Powerco Limited Electricity Distribution Customised Price-Quality Path (Allowable Revenue) Amendments Determination 2020

[2020] NZCC 4


The Commission: Sue Begg
Dr Stephen Gale
Elisabeth Wilson
John Crawford

Date of Decision: 31 March 2020

Commerce Commission
Wellington, New Zealand
Powerco Limited Electricity Distribution Customised Price-Quality Path (Allowable Revenue) Amendments Determination 2020

1. Under Part 4 of the Commerce Act 1986 (the Act), the Commerce Commission makes the following determination:

SHORT TITLE
2. This determination is the Powerco Limited Electricity Distribution Customised Price-Quality Path (Allowable Revenue) Amendments Determination 2020.

APPLICATION

COMMENCEMENT
4. This determination comes into force on 31 March 2020.

INTERPRETATION
5. Unless the context otherwise requires:
   5.1 terms used in this determination that are defined in the Act but not in this determination have the same meanings as in the Act;
   5.2 terms used in this determination that are defined in the principal determination have the same meanings as in the principal determination.

AMENDMENTS
6. In clause 4.2 of the principal determination,—
   6.1 replace the definition of ‘forecast net allowable revenue’ with:

   “Forecast net allowable revenue means:

   (a) in respect of the first assessment period:

   (i) for the purpose of calculating actual net allowable revenue for the third assessment period, the amount calculated in paragraph (9) of Schedule 1.5; and

   (ii) for all other purposes, the amount specified for that assessment period in Schedule 1.3; and

   (b) in respect of the second, third, fourth and fifth assessment periods, the amount specified for the relevant assessment period in Schedule 1.3;”; and

6.2 insert in its appropriate alphabetical order:
“maximum allowable revenue after tax” has the meaning given in the IM determination;”.

7. In column 2 (“Forecast net allowable revenue ($000”) of the table in Schedule 1.3: Forecast net allowable revenue of the principal determination, —

7.1 in line 4, next to “31 March 2021”, replace “290,852” with “241,093”;  
7.2 in line 5, next to “31 March 2022”, replace “296,750” with “245,981”; and  
7.3 in line 6, next to “31 March 2023”, replace “302,685” with “250,901”.

8. After Schedule 1.3: Forecast net allowable revenue of the principal determination, insert as new Schedule 1.3A:

“Schedule 1.3A: Maximum allowable revenue after tax following WACC change of 25 September 2019

<table>
<thead>
<tr>
<th>Assessment period ending</th>
<th>Maximum allowable revenue after tax ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 March 2021</td>
<td>222,853</td>
</tr>
<tr>
<td>31 March 2022</td>
<td>227,447</td>
</tr>
<tr>
<td>31 March 2023</td>
<td>231,467</td>
</tr>
</tbody>
</table>

9. Amend paragraph (3) of Schedule 1.5 of the principal determination to replace the phrase “For the purposes of paragraph (2)(b), ‘actual net allowable revenue’ for the second to fifth assessment periods means the amount calculated” with “For the purposes of paragraph (2)(b), ‘actual net allowable revenue’ for the second to fifth assessment periods means, subject to paragraph (6), the amount calculated”.

10. In Schedule 1.5 of the principal determination, insert—

10.1 as new paragraph (6):

“(6) For the third assessment period, the “‘actual net allowable revenue’ of the previous assessment period” referred to under paragraph (3) is calculated under paragraph (7).”; and

10.2 as new paragraph (7):

“(7) For the purpose of paragraph (6), “‘actual net allowable revenue’ of the previous assessment period” means the amount calculated using the following formula:
actual net allowable revenue for the first assessment period \times \left((1+\Delta CPI_{2020}) \times (1-X)\right)

where:
\begin{align*}
\Delta CPI_{2020} & \text{ has the meaning specified for ‘\(\Delta CPI\)’ in paragraph (3) that applied in respect of the second assessment period;} \\
X & \text{ has the meaning specified for ‘X’ in paragraph (3).} \\
\Delta CPI_{2021} & \text{ has the meaning specified for ‘\(\Delta CPI\)’ in paragraph (3) that applied in respect of the third assessment period;}
\end{align*}

10.3 as new paragraph (8):
“(8) For the purpose of paragraph (7), ‘actual net allowable revenue for the first assessment period’ means the forecast net allowable revenue for the first assessment period.”

10.4 as new paragraph (9):
“(9) For the purpose of paragraph (8), ‘forecast net allowable revenue’ for the first assessment period means the amount calculated using the following formula:

\[
\frac{\$241.093}{((1+\Delta CPI_{2020}) \times (1+\Delta CPI_{2021}) \times (1-X)^2)}
\]

where:
\begin{align*}
\Delta CPI_{2020} & \text{ has the meaning specified for ‘\(\Delta CPI\)’ in paragraph (3) that applied in respect of the second assessment period;} \\
\Delta CPI_{2021} & \text{ has the meaning specified for ‘\(\Delta CPI\)’ in paragraph (3) that applied in respect of the third assessment period;}
\end{align*}
and
\begin{align*}
X & \text{ has the meaning specified for ‘X’ in paragraph (3).} \\
\end{align*}

Sue Begg, Deputy Chair

Dated at Wellington this 31st day of March 2020.

COMMERCE COMMISSION