

Implementing the change to Powerco's disclosure year-end

Technical briefing paper on amendments to gas input methodologies

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Purpose of this paper

- 1 This paper sets out changes to the input methodologies for gas distribution services to align Powerco's regulatory disclosure year to a 30 September year-end from 2009.

Background

- 2 In May 2012 we consulted on draft input methodologies amendments to align the disclosure years for all gas pipeline businesses to a 30 September year-end. Our final decision in June 2012 was to effect a change to Powerco's year-end to 30 September and leave the remaining gas businesses disclosure year-ends unchanged.¹
- 3 The draft methodologies included in the May 2012 consultation material have been modified to implement a 30 September year-end for Powerco (refer **Attachment A**). As discussed in our final decision, the amendments include an adjustment to Powerco's initial regulatory asset base (RAB) values for the three month period 30 June to 30 September 2009.²

Scope of amendments

- 4 The amendments are to the input methodologies for gas distribution services.³ Specifically, the amendments are to clause 1.1.4 ('interpretation') which defines 'disclosure year', and those clauses in Part 2 Subpart 2 ('asset valuation') relating to the initial RAB.
- 5 The definition of 'disclosure year', and the RAB values established under Part 2 Subpart 2, are used throughout the input methodologies for gas distribution services. The changes therefore affect the input methodologies applying to Powerco for:
 - 5.1 information disclosure regulation;
 - 5.2 default price-quality paths; and
 - 5.3 customised price-quality paths.
- 6 The changes will take effect from the date of amendment. Calculations of RAB values and other values (such as roll forward deferred tax balances) will incorporate the effect of the changes so that, for example, the effect of the changes on RAB values will be apparent from 2009 in the upcoming 2013 gas distribution information disclosures (ID) for Powerco.

¹ *Electricity and Gas Input Methodology Determination Amendments 2012 Reasons Paper*, 29 June 2012.

² This ensures that that correct initial RAB value for Powerco is established as of the commencement date of the Part 4 regulatory regime. The initial RAB values for Vector and GasNet remain unchanged.

³ *Gas Distribution Services Input Methodologies Determination 2012* [2012] NZCC 27.

Effect of the amendments

- 7 The key changes to the input methodologies are to:
 - 7.1 define 'disclosure year' as that specified in an ID determination for gas distribution services (clause 1.1.4(2)). The ID determination defines the last date in the period for which annual disclosure is required as 30 June for Vector and GasNet, and 30 September for Powerco;⁴ and
 - 7.2 adjust the value for the initial RAB for Powerco for the three month period between 30 June and 30 September 2009 by including additions, disposals, depreciation and revaluations for that period (clauses 2.2.1—2.2.3).
- 8 Once the value for the initial RAB is established at 30 September 2009 for Powerco then the asset valuation roll forward provisions contained in Part 2 Subpart 2 will determine the value of the RAB at 12 monthly intervals from that date.
- 9 Changing the definition of 'disclosure year' as described above will also ensure that the effective date for when values such as deferred tax and WACC estimates are calculated is updated to a 30 September year-end for Powerco.
- 10 In addition, the amendments correct a clause reference error in the definition of 'initial RAB', and make a number of minor consequential changes required to implement the changes outlined above.

⁴ *Gas Distribution Information Disclosure Determination 2012* [2012] NZCC 23.