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[DRAFT] Transpower Input Methodologies Amendments Determination (No. 2) 2019

[2019] NZCC xx

The Commission:

Sue Begg
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Elisabeth Welson
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Date of decision:

XXXX 2019

[Drafting notes:

- This amendments determination amends the *Commerce Act (Transpower Input Methodologies) Determination 2010* [2012] NZCC 17 ('principal determination').
- The included amendments are made under s 52X of the Commerce Act 1986.]

Commerce Commission

Wellington, New Zealand

Pursuant to Part 4 of the Commerce Act 1986 (the **Act**) the Commerce Commission makes the following determination:

1. DETERMINATION AMENDED

This determination amends the *Commerce Act (Transpower Input Methodologies) Determination 2010* [2012] NZCC 17, as previously amended (the **principal determination**).

2. COMMENCEMENT

- 2.1 Subject to clause 2.2 of this determination, this determination comes into force on the date on which notice of the determination is given in the New Zealand Gazette in accordance with section 52W of the **Act**.
- 2.2 Amendments in this determination affecting Part 3 of the **principal determination**, including any amended definitions in clause 4.1-4.2 of this determination affecting Part 3 of the **principal determination**, apply for any **IPP determination** in force from 1 April 2020 onwards.
- 2.3 For the avoidance of doubt, if the **Commission** determines that any forecast values are required to be calculated consistent with Part 3 of the **principal determination** for the determination of an **IPP** that is to come into force from 1 April 2020, Part 3 of the **principal determination** and any applicable definitions in clause 1.1.4(2) of the **principal determination** will apply as amended by this determination to the setting of those forecast values.

3. INTERPRETATION

- 3.1 Terms in bold type have the meaning given to those terms in the **principal determination**. Terms in bold type used in this determination that are defined in the **Act**, but not this determination, have the same meaning as in the **Act**.

4. TRANSPOWER INPUT METHODOLOGIES DETERMINATION AMENDMENTS

- 4.1 In the **principal determination** insert the following definitions to clause 1.1.4(2):

- 4.1.1 “**lease expense** means, in relation to a **disclosure year**, the allowance for that **disclosure year** to account for the allocation of a **right-of-use asset** cost over the **remaining asset life** of that **right-of-use asset**, and is determined in accordance with the following formula:

$$[1 \div \text{remaining asset life}]$$

×

[cost of the **right-of-use asset** + any additional **lease payment**];”;

- 4.1.2 “**lease payment** has the same meaning as under **GAAP**;”;
- 4.1.3 “**right-of-use asset** has the same meaning as under **GAAP**, but excludes an asset whose cost (wholly or partly) includes **pass-through costs** or **recoverable costs**;”.
- 4.2 In the **principal determination** amend the definition of ‘**operating expenditure**’ in clause 1.1.4(2) to now read:
- “(a) except for the purpose of Subpart 6 of Part 3, means **operating costs** after applying clause 3.2.1(1); and
- (b) for the purpose of Subpart 6 of Part 3, means **operating costs** after applying clause 3.2.1(1) plus any **lease expense**;”.
- 4.3 In the **principal determination** amend clause 2.2.6(1)(h) to now read:
- “(h) a non-network asset or network **right-of-use asset**, its asset life determined under **GAAP**;”.
- 4.4 In the **principal determination** amend clause 2.2.7(1)(a) to now read:
- “(a) an intangible asset is nil, unless it is-
- (i) a **finance lease**; or
- (ii) an **identifiable non-monetary asset** whose costs do not include (wholly or partly) **pass-through costs** or **recoverable costs**;”.
- 4.5 In the **principal determination** amend clause 3.6.3(8) to now read:
- “(8) ‘Actual opex’ is the amount of **operating costs** allocated to **electricity transmission services** for the relevant **disclosure year** calculated in accordance with Part 2, plus any **lease expense**.”.

[Signature]

Commissioner

Dated at Wellington this xx day of xx 2019.

COMMERCE COMMISSION