

Electricity Distribution Services Default Price-Quality Path Draft Determination 2015

Date of draft determination: 18 July 2014

THIS DRAFT DETERMINATION IS FOR CONSULTATION PURPOSES ONLY

Regulation Branch, Commerce Commission

Wellington, NEW ZEALAND

18 July 2014

Document version history		
Publication date	Reference number	Document name
18 July 2014	ISSN 1178–2560	Electricity Distribution Services Default Price-quality Path Draft Determination 2015

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Pursuant to Part 4 of the Commerce Act 1986, the Commerce Commission makes the following determination:

1. Short Title

1.1 This determination is the Electricity Distribution Services Default Price-Quality Path Determination 2015.

2. Commencement

2.1 This determination comes into force on 1 April 2015.

3. Application

3.1 This determination applies to all Non-exempt EDBs, except as provided in clause 3.2.

3.2 This determination does not apply to Orion until the expiration of the *Orion New Zealand Limited Customised Price-Quality Path Determination 2013* [2013] NZCC 21.

4. Interpretation

4.1 Unless the context otherwise requires:

- (a) terms used in this determination that are defined in the Act but not in this determination have the same meanings as in the Act;
- (b) terms used in this determination that are defined in the IM Determination but not in this determination have the same meanings as in the IM Determination;
- (c) words appearing in this determination with capitalised initial letters that are defined in clause 4.2 bear the meaning given to them in clause 4.2; and
- (d) a word which denotes the singular also denotes the plural and vice versa.

4.2 In this determination, unless the context otherwise requires, –

2013-15 NPV Wash-up Allowance has the meaning given in clause 1.1.4(2) of the IM Determination, and is specified in Schedule 5

Act means the Commerce Act 1986

Amalgamate and **Amalgamation** has the meaning given in clause 1.1.4(2) of the IM Determination

Annual Compliance Statement means a written statement made by a Non-exempt EDB under clause 11

Assessment Date means a date by which compliance with the default price-quality path must be demonstrated, being 31 March of each year

Assessment Period means a 12 month period commencing 1 April and ending on 31 March of the following year during a Regulatory Period or CPP Regulatory Period for which compliance with the price-quality path must be demonstrated

Auditor means a person who—

- (a) is qualified for appointment as auditor of a company under the Companies Act 1993; and
- (b) has no relationship with, or interest in, the Non-exempt EDB being audited that is likely to involve the person in a conflict of interest; and
- (c) has not assisted with the preparation of the Compliance Statement or provided advice or opinions (other than in relation to audit reports) on the methodologies or processes used in preparing the Compliance Statement; and
- (d) has the necessary expertise to properly undertake an audit required by clause 11.3(b); but
- (e) need not be the same person as the person who audits the Non-exempt EDB's accounts for any other purpose

Boundary SAIDI Value means the SAIDI Unplanned Boundary value for a Regulatory Period or CPP Regulatory Period as specified for each Non-exempt EDB in Schedule 3

Boundary SAIFI Value means the SAIFI Unplanned Boundary value for a Regulatory Period or CPP Regulatory Period as specified for each Non-exempt EDB in Schedule 3

Capex Incentive Adjustment has the meaning given in clause 1.1.4(2) of the IM Determination

Capex Wash-up Adjustment has the meaning given in clause 1.1.4(2) of the IM Determination

Catastrophic Event has the meaning given in clause 5.6.1 of the IM Determination

Class B Interruptions means planned Interruptions by a Non-exempt EDB

Class C Interruptions means Unplanned Interruptions originating within the System Fixed Assets of a Non-exempt EDB

Commission means the Commerce Commission as defined in section 2 of the Act

Compliance Statement means the written statement required to be made by each Non-exempt EDB under clause 11.1

Consumer has the meaning given in clause 1.1.4(2) of the IM Determination

CPI has the meaning given in clause 1.1.4(2) of the IM Determination

CPP Regulatory Period means a period specified in Schedule 1 for a Non-exempt EDB subject to a customised price-quality path

Director has the meaning given in clause 1.1.4(2) of the IM Determination

Distribution Prices has the meaning given in clause 1.1.4(2) of the IM Determination

EDB means a supplier of Electricity Lines Services other than Transpower

Electricity Distribution Services has the meaning given in clause 1.1.4(2) of the IM Determination

Electricity Industry Participation Code has the same meaning as the definition of 'code' in section 5 the Electricity Industry Act 2010

Electricity Lines Services has the meaning set out in section 54C of the Act

Energy Efficiency and Demand Incentive Allowance has the meaning given in clause 1.1.4(2) of the IM Determination and is the amount approved by the Commission in accordance with Schedule 5

IM Determination means the *Electricity Distribution Services Input Methodologies Determination 2012* [2012] NZCC 26

Indirect Transmission Charges means a charge for Electricity Lines Services in accordance with the Transmission Pricing Methodology payable by a Non-exempt EDB that does not have a transmission agreement with Transpower for the indirect connection to the Transmission System to an EDB that is directly connected to the Transmission System, where the charge is on-charged, at cost

Interruption means, in relation to the conveyance of electricity to a Consumer by means of a Prescribed Voltage Electric Line, the cessation of conveyance of electricity to that Consumer for a period of 1 minute or longer, other than by reason of disconnection of that Consumer—

- (a) for breach of the contract under which the electricity is conveyed; or
- (b) as a result of a request from the Consumer; or
- (c) as a result of a request by the Consumer's electricity retailer; or
- (d) for the purpose of isolating an unsafe installation

Major Event Day means any day where the SAIDI Assessed Value or SAIFI Assessed Value exceeds the applicable Boundary SAIDI Value or Boundary SAIFI Value

Major Transaction means any transaction (other than an Amalgamation or a Merger) involving a transfer of assets to or from a Non-exempt EDB that, as a result of that transfer, results in any Consumer being supplied Electricity Lines Services by a different EDB

Merger means a transaction whereby a Non-exempt EDB takes over, or otherwise merges with, another Non-exempt EDB other than by an amalgamation under Part 13 of the Companies Act 1993, which without limitation includes:

- (a) the purchase of all the assets of another Non-exempt EDB;
- (b) the acquisition of sufficient shares in another Non-exempt EDB to have an interest in the other Non-exempt EDB sufficient to enable it, whether directly or indirectly, to exert a substantial degree of influence over the activities of the other Non-exempt EDB; or
- (c) a scheme of arrangement under Part 15 of the Companies Act 1993 having like effect

Non Transmission Recoverable Costs has the meaning given in clause 1.1.4(2) of the IM Determination

Non-exempt EDB has the meaning given in clause 1.1.4(2) of the IM Determination

Opex Incentive Adjustment has the same meaning as given in clause 1.1.4(2) of the IM Determination

Orion means Orion New Zealand Limited

Pass-through Costs has the meaning given in clause 1.1.4(2) of the IM Determination, and apply to an Assessment Period in accordance with Schedule 5

Person includes a corporation sole, a body corporate, and an unincorporated body

Planned Interruption means any Interruption other than an Unplanned Interruption

Prescribed Voltage Electric Line means an electric line that is capable of conveying electricity at a voltage equal to or greater than 3.3 kilovolts

Prices has the meaning given in clause 3.1.1(4) of the IM Determination and includes Distribution Prices and Transmission Prices

Quality Incentive Adjustment has the meaning given in clause 1.1.4(2) of the IM Determination, and is calculated in accordance with Schedule 5

Quantities means the amount supplied (other than forecast) of Electricity Distribution Services corresponding to the extent practicable to a Price (which may include, but is not limited to, kWh, KVA, kW, and day)

Recoverable Costs has the meaning given in clause 1.1.4(2) of the IM Determination, and apply to an Assessment Period in accordance with Schedule 5

Regulatory Period means a period specified in Schedule 1 for all Non-exempt EDBs subject to a default price-quality path

Regulatory Investment Value means the total opening RAB values plus the opening deferred tax as reported in accordance with the ID Determination applicable for an Assessment Period in which a Major Transaction occurs

Restructure of Prices means any change in the allocation of connections to load groups by a Non-exempt EDB or any change in its Prices other than:

- (a) a change to the value of a Price applicable to any existing load group; or
- (b) any changes to the numbers of connections within any existing load group; or
- (c) the movement of connections between existing load groups at the request of the customer.

SAIDI Assessed Value means the sum of adjusted SAIDI Values for an Assessment Period calculated in accordance with Schedule 3

SAIDI Target means, for a Non-exempt EDB, the SAIDI level against which a Non-exempt EDB's compliance with the quality standards is assessed, and is specified in Schedule 3

SAIDI Value means the system average interruption duration index values based on Class B Interruptions and Class C Interruptions

SAIFI Assessed Value means the sum of adjusted SAIFI Values for an Assessment Period calculated in accordance with Schedule 3

SAIFI Target means, for a Non-exempt EDB, SAIDI level against which a Non-exempt EDB's compliance with the quality standards is assessed, and is specified in Schedule 3

SAIFI Value means the system average interruption frequency index values based on Class B Interruptions and Class C Interruptions

System Fixed Assets means all fixed assets owned, provided, maintained, or operated by a Non-exempt EDB that are used or intended to be used for the supply of Electricity Lines Services

System Operator Services means co-ordination services for the control, dispatch, and security functions necessary to operate the Transmission System

Transmission Asset Wash-up Adjustment has the same meaning as given in clause 1.1.4(2) of the IM Determination, and is specified in Schedule 5

Transmission Prices has the meaning given in clause 1.1.4(2) of the IM Determination

Transmission Pricing Methodology means the methodology determined by the Electricity Authority that specifies how Transpower's charges for its services are allocated and who is to be charged

Transmission Recoverable Costs has the meaning given in clause 1.1.4(2) of the IM Determination

Transmission System means New Zealand's national electricity grid

Transpower has the meaning set out in section 54B of the Act

Unplanned Interruption means any Interruption in respect of which less than 24 hours' notice, or no notice, was given either to the public or to all Consumers affected by the Interruption

Working Day has the meaning given in section 2(1) of the Act.

5. Default / customised price-quality path

5.1 During a Regulatory Period or CPP Regulatory Period, every Non-exempt EDB must comply with the price-quality path, which consists of:

- (a) the price path specified in clause 8; and
- (b) the quality standards specified in clause 9.

5.2 A Non-exempt EDB is subject to default price-quality regulation during any Regulatory Period, except during any CPP Regulatory Period applicable to the Non-exempt EDB.

5.3 A Non-exempt EDB is subject to customised price-quality regulation during any CPP Regulatory Period applicable to the Non-exempt EDB.

6. Applicable input methodologies

6.1 The input methodologies that are applied through this determination are the following parts of the IM Determination:

- (a) Subpart 1 of Part 3 – specification of price;
- (b) Subpart 2 of Part 3 – amalgamations;
- (c) Subpart 3 of Part 3 – incremental rolling incentive scheme;
- (d) Subpart 1 of Part 4 – cost allocation;
- (e) Subpart 2 of Part 4 – asset valuation;
- (f) Subpart 3 of Part 4 – treatment of taxation;
- (g) Subpart 4 of Part 4 – cost of capital;
- (h) Subpart 5 of Part 4 – reconsideration of the default price-quality path;
- (i) Subpart 6 of Part 4 – treatment of periods that are not 12 month periods; and
- (j) Subpart 7 of Part 4 – availability of information.

7. Dates for proposing a customised price-quality path

7.1 A Non-exempt EDB may, except in the 12 months before the end of the Regulatory Period, submit a proposal for a customised price-quality path to the Commission:

- (a) in the period beginning on the second Monday in February and ending 6 Working Days after;
- (b) in the period beginning on the first Monday of May and ending 6 Working Days after; or
- (c) within 24 months following a Catastrophic Event.

8. Price path

Starting prices

8.1 The starting Distribution Prices that apply to a Non-exempt EDB for a Regulatory Period or CPP Regulatory Period, specified as maximum allowable revenue, are as set out in Schedule 1.

Rates of change

8.2 The annual rates of change in Distribution Prices allowed during the Regulatory Period or CPP Regulatory period are as set out in Schedule 2. The notional revenue of a Non-exempt EDB in an Assessment Period must not exceed the allowable notional revenue for the Assessment Period, such that:

$$NR \leq ANR$$

where:

NR is the notional revenue for the Assessment Period, calculated in accordance with clause 8.5

ANR is the allowable notional revenue for the Assessment Period, calculated in accordance with clause 8.4

How to calculate notional revenue and allowable notional revenue

8.3 Allowable notional revenue specifies the maximum Distribution Prices that may be charged during an Assessment Period, and is calculated in accordance with the formula –

(a) in Schedule 4A for the first Assessment Period of a Regulatory Period or CPP Regulatory Period; and

(b) in Schedule 4B for all other Assessment Periods of a Regulatory Period or CPP Regulatory Period.

8.4 The notional revenue of a Non-exempt EDB is calculated in accordance with the formula –

$$\sum_i DP_{i,t} Q_{i,t-2} - K_t - V_t$$

where:

t is the year in which the Assessment Period ends;

i denotes each Distribution Price relating to an Electricity Lines Service;

$DP_{i,t}$ is the i^{th} Distribution Price during any part of the Assessment Period *t*;

$Q_{i,t-2}$ is the Quantity corresponding to the i^{th} Distribution Price for the Assessment Period ending 2 years prior to year *t*;

K_t is the sum of all Pass-Through Costs for the Assessment Period *t*; and

V_t is the sum of all Non Transmission Recoverable Costs for the Assessment Period *t*.

Demonstration of recovery of transmission charges

8.5 At the expiration of a Regulatory Period or CPP Regulatory Period, the Transmission Balance, calculated in accordance with clause 8.7, must be less than or equal to zero.

8.6 Every Non-exempt EDB must, in respect of each Assessment Period, demonstrate its recovery of transmission charges, in accordance with–

(a) for the first Assessment Period of a Regulatory Period or CPP Regulatory period, the formula–

$$TB_t = (\sum_i TP_{i,t} Q_{i,t} - T_t)$$

where:

- t is the year in which the Assessment Period ends
- TB_t is the Transmission Balance for the Assessment Period t
- i denotes each Transmission Price
- $TP_{i,t}$ is the i^{th} Transmission Price during any part of the Assessment Period t
- $Q_{i,t}$ is the Quantity corresponding to the i^{th} Transmission Price during the Assessment Period t
- Tt is the sum of all Transmission Recoverable Costs and Indirect Transmission Charges during the Assessment Period t
- (b) for all other Assessment Period of a Regulatory Period or CPP Regulatory period, the formula–

$$TB_t = \sum_i TP_{i,t} Q_{i,t} - T_t - TB_{t-1}(1 + r)$$

where:

- t is the year in which the Assessment Period ends
- TB_t is the Transmission Balance for the Assessment Period t
- i denotes each Transmission Price
- $TP_{i,t}$ is the i^{th} Transmission Price during any part of the Assessment Period t
- $Q_{i,t}$ is the Quantity corresponding to the i^{th} Transmission Price during the Assessment Period t
- Tt is the sum of all Transmission Recoverable Costs and Indirect Transmission Charges during the Assessment Period t
- r is the cost of debt of 6.30% per annum

Restructure of prices

- 8.7 For the avoidance of doubt, a Restructure of Prices by a Non-exempt EDB during an Assessment Period does not change the allowable notional revenue for that Assessment Period.
- 8.8 For the purposes of calculating notional revenue for an Assessment Period in which a Non-exempt EDB undertakes a Restructure of Prices, if:

- (a) two or more load groups are combined into one load group, the Quantity corresponding to the load group must be the sum of the Quantities corresponding to each of the previous load groups;
- (b) the connections in a load group are separated into two or more new load groups, the Quantity corresponding to each new load group must be based on the connections of the original load group assigned to each new load group, and the sum of the Quantities corresponding to each new load group must equal the sum of the Quantities corresponding to the original load group;
- (c) where a new load group is to be populated only by consumers or retailers opting to join that load group, then the Quantities corresponding to the new load group is nil; and
- (d) the Quantities corresponding to each Price are the same as the Quantities corresponding to the load groups to which the Prices apply.

8.9 If a Non-exempt EDB undertakes a Restructure of Prices during or for an Assessment Period, and there is no Quantity for the 12 month period ending on 31 March two years prior that corresponds to a restructured Price, the Non-exempt EDB:

- (a) must estimate a Quantity for the 12 month period ending on 31 March two years prior to the Assessment Period that corresponds to each restructured Price; and
- (b) may estimate the Quantity using any reasonable methodology provided the Non-exempt EDB:
 - (i) does not estimate a Quantity using forecast Quantities;
 - (ii) uses any available relevant Quantity information in the 12 month period ending on 31 March two years prior to the Assessment Period; and
 - (iii) uses any other relevant information reasonably available.

8.10 At least 30 Working Days prior to any Restructure of Prices for which Quantities must be determined in accordance with clause 8.9, a Non-Exempt EDB must provide to the Commission:

- (a) a schedule of each restructured Price and the corresponding Quantity for the 12 month period ending on 31 March two years prior or, if there is no such corresponding Quantity, the Quantity derived in accordance with clause ~~8.98.10~~;
- (b) the methodology used to determine the Quantity that corresponds to each restructured Price; and

- (c) its forecast of the Quantities associated with each Price for the Assessment Period in which the restructure of Prices will occur.

9. Quality standards

- 9.1 The SAIDI Assessed Value for each Assessment Period of a Regulatory Period or CPP Regulatory Period must not exceed the SAIDI Target specified for that Assessment Period in Schedule 3.
- 9.2 The SAIFI Assessed Value for each Assessment Period of a Regulatory Period or CPP Regulatory Period must not exceed the SAIFI Target specified for that Assessment Period in Schedule 3.

10. Large transactions

Requirement to notify the Commission of large transactions

- 10.1 Each Non-exempt EDB must notify the Commission in writing within 30 Working Days after entering into an agreement with another EDB for an Amalgamation, Merger, or Major Transaction, where:
 - (a) the Regulatory Investment Value of the Non-exempt EDB's assets associated with the provision of Electricity Distribution Services as at the start of the next Assessment Period is anticipated to increase or decrease by more than 10% as a result of the transaction; or
 - (b) the Non-exempt EDB's notional revenues recovered through Prices from Consumers for the supply of Electricity Distribution Services is anticipated to increase or decrease by more than 10% within an Assessment Period as a result of the transaction.
- 10.2 Where a Non-exempt EDB enters into an agreement to transfer assets to another EDB as part of a Major Transaction, the notice required under clause 10.1 must include:
 - (a) the allowable notional revenue attributable to the Major Transaction, determined in accordance with Schedule 4C, for the Assessment Period in which consumers are or will be first supplied Electricity Lines Services by a different EDB as a result of the Major Transaction;
 - (b) the Non-exempt EDB's allowable notional revenue for the Assessment Period in which the transaction will occur, as adjusted in accordance with Schedule 4C;
 - (c) the Pass-through Costs and Recoverable Costs attributable to the Major Transaction, determined in accordance with Schedule 4C, for the Assessment Period in which the transaction will occur; and
 - (d) the basis on which allowable notional revenue, Pass-through Costs, and Recoverable Costs were allocated between the parties.

Transactions resulting in an Amalgamation or Merger

- 10.3 Where a Non-exempt EDB completes an Amalgamation or Merger with one or more EDBs, clause 3.2.1 of the IM Determination applies.

Major Transactions

- 10.4 Where a Non-exempt EDB enters into a Major Transaction, the Non-Exempt EDB must:
- (a) for the Assessment Period in which the transaction is completed, adjust the allowable notional revenue for that Assessment Period in accordance with Schedule 4C; and
 - (b) if the transaction is required to be notified to the Commission under clause 10.1, re-calculate the Quality Targets in accordance with Schedule 3 for the Assessment Period and each subsequent Assessment Period.

11. Annual compliance statements

- 11.1 All Non-exempt EDBs must:

- (a) provide to the Commission a written statement for each Assessment Period within 50 Working Days following the end of the Assessment Period (the Compliance Statement);
- (b) provide to the Commission copies of their price-quantity schedules reflecting the prices and quantities disclosed in accordance with clause 11.4(c) in an electronic format that is compatible with Microsoft Excel within five Working Days after providing their Compliance Statement to the Commission; and
- (c) make the Compliance Statement publicly available on its website within five Working Days after providing it to the Commission.

- 11.2 The Compliance Statement must:

- (a) state whether or not the Non-exempt EDB has complied with:
 - (i) the price path in clause 8 for the Assessment Period; and
 - (ii) the quality standards in clause 9 for the Assessment Period;
- (b) include any information required under clause 11.4 (price path compliance);
- (c) include any information required under clause 11.5 (quality standards compliance);
- (d) state whether or not:
 - (i) the Non-exempt EDB has undertaken a Restructure of Prices during the Assessment Period;

- (ii) the Non-exempt EDB has received a transfer of System Fixed Assets from Transpower;
- (iii) any Amalgamation or Merger has taken place in the Assessment Period;
- (iv) a Major Transaction has taken place in the Assessment Period;
- (e) if there has been a transfer of System Fixed Assets from Transpower, include any additional information in accordance with clause 11.6;
- (f) if there has been an Amalgamation, Merger, or Major Transaction, include any additional information in accordance with clause 11.7; and
- (g) state the date on which the statement was prepared.

11.3 The Compliance Statement must be accompanied by:

- (a) a certificate in the form set out in Schedule 6, signed by at least one Director of the Non-exempt EDB; and
- (b) an assurance report, meeting the requirements specified in Schedule 7, in respect of all information contained in the Compliance Statement.

Price path compliance

11.4 The Compliance Statement must include any information reasonably necessary to demonstrate whether the Non-exempt EDB has complied with the price path set out in clause 8, including but not limited to:

- (a) if the Non-exempt EDB has not complied with the price path, the reasons for the non-compliance;
- (b) actions taken to mitigate any non-compliance and to prevent similar non-compliance in future Assessment Periods;
- (c) the amount of allowable notional revenue, the amount of notional revenue, Prices, Quantities, units of measurement associated with all numeric data, and other relevant data, information, and calculations;
- (d) the amounts of Pass-through Costs and Non Transmission Recoverable Costs, including the amounts that the Non-exempt EDB used to set Distribution Prices for the Assessment Period, and the actual amounts paid or received for the Assessment Period;
- (e) the amounts of Transmission Recoverable Costs, including the amounts that the Non-exempt EDB used to set Transmission Prices for the Assessment Period, and the actual amounts paid or received for the Assessment Period;

- (f) supporting data, information, and calculations, including any such supporting data, information, or calculations required to be used or applied by the Non-Exempt EDB in accordance with this Determination, used to determine –
 - (i) the Pass-through Costs and Recoverable Costs used to set Prices for the Assessment Period, and the period to which those costs relate; and
 - (ii) the actual amount of Pass-through Costs and Recoverable Costs that relate to the Assessment Period;
- (g) an explanation as to the cause, or likely cause, of any differences between the amounts of Pass-through or Recoverable Costs used to set Prices and actual amounts of those Pass-through Costs and Recoverable Costs;
- (h) information relating to any amounts specified as Recoverable Costs consistent with clauses 3.1.3(1)(b) and (c) of the IM Determination, including evidence of the amount of charge relating to the contract entered into in relation to clause 3.1.3(1)(c) of the IM Determination, which may be provided by confidential disclosure of the contract to the Commission; and
- (i) the amounts of any Indirect Transmission Charges for the Assessment Period, including information demonstrating how the amounts were calculated.

Quality standards compliance

11.5 The Compliance Statement must include any information reasonably necessary to demonstrate whether the Non-exempt EDB has complied with the quality standards set out in clause 9, including but not limited to:

- (a) if the Non-exempt EDB has not complied with the quality standards in clause 9, the reasons for not complying;
- (b) actions taken to mitigate any non-compliance and to prevent similar non-compliance in future Assessment Periods;
- (c) SAIDI Assessed Values, SAIFI Assessed Values, and the Quality Targets for the Assessment Period, SAIDI and SAIFI statistics, and any supporting calculations;
- (d) any re-calculations of the SAIDI and SAIFI Quality Targets, Caps, and Collars following a Major Transaction or transfer of transmission assets from Transpower that become System Fixed Assets for–
 - (i) the Assessment Period in which the re-calculation was first required; and
 - (ii) each succeeding Assessment Period

including any supporting information, calculations, or data used to determine the historic SAIDI and SAIFI Values of the newly acquired or transferred assets;

- (e) a description of the policies and procedures which the Non-exempt EDB has used for capturing and recording Interruptions and for calculating SAIDI and SAIFI Values for the Assessment Period; and
- (f) the cause of any Major Event Day within the Assessment Period.

Transfer of spur assets

11.6 If a Non-exempt EDB receives a transfer of transmission assets from Transpower that become System Fixed Assets in an Assessment Period, the Compliance Statement for that Assessment Period must:

- (a) include the historic SAIDI and SAIFI statistics of the assets transferred; and
- (b) the calculations for the Assessment Period in which the transfer was completed demonstrating whether or not the transfer increased the Non-exempt EDB's SAIDI Assessed Values and SAIFI Assessed Values.

Amalgamations, Mergers or Transfers of Assets

11.7 If a Non-exempt EDB participates in an Amalgamation, a Merger, or Major Transaction, the Compliance Statement for that Assessment Period must:

- (a) state whether the Non-exempt EDB has complied with clause 10; and
- (b) include any information or calculations required to be made under clause 10.

12. Reconsideration of a default price-quality path

12.1 A default price-quality path in this determination may be reconsidered in accordance with Subpart 5 of Part 4 of the IM Determination.

Schedule 1: Starting Prices

1. The starting Distribution Prices for each Non-exempt EDB not subject to a customised price-quality path, specified as maximum allowable revenue and the Regulatory Period to which they apply, are as set out in Table 1.1.

**Table 1.1: Starting Prices for the Regulatory Period 1 April
2015 – 31 March 2020**

Non-Exempt EDB	MAR (\$000)	ΔD
Alpine Energy	30,913	1.008
Aurora Energy	56,590	1.028
Centralines	10,084	1.005
Eastland	22,681	1.004
Electricity Ashburton	32,846	1.017
Electricity Invercargill	14,556	0.998
Horizon Energy	22,047	1.013
Nelson Electricity	6,903	1.017
Network Tasman	28,729	1.018
OtagoNet	23,742	1.027
Powerco	256,527	1.012
The Lines Company	35,816	1.000
Top Energy	35,020	1.007
Unison	100,102	1.009
Vector	396,831	1.036
Wellington Electricity	100,482	1.017

Schedule 2: Annual rates of change

1. The annual rate of change for all Non-exempt EDBs not subject to a customised price-quality path is the rate of change generally applicable to all Non-exempt EDBs, unless an alternative rate of change is specified for the Non-exempt EDB for that Regulatory Period in Table 2.2.
2. The annual rate of change generally applicable to all Non-exempt EDBs, and the Regulatory Period to which it applies, is set out in Table 2.1.

Table 2.1: Rate of change generally applicable to all Non-exempt EDBs

Regulatory period to which these starting Prices apply:	Rate of change
1 April 2015 – 31 March 2020	0%

3. The Non-exempt EDBs subject to an alternative rate of change, the alternative rate of change, and the Regulatory Period to which the alternative rate of change applies, are set out in Table 2.2.

Table 2.2: Alternative rates of change applicable to a Non-exempt EDB

Non-exempt EDB	Alternative rate of change for the Regulatory Period 1 April 2015 - 31 March 2020
Alpine Energy	10.0%
Centralines	6.0%
Eastland	3.5%
Electricity Ashburton	2.0%
Electricity Invercargill	0.5%
Horizon Energy	0.5%
Top Energy	7.0%

Schedule 3: Quality Standards

1. The SAIDI Targets for each Non-exempt EDB not subject to a customised price-quality path, subject to paragraph 5, and the Regulatory Period to which they apply, are as set out in Table 3.1.

**Table 3.1: SAIDI Targets for the Regulatory Period
1 April 2015 – 31 March 2020**

Non-exempt EDB	SAIDI Unplanned Boundary	SAIDI Target	SAIDI Collar	SAIDI Cap
Alpine Energy	14.032	147.60	78.77	216.44
Aurora Energy	10.920	86.80	61.41	112.20
Centralines	9.668	137.19	100.94	173.44
Eastland Network	17.129	246.60	206.03	287.16
Electricity Ashburton	8.978	139.55	109.27	169.83
Electricity Invercargill	4.181	29.16	17.51	40.80
Horizon Energy	17.851	170.64	124.54	216.73
Nelson Electricity	2.124	15.13	5.55	24.70
Network Tasman	19.023	126.03	102.54	149.52
Orion	n/a	73.4	73.4	73.4
OtagoNet	13.431	233.61	171.51	295.70
Powerco	11.312	222.32	166.19	278.44
The Lines Company	15.843	238.81	201.33	276.30
Top Energy	39.559	445.99	364.24	527.75
Unison Networks	10.949	111.43	87.55	135.31
Vector Lines	9.883	106.64	81.52	131.77
Wellington Electricity	6.846	37.12	24.92	49.31

Calculation of the SAIDI Assessed Values

2. The SAIDI Assessed Value ($SAIDI_{assess}$) for an Assessment Period is calculated in accordance with the formula, for—

(a) all Non-exempt EDBs other than Orion –

$$SAIDI_{assess} = (0.5 \times SAIDI_B) + SAIDI_C$$

where:

$SAIDI_B$ is the sum of the daily SAIDI Values for Planned Interruptions commencing within the Assessment Period; and

$SAIDI_C$ is the sum of the daily SAIDI Values for Unplanned Interruptions commencing within the Assessment Period, where any daily SAIDI Value greater than the Boundary SAIDI Value equals the Boundary SAIDI Value provided the SAIFI Value for that day exceeded the Boundary SAIFI Value.

(b) Orion is the sum of the daily SAIDI Values for Class B Interruptions and Class C Interruptions commencing within the Assessment Period, where any daily SAIDI Value greater than 4.4 equals 4.4.

3. The SAIFI Targets for each Non-exempt EDB not subject to a customised price-quality path, subject to paragraph 5, and the Regulatory Period to which they apply, are as set out in Table 3.2.

**Table 3.2: SAIFI Targets for the Regulatory Period
1 April 2015 – 31 March 2020**

Non-exempt EDB	SAIFI Unplanned			
	Boundary	SAIFI Target	SAIFI Collar	SAIFI Cap
Alpine Energy	0.1296	1.373	1.092	1.654
Aurora Energy	0.2619	1.370	1.145	1.595
Centralines	0.4774	4.054	2.724	5.384
Eastland Network	0.2148	3.148	2.822	3.475
Electricity Ashburton	0.1099	1.410	1.108	1.712
Electricity Invercargill	0.1226	0.651	0.409	0.893
Horizon Energy	0.2483	2.040	1.765	2.315
Nelson Electricity	0.0424	0.196	0.109	0.284
Network Tasman	0.1631	1.342	1.167	1.517
Orion	n/a	0.87	0.87	0.87
OtagoNet	0.1598	2.304	1.872	2.736
Powerco	0.1307	2.171	1.693	2.649
The Lines Company	0.2566	3.209	2.469	3.950
Top Energy	0.6444	5.590	3.967	7.212
Unison Networks	0.1917	2.055	1.500	2.610
Vector Lines	0.1402	1.325	0.994	1.656
Wellington Electricity	0.1122	0.534	0.373	0.694

Calculation of the SAIFI Assessed Values

4. The SAIFI Assessed Value ($SAIFI_{assess}$) for an Assessment Period is calculated in accordance with the formula, for

- (a) all Non-exempt EDBs other than Orion –

$$SAIFI_{assess} = (0.5 \times SAIFI_B) + SAIFI_C$$

where:

$SAIFI_B$ is the sum of the daily SAIFI Values for Planned Interruptions commencing within the Assessment Period; and

$SAIFI_C$ is the sum of the daily SAIFI Values for Unplanned Interruptions commencing within the Assessment Period, where any daily SAIFI Value greater than the Boundary SAIFI Value equals the Boundary SAIFI Value.

- (b) Orion is the sum of the daily SAIFI Values for Class B Interruptions and Class C Interruptions commencing within the Assessment Period, where any daily SAIFI Value greater than 0.06 equals 0.06.

Adjustments following a Major Transaction or a purchase of System Fixed Assets

5. A Non-exempt EDB must, in any Assessment Period in which the Non-exempt EDB completes all terms and conditions for a transfer of assets under a Major Transaction, or receives a transfer of transmission assets from Transpower that become System Fixed Assets of the Non-exempt EDB (including a purchase completed in the year immediately preceding the current Regulatory Period for which an allowance has been specified by the Commission in Tables 5.4 to Table 5.6 of Schedule 5), and in each remaining Assessment Period of the Regulatory Period, adjust:
- (a) the SAIDI Targets applicable to the Non-exempt EDB in accordance with paragraph 6;
 - (b) the SAIDI Caps and SAIDI Collars applicable to the Non-exempt EDB in accordance with paragraph 7;
 - (c) the SAIFI Targets applicable to the Non-exempt EDB in accordance with paragraph 8;
 - (d) the SAIFI Caps and SAIFI Collars applicable to the Non-exempt EDB in accordance with paragraph 9.
6. For the purposes of paragraph 5, the SAIDI Target for each Assessment Period must be increased by the historic SAIDI performance of assets acquired, or decreased by the historic SAIDI performance of assets disposed or transferred, calculated in accordance with the formula –

$$SAIDI_{target} = SAIDI_{average} \times 365$$

where:

$SAIDI_{average}$ is the average daily SAIDI Values of the assets in question over the period for which SAIDI Values are available for those assets, not to exceed 10 years

7. For the purposes of paragraph 5, the SAIDI Cap and SAIDI Collar must be adjusted by an amount equal to the percentage change in the SAIDI Target following recalculation in accordance with paragraph 6.
8. For the purposes of paragraph 5, the SAIFI Target for each Assessment Period must be calculated in accordance with the formula –

$$SAIFI_{target} = SAIFI_{average} \times 365$$

where:

SAIFI_{average} is the average daily SAIFI Values of the assets in question over the period for which SAIFI Values are available for those assets, not to exceed 10 years.

9. For the purposes of paragraph 5, the SAIFI Cap and SAIFI Collar must be adjusted by an amount equal to the percentage change in the SAIFI Target following recalculation in accordance with paragraph 8.

Schedule 4A: Calculation of allowable notional revenue for the first Assessment Period

1. The allowable notional revenue for the first Assessment Period must be calculated in accordance with the formula –

$$\frac{MAR_t + K_t + V_t}{\Delta D} - K_t - V_t$$

where:

t is the first Assessment Period of the Regulatory Period

MAR_t is the maximum allowable revenue for the first Assessment Period as specified in Table 1.1;

ΔD is the change in constant price revenue specified for the Regulatory Period in Table 1.1;

K_t is the sum of all Pass-Through Costs for the first Assessment Period; and

V_t is the sum of all Non Transmission Recoverable Costs for the first Assessment Period.

Schedule 4B: Calculation of allowable notional revenue for the remaining Assessment Periods

1. The allowable notional revenue for all Assessment Periods other than the First Assessment Period must be calculated in accordance the equation -

$$ANR_t = \left(\sum_i DP_{i,t-1} Q_{i,t-2} - (K_{t-1} + V_{t-1}) + (ANR_{t-1} - NR_{t-1}) \right) (1 + \Delta CPI_t) (1 - X)$$

where:

- t is the year in which the Assessment Period ends;
- i is each Distribution Price relating to an Electricity Lines Service;
- $P_{i,t-1}$ is the i^{th} Distribution Price for any part of the Assessment Period ending the year prior to year t ;
- $Q_{i,t-2}$ is the Quantity corresponding to the i^{th} Price for the Assessment Period ending 2 years prior to year t ;
- $K_{t-1} + V_{t-1}$ is the sum of all Pass-through Costs and Non Transmission Recoverable Costs for the Assessment Period ending the year prior to year t ;
- $ANR_{t-1} - NR_{t-1}$ is the difference between allowable notional revenue and notional revenue for the Assessment Period ending the year prior to year t ;
- X is the annual rate of change in prices, as specified in Schedule 2; and
- ΔCPI_t is the derived change in the CPI to be applied for the Assessment Period ending in year t , being equal to:

$$\frac{CPI_{Dec,t-3} + CPI_{Mar,t-2} + CPI_{Jun,t-2} + CPI_{Sep,t-2}}{CPI_{Dec,t-4} + CPI_{Mar,t-3} + CPI_{Jun,t-3} + CPI_{Sep,t-3}} - 1$$

where:

$CPI_{q,t-n}$ is the CPI for the quarter year ending q in the 12 month period n years prior to year t .

Schedule 4C: Recalculation of allowable notional revenue following a Major Transaction

1. Each Non-exempt EDB must, for the Assessment Period in which consumers are or will be first supplied Electricity Lines Services by a different EDB as a result of a Major Transaction, agree a reasonable allocation of:
 - (a) the allowable notional revenue for that Assessment Period attributable to the transaction; and
 - (b) the Pass-through Costs and Recoverable Costs for that Assessment Period attributable to the transaction.
2. The Non-exempt EDB transferring assets to another EDB as part of a Major Transaction must:
 - (a) decrease its allowable notional revenue for that Assessment Period by the amount agreed under paragraph 1(a); and
 - (b) exclude any Pass-through Costs and Non Transmission Recoverable Costs attributable to the transaction under paragraph 1(b) for the purposes of calculating allowable notional revenue for the subsequent Assessment Period.
3. The Non-exempt EDB receiving a transfer of assets from another EDB as part of a Major Transaction must:
 - (a) increase its allowable notional revenue for that Assessment Period by the amount agreed under paragraph 1(a); and
 - (b) include any Pass-through Costs and Non Transmission Recoverable Costs attributable to the transaction under paragraph 1(b) for the purposes of calculating allowable notional revenue for the subsequent Assessment Period.

Schedule 5: Process for determining the amount of Pass-through Costs and Recoverable Costs for an Assessment Period

1. The amount of each Pass-through Cost or Non Transmission Recoverable Cost that is used to calculate allowable notional revenue or notional revenue for an Assessment Period, and Transmission Recoverable Cost or Indirect Transmission Charges passed through to Prices during an Assessment Period, must:
 - (a) except for a Non Transmission Recoverable Cost or Indirect Transmission Charge, be ascertainable at the time the Non-exempt EDB sets its Prices for that Assessment Period;
 - (b) not have already been passed through to, or recovered from, Consumers or other parties by the Non-exempt EDB in a previous Assessment Period;
 - (c) not be able to be otherwise recovered from Consumers or other parties, other than through Prices; and
 - (d) have been accrued or incurred in, or apply to, the two most recent Assessment Periods.
2. A Non-exempt EDB must adjust the amount of any Pass-through Cost or Non Transmission Recoverable Cost for the time value of money in accordance with paragraph 4 where it is used to calculate allowable notional revenue or notional revenue for any Assessment Period other than that to which the amount relates.
3. If a Non-exempt EDB adjusts the amount of any Pass-through Cost or Non Transmission Recoverable Cost for the time value of money, the Non-exempt EDB must use the same approach for calculating all Pass-through Costs or Non Transmission Recoverable Costs for each Pass-through Cost and Non Transmission Recoverable Cost in each Assessment Period of the Regulatory Period.
4. For the purposes of calculating time value of money adjustments under paragraph 2, the EDB must apply the cost of debt of 6.30% per annum.

Approval of avoided transmission charges and new investment contracts

5. A Non-exempt EDB must submit an application for approval of a Non Transmission Recoverable Cost or Transmission Recoverable Cost that, under subclause 3.1.3(2) of the IM Determination, requires the Commission's approval.
6. The application for approval must include:
 - (a) in the case of a Transmission Recoverable Cost under subclause 3.1.3(1)(c) of the IM Determination, a copy of the new investment contract;
 - (b) in the case of a Non Transmission Recoverable Cost under subclause 3.1.3(1)(e) of the IM Determination:

- (i) the amount of the charge that the Non-Exempt EDB would have been able to recover under subclause 3.1.3(1)(b) of the IM Determination or 3.1.3(1)(c) of the IM Determination but for the purchase of System Fixed Assets from Transpower, calculated in accordance with paragraph 7; and
 - (ii) supporting documentation, calculations, or other information showing how the amount of charge was calculated;
- (c) in the case of a Transmission Recoverable Cost under subclause 3.1.3(1)(f) of the IM Determination or a Non Transmission Recoverable Cost under subclause 3.1.3(1)(o) of the IM Determination, any documentation, calculations, or other information reasonably necessary to show how the amount was calculated in accordance with any regulation made by the Electricity Authority under the Electricity Industry Act 2010; and
- (d) any supporting documentation or other evidence that any transaction related to the Recoverable Cost has been completed.
7. For the purposes of calculating the amounts in subparagraph 6(b)(i), the amount is the amount, calculated by Transpower in accordance with the Transmission Pricing Methodology –
- (a) in the first Assessment Period following the purchase of the System Fixed Assets from Transpower, the difference between the costs of transmission payable to Transpower for the first full Assessment Period following the transfer of the System Fixed Assets and the costs of transmission that would have been payable to Transpower for the Assessment Period in question had the transfer of System Fixed Assets not occurred; and
 - (b) in each of the four following Assessment Periods after the first Assessment Period for which an amount is calculated, the amount calculated in accordance with subparagraph 7(a), in constant nominal terms.

Approval of energy efficiency and demand incentive allowances

8. All Non-exempt EDBs may, no later than 50 Working Days following the end of the Assessment Period, submit an application for approval of an Energy Efficiency and Demand Incentive Allowance.
9. The application for approval must include:
- (a) a detailed description of the energy efficiency initiative or demand-side management initiative, excluding any initiative that is primarily tariff-based, for which the EDB seeks an Energy Efficiency and Demand Incentive Allowance;
 - (b) reasonable estimates of the actual foregone quantities arising in the Assessment Period from each energy efficiency initiative or demand-side

management initiative, as well as the data, calculations, and assumptions used to derive the estimate;

- (c) a statement identifying other factors that may have contributed to the foregone quantities and reasonable estimates on their impact;
 - (d) the Price(s) that applied to the foregone quantities during the Assessment Period; and
 - (e) an estimate of foregone revenue directly attributable to the energy efficiency initiative or a demand-side management initiative.
10. The Commission may approve, by notice in writing to the Non-exempt EDB, an amount equal to the foregone revenue in the Assessment Period, as determined by the Commission, directly attributable to an energy efficiency initiative or a demand-side management initiative commenced during the Regulatory Period in which the Assessment Period occurred, but excluding any initiative that is primarily tariff-based, such as time-of-use pricing.
11. The amount approved by the Commission is an 'energy efficiency and demand incentive allowance' Recoverable Cost under subclause 3.1.3(1)(m) of the IM Determination and must be recovered in the Assessment Period following its approval.

How to calculate the Quality Incentive Adjustment

12. The Quality Incentive Adjustment attributable to an Assessment Period must be calculated in accordance with paragraph 13 within 50 Working Days following the expiration of the Assessment Period, and must be recovered in the Assessment Period following that in which it was calculated.
13. The Quality Incentive Adjustment for all Non-Exempt EDBs during the Regulatory Period 2015-2020 is calculated in accordance with the following formula–

$$S_{TOTAL} = S_{SAIDI} + S_{SAIFI}$$

where:

S_{TOTAL} is the Quality Incentive Adjustment applicable as a Recoverable Cost;

S_{SAIDI} is the amount calculated in accordance with paragraph 14; and

S_{SAIFI} is the amount determined in accordance with paragraph 16.

14. For the purposes of paragraph 13–
- (a) S_{SAIDI} is the amount, subject to subparagraph (b) and (c), calculated in accordance with the following formula –

$$S_{SAIDI} = SAIDI_{IR} \times (SAIDI_{target} - SAIDI_{assess})$$

where:

$SAIDI_{IR}$ is the amount calculated in accordance with paragraph 15;

$SAIDI_{target}$ is the SAIDI Target specified for the Non-exempt EDB for the Regulatory Period in Table 3.1 of Schedule 3, subject to paragraph 5 of Schedule 3; and

$SAIDI_{assess}$ is the SAIDI Assessed Value for the Assessment Period, subject to subclause (b).

(b) Where $SAIDI_{assess}$ is –

(i) greater than the $SAIDI_{cap}$, $SAIDI_{assess}$ equals the $SAIDI_{cap}$;

(ii) less than the $SAIDI_{collar}$, $SAIDI_{assess}$ equals the $SAIDI_{collar}$.

15. For the purposes of paragraph 14, ‘ $SAIDI_{IR}$ ’ is the amount calculated in accordance with the following formula –

$$SAIDI_{IR} = \frac{0.5 \times REV_{RISK}}{SAIDI_{cap} - SAIDI_{target}}$$

where:

$SAIDI_{cap}$ is the SAIDI Cap specified for the Non-exempt EDB for the Regulatory Period in Table 3.1 of Schedule 3, subject to paragraph 5 of Schedule 3;

$SAIDI_{target}$ is the SAIDI Target specified for the Non-exempt EDB for the Regulatory Period in Table 3.1 of Schedule 3, subject to paragraph 5 of Schedule 3; and

REV_{RISK} is –

(a) for all Non-exempt EDBs other than Orion, 1% of the allowable notional revenue for the Non-exempt EDB for the Assessment Period in question; and

(b) for Orion, 0% of the allowable notional revenue for the Assessment Period in question.

16. For the purposes of paragraph 13–

(a) S_{SAIFI} is the amount, subject to subparagraph (b) and (c), calculated in accordance with the following formula –

$$S_{SAIFI} = SAIFI_{IR} \times (SAIFI_{target} - SAIFI_{assess})$$

where:

- $SAIFI_{IR}$ is the amount calculated in accordance with paragraph 17;
- $SAIFI_{target}$ is the SAIFI Target specified for the Non-exempt EDB for the Regulatory Period in Table 3.2 of Schedule 3, subject to paragraph 5 of Schedule 3; and
- $SAIFI_{assess}$ is the sum of SAIFI Assessed Value of Unplanned Interruptions plus SAIDI Assessed Value of Planned Interruptions for the Assessment Period, subject to subclause (b).

(b) Where $SAIFI_{assess}$ is –

- (iii) greater than the $SAIFI_{cap}$, $SAIFI_{assess}$ equals the $SAIFI_{cap}$;
- (iv) less than the $SAIFI_{collar}$, $SAIFI_{assess}$ equals the $SAIFI_{collar}$.

For the purposes of paragraph 16, ‘ $SAIFI_{IR}$ ’ is the amount calculated in accordance with the following formula –

$$SAIFI_{IR} = \frac{0.5 \times REV_{RISK}}{SAIFI_{cap} - SAIFI_{target}}$$

where:

- $SAIFI_{cap}$ is the SAIFI Cap specified for the Non-exempt EDB for the Regulatory Period in Table 3.2 of Schedule 3, subject to paragraph 5 of Schedule 3;
- $SAIFI_{target}$ is the SAIFI Target specified for the Non-exempt EDB for the Regulatory Period in Table 3.2 of Schedule 3, subject to paragraph 5 of Schedule 3; and
- REV_{RISK} is –
- (a) for all Non-exempt EDBs other than Orion, 1% of the allowable notional revenue for the Non-exempt EDB for the Assessment Period in question; and
- (b) for Orion, 0% of the allowable notional revenue for the Assessment Period in question.

17. For the purposes of this Schedule, ‘ $SAIDI_{cap}$ ’ is the SAIDI Cap specified for the Non-exempt EDB for the Regulatory Period in Table 3.1 of Schedule 3, subject to paragraph 5 of Schedule 3.
18. For the purposes of this Schedule, ‘ $SAIDI_{collar}$ ’ is the SAIDI Collar specified for the Non-exempt EDB for the Assessment Period in Table 3.1 of Schedule 3, subject to paragraph 5 of Schedule 3.

19. For the purposes of this Schedule, 'SAIFI_{cap}' is the SAIFI Cap specified for the Non-exempt EDB for the Regulatory Period in Table 3.2 of Schedule 3, subject to paragraph 5 of Schedule 3.
20. For the purposes of this Schedule, 'SAIFI_{collar}' is the SAIFI Collar specified for the Non-exempt EDB for the Assessment Period in Table 3.2 of Schedule 3, subject to paragraph 5 of Schedule 3.

Claw-back

21. The amount of claw-back applying to a Non-exempt EDB and the Assessment Period to which it applies as a Recoverable Cost under clause 3.1.3(1)(g) of the IM Determination are set out in Table 5.1.

Table 5.1: Claw-back amounts to be applied by specified non-exempt EDBs in each Assessment Period

(All amounts in \$000)

Non-exempt EDB	2015/16	2016/17	2017/18	2018/19	2019/20
Alpine Energy	2,411	2,564	2,727	2,901	3,085
Centralines	398	423	450	479	509
Top Energy	1,556	1,655	1,760	1,872	1,991
Unison	2,012	2,140	2,276	2,421	2,575

NPV Wash-Up Allowance

22. The 2013-15 NPV Wash-up Allowance for a Non-exempt EDB and the Assessment Period to which it applies as a Recoverable Cost are set out in Table 5.2.

Table 5.2: 2013-15 NPV wash-up allowances to be applied by specified non-exempt EDBs in each Assessment Period

(All amounts in \$000)

Non-exempt EDB	2015/16	2016/17	2017/18	2018/19	2019/20
Alpine Energy	2,579	2,743	2,917	3,103	3,300
Centralines	231	245	261	278	295
Top Energy	579	616	655	697	741

Capex Wash-up Adjustment

23. For the purposes of calculating the Capex Wash-up Adjustment for each Non-exempt EDB not subject to a customised price-quality path, the forecast return for each Assessment Period of the Regulatory Period to which it applies is set out in Table 5.3, below.

Table 5.3: Capex Wash-up Adjustment

Non-exempt EDB	Disclosure year to which forecast return applies		Forecast return
[TBA]	[TBA]	[TBA]	[TBA]

24. For the purposes of calculating the Capex Wash-up Adjustment for each Non-exempt EDB not subject to a customised price-quality path, the method for calculating the return for the Regulatory Period 2015-2020 is: [To be specified in the final decision]

Transmission Asset Wash-up Adjustment

25. The Transmission Asset Wash-up Adjustment for Eastland Network Limited for each Assessment Period of the Regulatory Period 2015-2020, and the transmission assets forecast to be purchased in the period 1 April 2014 to 31 March 2015 to which the amount relates, is set out in Table 5.4.

Table 5.4: Transmission Asset Wash-up for Eastland Network Limited

(All amounts in \$000)

Asset	2015/16	2016/17	2017/18	2018/19	2019/20
Eastland Spur Asset 1	.759	.802	.848	.899	.952

where the Eastland Spur Asset 1 consists of the following assets: Transmission Line GIS-TUI-A, Transmission Line GIS-TOB-A, Transmission Line TUI-WRA-A, and any associated substation assets.

26. The Transmission Asset Wash-up Adjustment for Powerco Limited for each Assessment Period of the Regulatory Period 2015-2020, and the transmission assets forecast to be purchased in the period 1 April 2014 to 31 March 2015 to which the amount relates, is set out in Table 5.5.

Table 5.5: Transmission Asset Wash-up for Powerco Limited

(All amounts in \$000)

Asset	2015/16	2016/17	2017/18	2018/19	2019/20
Powerco Spur Asset 1	.005	.005	.005	.005	.005

where the Powerco Spur Asset 1 consists of the following assets: Hinuera substation and Hinuera to Karapiro Line A.

27. The Transmission Asset Wash-up Adjustment for Network Tasman Limited for each Assessment Period of the Regulatory Period 2015-2020, and the transmission assets

forecast to be purchased in the period 1 April 2014 to 31 March 2015 to which the amount relates, is set out in Table 5.6.

Table 5.6: Transmission Asset Wash-up for Network Tasman Limited

(All amounts in \$000)

Asset	2015/16	2016/17	2017/18	2018/19	2019/20
Network Tasman Spur Asset 1	.145	.149	.153	.157	.162

where the Network Tasman Spur Asset 1 consists of the following assets: Motueka Substation, Upper Takaka Substation, Cobb Substation, Upper Takaka_Motupipi 66kV Line (1), Stoke Upper Takaka Lines (2), Cobb_Upper Takaka Lines (2).

How to calculate recoverable costs for the incremental rolling incentive scheme

28. For the purposes of calculating the Opex Incentive Adjustment for each Non-exempt EDB not subject to a customised price-quality path, the forecast operating expenditure, and the Assessment Period to which it applies, is as set out in Table 5.7.

Table 5.7: Forecast operating expenditure for Non-exempt EDBs for the Regulatory Period 2015-2020

Non-exempt EDB	2015/16	2016/17	2017/18	2018/19	2019/20
[TBA]	[TBA]	[TBA]	[TBA]	[TBA]	[TBA]
[TBA]	[TBA]	[TBA]	[TBA]	[TBA]	[TBA]

29. For the purposes of calculating the Capex Incentive Adjustment for each Non-exempt EDB not subject to a customised price-quality path, the forecast depreciation and forecast return for the Regulatory Period 1 April 2015 to 31 March 2020, is as set out in Table 5.8.

Table 5.8: Forecast capital expenditure for Non-exempt EDBs for the Regulatory Period 2015-2020

Non-exempt EDB	2015/16	2016/17	2017/18	2018/19	2019/20
[TBA]	[TBA]	[TBA]	[TBA]	[TBA]	[TBA]
[TBA]	[TBA]	[TBA]	[TBA]	[TBA]	[TBA]

30. For the purposes of calculating the Capex Incentive Adjustment for each Non-exempt EDB not subject to a customised price-quality path, the retention factor for the Regulatory Period 1 April 2015 to 31 March 2020 is 20%.

31. For the purposes of calculating the Capex Incentive Adjustment for each Non-exempt EDB not subject to a customised price-quality path, the method for calculating the return for the Regulatory Period 2015-2020 is: [To be specified in the final decision]

Schedule 6: Form of Director's Certification

I/We, [*insert full name/s*], being director/s of [*insert name of Non-exempt EDB*] certify that, having made all reasonable enquiry, to the best of my/our knowledge and belief, the attached Annual Compliance Statement of [*name of Non-exempt EDB*], and related information, prepared for the purposes of the *Electricity Distribution Services Default Price-Quality Path Determination 2015* are true and accurate **[except in the following respects]*.

**[insert description of non-compliance]*

[Signatures of Directors]

[Date]

*Delete if inapplicable.

Note: Section 103(2) of the Commerce Act 1986 provides that no person shall attempt to deceive or knowingly mislead the Commission in relation to any matter before it. It is an offence to contravene section 103(2) and any person who does so is liable on summary conviction to a fine not exceeding \$10,000 in the case of an individual or \$30,000 in the case of a body corporate.

Schedule 7: Auditor's report on Compliance Statement

1. Each Non-exempt EDB must procure an assurance report by an Auditor in respect of the Compliance Statement that is prepared in accordance with Standard on Assurance Engagements 3100 – Compliance Engagements (SAE 3100) and International Standard on Assurance Engagements (New Zealand) 3000 (ISAE (NZ) 3000) or their successor standards, signed by the Auditor (either in his or her own name or that of his or her firm), and that-
 - (a) is addressed to the Directors of the Non-exempt EDB and to the Commission as the intended users of the assurance report;
 - (b) states–
 - (i) that it has been prepared in accordance with Standard on Assurance Engagements 3100 – Compliance Engagements (SAE 3100) and International Standard on Assurance Engagements (New Zealand) 3000 (ISAE (NZ) 3000) or their successor standards;
 - (ii) the work done by the Auditor;
 - (iii) the scope and limitations of the assurance engagement;
 - (iv) the existence of any relationship (other than that of auditor) which the Auditor has with, or any interests which the Auditor has in, the Non-exempt EDB or any of its subsidiaries;
 - (v) whether the Auditor has obtained sufficient recorded evidence and explanations that he or she required and, if not, the information and explanations not obtained;
 - (vi) whether, in the Auditor's opinion, as far as appears from an examination, the information used in the preparation of the Compliance Statement has been properly extracted from the Non-exempt EDB's accounting and other records, sourced from its financial and non-financial systems;
 - (vii) whether, in the Auditor's opinion, as far as appears from an examination of them, proper records to enable the complete and accurate compilation of the Compliance Statement required by the *Electricity Distribution Services Default Price-Quality Path Determination 2015* have been kept by the Non-exempt EDB and, if not, the records not so kept; and
 - (c) states whether (and, if not, the respects in which it has not), in the Auditor's opinion, the Non-exempt EDB has complied, in all material respects, with the *Electricity Distribution Services Default Price-Quality Path Determination 2015* in preparing the Compliance Statement.

2. The Non-exempt EDB must publicly disclose the Auditor's assurance report prepared in accordance with paragraph 1 above at the same time as the Non-exempt EDB publicly discloses the Compliance Statement.