By email

26 July 2016

Richard Sharp
Head of Regulatory
Vector Limited
101 Carlton Gore Road
Newmarket
AUCKLAND 1023

Dear Richard

Vector Limited - Exemption from certain error disclosure requirements related to the adjustment of historic disclosure values due to the Statistics NZ March 2015 CPI adjustment

1. In your emails of 23 June 2016, 29 June 2016 and subsequent conversations with other Vector Limited (Vector) staff it was outlined that Vector's preferred approach for reporting the impact of the corrected March 2015 CPI as reported by Statistics New Zealand was to adjust the impacted 2015 original disclosures values but be exempted from the error disclosure requirements.

2. Vector intends to reflect the impact of the CPI error on the original disclosure values within Schedule 15 of its year-end disclosures to be submitted within the package of information for the disclosure year ended 31 March 2016. Vector has requested an exemption from the requirements at clause 2.12 of the Electricity Distribution Information Disclosure Determination 2012 – (consolidated in 2015) (EDB ID Determination) related to the correction of the original disclosure values attributable to the CPI error.

3. You have stated that the reason for the exemption request related to the March 2015 CPI correction is that the time, effort and cost involved in applying the disclosure of error provisions is disproportionate given this is a non-material error which was not caused by Vector. In addition as the audit review has now been concluded applying the requirements at clause 2.12 would be difficult to achieve within the required timeframe for year-end disclosure reporting.

4. The Commission believes the adjustment to the original disclosure values intended to be applied by Vector qualifies as an error in accordance with 2.12 but has decided to grant Vector an exemption from specific parts of the disclosure of errors requirements.

AUCKLAND
L13, Forsyth Barr
55 Shortland Street
P.O. Box 105-222
AUCKLAND 1143, NEW ZEALAND

2564212

WELLINGTON
L9, 44 The Terrace
P.O. Box 2351
WELLINGTON 6140, NEW ZEALAND
Tel: (04) 924 3600 Fax: (04) 924 3700
Main Office

5.   Specifically the Commission has agreed to grant Vector an exemption from the disclosure of errors requirements contained at clauses 2.12.1(1)(d), 2.12.1(1)(e) and 2.12.1(1)(f), 2.12.1(2) and the requirement to disclose this as an error within Box 16 of Schedule 14. This exemption also applies to the related clauses at 2.8.2, 2.8.3, 2.9.3 and 2.9.4 of the EDB ID Determination.

6.   The Commission considers that the impact of the March 2015 CPI correction on the Regulatory Asset Base (RAB) will have to be considered by the auditors as part of their audit for the disclosure year ended 31 March 2016. In addition if Vector meets the other requirements contained within clause 2.12 of the EDB ID Determination in relation to the March 2015 CPI correction the impact of the adjustment should be sufficiently clear to interested persons.

7.   The Commission has not exempted Vector from all requirements at clause 2.12 as one of the primary reasons for the creation of the disclosure of error provisions was to ensure that interested persons were able to identify reasons why previous disclosures did not reconcile with opening balances. In addition it is important that clause 2.12.4 which requires future disclosures to be consistent with this error disclosure still applies.

8.   This exemption is issued under the exemption provisions in clause 2.11.1(1) of the EDB ID Determination and is subject to clause 2.11.1(2).

9.   We note there are limitations on Vector's ability to adjust information related to this error within the required timeframe for year-end disclosure reporting due to the timing of the request for the exemption and the completion of the audit process. We advise that if the audit process is to be affected by the exemption request this should be submitted further in advance, as complications for Vector in completing the audit and certification process are unlikely to be key considerations where the requirement for an exemption could have been identified significantly in advance.

10.   If you have any questions regarding the matters addressed above, please contact Simon Wakefield on 04 924 3794.

Yours sincerely

Sue Begg