue foregone</u>	<u>has the meaning specified in clause 3.1.3(13)(g);</u>
<u>revenue reduction percentage</u>	<u>has the meaning specified in clause 3.1.3(13)(i);</u>
<u>revenue wash-up draw down amount</u>	<u>has the meaning specified in clause 3.1.3(13)(k);</u>
<b>reversal and reverse</b>	have the same meanings as under <b>GAAP</b> ;

## S

<b>selection rationale</b>	means a description of either or both of the- <ul style="list-style-type: none"> <li>(a) criteria applied; and</li> <li>(b) fundamental reasons used,</li> </ul>
----------------------------	--

for, either or both-

- (c) determining; and
- (d) selecting,

each-

- (e) **asset allocator** and associated **allocator metric**; and
- (f) **cost allocator** and associated **allocator metric**;

**services**

has the same meaning as defined in s 2 of the **Act**;

**standard depreciation method**

means, in respect of an asset whose **remaining asset life** is the term remaining of its **physical asset life** at the commencement of the **disclosure year** in question, method specified in clause 5.3.7 excluding any method referred to in the whole clauses to which clause 5.3.7 is subject;

**standard error**

means estimated standard deviation;

**standard physical asset life**

means life for an asset as specified in [Table A.1: Standard Physical Asset Lives for EDBs of Schedule A](#);

**starting price year**

~~means,~~ in relation to an **EDB**, ~~means—~~

- (a) the first **disclosure year** of a **regulatory period** ~~(other than a quality standard variation CPP regulatory period)~~ applicable to the **EDB**; or
- (b) the **disclosure year** immediately following the expiration of a **CPP** ~~(other than a quality standard variation CPP)~~ applicable to the **EDB**;

**supply**

has the same meaning as defined in s 2 of the **Act**, and **supplied** must be construed accordingly;

T



**tax asset value**

means the value determined in accordance with, for the purpose of-

- (a) Part 2, clause 2.3.9(2); and
- (b) Part 5, clause 5.3.21(2);

**tax depreciation rules**

means, for the purpose of-

(a) Part 2, for existing CPP assets,  
the **tax rules** that relate to the determination of depreciation allowances for tax purposes;

(b) Part 5, for existing CPP assets,  
the tax rules that relate to the determination of depreciation allowances for tax purposes;

~~(a)~~(c) Part 5, for additional CPP assets,  
the tax rules that relate to the determination of depreciation allowances for tax purposes, to be applied by adopting the tax depreciation rate for the assets representing the largest proportion within each asset category, as forecast over the CPP regulatory period;

**tax effect**

means the product of multiplication by the **corporate tax rate**;

**tax rules**

means the rules applicable to an **EDB** for determining income tax payable in the Income Tax Act 2007 (as amended from time to time, and any equivalent preceding legislation, or any subsequent legislation that supplements or replaces that Act);

**temporary differences**

means the amount determined in accordance with, for the purpose of-

- (a) Part 2, clause 2.3.8; and
- (b) Part 5, clause 5.3.20;

**term credit spread difference**

means the amount determined in accordance with, for the purpose of-

	<p><u>(a) Part 2, clause 2.4.8(1); and</u></p> <p><u>(b) Part 5, clause 5.3.24(1);</u></p> <p><del>(a) Part 2, clause 2.4.10; and</del></p> <p><del>(b) Part 5, clause 5.3.31;</del></p>
<b>term credit spread differential</b>	<p>is determined in accordance with, for the purpose of-</p> <p><u>(a) Part 2, clause 2.4.9(3); and</u></p> <p><u>(b) Part 5, clause 5.3.23(1);</u></p> <p><del>(a) Part 2, clause 2.4.11(3); and</del></p> <p><del>(b) Part 5, clause 5.3.32(3);</del></p>
<b>term credit spread differential allowance</b>	<p>for the purpose of-</p> <p>(a) Part 2 and Part 5, means the sum of <b>term credit spread differentials</b>; and</p> <p>(b) Part 4, means the amount determined in accordance with clause 4.4.79(2);</p>
<b>total depreciation</b>	<p>means, for the purpose of-</p> <p>(a) Part 2 and Part 5, the sum of <b>depreciation</b> for all assets; and</p> <p>(b) Part 4, the value determined in accordance with clause 4.2.2;</p>
<b>total opening RAB value</b>	<p>means, for the purpose of-</p> <p>(a) Part 4, the amount determined in accordance with clause 4.2.1(1); and</p> <p>(b) has the meaning specified in clause 5.3.6(7);</p>
<b>total revaluation</b>	<p>means, for the purpose of-</p> <p>(a) Part 2 and Part 5, the sum of <b>revaluation</b> for all assets; and</p> <p>(b) Part 4, the value determined in accordance with clause 4.2.3;</p>

**transmission asset wash-up adjustment** means a negative amount corresponding to the present value of revenues allowed in a **DPP** or **CPP** for additional **capital expenditure** and additional **operating expenditure** associated with a transmission asset forecast to be purchased in **disclosure years** preceding the **regulatory period** but were not completed, as specified in a **DPP determination** or **CPP determination**;

**Transpower** has the same meaning as defined in s 54B of the **Act**;

**trigger event** has the meaning specified in clause 5.6.5(3);

## U

**unallocated closing RAB value** means value determined in accordance with, for the purpose of-

- (a) Part 2, clause 2.2.4(2); and
- (b) Part 5, clause 5.3.6(6);

**unallocated depreciation** means an allowance to account for the diminution in an asset's remaining service life potential in the **disclosure year** in question with respect to its **unallocated opening RAB value** and the amount of such allowance is determined in accordance with, for the purpose of Part 2, clause 2.2.5(1);- ~~Part 2, clause 2.2.5(1); and Part 5, clause 5.3.7(1)~~;

**unallocated initial RAB value** means value of an asset in the **initial RAB** determined in accordance with clause 2.2.3(1);

**unallocated opening RAB value** means value determined in accordance with, for the purpose of-

- (a) Part 2, clause 2.2.4(1); and
- (b) Part 5, clause 5.3.6(5);

**unallocated revaluation**

means amount determined in accordance with, for the purpose of-

- (a) Part 2, clause 2.2.9(1); and
- (b) Part 5, clause 5.3.10(1);

**unduly deterred**

means, solely as a result of an allocation to the **unregulated service** in question of either or both of-

- (a) **operating costs** not **directly attributable**; and
- (b) **regulated service asset values** not **directly attributable**;

the **operating costs** not **directly attributable** or **capital costs** associated with the **regulated service asset values** not **directly attributable** (as the case may be) to be borne by that **unregulated service** would cause that **unregulated service** to be-

- (a) discontinued; or
- (b) not provided,

and '**unduly deter**' must be construed accordingly;

**unforeseen project**

**has the meaning specified in clause 5.6.6;**

**unregulated service**

means any good or service **supplied** by the **EDB** that is not a **regulated service**;

**utilised tax losses**

means the amount determined in accordance with, for the purpose of-

- (a) Part 2, clause 2.3.2;
- (b) Part 4, clause 4.3.2(1); and
- (c) Part 5, clause 5.3.14;

## **V**

**value modified asset**

means an asset which, as a result of the **asset adjustment process**, is designated as 'value modified' type;

<b>value of commissioned asset</b>	means the value determined in accordance with clause 2.2.11;
<b>value of found asset</b>	means the value of a <b>found asset</b> determined in accordance with clause 2.2.12(2);
<b>valuer</b>	means an individual who- <ul style="list-style-type: none"> <li>(a) is registered as a valuer under the Valuers Act 1948;</li> <li>(b) holds a current practising certificate issued by- <ul style="list-style-type: none"> <li>(i) the Property Institute of New Zealand; or</li> <li>(ii) the New Zealand Institute of Valuers;</li> </ul> </li> <li>(c) has been engaged to act in his or her professional capacity as a valuer; and</li> <li>(d) is <b>independent</b>;</li> </ul>
<b>vanilla NZ\$ denominated bonds</b>	means senior unsecured nominal debt obligations denominated in New Zealand dollars without callable, puttable, conversion, profit participation, credit enhancement or collateral features;
<b>verification report</b>	means a report prepared by a <b>verifier</b> in accordance with Schedule G;
<b>verifier</b>	means- <ul style="list-style-type: none"> <li>(a) a <b>person</b> who- <ul style="list-style-type: none"> <li>(i) is <b>independent</b>; and</li> <li>(ii) has been engaged to verify the <b>CPP applicant's CPP proposal</b> in accordance with Schedule G; or</li> </ul> </li> <li>(b) a <b>designated individual</b> of a <b>person</b> described in paragraph (a);</li> </ul>

**vested asset**

means an asset associated with the **supply of electricity distribution services** received by an **EDB-**

(a) without provision of consideration; or

(b) with provision of nominal consideration;

voluntary undercharging amount foregone

has the meaning specified in clause 3.1.3(13)(a);

## **W**

**WACC**

means weighted average cost of capital;

WACC change

means an event described in clause 5.6.7(4);

wash-up account

means a memorandum account maintained by an **EDB** to record each item specified in clauses 3.1.3(12)(b)-(e);

wash-up amount

has the meaning specified in clause 3.1.3(13)(b);

**working day**

has the same meaning as defined in s 2 of the **Act**; and

**works under construction**

means an asset, or a collection of assets that-

(a) has been or is being or is forecast to be constructed by, or on behalf of, an **EDB**;

(b) has not been **commissioned**; and

(c) the **EDB** intends to **commission**.

## PART 2 INPUT METHODOLOGIES FOR INFORMATION DISCLOSURE

### SUBPART 1 Cost allocation

#### 2.1.1 Cost allocation process

(1) Any-

- (a) **operating costs**; and
- (b) **regulated service asset values**,

that are **directly attributable** to **electricity distribution services** supplied by the EDB must be allocated to **electricity distribution services**.

(2) Any-

- (a) **operating costs**; and
- (b) **regulated service asset values**,

that are **directly attributable** to any **other regulated service** supplied by the EDB must be allocated to the **other regulated service** to which they are **directly attributable**.

(3) Any **operating costs** and **regulated service asset values** that are not allocated in accordance with subclauses (1) and (2) must be allocated to **electricity distribution services** and **other regulated services** using, at the supplier's election-

- (a) **ABAA**; or
- (b) **OVABAA** ~~subject to clause 2.1.2, another allocation methodology type.~~

(4) Notwithstanding anything else in this Subpart, the maximum value of-

- (a) **operating costs** that may be allocated to **electricity distribution services** and **other regulated services**, in aggregate, must not exceed the total value of **operating costs**; and
- (b) **regulated service asset values** that may be allocated to **electricity distribution services** and **other regulated services**, in aggregate, must not exceed the total **regulated service asset values**,

that would be allocated to **electricity distribution services** and **other regulated services**, in aggregate, using **ACAM** in accordance with clause 2.1.5.

#### 2.1.2 Allocation constraints

(1) For the avoidance of doubt, all allocations of-

- (a) **operating costs**; and
- (b) **regulated service asset values**,

not directly attributable to other regulated services supplied by the EDB must be consistent with allocations made in accordance with input methodologies relating to cost allocation applying to those other regulated services.

(2) Where the OVABAA is applied to both operating costs not directly attributable and regulated service asset values not directly attributable, the combined amount of such costs and values that is re-allocated in accordance with clause 2.1.4(5) must not exceed the amount required to ensure that the unregulated service is not unduly deterred.

(3) For the avoidance of doubt, after application of this Subpart, notwithstanding anything else that may suggest otherwise, each unregulated service must bear at least the total-

- (a) operating costs; and
- (b) value of assets,

directly attributable to that unregulated service.

#### 2.1.2 Allocation approaches

~~(1) For the purpose of clause 2.1.1(3)(b), whether the supplier may elect to use ACAM or OVABAA to allocate-~~

- ~~(a) operating costs; and~~
- ~~(b) regulated service asset values,~~

~~not directly attributable, must be determined in accordance with this clause.~~

~~(2) Where, in respect of a disclosure year, revenues received by an EDB from the supply of all unregulated services by that EDB are-~~

- ~~(a) less than 20% of revenues received from the supply of all regulated services supplied by the EDB, subclause (3) applies; and~~
- ~~(b) in all other cases, subclause (4) applies.~~

~~(3) Where this subclause applies-~~

- ~~(a) operating costs; and~~
- ~~(b) regulated service asset values,~~

~~not directly attributable may be allocated to regulated services, in aggregate, using ACAM.~~

~~(4) Where this subclause applies-~~

- ~~(a) where, in a disclosure year, operating costs not directly attributable less any arm's-length deduction are less than 15% of operating costs, ACAM may be applied to the allocation of operating costs not directly attributable;~~



- ~~(b) where, in a disclosure year, the total value of regulated service asset values not directly attributable less any arm's-length deduction is less than 10% of the aggregated unallocated closing RAB value, ACAM may be applied to the allocation of regulated service asset values not directly attributable; and~~
- ~~(c) in all other cases, ABAA or OVABAA, at the supplier's election, may be applied to the allocation of either or both-~~
- ~~(i) operating costs not directly attributable; or~~
- ~~(ii) regulated service asset values not directly attributable,~~
- ~~as the case may be.~~

~~(5) For the purpose of subclause (4)(b) 'aggregated unallocated closing RAB value' means the sum of, in respect of assets used to supply-~~

- ~~(a) electricity distribution services, unallocated closing RAB values; and~~
- ~~(b) any other regulated service, unallocated closing RAB values as determined in accordance with input methodologies applicable to that other regulated service;~~

### 2.1.3 Accounting-based allocation approach (ABAA)

- (1) **Cost allocators** must be used to allocate **operating costs** not **directly attributable**, less any **arm's-length deduction**, to-
- (a) **electricity distribution services**; and
- (b) **other regulated services**.
- (2) **Asset allocators** must be used to allocate **regulated service asset values** not **directly attributable**, less any **arm's-length deduction**, to-
- (a) **electricity distribution services**; and
- (b) **other regulated services**.
- ~~(3) Where an EDB uses a proxy cost allocator for the purposes of subclause (1) or a proxy asset allocator for the purposes of subclause (2), the EDB must, in accordance with the requirements in the relevant ID determination, explain why a causal relationship cannot be established.~~
- ~~(4) Where an EDB uses a proxy cost allocator for the purposes of subclause (1), the EDB must, in accordance with the requirements in the relevant ID determination, explain the rationale for the quantifiable measure used for that proxy cost allocator.~~
- ~~(3)(5) Where an EDB uses a proxy asset allocator for the purposes of subclause (2), the EDB must, in accordance with the requirements in the relevant ID determination, explain the rationale for the quantifiable measure used for that proxy asset allocator.~~

#### ~~2.1.4 Avoidable cost allocation methodology (ACAM)~~

~~(1) In respect of-~~

- ~~(a) operating costs; and~~
- ~~(b) regulated service asset values,~~

~~not directly attributable, less any arm's-length deduction, an assessment must be made as to the proportion of each that would be non-avoidable were the EDB not to supply unregulated services.~~

~~(2) The amounts of non-avoidable-~~

- ~~(a) operating costs; or~~
- ~~(b) regulated service asset values,~~

~~not directly attributable, assessed in accordance with subclause (1), must be allocated to regulated services in aggregate.~~

~~(3) Where the EDB supplies other regulated services, the amounts allocated in accordance with subclause (2) must be allocated to each regulated service supplied by the EDB using the ABAA.~~

#### 2.1.52.1.4 Optional variation to accounting-based allocation approach (OVABAA)

(1) This clause applies to the allocation of-

- (a) only **operating costs** not **directly attributable**;
- (b) only **regulated service asset values** not **directly attributable**; or
- ~~(c) operating costs not directly attributable and regulated service asset values not directly attributable;~~
- ~~(d)(c) as elected in accordance with clause 2.1.2(4)(c).~~

(2) **Operating costs** not **directly attributable** less any **arm's-length deduction** must be initially allocated to-

- (a) **electricity distribution services**;
- (b) **other regulated services**; and
- (c) each **unregulated service**,

using **cost allocators**.

(3) **Regulated service asset values** not **directly attributable** less any **arm's-length deduction** must be initially allocated to-

- (a) **electricity distribution services**;
- (b) **other regulated services**; and
- (c) each **unregulated service**,

using **asset allocators**.

(4) Where, after application of subclause (2)(c), (3)(c) or both, an unregulated service would-

- ~~(a) subclause (2)(c);~~
- ~~(b) subclause (3)(c); or~~
- ~~(c) subclauses (2)(c) and (3)(c),~~

~~an unregulated service would-~~

~~(d)(a)~~ be **unduly deterred**, subclause (5) applies; and  
~~(e)(b)~~ not be **unduly deterred**, the allocation of either or both of-

- (i) **operating costs** not **directly attributable**; and
- (ii) **regulated service asset values** not **directly attributable**

~~as the case may be,~~ must remain as carried out in accordance with either or both of subclauses (2)(c) and (3)(c), ~~as the case may be.~~

(5) Where this subclause applies, any-

- (a) **operating costs**; and
- (b) **regulated service asset values**,

not **directly attributable** that were allocated to an **unregulated service** in accordance with either or both of subclauses (2)(c) and (3)(c), ~~as the case may be,~~ may be reduced to the amount at which the **unregulated service** would no longer be **unduly deterred**.

(6) For the avoidance of doubt, the adjusted amounts determined in accordance with subclause (5) must be treated as the share of either or both, ~~as the case may be,~~ of-

- (a) **operating costs**; and
- (b) **regulated service asset values**,

not **directly attributable** to be borne by the **unregulated service** in question.

(7) The adjusted amounts determined in accordance with subclause (5) must be deducted from either or both the-

- (a) **operating costs** not **directly attributable**; and
- (b) **regulated service asset values** not **directly attributable**,

~~as the case may be,~~ to which subclause (2) or (3) applied after any **arm's-length deduction** was made, and the remaining costs or values reallocated between-

- (c) **electricity distribution services**;
- (d) **other regulated services**; and
- (e) each remaining **unregulated service**,

in accordance with subclauses (2) and (3), ~~as the case may be.~~

(8) Where, after application of subclause (7), the-

- (a) **operating costs;** and
- (b) **regulated service asset values,**

not **directly attributable** allocated to another **unregulated service unduly deter** that **unregulated service**, the process in subclauses (5) and (7) may be repeated subject to the modifications specified in subclause (9).

(9) When re-applying-

(a) subclause (5) to another **unregulated service**, the starting values of-

- (i) **operating costs;** and
- (ii) **regulated service asset values,**

not **directly attributable** allocated to that **unregulated service** must be the values obtained in relation to that **unregulated service** as a result of the previous application of subclause (7); and

(b) subclause (7), for "to which subclause (2) or (3) applied after any **arm's-length deduction** was made", substitute "to which this subclause previously applied".

(10) Subclauses (5) and (7) may be re-applied sequentially in respect of each **unregulated service** which is **unduly deterred** until any remaining **regulated service asset values** or **operating costs** or both are of such quantum that their allocation to the remaining **unregulated services** does not result in any of those **services** being **unduly deterred**.

(11) For the avoidance of doubt, the reallocation undertaken in accordance with subclause (7) is carried out by grossing up allocation percentages used to make allocations to **electricity distribution services, other regulated services** and each remaining **unregulated service** based on the same **cost allocators** or **asset allocators**, as the case may be, used under subclauses (2) and (3), to take into account the omission of the allocation percentages for the **unregulated service** to which allocation has already been made under subclause (5).

#### 2.1.5 Avoidable cost allocation methodology (ACAM)

(1) In respect of-

- (a) **operating costs;** and
- (b) **regulated service asset values,**

not **directly attributable**, less any **arm's-length deduction**, an assessment must be made as to the proportion of each that would be non-avoidable were the **EDB** not to **supply unregulated services**.

(2) The amounts of non-avoidable-

- (a) **operating costs;** or
- (b) **regulated service asset values,**

not directly attributable, assessed in accordance with subclause (1), must be allocated to regulated services in aggregate.

(3) Where the EDB supplies other regulated services, the amounts allocated in accordance with subclause (2) must be allocated to each regulated service supplied by the EDB using the ABAA.

#### 2.1.6 Allocation constraints

~~(1) For the avoidance of doubt, all allocations of-~~

~~(a) operating costs; and~~

~~(b) regulated service asset values,~~

~~not directly attributable to other regulated services supplied by the EDB must be consistent with allocations made in accordance with input methodologies relating to cost allocation applying to those other regulated services.~~

~~(2) Where the OVABAA is applied to both operating costs not directly attributable and regulated service asset values not directly attributable, the combined amount of such costs and values that is re-allocated in accordance with clause 2.1.5(5) must not exceed the amount required to ensure that the unregulated service is not unduly deterred.~~

~~(3) For the avoidance of doubt, after application of this subpart, notwithstanding anything else that may suggest otherwise, each unregulated service must bear at least the total-~~

~~(a) operating costs; and~~

~~(b) value of assets,~~

~~directly attributable to that unregulated service.~~

~~(4) Notwithstanding anything else in this Subpart, the maximum value of-~~

~~(a) operating costs that may be allocated to electricity distribution services and other regulated services, in aggregate, must not exceed the total value of operating costs; and~~

~~(b) regulated service asset values that may be allocated to electricity distribution services and other regulated services, in aggregate, must not exceed the total regulated service asset values,~~

~~that would be allocated to electricity distribution services and other regulated services, in aggregate, using ACAM.~~

## SUBPART 2 Asset valuation

### 2.2.1 Asset adjustment process for setting initial RAB

(1) Asset adjustment process means the process of assets-

- (a) being designated as one of the following asset types:
    - (i) 'excluded';
    - (ii) 'included'; or
    - (iii) 'value modified';
  - (b) of 'included' type being assigned an **included value**; and
  - (c) of 'value modified' type being assigned a **modified value**.
- (2) Subject to subclauses (3) to (5), under the asset adjustment process, an **EDB** may elect to undertake none, some or all of the following things:
- (a) designate a load control relay asset owned by an **EDB**, except a **2009 disclosed asset**, as of 'included' type;
  - (b) correct the following types of error found in an **EDB's** asset register where the error relates to **2009 disclosed assets**:
    - (i) assets omitted in error, which assets are treated as of 'included' type;
    - (ii) assets included in error, which assets are designated as of 'excluded' type; and
    - (iii) assets allocated to the incorrect asset category, or given an estimation of quantity, age, category or location now known to be incorrect, which assets are designated as of 'value modified' type;
  - (c) re-apply a multiplier in an **ODV valuation** which affects a **2009 disclosed asset**, where more accurate information relating to application of the multiplier has subsequently become available, which asset is designated as of 'value modified' type;
  - (d) re-apply, in an **ODV valuation** which affects a **2009 disclosed asset**, one of the following types of multiplier in the manner described, which asset is designated as of 'value modified' type:
    - (i) the rugged terrain multiplier in paragraph A.9 of the **ODV handbook** may be amended to a range of 1.2 - 1.8 times, and, in addition to the circumstances cited in the **ODV handbook** for its application, that multiplier may also be applied to non-standard designs of overhead line networks that accommodate difficult physical or climatic conditions involving swampy ground, high winds or snow;
    - (ii) the business district multiplier in paragraph A.14 of the **ODV handbook** may be amended to a range of 1.15 - 2.5 times; and
    - (iii) the rocky ground multiplier in paragraph A.15 of the **ODV handbook** may be amended to a range of 1.0 - 2.0 times, and, in addition to the circumstances cited in the **ODV handbook** for its application, that multiplier may also be applied to cables laid in loose rock or sand; and

- (e) in respect of a **2009 disclosed asset** whose value in an **ODV valuation** was affected by the application of an optimisation or economic value test, do one of the following things:
  - (i) designate it as of 'included' type and give it an included value;
  - (ii) designate it as of 'excluded' type; or
  - (iii) modify its value,
 consistent with re-applying the optimisation or economic value test previously applied in the **ODV valuation**.
- (3) The included value of an asset to which subclause (2)(a) is applied is-
  - (a) its depreciated historic cost determined by applying **GAAP** as of the last day of the **disclosure year 2009**; or
  - (b) where sufficient records do not exist to establish this cost, its depreciated carrying value in the general purpose financial statements of the **EDB**.
- (4) The included value or modified value, as the case may be, of an asset to which subclause (2)(b), (2)(c) or (2)(d) is applied, is determined by-
  - (a) taking its-
    - (i) **ODV valuation**; or
    - (ii) where an **ODV valuation** is not applicable in respect of that asset under the **Electricity Information Disclosure Requirements 2004**, its value that resulted, or, for an omitted asset, would have resulted, from application of those requirements as of the day on which the asset was first **commissioned** after the **disclosure year 2004**;
  - (b) implementing the corrections or modifications required to account for the matters specified in subclauses (2)(b) – (2)(d) as the case may be; and
  - (c) adjusting that value to the value as of 31 March 2009 by taking account of-
    - (i) **unallocated depreciation** in accordance with the **standard depreciation method**, where the total asset life used for the purpose of that method is the total asset life used for the purpose of the **2009 disclosure reports**; and
    - (ii) revaluation to account for consumer price index changes using a method consistent with that used to account for such revaluation in the **2009 disclosure reports**.
- (5) The included value or modified value, as the case may be, of an asset to which subclause (2)(e) is applied is determined by-
  - (a) taking its **ODV valuation** had the assets not been-

- (i) optimised in accordance with paragraphs 2.18 - 2.47 and Appendix B of the **ODV handbook**; or
  - (ii) subject to the economic value test in accordance with paragraph 2.59 - 2.65 of the **ODV handbook**;
- (b) re-applying the sub-paragraphs of paragraph (a) in light of more up-to-date information relating to optimisation or economic value that has subsequently become available; and
- (c) adjusting that value to the value as of 31 March 2009 by taking account of-
- (i) **unallocated depreciation** in accordance with the **standard depreciation method**, where the asset life used for the purpose of that method is the asset life used for the purpose of the **2009 disclosure reports**; and
  - (ii) revaluation to account for consumer price index changes using a method consistent with that used to account for such revaluation in the **2009 disclosure reports**.

### 2.2.2 Composition of initial RAB

Initial RAB means-

- (a) **2009 disclosed assets**; and
- (b) **included assets**,

less-

- (c) **excluded assets**;
- (d) intangible assets, unless they are-
  - (i) **finance leases**; or
  - (ii) **identifiable non-monetary assets**; and
- (e) **works under construction**.

### 2.2.3 Initial RAB values for assets

(1) Subject to subclause (3), the unallocated initial RAB value of-

- (a) an **included asset** or **value modified asset**, is its **included value** or **modified value**, as the case may be; and
- (b) any other asset is-
  - (i) where the asset is included in the value of 'Regulatory Value of System Fixed Assets', its value as on the last day of the **disclosure year 2009** included in 'Total Regulatory Asset Base Value (Excluding FDC)' in the **2009 disclosure reports** multiplied by 1.0245; and



- (ii) where the asset is included in the value of 'Regulatory Value of Non-System Fixed Assets', its value as on the last day of the **disclosure year 2009** included in 'Total Regulatory Asset Base Value (Excluding FDC)' in the **2009 disclosure reports**.
- (2) For the purpose of subclause (1)(a), in the case of a system fixed asset valued in accordance with one of paragraphs (b) to (e) of clause 2.2.1(2), unallocated initial RAB value is its **included value** or **modified value** (as the case may be) multiplied by 1.0245.
  - (3) For the purpose of subclause (1), where an asset is used by an **EDB** in the **supply** of-
    - (a) one or more **regulated service**; or
    - (b) one or more **regulated service** and one or more **unregulated service**,
 where at least one of those **regulated services** is an **electricity distribution service**, the unallocated initial RAB value is the value of the asset had no allocation of asset value relevant to regulatory disclosures been undertaken.
  - (4) The initial RAB value of an asset is determined as the value allocated to **electricity distribution services** as a result of-
    - (a) adopting its **unallocated initial RAB value**; and
    - (b) applying clause 2.1.1 to it.
  - (5) In this clause, 'system fixed asset' has the same meaning as defined in the **Electricity (Information Disclosure) Requirements 2004**.

#### 2.2.4 RAB roll forward

- (1) Unallocated opening RAB value in respect of an asset in relation to-
  - (a) the **disclosure year 2010**, is its **unallocated initial RAB value**; and
  - (b) a **disclosure year** thereafter, is its **unallocated closing RAB value** in the preceding **disclosure year**.
- (2) Unallocated closing RAB value means, in the case of-
  - (a) a **found asset**, its **value of found asset**;
  - (b) a **disposed asset**, nil;
  - (c) a **lost asset**, nil;
  - (d) any other asset with an **unallocated opening RAB value**, the value determined in accordance with the formula-
 
$$\text{unallocated opening RAB value} - \text{unallocated depreciation} + \text{unallocated revaluation};$$
 and
  - (e) any other asset having a **commissioning date** in the **disclosure year** in question, its **value of commissioned asset**.
- (3) Opening RAB value, in respect of an asset, is, for-

- (a) the **disclosure year** 2010, its **initial RAB value**; and
  - (b) a **disclosure year** thereafter, its **closing RAB value** in the preceding **disclosure year**.
- (4) Closing RAB value, in respect of an asset, is determined as the value allocated to **electricity distribution services** as a result of-
- (a) adopting its **unallocated closing RAB value**; and
  - (b) applying clause 2.1.1 to it.

#### 2.2.5 Depreciation

- (1) Unallocated depreciation, in the case of an asset with an **unallocated opening RAB value**, is determined, subject to subclause (3) and clauses 2.2.6 and 2.2.7, in accordance with the formula-

$$[1 \div \text{remaining asset life}] \times \text{unallocated opening RAB value.}$$

- (2) Depreciation, in the case of an asset with an **opening RAB value**, is determined, subject to subclause (3) and clause 2.2.6, in accordance with the formula-

$$[1 \div \text{remaining asset life}] \times \text{opening RAB value.}$$

- (3) For the purposes of subclauses (1) and (2)-
- (a) unallocated depreciation and depreciation are nil in the case of-
    - (i) **land**;
    - (ii) an **easement** other than a **fixed life easement**; and
    - (iii) a **network spare** in respect of the period before which depreciation for the **network spare** in question commences under **GAAP**; and
  - (b) in all other cases, where the asset's **physical asset life** at the end of the **disclosure year** is nil-
    - (i) unallocated depreciation is the asset's **unallocated opening RAB value**; and
    - (ii) depreciation is the asset's **opening RAB value**.

#### 2.2.6 Depreciation - alternative **depreciation** method

Where, under a **CPP**, in accordance with clause 5.3.8, an **alternative depreciation method** is applied to an asset, unallocated depreciation and depreciation for that asset, in respect of each **disclosure year** of the **CPP regulatory period**, are determined in accordance with that **alternative depreciation method**, subject to, in the case of unallocated depreciation, clause 2.2.7.

#### 2.2.7 Unallocated depreciation constraint

For the purpose of clause 2.2.5, the sum of **unallocated depreciation** of an asset calculated over its **asset life** may not exceed the sum of-

- (a) all **unallocated revaluations** applying to that asset in all **disclosure years**;  
and
- (b) in the case of an asset-
  - (i) in the **initial RAB**, its **unallocated initial RAB value**; or
  - (ii) not in the **initial RAB**, its **value of commissioned asset** or **value of found asset**.

## 2.2.8 Physical asset life

(1) Physical asset life means, subject to subclauses (2) ~~and (4)~~, in the case of-

- (a) a **fixed life easement**, the fixed duration or fixed period (as the case may be) referred to in the definition of **fixed life easement**;
- (b) an extended life asset or a refurbished asset, its physical service life potential as determined by the **EDB**;
- ~~(c) an asset determined by the **EDB** to have a service life potential shorter than its **standard physical asset life**, its physical service life potential determined by an **engineer**, subject to subclause (3);~~
- ~~(d) an asset where the **Commission** has applied an adjustment factor in accordance with clause 4.2.2(3), the asset life determined in accordance with subclause (4);~~
- ~~— a reduced life asset,~~
- ~~— its physical service life potential determined by an **engineer**, subject to subclause (3);~~
- ~~(e) a **found asset** for which a similar asset exists as described in subclause 2.2.12(2)(b)(i), the **asset life** applying to the similar asset;~~
- ~~(f) a non-**network** asset, its asset life determined under **GAAP**;~~
- ~~(g) an asset acquired or transferred from a **regulated supplier**, the asset life that the vendor would have assigned to the asset at the end of its **disclosure year** had the asset not been transferred;~~
- ~~(h) an asset acquired or transferred from an entity other than a **regulated supplier**:~~
  - ~~(i) where a similar asset to that acquired or transferred already exists in the **EDB**, the **asset life** assigned to the similar asset; or~~
  - ~~(ii) where a similar asset to that acquired or transferred does not already exist in the **EDB**, the physical service life potential determined by an **engineer**, subject to subclause (3).~~
- ~~(i) an asset not referred to in paragraphs (a) – (h)~~
  - (i) in the **initial RAB** and an **included asset**; or
  - (ii) not in the **initial RAB**,

and-

- (iii) having a **standard physical asset life**, its **standard physical asset life**;
- (iv) not having a **standard physical asset life**, the **asset life** applying to an asset with an **unallocated opening RAB value** that is similar in terms of asset type; ~~or and~~
- (v) in all other cases, ~~itsthe~~ physical service life potential determined by an **engineer**, subject to subclause (3);

~~(d)(i)~~ an asset (other than a composite asset) not referred to in paragraphs (a)-(ge), its remaining physical service life potential as on the last day of the **disclosure year 2009** as determined in accordance with the method used to determine **depreciation** for the purpose of the **2009 disclosure reports**;

~~(e)(k)~~ a composite asset, the average asset life of the assets comprising it determined in accordance with paragraphs (a)-(if), with the modification that each such asset life must be weighted with respect to the proportion of its respective **opening RAB value** to the sum of the **opening RAB values** of the components in the earliest **disclosure year** in which all component assets were held by the **EDB**.

(2) For the purpose of subclause (1), physical asset life means, in the case of a dedicated asset which is not expected to be used by the **EDB** to provide **electricity distribution services** beyond the term of the fixed term agreement relating to the asset between the **EDB** and the **consumer**, at the **EDB's** election, the term of that agreement instead of the physical asset life that would otherwise apply under that subclause.

(3) For the purpose of subclauses (1)(c), ~~(1)(h)(ii)~~ and (1)(ie)(v), a determination made in accordance with this clause by an **engineer** of physical service life potential-

- (a) in relation to an asset with an **unallocated opening RAB value** is deemed applicable to all assets of similar asset type for which there is a requirement in this clause for an **engineer's** determination of physical service life potential; and
- (b) must be evidenced by a report written by the **engineer** in question that includes an acknowledgement by the **engineer** that the report may be publicly disclosed by an **EDB** pursuant to an **ID determination**.

(4) For the purpose of subclause (1)(d), an EDB must –

(a) in the first disclosure year of the DPP regulatory period in which an adjustment factor is applied by the Commission, reduce the asset life of assets that have an unallocated opening RAB value, such that the remaining average asset life of existing assets in that disclosure year in accordance with subclause (6) is the same value as the remaining asset

life for existing assets calculated under the DPP for that disclosure year when applying the formula:

aggregate opening RAB value for existing assets ÷ total depreciation;

and

(b) for an asset commissioned in subsequent disclosure years, apply a reduced asset life to the asset equal to the asset life of an existing asset of a similar asset type.

~~(4) In the case of an EDB subject to a CPP, the physical asset life at the start of a CPP regulatory period of an asset that would, in accordance with subclause (1), become fully depreciated during that regulatory period, is equal to the duration of the CPP regulatory period.~~

(5) In this clause-

(a) 'dedicated asset' means an asset operated for the benefit of a particular consumer pursuant to a fixed term agreement for the supply of electricity distribution services between the EDB in question and that consumer;

(b) 'extended life asset' means an asset whose physical service life potential is greater than its **standard physical asset life**;

(c) 'refurbished asset' means an asset on which work (other than maintenance) has been carried out resulting in an extension to its physical service life potential;

~~(d) 'reduced life asset' means an asset determined by the EDB to have a physical service life potential shorter than its **standard physical asset life**;~~

(d) 'composite asset' means a configuration of two or more assets that is not capable of operation in the absence of any of those assets.

(6) For the purposes of subclause (4)(a), the 'remaining average asset life for existing assets' means the value determined in accordance with the formula-

opening RAB value for all assets ÷ total depreciation.

### 2.2.9 Revaluation

(1) Unallocated revaluation is the amount determined, subject to subclause (3), in accordance with the formula-

**unallocated opening RAB value × revaluation rate.**

(2) Revaluation is the amount determined, subject to subclause (3), in accordance with the formula-

**opening RAB value × revaluation rate.**

(3) For the purposes of subclauses (1) and (2), where-

(a) the asset's **physical asset life** at the end of the **disclosure year** is nil; or

- (b) the asset is a-
  - (i) **disposed asset**; or
  - (ii) **lost asset**,

unallocated revaluation and revaluation are nil.

- (4) Revaluation rate means, in respect of a **disclosure year**, the amount determined in accordance with the formula-

$$(CPI_4 \div CPI_4^{-4}) - 1,$$

where-

$CPI_4$  means **CPI** for the quarter that coincides with the end of the **disclosure year**; and

$CPI_4^{-4}$  means **CPI** for the quarter that coincides with the end of the preceding disclosure year.

#### 2.2.10 Revaluation treated as income

**Revaluation**, for the purpose of determining profitability, must be treated as income.

#### 2.2.11 Value of commissioned assets

- (1) Value of **commissioned** asset, in relation to an asset (including an asset in respect of which **capital contributions** were received or a **vested asset**), **is means** the cost of the asset to an **EDB** determined by applying **GAAP** to the asset as on its **commissioning date**, except that, subject to subclause (2), the cost of-

- (a) an intangible asset, unless it is-
  - (i) a **finance lease**; or
  - (ii) an **identifiable non-monetary asset**,
 is nil;
- (b) an **easement**, is limited to its market value as on its **commissioning date** as determined by a **valuer**;
- (c) **easement land** is nil;
- (d) a **network spare**-
  - (i) which is not required, in light of the historical reliability and number of the assets it is held to replace; or
  - (ii) whose cost is not treated wholly as or part of the cost of an asset under **GAAP**,
 is nil;
- (e) an asset-
  - (i) acquired from another **regulated supplier**; and

- (ii) used by that **regulated supplier** in the **supply of regulated goods or services**,

is limited to the unallocated ~~closing~~opening RAB value of the asset ~~that would have applied~~ for the ~~other regulated supplier, had the asset not been acquired by the EDB in the disclosure year of the regulated suppliers on the the day before the commissioning date~~ when the asset ~~was transferred~~ (as 'unallocated ~~closing~~opening RAB value' is defined in the **input methodologies** applying to the **supply of regulated goods or services supplied** by the **regulated supplier**);

- (f) an asset that was previously used by an **EDB** in its **supply of other regulated services** is limited to the unallocated opening RAB value of the asset in relation to those **other regulated services** as on the day before the **commissioning date** (as 'unallocated opening RAB value' is defined in the **input methodologies** applying to the **regulated goods or services supplied** by the **EDB**);
- (g) an asset acquired from a **related party**, other than an asset to which paragraphs (e) or (f) apply, **is** determined in accordance with subclause (5);
- (h) an asset in respect of which **capital contributions** were received where such contributions do not reduce the cost of the asset when applying **GAAP**, is the cost of the asset by applying **GAAP** reduced by the amount of the **capital contributions**; ~~and~~
  - (i) a **vested asset** in respect of which its fair value is treated as its cost under **GAAP**, must exclude any amount of the fair value of the asset determined under **GAAP** that exceeds the amount of consideration provided by the **EDB**; ~~and~~
  - (i) ~~for the purpose of subclause (a)(i), a finance lease excludes the value of any asset for which annual charges are a recoverable cost under clause 3.1.3(1)(c).~~

(2) When applying **GAAP** for the purpose of subclause (1), the cost of financing is-

- (a) applicable only in respect of the period commencing on the date the asset becomes a **works under construction** and terminating on its **commissioning date**; and
- ~~(b)~~ calculated ~~using~~for a ~~rate not greater than the EDB's weighted average of borrowing costs for each applicable disclosure year. non-exempt EDB, using, subject to subclause (3), a rate no greater than~~
- ~~(c)~~ ~~for each disclosure year prior to disclosure year 2016, or if the non-exempt EDB is subject to a CPP commencing prior disclosure year 2016, the 75th percentile estimate of WACC; and~~

- ~~(d) for **disclosure year** 2016 and each **disclosure year** thereafter, unless the **non-exempt EDB** is subject to a **CPP** commencing prior to **disclosure year** 2016, the **67th percentile estimate of WACC**,~~
- ~~(e) applying in respect of the relevant date for its calculation under **GAAP**;~~  
~~and~~
- ~~(b) **calculated for a consumer-owned EDB**, using a rate no greater than the **EDB's** estimate of its post-tax **WACC** as at the relevant date for its calculation under **GAAP**.~~

(3) For the purposes of subclause (2)(b), the 'weighted average of borrowing costs' is calculated for a **disclosure year** using principles set out in **GAAP**, where:

- (a) the cost of financing rate is the weighted average of the costs applicable to borrowings in respect of **capex** that are outstanding during the **disclosure year**;
- (b) the total costs applicable to borrowings outstanding, as used in calculating the weighted average, must include costs of borrowings made specifically for the purpose of any particular –
  - (i) **capex projects**; or
  - (ii) **capex programmes**; and
- (c) the amount of borrowing costs capitalised during the **disclosure year** must not exceed the amount of borrowing costs incurred during the **disclosure year**;
- (d) if a **capital contribution** is received by an **EDB**, the relevant asset becomes **works under construction** for the purposes of calculating the cost of financing;
- (e) subject to subclause (i), a **capital contribution** will reduce the cost of **works under construction** for the purpose of the calculation of the finance cost, even if the resulting value of **works under construction** is negative;
- (f) subject to subclause (g), if the value of **works under construction** is negative in accordance with subclause (e), the cost of financing for the period ending on the **commissioning date** will be negative;
- (g) if the cost of financing an asset which is **works under construction** is negative under subclause (f), it will reduce the value of the relevant asset or assets by that negative amount where such a reduction is not otherwise made under **GAAP**;
- (h) for the purpose of subclause (d), **works under construction** includes assets that are forecast to be enhanced or acquired; and
- (i) if the cost of financing is derived as income in relation to **works under construction** and is both-



- (i) negative; and
- (ii) included in regulatory income under an **ID determination**,

it will not reduce the value of the relevant asset or assets where such reduction is not otherwise made under **GAAP**.

~~(3) For the purpose of subclause (2)(b)(i)-~~

- ~~(a) where no **WACC** in respect of the relevant date has been published pursuant to clause 2.4.8, the rate is calculated using a rate no greater than the **EDB's** estimate of its post-tax **WACC** as at the relevant date for its calculation under **GAAP**; and~~
- ~~(b) where an asset has not been **commissioned** within the period to which the **75th percentile estimate of WACC** or **67th percentile estimate of WACC**, as applicable, referred to in subclause (2)(b) applied, the cost of financing in each **disclosure year** after that period is calculated using a rate no greater than-~~
  - ~~(i) for each part of that later period that is in a **disclosure year** prior to **disclosure year 2016**, or if the **non-exempt EDB** is subject to a **CPP** commencing prior **disclosure year 2016**, the **75th percentile estimate of WACC** applying to that later period; and~~
  - ~~(ii) for each part of that later period that is in **disclosure year 2016** or a **disclosure year** thereafter, unless the **non-exempt EDB** is subject to a **CPP** commencing prior **disclosure year 2016**, the **67th percentile estimate of WACC** applying to that later period.~~

(4) For the avoidance of doubt-

- (a) revenue derived in relation to **works under construction** that is not included in regulatory income under an **ID determination** or preceding regulatory information disclosure requirements reduces the cost of an asset by the amount of the revenue where such reduction is not otherwise made under **GAAP**; and
- (b) where expenditure on an asset which forms part of the cost of that asset under **GAAP** is incurred by an **EDB** after that asset was **commissioned**, such expenditure is treated as relating to a separate asset.

(5) For the purpose of paragraph 2.2.11(1)(g), the cost of a **commissioned** asset, or component of a **commissioned** asset, acquired from a **related party** must be one of the following-

- (a) the price paid by the **EDB** for the asset, where the cost of all assets acquired from the **related party** first **commissioned** in that **disclosure year** is less than-

- (i) one percent of the sum of **opening RAB values** for the **EDB** for that **disclosure year**, or
  - (ii) 20% of the cost of all assets first **commissioned** by the **EDB** in that **disclosure year**;
- (b) the price paid by the **EDB** for the asset, where–
- (i) at least 50% of the **related party**'s sales of assets are to third parties, and third parties may purchase the same or substantially similar assets from the **related party** on substantially the same terms and conditions, including price; or
  - (ii) that price is substantially the same as the price paid for substantially similar assets (including any adjustments for inflation using CPI or other appropriate input price index) in the preceding 3 disclosure years from a party other than a **related party**;
- (c) the price paid by the **EDB** to the **related party** following a competitive tender process, provided that–
- (i) the price is no more than 5% higher than the price of the lowest conforming tender received;
  - (ii) all relevant information material to consideration of a proposal was provided to third parties, or made available upon request;
  - (iii) at least one other qualifying proposal was received; and
  - (iv) the **EDB** retains for a period of 7 years following the closing date of tender proposals a record of the tender and tender process, including request for information and/or proposal, the criteria used for the assessment of proposals, reasons for acceptance or rejection of proposals, and all proposals and requests for information on the tender for the purposes of making proposals;
- (d) its depreciated historic cost on the day before the acquisition by the **EDB** determined in accordance with **GAAP**;
- (e) its inventory value on the day before the acquisition by the **EDB** determined in accordance with **GAAP**;
- (f) its market value as at its **commissioning date** as determined by a **valuer**;
- (g) its directly attributable cost as would be incurred by the group to which the **EDB** and **related party** are a part, determined in accordance with **GAAP**, as if the consolidated group was the **EDB**;
- (h) the price paid by the **EDB** for the asset, provided–
- (i) the price cannot otherwise be determined under paragraphs (a) – (g), and
  - (ii) no fewer than 2 **directors** of the **EDB** provide a written certification that they are satisfied that the price of any assets determined in

accordance with this paragraph reflect the price or prices for those assets that would be received in an arm's-length transaction; or

- (i) nil.

#### 2.2.12 Value of found asset

- (1) Found asset means, in relation to a **disclosure year**, an asset-
  - (a) other than **easement land**;
  - (b) other than an intangible asset, unless it is-
    - (i) a **finance lease**; or
    - (ii) an **identifiable non-monetary asset**;
  - (c) not having a **commissioning date** in the **disclosure year** in question;
  - (d) the value of which-
    - (i) is not included as an **unallocated opening RAB value** in the **disclosure year** in question nor was so included in any prior **disclosure year** pursuant to clause 2.2.4(1); and
    - (ii) was not included in an **unallocated closing RAB value** in any prior **disclosure year** in accordance with clause 2.2.4(2); and
  - (e) first determined by the **EDB** in the **disclosure year** in question to have a **commissioning date** after the **disclosure year 2009**.
- (2) The value of found asset is-
  - (a) the **found asset's** cost calculated consistently with **GAAP**; or
  - (b) where sufficient records do not exist to establish the **found asset's** cost for the purposes of **GAAP**-
    - (i) where an asset with an **unallocated opening RAB value** for that **disclosure year** is similar (in terms of asset type and age) to the **found asset**, the **unallocated opening RAB value** of the similar asset; and
    - (ii) in all other cases, its market value as determined by a **valuer** as at the date that the asset was first determined to have been **commissioned** in a prior **disclosure year** after the **disclosure year 2009**.

### SUBPART 3 **Treatment of taxation**

#### 2.3.1 Regulatory tax allowance

- (1) Regulatory tax allowance is, where **regulatory net taxable income** is-
  - (a) nil or a positive number, the **tax effect** of **regulatory net taxable income**; and

- (b) a negative number, nil.
- (2) Regulatory net taxable income is **regulatory taxable income** less **utilised tax losses**.
- (3) Regulatory taxable income is the amount determined in accordance with the formula-
  - regulatory profit / (loss) before tax + permanent differences + regulatory tax adjustments.**
- (4) Regulatory profit / (loss) before tax means the amount of 'regulatory profit / (loss) before tax' as determined in accordance with an **ID determination**.

### 2.3.2 Tax losses

- (1) Utilised tax losses means opening tax losses, subject to subclause (2).
- (2) For the purpose of subclause (1), utilised tax losses may not exceed **regulatory taxable income**.
- (3) In this clause, 'opening tax losses' in relation to a **disclosure year** that commenced-
  - (a) in 2009, are nil; and
  - (b) after 2009, are closing tax losses for the preceding **disclosure year**.
- (4) For the purpose of subclause (3)(b), 'closing tax losses' means the amount determined in accordance with the following formula, in which each term is an absolute value:
  - opening tax losses + current period tax losses - utilised tax losses.*
- (5) For the purpose of subclause (4), current period tax losses is, where **regulatory taxable income** is-
  - (a) nil or a positive number, nil; and
  - (b) a negative number, **regulatory taxable income**.

### 2.3.3 Permanent differences

- (1) Permanent differences is the amount determined in accordance with the formula-
  - positive permanent differences - discretionary discounts and customer rebates - negative permanent differences.*
- (2) For the purpose of subclause (1), 'positive permanent differences' means, subject to subclause (3), the sum of-
  - (a) all amounts of income-
    - (i) treated as taxable were the **tax rules** applied to determine income tax payable in respect of the **EDB's supply of electricity distribution services**; and
    - (ii) not included as amounts of income in determining **regulatory profit / (loss) before tax**; and

- (b) all amounts of expenditure or loss-
  - (i) included as amounts of expenditure or loss in determining **regulatory profit / (loss) before tax**; and
  - (ii) not treated as deductions were the **tax rules** applied to determine income tax payable in respect of the **EDB's supply of electricity distribution services**,

if the difference in treatment of amounts of-

- (c) income under paragraphs (a)(i) and paragraph (a)(ii); or
- (d) expenditure or loss under paragraph (b)(i) and paragraph (b)(ii),

is a difference that-

- (e) is not a **reversal** or partial **reversal** of a difference for a prior **disclosure year**; and
- (f) will not **reverse** in a subsequent **disclosure year**.

(3) For the purpose of subclause (2), positive permanent differences excludes any amounts that are-

- (a) **amortisation of initial differences in asset values**; or
- (b) **amortisation of revaluations**.

(4) For the purpose of subclause (1), 'negative permanent differences' means, subject to subclause (5), the sum of-

- (a) all amounts of income-
  - (i) included as amounts of income in determining **regulatory profit / (loss) before tax**; and
  - (ii) not treated as taxable were the **tax rules** applied to determine income tax payable in respect of the **EDB's supply of electricity distribution services**; and
- (b) all amounts of expenditure or loss-
  - (i) treated as deductions were the **tax rules** applied to determine income tax payable in respect of the **EDB's supply of electricity distribution services**; and
  - (ii) not included as amounts of expenditure or loss in determining **regulatory profit / (loss) before tax**,

if there are differences between the values in-

- (c) paragraphs (a)(i) and paragraph (a)(ii); and
- (d) paragraphs (b)(i) and paragraph (b)(ii),

and such differences-

- (e) are not the **reversal** of a difference in a prior **disclosure year**; and
  - (f) will not **reverse** in a subsequent **disclosure year**.
- (5) For the purpose of subclause (4), negative permanent differences excludes amounts that are-
- (a) **discretionary discounts and customer rebates**;
  - (b) expenditure or loss determined in accordance with the **tax rules** that is-
    - (i) interest; or
    - (ii) incurred in borrowing money; and
  - (c) any-
    - (i) tax losses; or
    - (ii) subvention payment made or received by an **EDB**.
- (6) Discretionary discounts and customer rebates means the expenditure or loss allowed as a deduction under the **tax rules** in respect of the-
- (a) sum of all payments made; and
  - (b) value of all credit amounts given,
- to **persons** by an **EDB** in respect of the **supply of electricity distribution services** owing to those **persons'** direct or indirect ownership interest in the **EDB**.

#### 2.3.4 Regulatory tax adjustments

- (1) Regulatory tax adjustments are determined in accordance with the formula-
- amortisation of initial differences in asset values + amortisation of revaluations** - notional deductible interest.
- (2) For the purpose of subclause (1), 'notional deductible interest' means the amount determined in accordance with the formula-
- $$\frac{((\text{regulatory investment value} \times \text{leverage} \times \text{cost of debt}) + \text{term credit spread differential allowance})}{\sqrt{1 + \text{cost of debt}}}$$
- (3) For the purpose of subclause (2), 'regulatory investment value' means the value for 'regulatory investment value' determined in accordance with the **ID determination** applicable to the **disclosure year** and the **regulated good or service** in question.

#### 2.3.5 Amortisation of initial differences in asset values

- (1) Amortisation of initial differences in asset values is, subject to subclause (4), determined in accordance with the formula-

*opening unamortised initial differences in asset values* ÷ opening weighted average remaining useful life of relevant assets.

- (2) For the purpose of this clause, 'opening unamortised initial differences in asset values' means, in respect of-
- (a) the **disclosure year** 2010, initial differences in asset values; and
  - (b) each **disclosure year** thereafter, subject to subclause (4), closing unamortised initial difference in asset values for the preceding **disclosure year**.

(3) For the purpose of subclause (2)(a), 'initial differences in asset values' means, subject to subclause (4), the sum of **initial RAB values** less the sum of **regulatory tax asset values** on the first day of the **disclosure year** 2010.

(4) For the purpose of subclause (1), 'opening weighted average remaining useful life of relevant assets' means-

$$q = a - b$$

where:

$a =$  the 2010 weighted average remaining asset life of assets included in the initial RAB calculated by using initial RAB values as weightings

$b =$  disclosure year less 2010.

(3)(5) For the purpose of subclauses (1) and (2)-

- (a) no account may be taken of unamortised initial differences in asset values of sold assets from the date of sale; and
- (b) account must be taken of unamortised initial differences in asset values of acquired assets from the date of acquisition.

(4)(6) For the purpose of subclause (2)(b), 'closing unamortised initial difference in asset values' is determined in accordance with the formula-

*Opening unamortised initial differences in asset values* - **amortisation of initial difference in asset values**.

### 2.3.6 Amortisation of revaluations

Amortisation of revaluations is calculated in accordance with the formula-  
**total depreciation - adjusted depreciation.**

### 2.3.7 Deferred tax

- (1) Opening deferred tax means, in respect of-
- (a) the **disclosure year** 2010, nil; and
  - (b) each **disclosure year** thereafter, closing deferred tax for the preceding **disclosure year**.

- (2) For the purpose of subclause (1)(b), 'closing deferred tax' is determined in accordance with the formula-
- opening deferred tax + tax effect of temporary differences - tax effect of amortisation of initial difference in asset values + deferred tax balance relating to assets acquired in the disclosure year in question – deferred tax balance relating to assets disposed of in the disclosure year in question + cost allocation adjustment.**
- (3) For the purpose of subclause (2), 'deferred tax balance relating to assets acquired in the disclosure year in question' means the amount of deferred tax associated with the assets acquired by the EDB from another regulated supplier excluding the reversal of temporary adjustments arising as a consequence of the sale, as determined in accordance with input methodologies applicable to the regulated services that the assets in question were used to supply.
- (4) For the avoidance of doubt, the amount referred to in subclause (3) must include proportionate adjustments for-
- (a) the tax effect of temporary differences; and
  - (b) the amortisation of initial differences in asset values,
- up to the date the assets in question were acquired.
- (5) For the purpose of subclause (2), 'cost allocation adjustment' means the tax effect of the dollar value difference between the change in the sum of regulatory tax asset values on the last day of the disclosure year and the change in the sum of closing RAB values as a result only of applying-
- (a) the result of the asset allocation ratios to the tax asset value in accordance with clause 2.3.9(1); and
  - (b) clause 2.1.1 to the unallocated closing RAB value.
- (6) For the purpose of subclause (2), 'deferred tax balance relating to assets disposed of in the disclosure year in question' means the amount of deferred tax associated with the assets disposed of by the EDB and, where that deferred tax balance is a deferred tax liability, it must have a negative value.

### 2.3.8 Temporary differences

- (1) Temporary differences is the amount determined in accordance with the formula-
- depreciation temporary differences + positive temporary differences - negative temporary differences.*
- (2) For the purpose of this clause, 'depreciation temporary differences' means **adjusted depreciation** less tax depreciation.



(3) For the purpose of subclause (2) 'tax depreciation' means the sum of the amounts determined for all assets of an **EDB** by application of the **tax depreciation rules** to the **regulatory tax asset value** of each asset.

(4) For the purpose of subclause (1), 'positive temporary differences' means the sum of-

- (a) all amounts of income-
  - (i) treated as taxable if the **tax rules** were applied to determine income tax payable in respect of the **EDB's supply of electricity distribution services**; and
  - (ii) not included as amounts of income in determining **regulatory profit / (loss) before tax**; and
- (b) all amounts of expenditure or loss-
  - (i) included as amounts of expenditure or loss in determining **regulatory profit / (loss) before tax**; and
  - (ii) not treated as deductions were the **tax rules** applied to determine income tax payable in respect of the **EDB's supply of electricity distribution services**,

less any amount that are **depreciation temporary differences**, if there are differences between the values in-

- (c) paragraphs (a)(i) and (a)(ii); and
- (d) paragraphs (b)(i) and (b)(ii),

and such differences-

- (e) are the **reversal** of a difference in a prior **disclosure year**; or
- (f) will **reverse** in a subsequent **disclosure year**.

(5) For the purpose of subclause (1), 'negative temporary differences' means the sum of-

- (a) all amounts of income-
  - (i) included as amounts of income in determining **regulatory profit / (loss) before tax**; and
  - (ii) not treated as taxable were the **tax rules** applied to determine income tax payable in respect of the **EDB's supply of electricity distribution services**; and
- (b) all amounts of expenditure or loss-
  - (i) treated as deductions were the **tax rules** applied to determine income tax payable in respect of the **EDB's supply of electricity distribution services**; and
  - (ii) not included as amounts of expenditure or loss in determining **regulatory profit / (loss) before tax**,

less any amount that are **depreciation temporary differences**, if there are differences between the values in-

- (c) paragraphs (a)(i) and (a)(ii); and
- (d) paragraphs (b)(i) and (b)(ii),

and such differences-

- (e) are the **reversal** of a difference in a prior **disclosure year**; or
- (f) will **reverse** in a subsequent **disclosure year**.

### 2.3.9 Regulatory tax asset value

- (1) Regulatory tax asset value, in relation to an asset, means the value determined in accordance with the formula-

**tax asset value** × *result of asset allocation ratio*.

- (2) Tax asset value means, in respect of-

- (a) an asset-
  - (i) in the **initial RAB** where, in the **disclosure year 2010**, the sum of **unallocated initial RAB values** is less than the sum of the **adjusted tax values** of all assets in the **initial RAB**;
  - (ii) acquired from a **regulated supplier** who used it to **supply regulated goods or services**; or
  - (iii) acquired or transferred from a **related party**,

the value of the asset determined by applying the **tax depreciation rules** to its notional tax asset value; and

- (b) any other asset, its **adjusted tax value**.

- (3) 'Notional tax asset value' means, for the purpose of-

- (a) Subclause (2)(a)(i), **adjusted tax value** of the asset in the **disclosure year 2010** adjusted to account proportionately for the difference between the-

- (i) sum of the **unallocated initial RAB values**; and
- (ii) sum of the **adjusted tax values**,

of all assets in the **initial RAB**;

- (b) subclause (2)(a)(ii), value after applying the **tax depreciation rules** to the tax asset value (as 'tax asset value' is defined in the **input methodologies** applying to the **regulated goods or services** in question) in respect of the **disclosure year** in which the asset was acquired; and

- (c) subclause (2)(a)(iii), value in respect of the **disclosure year** in which the asset was acquired or transferred that is-

- (i) consistent with the **tax rules**; and
  - (ii) limited to its **value of commissioned asset** or, if relevant capital contributions are treated for tax purposes in accordance with section CG 8 of the Income Tax Act 2007 (or subsequent equivalent provisions), limited to the value of commissioned asset plus any taxed capital contributions applicable to the asset.
- (4) For the purpose of subclause (1), 'result of asset allocation ratio' means, where an asset or group of assets maintained under the tax rules-
- (a) has a matching asset or group of assets maintained for the purpose of Subpart 2, the value obtained in accordance with the formula-
 

**opening RAB value** *or sum of opening RAB values, as the case may be*

÷

**unallocated opening RAB value** *or sum of unallocated opening RAB values, as the case may be,*

applying the formula in respect of the asset or smallest group of assets maintained for the purpose of Subpart 2 that has a matching asset or group of assets maintained under the **tax rules**; and
  - (b) does not have a matching asset or group of assets maintained for the purpose of Subpart 2, the value of the asset allocated to the **supply of electricity distribution services** were clause 2.1.1 to apply to the asset or group of assets.

## SUBPART 4 **Cost of capital**

### 2.4.1 Methodology for estimating the weighted average cost of capital

- (1) The **Commission** will determine a mid-point estimate of vanilla **WACC** for ~~the disclosure year 2011 and~~ each **disclosure year thereafter**-
  - (a) in respect of the 5 years commencing on the first day of the **disclosure year** in question;
  - (b) ~~subject to subclause (3),~~ within 1 month of the start of the **disclosure year** in question; and
  - (c) in accordance with the formula-
 
$$r_d L + r_e(1 - L).$$
- (2) The **Commission** will determine a mid-point estimate of post-tax **WACC** for ~~the disclosure year 2011 and~~ each **disclosure year thereafter**-

- (a) in respect of the 5 years commencing on the first day of the **disclosure year** in question;
- (b) ~~subject to subclause (3),~~ within 1 month of the start of the **disclosure year** in question; and
- (c) in accordance with the formula-

$$r_d(1 - T_c)L + r_e(1 - L).$$

~~The Commission will estimate or determine, as the case may be, the amounts or values to which this subclause applies; and~~

~~(3) in respect of the disclosure year 2011,~~

~~(4) as soon as practicable after this determination comes into force.~~

~~(5)(3)~~ In this clause-

$L$  is **leverage**;

$r_d$  is the cost of debt and is estimated in accordance with the formula:

$$-r_f + p + d;$$

$r_e$  is the cost of equity and is estimated in accordance with the formula:

$$-r_f(1 - T_i) + \beta_e TAMRP;$$

$T_c$  is the average corporate tax rate;

$r_f$  is the risk-free rate;

$p$  is the **average debt premium**;

$d$  is the debt issuance costs;

$T_i$  is the average investor tax rate;

$\beta_e$  is the equity beta; and

$TAMRP$  is the tax-adjusted market risk premium.

~~(6)(4)~~ For the purpose of this clause-

- (a) the average investor tax rate, the equity beta, the debt issuance costs, the average corporate tax rate and the tax-adjusted market risk premium are the amounts specified in or determined in accordance with clause 2.4.2; and
- (b) the risk-free rate must be estimated in accordance with clause 2.4.3.

#### 2.4.2 Fixed WACC parameters

(1) Leverage is **4244%**.

(2) ~~The a~~'Average investor tax rate' is the average of the investor tax rates that, as at the date that the estimation is made, will apply to each of the **disclosure years** in the 5 year period commencing on the first day of the **disclosure year** in question.

- (3) For the purpose of subclause (2), 'investor tax rate' is, for each disclosure year, the maximum prescribed investor rate applicable at the start of that disclosure year to an individual who is-
- ~~(a)~~ for the ~~disclosure year 2011, 29%~~; and
  - ~~(b)~~ for a ~~disclosure year~~ thereafter, the maximum ~~prescribed investor rate applicable at the start of that disclosure year to an individual who is-~~
  - ~~(c)~~(a) resident in New Zealand; and
  - ~~(d)~~(b) an investor in a **multi-rate PIE**.
- (4) The 'average corporate tax rate' is the average of the **corporate tax rates** that, as at the date that the estimation is made, will apply during the 5 year period commencing on the first day of the **disclosure year** in question.
- (5) The 'Equity beta' is 0.600-61.
- (6) The 'Debt issuance costs' are 0.235%.
- ~~(7)~~ The 'Tax-adjusted market risk premium' is, for a 5 year period commencing on the first day of each disclosure year, 7.0%.
- ~~(8)~~ the ~~disclosure year 2011, 7.1%~~; and
- ~~(9)~~(7) a ~~disclosure year~~ thereafter, 7.0%.

#### 2.4.3 Methodology for estimating risk-free rate

The **Commission** will estimate a risk-free rate-

- (a) for each **disclosure year**; and
- (b) ~~subject to clause 2.4.1(3)~~, within 1 month of the start of the **disclosure year** in question,

by-

- (c) obtaining, for notional benchmark New Zealand government New Zealand dollar denominated nominal bonds, the wholesale market linearly-interpolated bid yield to maturity for a residual period to maturity equal to 5 years on each **business day** in the 3 months preceding the start of the **disclosure year**;
- (d) calculating the annualised interpolated bid yield to maturity for each **business day**; and
- (e) calculating the un-weighted arithmetic average of the daily annualised interpolated bid yields to maturity.

#### 2.4.4 Methodology for estimating average debt premium

(1) The **Commission** will determine an estimate of an amount for the **average debt premium-**

- (a) for each **disclosure year**; and
- (b) within 1 month of each **disclosure year**.

(2) For the purpose of subclause (1), 'average debt premium' means the simple arithmetic average of the five **debt premium** values estimated in accordance with subclauses (4), (5) and (6) for:

- (a) the current **debt premium reference year**; and
- (b) the four previous **debt premium reference years**.

(3) For the purpose of subclause (2)(a), 'current debt premium reference year' refers to the **debt premium reference year** that contains the start of the **disclosure year**.

(4) For the **debt premium reference year 2017** or earlier, the following **debt premium** values apply-

- (a) 2013 = 2.24%;
- (b) 2014 = 2.04%;
- (c) 2015 = 1.76%;
- (d) 2016 = 1.59%; and
- (e) 2017 = 1.59%.

~~(4)~~(5) Debt premium means the spread between-

- (a) the bid yield to maturity on **vanilla NZ\$ denominated bonds** that-
  - (i) are issued by an **EDB** or a **GPB**;
  - (ii) are publicly traded;
  - (iii) have a **qualifying rating** of grade BBB+; and
  - (iv) have a remaining term to maturity of 5 years; and
- (b) the contemporaneous interpolated bid yield to maturity of notional benchmark New Zealand government New Zealand dollar denominated nominal bonds having a remaining term to maturity of 5 years.

~~(2) — The **Commission** will estimate an amount for the **debt premium**-~~

- ~~(a) — for each **disclosure year**; and~~
- ~~(b) — subject to clause 2.4.1(3), within 1 month of the start of each **disclosure year**.~~

~~(3)~~(6) For the purpose of subclause (2), ~~T~~the **amount of the** debt premium will be estimated by-

- (a) identifying publicly traded **vanilla NZ\$ denominated bonds** issued by a **qualifying issuer** that are-
  - (i) **investment grade credit rated**; and
  - (ii) of a type described in the paragraphs of subclause ~~(7)~~(4);
- (b) in respect of each bond identified in accordance with paragraph (a)-
  - (i) obtaining its wholesale market annualised bid yield to maturity;

- (ii) calculating by linear interpolation with respect to maturity, the contemporaneous wholesale market annualised bid yield to maturity for a notional benchmark New Zealand government New Zealand dollar denominated nominal bond with the same remaining term to maturity; and
- (iii) calculating its contemporaneous interpolated bid to bid spread over notional benchmark New Zealand government New Zealand dollar denominated nominal bonds with the same remaining term to maturity, by deducting the yield calculated in accordance with subparagraph (ii) from the yield obtained in accordance with subparagraph (i),

for each **business day** in the 12 months preceding the start of the **debt premium reference year**~~disclosure year~~;

- (c) calculating, for each bond identified in accordance with paragraph (a), the un-weighted arithmetic average of the daily spreads identified in accordance with paragraph (b)(iii); and
- (d) subject to subclause (74), estimating, by taking account of the average spreads identified in accordance with paragraph (c), and having regard to the debt premium estimated from applying the Nelson-Siegel-Svensson approach, the average spread that would reasonably be expected to apply to a **vanilla NZ\$ denominated bond** that-
  - (i) is issued by an **EDB** or a **GPB** that is neither 100%majority owned by the Crown nor a **local authority**;
  - (ii) is publicly traded;
  - (iii) has a **qualifying rating** of grade BBB+; and
  - (iv) has a remaining term to maturity of 5 years.

~~(4)(7)~~ For the purpose of subclauses (6)(a) and (63)(d), the **Commission** will have regard, subject to subclause (85), to the spreads observed on the following types of **vanilla NZ\$ denominated bonds** issued by a **qualifying issuer**:

- (a) those that-
  - (i) have a **qualifying rating** of grade BBB+; and
  - (ii) are issued by an **EDB** or a **GPB** that is neither 100%majority owned by the Crown nor a **local authority**;
- (b) those that-
  - (i) have a **qualifying rating** of grade BBB+; and
  - (ii) are issued by an entity other than an **EDB** or a **GPB** that is neither 100%majority owned by the Crown nor a **local authority**;
- (c) those that-

- (i) have a **qualifying rating** of a grade different to BBB+; and
  - (ii) are issued by an **EDB** or a **GPB** that is neither ~~100% majority~~ owned by the Crown nor a **local authority**;
- (d) those that-
- (i) have a **qualifying rating** of a grade different to BBB+; and
  - (ii) are issued by an entity, other than an **EDB** or a **GPB** that is neither ~~100% majority~~ owned by the Crown nor a **local authority**; and
- (e) those that are-
- (i) **investment grade credit rated**; and
  - (ii) issued by an entity that is ~~100% majority~~ owned by the Crown or a **local authority**.

~~(5)~~(8) For the purpose of subclause ~~(74)~~-

- (a) progressively lesser regard will ordinarily be given to the spreads observed on the bond types described ~~in subclause (4)~~ in accordance with the order in which the bond types are described in subclause (7);
- (b) the spread on any bond of the type described in subclause ~~(74)~~ that has a remaining term to maturity of less than 5 years will ordinarily be considered to be the minimum spread that would reasonably be expected to apply on an equivalently credit-rated bond issued by the same entity with a remaining term to maturity of 5 years; and
- (c) the **Commission** will adjust spreads observed on bonds described under subclauses ~~(74)~~(b) to ~~(74)~~(e) to approximate the spread that is likely to have been observed had the bonds in question been of the type described in subclause ~~(74)~~(a).

~~(6)~~(9) For the purpose of subclause ~~(6)~~(d), 'Nelson-Siegel-Svensson approach' means a method for modelling yield curves and term structures of interest rates which establishes a relationship between terms to maturity and the **debt premium**, where a curve is generated by changing the parameters of a yield curve's functional form to minimise the squared deviation between estimated and observed values.

#### ~~2.4.5~~ Standard error of debt premium

- ~~(1)~~ The **Commission** will estimate an amount for a ~~standard error of a debt premium~~-
- ~~(a)~~ subject to clause 2.4.1(3), within 1 month of the start of the **disclosure year** in question; and
  - ~~(b)~~ as either-
    - ~~(i)~~ the result of the formula specified in subclause (2); or
    - ~~(ii)~~ 0.0015;



~~whichever is the greater.~~

~~(2) For the purpose of subclause (1)(b)(i), the formula is~~

$$\sqrt{\frac{1}{N-1} \sum_{i=1}^N (p_i - \bar{p})^2}$$

~~where~~

~~$N$  is the number of **qualifying issuers** issuing bonds of the type described in the subparagraphs of clause 2.4.4(3)(d);~~

~~$p_i$  is each **qualifying issuer's** arithmetic average spread for its bonds of the type described in the subparagraphs of clause 2.4.4(3)(d); and~~

~~$\bar{p}$  is the **debt premium**,~~

~~provided that for the purposes of determining  $N$  and  $p_i$ , no regard may be had to any bonds of the types described in clauses 2.4.4(4)(b) to 2.4.4(4)(e).~~

#### ~~2.4.6 Methodology for estimating the WACC standard error~~

~~(1) The **Commission** will determine an amount for a **standard error of a mid-point estimate of WACC**~~

~~(a) subject to clause 2.4.1(3), within 1 month of the start of the **disclosure year** in question; and~~

~~(b) in accordance with this clause.~~

~~(2) The **standard error** for a mid-point estimate of vanilla **WACC** determined in accordance with clause 2.4.1(1) will be determined in accordance with the formula~~

$$\sqrt{0.00003 + 0.0169E^2(TAMRP) + 0.1936 \text{var}(\hat{p})}$$

~~(3) The **standard error** for a mid-point estimate of post-tax **WACC** determined in accordance with clause 2.4.1(2) will be determined in accordance with the formula~~

$$\sqrt{0.00003 + 0.0169E^2(TAMRP) + (1 - T_c)^2 (0.1936 \text{var}(\hat{p}))}$$

~~(4) In this clause~~

~~(a)  $E^2(TAMRP)$  is the square of the tax-adjusted market risk premium determined in accordance with clause 2.4.2(7);~~

~~(b)  $\text{var}(\hat{p})$  is the square of the **standard error** of the **debt premium** determined in accordance with clause 2.4.5; and~~

~~(c)  $T_c$  is the average corporate tax rate determined in accordance with clause 2.4.2(4).~~

2.4.72.4.5 Methodology for estimating the WACC range and the 67th percentile of ~~the~~  
WACC

- (1) The **Commission** will determine a WACC range for each **mid-point estimate of WACC-**
- (a) for each **disclosure year**; and
  - (b) ~~subject to clause 2.4.1(3),~~ within 1 month of the start of the **disclosure year** in question.

(2) For the purpose of subclause (1), 'WACC range' means the values falling between the 25th percentile and 75th percentile, inclusive, of the **mid-point estimate of WACC**.

(3) For the purpose of subclause (2)-

- (a) the **mid-point estimate of WACC** must be treated as the 50th percentile; and
- (b) the-
  - (i) 75th percentile must be determined in accordance with the formula-  
**mid-point estimate of WACC + 0.674 × standard error**; and
  - (ii) 25th percentile must be determined in accordance with the formula-  
**mid-point estimate of WACC - 0.674 × standard error**,

where ~~'standard error' means~~ the **standard error** of the relevant **mid-point estimate of WACC is 0.0101, as determined in accordance with clause 2.4.6(2) or 2.4.6(3), as the case may be.**

(4) The **Commission** will determine a 67th percentile estimate of vanilla **WACC** and a 67<sup>th</sup> percentile estimate of post-tax **WACC-**

- (a) for each **disclosure year**; and
- (b) within 1 month of the start of the **disclosure year** in question.

(5) For the purpose of subclause (4)-

- (a) the **mid-point estimate of WACC** must be treated as the 50th percentile; and
- (b) the 67th percentile must be determined in accordance with the formula-  
**mid-point estimate of WACC + 0.440 x standard error**,

where ~~'standard error' means~~ the **standard error** of the relevant **mid-point estimate of WACC is 0.0101, as determined in accordance with clause 2.4.6(2) or 2.4.6(3), as the case may be.**

2.4.82.4.6 Publication of estimates

The **Commission** will publish all determinations and estimates that it is required to make by this subpart-

- (a) on its website; and

- (b) no later than 1 month after having made them.

2.4.92.4.7 Interpretation of terms relating to term credit spread differential

- (1) 'Qualifying debt' means a line of debt-
- (a) with an original tenor greater than 5 years; and
  - (b) issued by a **qualifying supplier**.
- (2) Qualifying supplier means a **regulated supplier** whose debt portfolio, as at the date of that supplier's most recently published audited financial statements, has a weighted average original tenor greater than 5 years.
- ~~(3) Cost of executing an interest rate swap means the amount determined in accordance with the formula-~~

~~$A \times B,$~~

~~where-~~

- ~~(a) 'A' is the amount that is half of the New Zealand dollar wholesale bid and offer spread for a vanilla interest rate swap determined at the time of pricing the **qualifying debt**, (which, for the avoidance of doubt, is expressed in terms of basis points per annum; and~~
- ~~(b) 'B' is the book value in New Zealand dollars of the **qualifying debt** at its date of issue.~~

2.4.102.4.8 Term credit spread difference

- (1) Term credit spread difference is determined in accordance with the formula-

$T \times U,$

where-

- (a) 'T' is the amount determined in accordance with the formula-

~~$0.00075 \times (\text{original tenor of the **qualifying debt** - 5})(V - W) - (X - Y);$~~

~~except that where that amount is-~~

- ~~(i) less than 0.0015, T is 0.0015; and~~
- ~~(ii) more than 0.006, T is 0.006; and~~

- (b) 'U' is the book value in New Zealand dollars of the **qualifying debt** at its date of issue.

~~(2) For the purpose of subclause (1)-~~

- ~~(a) 'V' is the yield shown on the Bloomberg New Zealand 'A' fair value curve for a bond with a tenor equal to, or closest to, the original tenor of the **qualifying debt**;~~
- ~~(b) 'W' is the New Zealand swap rate quoted by Bloomberg for a tenor equal to the original tenor of the **qualifying debt**;~~

- ~~(c)~~ 'X' is the yield shown on the Bloomberg New Zealand 'A' fair value curve for a bond with a tenor of 5 years;
- ~~(d)~~ 'Y' is the New Zealand swap rate quoted by Bloomberg for a tenor of 5 years; and
- ~~(e)~~ V, W, X and Y are determined as at the same time on the same pricing date of the **qualifying debt**.

~~(3)~~(2) For the purpose of this clause, where the **qualifying debt** is issued to a **related party**, 'original tenor of the **qualifying debt**' means the-

- (a) tenor of the **qualifying debt**; or
- (b) period from the **qualifying debt**'s date of issue to the earliest date on which its repayment is or may be required,

whichever is the shorter.

#### 2.4.112.4.9 Methodology for estimating term credit spread differential

(1) This clause applies to the determination of the amount of any **term credit spread differential** in respect of a **qualifying debt** for the purpose of disclosure pursuant to an **ID determination** of a-

- (a) **term credit spread differential allowance**; or
- (b) **term credit spread differential**.

(2) Disclosure to which this clause applies may only be made by a **qualifying supplier**.

(3) Term credit spread differential is the amount determined in accordance with the formula-

$$(A \div B) \times C \times D,$$

where-

- ~~(a)~~ 'A' is the sum of the term credit spread difference and ~~;-~~
- ~~(b)~~ **term credit spread difference**;
- ~~(c)~~ **cost of executing an interest rate swap**; and
- ~~(d)~~(a) debt issuance cost re-adjustment;
- ~~(e)~~(b) 'B' is the book value of the **qualifying supplier's** total interest-bearing debt as at the balance date ~~of to which~~ the supplier's financial statements audited and published in the **disclosure year** in question relate;
- ~~(f)~~(c) 'C' is **leverage**; and
- ~~(g)~~(d) 'D' is, in relation to the **qualifying supplier**, the average of-

- (i) the sum of **opening RAB values**; and
- (ii) the sum of **closing RAB values**.

(4) For the purpose of subclause (3)(a)(~~iii~~), 'debt issuance cost re-adjustment' is the amount determined in accordance with the formula-

(0.0175 ÷ original tenor of the **qualifying debt** - 0.00235) × book value in New Zealand dollars of the **qualifying debt** at its date of issue,

which amount, for the avoidance of doubt, will be a negative number.

## PART 3 INPUT METHODOLOGIES FOR BOTH DEFAULT AND CUSTOMISED PRICE-QUALITY PATHS

### SUBPART 1 Specification of price

#### 3.1.1 Specification and definition of prices

- (1) For the purpose of s 53M(1)(a) of the Act, the maximum revenues that may be recovered by an EDB will be specified in a DPP determination or CPP determination as a revenue cap, whereby forecast revenue from prices must not exceed forecast allowable revenue for each disclosure year of the regulatory period.
- (2) For the purpose of setting the maximum revenues under subclause (1), the Commission may specify in a DPP determination or CPP determination an annual maximum percentage increase in forecast allowable revenue as a function of demand for a disclosure year.
- (3) For the purpose of this subpart, 'forecast revenue from prices' for a disclosure year means the forecast revenue used by an EDB to set prices, where forecast revenue is the total of each price multiplied by each forecast quantity.
- (4) For the purpose of this subpart, 'forecast allowable revenue' as specified in a DPP determination or CPP determination includes-
  - (a) forecast net allowable revenue;
  - (b) forecast pass-through costs;
  - (c) forecast recoverable costs, excluding any revenue wash-up draw down amount under clause 3.1.3(1)(v) for the disclosure year referred to in subclause (1); and
  - (d) the balance of the wash-up account available for draw down.
- (5) For the purpose of this subpart, 'forecast allowable revenue as a function of demand' is the forecast allowable revenue for the disclosure year expressed as a function of one or more units of demand as specified by the Commission in a DPP determination or CPP determination.
- (6) For the purpose of this subpart, 'forecast net allowable revenue' for the first disclosure year of a DPP or CPP regulatory period will be specified by the Commission at the start of the regulatory period in a DPP determination or CPP determination.
- (7) For each disclosure year of the DPP or CPP regulatory period after the first disclosure year, 'forecast net allowable revenue' is calculated by applying-
  - (a) the forecast net allowable revenue for the preceding disclosure year;
  - (b) the forecast CPI, as specified in subclause (8); and
  - (c) any X factor applicable to the EDB.
- (8) 'Forecast CPI' means-

- (a) for a quarter prior to the quarter for which the vanilla **WACC** applicable to the relevant **DPP regulatory period** or **CPP regulatory period** was determined, **CPI** as per paragraph (a) of the 'CPI' definition and excluding any adjustments made under paragraph (b) of the **CPI** definition arising as a result of an event that occurs after the issue of the Monetary Policy Statement referred to in paragraph (b) below;
- (b) for each later quarter for which a forecast of the change in headline **CPI** has been included in the Monetary Policy Statement last issued by the Reserve Bank of New Zealand prior to the date for which the vanilla **WACC** applicable to the relevant **DPP regulatory period** or **CPP regulatory period** was determined, the **CPI** last applying under paragraph (a) extended by the forecast change; and
- (c) in respect of later quarters, the forecast last applying under paragraph (b) adjusted such that an equal increment or decrement made to that forecast for each of the following three years results in the forecast for the last of those years being equal to the target midpoint for the change in headline **CPI** set out in the Monetary Policy Statement referred to in paragraph (b).

### 3.1.1 ~~Specification and definition of prices~~

(1) ~~For the purpose of s 53M(1)(a) of the Act, the maximum-~~

- ~~(a) price or prices that may be charged; or~~
- ~~(b) revenues that may be recovered,~~

~~by an **EDB** will be specified in a s 52P determination as a weighted average price cap applying to that **EDB** for a **regulatory period**, defined in terms of a relationship between **allowable notional revenue** and **notional revenue** whereby-~~

- ~~(c) **notional revenue** must not exceed **allowable notional revenue**;~~
- ~~(d) the same quantities are used to determine **notional revenue** and **allowable notional revenue**;~~
- ~~(e) the maximum weighted average price that may be charged during the **regulatory period** will not be affected by the actual **prices** charged by the **EDB** during that period; and~~
- ~~(f) the sum of relevant **pass-through costs** and **recoverable costs** passed through to **prices** is separately demonstrated.~~

(2) ~~Allowable notional revenue means, in respect of a 12 month period, a function of-~~

- ~~(a) relevant **CPIs**;~~
- ~~(b) the X factor applicable to the **EDB**; and~~
- ~~(c) **distribution prices** in the preceding 12 month period multiplied by quantities.~~

~~(3) Notional revenue means, in respect of a 12 month period, distribution prices in that period multiplied by quantities.~~

~~(4)~~(9) 'Prices' means-

- (a) individual tariffs, fees or charges; or
- (b) individual components thereof,

~~posted~~ in nominal terms exclusive of **GST** for the **supply** of an **electricity distribution service**, and must include a ~~posted~~ discount ~~if a discount is~~ taken up by **consumers**.

~~(5) In this clause-~~

~~(6)~~(10) 'Quantityies' means the amounts **supplied** ~~(other than forecast)~~ of **electricity distribution services** corresponding to the extent practicable to **prices**, expressed in units of kWh, kVA, kW, day or other unit applicable to such **supply**; ~~and~~

~~(7)~~(11) '~~posted~~ discount' means a discount to charges payable for the **supply** of **electricity distribution services**-

- (a) that is offered by an **EDB** ~~in a published tariff schedule~~; ~~and~~
- (b) the take-up of which is determined by consumers; and
- (c) that applied when the forecast net allowable revenue was determined.

### 3.1.2 Pass-through costs

(1) Subject to subclause (4), a pass-through cost is-

- (a) a cost listed in subclause (2); or
- ~~(b) subject to subclause (3);-~~
- ~~(c) a cost levy, other than one listed in subclause (2), specified by way of a DPP determination or CPP determination amendment to the DPP determination; or~~
- ~~(d)(b) a cost in respect of the EDB in question specified in a CPP determination.~~

(2) For the purpose of subclause (1)(a), the costs are-

- (a) rates on system fixed assets paid or payable by an **EDB** to a **local authority** under the Local Government (Rating) Act 2002; and
- (b) **levies** payable-
  - (i) under regulations made under s 53ZE of the **Act**;
  - (ii) under regulations made under the Electricity Industry Act 2010; or
  - (iii) by all members of the Electricity and Gas Complaints Commissioner Scheme by virtue of their membership.

(3) For the purpose of subclause (1)(b), the ~~levy or~~ cost in question must-

- (a) be-
  - (i) associated with the **supply** of **electricity distribution services**;



- (ii) outside the control of the **EDB**;
- (iii) not a **recoverable cost**;
- (iv) appropriate to be passed through to **consumers**; and
- (v) one in respect of which provision for its recovery is not otherwise made explicitly or implicitly in the **DPP** or, where applicable, **CPP**;

and

~~(b)~~—come into effect during a **DPP regulatory period** or, where applicable, **CPP regulatory period**; ~~and~~

~~(c)(b) have been reasonably unforeseen at the time the **DPP determination** or, where applicable, **CPP determination**, was made.~~

- (4) For the purpose of subclause (1), where a cost relates to both **electricity distribution services** and other services **supplied** by the **EDB**, only the proportion of the cost attributable to the **supply of electricity distribution services** (as determined in accordance with clause 2.1.1), may be a pass-through cost.

### 3.1.3 Recoverable costs

- (1) A recoverable cost is a cost that is-

- (a) any amount that is-

- (i) an **IRIS incentive adjustment** calculated in respect of a **non-exempt EDB**; or
- (ii) a positive net balance determined in accordance with clause 3.3.156(2), provided that any requirements pursuant to an **ID determination** regarding **auditor** certification of any value determined in accordance with Section 3 of Subpart 3 have been met;

- (b) a charge payable to **Transpower** for **electricity lines services** provided to ~~an~~ **non-exempt EDB** in respect of the transmission system in accordance with the transmission pricing methodology **Transpower** uses to determine the prices it charges for its services, as specified in the Electricity Industry Participation Code, including any such charges on-charged at cost by a third party to ~~an~~ **non-exempt EDB** that does not have a transmission agreement with **Transpower** for the relevant point of supply;

- (c) a charge payable by an **EDB** to **Transpower** in respect of a new investment contract (as 'new investment contract' is defined in the Electricity Industry Participation Code) between those parties, or an equivalent type of contract;

- (d) a charge payable by an **EDB** for the **supply** of system operator services, where 'system operator' has the same meaning as defined in s 5 of the

Electricity Industry Act 2010, to the extent that the charge is not a **pass-through cost**;

- (e) an amount of a charge described in paragraphs (b) or (c) that the **Commission** is satisfied an **EDB** has avoided liability to pay as a result of the **EDB** having purchased transmission assets from **Transpower**, subject to
  - (i) the requirement specified in subclause (2); and
  - (ii) subclause (4);
- (f) a **distributed generation allowance**;
- (g) claw-back applied by the **Commission** under sections 54K(3) or 53ZB(3) of the **Act**;
- (h) a standard application fee for a **CPP proposal** under 53Q(2)(c), subject to the proviso specified in subclause (5);
- (i) a fee notified by the **Commission** as payable by the **EDB** in respect of the **Commission** assessing a **CPP proposal** and determining a **CPP** in accordance with s 53Y of the **Act**, subject to the proviso specified in subclause (5);
- (j) a fee payable to a **verifier**, subject to the requirement specified in subclause (3);
- (k) any **auditor's** cost incurred for the purpose of meeting clauses 5.1.4 or 5.5.3, subject to the requirement specified in subclause (3);
- (l) a fee payable to an **engineer** for the purpose of meeting a requirement of clauses ~~5.4.5(c) or~~ 5.4.12(4)(~~bc~~), subject to the requirement specified in subclause (3);

~~(m) an energy efficiency and demand side management incentive allowance, subject to the requirement specified in subclause (2);~~

~~(n)(m)~~ a catastrophic event allowance, as specified in a **DPP determination** or **CPP determination**;

~~(o)(n)~~ an **extended reserves allowance**, subject to the requirements specified in subclauses (2) and (7);

~~(p)(o)~~ a **quality incentive adjustment**;

~~(q)(p)~~ the amount calculated for a **non-exempt EDB** in accordance with the following formula for each **disclosure year** other than the first in a **DPP regulatory period** or CPP regulatory period for which the starting prices were determined by the Commission in a DPP determination or CPP determination under s 53P(3)(b)–

$$\left( \frac{\text{capex wash-up adjustment}}{l - 1} \right) \times (1 + r)^{y+0.5}$$

where–

*l* is the number of **disclosure years** in the **DPP regulatory period** or CPP regulatory period;

$r$  is the **cost of debt** applying to the **DPP regulatory period** or CPP regulatory period; and  
 $y$  is the number of **disclosure years** preceding the **disclosure year** in question in the **DPP regulatory period** or CPP regulatory period;

~~(+)(g)~~ an amount calculated for a **non-exempt EDB** if the acquisition of the transmission asset is not completed prior to the commencement of a **regulatory period** in accordance with the terms of any contract setting out the terms and condition of sale, in accordance with the following formula for a **disclosure year** in a **regulatory period** other than the first **disclosure year**–

$$\left( \frac{\text{transmission asset wash-up adjustment}}{l - 1} \right) \times (1 + r)^{y+0.5}$$

where–

$l$  is the number of **disclosure years** in the **regulatory period**;  
 $r$  is the **cost of debt** applying to the **regulatory period**; and  
 $y$  is the number of **disclosure years** preceding the **disclosure year** in question in the **regulatory period**;

~~(s)(r)~~ the **2013-15 NPV wash-up allowance**; ~~or~~

~~(s)~~ a **reconsideration event allowance**, as specified in a **DPP determination** or **CPP determination**;

~~(t)~~ a fee payable to an engineer for the purpose of meeting a requirement of clause 4.5.5, subject to the requirement specified in subclause (10);

~~(u)~~ an urgent project allowance, as determined by the Commission under subclause (11); or

~~(+)(v)~~ a revenue wash-up draw down amount, as specified in subclause (13)(k).

~~(2)~~ The requirement of this subclause is that in respect of a particular **EDB**, the **Commission's** approval for the amount of cost must be obtained in accordance with any process relating to the type of cost in question specified in a **DPP determination**.

~~(2)(3)~~ The requirement of this subclause is that the amount that may be recovered in respect of a particular **EDB** must be specified by the **Commission** in a **CPP determination**.

~~(3)(4)~~ For the purpose of subclause (1)(e)(ii), the amount is a recoverable cost only in the **5 disclosure years** from and including the **disclosure year** in respect of which the **Commission** first approved the amount of the cost.

~~(4)(5)~~ For the purpose of subclauses (1)(h) and (1)(i), the proviso is that the **CPP proposal** is not discontinued by the **Commission** under s 53S of the **Act**.

~~(5)(6)~~ In this clause, 'Electricity Industry Participation Code' has the same meaning as 'code' is defined in the Electricity Industry Act 2010.

~~(6)(7)~~ For the purpose of giving approval under subclause (2) in respect of an **extended reserves allowance**, the **Commission** will have regard to any policy intent stated by the Electricity Authority as to whether–

- (a) some or all compensation payments to be made by an **EDB** under the extended reserves regime would be expected to constitute negative **recoverable costs** and be passed-through to **consumers** via corresponding reductions in **prices**; and
- (b) revenues that an **EDB** may receive under the extended reserves regime would be expected to be treated as unregulated income.

~~(7)~~(8) For the purpose of subclause 3.1.3(1)(pa), the ‘capex wash-up adjustment’ is an amount equal to the present value of the difference in the series of **forecast net allowable revenue for the disclosure years of building block allowable revenues before tax for the DPP regulatory period or CPP regulatory period** in question, subject to subclause (9), from adopting–

- (a) the sum of **value of commissioned assets in the building blocks allowable revenue before tax** for each **disclosure year** that follows the **base year** in the preceding **DPP regulatory period or CPP regulatory period**,

instead of–

- (b) the **forecast aggregate value of commissioned assets** determined by the **Commission** in respect of each of those **disclosure years** when determining prices in accordance with a DPP determination or CPP determination, or an amendment thereof s 53P(3)(b).

~~(8)~~(9) For the purpose of subclause (8)–

- (a) the present value must be determined by discounting the series of building blocks allowable revenues before tax, to the end of the preceding DPP regulatory period using a discount rate equal to the **WACC** applied by the **Commission** in setting prices for the **DPP regulatory period or CPP regulatory period** in question, to–

(i) where the capex wash-up adjustment is applied for a DPP regulatory period, the end of the preceding DPP regulatory period;

(ii) where the capex wash-up adjustment is applied for a CPP regulatory period, the point in the preceding DPP regulatory period where the CPP regulatory period began;

- (b) the series of building blocks allowable revenues before tax for the **DPP regulatory period** are those used to reset starting prices based on the current and projected profitability of each **EDB** and must-
  - (i) be calculated using the same methodology that was applied by the **Commission** in setting starting prices for the **EDB** for the **DPP**, subject to subparagraphs (ii) and (iii);
  - (ii) for the purpose of subparagraph (i), adopt the sum of **depreciation** calculated under Part 2 in respect of each **disclosure year** that follows the **base year** in the preceding **DPP regulatory period** for

assets having a **commissioning date** in any of those **disclosure years**;  
and

(iii) for the purpose of subparagraph (i), adopt the same values for all other inputs to the calculation of building blocks allowable revenues before tax;

(c) the series of **building blocks allowable revenue before tax** for the **CPP regulatory period** are those used in setting the series of **maximum allowable revenue after tax** in accordance with clause 5.3.4(1) and must-

(i) be calculated using the same building blocks methodology that was applied by the **Commission** when setting the **EDB forecast net allowable revenue** for the **CPP**, subject to subparagraphs (ii) and (iii);

(ii) for the purpose of subparagraph (i), adopt the sum of **depreciation** calculated under Part 2 in respect of each **disclosure year** that follows the **base year** in the preceding **DPP regulatory period** for assets having a **commissioning date** in any of those **disclosure years**;  
and

(iii) for the purpose of subparagraph (i), adopt the same values for all other inputs to the calculation of **building blocks allowable revenue before tax**;

~~(e)~~(d) where the series of building blocks allowable revenues before tax from adopting the sum of **value of commissioned assets** exceed the series of building blocks allowable revenues before tax from using the **forecast aggregate value of commissioned assets**, then the difference is a positive amount of capex wash-up adjustment;

~~(e)~~(e) where the series of building blocks allowable revenues before tax from adopting the sum of **value of commissioned assets** is less than the series of building blocks allowable revenues before tax from using the **forecast aggregate value of commissioned assets**, then the difference is a negative amount of capex wash-up adjustment; and

(f) where a **CPP** applies in respect of a **disclosure year** during the **DPP regulatory period**, then the amount of capex wash-up adjustment for that **disclosure year** and each subsequent **disclosure year** of the **DPP regulatory period** will be specified by the **Commission** in the relevant **CPP determination**, taking account the partial recovery of the capex wash-up adjustment in prior **disclosure years** of that **DPP regulatory period**.

(10) For the purpose of subclause (1)(t), the amount that may be recovered by an **EDB** will be specified by the **Commission** in an amendment to the **DPP determination**.

(11) 'Urgent project allowance' means the allowance determined by the **Commission** in a **CPP determination** in respect of additional net costs where these costs-

- (a) exceed those already provided for in a **DPP determination** or **CPP determination**;
- (b) will not otherwise be recovered by the **EDB**; and
- (c) will be prudently incurred by the **EDB** before commencement of the resulting **CPP regulatory period** in responding to an urgent **project** that occurred in the time between the submission of a **CPP proposal** and determination of the resulting **CPP determination** by the **Commission**.

(12) For the purpose of subclause (1)(v), an **EDB** must for each **disclosure year**–

- (a) perform a revenue wash-up calculation as specified in a **DPP determination** or **CPP determination**;
- (b) calculate and record any **voluntary undercharging amount foregone** in accordance with subclause (13)(a);
- (c) record in the **wash-up account** any **wash-up amount** calculated in accordance with subclause (13)(b);
- (d) record in the **wash-up account** any **revenue wash-up draw down amount**; and
- (e) record a time value of money adjustment in the **wash-up account**–
  - (i) using a rate equal to the **67th percentile estimate of WACC**; and
  - (ii) calculated by applying the method as specified in a **DPP determination** or **CPP determination**.

(13) For the purpose of subclause (12)–

- (a) ‘voluntary undercharging amount foregone’ means an amount of revenue permanently foregone, in accordance with the manner specified in the **DPP determination** or **CPP determination**, where the **EDB** has intentionally and voluntarily undercharged revenues relative to the amount allowed in the **DPP** or **CPP**;
- (b) ‘wash-up amount’ means, subject to subclauses (c) and (d), **actual allowable revenue** less **actual revenue** less **revenue foregone** for a **disclosure year**;
- (c) if the revenue reduction percentage exceeds 20%, an amount of **revenue foregone** shall be calculated;
- (d) if the revenue reduction percentage is less than or equal to 20%, the amount of **revenue foregone** shall be nil;
- (e) ‘actual allowable revenue’ means, for a **disclosure year**, an amount calculated in accordance with a **DPP determination** or **CPP determination** that includes–
  - (i) **actual net allowable revenue**;
  - (ii) **pass-through costs**; and

- (iii) recoverable costs, including any revenue wash-up draw down amount;
- (f) 'actual revenue' means, for a disclosure year, the revenue amount calculated in accordance with a DPP determination or CPP determination that includes-
  - (i) actual revenue from prices; and
  - (ii) other regulated income;
- (g) 'revenue foregone' means an amount calculated in a manner specified in a DPP determination or CPP determination by applying-
  - (i) the revenue reduction percentage to a net allowable revenue amount; less
  - (ii) 20% of a net allowable revenue amount;where-
  - (iii) net allowable revenue is specified for each of (i) and (ii) in the DPP determination or CPP determination;
- (h) 'actual net allowable revenue' means, for the first disclosure year of the regulatory period, the forecast net allowable revenue for that disclosure year as specified in clause 3.1.1(6);
- (i) 'actual net allowable revenue' means, for each disclosure year of the regulatory period after the first disclosure year, an amount calculated in accordance with a DPP determination or CPP determination by applying-
  - (i) the actual net allowable revenue for the preceding disclosure year;
  - (ii) the CPI in place of the forecast CPI to the extent that forecast CPI was applied in setting prices for the disclosure year in accordance with clause 3.1.1(7); and
  - (iii) the X factor that was used when the forecast net allowable revenue was originally determined for the disclosure year in accordance with clause 3.1.1(7); and
- (j) 'revenue reduction percentage' means, for a disclosure year, the percentage reduction in revenue calculated in accordance with a DPP determination or CPP determination by comparing the actual revenue from prices with forecast revenue from prices for the disclosure year;
- (k) 'revenue wash-up draw down amount' means an amount, calculated by the EDB in accordance with a DPP determination or CPP determination, such that if the balance referred to in clause 3.1.1(4)(d) is a balance that is to be returned to consumers, the amount shall equal that balance; and
- (l) where a pass-through cost or recoverable cost is incurred by the EDB prior to a regulatory period and an amount of the cost is not otherwise able to be recovered by the EDB, the amount plus any related time value

of money adjustment made in accordance with a DPP determination or CPP determination shall be included in the wash-up account.

## SUBPART 2 Amalgamations

### 3.2.1 Treatment of amalgamations

- (1) The **DPPs** of **non-exempt EDBs** subject to **DPPs** that have **amalgamated** must be aggregated from the start of the **disclosure year** following the **amalgamation**.
- (2) A **DPP** for an amalgamated **EDB** formed from an **EDB** subject to a **DPP** and an **EDB** subject to a **CPP** applies at the end of the existing **CPP**.
- (3) A **DPP** for an amalgamated **EDB** formed from 2 **EDBs** each subject to a **CPP** applies at the end of the existing **CPPs**.
- (4) Nothing in subclauses (2) and (3)-
  - (a) precludes a **CPP** applying to the amalgamated **EDB** at the end of the existing **CPP** or **CPPs**, as the case may be; nor
  - (b) derogates from the application of a **DPP** to **electricity distribution services** that are-
    - (i) **supplied** by the amalgamated **EDB**; and
    - (ii) not specified services,pending expiry of any **DPP** or **CPP** applying to the specified services.
- (5) A **CPP** for an amalgamated **EDB** may not apply before 3 **disclosure years** of any **CPP** applying to the **EDBs** from which it was formed have been completed.
- (6) Upon the determination of a **CPP** for an amalgamated **EDB**, the termination date of any **CPP** to which the amalgamated **EDB** is subject, pursuant to subclauses (2) and (3), is treated as amended to the day before the day on which the **CPP** for the amalgamated **EDB** will apply.
- (7) Following an **amalgamation**, the **Commission** may not reset starting prices for specified services to take effect during the remainder of the **regulatory period** applicable to the specified services except-
  - (a) for the purpose of s 54K; or
  - (b) when making, upon application and in accordance with this clause, a **CPP determination** for the amalgamated **EDB**.
- (8) For the purpose of this clause, 'specified services' means **regulated goods or services supplied** by the amalgamated **EDB** that, at the time of amalgamation, were subject to a **DPP** or a **CPP**.



## SUBPART 3 Incremental rolling incentive scheme

### SECTION 1 Annual IRIS incentive adjustments

#### 3.3.1 Calculation of annual IRIS incentive adjustment as recoverable cost

- (1) A **non-exempt EDB** must calculate an **IRIS incentive adjustment** for each **disclosure year** of each **regulatory period**.
- (2) The 'IRIS incentive adjustment' is the amount determined in accordance with the formula—

**opex incentive amount + capex incentive amount.**

### SECTION 2 Operating expenditure incentives

#### 3.3.2 How to calculate opex incentive amounts

- (1) An **opex incentive amount** must be calculated for each **disclosure year** of a **regulatory period**, subject to subclause (43).
- (2) The 'opex incentive amount' for a **disclosure year** is an amount equal to the sum of—

- (a) all **amounts carried forward** into that **disclosure year** from a **disclosure year** in a preceding **regulatory period**; and

(b) where applicable under clause 3.3.4(1), an adjustment to the opex incentive for that disclosure year. an adjustment to the opex incentive is applicable under clause 3.3.4(1)-

- (i) the amount calculated in accordance with the following formula for a disclosure year in the DPP regulatory period-

$$\left( \frac{\text{Adjustment to the opex incentive}}{l - 1} \right) \times (1 + r)^{y+0.5}$$

where—

l is the number of disclosure years in the DPP regulatory period;

r is the cost of debt applying to the DPP or CPP in question; and

y is the number of disclosure years preceding the disclosure year in question in the DPP regulatory period; or

- (ii) where subclause (3) applies, nil.

- (3) For the purpose of subclause 3.3.2(2)(b)(ii), 'nil' applies for-

(a) the first disclosure year of the DPP regulatory period; or

(b) a disclosure year in a DPP regulatory period commencing prior to 1 April 2020.

- (3)(4) An opex incentive amount shall not be calculated:

- (a) by Orion New Zealand Limited, for any **disclosure year** in a **regulatory period** commencing on, or prior to, 1 April 2020; and

- (b) by any other **EDB**, for any **disclosure year** commencing prior to 1 April 2020, unless the **EDB** becomes subject to a **CPP** ~~(other than a quality standard variation CPP)~~.

### 3.3.3 How to calculate the amount carried forward to subsequent disclosure years

- (1) An 'amount carried forward' must be calculated for each **disclosure year** of a **regulatory period**, subject to subclause (6).
- (2) The 'amount carried forward' for the first **disclosure year** of a **regulatory period**, including the first **disclosure year** following expiration of a **CPP** ~~(other than a quality standard variation CPP)~~ applicable to the **EDB**, subject to subclause (5), is calculated in accordance with the formula—

$$\text{forecast opex}_t - \text{actual opex}_t$$

where—

$t$  means the **disclosure year** in question.

- (3) The 'amount carried forward' for a **disclosure year** that is not the first or last **disclosure year** of a **regulatory period** is calculated in accordance with the formula—

$$(\text{forecast opex}_t - \text{actual opex}_t) - (\text{forecast opex}_{t-1} - \text{actual opex}_{t-1})$$

where—

$t$  means the **disclosure year** in question; and

$t-1$  means the **disclosure year** preceding the **disclosure year** in question.

- (4) The 'amount carried forward' for the last **disclosure year** of a **regulatory period** ~~(other than a quality standard variation CPP regulatory period)~~ is nil.
- (5) Where an **EDB** is subject to a **DPP determination** for no more than one consecutive **disclosure year** of the **DPP regulatory period**, the 'amount carried forward' for that **disclosure year** is nil.
- (6) An **amount carried forward** shall not be calculated:
- (a) by Orion New Zealand Limited, for any **disclosure year** commencing prior to 1 April 2019; and
  - (b) by any other **EDB**, for any **disclosure year** commencing prior to 27 November 2014.
- (7) Each **amount carried forward** is notionally carried forward from the **disclosure year** in respect of which it is calculated into each of the subsequent 5 **disclosure years**.
- (8) 'Forecast opex', subject to clauses 3.3.13 and 3.3.14, is, for a **disclosure year** —
- (a) in a **DPP regulatory period** applying to an **EDB** for which starting prices applicable to the **EDB** were determined by the **Commission** under s 53P(3)(b) or s 53X(2), the amount of forecast **operating expenditure**

specified by the **Commission** for the relevant **disclosure year** in the **DPP determination** for the purpose of calculating an **opex incentive amount**;

- (b) in a **DPP regulatory period** applying to an **EDB** for which the prices applicable to the **EDB** were the prices that applied at the end of the preceding **DPP regulatory period** or **CPP regulatory period**, the amount of forecast **operating expenditure** specified by the **Commission** in the **DPP determination** or otherwise notified to the **EDB** by the **Commission**;  
or
- (c) in a **CPP regulatory period** (~~other than a quality standard variation CPP regulatory period~~) applying to an **EDB**, the amount of forecast **operating expenditure** specified by the **Commission** for the relevant **disclosure year** in accordance with clause 5.3.2(6)(b).

- (9) 'Actual opex' is the amount of **operating costs** allocated to **electricity distribution services** for the relevant **disclosure year** calculated in accordance with Part 2.

#### 3.3.4 How to calculate the adjustment to the opex incentive for the second year of a regulatory period

- (1) An **adjustment to the opex incentive** must be calculated in the **disclosure year** immediately following a **starting price year**, unless the **disclosure year** in question is also a **starting price year**.

##### *Standard case DPP*

- (2) For an **EDB** subject to the **DPP**, unless subclause (4) applies, the 'adjustment to the opex incentive', where the starting prices for the current **DPP regulatory period** are—
  - (a) determined by the **Commission** in accordance with s 53P(3)(b) of the **Act**, is an amount equal to the 'base year adjustment term' calculated in accordance with clause 3.3.5; and
  - (b) the prices that applied at the end of the preceding **DPP regulatory period** or **CPP regulatory period**, is an amount calculated in accordance with the formula—

*base year adjustment term + roll-over adjustment term*

where—

*base year adjustment term* means the amount calculated in accordance with clause 3.3.5; and

*roll-over adjustment term* means the amount calculated in accordance with clause 3.3.6.

##### *Standard case CPP*

- (3) The 'adjustment to the opex incentive' for an **EDB** subject to a **CPP** (~~other than a quality standard variation CPP~~), unless subclauses (5) or (6) applies, is calculated in accordance with the formula—

*base year adjustment term + baseline adjustment term*

where–

*base year adjustment term* means the amount calculated in accordance with clause 3.3.5;

*baseline adjustment term* means the amount calculated in accordance with clause 3.3.7(1).

*Special case of a DPP following a single starting price year*

- (4) The ‘adjustment to the opex incentive’ for an **EDB** subject to the **DPP**, when the **disclosure year** immediately preceding the current **regulatory period** was a **starting price year**, is calculated in accordance with the formula–

*base year adjustment term + roll-over adjustment term + one-year adjustment term 1 + one-year adjustment term 2 + one-year adjustment term 3*

where–

*base year adjustment term* means the amount calculated in accordance with clause 3.3.5;

*roll-over adjustment term* means the amount calculated in accordance with clause 3.3.6;

*one-year adjustment term 1* means the amount calculated in accordance with clause 3.3.8(1);

*one-year adjustment term 2* means the amount calculated in accordance with clause 3.3.8(2); and

*one-year adjustment term 3* means the amount calculated in accordance with clause 3.3.8(3).

*Special case of a CPP following a single starting price year*

- (5) Unless subclause (6) applies, the ‘adjustment to the opex incentive’ for an **EDB** subject to a **CPP** (~~other than a quality standard variation CPP~~), when the **disclosure year** immediately preceding the current **regulatory period** was a **starting price year**, is calculated in accordance with the formula–

*base year adjustment term + baseline adjustment term + one-year adjustment term 1 + one-year adjustment term 2 + one-year adjustment term 3*

where–

*base year adjustment term* means the amount calculated in accordance with clause 3.3.5;

*baseline adjustment term* means the amount calculated in accordance with clause 3.3.7(1);

*one-year adjustment term 1* means the amount calculated in accordance with clause 3.3.8(1);

*one-year adjustment term 2* means the amount calculated in accordance with clause 3.3.8(2); and

*one-year adjustment term 3* means the amount calculated in accordance with clause 3.3.8(3).

*Special case of a CPP following two consecutive starting price years*

- (6) The ‘adjustment to the opex incentive’ for an EDB subject to a ~~CPP (other than a quality standard variation CPP)~~, when the two **disclosure years** immediately preceding the current **regulatory period** were each a **starting price year**, is calculated in accordance with the formula—

*baseline adjustment term + one-year adjustment term 4 + one-year adjustment term 5 + one-year adjustment term 6 + one-year adjustment term 7 + one-year adjustment term 8 + one-year adjustment term 9*

where—

*baseline adjustment term* means the amount calculated in accordance with clause 3.3.7(2);

*one-year adjustment term 4* means the amount calculated in accordance with clause 3.3.9(1);

*one-year adjustment term 5* means the amount calculated in accordance with clause 3.3.9(2);

*one-year adjustment term 6* means the amount calculated in accordance with clause 3.3.9(3);

*one-year adjustment term 7* means the amount calculated in accordance with clause 3.3.9(4);

*one-year adjustment term 8* means the amount calculated in accordance with clause 3.3.9(5); and

*one-year adjustment term 9* means the amount calculated in accordance with clause 3.3.9(6).

**3.3.5 How to calculate the base year adjustment term**

A ‘base year adjustment term’ is calculated in accordance with the formula—

$$-\left(\frac{(\text{forecast opex}_{t-1} - \text{actual opex}_{t-1}) - (\text{forecast opex}_{t-2} - \text{actual opex}_{t-2})}{(1 + WACC)^4}\right)$$

where–

WACC means–

- (i) in the case of a DPP, the WACC as determined by the Commission and applicable to the ~~EDB's current CPP or DPP; or~~
- ~~(i)~~(ii) in the case of a CPP, the DPP WACC as determined by the Commission and as applicable to the CPP at the start of the EDB's current CPP regulatory period in accordance with clause 5.3.22;

*t-1* means the **disclosure year** immediately prior to the current **regulatory period**; and

*t-2* means the **disclosure year** commencing two years prior to the current **regulatory period**.

### 3.3.6 How to calculate the roll-over adjustment term

A 'roll-over adjustment term' is calculated in accordance with the formula–

(actual opex<sub>*t-2*</sub> – forecast opex<sub>*t*</sub>)

×

$((1-(1+WACC)^{-6})/WACC)$

×

$(1+WACC)^2$

where–

WACC means the **WACC** as determined by the **Commission** and applicable to the **EDB's current DPP**;

*t* means the first **disclosure year** of the current **regulatory period**; and

*t-2* means the **disclosure year** commencing two years prior to the current **regulatory period**.

### 3.3.7 How to calculate the baseline adjustment term applicable to CPP regulatory periods

- (1) For the purposes of subclause 3.3.4(3) and 3.3.4(5), 'baseline adjustment term' is calculated in accordance with the formula–

– (forecast opex<sub>*t-2*</sub> – actual opex<sub>*t-2*</sub>)

×

$((1-(1+WACC)^{-6})/WACC)$

×

$(1+WACC)^2$

where–

$t-2$  means the **disclosure year** commencing two years prior to the current **regulatory period**;

WACC means the **DPP WACC** as determined by the **Commission** and as applicable to the CPP at the start of the EDB's current CPP regulatory period in accordance with clause 5.3.22.~~to the EDB's current CPP regulatory period.~~

- (2) For the purposes of subclause 3.3.4(6), a 'baseline adjustment term' is calculated in accordance with the formula–

– (forecast opex <sub>$t-4$</sub>  – actual opex <sub>$t-2$</sub> )

×

$((1-(1+WACC)^{-6})/WACC)$

×

$(1+WACC)^2$

where–

$t-2$  means the **disclosure year** commencing two years prior to the current **regulatory period**;

$t-4$  means the **disclosure year** commencing four years prior to the current **regulatory period**; and

WACC means the DPP WACC as determined by the Commission and as applicable to the CPP at the start of the EDB's current CPP regulatory period in accordance with clause 5.3.22.

~~means the WACC as determined by the Commission and applicable to the EDB's current CPP regulatory period.~~

### 3.3.8 How to calculate adjustment terms applicable to regulatory periods preceded by a single starting price year

- (1) A 'one-year adjustment term 1' is calculated in accordance with the formula–

(actual opex <sub>$t-4$</sub>  – forecast opex <sub>$t-2$</sub> )

×

$(1+WACC)^2$

where–

WACC means-

(i) in the case of a DPP, the WACC as determined by the Commission and applicable to the DPP; or

(ii) in the case of a CPP, the DPP WACC as determined by the Commission and as applicable to the CPP at the start of the EDB's current CPP regulatory period in accordance with clause 5.3.22;

~~means the WACC as determined by the Commission and applicable to the EDB's current DPP or CPP;~~

*t*-2 means the **disclosure year** commencing two years prior to the current **disclosure year**; and

*t*-4 means the **disclosure year** commencing four years prior to the current **disclosure year**.

(2) A 'one-year adjustment term 2' is calculated in accordance with the formula–

$(\text{forecast opex}_{t-3} - \text{actual opex}_{t-3}) - (\text{forecast opex}_{t-4} - \text{actual opex}_{t-4})$

×

$((1 - (1 + \text{WACC})^{-4}) / \text{WACC})$

×

$(1 + \text{WACC})^2$

where–

WACC means-

(i) in the case of a DPP, the WACC as determined by the Commission and applicable to the DPP; or

(ii) in the case of a CPP, the DPP WACC as determined by the Commission and as applicable to the CPP at the start of the EDB's current CPP regulatory period in accordance with clause 5.3.22;

~~means the WACC as determined by the Commission and applicable to the EDB's current DPP or CPP;~~

*t*-3 means the **disclosure year** commencing three years prior to the current **disclosure year**; and

*t*-4 means the **disclosure year** commencing four years prior to the current **disclosure year**.

(3) A 'one-year adjustment term 3' is calculated in accordance with the formula–

$(\text{forecast opex}_{t-2} - \text{forecast opex}_{t-4}) / (1 + \text{WACC})^4$

where–



WACC means-

(i) in the case of a DPP, the WACC as determined by the Commission and applicable to the DPP; or

(ii) in the case of a CPP, the DPP WACC as determined by the Commission and as applicable to the CPP at the start of the EDB's current CPP regulatory period in accordance with clause 5.3.22;

~~means the WACC as determined by the Commission and applicable to the EDB's current DPP or CPP;~~

*t*-2 means the **disclosure year** commencing two years prior to the current **disclosure year**; and

*t*-4 means the **disclosure year** commencing four years prior to the current **disclosure year**.

### 3.3.9 How to calculate adjustment terms applicable to CPP regulatory periods preceded by two successive starting price years

(1) A 'one-year adjustment term 4' is calculated in accordance with the formula–

(actual opex<sub>*t*-5</sub> – forecast opex<sub>*t*-3</sub>)

×

(1+WACC)<sup>3</sup>

where–

WACC means the DPP WACC as determined by the Commission and as applicable to the CPP at the start of the EDB's current CPP regulatory period in accordance with clause 5.3.22;~~means the WACC as determined by the Commission and applicable to the EDB's current CPP;~~

*t*-3 means the **disclosure year** commencing three years prior to the current **disclosure year**; and

*t*-5 means the **disclosure year** commencing five years prior to the current **disclosure year**.

(2) A 'one-year adjustment term 5' is calculated in accordance with the formula–

(actual opex<sub>*t*-4</sub> – forecast opex<sub>*t*-2</sub>)

×

(1+WACC)<sup>2</sup>

where–

WACC means the DPP WACC as determined by the Commission and as applicable to the CPP at the start of the EDB's current CPP regulatory period in accordance with clause 5.3.22;~~means the WACC as determined by the Commission and applicable to the EDB's current CPP;~~

t-2 means the **disclosure year** commencing two years prior to the current **disclosure year**; and

t-4 means the **disclosure year** commencing four years prior to the current **disclosure year**.

(3) A 'one-year adjustment term 6' is calculated in accordance with the formula—

$(\text{actual opex}_{t-5} - \text{actual opex}_{t-4})$

×

$((1-(1+WACC)^{-4})/WACC)$

×

$(1+WACC)^3$

where—

WACC means the DPP WACC as determined by the Commission and as applicable to the CPP at the start of the EDB's current CPP regulatory period in accordance with clause 5.3.22;~~means the WACC as determined by the Commission and applicable to the EDB's current CPP;~~

t-4 means the **disclosure year** commencing four years prior to the current **disclosure year**; and

t-5 means the **disclosure year** commencing five years prior to the current **disclosure year**.

(4) A 'one-year adjustment term 7' is calculated in accordance with the formula—

$(\text{actual opex}_{t-4} - \text{actual opex}_{t-3})$

×

$((1-(1+WACC)^{-4})/WACC)$

×

$(1+WACC)^2$

where—

WACC means the DPP WACC as determined by the Commission and as applicable to the CPP at the start of the EDB's current CPP regulatory period in accordance with clause 5.3.22;~~means the WACC as determined by the Commission and applicable to the EDB's current CPP;~~

*t-3* means the **disclosure year** commencing three years prior to the current **disclosure year**; and

*t-4* means the **disclosure year** commencing four years prior to the current **disclosure year**.

(5) A 'one-year adjustment term 8' is calculated in accordance with the formula—

$$(\text{actual opex}_{t-2} - \text{actual opex}_{t-3}) / (1+WACC)^4$$

where—

WACC means the DPP WACC as determined by the Commission and as applicable to the CPP at the start of the EDB's current CPP regulatory period in accordance with clause 5.3.22;~~means the WACC as determined by the Commission and applicable to the EDB's current CPP;~~

*t-2* means the **disclosure year** commencing two years prior to the current **disclosure year**; and

*t-3* means the **disclosure year** commencing three years prior to the current **disclosure year**.

(6) A 'one-year adjustment term 9' is calculated in accordance with the formula—

$$(\text{forecast opex}_{t-5} - \text{forecast opex}_{t-4})$$

×

$$((1/(1+WACC))^4 + 1/(1+WACC)^2 - (1+WACC)^2)$$

where—

WACC means the DPP WACC as determined by the Commission and as applicable to the CPP at the start of the EDB's current CPP regulatory period in accordance with clause 5.3.22;~~means the WACC as determined by the Commission and applicable to the EDB's current CPP;~~

*t-4* means the **disclosure year** commencing four years prior to the current **disclosure year**; and

*t-5* means the **disclosure year** commencing five years prior to the current **disclosure year**.

### SECTION 3 Capital expenditure incentives

#### 3.3.10 How to calculate capex incentive amounts

(1) A **capex incentive amount** must be calculated for each **disclosure year** of a **DPP regulatory period** irrespective of whether the **EDB** in question is subject to a **CPP** or a **DPP** during that **DPP regulatory period**, subject to subclause (3).

(2) The 'capex incentive amount' for a **disclosure year** is—

(a) the amount calculated in accordance with the following formula for a **disclosure year** in the **DPP regulatory period** other than the first **disclosure year**—

$$\left( \frac{\text{capex wash-up} + \text{retention adjustment}}{l - 1} \right) \times (1 + r)^{y+0.5}$$

where—

*l* is the number of **disclosure years** in the **DPP regulatory period**;

*r* is the **cost of debt** applying to the **DPP** or **CPP** in question; and

*y* is the number of **disclosure years** preceding the **disclosure year** in question in the **DPP regulatory period**; and

(b) nil-

(i) for the first **disclosure year** of the **DPP regulatory period**; and

(ii) for a **disclosure year** in a **DPP regulatory period** which commences prior to 1 April 2020.

(3) A **capex incentive amount** shall not be calculated:

(a) by Orion New Zealand Limited, for any **disclosure year** in a **regulatory period** commencing on, or prior to, 1 April 2020; and

(b) by any other **EDB**, for any **disclosure year** in a **DPP regulatory period** commencing prior to 1 April 2020.

#### 3.3.11 How to calculate the capex wash-up

(1) The 'capex wash-up' is an amount equal to the present value of the differences in the series of building blocks allowable revenues before tax for the preceding **DPP regulatory period**, subject to subclause (2) and clauses 3.3.13 and 3.3.14 from adopting—

- (a) the sum of the **value of commissioned assets** for each **disclosure year** of that preceding **DPP regulatory period**,

instead of–

- (b) for each **disclosure year** of the preceding **DPP regulatory period** in which the **EDB** was subject to a **DPP**, the **forecast aggregate value of commissioned assets** determined by the **Commission** in respect of those **disclosure years**; and
- (c) for each **disclosure year** of the preceding **DPP regulatory period** in which the **EDB** was subject to a **CPP**, the sum of the **forecast value of commissioned assets** determined by the **Commission** in respect of those **disclosure years**.

(2) For the purpose of subclause (1)–

- (a) the present value must be determined by discounting the series of building blocks allowable revenues before tax to the end of the preceding **DPP regulatory period** using a discount rate equal to the **WACC** applied by the **Commission** in setting prices for each **disclosure year** for the relevant **DPP** or **CPP** in the preceding **DPP regulatory period**;
- (b) the series of building blocks allowable revenues before tax for each **disclosure year** of the preceding **DPP regulatory period** must–
  - (i) be calculated using the same methodology that was applied by the **Commission** in setting starting prices for the **EDB** for the relevant **DPP** or **CPP**, subject to subparagraphs (ii) and (iii);
  - (ii) for the purpose of subparagraph (i), adopt the sum of **depreciation** calculated under Part 2 in respect of each **disclosure year** for assets having a **commissioning date** in the preceding **DPP regulatory period**; and
  - (iii) for the purpose of subparagraph (i), adopt the same values for all other inputs to the calculation of building blocks allowable revenues before tax; and
- (c) where the series of building blocks allowable revenues before tax from adopting the sum of **value of commissioned assets** exceed the series of building blocks allowable revenues before tax from using the forecast values of commissioned assets (as determined using the **forecast aggregate value of commissioned assets** for each **disclosure year** in which the **EDB** was subject to a **DPP** and sum of the **forecast value of commissioned assets** for each **disclosure year** in which the **EDB** was subject to a **CPP** ~~(other than a quality standard variation CPP)~~) then the difference is a positive amount of capex wash-up; and
- (d) where the series of building blocks allowable revenues before tax from adopting the sum of **value of commissioned assets** is less than the series

of building blocks allowable revenues before tax from using the forecast value of commissioned assets (as determined using the **forecast aggregate value of commissioned assets** for each **disclosure year** in which the **EDB** was subject to a **DPP** and sum of the **forecast value of commissioned assets** for each **disclosure year** in which the **EDB** was subject to a **CPP** (~~other than a quality standard variation CPP~~)) then the difference is a negative amount of capex wash-up.

### 3.3.12 How to calculate the retention adjustment

- (1) The 'retention adjustment' is calculated in accordance with the formula—  
*(PV of forecast commissioned asset values – PV of actual commissioned asset values) x retention factor.*
- (2) 'PV of forecast commissioned asset values' is an amount equal to the sum of—
  - (a) the present value, as at the end of the preceding **DPP regulatory period**, of the **forecast aggregate value of commissioned assets** for each **disclosure year** of the preceding **DPP regulatory period** for which the **EDB** was subject to a **DPP**; and
  - (b) the present value, as at the end of the preceding **DPP regulatory period**, of the sum of the **forecast value of commissioned assets** for each **disclosure year** of the preceding **DPP regulatory period** for which the **EDB** was subject to a **CPP**.
- (3) 'PV of actual commissioned asset values' is the present value, as at the end of the preceding **DPP regulatory period**, of the **value of commissioned asset** calculated in accordance with Part 2 for every asset that was **commissioned** during the preceding **DPP regulatory period**.

## SECTION 4 Price-quality path amendments and other events

### 3.3.13 Calculating alternative incentive adjustments following price-quality path transitions

- (1) Where a price-quality path is amended following—
  - (a) a **catastrophic event**;
  - (b) a **change event**;
  - (c) an **error event**; or
  - (d) provision of **false or misleading information** under clause 4.5.64(1)(a)(ve) or 5.6.74(54),

the **forecast opex** and **forecast aggregate value of commissioned assets** required to be used by the **EDB** to calculate the **amount carried forward** for the **disclosure year** in which the event occurred and each subsequent **disclosure year** prior to the effective date of the amendment to the price-quality path, is the amount specified by the **Commission** in the amended **DPP determination** or amended **CPP determination**.

- (2) An **EDB** subject to a **CPP** ~~(other than a quality standard variation CPP)~~ must calculate the **amount carried forward** for each **disclosure year** of the preceding **DPP regulatory period** applicable to the **EDB** using any alternative **forecast opex** and **forecast aggregate value of commissioned assets** specified by the **Commission** in the **CPP determination**.
- (3) Following expiration of a **CPP** ~~(other than a quality standard variation CPP)~~ applicable to the **EDB**, the **EDB** must calculate the **amount carried forward** for each remaining **disclosure year** of the current **DPP regulatory period** using any **forecast opex** and **forecast aggregate value of commissioned assets** notified by the **Commission**, unless the **EDB** becomes subject to a new **CPP**.

### 3.3.14 Calculating incentive adjustments for other events

Where an event that is—

- (a) an **amalgamation**;
- (b) a merger (as defined in a **DPP determination**);
- (c) a **major transaction** ~~(as defined in a DPP determination)~~; or
- (d) an alteration to Part 2 or **ID determination** requirements affecting the quantification of **operating costs** allocated to electricity distribution services or a **value of commissioned asset**,

occurs in a **disclosure year** and—

- (e) the **Commission** considers; or
- (f) the **EDB** in question satisfies the **Commission** upon application,

that the event has, or is likely to have, a material effect on the calculation of the **opex incentive amount** or **capex incentive amount** that would otherwise have been required to be calculated by the **EDB** then—

- (g) the **forecast opex**; and
- (h) either—
  - (i) **forecast aggregate value of commissioned assets**; or
  - (ii) sum of the **forecast value of commissioned assets**,

required to be used by the **EDB** to calculate the **amount carried forward** for that **disclosure year** and each subsequent **disclosure year** in the **regulatory period** may be determined by the **Commission**, and notified to the **EDB**, in order to preserve, to the extent appropriate—

- (i) the correct outcomes for expenditure efficiencies achieved before the event; and
- (j) the relevant incentive properties after the event.

## SECTION 5 Transitional provisions

### 3.3.15 Calculation of annual incremental changes and adjustment term

- (1) The incremental change for the first **disclosure year** of a **CPP regulatory period** commencing prior to 27 November 2014 is determined as the difference between **allowed controllable opex** and **actual controllable opex**.
- (2) The incremental change for a **disclosure year** of a **CPP regulatory period** commencing prior to 27 November 2014 other than the **first** or final **disclosure year** must be determined in accordance with the formula-

$$(\text{allowed controllable opex}_t - \text{actual controllable opex}_t) - (\text{allowed controllable opex}_{t-1} - \text{actual controllable opex}_{t-1}),$$

where-

$t$  means the **disclosure year** in question; and

$t-1$  means the **disclosure year** preceding the **disclosure year** in question.

- (3) The incremental change for the final **disclosure year** of the **CPP regulatory period** commencing prior to 27 November 2014 is treated as nil.
- (4) The incremental adjustment term is determined-

- (a) in the next **disclosure year** following a **CPP regulatory period** commencing prior to 27 November 2014; and
- (b) by applying the **inflation rate** to the result of the formula-

$$(\text{allowed controllable opex}_{t-1} - \text{actual controllable opex}_{t-1}) - (\text{allowed controllable opex}_{t-2} - \text{actual controllable opex}_{t-2})$$

where-

$t-1$  means the final **disclosure year** of the preceding **CPP regulatory period** commencing prior to 27 November 2014; and

$t-2$  means the penultimate **disclosure year** of the preceding **CPP regulatory period** commencing prior to 27 November 2014.

- (5) Inflation rate means the amount determined in accordance with the formula-

$$[(CPI_1 + CPI_2 + CPI_3 + CPI_4) \div (CPI_1^{-4} + CPI_2^{-4} + CPI_3^{-4} + CPI_4^{-4})] - 1,$$

where-

$CPI_n$  means **forecast CPI for IRIS transitional provision** for the nth quarter of the **disclosure year** in question; and

$CPI_n^{-4}$  means **forecast CPI for IRIS transitional provision** for the equivalent quarter in the preceding **disclosure year**.



(6) For the purpose of clause 3.3.15, 'forecast CPI for IRIS transitional provision' means CPI, unless CPI does not apply to the quarter in question, in which case it means the most recent CPI extended by-

(a) in the case of a quarter for which a forecast of the annual percent change in the headline CPI contained in the current Monetary Policy Statement issued by the Reserve Bank of New Zealand has been made, that forecast; and

(b) in respect of later quarters, a constant annual percent change equal to the arithmetic mean of the values forecast in the most recent four quarters in respect of which a forecast has been made in the current Monetary Policy Statement issued by the Reserve Bank of New Zealand.

### 3.3.16 Determination of amount to be taken into account as a recoverable cost

- (1) Each incremental change determined in accordance with clause 3.3.15 and **incremental adjustment term** is notionally carried forward, subject to clause 3.3.17, from the **disclosure year** in respect of which it is determined into each of the subsequent 5 **disclosure years** by applying the **inflation rate**.
- (2) In each of the **disclosure years** after a **CPP regulatory period** into which an amount has been carried pursuant to subclause (1), a net balance must be determined by addition of-
  - (a) any incremental changes carried into that **disclosure year** from a preceding **CPP regulatory period**; and
  - (b) any **incremental adjustment term** carried into that **disclosure year**.

### 3.3.17 Calculating gains and losses after a catastrophic event

Where-

- (a) a price-quality path is amended pursuant to clause 5.6.85 by reason of a **catastrophic event**; and
- (b) incremental changes calculated in the remaining **disclosure years** of the **regulatory period** in accordance with clauses 3.3.15(1) and 3.3.15(2) are negative,

clause 3.3.16(1) does not apply to those incremental changes.

## PART 4 INPUT METHODOLOGIES FOR DEFAULT PRICE-QUALITY PATHS

### SUBPART 1 Cost allocation

#### 4.1.1 Allocation of operating costs and asset costs

- (1) **Operating expenditure** forecast for an **EDB** must be determined by the **Commission** consistent with the allocation by the **EDB** of **operating costs** to **electricity distribution services** for the **base year** in accordance with clause 2.1.1.
- (2) **Capital expenditure** forecast to be the **forecast aggregate value of commissioned assets** will be included in the **aggregate closing RAB for additional assets**, but only to the extent that the **forecast value of commissioned assets** is consistent with the value found after the application of clause 2.1.1.

### SUBPART 2 Asset Valuation

#### 4.2.1 RAB values and roll forward

- (1) Total opening RAB value for a **disclosure year** means the sum of-
  - (a) **aggregate opening RAB value for existing assets** calculated under subclause (2); and
  - (b) **aggregate opening RAB value for additional assets** calculated under subclause (4) for those **additional assets** which have a **forecast aggregate value of commissioned assets** determined for a prior **disclosure year** occurring after the **base year**.
- (2) Aggregate opening RAB value for existing assets means, for-
  - (a) the **base year**, the sum of each 'opening RAB value' for all assets calculated in accordance with Part 2 for that **disclosure year**; and
  - (b) each **disclosure year** thereafter, the **aggregate closing RAB value for existing assets** for the preceding **disclosure year**.
- (3) Aggregate closing RAB value for existing assets means, for-
  - (a) the **base year**, the sum of each 'closing RAB value' for all assets calculated in accordance with Part 2 for that **disclosure year**; and
  - (b) each **disclosure year** thereafter, the value determined in accordance with the formula-

**aggregate opening RAB value for existing assets – depreciation for existing assets + revaluation for existing assets – forecast aggregate value of disposed assets.**

- (4) Aggregate opening RAB value for additional assets means the **aggregate closing RAB value for additional assets** for the preceding **disclosure year**.
- (5) Aggregate closing RAB value for additional assets means, for-
- (a) **additional assets** in respect of the **disclosure year** for which their **forecast aggregate value of commissioned assets** is determined, the **forecast aggregate value of commissioned assets**; and
  - (b) **additional assets** for a **disclosure year** following that for which their **forecast aggregate value of commissioned assets** is determined, the value determined for those **additional assets** in accordance with the formula-

**aggregate opening RAB value for additional assets – depreciation for additional assets + revaluation for additional assets.**

#### 4.2.2 Total depreciation

- (1) Total depreciation means the sum of depreciation for **existing assets** and **additional assets** calculated under subclause (2).
- (2) For the purpose of subclause (1), 'depreciation' means, subject to subclause (3), in the case of-
- (a) **existing assets** of the **EDB**, for-
    - (i) the **base year**, the sum of all amounts of 'depreciation' determined in accordance with Part 2 for that **disclosure year**; and
    - (ii) each **disclosure year** thereafter, the value determined in accordance with the formula-  
 $[1 \div \textit{remaining asset life for existing assets}] \times \textbf{aggregate opening RAB value for existing assets}$ ; and
  - (b) **additional assets** of the **EDB**, the value determined in accordance with the formula-  
 $[1 \div \textit{remaining asset life for additional assets}] \times \textbf{aggregate opening RAB value for additional assets}$ .
- (3) For the purpose of subclause (2)-
- (a) 'remaining asset life for existing assets' for a **disclosure year** means-
- (i) the value determined in accordance with the formula-

**aggregate opening RAB value for existing assets for the base year ÷ total depreciation for the base year;**

less the number of **disclosure years** from the **base year** to the **disclosure year** in question; or

(ii) subject to subclauses (c) to (e), the value determined in accordance with the formula–

*adjustment factor* \* (aggregate opening RAB value for existing assets for the base year ÷ total depreciation for the base year)

less the number of disclosure years from the base year to the disclosure year in question; and

(b) for the purposes of subclause (2)(a), 'remaining asset life for additional assets' for a disclosure year means 45 years less the number of disclosure years from the disclosure year for which the forecast aggregate value of commissioned assets for the relevant additional assets is determined to the disclosure year in question;

(c) the Commission may, subject to subclause (d), apply an average adjustment factor across all assets of not lower than 0.85, nor higher than 1;

(d) the EDB has, by notice in writing to the Commission prior to the commencement of the base year–

(i) proposed an adjustment factor to be applied by the Commission of not lower than 0.85, nor higher than 1;

(ii) explained why applying an adjustment factor of the level proposed in subclause (i) would be consistent with s 52A of the Act;

(iii) described any consultation it has undertaken with interested persons on the proposed adjustment factor and, if relevant, explained how it has taken into account any issues raised; and

~~(b)~~(e) the Commission has not previously applied an adjustment factor under this subclause.

#### 4.2.3 Total revaluation

- (1) Total revaluation means the sum of revaluation for **existing assets** and **additional assets** calculated under subclause (2).
- (2) For the purpose of subclause (1), 'revaluation' means, subject to subclause (3), in the case of-
  - (a) **existing assets**, the value determined in accordance with the formula-  
$$(\text{aggregate opening RAB value for existing assets} \times 0.999 - \text{forecast aggregate value of disposed assets}) \times \text{revaluation rate};$$
 and
  - (b) **additional assets**, the value determined in accordance with the formula-

**aggregate opening RAB value for additional assets** × *revaluation rate*.

- (3) For the purpose of subclause (2), 'revaluation rate' means, in respect of a **disclosure year**, the amount determined in accordance with the formula-

$$(CPI_4 \div CPI_4^{-4}) - 1,$$

where-

$CPI_4$  means **forecast CPI for DPP revaluation** for the quarter that coincides with the end of the **disclosure year**; and

$CPI_4^{-4}$  means **forecast CPI for DPP revaluation** for the quarter that coincides with the end of the preceding **disclosure year**.

- (4) For the purpose of subclause (3), 'forecast CPI for DPP revaluation' means-

- (a) for a quarter prior to the quarter for which the vanilla **WACC** applicable to the relevant **DPP regulatory period** was determined, **CPI** as per paragraph (a) of the 'CPI' definition and excluding any adjustments made under paragraph (b) of the **CPI** definition arising as a result of an event that occurs after the issue of the Monetary Policy Statement referred to in paragraph (b) below;
- (b) for each later quarter for which a forecast of the change in headline **CPI** has been included in the Monetary Policy Statement last issued by the Reserve Bank of New Zealand prior to the date for which the vanilla **WACC** applicable to the relevant **DPP regulatory period** was determined, the **CPI** last applying under paragraph (a) extended by the forecast change; and
- (c) in respect of later quarters, the forecast last applying under paragraph (b) adjusted such that an equal increment or decrement made to that forecast for each of the following three years results in the forecast for the last of those years being equal to the target midpoint for the change in headline **CPI** set out in the Monetary Policy Statement referred to in paragraph (b).

#### 4.2.4 Revaluation treated as income

**Total revaluation**, for the purpose of determining profitability, must be treated as income.

#### 4.2.5 Forecast aggregate value of commissioned assets

Forecast aggregate value of commissioned assets means the forecast cost of **additional assets** if **GAAP** were to be applied to determine the cost of the assets to the **EDB** in the **disclosure year** in question, and is equal to forecast **capital expenditure** for the relevant **disclosure year** as determined by the **Commission**.

#### 4.2.6 Forecast aggregate value of disposed assets

Forecast aggregate value of disposed assets means the value of assets forecast to be **disposed** of by an **EDB** in the **disclosure year** in question, and is equal to the portion of the forecast **aggregate opening RAB value for existing assets** relating to assets forecast to be **disposed** of for the **disclosure year** in question as determined by the **Commission**.

### SUBPART 3 **Treatment of taxation**

#### 4.3.1 Regulatory tax allowance

- (1) Regulatory tax allowance is, where regulatory net taxable income is-
  - (a) nil or a positive number, the **tax effect** of regulatory net taxable income; and
  - (b) a negative number, nil.
- (2) For the purpose of subclause (1), 'regulatory net taxable income' means, subject to subclause (3), regulatory taxable income less utilised tax losses.
- (3) For the purpose of subclause (2), 'regulatory taxable income' means, subject to subclause (4), the amount determined in accordance with the formula-  
$$\text{regulatory profit / (loss) before tax} + \text{regulatory tax adjustments.}$$
- (4) For the purpose of subclause (3), 'regulatory profit / (loss) before tax' is the amount determined in accordance with the following formula-  
$$\text{allowable revenue before tax} + \text{other regulated income} - \text{operating expenditure} - \text{total depreciation.}$$

#### 4.3.2 Tax losses

- (1) Utilised tax losses means opening tax losses, subject to subclause (2).
- (2) For the purpose of subclause (1), utilised tax losses may not exceed **regulatory taxable income**.
- (3) In this clause-
  - (a) 'opening tax losses' for a **disclosure year** means closing tax losses for the preceding **disclosure year**; and
  - (b) 'closing tax losses' means, for-
    - (i) the **base year**, the 'closing tax losses' determined in accordance with Part 2 for that **disclosure year**; and
    - (ii) each **disclosure year** thereafter, the amount determined in accordance with the formula, in which each term is an absolute value:

**opening tax losses + current period tax losses – utilised tax losses.**

- (4) For the purpose of subclause (3)(b)(ii), 'current period tax losses' is, where **regulatory taxable income** is-
- (a) nil or a positive number, nil; and
  - (b) a negative number, **regulatory taxable income**.

#### 4.3.3 Regulatory tax adjustments

- (1) Regulatory tax adjustments are determined, subject to subclauses (2) and (3), in accordance with the formula-

**amortisation of initial differences in asset values + amortisation of revaluations – notional deductible interest.**

- (2) For the purpose of subclause (1), 'notional deductible interest' means the amount determined in accordance with the formula–

**((opening investment value x leverage x cost of debt) + term credit spread differential allowance)**

÷

**v(1 + cost of debt).**

- (3) For the purpose of subclause (1), 'amortisation of initial differences in asset values' is determined in accordance with Part 2 as of the **base year**.
- (4) For the purpose of subclause (2), 'opening investment value' means the amount obtained in accordance with the formula-

**total opening RAB value + opening deferred tax.**

- (5) For the purpose of subclause (1), 'amortisation of revaluations' in relation to an **EDB** for a **disclosure year** is calculated in accordance with the formula-

**total depreciation – adjusted depreciation.**

#### 4.3.4 Deferred tax

- (1) Opening deferred tax means, for-
- (a) the **base year**, the 'opening deferred tax' determined in accordance with Part 2 for that **disclosure year**; and
  - (b) each **disclosure year** thereafter, closing deferred tax for the preceding **disclosure year**.
- (2) For the purpose of subclause (1)(b), 'closing deferred tax' is determined in accordance with the formula-

**opening deferred tax + tax effect of depreciation temporary differences – tax effect of amortisation of initial differences in asset values.**

#### 4.3.5 Depreciation temporary differences

- (1) Depreciation temporary differences means, subject to subclause (2), the amount determined in accordance with the formula-

**adjusted depreciation – tax depreciation.**

- (2) For the purpose of subclause (1), 'tax depreciation' for a **disclosure year** means, for-
- (a) the **base year**, the 'tax depreciation' determined in accordance with Part 2 for that **disclosure year**; and
  - (b) each **disclosure year** thereafter, subject to subclause (3), determined in accordance with the formula-

*total opening regulatory tax asset value × average DV rate.*

- (3) For the purpose of subclause (2)-

- (a) 'total opening regulatory tax asset value' for a **disclosure year** means, for-
  - (i) the **base year**, the sum of each 'regulatory tax asset value' determined in accordance with Part 2 for that **disclosure year**; and
  - (ii) each **disclosure year** thereafter, the total closing regulatory tax asset value for the preceding **disclosure year**;
- (b) 'average DV rate' is the amount determined in accordance with the formula-

*tax depreciation for the **base year** ÷ total opening regulatory tax asset value for the **base year**; and*

- (c) 'total closing regulatory tax asset value' means the amount determined in accordance with the formula-

*total opening regulatory tax asset value – tax depreciation + forecast aggregate value of commissioned assets.*

## SUBPART 4 **Cost of capital**

### 4.4.1 Methodology for estimating the weighted average cost of capital

- (1) The **Commission** will determine a mid-point estimate of vanilla **WACC**-
- (a) as of the first **business day** of the month 7 months prior to the start of each **DPP regulatory period**;
  - (b) in respect of a 5 year period;
  - (c) ~~subject to subclause (2) and clause 4.4.10,~~ no later than 6 months prior to the start of each **DPP regulatory period**; and



(d) in accordance with the formula-

$$r_d L + r_e(1 - L).$$

(2) The Commission will determine a mid-point estimate of post-tax WACC –

(a) as of the first **business day** of the month 7 months prior to the start of each **DPP regulatory period**;

(b) in respect of a 5 year period;

(c) no later than 6 months prior to the start of each **DPP regulatory period**;

and

(d) in accordance with the formula-

$$r_d(1 - T_c)L + r_e(1 - L).$$

~~(2) The Commission will estimate or determine, as the case may be, the amounts or values-~~

~~(a) to which this subclause applies; and~~

~~(b) in respect of the **DPP regulatory period** applying at the date this determination comes into force,~~

~~as soon as practicable after this determination comes into force.~~

(3) In this clause-

$L$  is **leverage**;

$r_d$  is the cost of debt and is estimated in accordance with the formula:

$$r_f + p + d;$$

$r_e$  is the cost of equity and is estimated in accordance with the formula:

$$r_f(1 - T_i) + \beta_e TAMRP;$$

$T_c$  is the average corporate tax rate;

$r_f$  is the risk-free rate;

$p$  is the **average debt premium**;

$d$  is the debt issuance costs;

$T_i$  is the average investor tax rate;

$\beta_e$  is the equity beta; and

$TAMRP$  is the tax-adjusted market risk premium.

(4) For the purpose of this clause-

(a) the average investor tax rate, the average corporate tax rate, the equity beta, the debt issuance costs and the tax-adjusted market risk premium

are the amounts specified in or determined in accordance with clause 4.4.2; and

- (b) the risk-free rate must be estimated in accordance with clause 4.4.3.

#### 4.4.2 Fixed WACC parameters

- (1) Leverage is 42.44%.
- (2) ~~The 'Average investor tax rate'~~ is the average of the investor tax rates that, as at the date that the estimation is made, will apply to each of the **disclosure years** in the 5 year period commencing on the first day of the **DPP regulatory period** in question.
- (3) For the purpose of subclause (2), 'investor tax rate' is, for each disclosure year, the maximum prescribed investor rate applicable at the start of the regulatory period to an individual who is-
- ~~(a) for the disclosure year 2011, 29%; and~~
  - ~~(b) for a disclosure year thereafter, the maximum prescribed investor rate that will apply at the start of that disclosure year to an individual who is-~~
  - ~~(c)(a) resident in New Zealand; and~~
  - ~~(d)(b) an investor in a multi-rate PIE.~~
- (4) The 'average corporate tax rate' is the average of the corporate tax rates that, as at the date that the estimation is made, will apply during the 5 year period commencing on the first day of the DPP regulatory period in question.
- ~~(4)(5) The 'Equity beta' is 0.600-61.~~
- ~~(5)(6) The 'Debt issuance costs' are 0.235%.~~
- ~~(6)(7) The 'Tax-adjusted market risk premium' is, for a 5 year period commencing on the first day of the DPP regulatory period, 7.0%.~~
- ~~(a) the disclosure year 2011, 7.1%; and~~
  - ~~(b) a disclosure year thereafter, 7.0%.~~

#### 4.4.3 Methodology for estimating risk-free rate

The **Commission** will estimate a risk-free rate-

- (a) as of the first **business day** of the month 7 months prior to the start of each **DPP regulatory period**;
- (b) in respect of a 5 year period; and
- (c) ~~subject to clause 4.4.1(2) and clause 4.4.10,~~ no later than 6 months prior to the start of each **DPP regulatory period**,

by-

- (d) obtaining, for notional benchmark New Zealand government New Zealand dollar denominated nominal bonds, the wholesale market linearly interpolated bid yield to maturity for a residual period to maturity equal to 5 years on each **business day** in the 3 month period of 8 to 10 months prior to the start of the **DPP regulatory period**;

- (e) calculating the annualised interpolated bid yield to maturity for each **business day**; and
- (f) calculating the un-weighted arithmetic average of the daily annualised interpolated bid yields to maturity.

#### 4.4.4 Methodology for estimating average debt premium

(1) The Commission will determine an estimate of an amount for the average debt premium-

- (a) for each DPP regulatory period; and
- (b) no later than 6 months prior to the start of each DPP regulatory period.

(2) For the purpose of subclause (1), 'average debt premium' means the simple arithmetic average of the five debt premium values estimated in accordance with clause 2.4.4(6) for-

- (a) the current debt premium reference year; and
- (b) the four previous debt premium reference years.

(3) For the debt premium reference year 2017 or earlier, the following debt premium values apply-

- (a) 2013 = 2.24%;
- (b) 2014 = 2.04%;
- (c) 2015 = 1.76%;
- (d) 2016 = 1.59%; and
- (e) 2017 = 1.59%.

~~(1) Debt premium means the spread between-~~

- ~~(a) the bid yield to maturity on vanilla NZ\$ denominated bonds that-~~
  - ~~(i) are issued by an EDB or a GPB;~~
  - ~~(ii) are publicly traded;~~
  - ~~(iii) have a qualifying rating of grade BBB+; and~~
  - ~~(iv) have a remaining term to maturity of 5 years; and~~
- ~~(b) the contemporaneous interpolated bid yield to maturity of notional benchmark New Zealand government New Zealand dollar denominated nominal bonds having a remaining term to maturity of 5 years.~~

~~(2) The Commission will estimate an amount for the debt premium-~~

- ~~(a) for each DPP regulatory period; and~~
- ~~(b) subject to clause 4.4.1(2) and clause 4.4.10, no later than 6 months prior to the start of each DPP regulatory period.~~

~~(3) The debt premium will be estimated as of the first business day of the month 7 months prior to the start of each DPP regulatory period by-~~

- ~~(a) identifying publicly traded **vanilla NZ\$ denominated bonds** issued by a **qualifying issuer** that are
 
  - ~~(i) investment grade credit rated; and~~
  - ~~(ii) of a type described in the paragraphs of subclause (4);~~~~
- ~~(b) in respect of each bond identified in accordance with paragraph (a)
 
  - ~~(i) obtaining its wholesale market annualised bid yield to maturity;~~
  - ~~(ii) calculating by linear interpolation with respect to maturity, the contemporaneous wholesale market annualised bid yield to maturity for a notional benchmark New Zealand government New Zealand dollar denominated nominal bond with the same remaining term to maturity; and~~
  - ~~(iii) calculating its contemporaneous interpolated bid to bid spread over notional benchmark New Zealand government New Zealand dollar denominated nominal bonds with the same remaining term to maturity, by deducting the yield calculated in accordance with subparagraph (ii) from the yield obtained in accordance with subparagraph (i);~~

~~for each **business day** in the month 8 months prior to the start of the **DPP regulatory period**;~~~~
- ~~(c) calculating, for each bond identified in accordance with paragraph (a), the un-weighted arithmetic average of the daily spreads identified in accordance with paragraph (b)(iii); and~~
- ~~(d) subject to subclause (4), estimating, by taking account of the average spreads identified in accordance with paragraph (c), the average spread that would reasonably be expected to apply to a **vanilla NZ\$ denominated bond** that
 
  - ~~(i) is issued by an **EDB** or a **GPB** that is neither majority owned by the Crown nor a **local authority**;~~
  - ~~(ii) is publicly traded;~~
  - ~~(iii) has a **qualifying rating** of grade BBB+; and~~
  - ~~(iv) has a remaining term to maturity of 5 years.~~~~

~~(4) For the purpose of subclause (3)(d), the **Commission** will have regard, subject to subclause (5), to the spreads observed on the following types of **vanilla NZ\$ denominated bonds** issued by a **qualifying issuer**:~~

- ~~(a) those that
 
  - ~~(i) have a **qualifying rating** of grade BBB+; and~~
  - ~~(ii) are issued by an **EDB** or a **GPB** that is neither majority owned by the Crown nor a **local authority**;~~~~

- ~~(b) those that~~
  - ~~(i) have a **qualifying rating** of grade **BBB+**; and~~
  - ~~(ii) are issued by an entity other than an **EDB** or a **GPB** that is neither majority owned by the Crown nor a **local authority**;~~
- ~~(c) those that~~
  - ~~(i) have a **qualifying rating** of a grade different to **BBB+**; and~~
  - ~~(ii) are issued by an **EDB** or a **GPB** that is neither majority owned by the Crown nor a **local authority**;~~
- ~~(d) those that~~
  - ~~(i) have a **qualifying rating** of a grade different to **BBB+**; and~~
  - ~~(ii) are issued by an entity, other than an **EDB** or a **GPB** that is neither majority owned by the Crown nor a **local authority**; and~~
- ~~(e) those that are~~
  - ~~(i) **investment grade credit rated**; and~~
  - ~~(ii) issued by an entity that is majority owned by the Crown or a **local authority**.~~

~~(5) For the purpose of subclause (4)~~

- ~~(a) progressively lesser regard will ordinarily be given to the spreads observed on the bond types described in subclause (4) in accordance with the order in which the bond types are described;~~
- ~~(b) the spread on any bond of the type described in subclause (4) that has a remaining term to maturity of less than 5 years will ordinarily be considered to be the minimum spread that would reasonably be expected to apply on an equivalently credit-rated bond issued by the same entity with a remaining term to maturity of 5 years; and~~
- ~~(c) the **Commission** will adjust spreads observed on bonds described under subclauses (4)(b) to (4)(e) to approximate the spread that is likely to have been observed had the bonds in question been of the type described in subclause (4)(a).~~

#### ~~4.4.5 Standard error of debt premium~~

~~(1) The **Commission** will estimate an amount for a **standard error** of a **debt premium**~~

- ~~(a) subject to clause 4.4.1(2) and clause 4.4.10, no later than 6 months prior to the start of each **DPP regulatory period**; and~~
- ~~(b) as either~~
  - ~~(i) the result of the formula specified in subclause (2); or~~
  - ~~(ii) 0.0015;~~

whichever is the greater.

~~(2) For the purpose of subclause (1)(b)(i), the formula is~~

$$\sqrt{\frac{1}{N-1} \sum_{i=1}^N (p_i - \bar{p})^2}$$

where

~~$N$  is the number of **qualifying issuers** issuing bonds of the type described in the subparagraphs of clause 4.4.4(3)(d);~~

~~$p_i$  is each **qualifying issuer's** arithmetic average spread for its bonds of the type described in the subparagraphs of clause subclause 4.4.4(3)(d); and~~

~~$\bar{p}$  is the **debt premium**,~~

~~provided that for the purposes of determining  $N$  and  $p_i$ , no regard may be had to any bonds of the types described in clauses 4.4.4(4)(b) to 4.4.4(4)(e).~~

#### 4.4.6 Methodology for estimating the WACC standard error

The **Commission** will determine **standard errors** for **mid-point estimates of WACC**

~~(a) subject to clause 4.4.1(2) and clause 4.4.10, no later than 6 months prior to the start of each **DPP regulatory period**; and~~

~~(b) in accordance with the formula~~

$$\sqrt{0.00003 + 0.0169E^2(TAMRP) + 0.1936\text{var}(\hat{p})}$$

where

~~$E^2(TAMRP)$  is the square of the tax-adjusted market risk premium determined in accordance with clause 4.4.2(6); and~~

~~$\text{var}(\hat{p})$  is the square of the **standard error** of the **debt premium** determined in accordance with clause 4.4.5.~~

#### 4.4.74.4.5 Methodology for estimating the 67th percentile estimate of vanilla WACC

(1) The **Commission** will determine estimate a 67<sup>th</sup> percentile estimate of vanilla 67<sup>th</sup> percentile estimate of WACC

(a) for each **DPP regulatory period**; and

(b) ~~subject to clause 4.4.10,~~ no later than 6 months prior to the start of each **DPP regulatory period**.

(2) The Commission will determine a 67<sup>th</sup> percentile estimate of post-tax WACC

(a) for each **DPP regulatory period**; and

(b) no later than 6 months prior to the start of each DPP regulatory period.

~~(2)(3)~~ For the purposes of subclause (1) or (2)-

~~(a) the mid-point estimate of WACC must be treated as the 50th percentile;~~  
and

~~(b)(a)~~ the 67th percentile must be determined in accordance with the formula-

**mid-point estimate of WACC + 0.440 × standard error,**

where ~~'standard error'~~ means the **standard error of the mid-point estimate of WACC is 0.0101; and**

(b) the relevant mid-point estimate of WACC in accordance with clause 4.4.1(1) and (2) must be treated as the 50th percentile.

~~, as determined in accordance with clause 4.4.6(b).~~

#### 4.4.84.4.6 Publication of estimates

The **Commission** will publish all determinations and estimates that it is required to make by this subpart-

- (a) on its website; and
- (b) no later than 1 month after having made them.

#### 4.4.94.4.7 Application of cost of capital methodology

- (1) Where the **Commission** takes into account the cost of capital in making a **DPP determination**, the **Commission** will use the **67th percentile estimate of WACC determined in accordance with clause 4.4.5(1) and** most recently published in accordance with clause 4.4.~~68~~.
- (2) **Term credit spread differential allowance** for a **disclosure year** and an **EDB** is the maximum of nil and the amount determined in accordance with the formula-

$$a \times b \div c,$$

where-

*a* means the 'term credit spread differential allowance' calculated in accordance with Part 2 for the **base year**;

*b* means the **total opening RAB value** for the **disclosure year** in question; and

*c* means the **aggregate opening RAB value for existing assets** for the **base year**.

- (3) Where a **qualifying supplier** discloses a **term credit spread differential allowance** pursuant to an **ID determination**, the **Commission**, for the purpose of assessing the **qualifying supplier's** profitability pursuant to its powers relating to default price-

quality regulation in s 53P of the **Act**, will treat such an allowance as an expense in the **disclosure year** in respect of which that allowance was disclosed.

~~4.4.10 In 2014, references in clauses 4.4.1(1)(c), 4.4.3(c), 4.4.4(2)(b), 4.4.5(1)(a), 4.4.6(a), and 4.4.7(1)(b) to “6 months” are to be read as “5 months”.~~

## SUBPART 5 **Reconsideration of the default price-quality path**

### 4.5.1 Catastrophic Event

Catastrophic event means an event-

- (a) beyond the reasonable control of the **EDB**;
- (b) in relation to which expenditure is not explicitly or implicitly provided for in the **DPP**;
- (c) that could not have been reasonably foreseen at the time the **DPP** was determined; and
- (d) in respect of which-
  - (i) action required to rectify its adverse consequences cannot be delayed until a future **regulatory period** without quality standards being breached;
  - (ii) remediation requires either or both of **capital expenditure** or **operating expenditure** during the **regulatory period**;
  - (iii) the full remediation costs are not provided for in the **DPP**; and
  - (iv) in respect of an **EDB** subject to a **DPP**, the cost of remediation net of any insurance or compensatory entitlements ~~would~~has had or will have an impact on the price path over the **disclosure years** of the **DPP** remaining on and after the first date at which a remediation cost is proposed to be or has been incurred, by an amount at least equivalent to at least 1% of the aggregated forecast net allowable notional-revenue for the **disclosure years** of the **DPP** in which the cost was or will be incurred.

### 4.5.2 Change event

Change event means-

- (a) change in a; or
- (b) a new, legislative or regulatory requirement applying to an **EDB** subject to a **DPP** the effect of which-
- (c) must take place during the current **regulatory period**;
- (d) is not explicitly or implicitly provided for in the **DPP**; and either-



- ~~(e) will necessitate incurring additional reasonable costs in responding to the change or new requirement that has had or will have an impact on the price path of the disclosure years of the DPP regulatory period in which the change or new requirement applies of at least 1% of the aggregate amount of the forecast net allowable revenue for the disclosure years in which the net costs are or will be incurred; or~~
- ~~(d)(f) causes an input methodology to become incapable of being applied incursion of costs in response, which costs, over the disclosure years of the DPP remaining on and after the date at which they are reasonably incurred, have an impact on the price path by an amount at least equivalent to 1% of the aggregated allowable notional revenue for the disclosure years of the DPP in which the cost was or will be incurred.~~

#### 4.5.3 Error event

(1) 'Error event' means, subject to subclause (2), a clearly unintended circumstance identified by the Commission where the DPP was determined or amended based on an error, including where:

- (a) incorrect data was used in setting the price path, the quality standards or quality incentive measures; or
- (b) data was incorrectly applied in setting the price path, quality standards or quality incentive measures.

(2) For the purposes of subclause (1), an error relating to-

- (a) the price path will not constitute an error event unless the error has an impact on the price path of an amount equivalent to at least 1% of the aggregate forecast net allowable revenue for the affected disclosure years of the DPP; and
- (b) the metrics by which quality standards or quality incentive measures are specified in the DPP will not constitute an error event unless it is an error in the value of the metric.

~~(1) — Error means incorrect data-~~

- ~~(a) — discovered in a DPP determination and clearly unintended by the Commission to be included in it; or~~
- ~~(b) — relied upon by the Commission in making or amending a DPP determination and clearly unintended by the Commission to be relied upon in making or amending it,~~

~~determined by the Commission to have an impact on the price path by an amount at least equivalent to 1% of the aggregated allowable notional revenue for the disclosure years of the DPP affected by the incorrect data.~~

#### 4.5.4 Major transaction

'Major transaction' means a transaction, whether contingent or not, where consumers are acquired or no longer supplied by the EDB and that transaction-

- (a) has resulted in, or will result in, the acquisition of, or an agreement to acquire, assets with a value which is equivalent to more than 10% of the EDB's opening RAB value in the disclosure year of acquisition;
- (b) has resulted in, or will result in, the disposal of, or an agreement to dispose of, assets of the EDB with a value of more than 10% of the opening RAB value in the disclosure year of disposal;
- (c) has, or is likely to have, the effect of the EDB acquiring rights or interests with a value which is equivalent to more than 10% of the opening RAB value in the disclosure year of acquisition; or
- (d) has, or is likely to have, the effect of the EDB incurring obligations or liabilities or contingent liabilities, excluding loans or borrowing costs in respect of assets, with a value which is equivalent to more than 10% of the opening RAB value in the disclosure year of incurring the obligation.

#### 4.5.5 Proposal of a quality standard variation

(1) An EDB may propose a quality standard variation by submitting a quality standard variation proposal to the Commission in writing.

(2) The quality standard variation proposal must contain the following information-

- (a) different values of either or both of-
  - (i) the mean of SAIDI and SAIFI:  $\mu_{SAIDI}$  and  $\mu_{SAIFI}$ ;
  - (ii) the standard deviation of SAIDI and SAIFI:  $\sigma_{SAIDI}$  and  $\sigma_{SAIFI}$ ;
  - (iii) the SAIDI and SAIFI limits;
  - (iv) the SAIDI and SAIFI targets;
  - (v) the SAIDI and SAIFI unplanned boundary values;
  - (vi) the SAIDI and SAIFI caps; and
  - (vii) the SAIDI and SAIFI collars

to those which would be determined in accordance with the methodology for calculating reliability limits as specified in the DPP determination;
- (b) an explanation of the reasons for the proposed quality standard variation;
- (c) an engineer's report on the extent to which the quality standard variation better reflects the realistically achievable performance of the EDB over the DPP regulatory period, based on either or both of-
  - (i) statistical analysis of past SAIDI and SAIFI performance; and
  - (ii) the level of investment provided for in the forecast allowable revenue in the DPP determination;

- (d) demonstration of the estimated effect of the proposed **quality standard variation** by use of historic data and by contrast with the quality standards specified in the applicable **DPP determination**; and
- (e) demonstration of any consumer consultation undertaken by the **EDB** in respect of the proposed **quality standard variation**, and the results of that consultation.

(3) Where the **Commission** considers that, for the purpose of making a decision on the **quality standard variation** proposal described in subclause (1), it requires further information from the **EDB** in addition to the proposal, the **Commission** may request this from the **EDB** by a date specified by the **Commission** such that it is reasonable for the **EDB** to comply.

(4) In assessing a **quality standard variation** proposal, the **Commission** will consider the extent to which-

- (a) the proposed **quality standard variation** better reflects the realistically achievable performance of the **EDB** over the remainder of the **regulatory period**;
- (b) the **EDB** has consulted with **consumers** on its proposed **quality standard variation**; and
- (c) the proposed **quality standard variation** is supported by **consumers**.

#### 4.5.44.5.6 When price-quality paths may be reconsidered

(1) ~~An **EDB's DPP** may be reconsidered by the **Commission** if-~~

- (a) ~~the **Commission** considers, or the **EDB** applies to the **Commission** and satisfies the **Commission**, that-~~
- (b) ~~the **EDB** in question satisfies it, upon application,~~

~~that-~~

- (i) ~~subject to subclause (2), a **catastrophic event** has occurred; or~~
- (ii) ~~a **change event** has occurred;~~
- (iii) ~~there has been an **error event**; or~~
- (iii)(iv) ~~a **major transaction** has occurred; or~~
- (iii) ~~false or misleading information has been provided subclause (3) applies; or~~
- (v) ~~a **change event** has occurred~~

~~(e)(b) the **Commission** receives a **quality standard variation** proposal from an **EDB** and is satisfied that it complies with clause 4.5.5(2).~~

(2) For the purpose of subclause (1)(~~a~~)(i), where the costs to rectify the adverse consequences of the **catastrophic event** are fully covered by –

- (a) the **DPP** (e.g. through an **operational expenditure** allowance for self-insurance); or

(b) commercial insurance held by the **EDB**,  
the **Commission** will only reconsider the quality standards of the **DPP**.

(3) For the purpose of subclause (1)(a)(v), 'false or misleading information' means This subclause applies if-

- (a) false or misleading information relating to the making or amending of a **DPP determination** has been knowingly-
  - (i) provided by an **EDB** or its agents to the **Commission**; or
  - (ii) disclosed pursuant to the Electricity Distribution (Information Disclosure) Requirements 2008 or an **ID determination**; and
- (b) the **Commission** relied on that information in making or amending a **DPP determination**.

#### 4.5.54.5.7 Amending price-quality path after reconsideration

(1) Where, after reconsidering a **DPP**, the **Commission** determines that the **DPP** should be amended, the **Commission** may amend either or both of the price path or the quality standards and quality incentive measures specified in the **DPP determination**, subject to the rest of this subclause (2).

(2) The **Commission** will not amend the-

- (a) price path more than is reasonably necessary to mitigate the effect of-
  - (i) the **catastrophic event**;
  - (ii) the **change event**;
  - (iii) the error event;
  - (iii)(iv) the major transaction; or
  - (iv)(v) the provision of false or misleading information,on **price**; or

(b) quality standards or quality incentive measures more than are reasonably necessary to reflect the Commission's decision on a quality standard variation, or mitigate the effect of-

- (i) the **catastrophic event**;
- (ii) the **change event**;
- (iii) the error event;
- (iii)(iv) the major transaction; or
- (iv)(v) the provision of false or misleading information,

on quality.

## SUBPART 6 Treatment of periods that are not 12 month periods

### 4.6.1 Treatment of periods that are not 12 month periods

Where the start or end date of any **disclosure year** is not aligned with the start or end date of a **DPP regulatory period**, the **Commission** may apply the **input methodologies** modified to the extent necessary to allow any allowance, amount, cost, sum or value for that **disclosure year** to be calculated or determined in a way commensurate with the change in the length of the **disclosure year** to a period other than 12 months.

## SUBPART 7 Availability of Information

### 4.7.1 Availability of information

- (1) Where an **EDB** has not disclosed the information necessary to calculate any allowance, amount, cost, sum or value referred to in this Part in accordance with Part 2 for a **base year** or a later **disclosure year**, then the information may instead be determined by the **Commission** using information disclosed by the **EDB** in accordance with an **ID determination**, prior information disclosure requirements or a request for information by the **Commission** under s 53ZD of the **Act**.
- (2) Any information determined in accordance with subclause (1) must be determined in accordance with Part 2 using such assumptions or modifications to the information that are reasonably necessary in light of the nature of the calculation or determination to be made and the information available.

## PART 5 INPUT METHODOLOGIES FOR CUSTOMISED PRICE-QUALITY PATHS

### SUBPART 1 Contents of a CPP application

#### 5.1.1 Applying for a CPP

- (1) An **EDB** seeking a **CPP** in accordance with s 53Q of the **Act** must provide the **Commission** with a **CPP application**.
- (2) **CPP application** means an application containing, in all material respects, the information specified in-
  - (a) this subpart; and
  - (b) Subpart 4.

#### 5.1.2 Evidence of consumer consultation

For the purpose of clause 5.1.1(2)(a), in respect of **consumer** consultation, the specified information is-

- (a) a description as to how the requirements of clause 5.5.1 were met;
- (b) a list of respondents to the consultation required by that clause;
- (c) a description of all issues raised by **consumers** in response to the **CPP applicant's** intended CPP proposal;
- (d) a summary of the arguments raised in respect of each issue described in accordance with paragraph (c); and
- (e) in respect of the issues described in accordance with paragraph (c), an explanation as to whether its **CPP proposal** accommodates the arguments referred to in (d); and
  - (i) if so, how; and
  - (ii) if not, why not.

#### 5.1.3 Verification-related material

- ~~(1)~~ For the purpose of clause 5.1.1(2)(a), in respect of verification, the specified information is-
- ~~(2)(1)~~ ~~in the case of a **CPP proposal** seeking only a **quality standard variation**, nil; and~~
- ~~(a)~~ ~~in the case of any other **CPP proposal**~~
- ~~(b)(a)~~ a **verification report**; ~~and~~
- ~~(c)(b)~~ any information relating to the **CPP proposal**, other than information required to be included in a **CPP proposal** by Subpart 4, provided to the **verifier** by or on behalf of the **CPP applicant**, pursuant to clauses 5.5.2(3)(a)-(c) and 5.5.2(3)(e);

Examples: instructions as to how to interpret information provided to the **verifier**; details as to the source of the information; ~~and~~

~~(d)~~(c) any other information relied upon by the **verifier** relating to the **CPP proposal** pursuant to clause 5.5.2(3)(d); and

~~(e)~~(d) subject to subclause (2), a certificate signed by the **verifier** stating that the relevant parts of the **CPP proposal** were verified and **verification report** was prepared in accordance with Schedule G.

~~(3)~~(2) For the purpose of subclause (1)(~~(b)~~(iii)), the **CPP applicant** must ensure that the certificate described in subclause (1)(~~(b)~~(iii)) relates to verification of the relevant parts of the **CPP proposal** as submitted to the **Commission**.

#### 5.1.4 Audit and assurance reports

(1) For the purpose of clause 5.1.1(2)(a), in respect of audit or assurance, the specified information is a report written by an **auditor** and signed by that **auditor** (either in an individual's name or that of a firm) in respect of an audit or assurance engagement undertaken of the matters specified in clause 5.5.3, stating-

- (a) the work done by the **auditor**;
- (b) the scope and limitations of the audit or assurance engagement;
- (c) the existence of any relationships (other than that of **auditor**) which the **auditor** has with, or any interests which the **auditor** has in, the **CPP applicant** or any of its subsidiaries;
- (d) whether the **auditor** obtained all information and explanations that he or she required to undertake the audit or assurance engagement, and, if not-
  - (i) details of the information and explanations not obtained; and
  - (ii) any reasons provided by the **CPP applicant** for its or their non-provision;
- (e) the **auditor's** opinion of the matters in respect of which the audit or assurance engagement was undertaken.

(2) ~~For the avoidance of doubt, a~~An audit report in respect of an audit or assurance engagement undertaken other than expressly to meet the requirements for the purpose of clause 5.5.3 may be considered to~~is an audit report~~ complying with subclause (1) to the extent that~~if~~ the report in respect of that~~relates to an other~~ audit or assurance engagement fully or partially meets~~filling~~ the requirements of clause 5.5.3.

(3) The **CPP applicant** must ensure that ~~the audit~~ reports s required by this clause relates to the **CPP proposal** as submitted to the **Commission**.

(4) For the avoidance of doubt, the ~~audit~~ reports s required by this clause need not be-

- (a) prepared in advance of the **verifier** undertaking verification of the **CPP proposal**; nor
- (b) provided to the **verifier**.

(5) If, notwithstanding subclause (4), a ~~an audit~~ report prepared in accordance with this clause is provided to the **verifier**, subclause (3) continues to apply.

#### 5.1.5 Certification

- (1) For the purpose of clause 5.1.1(2)(a), in respect of certification, the specified information is the certificates recording the certifications specified in clause 5.5.4.
- (2) For the avoidance of doubt, one physical **document** may contain more than one of the certifications specified in clause 5.5.4.

#### 5.1.6 Modification or exemption of CPP application requirements

- (1) The **Commission** may approve a modification to, or exemption from, any requirement set out in—
  - (a) this subpart;
  - (b) Subpart 4;
  - (c) Subpart 5; or
  - (d) schedules relating to subparts identified in paragraphs (a) to (c) above.
- (2) A modification or exemption may be approved where, in the **Commission's** opinion, the modification or exemption will not detract, to an extent that is more than minor, from—
  - (a) the **Commission's** evaluation of the **CPP proposal**;
  - (b) the **Commission's** determination of a **CPP**; and
  - (c) the ability of interested persons to consider and provide their views on the **CPP proposal**.

(3) When considering whether a modification or exemption is likely to detract, to an extent that is more than minor, from the processes listed in subclauses (2)(a)-(c), the Commission may have regard to the size of the supplier's business.

(3)(4) A modification or exemption will only apply for the purposes of assessing compliance of a **CPP application** under s 53S(1) of the **Act**—

- (a) if the **Commission** has previously approved a request by a **CPP applicant** for the modification or exemption in accordance with clause 5.1.7;
- (b) in respect of the **CPP applicant** and the **CPP application** identified in the **Commission's** approval; and
- (c) if the **CPP applicant** elects to apply the modification or exemption by:
  - (i) meeting all conditions and requirements specified in the approval that relates to the modification or exemption; and



- (ii) providing the relevant information specified in clause 5.1.8 as part of its **CPP application**.

5.1.7 Process for obtaining a modification or exemption

- (1) At any time prior to providing the **Commission** with a **CPP application**, a **CPP applicant** may request modifications or exemptions to the requirements listed in clause 5.1.6(1) as alternatives to those requirements.
- (2) A request by a **CPP applicant** must—
  - (a) be in writing;
  - (b) include the following information:
    - "(i) the **CPP applicant's** name and contact details;
    - "(ii) a brief description of the key features of its intended **CPP proposal**;
    - "(iii) the date that the **CPP applicant** intends to submit the **CPP application** for which a modification or exemption is sought;
    - "(iv) a list of the specific modifications or exemptions sought;
    - "(v) an explanation of why the **CPP applicant** considers the requirements in clause 5.1.6(2) are met;
    - "(vi) evidence in support of the explanation provided under subparagraph (v); and
    - "(vii) identification of any information that is commercially sensitive.
- (3) Subparagraph (2)(b)(vi) may be satisfied by submitting a certificate, signed by a senior manager of the **CPP applicant**, setting out the factual basis on which he or she believes the requirements in subclause 5.1.6(2) are met.
- (4) In considering whether to approve a request for modification or exemptions, the **Commission** may seek, and have regard to—
  - (a) views of interested persons within any time frames and processes set by the **Commission**; and
  - (b) views of any person the **Commission** considers has expertise on a relevant matter.
- (5) As soon as reasonably practicable after receipt of a request for modifications or exemptions the **Commission** will, by notice in writing, advise the **CPP applicant** as to whether:
  - (a) any of the modifications or exemptions are approved; and
  - (b) the approval of any modification or exemption is subject to conditions or requirements that must be met by the **CPP applicant**.

### 5.1.8 Information on modification or exemption of information requirements

Where a **CPP applicant** elects to apply a modification or exemption approved by the **Commission** in accordance with clause 5.1.7, it must include as part of its **CPP application**—

- (a) a copy of the **Commission's** approval;
- (b) a list of the approved modifications or exemptions which the **CPP applicant** has elected to apply in its **CPP application**;
- (c) evidence that any conditions or requirements of the approval have been met; and
- (d) an indication, at the relevant locations within the document or documents comprising the **CPP application**, as to where the modifications or exemptions have been applied.

## SUBPART 2 **Commission assessment of a customised price-quality path proposal**

### 5.2.1 Evaluation criteria

The **Commission** will use the following evaluation criteria to assess each **CPP proposal**:

- (a) whether the **CPP proposal** is consistent with the **input methodologies** specified in Part 5;
- (b) the extent to which a **CPP** in accordance with the **CPP proposal** would promote the purpose of Part 4 of the **Act**;
- (c) whether data, analysis, and assumptions underpinning the **CPP proposal** are fit for the purpose of the **Commission** determining a **CPP** under s 53V, including consideration as to the accuracy and reliability of data and the reasonableness of assumptions and other matters of judgement;
- (d) whether proposed **capital expenditure** and **operating expenditure** meet the **expenditure objective**;
- (e) the extent to which any proposed **quality standard variation** provided in a CPP proposal better reflects the realistically achievable performance of the **EDB** over the **CPP regulatory period**, taking into account either or both-
  - (i) statistical analysis of past SAIDI and SAIFI performance; and
  - (ii) the level of investment provided for in proposed **maximum allowable revenue before tax**,as the case may be; and
- (f) the extent to which-

- (i) the **CPP applicant** has consulted with **consumers** on its **CPP proposal**; and
- (ii) the **CPP proposal** is supported by **consumers**, where relevant.

## SUBPART 3 Determination of customised price-quality paths

### SECTION 1 Determination of annual allowable revenues

#### 5.3.1 Annual allowable revenues

Amounts for-

- (a) **building blocks allowable revenue before tax** for the **next period**;
- (b) **building blocks allowable revenue after tax** for the **next period**;
- (c) **maximum allowable revenue before tax** for the **CPP regulatory period**; and
- (d) **maximum allowable revenue after tax** for the **CPP regulatory period**,

will be determined.

#### 5.3.2 Building blocks allowable revenue before tax

- (1) **'Building blocks allowable revenue before tax'** for each **disclosure year** of the **next period** is determined in accordance with the formula-

**(regulatory investment value × cost of capital + total value of commissioned assets × (TF<sub>VCA</sub> - 1) + term credit spread differential allowance × TF - total revaluation) ÷ (TF<sub>rev</sub> - corporate tax rate × TF)**

**+ (total depreciation × (1 - corporate tax rate × TF))**

**+ forecast operating expenditure × TF × (1 - corporate tax rate)**

~~**- other regulated income × TF × (1 - corporate tax rate)**~~

**+ (closing deferred tax - opening deferred tax) × (TF - 1)**

**+ (permanent differences + regulatory tax adjustments - utilised tax losses) × corporate tax rate × TF) ÷ (TF<sub>rev</sub> - corporate tax rate × TF).**

- (2) 'Regulatory investment value' means the amount obtained in accordance with the formula-

**total opening RAB value + opening deferred tax.**

- (3) For the purpose of subclause (1) 'total value of commissioned assets' means, in relation to a **disclosure year**, the sum of **closing RAB values** for all **commissioned assets** calculated in accordance with clause 5.3.6(3)(b).

- (4) For the purpose of subclause (1) -

- (a) 'TF' is determined in accordance with the formula-

$(1 + \text{cost of capital})^{182/365}$ ;

(b) 'TF<sub>rev</sub>' is determined in accordance with the formula-

$(1 + \text{cost of capital})^{148/365}$ ;

(c) 'TF<sub>VCA</sub>' is determined in accordance with the formula-

$PV_{VCA} \times (1 + \text{cost of capital}) \div \text{total value of commissioned assets}$ ; and

(d) 'PV<sub>VCA</sub>' means the sum of the present value of **closing RAB values** for **commissioned** assets calculated in accordance with clause 5.3.6(3)(b), where each present value is determined by discounting each **closing RAB value** by the *cost of capital* from the relevant **commissioning date** to the commencement of the relevant **disclosure year**.

(5) For the purpose of this clause, 'cost of capital' has the meaning specified in clause 5.3.22s the 67th percentile estimate of WACC published most recently prior to submission of the CPP proposal, in respect of the term that the Commission has determined is the appropriate duration of the CPP.

(6) 'Forecast operating expenditure' means, in relation to a **CPP proposal** -

(a) that has not been assessed by the **Commission**, the amount of **operating expenditure** for the relevant **disclosure year** included by the **CPP applicant** in its **opex forecast**; or

(b) undergoing assessment by the **Commission**, the amount of **operating expenditure** determined for the relevant **disclosure year** by the **Commission** after assessment of the amount in paragraph (a) against the **expenditure objective**.

~~(7) 'Other regulated income' means income associated with the supply of electricity distribution services other than-~~

~~(a) through prices;~~

~~(b) investment related income;~~

~~(c) capital contributions; or~~

~~(d) vested assets.~~

~~(8)~~(7) For the purpose of this clause, all values and amounts are expressed in nominal terms unless otherwise specified.

### 5.3.3 Building blocks allowable revenue after tax

(1) 'Building blocks allowable revenue after tax' is **building blocks allowable revenue before tax** less **forecast regulatory tax allowance**.

(2) For the purpose of this clause, all values and amounts are expressed in nominal terms.

#### 5.3.4 Price path

(1) The present value of the series of values of **maximum allowable revenue after tax** must equal the present value of the series of **building blocks allowable revenue after tax**, adjusted for the present value of any claw-back for the **CPP regulatory period**, where present values are determined in accordance with subclause (3).

(2) In subclause (1)-

(a) the reference to claw-back is a reference to claw-back, determined by the **Commission** pursuant to s 53V(2)(b), in the case of a **CPP determination** made-

(i) after deferral of the relevant **CPP proposal** in accordance with s 53Z(2) of the **Act**;

(ii) in response to a **CPP proposal** made in accordance with provisions in a **DPP determination** relating to the submission of **CPP proposals** in response to a **catastrophic event**; or

(iii) as a result of a reconsideration of the price-quality path in accordance with clause 5.6.7(1) and an amendment made to the price-quality path after reconsideration under clause 5.6.8(1); and

(b) each reference to a series of values is a reference to the value determined in respect of each **disclosure year** of the **CPP regulatory period**.

(3) For the purpose of subclause (1), the present value of each series must be determined using the cost of capital as specified in clause 5.3.22.

(4) For the avoidance of doubt, where claw-back is determined where-

(a) subclause (2)(a)(i) applies, it will only be determined in respect of the period between the date when the **CPP** would have taken effect had deferral not occurred and the date the **CPP determination** will come into effect; and

(b) subclause (2)(a)(ii) applies, it will only be determined in respect of the period between the date of the **catastrophic event** and the date the **CPP determination** will come into effect.

(5) For the purpose of this subpart, the 'maximum allowable revenue before tax' for the first **disclosure year** of the **CPP regulatory period** is the amount of **maximum allowable revenue before tax** in the first **disclosure year** of the **CPP regulatory period** required for subclause (1) to be satisfied.

(6) For the purpose of this subpart, the 'maximum allowable revenue before tax' for each **disclosure year** of the **CPP regulatory period** except the first must equal-

$$MAR_{y-1} \times (1 + \Delta CPI) \times (1 - X),$$

where-

MAR<sub>y-1</sub> is the maximum allowable revenue before tax in the preceding disclosure year;

ΔCPI is the CPP inflation rate; and

X is any X factor applying to the EDB.

(7) 'Maximum allowable revenue after tax' is maximum allowable revenue before tax less forecast regulatory tax allowance.

(8) For the purpose of subclause (7), 'forecast regulatory tax allowance' means-

(a) where opening tax losses are nil in every disclosure year of the next period, forecast regulatory tax allowance; and

(b) in all other cases, the amount calculated in accordance with clause 5.3.13 with the modification that the reference in clause 5.3.13(4) to 'building blocks allowable revenue before tax' is substituted with 'maximum allowable revenue before tax'.

(9) 'CPP Inflation rate' means the amount determined in accordance with the formula-

$$\frac{[CPI_1 + CPI_2 + CPI_3 + CPI_4] \div (CPI_1^{-4} + CPI_2^{-4} + CPI_3^{-4} + CPI_4^{-4})}{-1},$$

where-

CPI<sub>n</sub> means forecast CPI for the nth quarter of the disclosure year in question; and

CPI<sub>n</sub><sup>-4</sup> means forecast CPI for the equivalent quarter in the preceding disclosure year.

#### 5.3.4 Price path

~~(1) The present value of the series of values of maximum allowable revenues after tax must equal the present value of the series of building blocks allowable revenues after tax less any value of claw back for the CPP regulatory period, where present values are determined in accordance with subclause (3).~~

~~(2) In subclause (1)-~~

~~(a) the reference to claw back is a reference to claw back, determined by the Commission pursuant to s 53V(2)(b), in the case of a CPP determination made-~~

~~(i) after deferral of the relevant CPP proposal in accordance with s 53Z(2) of the Act; or~~

~~in response to a CPP proposal made in accordance with provisions in a DPP determination relating to the submission of CPP proposals in response to a catastrophic event; and~~

~~(b) — each reference to a series of values is a reference to the value determined in respect of each **disclosure year** of the **CPP regulatory period**.~~

~~(3) — For the purpose of subclause (1), the present value of each series must be determined using a discount rate equal to the **67th percentile estimate of WACC** published most recently prior to submission of the **CPP proposal** in respect of the term that the **Commission** has determined is the appropriate duration of the **CPP**.~~

~~(4) — For the avoidance of doubt, where claw back is determined where—~~

~~(a) — Subclause (2)(a)(i) applies, it will only be determined in respect of the period between the date when the **CPP** would have taken effect had deferral not occurred and the date the **CPP determination** will come into effect; and~~

~~(b) — Subclause (2)(a)(ii) applies, it will only be determined in respect of the period between the date of the **catastrophic event** and the date the **CPP determination** will come into effect.~~

~~(5) — The maximum allowable revenue before tax for the first **disclosure year** of the **CPP regulatory period** is the amount of maximum allowable revenue before tax in the first **disclosure year** of the **CPP regulatory period** required for subclause (1) to be satisfied.~~

~~(6) — The maximum allowable revenue before tax for each **disclosure year** of the **CPP regulatory period** except the first must equal—~~

$$\text{MAR}_{y-1} \times (1 + \Delta CPI) \times (1 - X) \times (1 + \Delta Q),$$

~~where—~~

~~$\text{MAR}_{y-1}$  is the **maximum allowable revenue before tax** in the preceding **disclosure year**;~~

~~$\Delta CPI$  is the **inflation rate**;~~

~~$X$  is the **X factor** for the **EDB**, being the same value in each year of the **CPP regulatory period**; and~~

~~$\Delta Q$  is the forecast weighted average growth in quantities (in percentage terms) from the preceding **disclosure year** to the current **disclosure year**.~~

~~(7) — The forecast weighted average growth in quantities (in percentage terms) for each **disclosure year** must be weighted by taking into account—~~

~~(a) — the relative growth in demand for each **demand group**; and~~

~~(b) — the relative proportion of fixed and variable components in **prices** charged to either or both of—~~

~~(i) — **retailers**; and~~

~~(ii) — **consumers**.~~

~~(8) Maximum allowable revenue after tax is **maximum allowable revenue before tax** less forecast regulatory tax allowance.~~

~~(9) For the purpose of subclause (8), 'forecast regulatory tax allowance' means-~~

~~(a) where **opening tax losses** are nil in every **disclosure year of the next period, forecast regulatory tax allowance**; and~~

~~(b) in all other cases, the amount calculated in accordance with clause 5.3.13 with the modification that the reference in clause 5.3.13(4) to 'building blocks allowable revenue before tax' is substituted with '**maximum allowable revenue before tax**'.~~

## SECTION 2 Cost allocation and asset valuation

### 5.3.5 Allocating forecast values of operating costs not directly attributable

(1) **Operating costs** forecast in each **disclosure year** of the **next period** must, in the case of an **operating cost** for which disclosure pursuant to an **ID determination** has-

(a) been made for the last **disclosure year** of the **current period**, be consistent with the **operating costs** allocated to **electricity distribution services** in that disclosure; and

(b) not been so made, be consistent with an allocation of **operating costs** to **electricity distribution services** carried out in respect of the ~~most~~**last recent** disclosure ~~year of~~**made for** the **current period** in accordance with clause 2.1.1.

(2) Where a sale of the assets used to **supply electricity distribution services** and either or both-

(a) an **other regulated service**; and

(b) an **unregulated service**,

is

(c) completed between the start of the **assessment period** and the time the **CPP application** is made; or

(d) **highly probable**,

**operating costs** attributable to **electricity distribution services**, in respect of each **operating cost** not **directly attributable** affected by the sale, is determined as the value allocated to **electricity distribution services** as a result of applying clause 2.1.1 in respect of the last **disclosure year** of the **assessment period**.

### 5.3.6 RAB roll forward

(1) The opening RAB value of an asset in relation to-

(a) the **disclosure year** 2010, is the **initial RAB value**; and

(b) a **disclosure year** thereafter, is, where the **disclosure year**-



- (i) follows a **disclosure year** in respect of which disclosure pursuant to an **ID determination** relating to that asset has been made, that asset's disclosed **closing RAB value**;
  - (ii) is the first **disclosure year** of the **next period** for which disclosure pursuant to an **ID determination** relating to that asset for the preceding **disclosure year** has not been made, determined in accordance with subclause (2); or
  - (iii) is any other **disclosure year**, the **closing RAB value** for the preceding **disclosure year**.
- (2) For the purpose of subclause (1)(b)(ii), the opening RAB value of an asset to which this subclause applies is determined as the value allocated to **electricity distribution services** as a result of applying clause 2.1.1 to its **unallocated closing RAB value** for the preceding **disclosure year**.
- (3) Closing RAB value means, subject to subclause (4), for an asset-
- (a) with an **opening RAB value**, the value determined in accordance with the formula-
    - opening RAB value - depreciation + revaluation;**
  - (b) having or forecast to have a **commissioning date** in that **disclosure year**, where the asset-
    - (i) has been **commissioned** by the date the **CPP application** is made, its **value of commissioned asset**; or
    - (ii) has not been **commissioned** by the date the **CPP application** is made, its **forecast value of commissioned asset**,

but only to the extent that the value would be included in the closing RAB value consistent with application of clause 2.1.1; or
  - (c) that is or is forecast to be a **disposed asset**, nil.
- (4) For the purpose of subclause (3), where a sale of the assets used to **supply electricity distribution services** and either or both-
- (a) an **other regulated service**; and
  - (b) an **unregulated service**,
- is
- (c) completed between the start of the **assessment period** and the time the **CPP application** is made; or
  - (d) **highly probable**,

closing RAB value in respect of each asset not **directly attributable** affected by the sale is determined as the value allocated to **electricity distribution services** as a result

of applying clause 2.1.1 in respect of its **unallocated closing RAB value** of the last **disclosure year** of the **assessment period**.

- (5) The unallocated opening RAB value of any asset in relation to-
- (a) the **disclosure year** 2010, is the **unallocated initial RAB value**;
  - (b) a **disclosure year** thereafter, is, where the **disclosure year**-
    - (i) follows a **disclosure year** in respect of which disclosure pursuant to an **ID determination** relating to that asset has been made, that asset's disclosed **unallocated closing RAB value**; and
    - (ii) is any other **disclosure year**, its **unallocated closing RAB value** in the preceding **disclosure year**.
- (6) Unallocated closing RAB value means, in relation to-
- (a) an asset that is or is forecast to be a **disposed asset**, nil;
  - (b) any other asset with an **unallocated opening RAB value**, the value determined in accordance with the formula-  
**unallocated opening RAB value - unallocated depreciation + unallocated revaluation**; and
  - (c) any other asset-
    - (i) that has a **commissioning date** between the commencement of the **disclosure year** in which the **CPP application** is made and the application's submission, its **value of commissioned asset**; or
    - (ii) forecast to have a **commissioning date** thereafter, its **forecast value of commissioned asset**.
- (7) The total opening RAB value in relation to-
- (a) the **disclosure year** 2010, is the sum of all **initial RAB values**; and
  - (b) any **disclosure year** thereafter, is the total closing RAB value in the preceding **disclosure year**.
- (8) For the purpose of subclause (7), 'total closing RAB value' means, in relation to a **disclosure year**, the sum of **closing RAB values** for all assets.

### 5.3.7 Depreciation

(1) Total depreciation means the sum of depreciation calculated for existing CPP assets under subclause (2)(a) and for additional CPP assets under subclause (2)(b).

(2) For the purpose of subclause (1)-

- (a) ~~Unallocated~~ 'depreciation', in the case of ~~an~~**existing CPP assets** with an **unallocated opening RAB value**, is determined, subject to subclause (3) and clauses 5.3.6 and 5.3.8 ~~and 5.3.9~~, in accordance with the formula-

$[1 \div \text{remaining asset life for existing CPP assets}] \times \text{unallocated opening RAB value.}$

- (b) ~~'Depreciation'~~, in the case of **additional CPP assets** with an **opening RAB value**, is determined, subject to subclause (3) and clauses 5.3.6 and 5.3.8, in accordance with the formula-

$[1 \div \text{remaining asset life for additional assets}] \times \text{opening RAB value for additional CPP assets.}$

~~(2)~~(3) For the purposes of subclauses (1) and (2)-

- (a) ~~unallocated depreciation and~~ depreciation ~~is~~are nil in the case of-
- (i) **land**; and
  - (ii) an **easement** other than a **fixed life easement**; and
  - (iii) **network spare** in respect of the period before which depreciation for the **network spare** in question commences under **GAAP**; and
- (b) in all other cases, where the asset's **physical asset life** at the end of the **disclosure year** is nil-
- (i) unallocated depreciation is the asset's **unallocated opening RAB value**; and
  - (ii) depreciation is the asset's **opening RAB value**.

(4) For the purpose of subclause (2)-

- (a) 'remaining asset life for existing CPP assets' means, for each asset, the value determined in accordance with the formula- opening RAB value ÷ depreciation for the last year of the current period, less the number of disclosure years from the last year of the current period to the disclosure year in question; and
- ~~(e)~~(b) 'remaining asset life for additional assets' means the asset life for CPP commissioned assets for an asset category less the number of disclosure years from the disclosure year in which the additional assets are forecast to be commissioned.

#### 5.3.8 Depreciation - alternative depreciation method

- (1) Depreciation and, subject to clause 5.3.9, unallocated depreciation may be determined in respect of a **CPP regulatory period** using an **alternative depreciation method** ~~to the standard depreciation method~~, provided the **Commission** is satisfied that the result of applying the **alternative depreciation method** would better promote the purpose of Part 4 than the result of applying the **standard depreciation method**.
- (2) For the avoidance of doubt, subclause (1) does not apply to the determination of depreciation or unallocated depreciation in the **assessment period**.

### 5.3.9 Unallocated depreciation constraint

For the purposes of clauses 5.3.7 and 5.3.8, the sum of **unallocated depreciation** of an asset calculated over its **asset life** may not exceed the sum of-

- (a) all **unallocated revaluations** applying to that asset in all **disclosure years**; and
- (b) in the case of an asset-
  - (i) in the **initial RAB**, its **unallocated initial RAB value**; and
  - (ii) not in the **initial RAB**, its **value of commissioned asset** or **forecast value of commissioned asset**, as the case may be.

### 5.3.10 Revaluation

- (1) Unallocated revaluation, subject to subclause (3), is determined in accordance with the formula-

**unallocated opening RAB value × revaluation rate.**

- (2) Revaluation, subject to subclause (3), is determined in accordance with the formula-
- opening RAB value × revaluation rate.**

- (3) For the purposes of subclauses (1) and (2), where-

- (a) the asset's **physical asset life** at the end of the **disclosure year** is nil; or
- (b) the asset is a-
  - (i) **disposed asset**; or
  - (ii) **lost asset**,

unallocated revaluation and revaluation are nil.

- (4) Revaluation rate means, in respect of a **disclosure year**, the amount determined in accordance with the formula-

$$(CPI_4 \div CPI_4^{-4}) - 1,$$

where-

$CPI_4$  means **forecast CPI for CPP revaluation** for the quarter that coincides with the end of the **disclosure year**; and

$CPI_4^{-4}$  means **forecast CPI for CPP revaluation** for the quarter that coincides with the end of the preceding **disclosure year**.

- (5) Forecast CPI for CPP revaluation means, for the purpose of subclause (4), when calculating the revaluation rate-

- (a) in the **CPP regulatory period** and up to the end of the **DPP regulatory period**, as for **forecast CPI for DPP revaluation** in accordance with clause **4.2.3(4)(a)**; and

- (b) for each later quarter for which a forecast of the change in headline CPI has been included in the Monetary Policy Statement last issued by the Reserve Bank of New Zealand prior to the date for which the vanilla WACC applicable to the relevant DPP regulatory period was determined, the CPI last applying under paragraph (a) extended by the forecast change; and
- ~~(a)~~(c) in respect of later quarters, the forecast last applying under paragraph (b), adjusted such that an equal increment or decrement made to that forecast for each of the following three years results in the forecast for the last of those years being equal to the target midpoint for the change in headline CPI set out in the Monetary Policy Statement referred to in paragraph (b).

#### 5.3.11 Forecast value of commissioned assets

- (1) 'Forecast value of commissioned asset', in relation to an asset for which **capital expenditure** is included in forecast capital expenditure (including an asset in respect of which **capital contributions** are or are forecast to be received, or a **vested asset**) means the forecast cost of the asset to an **EDB** determined by applying **GAAP** to the asset as on its forecast **commissioning date**, except that, subject to subclauses (2) and (3), the cost of-
- (a) an intangible asset, unless it is-
    - (i) a **finance lease**; or
    - (ii) an **identifiable non-monetary asset**,is nil;
  - (b) an **easement**, is limited to its forecast market value as on its forecast **commissioning date** as determined by a **valuer**;
  - (c) **easement land** is nil;
  - (d) a **network spare**-
    - (i) which is not required, in light of the historical reliability and number of the assets it is held to replace; or
    - (ii) whose cost is not treated as the cost of an asset under **GAAP**, whether wholly or in part,is nil;
  - (e) an asset-
    - (i) to be acquired from another **regulated supplier**; and
    - (ii) used by that **regulated supplier** in the **supply of regulated goods or services**,

is limited to its value determined in accordance with **input methodologies** applicable to the **services supplied** by that other **regulated supplier** as on the forecast **commissioning date**;

- (f) an asset that was previously used by an **EDB** in its **supply of other regulated services** is limited to its value determined in accordance with **input methodologies** applicable to those **other regulated services** as on the day before the forecast **commissioning date**;
- (g) an asset or assets, or components of assets, forecast to be acquired from a **related party**, and forecast to be **commissioned** during any **disclosure year** of the **CPP regulatory period** other than assets to which paragraphs (e) or (f) apply, are the forecast values as determined by the **EDB**, supported by a written certification by no fewer than 2 **directors** of the **EDB** that they are reasonably satisfied that the asset values are consistent with values determined in accordance with subclause (76);
- (h) an asset in respect of which **capital contributions** are or are forecast to be received where such contributions are not taken into account when applying **GAAP**, is the cost of the asset by applying **GAAP** reduced by the amount of the **capital contributions**; ~~and~~
- (i) a **vested asset** in respect of which its fair value is or would be treated as its cost under **GAAP**, must exclude any amount of the fair value of the asset determined under **GAAP** that exceeds the amount of consideration provided or forecast to be provided by the **EDB**; ~~and~~
- (i)(j) for the purpose of subclause (a)(i), a **finance lease** excludes the value of any asset for which annual charges are a **recoverable cost** under clause 3.1.3(1)(c).

(2) Where an **asset** forecast to be **commissioned** is forecast to be used to **supply** either or both an **other regulated service** and an **unregulated service**, its **regulated service asset value** borne by **regulated services**, in aggregate-

- (a) may not exceed the total value of the asset that would be allocated to **regulated services**, in aggregate, using **ACAM**; and
- (b) must be based only on forecast changes in the **EDB's business of supplying electricity distribution services**.

(3) When applying **GAAP** for the purposes of subclause (1), the cost of financing is-

- (a) applicable only in respect of the period commencing on the date the asset becomes or is forecast to become a **works under construction** and terminating on its **commissioning date** or forecast **commissioning date**, as the case may be; and
- (a)(b) calculated using a rate not greater than the **EDB's forecast weighted average of borrowing costs** for each applicable **disclosure year**.

- (4) For the purposes of subclause (3)(b), the ‘forecast weighted average of borrowing costs’ is calculated for a **disclosure year** using principles set out in **GAAP**, taking into account:
- (a) the cost of financing rate is the forecast weighted average of the costs applicable to borrowings in respect of **capex** that are forecast to be outstanding during the **disclosure year**;
  - (b) the total costs applicable to borrowings outstanding as used in calculating the weighted average must include costs of borrowings made or forecast to be made specifically for the purpose of any particular –
    - (i) **capex projects**; or
    - (ii) **capex programmes**; and
  - (c) the amount of borrowing costs forecast to be capitalised during the **disclosure year** must not exceed the amount of borrowing costs forecast to be incurred during the **disclosure year**;
  - (d) where a **capital contribution** is received by an **EDB**, the relevant asset will become **works under construction** for the purposes of calculating the cost of financing;
  - (e) subject to subclause (i), a **capital contribution** will reduce the cost of **works under construction** for the purpose of the calculation of the finance cost, even if the resulting value of **works under construction** is negative;
  - (f) subject to subclause (g), where the value of **works under construction** will be negative in accordance with subclause (e), the cost of financing for the period ending on the forecast **commissioning date** will be negative;
  - (g) where the cost of financing an asset which is **works under construction** is negative under subclause (f), it will reduce the forecast value of the relevant asset or assets by that negative amount where such a reduction is not otherwise made under **GAAP**;
  - (h) for the purpose of subclause (d), **works under construction** includes assets that are forecast to be enhanced or acquired; and
  - (i) where the cost of financing is forecast to be derived as income in relation to **works under construction** and is-
    - (i) negative; and
    - (ii) included in regulatory income under an **ID determination**,it will not reduce the forecast value of the relevant asset or assets where such reduction would not otherwise be made under **GAAP**.

(4)(5) For the avoidance of doubt-

- (a) revenue derived or forecast to be derived in relation to **works under construction** that is not included in regulatory income under an **ID determination** ~~or preceding regulatory information disclosure requirements~~ reduces the cost of an asset by the amount of the revenue where such reduction is not otherwise made under **GAAP**; and
- (b) where expenditure on an asset which forms or is forecast to form part of the cost of that asset under **GAAP** is incurred or forecast to be incurred by an **EDB** after that asset is **commissioned** or forecast to be **commissioned**, such expenditure is treated as relating to a separate asset.

~~(5)(6)~~ In this clause, 'forecast capital expenditure' means, in relation to a **CPP proposal**-

- (a) that has not been assessed by the **Commission**, the amount of **capital expenditure** for the relevant **disclosure year** of the **next period** included by the **CPP applicant** in its **capex forecast**; and
- (b) undergoing assessment by the **Commission**, the amount of **capital expenditure** determined for the relevant **disclosure year** of the **next period** by the **Commission** after assessment of the amount in paragraph (a) against the **expenditure objective**.

~~(6)(7)~~ For the purpose of paragraph 5.3.11(1)(g), the forecast value of any assets, or components of assets, must be consistent with values determined in accordance with one of the following –

- (a) the forecast price to be paid by the **EDB** for the asset, where the forecast cost of all assets to be acquired from the **related party** and first **commissioned** in any **disclosure year** of the **CPP regulatory period** will be less than –
  - (i) one percent of the sum of **opening RAB values** for the **EDB** for that **disclosure year**, or
  - (ii) 20% of the cost of all assets to be first **commissioned** by the **EDB** in that **disclosure year**;
- (b) the forecast price to be paid by the **EDB** for the asset, where–
  - (i) it is reasonably expected that at least 50% of the **related party's** sales of assets will be to third parties in the **disclosure year** in which the asset is first **commissioned**, and third parties may purchase the same or substantially similar assets from the **related party** on substantially the same terms and conditions, including price; or
  - (ii) that forecast price is substantially the same as the price paid for substantially similar assets (including any adjustments for inflation using CPI or an appropriate input price index) in the preceding 3 **disclosure years** from a party other than a **related party**;



- (c) the price to be paid by the **EDB** to the **related party** for an asset to be **commissioned** in a **disclosure year** in the **CPP regulatory period** has been determined following a completed competitive tender process, provided that–
  - (i) the price is no more than 5% higher than the price of the lowest conforming tender received;
  - (ii) all relevant information material to consideration of the proposal was provided to third parties, or made available upon request;
  - (iii) at least one other qualifying proposal was received; and
  - (iv) the **EDB** retains for a period of 7 years following the closing date of tender proposals a record of the tender and tender process, including request for information and/or proposal, the criteria used for the assessment of proposals, reasons for acceptance or rejection of proposals, and all proposals and requests for information on the tender for the purposes of making proposals;
- (d) its forecast depreciated historic cost on the day before the forecast acquisition by the **EDB** determined in accordance with **GAAP**;
- (e) its forecast inventory value on the day before the forecast acquisition by the **EDB** determined in accordance with **GAAP**;
- (f) its forecast market value as at its **commissioning date** as determined by a **valuer**;
- (g) its forecast directly attributable cost as would be incurred by the group to which the **EDB** and **related party** are a part, determined in accordance with **GAAP**, as if the consolidated group was the **EDB**;
- (h) the forecast price to be paid by the **EDB** for the asset reflects the price or prices that would be paid in an arm’s-length transaction, provided the price cannot otherwise be determined under paragraphs (a) – (g).

#### 5.3.12 Works under construction

- (1) Opening works under construction means, in respect of-
  - (a) the first **disclosure year** of the **next period** where that year is consecutive to a **disclosure year** in respect of which disclosure pursuant to an **ID determination**-
    - (i) has not been made, initial works under construction; and
    - (ii) has been made, the value of works under construction last disclosed in accordance with the **ID determination** to the extent that it is intended to be included in a **closing RAB value**; and
  - (b) any year other than the first **disclosure year** of the **next period**, **closing works under construction** of the preceding **disclosure year**.

- (2) For the purpose of subclause (1)(a)(i), 'initial works under construction' means expenditure incurred on **works under construction** as of the first day of the **disclosure year** in question, calculated in accordance with clause 5.3.11, modified in that references in that clause to "forecast **commissioning date**" are substituted with "forecast date that expenditure is incurred".
- (3) Closing works under construction is the amount determined in accordance with the formula-

**opening works under construction + sum of capital expenditure - (sum of value of commissioned assets + sum of forecast value of commissioned assets),**

where-

- (a) the sum of **value of commissioned assets** only includes values to the extent that they are included in **closing RAB values** disclosed pursuant to an **ID determination**; and
- (b) the sum of **forecast value of commissioned assets** only includes values to the extent that they are included in the sum of **closing RAB values** provided pursuant to clause 5.4.11(~~be~~)(ii).

### SECTION 3 Treatment of taxation

#### 5.3.13 Forecast regulatory tax allowance

- (1) Forecast regulatory tax allowance is, where forecast **regulatory net taxable income** is-
- (a) nil or a positive number, the **tax effect** of forecast **regulatory net taxable income**; and
- (b) a negative number, nil.
- (2) Regulatory net taxable income means **regulatory taxable income** less **utilised tax losses**.
- (3) Regulatory taxable income is determined in accordance with the formula-

**regulatory profit / (loss) before tax + permanent differences + regulatory tax adjustments.**

- (4) Regulatory profit / (loss) before tax means the value determined in accordance with the formula-

**building blocks allowable revenue before tax + ~~other regulated income~~ - operating expenditure - total depreciation.**

#### 5.3.14 Tax losses

- (1) Utilised tax losses means **opening tax losses**, subject to subclause (2).
- (2) For the purpose of subclause (1), utilised tax losses may not exceed **regulatory taxable income**.

- (3) Opening tax losses in relation to-
- (a) the first **disclosure year** of the **next period**, is nil, subject to subclause (4); and
  - (b) subsequent **disclosure years** of the **next period**, is closing tax losses for the preceding **disclosure year**.
- (4) For the purpose of subclause (3)(a), if the **Commission** is satisfied that an **EDB** will incur forecast tax losses, opening tax losses is the amount of losses in respect of which the **Commission** is satisfied.
- (5) For the purpose of subclause (3)(b), 'closing tax losses' means the amount determined in accordance with the following formula, in which each term is an absolute value:
- opening tax losses + current period tax losses - utilised tax losses.**
- (6) In this clause, 'current period tax losses' is, where **regulatory taxable income** is-
- (a) nil or a positive number, nil; and
  - (b) a negative number, **regulatory taxable income**.

#### 5.3.15 Permanent differences

- (1) Permanent differences is the amount determined in accordance with the formula-
- positive permanent differences - discretionary discounts and customer rebates - negative permanent differences.*
- (2) For the purpose of subclause (1), 'positive permanent differences' means, subject to subclause (3), the sum of-
- (a) all amounts of income-
    - (i) treated as taxable were the **tax rules** applied to determine income tax payable in respect of the **EDB's supply of electricity distribution services**; and
    - (ii) not included as amounts of income in determining **regulatory profit / (loss) before tax**; and
  - (b) all amounts of expenditure or loss-
    - (i) included as amounts of expenditure or loss in determining **regulatory profit / (loss) before tax**; and
    - (ii) not treated as deductions were the **tax rules** applied to determine income tax payable in respect of the **EDB's supply of electricity distribution services**,
- if the difference in treatment of amounts of-
- (c) income under paragraph (a)(i) and paragraph (a)(ii); or
  - (d) expenditure or loss under paragraph (b)(i) and paragraph (b)(ii),

is a difference that is not -

- (e) a **reversal** or partial **reversal** of a difference for a prior **disclosure year**;  
and
  - (f) forecast to **reverse** in a subsequent **disclosure year**.
- (3) For the purpose of subclause (2), positive permanent differences excludes any amounts that are-
- (a) **amortisation of initial differences in asset values**; or
  - (b) **amortisation of revaluations**.
- (4) For the purpose of subclause (1), 'negative permanent differences' means, subject to subclause (5), the sum of-
- (a) all amounts of income-
    - (i) included as amounts of income in determining **regulatory profit / (loss) before tax**; and
    - (ii) not treated as taxable were the **tax rules** applied to determine income tax payable in respect of the **EDB's supply of electricity distribution services**; and
  - (b) all amounts of expenditure or loss-
    - (i) treated as deductions were the **tax rules** applied to determine income tax payable in respect of the **EDB's supply of electricity distribution services**; and
    - (ii) not included as amounts of expenditure or loss in determining **regulatory profit / (loss) before tax**,
- if there are differences between the values in-
- (c) paragraph (a)(i) and paragraph (a)(ii); and
  - (d) paragraph (b)(i) and paragraph (b)(ii),
- and such differences are not-
- (e) the **reversal** of a difference in a prior **disclosure year**; and
  - (f) forecast to **reverse** in a subsequent **disclosure year**.
- (5) For the purpose of subclause (4), negative permanent differences excludes any amounts that are-
- (a) **discretionary discounts and customer rebates**;
  - (b) expenditure or loss determined in accordance with the **tax rules** that is-
    - (i) interest; or
    - (ii) forecast to be incurred in borrowing money; and
  - (c) any-

- (i) tax losses; and
- (ii) subvention payment made or received by an **EDB**.

#### 5.3.16 Regulatory tax adjustments

(1) Regulatory tax adjustments are determined in accordance with the formula-

**amortisation of initial differences in asset values + amortisation of revaluations - notional deductible interest.**

(2) For the purpose of subclause (1), 'notional deductible interest' means the amount determined in accordance with the formula-

**((regulatory investment value + RAB proportionate investment) x leverage x cost of debt) + term credit spread differential allowance)**

÷

**√(1 + cost of debt).**

(3) For the purpose of subclause (2), 'RAB proportionate investment' means the sum of the *proportionate value* of each asset forecast to be **commissioned** less the sum of the *proportionate value* of each **disposed asset**.

(4) For the purpose of subclause (3), 'proportionate value' means for-

- (a) an asset forecast to be **commissioned**, its **forecast value of commissioned asset** multiplied by the proportion of that **disclosure year** in question from the forecast **commissioning date** to the end of that **disclosure year** out of the whole **disclosure year**; and
- (b) a **disposed asset**, its **opening RAB value** multiplied by the proportion of that **disclosure year** from the date of sale or transfer to the end of that **disclosure year** out of the whole **disclosure year**.

#### 5.3.17 Amortisation of initial differences in asset values

(1) Amortisation of initial differences in asset values is, subject to subclause (4), determined in accordance with the formula-

*opening unamortised initial differences in asset values ÷ opening weighted average remaining useful life of relevant assets.*

(2) For the purpose of this clause, 'opening unamortised initial differences in asset values' means, in respect of-

- (a) the **disclosure year** 2010, initial differences in asset values; and
- (b) each **disclosure year** thereafter, subject to subclause (4), closing unamortised initial difference in asset values for the preceding **disclosure year**.

(3) For the purpose of subclause (2)(a), 'initial differences in asset values' means, subject to subclause (4), the sum of **initial RAB values** less the sum of **regulatory tax asset values** on the first day of the **disclosure year 2010**.

(4) For the purpose of subclause (1), 'opening weighted average remaining useful life of relevant assets' means-

$$q = a - b$$

where:

$a =$  the 2010 weighted average remaining asset life of assets included in the initial RAB calculated by using initial RAB values as weightings

$b =$  disclosure year less 2010.

~~(3)~~(5) For the purpose of subclauses (1) and (2)-

- (a) no account may be taken of unamortised initial differences in asset values of sold assets from the date of sale; and
- (b) account must be taken of unamortised initial differences in asset values of acquired assets from the date of acquisition.

~~(4)~~(6) For the purpose of subclause (2)(b), 'closing unamortised initial difference in asset values' is determined in accordance with the formula-

*Opening unamortised initial differences in asset values - amortisation of initial difference in asset values*

#### 5.3.18 Amortisation of revaluations

Amortisation of revaluations in relation to an **EDB** for a **disclosure year** is calculated in accordance with the formula-

**total depreciation - adjusted depreciation.**

#### 5.3.19 Deferred tax

(1) Opening deferred tax means, in respect of-

- (a) the **disclosure year 2010**, nil; and
- (b) each **disclosure year** thereafter, closing deferred tax for the preceding **disclosure year**.

(2) For the purpose of subclause (1)(b), 'closing deferred tax' is determined in accordance with the formula-

**opening deferred tax + tax effect of temporary differences - tax effect of amortisation of initial difference in asset values + deferred tax balance relating to assets acquired in the disclosure year in question - deferred tax balance relating to assets disposed of in the disclosure year in question + cost allocation adjustment.**

(3) For the purpose of subclause (2), 'deferred tax balance relating to assets acquired in the **disclosure year** in question' means the amount of deferred tax associated with

the assets acquired by the **EDB** from another **regulated supplier**, excluding the **reversal** of temporary adjustments arising as a consequence of the sale, as determined in accordance with **input methodologies** applicable to the **regulated services** that the assets in question were used to **supply**.

(4) For the avoidance of doubt, the amount referred to in subclause (3) must include proportionate adjustments for-

- (a) the **tax effect of temporary differences**; and
- (b) the **amortisation of initial differences in asset values**,

up to the date the assets in question were acquired.

(5) For the purpose of subclause (2), 'cost allocation adjustment' means the **tax effect** of the dollar value difference between the change in the sum of **regulatory tax asset values** on the last day of the **disclosure year** and the change in the sum of **closing RAB values** as a result only of applying-

- (a) the result of asset allocation ratios to the **tax asset value** in accordance with clause 5.3.21(1); and
- (b) Clause 2.1.1 to the **unallocated closing RAB value**, where either or both clauses 5.3.6(1)(b)(ii) and 5.3.6(3) apply.

(6) For the purpose of subclause (2), 'deferred tax balance relating to assets disposed of in the disclosure year in question' means the amount of deferred tax associated with the assets disposed of by the EDB and, where that deferred tax balance is a deferred tax liability, it must have a negative value.

#### 5.3.20 Temporary differences

(1) Temporary differences is the amount determined in accordance with the formula-

*depreciation temporary differences + positive temporary differences - negative temporary differences.*

(2) For the purpose of this clause, 'depreciation temporary differences' is **adjusted depreciation** less tax depreciation.

(3) For the purpose of subclause (2) 'tax depreciation' is the sum of the amounts determined for all assets by application of the **tax depreciation rules** to the **regulatory tax asset value** of each asset.

(4) For the purpose of subclause (1), 'positive temporary differences' means the sum of-

- (a) all amounts of income-
  - (i) treated as taxable if the **tax rules** were applied to determine income tax payable in respect of the **EDB's supply of electricity distribution services**; and

- (ii) not included as amounts of income in determining **regulatory profit / (loss) before tax**; and
- (b) all amounts of expenditure or loss-
  - (i) included as amounts of expenditure or loss in determining **regulatory profit / (loss) before tax**; and
  - (ii) not treated as deductions were the **tax rules** applied to determine income tax payable in respect of the **EDB's supply of electricity distribution services**,

less any amount that is **depreciation temporary differences**, if there are differences between the values in-

- (c) paragraph (a)(i) and paragraph (a)(ii); and
- (d) paragraph (b)(i) and paragraph (b)(ii),

and such differences-

- (e) are the **reversal** of a difference in a prior **disclosure year**; or
- (f) are forecast to **reverse** in a subsequent **disclosure year**.

(5) For the purpose of subclause (1), 'negative temporary differences' means the sum of-

- (a) all amounts of income-
  - (i) included as amounts of income in determining **regulatory profit / (loss) before tax**; and
  - (ii) not treated as taxable were the **tax rules** applied to determine income tax payable in respect of the **EDB's supply of electricity distribution services**; and
- (b) all amounts of expenditure or loss-
  - (i) treated as deductions were the **tax rules** applied to determine income tax payable in respect of the **EDB's supply of electricity distribution services**; and
  - (ii) not included as amounts of expenditure or loss in determining **regulatory profit / (loss) before tax**,

less any amount that is **depreciation temporary differences**, if there are differences between the values in-

- (c) paragraph (a)(i) and paragraph (a)(ii); and
- (d) paragraph (b)(i) and paragraph (b)(ii),

and such differences-

- (e) are the **reversal** of a difference in a prior **disclosure year**; or
- (f) are forecast to **reverse** in a subsequent **disclosure year**.



### 5.3.21 Regulatory tax asset value

- (1) Regulatory tax asset value, in relation to an asset, means the value determined in accordance with the formula-

**tax asset value** × *result of asset allocation ratio*.

- (2) Tax asset value means, in respect of-

- (a) an asset-

- (i) in the **initial RAB** where, in the **disclosure year 2010**, the sum of **unallocated initial RAB values** is less than the sum of the **adjusted tax values** of all assets in the **initial RAB**;
- (ii) acquired from a **regulated supplier** who used it to **supply regulated goods or services**; or
- (iii) acquired or transferred from a **related party**,

the value of the asset determined by applying the **tax depreciation rules** to its notional tax asset value; and

- (b) any other asset, its forecast **adjusted tax value**.

- (3) 'Notional tax asset value' means, for the purpose of-

- (a) subclause (2)(a)(i), **adjusted tax value** of the asset in the **disclosure year 2010** adjusted to account proportionately for the difference between the-

- (i) sum of the **unallocated initial RAB values**; and
- (ii) sum of the **adjusted tax values**,

of all assets in the **initial RAB**;

- (b) subclause (2)(a)(ii), value after applying the **tax depreciation rules** to the tax asset value (as 'tax asset value' is defined in the **input methodologies** applying to the **regulated goods or services** in question) in respect of the **disclosure year** in which the asset was acquired; and

- (c) subclause (2)(a)(iii), value in respect of the **disclosure year** in which the asset was acquired or transferred that is-

- (i) consistent with the **tax rules**; and
- (ii) limited to its **value of commissioned asset** or, if relevant capital contributions are treated for tax purposes in accordance with section CG 8 of the Income Tax Act 2007 (or subsequent equivalent provisions), limited to the value of commissioned asset plus any taxed capital contributions applicable to the asset.

- (4) For the purpose of subclause (1), '-result of asset allocation ratio' means, where an asset or group of assets maintained under the **tax rules**-

- (a) has a matching asset or group of assets maintained for the purpose of Part 2 Subpart 2, the value obtained in accordance with the formula-

**opening RAB value** or *sum of opening RAB values, as the case may be*

÷

**unallocated opening RAB value** or *sum of unallocated opening RAB values, as the case may be,*

applying the formula in respect of the asset or smallest group of assets maintained for the purpose of Part 2 Subpart 2 that has a matching asset or group of assets maintained under the **tax rules**; and

- (b) does not have a matching asset or group of assets maintained for the purpose of Part 2 Subpart 2, the value of the asset allocated to the **supply of electricity distribution services** were clause 2.1.1 to apply to the asset or group of assets.

#### **SECTION 4 Cost of capital**

##### **5.3.22 Methodology for estimating the weighted average cost of capital**

- (1) **Where the Commission takes into account the cost of capital in making a CPP determination, the Commission will use the 67th percentile estimate of WACC that was used for the DPP applying at the start of the CPP regulatory period in accordance with clause 4.4.7(1).**
- (2) **Where there has been a WACC change, the cost of capital for the CPP is the DPP WACC referenced in clause 5.6.7(4)(a), which has effect in the remaining years of the CPP regulatory period.**

##### **5.3.23 Methodology for estimating term credit spread differential**

- (1) **'Term credit spread differential' is the amount determined for a qualifying supplier in accordance with the formula-**

$$(A \div B) \times C \times D,$$

**where-**

- (a) **'A' is the sum of the term credit spread difference and debt issuance cost re-adjustment;**
- (b) **'B' is the book value of the qualifying supplier's total interest-bearing debt as at the balance date of the supplier's financial statements audited and published in the disclosure year in question relate;**
- (c) **'C' is leverage; and**
- (d) **'D' is, in relation to the qualifying supplier, the average of-**
- (i) **the sum of opening RAB values; and**

(ii) the sum of closing RAB values.

(2) For the purpose of subclause (1)(a), 'debt issuance cost re-adjustment' is the amount determined in accordance with the formula-

$(0.01 \div \text{original tenor of the qualifying debt} - 0.002) \times \text{book value in New Zealand dollars of the qualifying debt at its date of issue,}$

which amount, for the avoidance of doubt, will be a negative number.

#### 5.3.24 Term credit spread difference

(1) 'Term credit spread difference' is determined in accordance with the formula-

$T \times U,$

where-

(a) 'T' is the amount determined in accordance with the formula-

$0.00075 \times (\text{original tenor of the qualifying debt} - 5);$

(b) 'U' is the book value in New Zealand dollars of the qualifying debt at its date of issue.

(2) For the purpose of this clause, where the qualifying debt is issued to a related party, 'original tenor of the qualifying debt' means the-

(a) tenor of the qualifying debt; or

(b) period from the qualifying debt's date of issue to the earliest date on which its repayment is or may be required,

whichever is the shorter.

#### 5.3.25 Interpretation of terms relating to term credit spread differential

(1) 'Qualifying debt' means a line of debt-

(a) with an original tenor greater than 5 years; and

(b) issued by a qualifying supplier.

(2) 'Qualifying supplier' means a regulated supplier whose debt portfolio, as at the date of that supplier's most recently published audited financial statements, has a weighted average original tenor greater than 5 years.

### **SECTION 4 — Cost of capital**

#### ~~5.3.22 Methodology for estimating the weighted average cost of capital~~

~~(1) — The Commission will determine mid-point estimates of vanilla WACC for the disclosure year 2011 and each disclosure year thereafter—~~

~~(a) — in respect of a—~~

~~(i) — 3 year period;~~

~~(ii) 4 year period; and~~

~~(iii) 5 year period,~~

~~commencing on the first day of the September prior to the disclosure year in question;~~

~~(b) subject to subclause (2), each September; and~~

~~(c) in accordance with the formula-~~

$$r_d L + r_e (1 - L)$$

~~(2) The Commission will estimate or determine, as the case may be, the amounts or values-~~

~~(a) to which this subclause applies; and~~

~~(b) in respect of the disclosure year 2011,~~

~~as soon as practicable after this determination comes into force.~~

~~(3) In this clause-~~

~~$L$  is leverage;~~

~~$r_d$  is the cost of debt and is estimated in accordance with the formula  $r_f + p + d$ ;~~

~~$r_e$  is the cost of equity and is estimated in accordance with the formula  $r_f(1 - T_i) + \beta_e TAMRP$ ;~~

~~$r_f$  is the risk free rate;~~

~~$p$  is the debt premium;~~

~~$d$  is the debt issuance costs;~~

~~$T_i$  is the average investor tax rate;~~

~~$\beta_e$  is the equity beta; and~~

~~$TAMRP$  is the tax adjusted market risk premium.~~

~~(4) For the purpose of this clause-~~

~~(a) the average investor tax rate, the equity beta, the debt issuance costs, and the tax adjusted market risk premium are the amounts specified in or determined in accordance with clause 5.3.23; and~~

~~(b) the risk free rate must be estimated in accordance with clause 5.3.24.~~

### 5.3.23 Fixed WACC parameters

~~(1) Leverage is 44%.~~

~~(2) The average investor tax rate is the average of the investor tax rates that, as at the date that the estimation is made, will apply to each of the disclosure years in the CPP regulatory period in question.~~

~~(3) For the purpose of subclause (2), 'investor tax rate' is-~~

- ~~(a) — for the **disclosure year** 2011, 29%; and~~
- ~~(b) — for a **disclosure year** thereafter, the maximum **prescribed investor rate** applicable at the start of that **disclosure year** to an individual who is—
  - ~~(i) — resident in New Zealand; and~~
  - ~~(ii) — an investor in a **multi-rate PIE**;~~~~

~~(4) — The equity beta is 0.61.~~

~~(5) — The debt issuance costs are, for the purpose of calculating a vanilla **WACC** to match—~~

- ~~(a) — a 3 year period, 0.58%;~~
- ~~(b) — a 4 year period, 0.44%; and~~
- ~~(c) — a 5 year period, 0.35%.~~

~~(6) — The tax-adjusted market risk premium is, for a **CPP regulatory period** commencing on the first day of—~~

- ~~(a) — the **disclosure year** 2011, 7.1%; and~~
- ~~(b) — a **disclosure year** thereafter, 7.0%.~~

#### 5.3.24 Methodology for estimating risk free rate

~~(1) — The **Commission** will estimate a risk free rate for the purpose of calculating a vanilla **WACC** to match a 5 year period—~~

- ~~(a) — for each **disclosure year**; and~~
- ~~(b) — subject to clause 5.3.22(2), each September;~~

~~by—~~

- ~~(c) — obtaining, for notional benchmark New Zealand government New Zealand dollar denominated nominal bonds, the wholesale market linearly interpolated bid yield to maturity for a residual period to maturity equal to 5 years on each **business day** in the preceding August;~~
- ~~(d) — calculating the annualised interpolated bid yield to maturity for each **business day**; and~~
- ~~(e) — calculating the un-weighted arithmetic average of the daily annualised interpolated bid yields to maturity.~~

~~(2) — The risk free rate for the purpose of calculating a vanilla **WACC** to match a—~~

- ~~(a) — 3 year period must be estimated by applying subclause (1) with the modification that each reference to "5" is substituted with "3"; and~~
- ~~(b) — 4 year period must be estimated by applying subclause (1) with the modification that each reference to "5" is substituted with "4".~~

#### 5.3.25 Methodology for estimating debt premium

~~(1) — Debt premium means the spread between—~~

- ~~(a) — the bid yield to maturity on **vanilla NZ\$ denominated bonds** that—~~

- ~~(i) — are issued by an EDB or a GPB;~~
- ~~(ii) — are publicly traded;~~
- ~~(iii) — have a **qualifying rating** of grade BBB+; and~~
- ~~(iv) — have a remaining term to maturity of 5 years; and~~

~~(b) — the contemporaneous interpolated bid yield to maturity of notional benchmark New Zealand government New Zealand dollar denominated nominal bonds having a remaining term to maturity of 5 years.~~

~~(2) — The **Commission** will estimate an amount for the debt premium each September, subject to clause 5.3.22(2).~~

~~(3) — For the purpose of calculating a vanilla **WACC** to match a 5 year period, an amount for the debt premium will be estimated in respect of the first **business day** of each September by—~~

~~(a) — identifying publicly traded **vanilla NZ\$ denominated bonds** issued by a **qualifying issuer** that are—~~

- ~~(i) — **investment grade credit rated**; and~~
- ~~(ii) — of a type described in the paragraphs of subclause (4);~~

~~(b) — in respect of each bond identified in accordance with paragraph (a)—~~

- ~~(i) — obtaining its wholesale market annualised bid yield to maturity;~~
- ~~(ii) — calculating by linear interpolation with respect to maturity, the contemporaneous wholesale market annualised bid yield to maturity for a notional benchmark New Zealand government New Zealand dollar denominated nominal bond with the same remaining term to maturity; and~~

~~(iii) — calculating its contemporaneous interpolated bid to bid spread over notional benchmark New Zealand government New Zealand dollar denominated nominal bonds with the same remaining term to maturity, by deducting the yield calculated in accordance with subparagraph (ii) from the yield obtained in accordance with subparagraph (i);~~

~~for each **business day** in the preceding August;~~

~~(c) — calculating, for each bond identified in accordance with paragraph (a), the un-weighted arithmetic average of the daily spreads identified in accordance with paragraph (b)(iii); and~~

~~(d) — subject to subclause (4), estimating, by taking account of the average spreads identified in accordance with paragraph (c), the average spread that would reasonably be expected to apply to a **vanilla NZ\$ denominated bond** that—~~

- ~~(i) is issued by an EDB or a GPB that is neither majority owned by the Crown nor a local authority;~~
- ~~(ii) is publicly traded;~~
- ~~(iii) has a qualifying rating of grade BBB+; and~~
- ~~(iv) has a remaining term to maturity of 5 years.~~

~~(4) For the purpose of subclause (3)(d), the Commission will have regard, subject to subclause (5), to the spreads observed on the following types of vanilla NZ\$ denominated bonds:~~

~~(a) those that-~~

- ~~(i) have a qualifying rating of grade BBB+; and~~
- ~~(ii) are issued by an EDB or a GPB that is neither majority owned by the Crown nor a local authority;~~

~~(b) those that-~~

- ~~(i) have a qualifying rating of grade BBB+; and~~
- ~~(ii) are issued by an entity other than an EDB or a GPB that is neither majority owned by the Crown nor a local authority;~~

~~(c) those that-~~

- ~~(i) have a qualifying rating of a grade different to BBB+; and~~
- ~~(ii) are issued by an EDB or a GPB that is neither majority owned by the Crown nor a local authority;~~

~~(d) those that-~~

- ~~(i) have a qualifying rating of a grade different to BBB+; and~~
- ~~(ii) are issued by an entity, other than an EDB or a GPB that is neither majority owned by the Crown nor a local authority; and~~

~~(e) those that are-~~

- ~~(i) investment grade credit rated; and~~
- ~~(ii) issued by an entity that is majority owned by the Crown or a local authority.~~

~~(5) For the purpose of subclause (4)-~~

- ~~(a) progressively lesser regard will ordinarily be given to the spreads observed on the bond types described in subclause (4) in accordance with the order in which the bond types are described.~~
- ~~(b) the spread on any bond of the type described in subclause (4) that has a remaining term to maturity of less than 5 years will ordinarily be considered to be the minimum spread that would reasonably be~~

~~expected to apply on an equivalently credit-rated bond issued by the same entity with a remaining term to maturity of 5 years; and~~  
~~(c) the Commission will adjust spreads observed on bonds described under subclauses (4)(b) to (4)(e) to approximate the spread that is likely to have been observed had the bonds in question been of the type described in subclause (4)(a).~~

~~(6) An amount of a debt premium for the purpose of calculating a vanilla WACC to match a-~~

- ~~(a) 3 year period will be estimated by applying the preceding subclauses of this clause with the modification that each reference to "5" is substituted with "3"; and~~
- ~~(b) 4 year period will be estimated by applying the preceding subclauses of this clause with the modification that each reference to "5" is substituted with "4".~~

~~5.3.26 Standard error of debt premium~~

~~(1) The Commission will make all estimates of standard errors of debt premiums-~~

- ~~(a) in accordance with this clause; and~~
- ~~(b) subject to clause 5.3.22(2), each September.~~

~~(2) The Commission will estimate an amount for a standard error of a debt premium for the purpose of calculating a vanilla WACC to match a 5 year period as either-~~

~~(a) the result of the formula-~~

$$\sqrt{\frac{1}{N-1} \sum_{i=1}^N (p_i - \bar{p})^2}$$

~~where-~~

~~$N$  is the number of qualifying issuers issuing bonds of the type described in the subparagraphs of clause 5.3.25(3)(d);~~

~~$p_i$  is each qualifying issuer's arithmetic average spread for its bonds of the type described in the subparagraphs of clause subclause 5.3.25(3)(d); and~~

~~$\bar{p}$  is the debt premium obtained in accordance with clause 5.3.25(3),~~

~~provided that for the purposes of determining  $N$  and  $p_i$ , no regard may be had to any bonds of the types described in clauses 5.3.25(4)(b) to 5.3.25(4)(e); or~~

~~(b) 0.0015,~~

~~whichever is the greater.~~



~~(3) The Commission will estimate an amount for a standard error of a debt premium for the purpose of calculating a vanilla WACC to match a 3 year period as either~~

~~(a) the result of the formula~~

$$\sqrt{\frac{1}{N-1} \sum_{i=1}^N (p_i - \bar{p})^2}$$

~~where~~

~~$N$  is the number of qualifying issuers issuing bonds of the type described in the subparagraphs of clause 5.3.25(3)(d) as modified by clause 5.3.25(6)(a);~~

~~$p_i$  is each qualifying issuer's arithmetic average spread on its bonds of the type described in the subparagraphs of clause 5.3.25(3)(d) as modified by clause 5.3.25(6)(a); and~~

~~$\bar{p}$  is the debt premium obtained in accordance with clause 5.3.25(3) as modified by clause 5.3.25(6)(a),~~

~~provided that for the purposes of determining  $N$  and  $p_i$ , no regard may be had to any bonds of the types described in clauses 5.3.25(4)(b) to 5.3.25(4)(e) as modified by clause 5.3.25(6)(a); or~~

~~(b) 0.0015,~~

~~whichever is the greater.~~

~~(4) The Commission will estimate an amount for a standard error of a debt premium for the purpose of calculating a vanilla WACC to match a 4 year period as either~~

~~(a) the result of the formula~~

$$\sqrt{\frac{1}{N-1} \sum_{i=1}^N (p_i - \bar{p})^2}$$

~~where~~

$N$ —is the number of **qualifying issuers** issuing bonds of the type described in the subparagraphs of clause 5.3.25(3)(d) as modified by clause 5.3.25(6)(b);

$p_i$ —is each **qualifying issuer's** arithmetic average spread for its bonds of the type described in the subparagraphs of clause 5.3.25(3)(d) as modified by clause 5.3.25(6)(b); and

$\bar{p}$ —is the **debt premium** obtained in accordance with clause 5.3.25(3) as modified by clause 5.3.25(6)(b);

provided that for the purposes of determining  $N$  and  $p_i$ , no regard may be had to any bonds of the types described in clauses 5.3.25(4)(b) to 5.3.25(4)(e) as modified by clause 5.3.25(6)(b); or

(b) — 0.0015,

whichever is the greater.

#### 5.3.27 Methodology for estimating the WACC standard error

(1) — The **Commission** will determine **standard errors** for **mid-point estimates of WACC**—

(a) — to match periods of—

(i) — 3 years;

(ii) — 4 years; and

(iii) — 5 years;

(b) — subject to clause 5.3.22(2), each September; and

(c) — in accordance with the formula—

$$\sqrt{0.00003 + 0.0169E^2(TAMRP) + 0.1936\text{var}(\hat{p})}$$

(2) — In this clause—

(a) —  $E^2(TAMRP)$  is the square of the tax-adjusted market risk premium determined in accordance with clause 5.3.23(6); and

(b) —  $\text{var}(\hat{p})$  is the square of the **standard error** of the **debt premium** determined in accordance with clause 5.3.26(3), 5.3.26(3)(b) or 5.3.26(1) to match a term of 3 years, 4 years or 5 years, as the case may be.

#### 5.3.28 Methodology for estimating the 67th percentile of the vanilla WACC

(1) — The **67th percentile estimates** of the **WACC** will be estimated by the **Commission**, subject to clause (2), in respect of **mid-point estimates of WACC**—

(a) — to match terms of—

(i) — 3 years;

~~(ii) 4 years; and~~

~~(iii) 5 years; and~~

~~(b) subject to clause 5.3.22(2), each September.~~

~~(2) For the purpose of subclause (1)-~~

~~(a) a mid-point estimate of WACC must be treated as the 50th percentile;  
and~~

~~(b) its corresponding 67th percentile must be determined in accordance with  
the formula-~~

~~mid-point estimate of WACC + 0.440 × standard error,~~

~~where 'standard error' means the standard error of the relevant mid-point  
estimate of WACC, as determined in accordance with clause 5.3.27.~~

#### 5.3.29 Publication of estimates

~~The Commission will publish all determinations and estimates that it is required to  
make by this section-~~

~~(a) on its website; and~~

~~(b) no later than 1 month after having made them.~~

#### 5.3.30 Interpretation of terms relating to term credit spread differential

~~(1) Qualifying debt means a line of debt-~~

~~(a) with an original tenor greater than, for the purpose of calculating a  
vanilla WACC to match a-~~

~~(i) 3 year period, 3 years;~~

~~(ii) 4 year period, 4 years; or~~

~~(iii) 5 year period, 5 years; and~~

~~(b) issued by a qualifying supplier.~~

~~(2) Qualifying supplier means a CPP applicant whose debt portfolio, as at the date of  
that supplier's audited financial statements published most recently prior to making  
the CPP application, has a weighted average original tenor greater than, for the  
purpose of calculating a vanilla WACC to match a-~~

~~(a) 3 year period, 3 years;~~

~~(b) 4 year period, 4 years; and~~

~~(c) 5 year period, 5 years.~~

~~(3) Cost of executing an interest rate swap means the amount determined in accordance  
with the formula-~~

~~$A \times B,$~~

~~where-~~

- (a) ~~'A' is the amount that is half of the New Zealand dollar wholesale bid and offer spread for a vanilla interest rate swap determined at the time of pricing the **qualifying debt** (which, for the avoidance of doubt, is expressed in terms of basis points per annum); and~~
- (b) ~~'B' is the book value in New Zealand dollars of the **qualifying debt** at its date of issue.~~

~~5.3.31 Term credit spread difference~~

~~(1) Term credit spread difference is determined in accordance with the formula-~~

$$T \times U,$$

~~where-~~

~~(a) 'T' is the amount determined in accordance with the formula-~~

$$\frac{(V - W) - (X - Y)}{100};$$

~~except that where that amount is-~~

- ~~(i) less than 0.0015, T is 0.0015; and~~
- ~~(ii) more than 0.006, T is 0.006; and~~

~~(b) 'U' is the book value in New Zealand dollars of the **qualifying debt** at its date of issue.~~

~~(2) For the purpose of subclause (1)-~~

- ~~(a) 'V' is the yield shown on the Bloomberg New Zealand 'A' fair value curve for a bond with a tenor equal to, or closest to, the original tenor of the **qualifying debt**;~~
- ~~(b) 'W' is the New Zealand swap rate quoted by Bloomberg for a bond with a tenor equal to the original tenor of the **qualifying debt**;~~
- ~~(c) 'X' is the yield shown on the Bloomberg New Zealand 'A' fair value curve for a bond with a tenor of 5 years;~~
- ~~(d) 'Y' is the New Zealand swap rate quoted by Bloomberg for a bond with a tenor of 5 years; and~~
- ~~(e) V, W, X and Y are determined as at the same time on the same pricing date of the **qualifying debt**.~~

~~(3) For the purpose of this clause, where the **qualifying debt** is issued to a **related party**, 'original tenor of the **qualifying debt**' means the-~~

- ~~(a) tenor of the **qualifying debt**; or~~
- ~~(b) period from the **qualifying debt's** date of issue to the earliest date on which its repayment is or may be required,~~

~~whichever is the shorter.~~

- ~~(4) The term credit spread difference for the purpose of calculating a vanilla WACC to match a—~~
- ~~(a) 3 year period will be estimated by applying the preceding subclauses of this clause with the modification that each reference to '5 years' is substituted with '3 years'; and~~
  - ~~(b) 4 year period will be estimated by applying the preceding subclauses of this clause with the modification that each reference to '5 years' is substituted with '4 years'.~~

### 5.3.32 Methodology for estimating term credit spread differential

- ~~(1) This clause applies to the determination of the amount of any **term credit spread differential** in respect of a **qualifying debt** proposed in a **CPP proposal**.~~
- ~~(2) **Term credit spread differentials** may only be determined in respect of a **qualifying supplier**.~~
- ~~(3) Term credit spread differential is the amount determined in accordance with the formula—~~

$$\text{(A} \div \text{B)} \times \text{C} \times \text{D},$$

where—

- ~~(a) 'A' is the sum of the—~~
    - ~~(i) **term credit spread difference**;~~
    - ~~(ii) **cost of executing an interest rate swap**; and~~
    - ~~(iii) debt issuance cost re-adjustment, as determined in accordance with subclause (4);~~
  - ~~(b) 'B' is the book value of the **qualifying supplier's** total interest bearing debt as at the date to which the supplier's financial statements audited and published most recently before the **CPP proposal** is made relate;~~
  - ~~(c) 'C' is **leverage**; and~~
  - ~~(d) 'D' is, in relation to the **qualifying supplier**, the average of—~~
    - ~~(i) the sum of **opening RAB values**; and~~
    - ~~(ii) the sum of **closing RAB values**.~~
- ~~(4) For the purpose of subclause (3)(a)(iii), the amount of the debt issuance cost re-adjustment is determined in accordance with the formula—~~
- $$\text{(0.0175} \div \text{original tenor of the **qualifying debt**)} \text{(0.0175} \div \text{years in the **CPP regulatory period**)} \times \text{book value in New Zealand dollars of the **qualifying debt** at its date of issue,}$$
- which amount, for the avoidance of doubt, will be a negative number.

## SECTION 5 Alternative methodologies with equivalent effect

### 5.3.26 Alternative methodologies with equivalent effect

- (1) A **CPP applicant**, in making a **CPP application**, may apply an alternative methodology to that specified for—
  - (a) cost allocation and asset valuation in Section 2;
  - (b) treatment of taxation in Section 3; or
  - (c) the estimation of **term credit spread differentials** in Section 4.
- (2) The **Commission**, in evaluating a **CPP proposal** and in determining a **CPP** for an **EDB**, may apply the alternative methodology elected by the **CPP applicant**.
- (3) An alternative methodology applied by either an **EDB** or the **Commission** in accordance with this clause must:
  - (a) produce an equivalent effect within the **CPP regulatory period** to the methodology that would otherwise apply; and
  - (b) not detract from the promotion of the purpose of Part 4 of the **Act**.

## SUBPART 4 Information required in a CPP proposal

### SECTION 1 General matters

#### 5.4.1 Application of this subpart

- (1) Subject to subclause (2), a **CPP proposal** must contain, in all material respects, the information specified in this subpart.  
~~(2) — For the purpose of subclause (1), —~~  
~~(3) — where a **CPP applicant** seeks only a **quality standard variation**, its **CPP proposal** need only contain the information specified in clauses 5.4.2, 5.4.3, 5.4.4 and 5.4.5; and~~  
~~(4)~~(2) where a **CPP proposal** is made in accordance with provisions in a **DPP determination** relating to the submission of **CPP proposals** in response to a **catastrophic event**, the information specified in clause 5.4.3 is not required.

#### 5.4.2 Reasons for the proposal

A **CPP proposal** must contain a-

- (a) detailed description of the **CPP applicant's** rationale for seeking a **CPP**;  
and
- (b) summary of the key evidence in the proposal supporting that rationale.

#### 5.4.3 Information regarding priority of proposal

- (1) A **CPP proposal** must contain an explanation as to why the proposal deserves to be prioritised for assessment before other **CPP proposals**, were the **Commission** to exercise its prioritisation powers under s 53Z of the **Act**.

- (2) For the purpose of subclause (1), a **CPP applicant** must address the prioritisation criteria specified in paragraphs (b) and (c) of s 53Z(3) of the **Act**, viz.-
- (a) urgency of any proposed additional investment (compared to historic rates of investment) required to meet **consumer** requirements on quality, in accordance with subclause (3); and
  - (b) materiality of the proposal relative to the size and revenues of the applicant in accordance with subclause (4).
- (3) For the purpose of subclause (2)(a), the **CPP applicant** must explain-
- (a) how any proposed investment-
    - (i) compares with historic rates of investment; and
    - (ii) relates to meeting **consumer** requirements on quality; and
  - (b) the optimal timing of any proposed investment, including any timeframes that would apply to the process of undertaking that proposed investment.
- (4) For the purpose of subclause (2)(b), the **CPP applicant** must-
- (a) explain the current size of its **business** and how the proposed **CPP** would affect the size of its **business**; and
  - (b) describe its revenue under the **DPP** and explain how its revenue under the proposed **CPP** would differ, if at all, from that revenue.

#### 5.4.4 Duration of regulatory period

Where a **CPP applicant** seeks a **CPP** of 3 years' or 4 years' duration-

- (a) the duration of the **CPP** sought must be stated in the **CPP proposal**; and
- (b) the **CPP proposal** must contain an explanation as to why that duration better meets the purpose of Part 4 of the **Act** than 5 years.

## SECTION 2 Information regarding quality

### 5.4.5 Information on proposed quality standard variation

Where a **CPP applicant** seeks a **quality standard variation** as part of a **CPP proposal**, the **CPP proposal** must contain the following information:

- (a) different values of either or both of-
  - (i) the mean of SAIDI and SAIFI:  $\mu_{SAIDI}$  and  $\mu_{SAIFI}$ ; ~~and~~
  - (ii) the standard deviation of SAIDI and SAIFI:  $\sigma_{SAIDI}$  and  $\sigma_{SAIFI}$ ;
  - (iii) the SAIDI and SAIFI limits;
  - (iv) the SAIDI and SAIFI targets;
  - (v) the SAIDI and SAIFI unplanned boundary values;
  - (vi) the SAIDI and SAIFI caps; and
  - ~~(iii)~~(vii) the SAIDI and SAIFI collars;

to those which would be determined in accordance with the methodology for calculating reliability limits specified in the **DPP determination**;

- (b) an explanation of the reasons for the proposed **quality standard variation**;
- (c) ~~an engineer's report on demonstration of~~ the extent to which the **quality standard variation** better reflects the realistically achievable performance of the **EDB** over the **CPP regulatory period** based on either or both of-
  - (i) statistical analysis of past SAIDI and SAIFI performance; and
  - (ii) the level of investment provided for in proposed **maximum allowable revenue before tax**; and
- (d) ~~demonstration of the estimated an estimation and evaluation of the~~ effect of the proposed **quality standard variation**, ~~had it applied in an earlier period of 5 years~~ by use of historic data, by contrast with the quality standards specified in the **DPP determination**.

### **SECTION 3 Price path information**

#### 5.4.6 Interpretation

- (1) In this section, the meanings of defined terms that are values or amounts to be determined by the **Commission** when making a **CPP determination** are modified to mean the values or amounts proposed by the **CPP applicant**, subject to any other provision to the contrary.
- (2) Any values and amounts used by a **CPP applicant** to determine the quantum of allowances, amounts, sums or values required by this section must be consistent with other information provided in accordance with this part.

#### 5.4.7 Proposed building blocks allowable revenue

- (1) A **CPP proposal** must contain amounts for-
  - (a) **building blocks allowable revenue before tax** for each **disclosure year** of the **next period**; and
  - (b) **building blocks allowable revenue after tax** for each **disclosure year** of the **next period**.
- (2) ~~Subject to subclause (4), a~~ **CPP proposal** must contain all data, information, calculations and assumptions used to determine the amounts required by subclause (1), including but not limited to-
  - (a) forecasts of-
    - (i) **regulatory investment value**;
    - (ii) *total value of commissioned assets* determined in accordance with clause 5.3.2(3);



- (iii) **total depreciation; and**
- ~~(iv) total revaluation; and~~
- ~~(v)(iv) other regulated income;~~

(b) all data, information, calculations and assumptions used to derive amounts or forecasts of  $TF_{VCA}$ ,  $PV_{VCA}$ ,  $TF$ , and  $TF_{rev}$  determined in accordance with clause 5.3.2(4);

~~(c) all data, information, calculations and assumptions used to derive the forecasts of other regulated income provided pursuant to paragraph (a);~~

~~(d)(c) forecast operating expenditure; and~~

~~(e)(d) any proposed term credit spread differential allowance.~~

~~(3) A CPP proposal must contain the following information:~~

~~(a) actual other regulated income for each disclosure year of the current period; and~~

~~(b) data, calculations and assumptions demonstrating how the forecast of other regulated income provided pursuant to subclause (2)(a)(v) is consistent with information provided in accordance with paragraph (a).~~

~~(4)(3) All calculations, values and amounts required by this clause must be presented in a spreadsheet format which -~~

(a) clearly demonstrates how **building blocks allowable revenue before tax** and **building blocks allowable revenue after tax** for each **disclosure year** of the **next period** have been derived using the formulae specified in clauses 5.3.2 and 5.3.3; and

(b) where data has been computed or derived from other values on the spreadsheet through the use of formulae, makes the underlying formulae accessible.

(4) Where the information specified in subclause (2) is included in a CPP proposal in a spreadsheet format-

(a) the information must be cross-referenced in the text of the CPP proposal document; and

(b) the spreadsheet(s) must-

(i) provide cross-references to any CPP information requirement **input methodology** that the spreadsheet satisfies;

(ii) use terms and labels, consistent with the terminology in the **input methodologies**;

(iii) identify and explain the source inputs, and outputs, of each spreadsheet;

(iv) produce all of the intermediate outputs, as set out in Part 5, Subpart 3 and Part 5, Subpart 4; and

~~(i)(v) demonstrate links and interdependencies between source inputs, intermediate calculations and outputs.~~

#### 5.4.8 Maximum Allowable Revenues

- (1) A **CPP proposal** must contain amounts for-
  - (a) **maximum allowable revenue before tax** for each **disclosure year** of the **CPP regulatory period**; and
  - (b) **maximum allowable revenue after tax** for each **disclosure year** of the **CPP regulatory period**.
- (2) For the purpose of subclauses (1)(a) and (1)(b), the **CPP applicant** must -
  - (a) apply an X factor; and
  - (b) state the value of the X factor.
- (3) For the purpose of subclause (2) the X factor is that defined in the **CPP applicant's DPP determination**, subject to subclause (4).
- (4) For the purpose of subclause (3), a different X factor or factors may be used, provided that the **CPP proposal** contains an explanation and supporting evidence as to why ~~it~~ that would better meet the purpose of Part 4 of the **Act**.
- ~~(5) A **CPP proposal** must contain all data, calculations and assumptions used to derive the forecast weighted average growth in quantities in accordance with clause 5.3.4(7), including-~~
  - ~~(a) a description of each **demand group**;~~
  - ~~(b) the rationale for the selection of **demand groups**;~~
  - ~~(c) the forecast growth in demand for each **demand group**~~
  - ~~(d) the basis for the forecast growth in demand for each **demand group**;~~
  - ~~(e) evidence that the forecast growth in demand for each **demand group** is consistent with all other relevant demand forecasts included in the **CPP proposal**;~~
  - ~~(f) the basis for the assumptions used concerning the relative proportion of fixed and variable components in the **prices** charged to each **demand group** selected in paragraph (a);~~
  - ~~(g) reconciliation between the assumptions referred to in paragraph (f) and the calculation of **notional revenue** made pursuant to any requirement pursuant to s 53N of the **Act** (whether that requirement is contained in a s 52P determination or otherwise) relating to compliance with the price-quality path; and~~
  - ~~(h) the basis for each weighting term.~~
- ~~(6) For the purpose of this clause, 'DPP annual compliance statement' means the most recent annual compliance statement made by the supplier in accordance with a **DPP determination**.~~

~~(7)~~(5) All calculations and values required by this clause must be presented in a spreadsheet format which clearly demonstrates how **maximum allowable revenue before tax** and **maximum allowable revenue after tax** for each **disclosure year** of the **CPP regulatory period** have been derived from **building blocks allowable revenue after tax** and the variables in clause 5.4.7.

~~(8)~~(6) For the purpose of subclause ~~(57)~~, the spreadsheet must be provided in a format that-

- (a) shows clearly how the values required by subclause (1) were derived in accordance with the formulae specified in clauses 5.3.2 to 5.3.4; and
- (b) where data has been computed or derived from other values on the spreadsheet through the use of formulae, makes the underlying formulae accessible.

## SECTION 4 Cost allocation information

### 5.4.9 Cost allocation information

(1) Where a **CPP applicant**-

- (a) makes allocations of **operating costs** not **directly attributable** pursuant to clause 5.3.5(1); or
- (b) determines **opening RAB values** pursuant to clause 5.3.6(1)(b)(ii),

the **CPP proposal** must contain the information specified in subclause (2).

(2) For the purpose of subclause (1), the information is that specified in the applicable tables in Schedule B, subject to subclause (4), which tables comprise-

- (i) ~~Table 1, relating to allocation of the unallocated initial RAB value;~~  
Allocation of asset values;
- (ii) ~~Table 2, relating to allocation of the unallocated closing RAB value;~~  
Report supporting allocations of asset values (non-public);
- (iii) ~~Table 3, relating to allocation of operating costs not directly applicable;~~  
Allocation of operating costs;
- (iv) ~~Table 4: Report supporting allocation of operating costs (non-public), relating to arm's length deductions from regulated service asset values for assets with an unallocated closing RAB value in the last disclosure year of the current period;~~ and
- (v) ~~Table 5: Rationale for selecting proxy allocator, relating to arm's length deductions from operating costs.~~

(3) Subject to subclause (7), in respect of-

- (a) **operating costs** not **directly attributable** allocated to **electricity distribution services** in accordance with clause 5.3.5(2); or
- (b) **closing RAB values** determined in accordance with clause 5.3.6(4),

the **CPP proposal** must contain the information specified in Schedule C, subject to subclause (4), which tables comprise-

- (c) ~~Table 1, relating to allocation of the unallocated closing RAB value; Revised allocation of regulated asset values;~~
- (d) ~~Table 2 relating to allocation of operating costs not directly applicable; Report supporting revised allocations of asset values (non-public);~~
- (e) ~~Table 3, relating to arm's length deductions from regulated service asset values for assets with an unallocated closing RAB value at the end of the last year of the assessment period; Revised allocation of operating costs; and~~
- (f) Table 4, relating to arm's length deductions from operating costs; Report supporting revised allocation of operating costs (non-public); and
- (g) Table 5: Rationale for selecting proxy allocator.

(4) For the purpose of this clause-

- (a) the information specified in the tables of the schedules referred to must be provided on spreadsheets; ~~and~~
- (b) where data has been computed or derived from other values on the spreadsheet through the use of formulae, all underlying formulae must be accessible;
- (c) the information specified in Table 2 and Table 4 of Schedule B and Table 2 and Table 4 of Schedule C may be provided by way of non-public disclosure to the Commission; and
- (d) the information in Schedule B must be provided-
  - (i) for the disclosure year prior to submitting the CPP proposal if it has not been disclosed in accordance with an ID determination; and
  - (ii) for the next period where a value in units in an allocator metric has been changed by at least 5% from the value used in the disclosure year referred to in (i).

(5) Where the CPP applicant has used a proxy cost allocator to provide the information specified in subclauses (2) or (3), the CPP applicant must explain in the CPP proposal, for each proxy cost allocator used-

- (a) why a causal relationship cannot be established; and
- (b) the rationale for the quantifiable measure used for that proxy cost allocator.

(6) Where the CPP applicant has used a proxy asset allocator to provide the information specified in subclauses (2) or (3), the CPP applicant must explain in the CPP proposal, for each proxy asset allocator used-

- (a) why a causal relationship cannot be established; and

(b) the rationale for the quantifiable measure used for that proxy asset allocator.

(5)(7) The information in Schedule C is not required where the value of the assets to be sold as specified in clause 5.3.6(4) is less than 5% of the unallocated closing RAB value for the last disclosure year of the assessment period.

#### 5.4.10 Certification requirements

(1) Where any **arm's-length deduction** was applied for the purpose of this Section, the **CPP proposal** must contain certification by no fewer than 2 of the **EDB's directors** in the following terms, where words in bold bear the meanings specified in this determination:

"I, [insert name], **director** of [insert name of Supplier of services regulated under Part 4 of the Commerce Act] certify that, having made all reasonable enquiry, my belief is that having had regard to the attached information [information required by clause 5.4.9(2)] for the purpose of the supplier's **CPP proposal**, it was appropriate to make the **arm's-length deductions** the amount and nature of which are detailed in the tables below, **namely:**

Table 4 of Schedule B / Table 5 of Schedule B / Table 3 of Schedule C / Table 4 of Schedule C [delete as appropriate]."

(2) Where, in relation to **regulated service asset values**, **OVABAA** was applied for the purpose of this clause in accordance with Subpart 3 Section 2, the **CPP proposal** must contain certification by no fewer than 2 of the **EDB's directors** in respect of its application in the following terms, where words in bold bear the meanings specified in this determination:

"I, [insert name], **director** of [insert name of Supplier of services regulated under Part 4 of the Commerce Act] certify that, having made all reasonable enquiry, my belief is that having had regard to the attached information (being information required by clause 5.4.9(2)) for the purpose of the supplier's **CPP proposal**-

- (a) the attached information is accurate;
- (b) the **OVABAA** was applicable in accordance with clause 2.1.2; and
- (c) the following **unregulated services** would be **unduly deterred** had adjustments to allocations of **regulated service asset values** ( in accordance with clause 2.1.54) not been made: [list relevant **unregulated services**]."

(3) Where, in relation to **operating costs** provided in a **CPP proposal** in accordance with subclause 5.4.8(1) and Schedule C, the **OVABAA** was applied, the **CPP proposal** must contain certification by no fewer than 2 of the **EDB's directors** in respect of application of the **OVABAA** in the following terms:

"I, [insert name], **director** of [insert name of Supplier of services regulated under Part 4 of the Commerce Act] certify that, having made all reasonable enquiry, my belief is that having had regard to the attached information (being information required by clause 5.4.9(2)) for the purpose of the supplier's **CPP proposal**-

- (a) the attached information is accurate;
- (b) the **OVABAA** was applicable in accordance with clause 2.1.2; and
- (c) the following **unregulated services** would be **unduly deterred** had adjustments to allocations of **operating costs** ( in accordance with clause 2.1.54) not been made: [list relevant **unregulated services**]."

## SECTION 5 Asset valuation information

### 5.4.11 RAB roll forward information

~~In respect of~~For each **disclosure year**, ~~commencing after-~~

~~where disclosure has been made pursuant to an ID determination,~~ the last disclosure ~~so made~~ under an ID determination, until, ~~or~~

(a) ~~where disclosure has not been made pursuant to an ID determination, the disclosure year 2009,~~

~~to~~ the last **disclosure year** of the **next period**, provide values, in accordance with Subpart 3 Section 2, for the-

~~(b)~~(a) **total opening RAB value**; and

~~(c)~~(b) sum of each of the following things:

- (i) **forecast value of commissioned assets**; and
- (ii) **closing RAB values**.

### 5.4.12 Depreciation information

(1) In respect of each **disclosure year** of the **CPP regulatory period**, the CPP applicant must provide the information specified in this clause.

~~(1)~~(2) The sum of **depreciation for each type of asset**-

- (a) by either asset category or each type of asset for which the proposed method of determining depreciation is the **standard depreciation method**; and
- (b) for each type of asset where ~~which~~ the proposed method of determining depreciation is an alternative something other than the standard depreciation method.

~~(2)~~(3) For each type of asset to which subclause (2)b) applies-

- (a) a description of the type of asset;
- (b) a description of the proposed depreciation method;

- (c) where the proposed **asset life** is different to the **physical asset life**, the proposed **asset life** for the type of asset;
- (d) where the proposed **asset life** for the type of asset is different to the **physical asset life**, the proposed **remaining asset life**;
- (e) forecast **depreciation** over the **asset life** for the type of asset, including details of all assumptions made;
- (f) forecast **depreciation** over the **asset life** for the type of asset determined in accordance with the **standard depreciation method**;
- (g) evidence to demonstrate that the proposed depreciation method including, where applicable, any proposed **asset life** different to the **physical asset life**, better meets the purpose of Part 4 of the **Act** than the **standard depreciation method**; and
- (h) a description of any consultation undertaken with **consumers** on the proposed depreciation method, including-
  - (i) the extent of any **consumer** disagreement; and
  - (ii) the **EDB's** view in response.

~~(3)~~(4) For each asset or type of asset for which a different **physical asset life** to the **standard physical asset life** is proposed-

- (a) a description of the assets or types of asset;
- (b) to which clauses 2.2.8(1)(c) and 2.2.8(1)(~~ie~~)(v) apply, an **engineer's** report addressing the suitability of the proposed **physical asset life**; and
- (c) any other evidence to demonstrate that the requirements of clause 2.2.8 in respect of the particular type of asset are met.

#### 5.4.13 Revaluation information

- ~~(1) — For~~In respect of each **disclosure year**, ~~commencing after-~~  
~~(2) — where disclosure has been made pursuant to an ID determination,~~ the last disclosure made under an ID determination, until so made; or  
~~(3) — where disclosure has not been made pursuant to an ID determination, the disclosure year 2009,~~  
~~(4)~~(1) ~~to~~ the last **disclosure year** of the **next period**, provide the following ~~things~~:
- (a) sum of **opening RAB values**;
  - (b) **forecast CPI for CPP revaluation** for the last quarter of the **disclosure year**;
  - (c) **forecast CPI for CPP revaluation** for the last quarter of the preceding **disclosure year**; and
  - (d) **revaluation rate**.

#### 5.4.14 Commissioned assets information

~~(1) — In respect of~~For each **disclosure year**, ~~commencing after-~~

~~(2)~~ ~~where disclosure has been made pursuant to an ID determination,~~ the last disclosure ~~so made~~ under an ID determination, until; ~~or where disclosure has not been made pursuant to an ID determination, the disclosure year 2009,~~

~~(3)~~(1) ~~to~~ the last **disclosure year** of the **next period**, provide the-

- (a) sum of **value of commissioned assets**; and
- (b) sum of **forecast value of commissioned assets**,

in respect of each of the following groups of assets:

- (c) assets-
  - (i) acquired or intended to be acquired from a **related partycompany**;  
or
  - (ii) transferred from a part of the **EDB** that supplies **unregulated services**;
- (d) assets-
  - (i) acquired or intended to be acquired from another **regulated supplier** and used by that **regulated supplier** in the **supply of regulated services**; or
  - (ii) transferred or intended to be transferred from a part of the **EDB** that supplies **other regulated services**;
- (e) **network spares**; and
- (f) all other assets having a **commissioning date** or forecast to have a **commissioning date** in that period.

~~(4)~~(2) In respect of each value provided in accordance with subclause (1) provide-

- (a) all data, information, calculations and assumptions used to derive it from relevant data provided in the **capex forecast**; and
- (b) where **capital contributions** are taken into account in any value disclosed pursuant to subclause (1)-
  - (i) the amount of such **capital contributions**, with respect to asset types and quantities; and
  - (ii) policies relevant to such **capital contributions**.

~~(5)~~(3) In respect of each asset to which subclause (1)(e) applies, provide—

- (a) the name of the relevant **person** or other part of the **EDB**, as the case may be; and
- (b) where the acquisition was or is intended to be from a **related partycompany**, a description of the relationship between the **EDB** and that **person**.



~~(6)~~(4) In respect of the likely vendor of each asset to which subclause (1)(f) applies, provide—

- (a) the name of the vendor;
- (b) a description of each asset likely to be acquired from that vendor; and
- (c) the forecast **closing RAB value** of each asset in the vendor's regulatory asset base for the **disclosure year** in which the acquisition is intended.

#### 5.4.15 Asset disposals information

~~(1)~~ ~~In respect of~~For each **disclosure year**, ~~commencing after-~~

~~(2)~~ ~~where disclosure has been made pursuant to an ID determination,~~ the last disclosure ~~so made,~~ or

~~(3)~~ ~~where disclosure has not been made pursuant to an ID determination, the disclosure year 2009,~~

~~(4)~~(1) under an ID determination, tountil the last **disclosure year** of the **next period**, in respect of each of the following groups of assets:

- (a) assets likely to be
  - (i) sold to a **related partycompany**; or
  - (ii) transferred to another part of the **EDB**; and
- (b) all other **disposed assets**,

provide the-

- (c) sum of **unallocated opening RAB values**; and
- (d) sum of **opening RAB values**.

~~(5)~~(2) In respect of each asset to which the values provided pursuant to subclause (1) relate, provide—

- (a) the name of the relevant **person** or other part of the **EDB**, as the case may be; and
- (b) where the disposal is proposed to be to a **related partycompany**, a description of the relationship between the **EDB** and that **person**.

#### 5.4.16 Works under construction information

~~In respect of~~For each **disclosure year**, ~~commencing after-~~

~~where disclosure has been made pursuant to an ID determination,~~ the last disclosure ~~so made,~~ or

~~(a)~~ ~~where disclosure has not been made pursuant to an ID determination, the disclosure year 2009,~~

under an ID determination, untilto the last **disclosure year** of the **next period**, provide-

~~(b)~~(a) **opening works under construction;**

~~(c)~~(b) sum of **capital expenditure;**

~~(d)~~(c) sum of **value of commissioned assets** but only to the extent that values are included in **closing RAB values** disclosed pursuant to an **ID determination;**

~~(e)~~(d) sum of **forecast value of commissioned assets** but only to the extent that values are included in the sum of **closing RAB values** provided pursuant to clause 5.4.11(~~(b)~~)(ii); and

~~(f)~~(e) sum of **closing works under construction.**

## SECTION 6 Tax information

### 5.4.17 Interpretation

In this section, a term that is not emboldened but is defined for the purpose of a specific clause in Subpart 3 Section 3 bears the same meaning as it does in the clause of Subpart 3 Section 3 in which it is defined.

### 5.4.18 Period in respect of which tax information to be provided

A **CPP proposal** must contain the information specified in this section ~~in respect of~~ each **disclosure year**, ~~commencing after-~~

~~where disclosure has been made pursuant to an ID determination,~~ the last disclosure ~~so made~~ under an ID determination, until; ~~or~~

(a) ~~where disclosure has not been made pursuant to an ID determination, the disclosure year 2009,~~

~~to~~ the last **disclosure year** of the **next period**, in accordance with Subpart 3 Section 3.

### 5.4.19 Regulatory tax allowance information

- (1) **forecast regulatory tax allowance** and particulars of how it was calculated
- (2) **other regulated income**
- (3) sum of **discretionary discounts and customer rebates;**
- (4) notional deductible interest and the **cost of debt** assumptions relied upon in its calculation

### 5.4.20 Tax losses information

- (1) amount of **opening tax losses** (if any) and particulars of how it was calculated
- (2) information describing the nature and amounts of significant items giving rise to any **opening tax losses**
- (3) information demonstrating that any **opening tax losses** arose from the **supply of electricity distribution services**

### 5.4.21 Permanent differences information

- (1) sum of **positive permanent differences**

- (2) sum of **negative permanent differences**
- (3) amounts and nature of items used to determine-
  - (a) **positive permanent differences**; and
  - (b) **negative permanent differences**

#### 5.4.22 Amortisation of initial differences in asset values information

- (1) opening unamortised balance of the initial differences in asset values by **asset category**
- (2) amortisation in respect of the **disclosure year**
- (3) average weighted remaining useful life of the assets relevant to calculation of the initial **regulatory tax asset value**

#### 5.4.23 Amortisation of revaluations information

- (1) unamortised balance of **revaluations** to date
- (2) **adjusted depreciation**
- (3) average weighted remaining useful life of the assets used to determine the **amortisation of revaluations**
- (4) particulars of how the average weighted remaining useful life was calculated

#### 5.4.24 Deferred tax information

- (1) **opening deferred tax**
- (2) analysis of temporary differences and other adjustments by nature that give rise to **opening deferred tax value**
- (3) closing deferred tax
- (4) reconciliation of **opening deferred tax** to closing deferred tax by nature of temporary differences and other adjustments

#### 5.4.25 Temporary differences information

- (1) description of the methodology and depreciation rates by **asset category** used to determine the forecast tax depreciation
- (2) amounts and nature of other forecast temporary differences
- (3) particulars of the calculation of the **tax effect** of temporary differences showing tax rates used

#### 5.4.26 Regulatory tax asset value information

- ~~(1)~~ — sum of **tax asset values** at the start of the **disclosure year**
- ~~(2)~~~~(1)~~ ~~sum of tax asset values by asset category at the start of the disclosure year~~
- ~~(3)~~~~(2)~~ sum of **regulatory tax asset values** at the start of the **disclosure year**
- ~~(4)~~ — ~~sum of regulatory tax asset values by asset category at the start of the disclosure year~~
- ~~(3)~~ — weighted average remaining tax life of assets ~~and tax depreciation methodology~~ employed

~~(5)~~(4) tax depreciation methodology employed, by asset category

~~(6)~~(5) particulars of the calculation used to derive the **regulatory tax asset values** at the start of the **disclosure year** from the **tax asset values** at the start of the **disclosure year**

~~(7)~~(6) sum of **regulatory tax asset values** at the end of the **disclosure year**

~~(8)~~(7) reconciliation between the sum of **regulatory tax asset values** at the start of the **disclosure year** in accordance with subclause (2) and the sum of **regulatory tax asset values** at the end of the **disclosure year** in accordance with subclause (6), by asset category, showing the values of capital additions, disposals, tax depreciation and other asset adjustments including cost allocation adjustments.

## SECTION 7 Cost of capital information

### 5.4.27 Information regarding WACC and TCSD allowance

- (1) A **CPP proposal** must, subject to subclause (2), identify the **67th percentile estimate of WACC** used for the purpose of clause 5.4.7(1).
- (2) For the purpose of subclause (1), the identified **67th percentile estimate of WACC** ~~is must be~~ the ~~amount most recently published by the Commission in accordance with clause 5.3.29 prior to submission of the CPP proposal corresponding to the EDB's proposed duration of the CPP regulatory period~~ applicable cost of capital specified in clause 5.3.22.
- (3) Where a **term credit spread differential allowance** is proposed, a **CPP proposal** must contain all data, information, calculations, ~~Bloomberg print-outs~~ and assumptions used to determine any proposed **term credit spread differential**.

## SECTION 8 Expenditure information

### 5.4.28 Capex, opex, demand and network qualitative information

The information specified in Schedule D must be-

- (a) contained in a **CPP proposal**; and
- (b) provided in accordance with the requirements of that schedule.

### 5.4.29 Capex, opex, demand and network quantitative information

- (1) A **CPP proposal** must contain the information specified in the **regulatory templates** and that information must be-
  - (a) in spreadsheet format whereby each item of data is linked between all cells to which it is relevant, irrespective of whether such cells are on the same or different tabs; and
  - (b) provided in accordance with the instructions specified in clause 5.4.30.
- (2) 'Regulatory templates' means the tables included in Schedule E named-
  - (a) *Table 1: Projects and programmes ~~Top 5~~*;
  - (b) *Table 2: Capex ~~S~~summary*;

- (c) Table 3: Opex Summary;
- (d) Table 4: Capex Projects and Programmes;
- ~~(d)(e) Table 5: Capex by asset categories;~~
- ~~(e)(f) Table 6: Opex Projects and Programmes;~~
- (g) Table 7: Non-network opex Overheads;
- (h) Table 8: Aggregate forecast commissioned assets by asset categories;
- (i) Table 9: Cost escalation factors; and
- (j) Table 10: Network demand forecasts.
- ~~(f) Table 7: Unit rate escalators;~~
- ~~(g) Table 8: Cost allocation A; and~~
- ~~(h) Table 9: Cost allocation B.~~

- (3) Where data provided in accordance with subclause (1) has been computed or derived from other amounts or values on the spreadsheet through the use of formulae, the underlying formulae for the cells containing the data must be accessible.
- (4) For the purpose of subclause (1), terms used in the **regulatory templates** must be interpreted in the same way as those terms are defined for the purpose of Schedule D.

#### 5.4.30 Instructions for completion of the regulatory templates

- ~~(1) Provide the information specified in the Capex Project Programme and Opex Projects Programme tables of the regulatory templates for each project and for each programme.~~
- ~~(2) For the purpose of specifying the relevant capex category or opex category in accordance with subclause (1), where expenditure within each project or programme is relevant to more than one capex category or opex category-
 
  - ~~(a) select the capex category or opex category that is most relevant based on the nature of the expenditure; or~~
  - ~~— redefine the project or programme into two or more new projects or programmes and reallocate the expenditure so as to resolve the overlap.~~~~
- (1) Provide the information specified in Table 1: Projects and programmes of the regulatory templates for all projects or programmes that form part of the CPP proposal.
- (2) Provide the information specified in Table 2: Capex summary of the regulatory templates using the information provided in Table 4: Capex projects and programmes of the regulatory templates, where-
  - (a) the values in Table 2: Capex summary must reconcile with the total values in Table 4: Capex projects and programmes and Table 8: Aggregate forecast commissioned assets by asset categories of the regulatory templates; and

- (b) the total forecast value of capex resulting in commissioned assets in Table 2c of Schedule E must reconcile with the total value of commissioned assets in Table 2d of Schedule E.
- (3) Provide the information in Table 3: Opex summary of the **regulatory templates** using the information provided in Table 6: Opex projects and programmes of the **regulatory templates**.
- (4) Provide the information specified in Table 4: Capex projects and programmes and Table 6: Opex projects and programmes of the **regulatory templates** for each **project** and for each **programme**.
- (5) Provide the information specified in Table 5: Capex by asset categories of the **regulatory templates**.
- (6) Provide the information specified in Table 7: Non-network opex of the **regulatory templates** in respect of **system operation and network support opex** and **business support opex**.
- (7) Provide the information specified in Table 8: Aggregate forecast commissioned assets by asset categories of the **regulatory templates**.
- (8) Provide the information specified in Table 9: Cost escalation factors of the **regulatory templates** for each of the cost escalators used to convert real prices to nominal prices.
- (9) Provide the information specified in Table 10: Network demand forecasts of the **regulatory templates**.
- (10) For the purpose of specifying the relevant **capex category** or **opex category** in accordance with subclause (4), where expenditure within each **project** or **programme** is relevant to more than one **capex category** or **opex category**-
- (a) select the **capex category** or **opex category** that is most relevant based on the nature of the expenditure; or
- (b) redefine the **project** or **programme** into two or more new **projects** or **programmes** and reallocate the expenditure so as to resolve the overlap.
- ~~(3) — For the purpose of specifying the relevant **service category** in accordance with subclause (1), where expenditure within each **project** or **programme** is relevant to more than one **service category**-~~
- ~~(a) — select the **service category** that is most relevant based on the nature of the expenditure; or~~
- ~~(b) — redefine the **project** or **programme** into two or more new **projects** or **programmes** and reallocate the expenditure so as to resolve the overlap.~~
- ~~(4) — For the purpose of subclause (1), the total Project/Programme amounts provided in the Asset Category sub-table must reconcile to the total Project/Programme amounts provided in the Project Costs by Source sub-table.~~

- ~~(5) Provide the information specified in the *Overheads* table of the **regulatory templates** in respect of **general management, administration and overheads opex**.~~
- ~~(6) Provide the information specified in the *Unit rate escalators* table of the **regulatory templates** for each unit rate for which an escalator has been applied.~~
- ~~(7) Provide the information specified in the *Top 5* table of the **regulatory templates**~~
- ~~(8) in respect of **projects or programmes** meeting paragraph (a) or (b) of the definition in clause D1 of Schedule D of **identified programme**; and~~
- ~~(9) using the information provided in accordance with subclause (1).~~
- ~~(10) Provide the information specified in the *Capex Summary* and *Opex Summary* tables of the **regulatory templates** using the information provided in accordance with subclause (1).~~
- ~~Where clause 5.3.5(2) applies, provide the information specified in the *Cost allocation B* table of the **regulatory templates**.~~

#### 5.4.31 Transitional information format provisions

- ~~(1) For **CPP proposals** made on or before 31 March 2016, the **CPP proposal** may contain actual and forecast expenditure information—~~
  - ~~(a) relating to the **current period** and **next period** using the **opex categories** and **capex categories**; or~~
  - ~~(b) in accordance with the—~~
    - ~~(i) **CPP applicant's own opex categories** and **capex categories** in respect of the **current period** and **next period**; and~~
    - ~~(ii) **opex categories** and **capex categories** in respect of the **next period**.~~
- ~~(2) For the avoidance of doubt, where information is provided in accordance with subclause (1)(b), **project or programme** total expenditures in each **disclosure year** of the **next period** must be consistent between the forecasts.~~

## **SECTION 9 Information relevant to prices**

### 5.4.325.4.31 Information on proposed new pass-through costs

A **CPP proposal** must contain details of any cost not specified in clause 3.1.2(2) that is sought to be specified as a new pass-through cost in accordance with clause 3.1.2(1)(b), including information on-

- (a) how the cost is likely to arise;
- (b) who the cost would be payable to;
- (c) how the cost would be calculated;
- (d) any good or service the **EDB** would receive in exchange; and
- (e) how the cost meets the criteria specified in clause 3.1.2(3).

5.4.335.4.32 Information on proposed recoverable costs relating to costs of making CPP application

Where a **CPP applicant** seeks specification in the **CPP determination** of a **recoverable cost** to which clause 3.1.3(1)(j), 3.1.3(1)(k), or 3.1.3(1)(l) applies, it must provide, in relation to each **auditor, verifier** or **engineer** who was engaged to provide an opinion on some aspect of the **CPP proposal** in accordance with a requirement of this Part-

- (a) any **document** making a public or limited circulation request for proposals to carry out the work;
- (b) the terms of reference for the work;
- (c) invoices for services undertaken in respect of the work; and
- (d) receipts for payment by the **CPP applicant**.

**SECTION 10 Information relevant to alternative methodologies**

5.4.345.4.33 Demonstration that alternative methodologies have equivalent effect

(1) Where a **CPP applicant** applies alternative methodologies in accordance with clause 5.3.2633, it must provide:

- (a) a list and description of each alternative methodology applied;
- (b) an indication, at the relevant locations within the **CPP application**, as to where the alternative methodologies have been applied;
- (c) reasons why each of the alternative methodologies have been applied; and
- (d) evidence demonstrating that each alternative methodology complies with clause 5.3.3263(3).

(2) Paragraph (1)(d) may be satisfied by submitting a certificate signed by an senior manager of the **CPP applicant** setting out the factual basis on which he or she believes each alternative methodology complies with clause 5.3.3263(3).

**SUBPART 5 Consumer consultation, verification, audit and certification**

5.5.1 Consumer consultation

(1) By no later than 40 **working days** prior to submission of the **CPP proposal**, the **CPP applicant** must have adequately notified its **consumers**-

- (a) that it intends to make a **CPP proposal**;
- (b) of the expected effect on the revenue and quality of its **electricity distribution services** were the **Commission** to determine a **CPP** entirely in accordance with the intended **CPP proposal**;
- (c) of the price versus quality trade-offs made in the expenditure alternatives considered in the intended **CPP proposal**, where these are



directly associated with the rationale for seeking the **CPP proposal**, which are required to be disclosed under clause 5.4.2;

(d) if it intends to propose to include a **quality standard variation** under clause 5.4.5, why the proposed **quality standard variation** has been chosen over alternative quality standards;

~~(b)~~ ~~of the process for making submissions to the **EDB** in respect of the intended **CPP proposal**;~~

~~(c)~~(e) where and how further information in respect of the intended **CPP proposal** may be obtained; ~~and~~

(f) of the process for making submissions to the **EDB** in respect of the intended **CPP proposal**; and

— of their opportunity to participate in the consultation process required of the **Commission** by s 53T of the **Act** after any **CPP proposal** is received and considered compliant by the **Commission**.

~~(d)~~(g)

- (2) For the purpose of subclause (1)(~~ed~~), where further information is available in hard copy only, the applicant must have ensured that any further information was readily available for inspection at the stated location.
- (3) For the purpose of subclause (1), the **CPP applicant** must-
  - (a) provide all relevant information;
  - (b) provide information in a manner that promotes **consumer** engagement;
  - (c) make best endeavours to express information clearly, including by use of plain language and the avoidance of jargon; and
  - (d) provide **consumers** with (or notified them where to obtain) the information through a medium or media appropriate to the natures of the **consumer** base.

*Examples:*

- (i) *by placing the information on the **EDB's** website;*
- (ii) *by providing the information to groups or organisations that represent the **consumers'** relevant interests;*
- (iii) *by including the information in **consumers'** or electricity retailers' bills; and/or*
- (iv) *by placing advertisements in local newspapers.*

### 5.5.2 Verification

- (1) A **CPP proposal**; ~~other than one made by a **CPP applicant** seeking only a **quality standard variation**,~~ must be verified by a **verifier**.
- (2) The **verifier** must be engaged in accordance with Schedule F.
- (3) The **CPP applicant** must provide the **verifier** with-
  - (a) the materials-

- (i) required by the **verifier** to verify the **CPP proposal** in accordance with the terms of his, her or its engagement and Schedule G; and
- (ii) that it intends to submit to the **Commission** as a **CPP proposal**;
- (b) subject to paragraph (c), the materials referred to in paragraph (a) prior to the **verifier** commencing verification in accordance with Schedule G;
- (c) upon the verifier's request, the information described in clause D10 required by Schedule D pertaining to identified programmes ~~projects or programmes meeting paragraph (c) of the definition in Schedule D of identified programme~~ after the **verifier** has notified the **CPP applicant** of his, her or its selection of ~~projects or programmes meeting paragraph (c) of the definition of identified programmes to the CPP applicant;~~
- (d) any information requested by the **verifier** pursuant to the **verifier's** right to ask for such information pursuant to his, her or its deed of engagement, as specified in clause F65(2)(d); and
- ~~(d)~~(e) in advance of the verifier's selection of identified programmes, summary information on the forecast projects and programmes, in the format specified in Table 1: Projects and programmes of the regulatory templates.

### 5.5.3 Audit and assurance

- (1) A **CPP application** ~~proposal~~ must include a report ~~be audited~~ by an **auditor** ~~as to that states~~ whether or not:-
  - (a) as far as appears from an examination of them, proper records to enable the ~~complete and accurate~~ compilation of information required by Subpart 4 have been kept by the **CPP applicant**;
  - (b) in the case of actual financial information relating to the **current period**, that information has been prepared in all material respects in accordance with the input methodologies set out in this determination, and that it has been audited in accordance with applicable auditing standards issued by the External Reporting Board in accordance with its functions under the Financial Reporting Act 2013 or any equivalent standards that replace these standards;
  - (c) in the case of forecast financial information relating to the **next period**, that information has been compiled in all material respects in accordance with the input methodologies set out in this determination, and that it has been examined in accordance with applicable assurance engagement standards issued by the External Reporting Board in accordance with its functions under the Financial Reporting Act 2013 or any equivalent standards that replace these standards or other appropriate standards ~~and the records examined pursuant to paragraph (a); and~~

(d) in the case of quantitative historical information provided in spreadsheets, the ~~at~~ information is properly compiled on the basis of the relevant underlying source information; and accurately presented.

(e) in the case of quantitative forecast information provided in spreadsheets, the information is properly compiled on the basis of relevant and reasonable disclosed assumptions.

(2) For the avoidance of doubt, the **auditor** must provide an opinion as to whether-

(a) in respect of **operating costs not directly attributable**, the **opex forecast** was provided by the **CPP applicant** as specified in clause 5.3.5; and

~~(d)~~(b) in respect of **regulated service asset values not directly attributable**, the **forecast value of commissioned assets** were provided by the **CPP applicant** in accordance with clause 5.3.6(3)(b) and as specified in clause 5.3.11(2)(b).

#### 5.5.4 Certification

(1) In the case of all information of a quantitative nature, other than forecast information, provided in accordance with this Part, no fewer than 2 **directors** of the **CPP applicant** must certify in writing his or her belief that-

- (a) the information was derived and is provided in accordance with the relevant requirements; and
- (b) it properly represents the results of financial or non-financial operations as the case may be.

(2) In the case of all information of a qualitative nature, other than forecast information, provided in accordance with this Part, no fewer than 2 **directors** of the **CPP applicant** must certify in writing his or her belief that-

- (a) the information is provided in accordance with the relevant requirements; and
- (b) it properly represents the events that occurred during the **current period**.

(3) In the case of all forecast information provided in accordance with this Part, no fewer than 2 **directors** of the **CPP applicant** must certify in writing his or her belief that-

- (a) the information was derived and is provided in accordance with the relevant requirements; and
- (b) the assumptions made are reasonable.

(4) No fewer than 2 **directors** of the **CPP applicant** must certify in writing-

- (a) that, to the best of his or her knowledge, the **verifier** was engaged by the **CPP applicant** in accordance with Schedule F;

- (b) that, to the best of his or her knowledge, the **CPP applicant** provided the **verifier** with all the information specified in Part 5, including its schedules, relevant to Schedule F;
- (c) that, to the best of his or her knowledge, the information ~~referred to described in clause 5.5.2(3)(e) paragraph (b), save that relating to projects or programmes meeting paragraph (c) of the definition in Schedule D of identified programme,~~ was provided to the **verifier** in advance of the **verifier's** selection of ~~projects or identified programmes meeting paragraph (c) of the definition in Schedule D of identified programme, in accordance with clause G3;~~
- (d) a description of any information not provided to the **verifier** following the **verifier's** request;
- (e) reasons, which, in his or her opinion, justified any non-provision of such information;
- (f) that, to the best of his or her knowledge, the-
  - (i) matters the **auditor** was engaged to audit included the matters specified in clause 5.5.3; and
  - (ii) **auditor** was instructed to report on at least the matters described in clause 5.1.4; and
- (g) that the-
  - (i) audit report provided pursuant to clause 5.1.4;
  - (ii) **verification report**; and
  - (iii) other certifications required by this clause,
 all relate to the same **CPP proposal**.

(5) Where-

- (a) a **director** has certified a matter of opinion in accordance with this clause; and
- (b) his or her opinion has changed before the **Commission's** determination of the **CPP** in question,

that **director** must notify the **Commission** as soon as reasonably practicable.

(6) Where-

- (a) a **director** has certified a matter of fact in accordance with this clause; and
- (b) before the **Commission's** determination of the **CPP** in question he or she-
  - (i) becomes aware that the fact is untrue; or
  - (ii) has significant cause to doubt the accuracy of that fact,

that **director** must notify the **Commission** as soon as reasonably practicable.

- (7) For the avoidance of doubt, the certifications required by the different subclauses of this clause may be made by the same or different **directors**.

## SUBPART 6 **Catastrophic events and reconsideration of a customised price-quality path**

### 5.6.1 Catastrophic event

Catastrophic event means an event-

- (a) beyond the reasonable control of the **EDB**;
- (b) in relation to which expenditure-
  - (i) was neither sought in a **CPP proposal**; nor
  - (ii) is explicitly or implicitly provided for in the **DPP** or **CPP**,as the case may be;
- (c) that could not have been reasonably foreseen at the time the **CPP** or **DPP** was determined; and
- (d) in respect of which-
  - (i) action required to rectify its adverse consequences cannot be delayed until a future **regulatory period** without quality standards being breached;
  - (ii) remediation requires either or both of **capital expenditure** or **operating expenditure** during the **regulatory period**;
  - (iii) the full remediation costs are not provided for in the **DPP** or **CPP**; and
  - (iv) ~~in respect of an **EDB** subject to a **CPP**,~~ the cost of remediation net of any insurance or compensatory entitlements ~~would~~ has had or will have an impact on the price path over the **disclosure years** of the **CPP** remaining on and after the first date at which a remediation cost is proposed to be or has been incurred, by an amount at least equivalent to at least 1% of the aggregated forecast net allowable notional revenue for the **disclosure years** of the **CPP** in which the cost was or will be incurred.

### 5.6.2 Change event

Change event means-

- (a) change in a; or
- (b) a new,

legislative or regulatory requirement applying to an **EDB** subject to a **CPP** the effect of which-

- (c) must take place during the current **regulatory period**;
  - (d) is not explicitly or implicitly provided for in the **CPP**; and
- either-
- (e) necessitates incurring additional reasonable costs in responding to the change or new requirement that has had or will have an impact on the price path of the **disclosure years** of the **CPP regulatory period** in which the change or new requirement applies of at least 1% of the aggregate amount of the **forecast net allowable revenue** for the **disclosure years** in which the net costs are or will be incurred; or
  - ~~(e)(f) causes an **input methodology** to become incapable of being applied~~will necessitate incursion of costs in response, which costs, over the **disclosure years** of the **CPP** remaining on and after the date at which they are reasonably incurred, have an impact on the price path by an amount at least equivalent to 1% of the aggregated **allowable notional revenue** for the **disclosure years** of the **CPP** in which the cost was or will be incurred.

### 5.6.3 Error event

(1) 'Error event' means, subject to subclause (2), a clearly unintended circumstance identified by the **Commission** where the **CPP** was determined or amended based on an error, including where:

- (a) incorrect data was used in setting the price path or the quality standard;
- or
- (b) data was incorrectly applied in setting the price path or quality standards.

(2) For the purposes of subclause (1), an error relating to-

- (a) the price path will not constitute an **error event** unless the error has an impact on the price path of an amount equivalent to at least 1% of the aggregate **forecast net allowable revenue** for the affected **disclosure years** of the **CPP**; and
- (b) the metrics by which quality standards or quality incentive measures are specified in the **CPP** will not constitute an **error event** unless it is an error in the value of the metric.

~~Error means incorrect data-~~

- ~~(a) discovered in a **CPP determination** and clearly unintended by the **Commission** to be included in it; or~~

~~(b) relied upon by the Commission in making or amending a CPP determination and clearly unintended by the Commission to be relied upon in making or amending it,~~

~~determined by the Commission to have an impact on the price path by an amount at least equivalent to 1% of the aggregated allowable notional revenue for the disclosure years of the CPP affected by the incorrect data; or~~

#### 5.6.4 Major transaction

'Major transaction' means a transaction, whether contingent or not, where consumers are acquired or no longer supplied by the EDB and that transaction-

- (a) has resulted in, or will result in, the acquisition of, or an agreement to acquire, assets with a value which is equivalent to more than 10% of the EDB's opening RAB value in the disclosure year of acquisition;
- (b) has resulted in, or will result in, the disposal of, or an agreement to dispose of, assets of the EDB with a value of more than 10% of the opening RAB value in the disclosure year of disposal;
- (c) has, or is likely to have, the effect of the EDB acquiring rights or interests with a value which is equivalent to more than 10% of the opening RAB value in the disclosure year of acquisition; or
- (d) has, or is likely to have, the effect of the EDB incurring obligations or liabilities or contingent liabilities, excluding loans or borrowing costs in respect of assets, with a value which is equivalent to more than 10% of the opening RAB value in the disclosure year of incurring the obligation.

#### 5.6.5 Contingent projects

(1) A contingent project is a project that has been listed as a 'contingent project' with an associated trigger event in a CPP determination.

(2) For the purpose of subclause (1), a project may only be so listed if it is a project-

- (a) that the Commission considers-
  - (i) is reasonably required of an EDB; and
  - (ii) is one whose associated assets are likely to be commissioned, during the CPP regulatory period;
- (b) for which a commencement date cannot be forecast with an appropriate degree of specificity by comparison with other proposed projects; and
- (c) in respect of which the Commission considers that its required capex and opex-
  - (i) as disclosed in a CPP proposal exceeds 10% of the value of the EDB's annual revenue in the most recently completed disclosure year in respect of an ID determination; and
  - (ii) would be likely, when forecast with reasonable certainty, to meet the expenditure objective.

(3) 'Trigger event' means, subject to subclause (4), a condition or event that would reasonably cause an EDB to incur forecast opex or forecast capex of the nature and extent required by an associated contingent project.

(4) For the purpose of subclause (3), the condition or event must-

(a) not be within the control of the EDB;

(b) be capable of being-

(i) specifically defined; and

(ii) objectively verified as having occurred; and

(c) be something the occurrence of which the Commission considers is probable during the CPP regulatory period.

(5) For the avoidance of doubt, the Commission has discretion as to-

(a) whether to list a project that satisfies subclause (2) as a contingent project in a CPP determination; and

(b) the selection and description of trigger events.

#### 5.6.6 Unforeseen projects

(1) 'Unforeseen project' means a project or programme, subject to subclause (2), that, in respect of the services supplied by the EDB in question at the time that EDB submitted its CPP proposal, would have been unforeseeable to a prudent EDB.

(2) For the purpose of subclause (1), the total capex forecast and opex forecast of the projects or programmes proposed to the Commission pursuant to clause 5.6.7(8) must exceed 10% of the value of the EDB's annual revenue in the most recently completed disclosure year in respect of an ID determination.

#### 5.6.45.6.7 When price-quality paths may be reconsidered

(1) The price-quality path may be reconsidered if-

(a) the Commission considers; or

(b) the EDB in question satisfies the Commission, upon application,

that subclauses ~~(2)~~, or ~~subclause (45)~~ applies.

(2) This subclause applies if-

(a) subject to subclause (3), a catastrophic event has occurred;

~~(b) there has been error; or~~

(b) a change event has occurred;

(c) there has been an error event;

(d) a major transaction has occurred; or

~~(e)~~(e) there has been a WACC change.

(3) For the purpose of subclause (2)(a), where the costs to rectify the adverse consequences of the catastrophic event are fully covered by-

(a) the CPP (e.g. through an operational expenditure allowance for self-insurance); or



(b) commercial insurance held by the **EDB**,

the **Commission** will only reconsider the quality standards of the **CPP**.

(4) For the purpose of subclause (2)(e), a 'WACC change' occurs when-

- (a) a 67<sup>th</sup> percentile estimate of WACC has been determined and published in accordance with clause 4.4.6 for a new **DPP regulatory period**; and
- (b) the new **DPP regulatory period** commences within the current **CPP regulatory period**.

(4)(5) This subclause applies if-

- (a) false or misleading information relating to the making or amending of a **CPP determination** has been knowingly-
  - (i) provided by an **EDB**, any of its agents or a **verifier** to the **Commission**; or
  - (ii) disclosed pursuant to an **ID determination**; and
- (b) the **Commission** relied on that information in making a **CPP determination**.

(6) The price-quality path may be reconsidered by the **Commission** if an **EDB** satisfies it, upon application, that-

- (a) a **trigger event** has occurred and the information set out in subclause (7) has been provided to the **Commission**; or
- (b) an **unforeseen project**-
  - (i) has commenced and the information set out in subclause (8) has been provided to the **Commission**; or
  - (ii) is **committed** during the current **CPP regulatory period** and the information set out in subclause (8) has been provided to the **Commission**.

(7) The **Commission** need not consider an application under subclause (6)(a) unless the **EDB** has provided it with-

- (a) a written statement from no fewer than 2 of the **EDB's directors** certifying-
  - (i) that the **trigger event** has occurred;
  - (ii) full particulars of the occurrence; and
  - (iii) the date or dates on which it occurred;
- (b) detailed cost information relating to proposed expenditure on the **contingent project** for its duration; and
- (c) any other information of relevance to the **contingent project** required by the **Commission**.

(8) The **Commission** need not consider an application under subclause (6)(b) unless the **EDB** has provided it with-

- (a) information demonstrating that the **project or programme** is an **unforeseen project**;
- (b) detailed cost information relating to proposed expenditure on the **unforeseen project** for its duration; and
- (c) any other information of relevance to the **unforeseen project** required by the **Commission**.

5.6.55.6.8 Amending price-quality path after reconsideration

(1) Where, after reconsidering a ~~CPP in accordance with clause 5.6.4~~, the **Commission** determines that ~~the CPP~~ should be amended, the **Commission** may amend either or both of the price path or the quality standards and quality incentive measures specified in the **CPP determination**, subject to ~~the rest of this clause and sub~~clause ~~5.6.4~~(3).

(2) In determining the extent of any amendment to the price path, the **Commission** must take into account the **expenditure objective**.

(3) The **Commission** must not amend the-

- (a) price path more than is reasonably necessary to take account of the change in costs net of any insurance or compensatory entitlements; and
- ~~(b)~~ quality standards or quality incentive measures more than are reasonably necessary to reflect the **Commission's** decision on a **quality standard variation** or mitigate the effect of ~~take into account any necessary change in quality,~~
- ~~(c)(b)~~ arising from-

- (i) the **catastrophic event**;
- (ii) the **change event**;
- (iii) the **error event**; ~~or~~
- (iv) the **major transaction**;
- (v) the provision of **false or misleading information**;
- (vi) the **contingent project**;
- (vii) the **unforeseen project**; or
- ~~(iv)~~(viii) the **WACC change**,

as the case may be.

(4) Where the **Commission's** reconsideration of the price-quality path was-

- (a) triggered by a **catastrophic event**, in determining the extent of the amendment to the price-quality path, the **Commission** will consider the extent to which an **EDB** has demonstrated that it has reviewed its **capital expenditure** and **operating expenditure** plans for the remainder of the **regulatory period** and made such substitutions as is possible without adversely affecting its ability to meet its quality standards;
- (b) pursuant to the occurrence of an **unforeseen project**-

- (i) the **Commission** need not amend the **CPP** unless the amount of required **capex** and **opex** determined by the **Commission** exceeds 10% of the value of the **EDB's** annual revenue in the relevant **disclosure year** for the purpose of clause 5.6.6(2);
  - (ii) any such amendment may not take effect until the **disclosure year** in which assets constructed as part of the relevant **unforeseen project** are forecast to be **commissioned**; and
  - (c) pursuant to the occurrence of a **trigger event**, any amendment to the **CPP** may not take effect until the **disclosure year** in which assets constructed as part of the relevant **contingent project** are forecast to be **commissioned**.
- (5) Where the **Commission's** reconsideration of the price-quality path was triggered by a **WACC change**, the **Commission** will for the remaining **disclosure years** of the **CPP regulatory period** after the **WACC change**:
- (a) determine the series of **maximum allowable revenue after tax** in accordance with clause 5.3.4(7) and determine any consequential changes to the **forecast net allowable revenue** for the remaining **disclosure years** of the **CPP regulatory period**; and
  - (b) for the purpose of (a), use-
    - (i) the **building blocks allowable revenue before tax** calculated in accordance with clause 5.3.2(1);
    - (ii) the revised **WACC** in clause 5.3.22(2), including where the **WACC** is used for present value calculations, and for timing factors in clause 5.3.2(4);
    - (iii) the **forecast CPI for DPP revaluation** for the new **DPP regulatory period** referred to in clause 5.6.7(4)(b), to calculate a revised **revaluation rate** in accordance with the method in clause 5.3.10(4);
    - (iv) the **cost of debt** for the new **DPP regulatory period** referred to in clause 5.6.7(4)(b), to calculate a revised notional deductible interest as specified in clause 5.3.16(2);
    - (v) subject to (ii) to (iv), the same input values as applied by the **Commission** in initially determining the **CPP** for all other input values in the calculation of **building blocks allowable revenue before tax**; and
    - (vi) a revised forecast regulatory taxable income to apply the changes in **building blocks allowable revenue before tax** resulting from (i) to (iii) in a revised forecast regulatory tax allowance.

## SCHEDULE A      STANDARD PHYSICAL ASSET LIVES

**Table A.1: Standard Physical Asset Lives for EDBs**

<u>ASSET DESCRIPTION</u> <u>TYPE OF ASSET</u>	STANDARD PHYSICAL ASSET LIFE (YEARS)
<b>SUBTRANSMISSION</b>	
<i>66kV, 50kV and 33 kV Lines:</i>	
Concrete pole	60
Wood pole	45
<i>66kV, 50kV and 33 kV Cables:</i>	
XLPE installed prior to 1985	45
XLPE installed in or after 1985	55
PILC	70
<u>Gas cables</u>	<u>70</u>
<u>Fluid-filled cables</u>	<u>60</u>
Pilot / Communications Circuits	45
Sub-transmission Isolation	35
Sub-transmission Surge Arresters (3 phase set)	35
<b>ZONE SUBSTATIONS</b>	
Land	-
Site Development and Buildings	70
Transformers	45
66/50/33/22/11 kV Indoor Switchgear Cubicle	45
66/50/33 kV Bus Section/Coupler Indoor Switchgear	45
66/50/33/22/11 kV Outdoor Circuit Breakers	40
Outdoor Switchgear	40
Circuit/Transformer/Feeder/Bus Section/Coupler Protection & Controls - Analog/Electromechanical	40

<b>ASSET DESCRIPTION</b>	<b>TYPE OF ASSET</b>	<b>STANDARD PHYSICAL ASSET LIFE (YEARS)</b>
Circuit/Transformer/Feeder/Bus Section/Coupler Protection & Controls - Digital		20
<i>Outdoor Structure (if not included in category above):</i>		
Concrete pole		60
Wood pole		45
Ripple Injection Plant		20
DC Supplies, Batteries and Inverters		20
Other Items		40
<b>DISTRIBUTION LINES</b>		
<i>22/11 kV O/H, single phase or SWER lines:</i>		
Concrete pole		60
Wood pole		45
<b>DISTRIBUTION CABLES</b>		
<i>22/11 kV Cables:</i>		
XLPE installed prior to 1985		45
XLPE installed in or after 1985		55
PILC		70
<b>DISTRIBUTION SWITCHGEAR</b>		
22 / 11 kV Disconnecter 3ph, 2ph (Excl Pole)		35
22 / 11 kV Load Break Switch (Excl Pole)		35
22 / 11 kV Dropout Fuse 3ph, 2ph (Excl Pole)		35
22 / 11 kV Sectionalizer (Excl Pole)		40
22 / 11 kV Recloser (Excl Pole)		40
Voltage Regulator		55
Ring Main Unit – 3 Way		40
Extra Oil Switch		40
Extra Fuse Switch		40

<b><u>ASSET DESCRIPTION</u></b> <b><u>TYPE OF ASSET</u></b>	<b>STANDARD PHYSICAL ASSET LIFE (YEARS)</b>
<b>DISTRIBUTION TRANSFORMERS</b>	
Pole Mounted Single/Two Phase, 22/0.4 and 11/0.4 kV, Bushing Terminations (up to and including 100 kVA)	45
Pole Mounted, Three Phase, Bushing Terminations 22 / 0.4 kV and 11 / 0.4 kV (up to and including 500 kVA)	45
Ground Mounted, 22/0.4 and 11/0.4 kV, Cable Entry (100 kVA to 1,500 kVA)	45
<b>DISTRIBUTION SUBSTATIONS</b>	45
<b>LV LINES</b>	
Concrete pole	60
Wood pole	45
<b>LV CABLES</b>	
XLPE or PVC installed prior to 1985	45
XLPE or PVC installed in or after 1985	55
PILC	70
Link Pillars	45
LV Overhead / Underground Customer Service Connections	45
Load Control Relays	30
<b>OTHER SYSTEM FIXED ASSETS</b>	
SCADA and Comms (Central Facilities <u>and/ or wider Network</u> Communications Equipment)	15

**Table A.2: Asset lives for CPP commissioned assets**

<b><u>Asset category</u></b>	<b><u>Asset life for CPP commissioned asset</u></b>
a. <u>Subtransmission lines</u>	<u>55</u>
b. <u>Subtransmission cables</u>	<u>55</u>
<del>b</del> -c. <u>Zone substations</u>	<u>45</u>
<del>c</del> -d. <u>Distribution and LV lines</u>	<u>60</u>
<del>d</del> -e. <u>Distribution and LV cables</u>	<u>55</u>
e-f. <u>Distribution substations and transformers</u>	<u>45</u>
<del>f</del> -g. <u>Distribution switchgear</u>	<u>40</u>
<del>g</del> -h. <u>Other network assets</u>	<u>25</u>
<del>h</del> -i. <u>Non-network assets</u>	<u>15</u>

SCHEDULE B ~~TRANSITIONAL TABLES FOR~~ COST ALLOCATION INFORMATION

Table 1: Allocation of ~~the Unallocated Initial RAB Value~~ asset values

Table 1(a):

Table 1: Allocation of asset values		For year ended:
		Value allocated (\$000s) Electricity distribution services
<b>Subtransmission lines</b>		
Directly attributable		
Not directly attributable		
<b>Total attributable to regulated service</b>		–
<b>Subtransmission cables</b>		
Directly attributable		
Not directly attributable		
<b>Total attributable to regulated service</b>		–
<b>Zone substations</b>		
Directly attributable		
Not directly attributable		
<b>Total attributable to regulated service</b>		–
<b>Distribution and LV lines</b>		
Directly attributable		
Not directly attributable		
<b>Total attributable to regulated service</b>		–
<b>Distribution and LV cables</b>		
Directly attributable		
Not directly attributable		
<b>Total attributable to regulated service</b>		–
<b>Distribution substations and transformers</b>		
Directly attributable		
Not directly attributable		
<b>Total attributable to regulated service</b>		–
<b>Distribution switchgear</b>		
Directly attributable		
Not directly attributable		
<b>Total attributable to regulated service</b>		–
<b>Other network assets</b>		
Directly attributable		
Not directly attributable		
<b>Total attributable to regulated service</b>		–
<b>Non-network assets</b>		
Directly attributable		
Not directly attributable		
<b>Total attributable to regulated service</b>		–
<b>Regulated service asset value directly attributable</b>		–
<b>Regulated service asset value not directly attributable</b>		–
<b>Total closing RAB value</b>		–



**Table 2: Allocation of the Unallocated Closing RAB Value Report supporting allocations of asset values (non-public)**

**Table 2(a):**

For year ended:

**Table 2: Report supporting allocations of asset values (non-public)**

Asset description	Allocation methodology type	Allocator	Allocator type	Allocator Metric (%)		Value allocated (\$'000)				OVABAA allocation increase (\$'000)
				Electricity distribution services	Non-electricity distribution services	Arm's length deduction	Electricity distribution services	Non-electricity distribution services	Total	
<b>Subtransmission lines</b>										
Insert asset description	e.g. ABAA	Allocator 1	Select one							
Insert asset description	e.g. ABAA	Allocator 2	Select one							
Insert asset description	e.g. ABAA	Allocator 3	Select one							
Insert asset description	e.g. ABAA	Allocator 4	Select one							
Subtotal not directly attributable										
<b>Subtransmission cables</b>										
Insert asset description	e.g. ABAA	Allocator 1	Select one							
Insert asset description	e.g. ABAA	Allocator 2	Select one							
Insert asset description	e.g. ABAA	Allocator 3	Select one							
Insert asset description	e.g. ABAA	Allocator 4	Select one							
Subtotal not directly attributable										
<b>Zone substations</b>										
Insert asset description	e.g. ABAA	Allocator 1	Select one							
Insert asset description	e.g. ABAA	Allocator 2	Select one							
Insert asset description	e.g. ABAA	Allocator 3	Select one							
Insert asset description	e.g. ABAA	Allocator 4	Select one							
Subtotal not directly attributable										
<b>Distribution and LV lines</b>										
Insert asset description	e.g. ABAA	Allocator 1	Select one							
Insert asset description	e.g. ABAA	Allocator 2	Select one							
Insert asset description	e.g. ABAA	Allocator 3	Select one							
Insert asset description	e.g. ABAA	Allocator 4	Select one							
Subtotal not directly attributable										
<b>Distribution and LV cables</b>										
Insert asset description	e.g. ABAA	Allocator 1	Select one							
Insert asset description	e.g. ABAA	Allocator 2	Select one							
Insert asset description	e.g. ABAA	Allocator 3	Select one							
Insert asset description	e.g. ABAA	Allocator 4	Select one							
Subtotal not directly attributable										
<b>Distribution substations and transformers</b>										
Insert asset description	e.g. ABAA	Allocator 1	Select one							
Insert asset description	e.g. ABAA	Allocator 2	Select one							
Insert asset description	e.g. ABAA	Allocator 3	Select one							
Insert asset description	e.g. ABAA	Allocator 4	Select one							
Subtotal not directly attributable										
<b>Distribution switchgear</b>										
Insert asset description	e.g. ABAA	Allocator 1	Select one							
Insert asset description	e.g. ABAA	Allocator 2	Select one							
Insert asset description	e.g. ABAA	Allocator 3	Select one							
Insert asset description	e.g. ABAA	Allocator 4	Select one							
Subtotal not directly attributable										
<b>Other network assets</b>										
Insert asset description	e.g. ABAA	Allocator 1	Select one							
Insert asset description	e.g. ABAA	Allocator 2	Select one							
Insert asset description	e.g. ABAA	Allocator 3	Select one							
Insert asset description	e.g. ABAA	Allocator 4	Select one							
Subtotal not directly attributable										
<b>Non-network assets</b>										
Insert asset description	e.g. ABAA	Allocator 1	Select one							
Insert asset description	e.g. ABAA	Allocator 2	Select one							
Insert asset description	e.g. ABAA	Allocator 3	Select one							
Insert asset description	e.g. ABAA	Allocator 4	Select one							
Subtotal not directly attributable										
Total regulated service asset value not directory attributable										

\* include additional rows if needed

**Table 3: Allocation of ~~Operating Costs Not Directly Attributable~~ operating costs**

**Table 3(a):**

		For year ended:			
<b>Table 3: Allocation of operating costs</b>		Value allocated (\$000s)			
		Arm's length deduction	Electricity distribution services	Non-electricity distribution services	OVABAA allocation increase (\$000s)
<b>Service interruptions and emergencies</b>					
	Directly attributable				
	Not directly attributable			-	
	<b>Total attributable to regulated service</b>		-		
<b>Vegetation management</b>					
	Directly attributable				
	Not directly attributable			-	
	<b>Total attributable to regulated service</b>		-		
<b>Routine and corrective maintenance and inspection</b>					
	Directly attributable				
	Not directly attributable			-	
	<b>Total attributable to regulated service</b>		-		
<b>Asset replacement and renewal</b>					
	Directly attributable				
	Not directly attributable			-	
	<b>Total attributable to regulated service</b>		-		
<b>System operations and network support</b>					
	Directly attributable				
	Not directly attributable			-	
	<b>Total attributable to regulated service</b>		-		
<b>Business support</b>					
	Directly attributable				
	Not directly attributable			-	
	<b>Total attributable to regulated service</b>		-		
	<b>Operating costs directly attributable</b>		-		
	<b>Operating costs not directly attributable</b>	-	-	-	-
	<b>Operating expenditure</b>		-		

**Table 4: ~~Arm's length Deductions from Regulated Service Asset Values~~ Report supporting allocation of operating costs (non-public)**

For year ended:

**Table 4: Report supporting allocation of operating costs (non-public)**

Cost description	Allocation methodology type	Cost allocator	Allocator type	Allocator Metric (%)		Value allocated (\$000)				OVABAA allocation increase (\$000)
				Electricity distribution services	Non-electricity distribution services	Arm's length deduction	Electricity distribution services	Non-electricity distribution services	Total	
<b>Service interruptions and emergencies</b>										
Insert cost description	e.g. ABAA	Allocator 1	Select one							
Insert cost description	e.g. ABAA	Allocator 2	Select one							
Insert cost description	e.g. ABAA	Allocator 3	Select one							
Insert cost description	e.g. ABAA	Allocator 4	Select one							
<b>Not directly attributable</b>						-	-	-	-	-
<b>Vegetation management</b>										
Insert cost description	e.g. ABAA	Allocator 1	Select one							
Insert cost description	e.g. ABAA	Allocator 2	Select one							
Insert cost description	e.g. ABAA	Allocator 3	Select one							
Insert cost description	e.g. ABAA	Allocator 4	Select one							
<b>Not directly attributable</b>						-	-	-	-	-
<b>Routine and corrective maintenance and inspection</b>										
Insert cost description	e.g. ABAA	Allocator 1	Select one							
Insert cost description	e.g. ABAA	Allocator 2	Select one							
Insert cost description	e.g. ABAA	Allocator 3	Select one							
Insert cost description	e.g. ABAA	Allocator 4	Select one							
<b>Not directly attributable</b>						-	-	-	-	-
<b>Asset replacement and renewal</b>										
Insert cost description	e.g. ABAA	Allocator 1	Select one							
Insert cost description	e.g. ABAA	Allocator 2	Select one							
Insert cost description	e.g. ABAA	Allocator 3	Select one							
Insert cost description	e.g. ABAA	Allocator 4	Select one							
<b>Not directly attributable</b>						-	-	-	-	-
<b>System operations and network support</b>										
Insert cost description	e.g. ABAA	Allocator 1	Select one							
Insert cost description	e.g. ABAA	Allocator 2	Select one							
Insert cost description	e.g. ABAA	Allocator 3	Select one							
Insert cost description	e.g. ABAA	Allocator 4	Select one							
<b>Not directly attributable</b>						-	-	-	-	-
<b>Business support</b>										
Insert cost description	e.g. ABAA	Allocator 1	Select one							
Insert cost description	e.g. ABAA	Allocator 2	Select one							
Insert cost description	e.g. ABAA	Allocator 3	Select one							
Insert cost description	e.g. ABAA	Allocator 4	Select one							
<b>Not directly attributable</b>						-	-	-	-	-
<b>Operating costs not directly attributable</b>						-	-	-	-	-



**SCHEDULE C COST ALLOCATION INFORMATION ~~RELATING TO FORECAST ASSET DIVESTMENTS~~**

**Table 1: ~~Revised Allocation of regulated asset values~~ ~~the Unallocated Closing RAB Value~~**

For year ended:		
Table 1: Revised allocation of regulated asset values		
	Value allocated (\$000s) Electricity distribution services	Revised value allocated (\$000s) Electricity distribution services
<b>Subtransmission lines</b>		
Directly attributable	-	-
Not directly attributable	-	-
<b>Total attributable to regulated service</b>	-	-
<b>Subtransmission cables</b>		
Directly attributable	-	-
Not directly attributable	-	-
<b>Total attributable to regulated service</b>	-	-
<b>Zone substations</b>		
Directly attributable	-	-
Not directly attributable	-	-
<b>Total attributable to regulated service</b>	-	-
<b>Distribution and LV lines</b>		
Directly attributable	-	-
Not directly attributable	-	-
<b>Total attributable to regulated service</b>	-	-
<b>Distribution and LV cables</b>		
Directly attributable	-	-
Not directly attributable	-	-
<b>Total attributable to regulated service</b>	-	-
<b>Distribution substations and transformers</b>		
Directly attributable	-	-
Not directly attributable	-	-
<b>Total attributable to regulated service</b>	-	-
<b>Distribution switchgear</b>		
Directly attributable	-	-
Not directly attributable	-	-
<b>Total attributable to regulated service</b>	-	-
<b>Other network assets</b>		
Directly attributable	-	-
Not directly attributable	-	-
<b>Total attributable to regulated service</b>	-	-
<b>Non-network assets</b>		
Directly attributable	-	-
Not directly attributable	-	-
<b>Total attributable to regulated service</b>	-	-
<b>Regulated service asset value directly attributable</b>	-	-
<b>Regulated service asset value not directly attributable</b>	-	-
<b>Total closing RAB value</b>	-	-

**Table 2: Report supporting revised allocations of asset values (non-public) Allocation of Operating Costs Not Directly Attributable**

For year ended:

**Table 2: Report supporting revised allocations of asset values (non-public)**

Asset description	Previous allocation					Revised allocation				
	Allocation methodology type	Allocator	Allocator type	Electricity distribution services	Non-electricity distribution services	Allocation methodology type	Allocator	Allocator type	Electricity distribution services	Non-electricity distribution services
<b>Subtransmission lines</b>										
Insert asset description	e.g. ABAA	Allocator 1	[Select one]							
Insert asset description	e.g. ABAA	Allocator 2	[Select one]							
Insert asset description	e.g. ABAA	Allocator 3	[Select one]							
Insert asset description	e.g. ABAA	Allocator 4	[Select one]							
Subtotal not directly attributable										
<b>Subtransmission cables</b>										
Insert asset description	e.g. ABAA	Allocator 1	[Select one]							
Insert asset description	e.g. ABAA	Allocator 2	[Select one]							
Insert asset description	e.g. ABAA	Allocator 3	[Select one]							
Insert asset description	e.g. ABAA	Allocator 4	[Select one]							
Subtotal not directly attributable										
<b>Zone substations</b>										
Insert asset description	e.g. ABAA	Allocator 1	[Select one]							
Insert asset description	e.g. ABAA	Allocator 2	[Select one]							
Insert asset description	e.g. ABAA	Allocator 3	[Select one]							
Insert asset description	e.g. ABAA	Allocator 4	[Select one]							
Subtotal not directly attributable										
<b>Distribution and LV lines</b>										
Insert asset description	e.g. ABAA	Allocator 1	[Select one]							
Insert asset description	e.g. ABAA	Allocator 2	[Select one]							
Insert asset description	e.g. ABAA	Allocator 3	[Select one]							
Insert asset description	e.g. ABAA	Allocator 4	[Select one]							
Subtotal not directly attributable										
<b>Distribution and LV cables</b>										
Insert asset description	e.g. ABAA	Allocator 1	[Select one]							
Insert asset description	e.g. ABAA	Allocator 2	[Select one]							
Insert asset description	e.g. ABAA	Allocator 3	[Select one]							
Insert asset description	e.g. ABAA	Allocator 4	[Select one]							
Subtotal not directly attributable										
<b>Distribution substations and transformers</b>										
Insert asset description	e.g. ABAA	Allocator 1	[Select one]							
Insert asset description	e.g. ABAA	Allocator 2	[Select one]							
Insert asset description	e.g. ABAA	Allocator 3	[Select one]							
Insert asset description	e.g. ABAA	Allocator 4	[Select one]							
Subtotal not directly attributable										
<b>Distribution switchgear</b>										
Insert asset description	e.g. ABAA	Allocator 1	[Select one]							
Insert asset description	e.g. ABAA	Allocator 2	[Select one]							
Insert asset description	e.g. ABAA	Allocator 3	[Select one]							
Insert asset description	e.g. ABAA	Allocator 4	[Select one]							
Subtotal not directly attributable										
<b>Other network assets</b>										
Insert asset description	e.g. ABAA	Allocator 1	[Select one]							
Insert asset description	e.g. ABAA	Allocator 2	[Select one]							
Insert asset description	e.g. ABAA	Allocator 3	[Select one]							
Insert asset description	e.g. ABAA	Allocator 4	[Select one]							
Subtotal not directly attributable										
<b>Non-network assets</b>										
Insert asset description	e.g. ABAA	Allocator 1	[Select one]							
Insert asset description	e.g. ABAA	Allocator 2	[Select one]							
Insert asset description	e.g. ABAA	Allocator 3	[Select one]							
Insert asset description	e.g. ABAA	Allocator 4	[Select one]							
Subtotal not directly attributable										
Total regulated service asset value not directly attributable										

\* Include additional rows if needed

**Table 3: ~~Arm's length Deductions from Regulated Service Asset Values~~ Revised allocation of operating costs**

For year ended:

	Value allocated (\$000s)					Revised value allocated (\$000s)				
	Arm's length deduction	Electricity distribution services	Non-electricity distribution services	Total	OVABAA allocation increase (\$000s)	Arm's length deduction	Electricity distribution services	Non-electricity distribution services	Total	OVABAA allocation increase (\$000s)
<b>Service interruptions and emergencies</b>										
Directly attributable										
Not directly attributable										
<b>Total attributable to regulated service</b>		-					-			
<b>Vegetation management</b>										
Directly attributable										
Not directly attributable										
<b>Total attributable to regulated service</b>		-					-			
<b>Routine and corrective maintenance and inspection</b>										
Directly attributable										
Not directly attributable										
<b>Total attributable to regulated service</b>		-					-			
<b>Asset replacement and renewal</b>										
Directly attributable										
Not directly attributable										
<b>Total attributable to regulated service</b>		-					-			
<b>System operations and network support</b>										
Directly attributable										
Not directly attributable										
<b>Total attributable to regulated service</b>		-					-			
<b>Business support</b>										
Directly attributable										
Not directly attributable										
<b>Total attributable to regulated service</b>		-					-			
<b>Operating costs directly attributable</b>		-					-			
<b>Operating costs not directly attributable</b>	-	-	-	-	-	-	-	-	-	-
<b>Operating expenditure</b>		-					-			

**Table 4: Report supporting revised allocation of operating costs (non-public) Arm's length Deductions from Operating Costs**

Table 4: Report supporting revised allocation of operating costs (non-public)						For year ended:				
Cost description	Allocation methodology type	Cost allocator	Allocator type	Previous allocation		Allocation methodology type	Cost allocator	Allocator type	Revised allocation	
				Electricity distribution services	Non-electricity distribution services				Electricity distribution services	Non-electricity distribution services
<b>Service interruptions and emergencies</b>										
Insert cost description	e.g. ABAA	Allocator 1				e.g. ABAA	Allocator 1			
Insert cost description	e.g. ABAA	Allocator 2				e.g. ABAA	Allocator 2			
Insert cost description	e.g. ABAA	Allocator 3				e.g. ABAA	Allocator 3			
Insert cost description	e.g. ABAA	Allocator 4				e.g. ABAA	Allocator 4			
Not directly attributable					-				-	-
<b>Vegetation management</b>										
Insert cost description	e.g. ABAA	Allocator 1				e.g. ABAA	Allocator 1			
Insert cost description	e.g. ABAA	Allocator 2				e.g. ABAA	Allocator 2			
Insert cost description	e.g. ABAA	Allocator 3				e.g. ABAA	Allocator 3			
Insert cost description	e.g. ABAA	Allocator 4				e.g. ABAA	Allocator 4			
Not directly attributable					-				-	-
<b>Routine and corrective maintenance and inspection</b>										
Insert cost description	e.g. ABAA	Allocator 1				e.g. ABAA	Allocator 1			
Insert cost description	e.g. ABAA	Allocator 2				e.g. ABAA	Allocator 2			
Insert cost description	e.g. ABAA	Allocator 3				e.g. ABAA	Allocator 3			
Insert cost description	e.g. ABAA	Allocator 4				e.g. ABAA	Allocator 4			
Not directly attributable					-				-	-
<b>Asset replacement and renewal</b>										
Insert cost description	e.g. ABAA	Allocator 1				e.g. ABAA	Allocator 1			
Insert cost description	e.g. ABAA	Allocator 2				e.g. ABAA	Allocator 2			
Insert cost description	e.g. ABAA	Allocator 3				e.g. ABAA	Allocator 3			
Insert cost description	e.g. ABAA	Allocator 4				e.g. ABAA	Allocator 4			
Not directly attributable					-				-	-
<b>System operations and network support</b>										
Insert cost description	e.g. ABAA	Allocator 1				e.g. ABAA	Allocator 1			
Insert cost description	e.g. ABAA	Allocator 2				e.g. ABAA	Allocator 2			
Insert cost description	e.g. ABAA	Allocator 3				e.g. ABAA	Allocator 3			
Insert cost description	e.g. ABAA	Allocator 4				e.g. ABAA	Allocator 4			
Not directly attributable					-				-	-
<b>Business support</b>										
Insert cost description	e.g. ABAA	Allocator 1				e.g. ABAA	Allocator 1			
Insert cost description	e.g. ABAA	Allocator 2				e.g. ABAA	Allocator 2			
Insert cost description	e.g. ABAA	Allocator 3				e.g. ABAA	Allocator 3			
Insert cost description	e.g. ABAA	Allocator 4				e.g. ABAA	Allocator 4			
Not directly attributable					-				-	-
Operating costs not directly attributable					-				-	-





## SCHEDULE D CAPITAL AND OPERATING EXPENDITURE INFORMATION

### D1 Interpretation

In this ~~Schedule and in Schedules E-Subpart~~, words in bold type bear the following meanings:

**actual capex** means the **capex** incurred during the **current period**;

**actual opex** means the **opex** incurred during the **current period**;

~~**asset category** means one of the following asset types:~~

- ~~(a) assets owned by the EDB but installed at bulk **supply** points owned by others;~~
- ~~(b) sub-transmission network including power transformers;~~
- ~~(c) distribution network including distribution transformers;~~
- ~~(d) switchgear;~~
- ~~(e) low voltage distribution network; and~~
- ~~(f) supporting or secondary systems including
  - ~~(i) ripple injection plant;~~
  - ~~(ii) SCADA;~~
  - ~~(iii) communications equipment;~~
  - ~~(iv) metering systems;~~
  - ~~(v) power factor correction plant;~~
  - ~~(vi) EDB-owned mobile substations and generators whose function is to increase **supply** reliability or reduce peak demand; and~~
  - ~~(vii) other generation plant owned by the EDB; and~~~~
- ~~(g) other;~~

**asset management plan** means an asset management plan included in the **CPP proposal** and prepared in accordance with the requirements of the most recent **ID determination**, where the first year of the planning period to which the asset management plan relates is the final year of the **assessment period**;

~~the Asset Management Plan disclosed in the last **disclosure year** of the **current period** pursuant to the Electricity Disclosure (Information Requirements) 2008; or~~

~~any asset management plan disclosed in the last **disclosure year** of the **current period** pursuant to an **ID determination**;~~

~~**asset relocations capex** means expenditure on assets where the **primary driver** is the need to relocate assets due to third party requests such as for the purpose of allowing road widening or similar needs. This includes expenditure on assets relating to the undergrounding of previously above ground assets at the request of a third party;**capex** principally incurred in relocating assets where the relocation does not result in the assets having service potentials materially different to their service potentials in their original location;~~

~~**asset replacement and renewal capex** or **asset replacement and renewal opex** means **capex** or **opex** where the **primary driver** is the need to maintain network asset integrity so as to maintain current security and/or quality of supply standards and includes expenditure to replace or renew assets incurred as a result of-~~

- ~~(a) the progressive physical deterioration of the condition of **network** assets or their immediate surrounds;~~
- ~~(b) the **network** assets becoming obsolete;~~
- ~~(c) preventative replacement **programmes**, consistent with asset lifecycle management **policies**; or~~
- ~~(d) the need to ensure the ongoing physical security of the **network** assets;~~

~~means **capex** predominantly associated with-~~

~~the progressive physical deterioration of the condition of **network** assets or their immediate surrounds; or~~

~~expenditure arising as a result of the obsolescence of **network** assets;~~

~~**base year** means historical 12-month period;~~

~~**base year approach** means forecasting data regarding the **supply of electricity distribution services** in the future based on data obtained in a **base year**;~~

~~**budget** means an expenditure forecast that has been prepared for a purpose other than for inclusion in a **CPP proposal**;~~

~~**business support opex** means **opex** associated with the following corporate activities-~~

- ~~(a) human resources and training (other than operational training);~~
- ~~(b) finance and regulation including compliance activities, valuations and auditing;~~
- ~~(c) chief executive and director costs;~~
- ~~(d) legal services;~~

- (e) consulting services (excluding engineering/technical consulting);
- (f) property management;
- (g) corporate communications;
- (h) corporate information technology;
- (i) industry liaison and participation;
- (j) commercial activities including pricing, billing, revenue collection and marketing; and
- (k) liaison with Transpower, consumers and electricity retailers;

**capex category** means one of the categories in the following list which comprises, for the purpose of a **CPP proposal**, a classification of the types of **capex** that **EDBs** make when providing **electricity distribution services** to **consumers** and **capex categories** means all of the following categories:

- (a) **consumer~~customer~~ connection capex;**
- (b) **system growth capex;**
- (c) **reliability, safety and environment capex;**
- (d) **asset replacement and renewal capex;**
- (e) **asset relocations capex; and**
- ~~(f) non-system fixed assets capex;~~
- ~~(f) committed means, in respect of a project or programme, received all approvals internal and external to the EDB that are required in order for work on the project to commence;~~

**consumer connection capex** means **capex** where the **primary driver** is the establishment of a new **consumer** connection point, or alterations to an existing **consumer** connection point. This includes expenditure relating to-

- (a) parts of the **network** for which the expenditure is recoverable in total, or in part, by a **capital contribution** from the **consumer** requesting the new or altered connection point; and
- (a)(b) both electricity injection and offtake points of connection;

~~**customer connection capex** means **capex** predominantly associated with the establishment of new connection points of **consumers** to the **network**, or alterations to existing connection points where the expenditure relates to connection assets and/or parts of the **network** for which the expenditure is recoverable in total, or in part, by a **capital contribution**;~~

**deliverability** means the extent to which the activities to which the **capex forecast** and **opex forecast** relate are likely to be undertaken by the **EDB** during the **next period** ~~with~~by reference to the **EDB's** ability to-

- (a) source and secure physical resources (such as appropriately skilled personnel and materials) and planning consents from external authorities; and
- (b) prioritise, manage and undertake the work involved, including the ability to implement any planned step change from historical levels of investment and workload;

**document** means correspondence, notices, circulars, memoranda, minutes, reports, **policies**, contracts or agreements in the possession or control of the **EDB**, whether in electronic or paper format;

~~fault and emergency maintenance opex means opex principally incurred in responding (by way of undertaking remedial work) to an unplanned instantaneous event that impairs the normal operation of network assets but does not include expenditure on work to prevent or mitigate the impact such an event would have should it occur;~~

~~general management, administration and overheads opex means opex that is principally incurred on administration or which is not directly incurred in the physical operation and maintenance of the network, including expenditure on-~~

- ~~(a) accounting;~~
- ~~(b) corporate management;~~
- ~~(c) finance;~~
- ~~(d) human resources;~~
- ~~(e) information technology;~~
- ~~(f) insurance paid to an insurer;~~
- ~~(g) legal;~~
- ~~(h) occupational health and safety;~~
- ~~(i) procurement;~~
- ~~(j) property; and~~
- ~~(k) regulation;~~

~~identified programme means a project or a programme which is planned to be undertaken during the next period and which is one of the-~~

- ~~(a) 5 largest projects or programmes by expenditure that fall within the capex forecast;~~
- ~~(b) 5 largest projects or programmes by expenditure that fall within the opex forecast; or~~
- ~~(c) 10 additional projects or programmes selected by the verifier for detailed assessment in accordance with clause G3;~~

~~**key assumptions** means assumptions made by an EDB in the preparation of its proposal that have a material impact on the opex forecast or the capex forecast; **key assumptions** means-~~

~~any significant assumption made by an EDB in the preparation of its proposal, clearly identified in a manner that makes its significance to the proposal understandable to the Commission, including-~~

~~forecasts of peak demand;~~

~~forecasts of utilisation levels;~~

~~forecasts of weighted average remaining life of assets;~~

~~forecasts of energy consumption;~~

~~forecasts of material movements in energy consumption within the network;~~

~~forecasts of consumer numbers;~~

~~forecasts of line length;~~

~~labour unit rates applied to key items of plant and equipment;~~

~~materials unit rates applied to key items of plant and equipment;~~

~~labour escalators as required by clause D18(2); and~~

~~materials escalators as required by clause D18(2); and~~

~~a description of the-~~

~~basis on which those assumptions were prepared; and~~

~~the principal sources of information from which those assumptions were derived;~~

~~**network** means lines operated by an EDB;~~

**non-system fixed assets capex** means capex incurred in relation to assets not directly related to the network used in the supply of electricity distribution services, including in relation to-

- (a) information and technology systems;
- (b) asset management systems;
- (c) office buildings, depots and workshops;

- (d) office furniture and equipment;
- (e) motor vehicles; and
- (f) tools, plant, and machinery;

**obligation** means a legally enforceable duty owed by an **EDB**, whether arising under legislation, at common law or in contract, but excludes a contractual obligation commencing after this determination takes effect;

~~opex means operating expenditure;~~

**opex category** means one of the categories in the following list which comprises, for the purpose of a **CPP proposal**, a classification of the types of **opex** that **EDBs** make when providing **electricity distribution services to consumers**, and **opex categories** means all of the following categories:

- (a) ~~business support~~general management, administration and overheads **opex**;
- (b) ~~system operations and network support~~system management and operations **opex**;
- (c) routine and ~~corrective~~preventative maintenance and inspection **opex**;
- (d) ~~vegetation management~~refurbishment and renewal maintenance **opex**;
- (e) ~~asset replacement and renewal~~fault and emergency maintenance **opex**;  
and
- (f) ~~service interruptions and emergencies~~other **opex**;

**other opex** means **opex** that is not captured by the other **opex categories**;

**planning standards** means **policies** adopted by the **EDB** which relate to the planning of the **network** and the forecasting of **capex** and **opex** for that purpose, including in relation to-

- (a) long term **network** development;
- (b) **network** maintenance; and
- (c) system operations;

**policies** means documented ~~and director or management approved~~ short-term and long-term policies, procedures, strategies, guidelines and, plans used to prepare the CPP proposal;

~~and approaches including those relating to-~~

- ~~(a) asset management;~~
- ~~(b) asset security;~~
- ~~(c) augmentation and planning;~~

- ~~(d) business cases, including cost-benefit analyses;~~
- ~~(e) capex (e.g. capex approval and replacement);~~
- ~~(f) condition monitoring and replacement;~~
- ~~(g) corporate governance;~~
- ~~(h) demand management;~~
- ~~(i) disaster recovery;~~
- ~~(j) energy supply and consumer growth forecasting;~~
- ~~(k) information technology;~~
- ~~(l) internal reviews;~~
- ~~(m) investment decision-making and evaluation;~~
- ~~(n) land and easement acquisition;~~
- ~~(o) network spares;~~
- ~~(p) prioritisation and options analysis;~~
- ~~(q) procurement;~~
- ~~(r) project management;~~
- ~~(s) regulatory compliance;~~
- ~~(t) risk management and assessment; or~~
- ~~(u) self-insurance;~~

primary driver means the primary reason for a decision to incur a cost in the year the cost was incurred or forecast to be incurred;

~~refurbishment and renewal maintenance opex~~ means ~~opex~~ that is predominantly associated with the replacement, refurbishment or renewal of items that are asset components;

**reliability, safety and environment capex** means **capex** predominantly associated with-

- (a) the improvement of reliability or service standards;
- (b) maintaining or improving the safety of the network for **consumers**, employees and the public; ~~or~~
- (c) meeting legislative requirements; or
- (d) reducing the impact of the network on the environment;
- ~~(c) activities to-~~
  - ~~(i) meet new or enhanced legislative requirements; or~~



- ~~(ii) — achieve enhancements,  
relating to the environment;~~

**routine and ~~corrective/preventative~~ maintenance and inspection opex** means **opex** where the **primary driver** is the activities specified in planned or programmed inspection, testing and maintenance work schedules and includes—

- (a) fault rectification work that is undertaken at a time or date subsequent to any initial fault response and restoration activities;
- (b) routine inspection;
- (c) functional and intrusive testing of assets, plant and equipment including critical spares and equipment;
- (d) helicopter, vehicle and foot patrols, including negotiation of landowner access;
- (e) asset surveys;
- (f) environmental response;
- (g) painting of **network** assets;
- (h) outdoor and indoor maintenance of substations, including weed and vegetation clearance, lawn mowing and fencing;
- (i) maintenance of access tracks, including associated security structures and weed and vegetation clearance;
- (j) customer-driven maintenance; and

~~(d)(k) notices issued; that is predominantly associated with planned work and—~~

~~(e) — includes—~~

- ~~(i) — fault rectification work that is undertaken at a time or date subsequent to any initial fault response and restoration activities;~~
- ~~(ii) — routine inspection;~~
- ~~(iii) — testing; and~~
- ~~(iv) — vegetation management activities; and~~

~~(f) — excludes expenditure on initial fault or emergency maintenance;~~

**service category** means one of the categories in the following list which comprises, for the purpose of a **CPP proposal**, a classification of the **services** that the **CPP applicant** provides to its **consumers**, and **service categories** means all of the following categories:

- ~~(a) — provide and operate **network** infrastructure between input and offtake connection points and deliver electricity through the **network**;~~

- ~~(b) provide load management services;~~
- ~~(c) provide connection services, including changes of connection point capacity and/or reliability;~~
- ~~(d) provide for rearrangement of network assets at third party request (includes undergrounding); and~~
- ~~(e) provide an additional service (or services if necessary) to those listed in paragraphs (a) to (d), specified by the CPP applicant;~~

service interruptions and emergencies opex means opex where the primary driver is an unplanned instantaneous event or incident that impairs the normal operation of network assets. This relates to reactive work (either temporary or permanent) undertaken in the immediate or short-term in response to an unplanned event, including-

- (a) back-up assistance required to restore supply;
- (b) repair leaks or make safe;
- (c) operational support such as mobile generation used during the outage or emergency response; and
- (d) includes any necessary response to events arising in the transmission system;

**service level** means the magnitude of a **service measure**;

**service measure** means an objectively measurable characteristic or feature of a level of performance being delivered~~service category~~;

~~step change~~ means a new, changed or ceased ~~obligation~~;

**system fixed assets** means all fixed assets owned, provided, maintained, or operated by an **EDB** that are directly related to the **network** and used, or intended to be used, for the **supply of electricity distribution services**;

**system growth capex** means ~~capex~~ other than consumer connection capex, where the primary driver is either a requirement for additional capacity at a particular location or a change in the requirement for electricity distribution services as a result of the introduction of new or emerging technologies. It includes expenditure associated with network protection, control, automation, and telecommunications assets and also includes expenditure on the acquisition of networks from other providers of electricity lines services; principally incurred in implementing a change in demand on the network assets, and includes expenditure that is not recoverable (in total or in part) from the consumer supplied at the point of connection to the network who is the source of the change in demand; and

**system operations and network support opex** means **opex** where the **primary driver** is the management of the **network** and includes expenditure relating to control centre and office-base system operations, including-

- (a) asset management planning including the preparation of the **asset management plan**, load forecasting and **network** modelling;
- (b) **network** and engineering design (excluding design costs capitalised for **capex projects**);
- (c) **network** policy development (including the development of environmental, technical and engineering policies;
- (d) standards and manuals for **network** management;
- (e) **network** record keeping and asset management databases including geographic information systems;
- (f) outage recording;
- (g) connection and **consumer** records/**consumer** management databases (including distributed generators);
- (h) stakeholder queries and call centres (not associated with billing);
- (i) operational training for **network** management and field staff;
- (j) operational vehicles and transport;
- (k) information technology and telecommunications for **network** management (including information technology support for asset management systems);
- (l) day to day **consumer** management including responding to queries on new connections, disconnections, reconnections and distributed generators;
- (m) engineering and technical consulting;
- (n) **network** planning and system studies;
- (o) logistics (procurement) and stores; and
- (p) network asset site expenses and leases;

**vegetation management opex** means **opex** where the **primary driver** is the need to physically fell, remove or trim vegetation (including root management) that is in the proximity of overhead lines or cables. It includes **opex** arising from the following activities-

- (a) inspection of affected lines or cables where the inspection is substantially or wholly directed to vegetation management (e.g., as part of a vegetation management contract). It includes pre-trim inspections as well as

inspections of vegetation cut for the primary purpose of ensuring the work has been undertaken in an appropriate manner;

(b) liaison with landowners including the issue of trim/cut notices, and follow-up calls on notices; and

(c) tree felling or trimming of vegetation to meet externally imposed requirements or internal policy, including operational support such as any mobile generation used during the activity;

The following activities and related costs are excluded from this category-

(d) general inspection of assets subject to vegetation, where this is not substantially directed to vegetation management (included in **routine and corrective maintenance and inspection opex**);

(e) costs of assessing and reviewing the vegetation management policy;

(f) data collection; and

(g) the cost of managing a vegetation management contract;

~~system management and operations opex means opex that is predominantly associated with the management and operation of the network including-~~

~~(a) system operations;~~

~~(b) system studies and planning;~~

~~(c) design;~~

~~(d) **network** record keeping; and~~

~~(e) standards and manuals.~~

## **D2 Instructions relating to provision of information**

(1) A CPP proposal must-

(a) include all information required in-

(i) Attachment A of the **ID determination** or any successor to that Attachment A, except where limited by subclause (5); and

(ii) this schedule;

unless the **Commission** has approved a modification or exemption from the **CPP application** requirements under clause 5.1.6 and has included the relevant information related to the exemption or modification as set out in clause 5.1.8;

(b) contain a table that, in respect of each clause of this schedule-

- (i) provides a reference to the place where, in the **CPP proposal**, a response is provided; and
  - (ii) gives the title and page reference to any separate **document** identified in response, including in the case where the **document** in question is provided in the **CPP proposal**.
- (2) Where information provided in accordance with these requirements differs from the most recent information provided by the **EDB** to the **Commission** in accordance with any obligation under Part 4 of the **Act**, a **CPP proposal** must-
  - (a) identify the differences; and
  - (b) give reasons for such differences.
- (3) Where information required by this schedule is omitted from a **CPP proposal**, the **CPP proposal** must contain an explanation for each such omission.
- (4) A **CPP applicant** may comply with subclause (1) by-
  - (a) reproducing and providing its **asset management plan** with the additional material required by this schedule included; or
  - (b) providing the information required by this schedule separately from its **asset management plan**.
- (5) For the purpose of subclause 3.4 of Attachment A of the **ID determination**, additional information required to be included in the **CPP proposal** need only apply to the-
  - (a) **current period**;
  - (b) **assessment period**; and
  - (c) **next period**.
- ~~(1)(6)~~ Detailed information described in clause D10 in relation to **identified programmes**-
  - (a) need only be provided to the **verifier** upon the **verifier's** request; and
  - (b) where provided under (a), must be included in the **CPP proposal** as provided to the **Commission** in the **CPP application**.
- ~~(2)~~ A **CPP proposal** must-
  - ~~(a)~~ assemble all information that this Schedule requires in a section of the **CPP proposal** entitled "**Capex/Opex/Demand Qualitative Information**"; and
  - ~~(b)~~ contain a table that, in respect of each clause of this schedule-

- ~~(i) provides a reference to the place where, in the Capex/Opex/Demand Qualitative Information section of the **CPP proposal**, a response is provided; and~~
- ~~(ii) gives the title and page reference to any separate **document** identified in response, including in the case where the **document** in question is provided in the **CPP proposal**.~~
- ~~(3) Where information provided in accordance with these requirements differs from the most recent information provided by the **EDB** to the **Commission** in accordance with any obligation under Part 4 of the **Act**, a **CPP proposal** must—
  - ~~(i) identify the differences; and~~
  - ~~(ii) give reasons for such differences.~~~~
- ~~(4) Where information required by this Schedule is omitted from a **CPP proposal**, the **CPP proposal** must contain an explanation for each such omission.~~
- ~~(5) A **CPP applicant** may, without provision of additional information, reproduce information from its **asset management plan** in response to a requirement of this Schedule, subject to subclause (5).~~
- ~~(6) For the purpose of subclause (4), reproduction of such material is only permitted where the relevant section of the **asset management plan** clearly and succinctly provides the required information, without the need for analysis or interpretation on the part of the **verifier** or the **Commission**.~~
- ~~(7) For the avoidance of doubt—
  - ~~(a) the content of the **CPP proposal** as initially provided to the **verifier** will not include information required by this schedule in relation to **projects** or **programmes** falling under paragraph (c) of the definition in this schedule of identified programme; and~~
  - ~~(b) such information—
    - ~~(i) need only be provided to the **verifier** upon the **verifier's** request; and~~
    - ~~(ii) is required to be included in the **CPP proposal** as provided to the **Commission**.~~~~~~

**D3 Governance, organisation structure and business processes ~~Qualitative Information~~**

- ~~(1) In addition to the information required by clause 3.7 of Attachment A of the **ID determination**, provide—
  - ~~(a) the current organisational structure of the **EDB** and a description of any separate organisation used to manage **capex** and **opex**;~~~~

- (b) the number of full time equivalent employees, employed by the applicant, broken down by business units;
  - (c) an explanation of the arrangements for undertaking system operations and network support activities, and the extent that these functions are centralised and outsourced;
  - (d) where any cost is shared with organisational activities that do not involve providing regulated **electricity distribution services**, the basis on which these costs have been allocated and included in the forecast; and
  - (e) a description of any anticipated changes during the **next period** to the organisational structure.
- (2) In addition to the information required by clause 3.12 of Attachment A of the **ID determination**-
  - (a) provide a commentary on the sources of asset management information; and
  - (b) other relevant data that has been relied upon in preparing the forecasts, including-
    - (i) a description of the quality of this information and data; and
    - (ii) details of any assumptions that have been made to fill any information or data gaps.
- (3) In addition to the information required by clause 3.13 of Attachment A of the **ID determination**, describe the procedures and processes used by the **EDB** to-
  - (a) plan and develop;
  - (b) estimate the cost of;
  - (c) approve;
  - (d) implement; and
  - (e) monitor;the **capex** and **opex projects** and **programmes** described in the **CPP proposal**, and develop unit costs.
- (4) In addition to the information required by clause 3.7 of Attachment A of the **ID determination** provide-
  - (a) an overview of any internal challenge, review and approval process applied before the forecasts were finalised for inclusion in the **CPP proposal**;
  - (b) a statement as to whether or not the forecast includes provision for efficiency improvements over time and, if so, a description of how this provision is reflected in the forecasts; and

(c) a statement of how the approval process treats the risks on cost estimates and timing of projects due to deviations of forecast assumptions.

~~(1) Provide~~

~~(a) all policies relied upon in whole or in part in preparing the response to~~

~~(i) this schedule; and~~

~~(ii) any other requirement of Subpart 4 Section 8 of Part 5; and~~

~~(b) where the rationale is not already included in the policies themselves, the rationale for the policies provided in accordance with paragraph (a), including any consultants' reports relied upon in preparing the policies.~~

~~(2) Identify all consultants' reports Commissioned for the purpose of preparing the capex forecast or opex forecast.~~

~~(3) Where information from the CPP applicant's asset management plan has been included in the CPP proposal in response to a requirement of this clause, provide an index of explicit references to the sections and paragraphs of the asset management plan relied upon.~~

#### **D4 Network asset information ~~Categorisation of services~~**

In relation to the information required by clause 4 of Attachment A of the ID determination-

(a) where information is based on estimates, this must be explicitly stated; and

(b) quantities of assets must be presented in a way that clearly describes the size and scope of regulated assets, but need not include detailed lists or schedules as would be included in a complete asset register or inventory.

For each ~~service category~~ relevant to the ~~electricity distribution services~~ provided by the ~~EDB~~, provide-

~~(a) a description of the EDB's services that fall within it, including-~~

~~(i) its key service features and specifications;~~

~~(ii) the identity of the intended consumers of the services;~~

~~(iii) the processes used to determine the features and specifications of each service; and~~

~~(iv) any material changes to the services proposed for the next period;~~

~~(b) the service measures, including a description as to how these have been defined, relating to-~~

~~(i) categories of consumers;~~



- ~~(ii) asset performance, asset efficiency and effectiveness;~~
- ~~(iii) efficiency of the EDB's business activities; and~~
- ~~(iv) the EDB's obligations;~~
- ~~(c) a corresponding target service level for each service measure;~~
- ~~(d) a description as to how each target service level~~
  - ~~(i) was determined, including a description of any consumer consultation used to specify it; and~~
  - ~~(ii) relates to the EDB's relevant policies;~~
- ~~(e) a comparison and evaluation of each actual service level achieved for each disclosure year in the current period against each relevant target service level for each relevant service measure, including explanations for all significant variances and, for each significant variance, an explanation of the action being taken or proposed to improve performance; and~~
- ~~(f) details of all proposed changes to the target service levels for each service measure, including~~
  - ~~(i) the rationale for all proposed changes with reference to relevant consumer demands and the EDB's obligations; and~~
  - ~~(ii) a description of how the proposed changes were taken into account in preparing the CPP proposal.~~

**D5 Service levels ~~Network asset information~~**

Where not included in information provided in respect of clause 5 of Attachment A of the ID determination, provide-

- (a) a description as to how each performance indicator and performance target described in accordance with clause 5 of Attachment A of the ID determination
  - (i) relates to the EDB's relevant policies; and
  - (ii) reflects the expenditure objective;
- (b) for each performance indicator identified and defined in accordance with subclause (a):
  - (i) the measured performance for each year of the current period; and
  - (ii) the target performance for each year of the next period;
- (c) a comparison and evaluation of each actual service level achieved for the disclosure years in the current period against each relevant performance target, including explanations for all significant variances.

- ~~(1) Provide details of the EDB's existing network assets including-~~
- ~~(a) a high level description of the distribution area that includes-~~
    - ~~(i) identification of the distribution area(s) covered;~~
    - ~~(ii) identification of large consumers that have a significant impact on network operations or asset management priorities;~~
    - ~~(iii) a description of the load characteristics for different parts of the network; and~~
    - ~~(iv) the peak demand and total electricity delivered in each disclosure year of the current period, broken down by geographically non-contiguous network, if any;~~
  - ~~(b) a description of the existing network configuration, including-~~
    - ~~(i) identification of bulk electricity supply points and any embedded generation with a capacity greater than 1 MW;~~
    - ~~(ii) existing firm supply capacity and current peak load of each bulk supply point;~~
    - ~~(iii) a description of the sub-transmission system fed from the bulk supply points, including identification and capacity of zone substations and the voltage of the sub-transmission network;~~
    - ~~(iv) identification of the sub-transmission security levels of individual zone substations, eg, n, n-1, n-2, and the rationale for the use of each level used; and~~
    - ~~(v) a description of the distribution system, including the extent to which it is underground;~~
  - ~~(c) a brief description of the network's distribution substation arrangements;~~
  - ~~(d) a description of the low voltage network, including the extent to which it is underground;~~
  - ~~(e) an overview of secondary assets such as ripple injection systems, SCADA and telecommunications systems;~~
  - ~~(f) a description of the existing network assets by asset category, including-~~
    - ~~(i) voltage levels;~~
    - ~~(ii) a description and quantity of assets;~~
    - ~~(iii) age profiles;~~
    - ~~(iv) a discussion of the condition of the assets, further broken down as appropriate, including historic failure rates; and~~

- ~~(v) — identification of any relevant systemic issues that may lead to the need to prematurely replace assets or parts of assets;~~
- ~~(g) — the sum of **regulated service asset values by asset category** consistent with those most recently disclosed by the **EDB** prior to making the **CPP application** pursuant to the Electricity Disclosure (Information Requirements) 2008 or an **ID determination**; and~~
- ~~(h) — at the **EDB's** option, a sum of **regulated service asset values** by any **asset category** sub-category (as 'sub-category' is defined by the **EDB**);~~
- ~~(2) — For the purpose of subclause (1) —~~
  - ~~(a) — where information is based on estimates, this must be explicitly stated;~~
  - ~~(b) — quantities of assets must be presented in a way that clearly describes the size of the regulatory asset base, but need not include detailed lists or schedules as would be included in a complete asset register or inventory; and~~
  - ~~(c) — 'geographically non-contiguous network' means a **network** that is physically separate from another network except where —~~
    - ~~(i) — its total circuit length capable of conveying electricity at a voltage equal to or greater than 3.3 kilovolts is shorter than 25 kilometres;~~
    - ~~(ii) — it conveyed fewer than 20 gigawatt hours of electricity in the most recent **disclosure year** prior to submission of the **CPP application**;~~
    - ~~(iii) — its **lines** are not connected, whether directly or indirectly, to the national grid (as 'national grid' is defined in s 5 of the Electricity Industry Act 2010); or~~
    - ~~(iv) — it conveys electricity to fewer than 2000 ICPs (as 'ICP' is defined in s 54D(2) of the Act).~~

**D6 Network development planning**~~**Demand, consumer numbers and generation forecasts**~~

- ~~(1) The description of network development plans required in clause 11 of Attachment A of the **ID determination** must include the additional information specified in this clause.~~
- ~~(2) For **system growth capex, consumer connection capex, asset relocation capex and reliability, safety and environment capex** —~~
  - ~~(a) identify all relevant documents, **policies** and consultants' reports that were taken into account in preparing these **capex forecasts**; and~~
  - ~~(b) where appropriate, identify their relevance to each category of **capex**.~~

- (3) In addition to the information required by clauses 11.1-11.6 of Attachment A of the **ID determination**, provide the rationale for the planning criteria and other key drivers and assumptions for network development for **system growth capex, consumer connection capex, asset relocation capex and reliability, safety and environment capex.**
- (4) In addition to the information required by clause 11.7 of Attachment A of the **ID determination**, provide the rationale for the prioritisation process and criteria.
- (5) In addition to the information on demand forecasts required by clause 11.8 of Attachment A of the **ID determination**-
- (a) describe and explain the methodology used to prepare the relevant forecasts, including-
- (i) any sensitivity analysis undertaken;
- (ii) any weather normalisation methodology used and how weather data has been used; and
- (iii) the models used (including each model's key inputs and assumptions); and
- (b) provide-
- (i) an outline of the treatment of very large loads, uncertain loads and significant loads transferred, or expected to be transferred, between different parts of the **network** (e.g. between zone substations and/or between feeders);
- (ii) details of the location, types and aggregate levels of any distributed generation and assumptions relating to the impact they may have on **network** forecasts; and
- (iii) details of the effect that any demand management systems or initiatives and any other new or emerging technologies may have on the **network** forecasts and the extent that they have been included in the forecasts in the **CPP proposal**.
- (6) For the forecasts of **consumer** connections, embedded generation and electricity volumes provided in the relevant templates in Schedule E-
- (a) describe and explain the methodology used to prepare the relevant forecasts including-
- (i) any sensitivity analysis undertaken;
- (ii) any weather normalisation methodology used and how weather data has been used; and

- (iii) the models used (including each model's key inputs and assumptions);
- (7) In addition to the information required by clause 11.9 of Attachment A of the ID determination, provide-
- (a) for system growth capex, a description of, and the rationale for, the planning standards, and key assumptions relied on by the EDB in determining the need to augment its network;
- (b) for reliability, safety and environment capex, a description of any models developed by or for the EDB to determine the reliability, safety and environment capex including the rationale for all key input assumptions; and
- (c) for consumer connection capex and asset relocation capex-
- (i) key assumptions and a list of policies relevant to apportioning costs, where costs are not fully recovered from a capital contribution;
- (ii) the rationale and basis for determining the forecast amount, including a description of any modelling used; and
- (iii) provide this information separately for consumer connection capex and for asset relocation capex.
- (8) In addition to the information required in clause 11.10 of Attachment A of the ID determination, for each system growth capex project and programme included in the capex forecast provide-
- (a) a description of the project or programme, including the assumed number and ratings of significant new assets and, where appropriate, a single-line diagram showing how it is assumed that the assets will be integrated into the existing network;
- (b) the estimated cost of the project or programme, disaggregated by disclosure year, including costs already incurred in the current period; and
- (c) details of the effect any new or emerging technologies may have and the extent that they have been considered.
- (9) In addition to the information required in clause 11.10 of Attachment A of the ID determination, for each reliability, safety and environment capex project and programme included in the capex forecast provide-
- (a) a description of the project or programme including the assumed number and ratings of significant new assets;
- (b) a discussion of key assumptions and the rationale for making those assumptions;

- (c) a description of models used and key input assumptions and data sources, including a discussion of relevant data systems and any limitations in the data;
- (d) an indication of the **project's** or **programme's** current status in the planning process; and
- (e) the estimated cost of the **project** or **programme**, disaggregated by **disclosure year**, including costs already incurred in the **current period**.
- (10) In addition to the information required in clause 11.10 of Attachment A of the **ID determination**, for any **consumer connection capex** and **asset relocation capex project** and **programme**, provide a description and the estimated costs of any specific **project** or **programme** included in the forecast.
- (11) In addition to the information required by clause 11.12 of Attachment A of the **ID determination**, and, where not provided in response to subclause (2), identify the **EDB's policies** regarding the application of new or emerging technologies.
- ~~(1) For each **key assumption** relating to maximum demand, electricity **supplied**, **consumer** numbers, embedded generation and distributed generation-~~

  - ~~(a) explain how it was relied upon in the **CPP proposal**;~~
  - ~~(b) provide, describe and explain the methodology used to prepare the relevant forecasts (to at least zone substation level) relating to demand forecasts for each **disclosure year** in the **next period**, including details of-~~
    - ~~(i) any sensitivity analysis undertaken;~~
    - ~~(ii) any weather normalisation methodology used and how weather data has been used; and~~
    - ~~(iii) the models used (including each model's key inputs and assumptions); and~~
  - ~~(c) provide-~~
    - ~~(i) an outline of the treatment of very large loads, uncertain loads and significant loads transferred, or expected to be transferred, between different parts of the **network** (e.g. between zone substations and/or between feeders);~~
    - ~~(ii) assumptions of **consumer** numbers in total and by the **consumer** categories used by the **EDB**;~~
    - ~~(iii) assumptions of energy volumes **supplied to consumers** by each category referred to in sub-paragraph (ii);~~
    - ~~(iv) assumptions relating to average **consumer** energy usage by each category referred to in sub-paragraph (ii);~~

- ~~(v) details of the location, type and size of any embedded generators and assumptions relating to the impact they may have on **network** forecasts;~~
- ~~(vi) details of the location, types and aggregate levels of any distributed generation and assumptions relating to the impact they may have on **network** forecasts; and~~
- ~~(vii) details of the effect that any demand management systems or initiatives may have on **network** forecasts.~~

~~(2) Explain-~~

- ~~(a) the extent to which the forecasting methodology used is consistent with and has taken into account historical observations;~~
- ~~(b) whether forecast data is internally consistent at and between each level of aggregation down to at least the zone substation level; and~~
- ~~(c) the extent to which the forecasting methodology used is consistent with the methodology used to derive the forecast quantities as required by clause 5.3.4(7).~~

**D7 Lifecycle asset management planning (maintenance and renewal) Capital expenditure**

- (1) The description of Lifecycle Asset Management Planning required in clause 12 of Attachment A of the **ID determination** must include the additional information specified in this clause.
- (2) In addition to information required by clauses 3.13 and 3.14 of Attachment A of the **ID determination**, describe the organisation that the **EDB** uses to manage network maintenance and associated expenditure, including the physical arrangements for undertaking these activities and the extent that these functions are centralised and outsourced.
- (3) In addition to the information required by clauses 12.1 and 12.2 of Attachment A of the **ID determination**, for each of **service interruptions and emergencies opex, vegetation management opex and routine and corrective maintenance and inspection opex** describe the approach used to prepare the expenditure forecast and provide-
  - (a) details and a rationale for each relevant **key assumption**;
  - (b) a description of any models used;
  - (c) a description of any new expenditure or forecast changes to the level of expenditure on existing network **opex programmes** over the course of the

- next period that will have a material effect on the network **opex forecast**, including-
- (i) the rationale for and timing of these changes;
  - (ii) an assessment of the impact of these changes on the **service levels** provided by the **EDB**; and
  - (iii) the impact of these changes on the **opex forecast**.
- (4) Identify all relevant documents, **policies** and consultants' reports that were taken into account in preparing the forecasts of **service interruptions and emergencies opex, vegetation management opex and routine and corrective maintenance and inspection opex**;
- (5) In addition to the information required by clause 12.3 of Attachment A of the **ID determination**, for **asset replacement and renewal capex and asset replacement and renewal opex** provide-
- (a) a description of the criteria used to determine whether the expenditure is **capex** or **opex**; and
  - (b) a description of the prioritisation methodology adopted for asset replacement **projects** and **programmes**.
- (6) Identify all relevant documents, **policies** and consultants' reports that were taken into account in preparing the forecasts of **asset replacement and renewal capex** or **asset replacement and renewal opex**;
- (7) In addition to the information required by subclauses 12.3.3 – 12.3.5 of Attachment A of the **ID determination**, for each **asset replacement and renewal capex** or **asset replacement and renewal opex project** and **programme** provide-
- (a) a description of and the rationale for the **projects** and **programmes**;
  - (b) where relevant, an overview of any network and non-network alternatives considered and the basis for selecting the preferred solution;
  - (c) an indication of the **project's** or **programme's** current status in the planning process;
  - (d) the actual and forecast expenditure on each **project** or **programme** described in subclause (a) disaggregated by **regulatory year** in both the **current period** and the **next period**; and
  - (e) a description of the methodology used by the **EDB** to determine the forecast expenditure over the **next period** on the **projects** or **programmes** described in subclause (a) including where applicable-
    - (i) the **key assumptions** and the rationale for the **key assumptions** and **policies**;



- (ii) any relevant modelling and the rationale for material model input assumptions; and
    - (iii) a commentary on the source of the unit costs or components of cost, the accuracy of the cost estimates and the treatment of cost uncertainty where there are not explicitly stated elsewhere.
  - (8) For an **asset replacement and renewal capex project** provide-
    - (a) assumed number and ratings of significant new assets; and
    - (b) a single-line diagram showing how the **project** will be integrated into the existing network for **projects** involving a redesign of asset layout.
  - (9) Explain how any anticipated system growth associated with the replacement of assets before the end of their asset life has been taken into account in the **asset replacement and renewal capex** forecast for the **next period**.
- ~~(1) For each **capex category** included in the **capex forecast**-~~
  - ~~(a) provide an overall description including the aims and objectives of the **capex category**;~~
  - ~~(b) provide an explanation as to its **deliverability**, with reference to factors likely to affect the **capex category** as a whole; and~~
  - ~~(c) identify all relevant documents, **policies** and consultant's reports that were taken into account in preparing the **capex forecast**.~~
- ~~(2) For each **identified programme** included in the **capex forecast**-~~
  - ~~(a) provide an overall description including the aims and objectives of the **identified programme**;~~
  - ~~(b) provide an explanation as to its **deliverability**, with reference to factors likely to specifically affect that **identified programme**;~~
  - ~~(c) provide details of all contingency factors provided for, including how they were calculated and what uncertainties they account for;~~
  - ~~(d) state-~~
    - ~~(i) each relevant **key assumption**;~~
    - ~~(ii) each relevant **obligation**; and~~
    - ~~(iii) any **step change** and its effect on the **capex forecast** for the **identified programme**;~~
  - ~~(e) explain all departures from any conclusions and recommendations contained in each consultant's report identified in accordance with subclause (1)(c); and~~

- ~~(f) — explain the methodology used to generate the capex forecast for the identified programme, including but not limited to details regarding
  - ~~(i) — any cost benchmarking undertaken by or for the EDB;~~
  - ~~(ii) — internal historical cost trends (for specific asset categories) relied upon;~~
  - ~~(iii) — material changes to work backlogs;~~
  - ~~(iv) — all network alternative projects and/or programmes considered;~~
  - ~~(v) — all non-network alternatives that were considered, whether adopted or not, and the reason(s) for rejecting them;~~
  - ~~(vi) — all cost-benefit analyses undertaken;~~
  - ~~(vii) — all contingency factors provided for, including how they were calculated and what uncertainties they account for; and~~
  - ~~(viii) — any step change from historical costs in any cost component included in the identified programme and its effect on the capex forecast.~~~~
- ~~(3) — For each policy identified in response to subclause (1)(c), explain
  - ~~(a) — how it was taken into account and complied with; and~~
  - ~~(b) — how relevant planning standards have been incorporated.~~~~
- ~~(4) — For each key assumption identified in accordance with subclause (2)(d)(i)
  - ~~(a) — provide the method and information used to develop the assumption; and~~
  - ~~(b) — explain how the assumption has been applied and its effect on the capex forecast.~~~~
- ~~(5) — Where any identified programme, other than a project or programme to be undertaken for the foreseeable future, is forecast to terminate after the end of the next period, in addition to the information required by subclause (2), provide any additional information relevant to capex forecast to the end of the identified programme.~~
- ~~(6) — For each project and programme (other than identified programmes) included in the capex forecast
  - ~~(a) — explain
    - ~~(i) — how each relevant policy identified in response to subclause (1)(c) was taken into account and complied with; and~~
    - ~~(ii) — how the relevant planning standards have been incorporated; and~~~~~~

~~(b) provide details of all contingency factors provided for, including how they were calculated and what uncertainties they account for.~~

**D8 ~~Non-system fixed assets~~**System growth capital expenditure information****

~~(1) In addition to the information required by clause 13 of Attachment A of the **ID determination**, for non-network fixed assets **capex** in the **capex forecast** provide the rationale and the basis for determining the forecast amount, including a description of any modelling used for the expenditure in the largest two of the following expenditure categories by dollar value-~~

- ~~(a) asset management systems;~~
- ~~(b) information and technology systems;~~
- ~~(c) motor vehicles;~~
- ~~(d) office buildings, depots and workshops;~~
- ~~(e) office furniture and equipment; and~~
- ~~(f) tools, plant and machinery.~~

~~(2) The information required by subclause (1) need not be provided if the total non-network assets **capex forecast** is less than 5% of the total **capex forecast**.~~

~~For **system growth capex**, provide-~~

- ~~(a) a description of the relevant **planning standards** and relevant **key assumptions**;~~
- ~~(b) a description of the prioritisation methodology adopted for system growth **projects and programmes**;~~
- ~~(c) details of the specific **network** locations where constraints are expected due to forecast load increases;~~
- ~~(d) relevant **policies** for purchasing **land** and **easements** for future use;~~
- ~~(e) relevant **policies** on embedded and distributed generation;~~
- ~~(f) relevant **policies** on non-network solutions;~~
- ~~(g) where rationale is not already included in the **policy** documents, rationale for the **policies** provided in accordance with paragraphs (d) to (f);~~
- ~~(h) an analysis of the **network** and non-network development options available;~~
- ~~(i) details of the planning decisions made to meet each relevant target **service level**; and~~
- ~~(j) a description and identification of the system growth **programme** including-~~

- ~~(i) provisions made in respect of embedded and distributed generation and non-network solutions;~~
- ~~(ii) actions to be taken, including clear linkages to the forecast expenditures in each of the associated projects and programmes;~~
- ~~(iii) a detailed description of each project in the capex forecast that has commenced or is committed; and~~
- ~~(iv) a description of each project or programme that is not committed but is planned to commence in the next period, the information being provided to be commensurate with the project's or programme's current status in the planning process.~~

**D9 Business support, system operations and network support operating expenditure**~~**Asset replacement and renewal capital expenditure information**~~

- (1) Provide sufficient details of the extent that business support and system operations and network support costs have been included in the capex forecast for each disclosure year of both the current period and next period.
- (2) Identify all relevant documents, policies and consultants' reports that were taken into account in preparing these opex forecasts.
- (3) Describe any anticipated material changes to the information provided in subclause (1) over the course of the next period and discuss-
  - (a) the rationale for and timing of the changes; and
  - (b) the impact of the changes on the opex forecast.
- (4) Describe the approach used to prepare the relevant opex forecast including-
  - (a) each relevant key assumption including the rationale for the assumption;
  - (b) any models used; and
  - (c) the rationale for any new expenditure or step change from current levels of expenditure over the next period.
- (5) Where appropriate, the information required by this clause should be provided separately for business support opex and for system operations and network support opex.
- ~~(1) For asset replacement and renewal capex provide-~~
  - ~~(a) a description of the relevant policies and key assumptions relating to the circumstances in which capex should be incurred based on-~~
    - ~~(i) the age or reliability profile of an asset by comparison with the condition of an asset and vice versa; and~~

- ~~(ii) replacement of an asset rather than renewing it and vice versa;~~
- ~~(b) where rationale is not already included in the policy documents, the rationale for the policies and key assumptions provided in accordance with paragraph (a);~~
- ~~(c) any asset replacement models developed by or for the EDB to determine asset replacement and renewal capex, including-~~
  - ~~(i) all supporting documentation for the models used; and~~
  - ~~(ii) any other relevant considerations; and~~
- ~~(d) a description and identification of replacement and renewal programmes or actions to be taken for each asset category.~~
- ~~(2) Explain whether and how the matters provided and identified in accordance with subclause (1)-~~
  - ~~(a) were taken into account in the capex forecast; and~~
  - ~~(b) affected forecast asset replacement and renewal capex by comparison with the equivalent actual capex incurred.~~
- ~~(3) Explain how any proposed system growth associated with the replacement of assets before the end of their asset life has been taken into account in the asset replacement and renewal capex for the next period.~~

**D10 Identified programmes Reliability, safety and environment capital expenditure information**

- (1) Where not already required to be disclosed by Attachment A of the ID determination, for each identified programme provide-
  - (a) a description of the project or programme including-
    - (i) what the project or programme will accomplish;
    - (ii) the location of the project or, if relevant, the location of the programme;
    - (iii) assumed quantities and ratings of major assets, including the rationale for these assumptions;
    - (iv) where relevant, a high-level single-line diagram showing the assumed layout of the project and interfaces with the existing network; and
    - (v) any other information consistent with the nature of the project or programme that is necessary to fully describe the scope of the project and what is involved in its implementation;

- (b) a description of the rationale for the **project or programme** including-
  - (i) the extent that the **project or programme** meets the **expenditure objective**; and
  - (ii) the impact of not progressing within the **CPP regulatory period**;
- (c) a statement as to the **project's or programme's** current status in the planning process;
- (d) an overview of potential alternatives, including non-network alternatives, and the basis for selecting the preferred option with the information provided to be commensurate with the **project's or programme's** current status in the planning process;
- (e) the rationale for the proposed timing of the **project** or, where relevant, the rationale for the proposed timing of the **programme**;
- (f) where applicable, an assessment of the impact of the **project or programme** on the **service levels** provided by the **EDB**;
- (g) if a **programme** is a continuation or extension of an existing **programme**, the rationale for any material changes in the forecast expenditure from the level of expenditure on the **programme** during the **current period**;
- (h) a detailed breakdown of the estimate of the **project or programme** costs, disaggregated by **disclosure year**, including a similar breakdown of any **project or programme** costs incurred during the **current period**;
- (i) in addition to the breakdown provided in response to subclause (f)-
  - (i) a description of the methodology used to prepare the estimate;
  - (ii) where applicable, the quantities provided for in the **project or programme** cost; and
  - (iii) identification of scope or cost uncertainties and an explanation of how such uncertainties have been taken into account in the estimate;
- (j) details of how the **EDB** proposes to measure and manage the efficiency of the implementation of the **project or programme**; and
- (k) a description of any cost benefit analyses relevant to the **project or programme** undertaken by or for the **EDB**.

~~For **reliability, safety and environment capex**-~~

- ~~(a) describe the implications (including timing) of complying with any-~~
  - ~~(i) new **obligation**; or~~

~~(ii) — substantive amendment to any current such obligation that is reasonably anticipated to occur during the next period, concerned with safety or environmental protection relevant to the supply of electricity distribution services by the EDB;~~

~~(b) — explain how these new obligations or substantive amendments to obligations have been taken into account in the CPP proposal;~~

~~(c) — describe—~~

~~(i) — the relevant risk management policies;~~

~~(ii) — risk assessments and risk mitigation or risk prevention measures employed during the current period, including those pursuant to or in response to an obligation or a step change to an obligation; and~~

~~(iii) — all risk mitigation measures identified and proposed to be deployed in the next period, including methods, details and conclusions of risk assessments and details of emergency response and contingency plans; and~~

~~(d) — where rationale is not already included in the policy documents provide the rationale for the policies provided in accordance with paragraph (c).~~

**D11 Risk management~~Non-system fixed assets capital expenditure information~~**

(1) In addition to the information required by clause 14.3 of Attachment A of the ID determination, for any proposed self-insurance allowance—

(a) provide—

(i) a description of the uncertainties covered by the allowance;

(ii) the methodology used to calculate the self-insurance risk premium (e.g. probability multiplied by consequence);

(iii) a report on the calculation of each self-insurance risk premium from an actuary who is qualified to provide such advice; and

(iv) any quotes obtained from external insurers; and

(b) explain why compensation should be provided for the uncertainty.

(2) In respect of each quote provided in accordance with subclause (1)(a)(iv)—

(a) state—

(i) the amount insured for which the quote related (if not included in the quote itself);

(ii) the annual premium payable or paid by the EDB;

(iii) the size of any deductible;

(iv) the terms and conditions of the insurance; and

(v) why it is not considered suitable.

(3) Explain whether and, if so, how the costs of remediating the effects of each uncertainty for which the allowance is sought may be recovered through any other mechanism.

~~For non-system fixed assets capex in the capex forecast provide the rationale for the expenditure in the largest two of the following expenditure categories by dollar value:~~

- ~~(a) asset management systems;~~
- ~~(b) information and technology systems;~~
- ~~(c) motor vehicles;~~
- ~~(d) office buildings, depots and workshops;~~
- ~~(e) office furniture and equipment; and~~
- ~~(f) tools, plant and machinery.~~

#### **D12 Related parties ~~Operating and maintenance expenditure~~**

(1) Identify and describe all **related parties** in respect of whom costs are disclosed for the last **disclosure year** of the **current period**, and relationships with those **related parties**.

(2) Describe, at an aggregate level, the-

- (a) nature of the **services** undertaken by all **related parties** in the last year of the **current period**; and
- (b) processes for procuring **services** undertaken by **related parties**, or by anticipated **related parties**, during the last year of the **current period** and the **assessment period**.

(3) For **services** identified in subclause (2), describe-

- (a) whether similar **services** are expected to be provided by **related parties**, or by anticipated **related parties**, during the **next period**;
- (b) whether any additional **services** are expected to be provided by **related parties**, or by anticipated **related parties**, during the **CPP regulatory period**; and
- (c) the basis for establishing the **related party** transaction values for the purpose of the **capex forecast** and the **opex forecast**.

(4) Describe the nature of the contract for any periodic **services**, including the duration of any such contract.



- (5) For each **service** identified in accordance with subclause (2), provide an example of-
- (a) any tendering process used to procure the **service**;
  - (b) relevant documents used to tender for the provision of the **service**, including, but not limited to, requests for tender, and tender submissions;
  - (c) explain-
    - (i) whether the **service** procured are provided under a discrete contract or provided as part of a broader operational contract (or similar); and
    - (ii) whether the **service** was procured on a genuinely competitive basis and if not, why not; and
  - (d) methodologies, consultants' reports, or **key assumptions** used to determine components of the costs included in the contract price.
- ~~(1) For each **opex category** included in the **opex forecast**-~~
- ~~(a) provide an overall description including the aims and objectives of the **opex category**;~~
  - ~~(b) provide an explanation as to its **deliverability**, with reference to factors likely to affect the **opex category** as a whole; and~~
  - ~~(c) identify all relevant documents, **policies** and consultants' reports that were taken into account in preparing the **opex forecast**.~~
- ~~(2) For each **identified programme** included in the **opex forecast**-~~
- ~~(a) provide-~~
    - ~~(i) an overall description including the aims and objectives of the **identified programme**;~~
    - ~~(ii) an explanation as to its **deliverability**, with reference to factors likely to affect that **identified programme** specifically; and~~
    - ~~(iii) details of all contingency factors provided for, including how they were calculated and what uncertainties they account for;~~
  - ~~(b) identify-~~
    - ~~(i) each relevant **key assumption**;~~
    - ~~(ii) each relevant **obligation**; and~~
    - ~~(iii) any **step change** and its effect on the **opex forecast** for the **identified programme**; and~~
  - ~~(c) explain-~~

- ~~(i) whether a **base year approach** was used in forecasting, and if so, identify the **base year** used and, if it is not a year in the **current period** (for which data will have been provided), provide the relevant data from that **base year**;~~
  - ~~(ii) all departures from any conclusions and recommendations contained in each consultant's report identified in accordance with subclause (1)(c); and~~
  - ~~(iii) the methodology used to generate the **opex forecast** for the **identified programme**.~~
- ~~(3) For the purpose of subclause (2)(c)(iii), such methodology must include, as a minimum, details regarding-~~
- ~~(a) any cost benchmarking undertaken by or for the **EDB**;~~
  - ~~(b) internal historical cost trends (for specific asset categories) relied upon;~~
  - ~~(c) descriptions of inspections, tests and condition monitoring carried out and the intervals at which they were done;~~
  - ~~(d) material changes to work backlogs;~~
  - ~~(e) alternative **programmes** considered;~~
  - ~~(f) all cost-benefit analyses undertaken;~~
  - ~~(g) all contingency factors provided for, including how they were calculated and the uncertainties they account for;~~
  - ~~(h) any **step change** from historical costs in any cost component included in the **identified programme** and its effect on the **opex forecast**; and~~
  - ~~(i) how the **service measures** identified in accordance with clause D4(b) were taken into account.~~
- ~~(4) For each relevant **policy** identified in response to subclause (1)(c), explain-~~
- ~~(a) how it was taken into account and complied with; and~~
  - ~~(b) how the relevant **planning standards** were incorporated in it.~~
- ~~(5) For each **key assumption** identified in accordance with subclause (2)(b)(i), explain-~~
- ~~(a) the method and information used to develop the assumption; and~~
  - ~~(b) how the assumption has been applied and its effect on the **opex forecast**.~~

**D13 ~~Deliverability~~ ~~General management, administration and overheads operating expenditure category~~**

(1) In addition to clauses 14 and 16 of Attachment A of the ID determination provide an overview of, and description of outputs from, any deliverability risk assessment that the EDB has completed for part or all of the capex forecast and the opex forecast.

(2) Where it has not been provided in risk assessment information under subclause (1), provide an overview of the EDB plans to ensure the deliverability of the activities provided for in the capex forecast and the opex forecast, with particular reference to-

(a) a description of the prioritisation or other methodologies used to optimise delivery;

(b) how consenting processes are managed to optimise delivery;

(c) the extent that the activities provided for in the capex forecast and the opex forecast will be undertaken internally or outsourced;

(d) the EDB's ability to implement any planned step change from historical levels of expenditure and workload, including-

(i) the ability of contractors available to the EDB to deliver any proposed increase in workload;

(ii) the current level of skilled personnel, including engineering and project management personnel, available to the EDB compared to the anticipated requirement over the next period; and

(iii) the measures the EDB plans to take to source and secure required additional personnel; and

(e) how the EDB aligns resource schedules where shared resources are used for different opex-related and capex-related tasks.

~~(1) For the general management, administration and overheads opex category-~~

~~(a) identify-~~

~~(i) each relevant key assumption;~~

~~(ii) each relevant obligation; and~~

~~(iii) any step change and its effect on the opex forecast for this category; and~~

~~(b) explain-~~

~~(i) whether a base year approach was used in forecasting, and if so, identify the base year used and, if it is not a year in the current~~

~~period (for which data is required to be provided in a CPP proposal), provide the relevant data from that base year;~~

~~(ii) all departures from any conclusions and recommendations contained in each consultant's report identified in accordance with clause D12(1)(c); and~~

~~(iii) the methodology used to generate the opex forecast for this category.~~

~~(2) For the purpose of subclause (1)(b)(iii), such methodology must include, as a minimum, details regarding-~~

~~(a) any cost benchmarking undertaken by or for the EDB;~~

~~(b) internal historical cost trends relied upon;~~

~~(c) all contingency factors provided for, including how they were calculated and the uncertainties they account for; and~~

~~(d) the effect of any step change on the costs in the general management, administration and overheads opex category.~~

~~(3) For each relevant policy identified in the response to clause D12(1)(c) explain how it was taken into account and complied with.~~

~~(4) For each key assumption identified in accordance with subclause (1)(a)(i), explain-~~

~~(a) the method and information used to develop the assumption; and~~

~~(b) how the assumption has been applied and its effect on the opex forecast for this opex category.~~

**D14 Unit costs and expenditure escalators~~Operating expenditure projects and programmes~~**

(1) Explain the methodologies applied to convert constant price capex forecast and opex forecast to the nominal price capex forecast and opex forecast.

(2) Explain why the methodologies applied, each key assumption, and the resulting quantum are reasonable.

(3) For each key assumption, including unit rates, indexes, weightings, and contingency factors-

(a) identify-

(i) the key assumption;

(ii) source material from which it was derived; and

(iii) the components of expenditure to which it applies; and

- (b) explain-
  - (i) how it has been applied in the **capex forecast** and **opex forecast**;
  - (ii) the quantum of costs in the **capex forecast** and **opex forecast** resulting from the application of the **key assumption**; and
  - (iii) whether, and if so, how the **key assumption** relates to **capex** and **opex** incurred during the **current period**.

~~For each **project** and **programme** (other than **identified programmes**) included in the **opex forecast**-~~

- ~~(a) explain how each of the relevant **policies** identified in the response to clause D12(1)(c) was taken into account and complied with;~~
- ~~(b) explain how the relevant **planning standards** have been incorporated; and~~
- ~~(c) provide details of all contingency factors provided for, including how they were calculated and what uncertainties they account for.~~

#### **D15 Self-insurance**Contingent project information

(1) For each proposed **contingent project**-

- (a) provide-
  - (i) an overall description including the aims and objectives of the **project**;
  - (ii) completed **regulatory templates** for **capex** and **opex forecasts** using the best available information to hand; and
  - (iii) information as to how the **project** satisfies the criteria specified in clause 5.6.5(2);
- (b) propose a **trigger event** and explain how the event meets the requirements of clause 5.6.5(3);
- (c) provide-
  - (i) all relevant documents (including **policies** and consultants' reports) that were taken into account in preparing the **capex forecast** and **opex forecast** for the **contingent project**, including those that relate to its **deliverability**;
  - (ii) each relevant **key assumption**; and
  - (iii) each relevant **obligation**;
- (d) explain-
  - (i) all departures from any conclusions and recommendations contained in each consultant's report identified in accordance with subclause (c)(i); and

- (ii) the methodology used to generate the **capex** and **opex** forecast for the proposed **contingent project**;
  - (e) explain for each **policy** identified in response to subclause (c)(i)-
    - (i) how it was taken into account and complied with; and
    - (ii) how the relevant **planning standards** were incorporated; and
  - (f) describe for each **key assumption** identified in accordance with subclause (c)(ii)-
    - (i) the method and information used to develop the assumption; and
    - (ii) how it has been applied and its effect on the **capex** and **opex**.
- (2) Where any proposed **contingent project** is likely to terminate after the end of the **next period**, in addition to the information required by subclause (1), provide any additional information relevant to forecast **capex** and forecast **opex** to the end of the **contingent project**.
- ~~(1) For any proposed self-insurance allowance-~~
  - ~~(a) provide-~~
    - ~~(i) a description of the uncertainties covered by the allowance;~~
    - ~~(ii) the methodology used to calculate the self-insurance risk premium (e.g. probability multiplied by consequence);~~
    - ~~(iii) a report on the calculation of each self-insurance risk premium from an actuary who is qualified to provide such advice; and~~
    - ~~(iv) any quotes obtained from external insurers; and~~
  - ~~(b) explain why compensation should be provided for the uncertainty.~~
- ~~(2) In respect of each quote provided in accordance with subclause (1)(a)(iv)-~~
  - ~~(a) state-~~
    - ~~(i) the amount insured for which the quote related (if not included in the quote itself);~~
    - ~~(ii) the annual premium payable or paid by the **EDB**;~~
    - ~~(iii) the size of any deductible;~~
    - ~~(iv) the terms and conditions of the insurance; and~~
    - ~~(v) why it is not considered suitable.~~
- ~~(3) Explain whether and, if so, how the costs of remediating the effects of each uncertainty for which the allowance is sought may be recovered through any other mechanism.~~

#### ~~D16 – Controllable opex~~

~~For each disclosure year of the next period provide-~~

- ~~(a) a description of the types of opex comprised in the forecast for controllable opex; and~~
- ~~(b) justification for why the opex referred to in paragraph (a) should be determined as controllable opex, including a description of how the EDB is able to control the amount of opex over the CPP regulatory period.~~

#### ~~D17 – Related parties~~

- ~~(1) Identify and describe all related parties in respect of whom costs are disclosed in accordance with the regulatory templates.~~
- ~~(2) For each person to whom subclause (1) applies identify each project or programme with which he, she or it is associated.~~
- ~~(3) For each person to whom subclause (1) applies, describe, in respect of each relevant project and programme the-~~
  - ~~(a) nature of the services undertaken by that person; and~~
  - ~~(b) the date and term of the contract in respect of that service.~~
- ~~(4) For each service identified in accordance with subclause (3)(a)-~~
  - ~~(a) provide a description of the tendering process used to procure the service;~~
  - ~~(b) identify all relevant documents used to tender for its provision, including but not limited to requests for tender and tender submissions; and~~
  - ~~(c) explain-~~
    - ~~(i) why that service is outsourced instead of being undertaken by the EDB itself;~~
    - ~~(ii) whether the services procured are provided under a discrete contract or provided as part of a broader operational contract (or similar);~~
    - ~~(iii) whether the service was procured on a genuinely competitive basis and if not, why not; and~~
    - ~~(iv) whether the service (or any component thereof) was sub-contracted to another provider.~~
- ~~(5) For each contract identified in accordance with subclause (3)(b), identify methodologies, consultants' reports, or assumptions used to determine components of the costs included in the contract price.~~

## ~~D18 Unit costs and expenditure escalators~~

- ~~(1) For each **key assumption** that is a unit rate-~~
- ~~(a) identify-~~
    - ~~(i) source material from which it was derived;~~
    - ~~(ii) the date it was developed; and~~
    - ~~(iii) the historical unit rates adopted for key items of plant and equipment for the **capex forecast** and the **opex forecast**; and~~
  - ~~(b) explain-~~
    - ~~(i) how it was developed with reference to the responses to paragraph (a); and~~
    - ~~(ii) whether, and if so an explanation as to why, its quantum is reasonable.~~
- ~~(2) For each **key assumption** that is a labour or materials escalator-~~
- ~~(a) provide the class of labour and materials to which each escalator relates;~~
  - ~~(b) provide-~~
    - ~~(i) the **base year** and the labour and materials unit rates for that year;~~
    - ~~(ii) the escalator used in percentage terms for each year from the **base year** to the end of the **next period**;~~
    - ~~(iii) the quantum of the labour costs in the **capex forecast** and the **opex forecast** which is the result of application of the labour escalator;~~
    - ~~(iv) the quantum of the materials costs in the **capex forecast** and the **opex forecast** which is the result of application of the materials escalator; and~~
    - ~~(v) confirmation of whether the escalator used is expressed in real or nominal terms and, if real, the indexation assumptions used; and~~
  - ~~(c) explain-~~
    - ~~(i) the methodology underlying the calculation of each escalator, including sources, data conversions and the use of any assumptions, including lags;~~
    - ~~(ii) the weightings given to each escalator and how these weightings were developed, including any assumptions;~~
    - ~~(iii) whether the same expenditure escalators have been used in the **capex forecast** and **opex forecast**;~~



- ~~(iv) where the response to sub-paragraph (iii) is no, why different expenditure escalators were applied, using supporting evidence; and~~
- ~~(v) whether, in applying the relevant labour or material escalator, additional contingency factors have been applied and, if so, what uncertainties they account for and how they were calculated.~~

## SCHEDULE E CAPITAL AND OPERATING EXPENDITURE - REGULATORY TEMPLATES

**Table 1: Projects and programmes ~~Top 5~~**

Table 1: Projects and programmes						
Table 1a Summary of all capex projects and programmes						
Number	Project reference	Project/programme name	Capex category	Brief description of project/programme	Forecast costs in constant prices \$(000)	Reference to primary supporting information
1		Project name				
2		Project name				
3		Project name				
4		Project name				
5		Project name				
<i>Include additional rows if needed</i>						
Table 1b Summary of all opex projects and programmes						
Number	Project reference	Project/programme name	Opex category	Brief description of project/programme	Forecast costs in constant prices \$(000)	Reference to primary supporting information
1		Project name				
2		Project name				
3		Project name				
4		Project name				
5		Project name				
<i>*include additional rows if needed</i>						

**Table 2: Capex Summary**

**Table 2: Capex summary**

**2a Actual and forecast capex in constant prices \$(000)**

**Capex Categories**

- Consumer connection
- System growth
- Asset replacement and renewal
- Asset relocations
- Reliability, safety and environment:*
  - Quality of supply
  - Legislative and regulatory
  - Other reliability, safety and environment
- Total reliability, safety and environment**

- Total expenditure on network assets**
- Total expenditure on non-network assets
- Total expenditure on assets**

	Current period			Assessment Period		CPP Regulatory Period					Total CPP		
	CY-4	CY-3	CY-2	CY-1	CY0	CA	CA+1	Year 1	Year 2	Year 3		Year 4	Year 5
	\$000 (in constant prices)												

**2b Actual and forecast capex in nominal prices \$(000)**

**Capex Categories**

- Consumer connection
- System growth
- Asset replacement and renewal
- Asset relocations
- Reliability, safety and environment:*
  - Quality of supply
  - Legislative and regulatory
  - Other reliability, safety and environment
- Total reliability, safety and environment**

- Total expenditure on network assets**
- Expenditure on non-network assets
- Total expenditure on assets**

- plus* Cost of financing
- less* Value of capital contributions
- plus* Value of vested assets
- Total capital expenditure**

	Current period			Assessment Period		CPP Regulatory Period					Total CPP		
	CY-4	CY-3	CY-2	CY-1	CY0	CA	CA+1	Year 1	Year 2	Year 3		Year 4	Year 5
	\$000 (in nominal prices)												

**2c Actual and forecast commissioned asset values in nominal prices \$(000)**

**Capex Categories**

- Consumer connection
- System growth
- Asset replacement and renewal
- Asset relocations and undergrounding
- Reliability, safety and environment:*
  - Quality of supply
  - Legislative and regulatory
  - Environment
- Total reliability, safety and environment**

- Total forecast network capex
- Total forecast non-network capex
- Total value of commissioned assets**

	Current period			Assessment Period		CPP Regulatory Period					Total CPP		
	CY-4	CY-3	CY-2	CY-1	CY0	CA	CA+1	Year 1	Year 2	Year 3		Year 4	Year 5
	\$000 (in nominal prices)												

**2d Actual and forecast commissioned asset values by provider in nominal prices (\$000)**

- EDB
- Related party
- Other sources
- Unknown
- Total value of commissioned assets**



*Totals in table 2c and table 2d must reconcile.*

**Table 3: Opex Summary**

**Table 3(a):**

**Table 3: Opex summary**

3a Actual and forecast opex in constant prices \$(000)	Current period					Assessment Period		CPP Regulatory Period					Total CPP period
	CY-4	CY-3	CY-2	CY-1	CY0	CA	CA+1	Year 1	Year 2	Year 3	Year 4	Year 5	
	\$(000) in constant prices												
Opex Categories													
Service interruptions and emergencies													
Vegetation management													
Routine and corrective maintenance and inspection													
Asset replacement and renewal													
<b>Total network opex</b>													
System operations and network support													
Business support													
<b>Total non-network opex</b>													
<b>Total operating expenditure</b>													

3b Actual and forecast opex in nominal prices \$(000)	Current period					Assessment Period		CPP Regulatory Period					Total CPP period
	CY-4	CY-3	CY-2	CY-1	CY0	CA	CA+1	Year 1	Year 2	Year 3	Year 4	Year 5	
	\$(000) in nominal prices												
Opex Categories													
Service interruptions and emergencies													
Vegetation management													
Routine and corrective maintenance and inspection													
Asset replacement and renewal													
<b>Total network opex</b>													
System operations and network support													
Business support													
<b>Total non-network opex</b>													
<b>Total operating expenditure</b>													

3c Actual and forecast opex by provider (optional)	CY-4	CY-3	CY-2	CY-1	CY0	CA	CA+1	Year 1	Year 2	Year 3	Year 4	Year 5	Total CPP period
EDB													
Related party													
Other sources													
Unknown													

**Table 4: Capex Pprojects and pProgrammes**

**Table 4: Capex Pprojects and pProgrammes**  
 The tables in this section are to be prepared on a project or programme level. Adjust the column width if required.

Project / Programme Name	Actual and forecasted capex to be spent in period of price 2009										Actual and forecasted capex to be spent in period of price 2010										Actual and forecasted capex to be spent in period of price 2011									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
4a. Customer connection																														
4b. System growth																														
4c. Asset replacement and renewal by projects or programmes																														
4d. Asset relocations																														

**44 Eligibility, safety and environmental**

**442 Quality of supply**

Total of eligible and regulated  
 Total of regulated  
 Total of eligible

**443 Eligible and regulated**

Total of eligible and regulated  
 Total of regulated  
 Total of eligible

**444 Other reliability, safety and environmental**

Total of eligible and regulated  
 Total of regulated  
 Total of eligible

**445 Other safety and environmental**

Total of eligible and regulated  
 Total of regulated  
 Total of eligible

**446 Other safety and environmental**

Total of eligible and regulated  
 Total of regulated  
 Total of eligible

**447 Other safety and environmental**

Total of eligible and regulated  
 Total of regulated  
 Total of eligible

**448 Other safety and environmental**

Total of eligible and regulated  
 Total of regulated  
 Total of eligible

**449 Other safety and environmental**

Total of eligible and regulated  
 Total of regulated  
 Total of eligible

**450 Other safety and environmental**

Total of eligible and regulated  
 Total of regulated  
 Total of eligible

**451 Other safety and environmental**

Total of eligible and regulated  
 Total of regulated  
 Total of eligible

**452 Other safety and environmental**

Total of eligible and regulated  
 Total of regulated  
 Total of eligible

**453 Other safety and environmental**

Total of eligible and regulated  
 Total of regulated  
 Total of eligible

**454 Other safety and environmental**

Total of eligible and regulated  
 Total of regulated  
 Total of eligible

**455 Other safety and environmental**

Total of eligible and regulated  
 Total of regulated  
 Total of eligible

**456 Other safety and environmental**

Total of eligible and regulated  
 Total of regulated  
 Total of eligible

**457 Other safety and environmental**

Total of eligible and regulated  
 Total of regulated  
 Total of eligible

**458 Other safety and environmental**

Total of eligible and regulated  
 Total of regulated  
 Total of eligible

**459 Other safety and environmental**

Total of eligible and regulated  
 Total of regulated  
 Total of eligible

**460 Other safety and environmental**

Total of eligible and regulated  
 Total of regulated  
 Total of eligible



**Table 6: Opex projects and programmes overheads**

Table 6: Opex projects and programmes		Actual and forecast opex in constant prices (\$'000)											Actual and forecast opex in nominal prices (\$'000)														
Adjust the column widths as required		Current period		Assessment Period		CPP Regulatory Period					Total CPP Period	Current period		Assessment Period		CPP Regulatory Period					Total CPP Period						
Project reference	Project/programme name	CI-4	CI-3	CI-2	CI-1	CI0	CA	CA+1	Year 1	Year 2	Year 3	Year 4	Year 5	Total CPP Period	CI-4	CI-3	CI-2	CI-1	CI0	CA	CA+1	Year 1	Year 2	Year 3	Year 4	Year 5	Total CPP Period
6a	<b>Service interruptions and emergencies</b>																										
	Project name/asset location as appropriate																										
	Project name/asset location as appropriate																										
	*Include additional rows if needed																										
	<b>Total Service interruptions and emergencies</b>																										
6b	<b>Vegetation management</b>																										
	Name of project or programme																										
	Name of project or programme																										
	Name of project or programme																										
	*Include additional rows if needed																										
	<b>Total Vegetation management</b>																										
6c	<b>Routine and corrective maintenance and inspection</b>																										
	Name of project or programme																										
	Name of project or programme																										
	Name of project or programme																										
	*Include additional rows if needed																										
	<b>Total Routine and corrective maintenance and inspection</b>																										
6d	<b>Asset replacement and renewal</b>																										
	Name of project or programme																										
	Name of project or programme																										
	Name of project or programme																										
	*Include additional rows if needed																										
	<b>Total Asset replacement and renewal</b>																										
	<b>Total network opex</b>																										



**Table 7: ~~Unit Rate Escalators~~ Non-network opex**

**Table 7: Non-network opex**

Project reference	Project/Programme name	Actual and forecast opex in constant prices (\$'000)										Actual and forecast opex in nominal prices (\$'000)																																							
		Current period		Assessment Period		CP Regulatory Period		Transition Period		Transition Period		Current period		Assessment Period		CP Regulatory Period		Transition Period		Transition Period																															
		C14	C15	C16	C17	C18	C19	C20	C21	C22	C23	C24	C25	C26	C27	C28	C29	C30	C31	C32	C33	C34	C35	C36	C37	C38	C39	C40	C41	C42	C43	C44	C45	C46	C47	C48	C49	C50													
<b>7a System operations and network support</b>																																																			
Total System operations and network support																																																			
*Includes additional new / renewed																																																			
Spend type description																																																			
Spend type description																																																			
Spend type description																																																			
*Includes additional new / renewed																																																			
Total Business support																																																			
<b>7b Business support</b>																																																			
Spend type description																																																			
Spend type description																																																			
Spend type description																																																			
*Includes additional new / renewed																																																			
Total Business support																																																			
Total all non-network opex																																																			

**Table 8: Cost Allocation**

**Table 8: Aggregate forecast commissioned assets by asset categories**

**Table 8: Aggregate forecast commissioned assets by asset categories**

*Applicant may disaggregate other assets by asset types*

*Forecast amounts should be net after adjustments for any capital contributions and related party transactions.*

Asset category	Forecast commissioned asset values in nominal terms \$(000)							
	Assessment Period		CPP Regulatory Period					Total CPP Period
	CA	CA+1	Year 1	Year 2	Year 3	Year 4	Year 5	
Subtransmission lines								
Subtransmission cables								
Zone substations								
Distribution and LV lines								
Distribution and LV cables								
Distribution substations and transformers								
Distribution switchgear								
Other network assets								
Non-network assets								
<b>Total forecast commissioned assets</b>								

**Table 9: Cost escalation factors**

**Table 9: Cost escalation factors**

Supplier must provide inflation and other factors used to convert real prices into nominal prices.

Supplier may modify this table to suit its processes

Escalator name and description	Current Period					Assessment Period		CPP Regulatory Period				
	CY-4	CY-3	CY-2	CY-1	CY0	CA	CA+1	Year 1	Year 2	Year 3	Year 4	Year 5

*Include additional rows if needed*

**Table 10: Network demand forecasts**

		Current period					Assessment Period		CPP Regulatory Period				
		CY-4	CY-3	CY-2	CY-1	CY0	CA	CA+1	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Table 10: Network demand forecasts</b>													
<b>Consumer Connections</b>													
<i>Number of ICPs connected in year by consumer type</i>													
<i>Consumer types defined by EDB*</i>													
[EDB consumer type]													
[EDB consumer type]													
<b>Total number of connections</b>		-	-	-	-	-	-	-	-	-	-	-	-
<i>*Include additional rows if needed</i>													
<b>Distributed generation</b>													
<i>Number of connected generator units &gt; 10 MW</i>													
<i>Total capacity of all distributed generation (MVA)</i>													
<b>System Demand</b>													
<b>Maximum coincident system demand (MW)</b>													
<i>GXP demand</i>													
<i>plus</i>	<i>Distributed generation output at HV and above</i>												
<b>Maximum system coincident peak demand</b>		-	-	-	-	-	-	-	-	-	-	-	-
<i>less</i>	<i>Net transfers to (from) other EDBs at HV and above</i>												
<b>Demand on system for supply to consumers' connection points</b>		-	-	-	-	-	-	-	-	-	-	-	-
<b>Electricity volumes carried (GWh)</b>													
<i>Electricity supplied from GXPs</i>													
<i>less</i>	<i>Electricity exports to GXPs</i>												
<i>plus</i>	<i>Electricity supplied from distributed generation</i>												
<i>less</i>	<i>Net electricity supplied to (from) other EDBs</i>												
<b>Electricity entering system for supply to ICPs</b>		-	-	-	-	-	-	-	-	-	-	-	-
<i>less</i>	<i>Total energy delivered to ICPs</i>												

## SCHEDULE F      **ENGAGEMENT OF A VERIFIER**

### **F1      Proposing a verifier**

Before submitting a **CPP proposal**, a **CPP applicant** must, by notice in writing to the **Commission**-

- (a) propose a **person** (or a selection of **persons** for the **Commission** to choose from) to act as a **verifier**; and
- (b) provide the information specified in clauses F2 and F3 in respect of each proposed verifier.

### **F2      Independence**

- (1) Reasons why the **CPP applicant** considers that each proposed verifier is **independent**.
- (2) A written statement signed by the proposed verifier-
  - (a) confirming that-
    - (i) his, her or its involvement in the formulation of the **CPP proposal** has not extended nor will not extend beyond acting in accordance with Schedule G;
    - (ii) he, she or it has not acted nor will not act as an **auditor** pursuant to clause 5.5.34 in respect of the **CPP proposal**; and
    - (iii) he, she or it has no direct or indirect pecuniary or other interest in the success or failure of the **CPP proposal**, including any entitlement to a success fee, contingency fee, or remuneration other than a fee for providing a **verification report**; and
  - (b) explaining the extent of any-
    - (i) ongoing role he, she or it has as **auditor** of, or advisor to, the **CPP applicant**, (on matters unrelated to the **CPP proposal**) including any advisory activities which the **verifier** may expect to undertake for the **CPP applicant** during the **next period** in relation to the **CPP applicant's capex** and **opex** and the existing or expected basis of remuneration for such activities; and
    - (ii) prior or existing relationship (whether professional or otherwise) that he, she or it has had with the **CPP applicant** during the **current period** in relation to the **CPP applicant's capex** and **opex** and the basis of remuneration for such activities.

### **F3 Qualifications and experience**

- (1) Reasons why the **CPP applicant** considers that each proposed verifier is sufficiently qualified and experienced to assess and report on the **CPP proposal** in accordance with the tasks and duties specified in Schedule G.
- (2) A written statement signed by each proposed verifier explaining the nature and extent of his, her or its qualifications and experience relevant to assessing and reporting on the **CPP proposal** in accordance with the tasks and duties specified in Schedule G.

### **F4 Commission's assessment**

- (1) The **Commission** must notify the **CPP applicant** no later than 10 **working days** after receiving a notification in accordance with clause F1 as to whether it approves the proposed verifier.
- (2) If the **Commission** does not approve a proposed verifier-
  - (a) it must provide reasons for this decision; and
  - (b) the **CPP applicant** may propose an alternative verifier in accordance with clause F1.
- (3) If the **Commission** approves a proposed verifier, the **CPP applicant** may engage that person, as soon as practicable, in accordance with clause ~~F5~~<sup>F6</sup>.
- (4) The **Commission's** approval of a proposed verifier remains valid until the **Commission** has completed its assessment of the **CPP proposal**.

### **F5 Summary of intended CPP proposal**

- (1) Before the **verifier** enters into a deed with the **Commission** as described in clause F6, the **CPP applicant** must provide the **Commission** with a high-level summary of the intended **CPP proposal** ('Summary of intended CPP proposal'), including-
  - (a) a high-level description of its rationale for seeking a **CPP** and a brief explanation of the key **projects** or **programmes** that are linked to this rationale;
  - (b) when it proposes the intended **CPP proposal** to take effect as a **CPP**;
  - (c) its estimated **capex** forecast and estimated **opex** forecast for the intended **CPP proposal**;
  - (d) the indicative impact on **prices** of the intended **CPP proposal**;

- (e) whether it intends to propose a **quality standard variation** as part of its intended **CPP proposal** and, if so, the indicative impact on quality standards of the intended **quality standard variation**;
  - (f) how it intends to consult **consumers** on the intended **CPP proposal**; and
  - (g) any other information it considers would assist the **Commission's** planning for the **Commission's** assessment of the intended **CPP proposal**.
- (2) With the agreement of the **Commission**, the requirements in subclause (1) may be satisfied by way of the record of a workshop with the **Commission**.

#### **F5F6 Engaging the verifier**

- (1) If the **Commission** approves a proposed verifier, the approved **person** may not undertake any service in relation to the **CPP applicant's CPP proposal** unless it has entered into a deed with the **Commission**.
- (2) For the purpose of subclause (1), terms of the deed must-
  - (a) require the **CPP applicant** to-
    - (i) provide the **verifier** with the information specified in and in accordance with clause 5.5.2(3); and
    - (ii) pay any fee charged by the **verifier** for verifying the relevant parts of the **CPP proposal** in accordance with his, her or its engagement and Schedule G;
  - (b) impose an overriding duty ~~of care~~ on the **verifier** to assist the **Commission** as an independent expert on relevant matters within the verifier's area of technical expertise, with particular reference to aspects of capex, opex and service quality of the CPP applicant's business;
  - (c) require the **verifier** to-
    - (i) verify the relevant parts of the **CPP proposal** in accordance with the terms of his, her or its engagement and Schedule G;
    - (ii) notify the **CPP applicant** of ~~the outcome of~~ the **verifier's** selection of identified programmes, ~~in accordance with clause G3, of projects or programmes meeting paragraph (c) of the definition in clause D1 of Schedule D of identified programme~~;
    - (iii) prepare a draft verification report in accordance with Schedule G and provide it to the **CPP applicant**;
    - (iv) prepare a **verification report** in accordance with Schedule G that takes account of any modifications to the information originally

provided to the **verifier** in light of the **CPP applicant's** consideration of the draft verification report;

- (v) provide, upon request by the **CPP applicant**, a certificate as described in clause 5.1.3(1)(~~db~~)(~~iii~~); and
  - (vi) be available to answer any questions posed by the **Commission** on the **verification report**, in person, by telephone or in writing, as reasonably required by the **Commission**; ~~and~~
- (d) enable the **verifier** to request, for the purpose of carrying out his, her or its duties specified in paragraph (c), provision by the **CPP applicant** of-
- (i) information required by Schedule D to be identified (but not provided) in a **CPP proposal**; and
  - (ii) the information specified in subclause (34); and-
- (e) include a communication protocol in accordance with subclause (5).
- (3) The information specified for the purpose of subclause (2)(d)(ii) is any other information relevant-
- (i) for the purpose subclause (2)(c)(i);
  - (ii) to **electricity distribution services**;
  - (iii) to any other **regulated service** relevant to the **CPP proposal**; and
  - (iv) to any **unregulated service** relevant to the **CPP proposal**,
- that the **verifier** considers is relevant to verification.
- (4) For the avoidance of doubt-
- (a) the deed may contain such other terms that-
    - (i) the parties agree are necessary for **business** efficacy; and
    - (ii) are not inconsistent with Schedule F or this Schedule; and
  - (b) a **CPP applicant** is not required to submit its **CPP proposal** to the **Commission** following completion or its receipt of the **verification report**.

(5) For the purpose of subclause (2)(e), the communication protocol must, as a minimum, require that-

(a) the **Commission** will not, prior to the submission of a **CPP proposal**, view any material that forms part of or supports an intended **CPP proposal** unless the **CPP applicant**-

(i) makes the material available to **consumers**; or



- (ii) provides the material to the **Commission** including an updated 'Summary of intended CPP Proposal' as required under subclause (5)(c);
  - (b) the **verifier** must keep records of all communication between it and the **CPP applicant** where the records include substantive information relied on by the **verifier** in its **verification report**; and
  - (c) after entering into the deed, but not later than when the **verifier** provides a draft verification report to the **CPP applicant**, the **CPP applicant** must provide the **Commission** with an updated 'Summary of intended CPP Proposal' as described in clause F5 if it has-
    - (i) changed its rationale for seeking a **CPP** as described in clause F5(1)(a);
    - (ii) changed its proposed time for taking effect as described in clause F5(1)(b); or
    - (+)(iii) changed its intention on whether to propose a **quality standard variation** as described in clause F5(1)(e).
- ~~(5)(6)~~ When providing an updated 'Summary of intended CPP Proposal' as described in subclause (5)(c), the **CPP applicant** must clearly identify any changes from its previously provided 'Summary of intended CPP Proposal'.

## SCHEDULE G TERMS OF REFERENCE FOR VERIFIERS

### G1 Interpretation

- (1) Words in bold in this schedule that are defined in another schedule bear the same meanings as specified in that other schedule.
- (2) Any requirement to provide an opinion, report on or consider a particular matter must be construed as-
  - (a) requiring consideration only of the material identified by the requirement in question; and
  - (b) a requirement to provide the opinion or report on the matter in the **verification report**.

### G2 Verifier's role, purpose and obligations

The **verifier's** role, purpose and obligations include-

- (a) engaging with the **CPP applicant** in an **independent** manner in accordance with this Terms of Reference;
- (b) assessing the extent to which the **CPP applicant's policies** allow the **CPP applicant** to meet the **expenditure objective**;
- (c) assessing the extent to which the **CPP applicant's policies** have been implemented;
- (d) prior to the **Commission's** assessment of the **CPP proposal**, assessing whether the **CPP applicant** has provided the **verifier** with the information specified in clause 5.5.2(3);
- (e) prior to the **Commission's** assessment of the **CPP proposal**, providing an opinion to the **CPP applicant** on whether the **CPP applicant's capex forecasts, opex forecasts and key assumptions** meet the **expenditure objective**;
- (f) prior to the **Commission's** assessment of the **CPP proposal**, assessing the extent to which the **CPP applicant** is able to deliver its **capex forecast and opex forecast** during the **CPP regulatory period**;
- (g) prior to the **Commission's** assessment of the **CPP proposal**, providing an opinion on the extent and effectiveness of the **CPP applicant's** consultation with its **consumers**; and
- (h) providing a list of the key issues which it considers the **Commission** should focus on when assessing the **CPP proposal**.

### **G2G3** ~~Service categories, measures, and levels~~ and quality standards

- (1) The **verifier** must review, assess and report on ~~whether~~
- ~~(a) the CPP applicant's service category definitions appropriately describe all activities undertaken for the purpose of supplying the regulated services as demanded by and provided to consumers;~~
  - ~~(b) the reason for any new service category is explained;~~
  - ~~(c)(a) whether~~ the **CPP applicant** has proposed **service measures** relevant to a complete range of key service attributes that are meaningful and important to **consumers**;
  - ~~(c)(b) whether~~ the **CPP applicant** has undertaken an appropriate process to determine the **service measures** and **service levels**, such as consultation with relevant **consumers**; ~~and~~
  - ~~(c) whether~~ any step change in any **service level** is explained and justified; ~~and~~
  - ~~(c)(d) the extent and effectiveness of a CPP applicant's consultation with its consumers, as specified in clause 5.5.1.~~
- (2) Where the **CPP applicant** intends to propose a **quality standard variation** in the **CPP proposal** under clause 5.4.5, the **verifier** must review, assess and report on the extent to which the **quality standard variation** better reflects the realistically achievable performance of the **EDB** over the **CPP regulatory period**.

### **G3G4** Selection of identified programmes

- (1) For the purposes of the ~~reviews/assessments under required by~~ clauses G5(1)(d) and G6(1)(g), the **verifier** must select no more than 20 projects or programmes to be 'identified programmes' ~~10 projects or programmes~~ and, in doing so, have regard to the criteria specified in this clause.
- ~~(2) The projects or programmes must not have been already included by the CPP applicant amongst its 5 largest capex or 5 largest opex projects or programmes.~~
- (2) In determining which, and how many, projects or programmes to select as identified programmes, the verifier must consider—
- (a) the long term interests of consumers;
  - (b) the Commission's ability to effectively review whether the CPP applicant's capex forecast and opex forecast are consistent with the expenditure objective;
  - (c) the CPP applicant's rationale for seeking a CPP;

- (d) its ability to provide an opinion on whether the **capex forecast** information in the intended **CPP proposal** has been prepared in accordance with the **policies and planning standards-**

  - (i) in aggregate; and
  - (ii) for each of the **capex categories**;
- (e) its ability to provide an opinion on whether the **opex forecast** information in the intended **CPP proposal** has been prepared in accordance with the **policies and planning standards-**

  - (i) in aggregate; and
  - (ii) for each of the **opex categories**;
- (f) its ability to assess any **quality standard variation** proposed; and
- (g) the materiality of the **programmes or projects** to the **CPP proposal**, the **capex forecast** and the **opex forecast**.
- (3) The **identified programmes** selected in accordance with subclause (1) ~~The selected **projects or programmes**~~ must address-

  - (a) a key risk that the **CPP applicant** is exposed to;
  - (b) a key driver of the need to submit a **CPP proposal**; or
  - (c) an **obligation** that has a significant impact in the context of the **CPP applicant's overall business**; ~~or~~
  - ~~(d) a new **service category** or a step change in a **service level** within an existing **service category**;~~
- (4) The **verifier** must-

  - (a) notify the **CPP applicant** of its selected **projects or programmes**; and
  - (b) not change its selection after such notification.

#### **G4—Cost allocation**

- ~~(1) In respect of **regulated service assets values not directly attributable** and **operating costs not directly attributable** the **verifier** must provide an opinion as to whether-~~

  - ~~(a) the **opex forecast** has been provided in accordance with clause 5.3.5; and~~
  - ~~(b) **forecast values of commissioned assets** provided in accordance with clause 5.4.14 have been determined in accordance with clause 5.3.11(2)(b).~~

## G5 Capex forecast

- (1) The **verifier** must-
  - (a) provide an opinion as to whether the-
    - (i) **policies**;
    - (ii) **planning standards**; and
    - (iii) **key assumptions**,relied upon by the **CPP applicant** in determining the **capex forecast** are of the nature and quality required for that **capex forecast** to meet the **expenditure objective**;
  - (b) provide an opinion as to whether the **capex forecast** has been prepared in accordance with the **policies** and **planning standards** at both the aggregate system level and for each of the **capex categories**;
  - (c) provide an opinion on the reasonableness of the **key assumptions** relevant to **capex** relied upon the **CPP applicant** including-
    - (i) the method and information used to develop them;
    - (ii) how they were applied; and
    - (iii) their effect or impact on the **capex forecast** by comparison to their effect or impact on **actual capex**;
  - (d) report conclusions of a detailed review of **identified programmes** that are capex projects or capex programmes includinges, but ~~is~~-not limited to assessment of-
    - (i) whether relevant **policies** and **planning standards** were applied appropriately;
    - (ii) whether **policies** regarding the need for, and prioritisation of, the **project** or **programme** are reasonable and have been applied appropriately;
    - (iii) the process undertaken by the **CPP applicant** to determine the reasonableness and cost-effectiveness of the chosen solution, including the use of cost-benefit analyses to target efficient solutions;
    - (iv) the approach used to prioritise **capex projects** over time including the application of that approach for the **next period**;
    - (v) the **project** capital costing methodology and formulation, including unit rate sources, the method used to test the efficiency of unit rates and the level of contingencies included for **projects**;

- (vi) the impact on other cost categories including the relationship with **opex**;
  - (vii) links with other **projects**;
  - (viii) cost control and delivery performance for **actual capex**; ~~and~~
  - (ix) the efficiency of the proposed approach to procurement; and
  - ~~(ix)~~(x) whether it should be included as a **contingent project** or part of a **contingent project**;
- (e) provide an opinion as to overall **deliverability** of work covered by the **capex categories** in the **next period**; and
  - (f) provide an opinion as to the reasonableness and adequacy of any asset replacement models used to prepare the **capex forecast** including an assessment of-
    - (i) the inputs used within the model; and
    - (ii) the methods the **CPP applicant** used to check the reasonableness of the forecasts and related expenditure.
- (2) Based on its analysis under this clause the **verifier** must provide its opinion on whether the applicant's forecast of total **capex** meets the **expenditure objective** and, if not identify-
- (a) whether the provision of further information is required to enable assessment against the **expenditure objective** to be undertaken and, if so, the type of information required;
  - (b) which of the **CPP applicant's forecast capex programmes** for each **capex category** might warrant further assessment by the **Commission**; and
  - (c) what type of assessment would be the most effective.

## G6 Opex forecast

- (1) The **verifier** must-
  - (a) provide an opinion as to whether the-
    - (i) **policies**,
    - (ii) **planning standards**; and
    - (iii) **key assumptions**,

relied upon by the **CPP applicant** in determining the **opex forecast** are of the nature and quality required for that **opex forecast** to meet the **expenditure objective**;

- (b) provide an opinion as to whether the **opex forecast** has been prepared in accordance with the **policies** and **planning standards**, at both the aggregate system level and for each of the **opex categories**;
- (c) provide an opinion on the reasonableness of the **key assumptions** relevant to **opex** relied upon by the **CPP applicant** including-
  - (i) the method and information used to develop them;
  - (ii) how they have been applied; and
  - (iii) their effect or impact on the **opex forecast** by comparison to their effect or impact on **actual opex**;
- (d) review, assess and report on any other **opex** drivers not covered by the **key assumptions** that have led to an increase in the **opex forecast** including whether the quantum of such an increase is required to meet the **expenditure objective**;
- (e) provide an opinion as to the reasonableness of the methodology used in forecasting **opex** (such as cost benchmarking or internal historic cost trending), including the relationship between the **opex forecast** and **capex forecast**;
- (f) provide an opinion as to the reasonableness of any **opex** reduction initiatives undertaken or planned during the **current period** or the **next period**;
- (g) report conclusions of a detailed review of **identified programmes** that are **opex projects or opex programmes**~~includes~~, but is not limited to, an assessment of-
  - (i) whether relevant **policies** and **planning standards** were applied appropriately;
  - (ii) whether **policies** regarding the need for, and prioritisation of, the **project** or **programme** are reasonable and have been applied appropriately;
  - (iii) the process undertaken by the **CPP applicant** to determine the reasonableness and cost-effectiveness of the chosen solution, including the use of cost-benefit analyses to target efficient solutions;

- (iv) the approach used to prioritise **opex projects** over time including the application of that approach for the **next period**;
- (v) the **project operating cost** methodology and formulation, including unit rate sources, the method used to test the efficiency of unit rates and the level of contingencies included for **projects**;
- (vi) the impact on other cost categories including the relationship with **capex**;
- (vii) links with other **projects**;
- (viii) cost control and delivery performance for **actual opex**; ~~and~~
- (ix) the efficiency of the proposed approach to procurement; and
- ~~(ix)~~(x) whether it should be included as a **contingent project** or part of a **contingent project**;
- (h) provide an opinion as to overall **deliverability** of work covered by the **opex categories** in the **next period**; and
- (i) provide an opinion as to the reasonableness and adequacy of any **opex** models used to prepare the **opex forecast** including an assessment of-
  - (i) the inputs used within the model; and
  - (ii) any methods the **CPP applicant** used to check the reasonableness of the forecasts and related expenditure.
- (2) Based on analysis in accordance with this clause, the **verifier** must provide an opinion on whether the **CPP applicant's** forecast of total **opex** meets the **expenditure objective** and, if not, identify-
  - (a) whether the provision of further information is required to enable assessment against the **expenditure objective** to be undertaken and, if so, the type of information required;
  - (b) which of the **CPP applicant's** forecast **opex programmes** for each **opex category** might warrant further assessment by the **Commission**; and
  - (c) what type of assessment would be the most effective.

## **G7 Capital contributions**

The **verifier** must provide an opinion as to whether the forecast of **capital contributions**-

- (a) is reasonable; and
- (b) consistent with other aspects of the **CPP proposal**, in particular-
  - (i) the **capex forecast**; and



- (ii) forecast demand data provided in accordance with clause D6.

## G8 Demand forecasts

- (1) The **verifier** must provide an opinion as to whether-
  - (a) the **key assumptions**, key input data and forecasting methods used in determining demand forecasts were reasonable; and
  - (b) it was appropriate to use the demand forecasts resulting from these methods and assumptions to determine the-
    - (i) **capex forecast**; and
    - (ii) **opex forecast**.

~~(2) In respect of data, calculations and assumptions used to derive the forecast weighted average growth in quantities (as required by clause 5.3.4), the verifier must provide an opinion as to whether, in relation to each demand group-~~

~~(a) the-~~

~~(i) rationale for its selection;~~

~~(ii) basis for the forecast growth in demand;~~

~~(iii) basis for the assumptions used concerning the relative proportion of fixed and variable components in the prices charged; and~~

~~(iv) basis for each weighting term,~~

~~is reasonable;~~

~~(b) the forecast growth in demand is consistent with all other demand forecasts included in the CPP proposal; and~~

~~(c) the assumptions referred to in paragraph (a)(iii) are consistent with the calculation of notional revenue in the most recent annual compliance statement made by the supplier in accordance with a DPP determination.~~

## G9 Non-standard depreciation

~~Where the CPP proposal includes information pursuant to clause 5.4.12(3), the verifier must provide an opinion as to whether-~~

~~(a) where an asset's proposed asset life is different to its physical asset life, the proposed remaining asset life better meets the purpose of Part 4 of the Act than would be the case were depreciation determined in accordance with the standard depreciation method; and~~

~~(b) the proposed depreciation method better meets the purpose of Part 4 of the Act than the standard depreciation method.~~

## **G10G9** Assessment techniques

- (1) When-
  - (a) undertaking analysis and reviews of information; and
  - (b) considering the matters,  
required by this Schedule, the **verifier** must use some or all of the following assessment techniques:
    - (c) process benchmarking;
    - (d) process or functional modelling;
    - (e) unit rate benchmarking;
    - (f) trending or time-series analysis;
    - (g) high level governance and process reviews;
    - (h) internal benchmarking of forecast costs against costs in the **current period**;
    - (i) **capex category** and **opex category** benchmarking;
    - (j) **project** and **programme** sampling; and
    - (k) critiques or **independent** development of-
      - (i) demand forecasts;
      - (ii) labour unit cost forecasts;
      - (iii) materials forecasts;
      - (iv) plant forecasts; and
      - (v) equipment unit cost forecasts.
- (2) The **verifier** must explain why particular techniques listed in subclause (1) were applied and others were not applied.
- (3) Where, for the purpose of applying any of the techniques listed in subclause (1), the **verifier** uses information that is not provided to it by the **CPP applicant**, the **verifier** must, in respect of that information-
  - (a) describe in the draft verification report its nature and source and the reason for wishing to rely on it;
  - (b) subject to subclause (4), provide it to the **CPP applicant**;
  - (c) when finalising the **verification report**, take into account any comments made about it by the **CPP applicant** in response to the draft verification report; and

- (d) where, notwithstanding paragraph (c), the **verifier** continues to rely on it, describe in the **verification report**-
  - (i) the nature and source of the information relied upon and the reason for relying on it; and
  - (ii) the **CPP applicant's** concerns in respect thereof.
- (4) Subclause (3)(b) does not apply if the **verifier's** terms of use of the information prevent such disclosure.

### **G10 Contingent projects**

- (1) For each proposed **contingent project**, the **verifier** must provide an opinion as to whether that **project** satisfies the following criteria:
  - (a) it is-
    - (i) reasonably required of an **EDB** in meeting the **expenditure objective**;  
and
    - (ii) one that associated assets are likely to be **commissioned**,  
during the **CPP regulatory period**;
  - (b) a commencement date cannot be forecast with an appropriate degree of specificity by comparison with other proposed **projects**;
  - (c) the total of **capex forecast** and **opex forecast** in relation to the **project**-
    - (i) as disclosed in the **CPP proposal** exceeds 10% of the value of the **CPP applicant's** annual revenue in the most recently completed **disclosure year** in respect of an **ID determination**;
    - (ii) is reasonable in dollar terms; and
    - (iii) would be likely, when forecast with reasonable certainty, to meet the **expenditure objective**.
- (2) For each proposed **trigger event**, the **verifier** must provide an opinion as to whether it meets the requirements of clause 5.6.5(3).

### **G11 Completeness of CPP proposal**

A **verification report** must-

- (a) list the information in, and relating to, the **CPP proposal** provided by the **CPP applicant** to the **verifier**, that was relied upon by the **verifier** in fulfilling its obligations under Schedule G;
- (b) state each type of information in respect of which this schedule requires the **verifier's** consideration or opinion that the **verifier** considers has been omitted from the **CPP proposal**, including information that is incomplete

or insufficient, and the relevant requirement in Part 5, Subpart 4 to provide the information in question;

- (c) where information is identified as insufficient in accordance with paragraph (b), state the nature of additional information the **verifier** considers that the **CPP proposal** requires to fulfil the information requirement in question; ~~and~~

- (d) state the extent to which the omission, incompleteness or insufficiency of information has impaired the **verifier's** judgement as to whether the **capex forecast** and **opex forecast** for the **next period** meets the **expenditure objective**; ~~and~~

- ~~(d)~~(e) explain why the **verifier** has selected the **identified programmes** in accordance with clause G4(1).

## **G12 Overview of key issues and additional information requirements**

Based on its assessment, the **verifier** must, in the **verification report**-

- (a) provide a list of the key issues that it considers the **Commission** should focus on when undertaking its own assessment of the information to which the assessment related;
- (b) specify information identified in the **CPP proposal** that, were it to be provided, would assist the **Commission's** assessment of the **CPP proposal**; and
- (c) identify any other information it reasonably believes would-
  - (i) be held by the **CPP applicant**; and
  - (ii) assist the **Commission's** assessment of the **CPP proposal**.