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Ms. Karen Murray
Manager
Regulation Branch
Commerce Commission
PO Box 2351
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Dear Karen,

Please regard this letter as our submission to the Commerce Commission ("the Commission") for the "Consultation on Electricity and Gas Input Methodology Determination Amendments 2012". In this letter we will use MDL to refer to the Gas Transmission Business (GTB) of Maui Development Limited. We will mostly limit this submission to issues that affect MDL.

We will only comment in passing on the Commission's proposed treatment of related party asset acquisitions. We are happy to note that this treatment seems reasonable to us. We particularly appreciate the 'safe harbour' materiality criteria being proposed.

Our only comment now on this matter concerns the requirement to set an asset value at the lowest conforming tender price in cases where a competitive tender process is used. We note that there may be valid and commercially sound reasons to not always select the lowest priced tender offer. We believe the Commission should find a way to accommodate such circumstances as well.

Our main concern in this submission, and a deep source of potential unhappiness for us, is the Commission's proposal to set our disclosure year from 1 October to 30 September. This proposal is based on the Commission's intention to set that period as a common disclosure year for all GDBs and GTBs.

The Commission correctly acknowledges that its proposal will lead to increased compliance costs for all GPBs (who all have financial years that are different to the proposed disclosure year), in order to meet information disclosure requirements for the first year, as well as all future years, of reporting.

The Commission then advances a set of considerations and arguments in favour of its proposal. Our understanding of these and our responses to them are set out below.

Commission views	MDL responses
It is likely to make it easier to compare performance across suppliers and assess the sector as a whole, as the data for different businesses would be more comparable.	This argument is irrelevant for MDL. As we have submitted before there is no other supplier we can be compared against. In fact, all four GPBs are so different from each other that any attempt at comparison is likely to be meaningless. Moreover, as the Commission knows, it is prohibited from comparative benchmarking so it cannot need alignment of data for that purpose.

<p>It avoids having an inconsistent time-series if a GPB decided to change their financial year in future periods.</p>	<p>This suggests it would be better to introduce an immediate inconsistency at the start of ID regulation, in order to avoid a (very unlikely) potential inconsistency that could arise during regulation. We do not understand the rationality of this. Moreover, the potential inconsistency is eliminated by fixing the reporting year at the start of the regulatory period.</p>
<p>It offers potential for reduced compliance costs as at least some of the information disclosed under ID could be used for DPP compliance purposes.</p>	<p>DPP compliance is based on revenues, prices and pricing quantities. These numbers are available on a quarterly, even monthly, basis anyway. While it is indeed inconvenient and incurs a cost to certify these numbers separately for DPP compliance, it is much more inconvenient and costly to audit and certify all of the ID requirements separately from the financial year statutory audit.</p>
<p>A proportion of the adjustments are one-off costs only, incurred in transitioning to the new reporting cycle.</p>	<p>This is unlikely, unless suppliers also change their financial year to match the disclosure year. For MDL we do not see this happening. As a result, our primary reporting cycle will not change. However, we will be faced with continuing increased costs for maintaining two different reporting cycles.</p>
<p>It represents an opportunity to migrate reporting cycles, for gas suppliers that have not previously been regulated under Part 4 regulation, to a consistent basis across all of the new regulatory instruments.</p>	<p>We will not be migrating any reporting cycle, because our primary, statutory reporting cycle will remain aligned to our financial year. Instead, the Commission would be introducing a second (and potentially even a third) reporting cycle that would be misaligned to our primary cycle.</p>

We appreciate that the Commission has correctly noted our prior submissions on the timing of pricing and disclosure years. We can confirm that changing our pricing year is only a moderate inconvenience which we would not resist if necessary for DPP compliance. We would probably prefer to have this aligned with our financial year too. However, this is not the case at present, and does not present great problems for us. Indeed, we note that all other GPBs also have pricing years that are different from their financial years, so this presumably is not a significant problem for anyone.

The Commission has also correctly noted our prior opposition, and that of Vector as well, to setting a disclosure year different from our respective financial years. As should be clear from this submission, we remain very strongly opposed to such a proposal.

In light of our prior submissions, and for the reasons set out in this submission, we are somewhat mystified why the Commission is persisting with a proposal to set a single disclosure year for all four GPBs. We believe the arguments put forward by the Commission, then and now, are unconvincing.

In the absence of any cogent arguments by the Commission for its proposal, and without seeing any reasonable arguments for setting aside our previous submissions, we submit that the Commission should set the disclosure year for each GPB equal to its current financial year. Any other approach increases sector costs permanently and represents a sub-optimal solution.

We have appreciated the opportunity to provide this submission. For any additional questions or clarifications please do not hesitate to contact us.

Yours sincerely,

A handwritten signature in blue ink, appearing to be 'Jelle Sjoerdsma', written in a cursive style.

Jelle Sjoerdsma
Commercial Operator, Maui Pipeline
for Maui Development Limited