

NOTICE OF INTENTION

23 FEBRUARY 2022

Input Methodologies Review 2023

1. The purpose of this notice of intention is to advise that the Commerce Commission (**Commission**) is beginning work on a review of input methodologies in accordance with section 52Y (**IM Review**) of the Commerce Act 1986 (**the Act**).
2. This notice outlines the proposed process and time frames for the IM Review in accordance with s 52V of the Act.
3. The input methodologies (**IMs**) that will be reviewed are:
 - 3.1 *Commerce Act (Specified Airport Services Input Methodologies) Determination 2010* (Commerce Commission Decision 709, 22 December 2010);
 - 3.2 *Electricity Distribution Services Input Methodologies Determination 2012* [2012] NZCC 26;
 - 3.3 *Gas Distribution Services Input Methodologies Determination 2012* [2012] NZCC 27;
 - 3.4 *Gas Transmission Services Input Methodologies Determination 2012* [2012] NZCC 28;
 - 3.5 *Commerce Act (Transpower Input Methodologies) Determination 2010* [2012] NZCC 17; and
 - 3.6 *Transpower Capital Expenditure Input Methodology Determination 2012* [2012] NZCC 2.
4. Consolidated versions of the IMs (which include amendments made to the original IM determination in each case) are available on the Commission's website:¹
 - 4.1 Airport Services Input Methodologies Determination 2010 consolidated as of 20 December 2016:
https://comcom.govt.nz/_data/assets/pdf_file/0019/60553/Airport-Services-Input-Methodologies-Determination-2010-consolidated-as-of-20-December-2016.pdf

¹ The consolidated versions of the IM determinations are not official versions and we have provided links for reference and convenience purposes only. The official versions of the principal determinations and all amendments are available on the Commerce Commission website: <https://comcom.govt.nz>. The official versions of the determinations are also available for inspection at the Commerce Commission's office at Level 9, 44 The Terrace, Wellington, and printed copies may be purchased at a reasonable price.

- 4.2 Electricity Distribution Services Input Methodologies Determination 2012 consolidated as of 20 May 2020:
https://comcom.govt.nz/_data/assets/pdf_file/0017/60542/Electricity-distribution-services-input-methodologies-determination-2012-consolidated-20-May-2020-20-May-2020.pdf
- 4.3 Gas Distribution Services Input Methodologies Determination 2012 consolidated as of 3 April 2018:
https://comcom.govt.nz/_data/assets/pdf_file/0029/59717/Gas-distribution-services-input-methodologies-determination-2012-consolidated-April-2018-3-April-2018.pdf
- 4.4 Gas Transmission Services Input Methodologies Determination 2012 consolidated as of 3 April 2018:
https://comcom.govt.nz/_data/assets/pdf_file/0028/59716/Gas-transmission-services-input-methodologies-determination-2012-consolidated-April-2018-3-April-2018.pdf
- 4.5 Transpower Input Methodologies Determination 2010 consolidated as of 29 January 2020:
https://comcom.govt.nz/_data/assets/pdf_file/0020/91181/Transpower-input-methodologies-determination-2010-consolidated-29-January-2020.pdf
- 4.6 Transpower Capital Expenditure Input Methodology Determination 2012 consolidated as of 29 January 2020:
https://comcom.govt.nz/_data/assets/pdf_file/0026/88280/Transpower-capital-expenditure-input-methodology-determination-consolidated-29-January-2020.pdf

Process steps		Proposed timeframe
1.	<p>Paper issued – Consultation on the decision-making framework for the IM Review</p> <p>The Commission will issue this paper to allow interested parties to provide their views in submissions and cross-submissions on our proposed decision-making framework for considering the scope of the IM Review and the amendments to the IMs in the IM Review.</p>	Quarter 2 2022
2.	<p>Paper issued – Process & Approach Paper</p> <p>The Commission will publish a paper setting out the proposed process for the IM Review and a description of the issues it has identified for consideration as part of the IM Review.</p>	Quarter 2 2022
3.	<p>Submissions and cross-submissions due on the decision-making framework for the IM Review</p>	Quarter 2 2022
4.	<p>Submissions and cross-submissions due on the Process & Approach Paper</p>	Quarter 2 2022
5.	<p>Paper issued – final decision on the decision-making framework for the IM Review</p>	Quarter 3 2022
6.	<p>Papers issued – Problem definition papers by key topics</p> <p>The Commission will publish papers identifying the key topics and defining the specific problems to be addressed in the IM Review taking account of submissions on the Process & Approach paper.</p>	Quarter 3 and Quarter 4 2022
7.	<p>Workshops/conference as necessary</p> <p>The Commission will engage with stakeholders to discuss key topics.</p>	Quarter 3 and/or Quarter 4 2022
8.	<p>Submissions and cross-submissions due on the problem definition papers</p>	Quarter 1 2023
9.	<p>Papers issued – Draft Report on the IM Review and draft Topic Papers</p> <p>The Commission will publish a paper to provide its draft findings on the IM Review and to summarise its draft decisions by topic and by sector.</p>	Quarter 1 2023
10.	<p>Submissions and cross-submissions due on the draft Report on the IM Review, draft Topic Papers, and draft IM amendments determinations</p>	Quarter 2 and Quarter 3 2023

Process steps		Proposed timeframe
11.	Papers issued – Final Report on the IM Review, final Topic Papers, and final IM amendments determinations	Quarter 4 2023

The statutory deadline for completing the IM Review

5. Section 52Y(1) requires us to review each IM at least every seven years.
6. The last IM review was substantially completed in December 2016. We deferred decisions on certain areas of that IM review to 2017 (decisions on the Transpower Incremental Rolling Incentive Scheme to June 2017, on the customised price-quality path information requirements for gas to December 2017, and on the related party transaction provisions to December 2017). We also completed our IM review of the Transpower Capital Expenditure Input Methodology Determination in May 2018.
7. We will therefore meet the seven-year statutory deadline for reviewing each IM if we complete our review of the IMs listed in paragraph 3 by December 2023 as set out in our proposed timeframe.

The Gas DPP3 resets and the IM Review 2023

8. We are required to reset the default price-quality paths (**DPPs**) for gas distribution and gas transmission businesses by the end of May 2022 (**Gas DPP3 resets**). We are currently considering targeted amendments to the Gas IMs as part of that process.² If made, these IM amendments will apply to our decisions for the Gas DPP3 resets.
9. The IM Review will consider all IMs including any IM amendments made as part of the Gas DPP3 resets.
10. The outcomes of the IM Review 2023 will not apply to the Gas DPP3 resets, but only to future DPP resets, that is, to the DPP resets for the fourth regulatory period and later.

Next steps

11. Further details on the process for the IM Review will be set out in the Process and Approach Paper which will be published in Quarter 2 2022. The Commission will also provide regular updates on the IM Review process, including process refinements, on the Commerce Commission [website](#).

² Commerce Commission [“Proposed amendments to input methodologies for gas pipeline businesses related to the 2022 default price-quality paths – Draft reasons paper”](#) (10 February 2022).