

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

[2020] NZCC 4

Amendment made under section 52Q of the Commerce Act 1986 to the *Powerco Limited Electricity Distribution Customised Price-Quality Path Determination 2018* [2018] NZCC 5.

The Commission: Sue Begg
Dr Stephen Gale
Elisabeth Welson
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

3. This determination amends the *Powerco Limited Electricity Distribution Customised Price-Quality Path Determination 2018* [2018] NZCC 5 (**principal determination**).

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;”;
 - 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

Assessment period ending	Maximum allowable revenue after tax (\$000)
31 March 2021	222,853
31 March 2022	227,447
31 March 2023	231,467

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** x
 $((1+\Delta\text{CPI}_{2020}) \times (1-X))$

where:

ΔCPI_{2020} has the meaning specified for 'ΔCPI' in paragraph (3) that applied in respect of the second **assessment period**; and

X has the meaning specified for 'X' in paragraph (3)."

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:

$$\$241.093 \text{ million} \div ((1+\Delta\text{CPI}_{2020}) \times (1+\Delta\text{CPI}_{2021}) \times (1-X)^2)$$

where:

ΔCPI_{2020} has the meaning specified for 'ΔCPI' in paragraph (3) that applied in respect of the second **assessment period**;

ΔCPI_{2021} has the meaning specified for 'ΔCPI' in paragraph (3) that applied in respect of the third **assessment period**; and

X has the meaning specified for 'X' in paragraph (3)."

Sue Begg, Deputy Chair

Dated at Wellington this 31st day of March 2020.

COMMERCE COMMISSION