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Amendments to information disclosure determinations for electricity distribution and gas pipeline services 2015

Final reasons paper

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1. Introduction

Purpose of this paper

- 1.1 This paper outlines our reasons for amendments made to the information disclosure requirements applying to suppliers of electricity distribution, gas transmission and gas distribution services (ID determinations).¹ The amendment to the ID determinations and consolidated determinations were published in March 2015.
- 1.2 This paper should be read in conjunction with the “Information Disclosure for Electricity Distribution Businesses and Gas Pipeline Businesses: Final reasons paper”, published in October 2012.²

These determination amendments are a first round of amendments

- 1.3 We have amended three ID determinations:
- 1.3.1 Electricity Distribution Information Disclosure Determination 2012;³
 - 1.3.2 Gas Distribution Information Disclosure Determination 2012;⁴ and
 - 1.3.3 Gas Transmission Information Disclosure Determination 2012.⁵
- 1.4 This is the first in an on-going series of amendments. This round of amendments focused on addressing implementation issues identified by users of the ID determinations. This amendments process is not a comprehensive review of all of the ID determinations.
- 1.5 Any matters not addressed in this paper may be addressed in future rounds of amendments.

Matters considered as part of these amendments

- 1.6 Users of the ID determinations have identified issues with the application of the ID determinations, which have been collated in an issues register.⁶ This round of amendments looked to address some of the issues identified in the issues register.

¹ In this paper we use the following terms: Gas Pipeline Businesses (GPB), Gas Distribution Business (GDB), Gas Transmission Business (GTB) and Electricity Distribution Business (EDB).

² Commerce Commission “Information Disclosure for Electricity Distribution Businesses and Gas Pipeline Businesses: Final Reasons Paper” (1 October 2012).

³ Commerce Commission “Electricity Distribution Information Disclosure Determination 2012” (1 October 2012).

⁴ Commerce Commission “Gas Distribution Information Disclosure Determination 2012” (1 October 2012).

⁵ Commerce Commission “Gas Transmission Information Disclosure Determination 2012” (1 October 2012).

- 1.7 To provide for a structured approach to the amendments, this round of amendments focused on:
- 1.7.1 non-complex matters, ie, matters that required limited or no consultation, did not require a fundamental change to the ID determinations and could be addressed without expert resource;⁷ and
 - 1.7.2 complex matters that relate to the return on investment (ROI) calculation, other financial information, asset management plans, network information, director certification, disclosure of errors and transitional requirements.
- 1.8 Complex matters that relate to other areas of the ID determinations have been deferred for consideration at a later date.
- 1.9 We chose to focus our consideration of complex matters on specified areas to reduce the likelihood of multiple amendments to the same information requirements.

Process followed for determining the amendments

- 1.10 The process followed for determining the amendments included:
- 1.10.1 establishing a process and prioritising the issues;⁸
 - 1.10.2 consulting on draft amendments;⁹
 - 1.10.3 additional consulting on revised draft amendments;¹⁰ and
 - 1.10.4 making the amendments and supporting our decision with a reasons paper.
- 1.11 The process for making the amendments and prioritising the issues was determined through consultation with interested parties. Attachment C outlines our process for prioritising the issues and provides an overview of the matters considered as a result of that prioritisation.

⁶ Commerce Commission “Issues Register for Electricity and Gas Information Disclosure” (4 November 2014).

⁷ Non-complex matters generally relate to typographical or other error corrections.

⁸ Commerce Commission “Proposed process – Amendments to information disclosure requirements” (23 June 2014).

⁹ Commerce Commission “Consultation paper – Proposed amendments to information disclosure for electricity distribution and gas pipeline services” (22 October 2014).

¹⁰ Commerce Commission “Proposed amendments for 2015 to information disclosure determinations for electricity distribution and gas pipeline services: Technical consultation paper (23 February 2015).

- 1.12 On 23 June 2014, we published a proposed process paper outlining the key features of the proposed process for amending the ID determinations and provided indicative dates for key publications and events.¹¹
- 1.13 On 22 October 2014, we published a consultation paper and draft ID determinations.¹² The consultation paper outlined the matters considered as part of the proposed amendments.¹³
- 1.14 On 23 February 2015, we published an additional technical consultation paper, revised draft amendment determinations and draft consolidated ID determinations.
- 1.15 Submissions were received in response to our consultation papers and the draft ID determinations during each stage of this process.¹⁴
- 1.16 The final amendments considered the purpose of the disclosures and submissions received. The reasons for the amendments and responses to submissions are addressed within this paper. Submissions received which relate to issues not covered in this round of amendments have been deferred for consideration at a later date.

¹¹ Commerce Commission “Proposed Process – Amendments to information disclosure requirements” (23 June 2014).

¹² Commerce Commission “Consultation paper – Proposed amendments to information disclosure for electricity distribution and gas pipeline services” (22 October 2014); Commerce Commission “Electricity Distribution Information Disclosure Determination 2015” (draft determination, 22 October 2014); Commerce Commission “Gas Distribution Information Disclosure Determination 2015” (draft determination, 22 October 2014); Commerce Commission “Gas Transmission Information Disclosure Determination 2015” (draft determination, 22 October 2014).

¹³ Commerce Commission “Consultation paper – Proposed amendments to information disclosure for electricity distribution and gas pipeline services” (22 October 2014), at page 6.

¹⁴ See - <http://www.comcom.govt.nz/regulated-industries/electricity/electricity-information-disclosure/amendments-to-information-disclosure-requirements-2015/>.

Material released alongside this paper

- 1.17 This paper supports the following amendment determinations:
- 1.17.1 2015 Amendment to the Electricity Distribution Information Disclosure Determination 2012;¹⁵
 - 1.17.2 2015 Amendment to the Gas Distribution Information Disclosure Determination 2012,¹⁶ and
 - 1.17.3 2015 Amendment to the Gas Transmission Information Disclosure Determination 2012.¹⁷
- 1.18 We have also released alongside this reasons paper and amendment determinations the respective consolidated determinations which incorporates the amendment determinations within the original ID determinations.¹⁸

Attachments to the paper

- 1.19 Included in the attachments to this paper for reference purposes are:
- 1.19.1 an overview of the cash flow timing assumptions included in the internal rate of return (IRR) ROI calculations compared to the default price-quality path (DPP) and customised price-quality path (CPP) allowable revenue calculations (Attachment A);
 - 1.19.2 a list of price-quality path pass-through and recoverable costs and how we are treating them in the ID determinations (Attachment B);
 - 1.19.3 our process used for prioritising issues and an overview of the matters considered as a result of that prioritisation (Attachment C); and
 - 1.19.4 our notes on drafting in response to submissions for complex and non-complex matters not otherwise addressed in this paper (Attachment D).

¹⁵ Commerce Commission “2015 Amendment to the Electricity Distribution Information Disclosure Determination 2012” (24 March 2015).

¹⁶ Commerce Commission “2015 Amendment to the Gas Distribution Information Disclosure Determination 2012” (24 March 2015).

¹⁷ Commerce Commission “2015 Amendment to the Gas Transmission Information Disclosure Determination 2012” (24 March 2015).

¹⁸ Commerce Commission “Electricity Distribution Information Disclosure Determination 2012 – (consolidated in 2015)” (24 March 2015), Commerce Commission “Gas Distribution Information Disclosure Determination 2012 – (consolidated in 2015)” (24 March 2015) and Commerce Commission “Gas Transmission Information Disclosure Determination 2012 – (consolidated in 2015)” (24 March 2015).

2. ROI – assessment of profitability

Purpose of this chapter

- 2.1 This chapter outlines our reasons for the changes to the return on investment (ROI) disclosures and calculation made as part of this round of amendments.
- 2.2 Table 2.1 sets out the amendments to the ROI disclosures and calculation.

Table 2.1: Amendments to the ROI disclosures and calculation

Area of change	Amendments to the ID determinations	Affected clauses and schedules
ROI - assessment of profitability	Regulatory profit now includes profits earned from financial incentives and wash-ups	Schedule 2 Schedule 3
	ROIs including and excluding revenue from financial incentives and wash-up recoverable costs are disclosed	Clause 1.4.3 definitions Clause 2.3.3
	Notional cash flow timing assumptions in the IRR ROI calculations are aligned to the timing assumptions applied in price-quality regulation	Schedule 16 definitions
	Suppliers subject to price-quality regulation are required to disclose the weighted average cost of capital (WACC) rate used to set the regulatory price path, alongside the ROI	
	The 'notional cash flow' criteria for disclosing the monthly ROI is removed, the 'assets commissioned' criteria is retained	

- 2.3 To provide context to the changes we also provide in this chapter:
- 2.3.1 an overview of the ROI profitability assessments included in information disclosure;
- 2.3.2 an overview of the recoverable costs applied in price-quality regulation; and
- 2.3.3 a discussion on other information required to assess profitability.

Overview of the ROI profitability assessments included in information disclosure

- 2.4 Indicators of profitability assist interested persons to assess whether the Part 4 purpose is being met. ROI is a commonly used measure of profitability, which allows interested persons to compare the relative performance of firms of different sizes. The ROI also allows interested persons to compare over time a supplier's profitability to its allowed weighted average cost of capital (WACC).

- 2.5 The ID determinations provide the following ROI information comparable to a vanilla and post-tax WACC:
- 2.5.1 ROI indicator that assumes mid-year timing of revenue and expenditure items (mid-year ROI);
 - 2.5.2 ROI indicator based on monthly notional cash flow (monthly ROI), which is only required when specified criteria is met; and
 - 2.5.3 ROI indicator that assumes a year-end timing of revenue and expenditure (year-end ROI).¹⁹
- 2.6 The remainder of this chapter outlines how these disclosures have been amended in this round of amendments.

Recoverable costs applied in price-quality regulation

- 2.7 This section provides an overview of the recoverable costs recognised in price-quality regulation to provide context to the changes to the ROI calculations.
- 2.8 Price-quality regulation includes recoverable costs which:
- 2.8.1 incentivise suppliers for performance (financial incentives);
 - 2.8.2 compensate suppliers for specific under or over recovery of costs incurred in a past disclosure year (wash-ups); and
 - 2.8.3 compensate suppliers for costs incurred in the financial year in question (actual costs).
- 2.9 The recoverable cost price-quality path mechanism for financial incentives and wash-ups works by establishing notional expenses which have the effect of allowing increased (or decreased) allowed revenue when setting prices. Financial incentive and wash-up recoverable costs are not expenses incurred by the regulated business in the year the recoverable cost is recognised. They, therefore, have the effect of allowing increased (or decreased) profits above or below standard returns (returns consistent with the WACC) in the year the financial incentive and/or wash-up recoverable costs are recognised.
- 2.10 Table 3.2 outlines the recoverable costs included in price-quality regulation and categorises them into financial incentives, wash-ups and actual costs incurred by the regulated supplier in the disclosure year.

¹⁹ The year-end ROI is provided to allow comparability over time. The year-end ROI was the only profitability assessment in the 2008 EDB ID requirements which were in effect until 2012.

Regulatory profit now includes profits earned from financial incentives and wash-ups

- 2.11 We have amended how regulatory profit is determined so it now reflects all regulated profits earned, including profits earned through the price-quality regulation financial incentive and wash-up recoverable costs mechanism.
- 2.12 Profits from financial incentive and wash-up recoverable costs were previously not recognised in regulatory profits because the associated recoverable costs were recognised as an expense in information disclosure. Excluding the financial incentive and wash-up recoverable costs from information disclosure expenses allows readers to identify all regulated profits earned by suppliers.
- 2.13 It was incorrect to recognise financial incentive recoverable costs as an expense in information disclosure because they are not an expense incurred by suppliers.²⁰
- 2.14 Wash-up recoverable costs are a cost to suppliers but not in the year they are recognised in price-quality regulation. The expense the wash-up recoverable cost represents will have been recognised as an expense in information disclosure in a prior year. To recognise the expense in information disclosure in the year it is recognised as a recoverable cost as well as the year it is incurred would be to double count the expense.
- 2.15 We have amended the term used to describe regulatory profit. We now use the term 'Regulatory profit / (loss) including financial incentives and wash-ups'. This change is intended to reflect that regulatory profit now includes profits from financial incentives and wash-ups where previously it did not. Although the addition of 'including financial incentives and wash-ups' to the term could be seen as superfluous, we believe it will make it clearer to readers that the content of what is being disclosed is different to what was previously disclosed.

ROIs including and excluding revenue from financial incentives and wash-ups

- 2.16 The effect of additional or reduced revenue earned through price-quality regulation financial incentive and wash-up recoverable costs is now recognised in the ROI disclosures.

²⁰ Financial incentive recoverable costs allow suppliers to earn additional revenue or limit the revenue they are allowed to earn based on performance. Therefore, allowing suppliers to earn additional profits or limiting their ability to earn profits.

- 2.17 We have amended the disclosure of ROIs so that ROIs representing the following are available for consideration by interested persons:
- 2.17.1 ROIs reflecting all revenue earned;
 - 2.17.2 ROIs excluding revenue earned from financial incentives; and
 - 2.17.3 ROIs excluding revenue earned from financial incentives and wash-ups.
- 2.18 Table 2.2 outlines the amended ROIs, the profits disclosed and how they are best used in the assessment process.
- 2.19 The ROI reflecting all revenue earned and the ROI excluding revenue earned from financial incentives will assist interested persons in assessing profits over time. The ROI disclosure excluding revenue earned from wash-ups is not appropriate for assessing profits over time because revenue is not able to be matched to the associated expense.²¹
- 2.20 The ROI excluding revenue earned from financial incentives and wash-ups is the disclosure that is most comparable to the assumptions applied in the setting of price-quality paths. Price-quality paths allow for additional revenue to be earned from financial incentives and wash-ups. Excluding the profits earned through financial incentive and wash-ups allow comparability with the WACC and other assumptions applied in setting the price-quality path.
- 2.21 The ROI excluding revenue earned from financial incentives and wash-ups is also the ROI that is most comparable to how the ROI had been determined prior to this round of amendments. Including financial incentive and wash-up recoverable costs as an expense had been used as a proxy to excluding the financial incentives and wash-ups revenue from the ROI calculation. Paragraphs 2.11 to 2.15 outline how, as part of this round of amendments, financial incentive and wash-up recoverable cost expenses have been excluded from the determination of regulatory profits.

²¹ Revenue earned through the wash-ups mechanism are able to be matched with the expense when the ROIs are assessed over time because the expense incurred in one year is able to be matched to the revenue earned in another. We note that there may never be a perfect matching of revenue with expenses due to matching outside the analysis period not occurring.

Table 2.2: Revised ROI disclosures, the profits disclosed and application

ROI disclosure	Profits disclosed	Application in assessment process
ROI reflecting all revenue earned	Includes profits earned or lost from financial incentives and wash-ups	Assessment of regulatory profits over time
ROI excluding revenue earned from financial incentives	Excludes profits earned or lost from financial incentives but includes profits earned or lost from wash-ups	Assessment of regulatory profits excluding financial incentives over time
ROI excluding revenue earned from financial incentives and wash-ups	Excludes profits earned or lost from financial incentives and wash-ups	Comparable to the assumptions applied in determining price-quality paths Not applicable for the assessment of regulatory profits over time (refer paragraph 2.19)

2.22 Submitters supported the approach of disclosing an ROI that included the effects of revenue from financial incentives and wash-ups and requested the disclosure of additional ROIs or a similar disclosure that showed the effect removed.²² Our final decision on the disclosure takes into account proposals by submitters on how this approach to ROIs could be disclosed.

Disclosure of information to support the assessment of profitability

2.23 The changes to the ROI disclosures as described above enhance interested persons ability to understand performance, however it is unlikely to explain all aspects of performance relating to returns. Returns will vary relative to the WACC for many reasons, including some which may not be of immediate concern, including where:

2.23.1 efficiency gains or losses are made during the year;

²² ENA "Submission on the proposed amendments for 2015 to the information disclosure determination for electricity distribution services: final submission" (19 December 2014), at page 12, PricewaterhouseCoopers "Submission to the Commerce Commission on Proposed amendments for 2015 to information disclosure determinations for electricity distribution and gas pipeline services" (19 December 2014), at page 11 and Vector "Submission on Proposed amendments for 2015 to information disclosure determinations" (19 December 2014), at page 11.

- 2.23.2 price-quality paths, and subsequently prices, are adjusted to smooth revenue or for other predetermined reasons;²³ and
- 2.23.3 forecast assumptions are proven to be different to actual outcomes.
- 2.24 It is important that interested persons assessing profitability have sufficient information to understand the reasons for variances in profitability.
- 2.25 Summary and analysis may have a role to play in explaining these variances. We therefore encourage suppliers to make voluntary disclosures to support reasons for reported variances in profitability to assist with this process.²⁴

Cash flow timing assumptions in the IRR ROI calculations

- 2.26 The notional cash flow timing assumptions applied in the mid-year and monthly IRR ROI calculations have been aligned to the timing assumptions used in the electricity DPP reset process. These timing assumptions reflect the most recent assumptions applied in the regulatory regime.
- 2.27 Table 2.3 sets out the changes to the IRR ROI calculations. Attachment A compares the timing assumptions included in the IRR ROI calculations with the timing assumptions used in price-quality regulation.

Table 2.3: Adjustment to the IRR ROI calculations

Timing assumption	Mid-year ROI	Monthly ROI
Line charge revenue	Revenue deemed to be received 20 th of the month following accrual	Revenue deemed to be received 20 th of the month following accrual Removed 'revenue related working capital' adjustment
Term credit spread differential (TCSD)	Included as a year-end cash flow	No change ²⁵
Regulatory tax	Removed double accounting of deferred tax changes Removed double tax deduction of the TCSD and recognised it as a mid-year timing assumption ²⁶	Removed double accounting of deferred tax changes Removed double tax deduction of TCSD and recognised it as a mid-year timing assumption Assumed that tax payments are made evenly during the year

²³ Commerce Commission "Default price- quality paths for electricity distributors from 1 April 2015 to 31 March to 31 March 2020 – Main policy paper" (28 November 2014), at paragraphs C12 to C13.

²⁴ Schedule 14 of the ID determinations provide for the disclosure of information on the ROI disclosures.

²⁵ The TCSD is already recognised in the monthly IRR ROI calculation.

- 2.28 The mid-year ROI calculation is directly comparable to the electricity DPP allowable revenue calculation,²⁷ except the mid-year ROI calculation recognises:
- 2.28.1 revenue earned as a result of pass-through and recoverable costs;²⁸ and
 - 2.28.2 asset disposals as a mid-year timing assumption.²⁹
- 2.29 The notional cash flow timing assumptions for the monthly ROI calculation are to align to the mid-year ROI timing assumptions except cash flows are recognised monthly rather than assuming a consistent spread throughout the year.³⁰

Line charge revenue timing assumption

- 2.30 We have updated the timing assumption for the receipt of line charge revenue to align it to the price-quality path assumptions. Revenue had previously been deemed to be received mid-month evenly throughout the year in the mid-year ROI. As outlined in the reasons paper supporting the amendments to the CPP timing assumptions, it is more appropriate to assume revenue is received on the 20th of the month following accrual.³¹
- 2.31 We have also updated the line charge revenue timing assumption in the monthly ROI calculation which is now deemed to be received on the 20th of the month following accrual. This change to the timing assumption of line charge revenue made the previous related working capital adjustment redundant and has therefore been removed.³²

²⁶ Treating the TCSD in the regulatory tax calculation as a mid-year timing assumption and the TCSD expense as a year-end timing assumption in the IRR ROI calculations is consistent with the treatment under price-quality regulation.

²⁷ Commerce Commission “Electricity Distribution Business Price Quality Regulation 1 April 2015 Reset: Model 9. Financial Model Draft determination version” (4 July 2014).

²⁸ The price-quality path allowable revenue calculations determine revenue prior to the consideration of pass through and recoverable costs.

²⁹ Asset disposals are recognised as a mid-year cash flow in the CPP IM and year-end cash flow in the electricity price-quality path draft calculation. The different treatment is not considered material to either of the calculations.

³⁰ Except tax payments which are assumed to be paid evenly through the year. Refer paragraph 2.36.

³¹ Commerce Commission “Electricity and Gas Input Methodologies Determination Amendments (No.2) 2012: Reasons Paper” (15 November 2012), at paragraph 14.1.

³² The revenue related working capital adjustment was previously included to compensate suppliers for revenue being received later than mid-month. This approach was difficult to administer and provided no further accuracy than the approach adopted in the revised approach.

Term credit spread differential timing assumption

- 2.32 The term credit spread differential (TCSD) expense is now included in the mid-year ROI calculation with a year-end timing assumption. It had previously been erroneously excluded. The TCSD continues to be recognised as a year-end timing assumption for the monthly ROI.
- 2.33 The timing assumption is consistent with the DPP timing assumption. The TCSD timing assumption for CPPs is evenly during the year.

Regulatory tax timing assumption

- 2.34 The IRR ROI calculations have been changed so notional cash tax payable is recognised rather than the regulatory tax allowance. The regulatory tax allowance was previously used in error. This amendment aligns the ID determinations to the price-quality path allowable revenue calculations and removes the double accounting of the deferred tax movement.³³
- 2.35 The regulatory tax calculation is also updated to align to recent changes to the Electricity Distribution Business (EDB) Input Methodology (IM) as part of the electricity DPP reset process.³⁴ Changes include the removal of the double deduction of the TCSD expense in the tax calculation and recognising the TCSD tax deduction as mid-year timing assumption.³⁵
- 2.36 We have also simplified the monthly ROI calculation by assuming tax is paid evenly during the year. Previously suppliers were required to establish methodologies to allocate the notional regulatory tax payment to the monthly net cash outflows. Because there is no direct link between notional regulatory tax payments and actual tax payments, various methodologies were being adopted by suppliers in completing their disclosures. The amendment removes the requirement for suppliers to arbitrarily allocate tax payments monthly.

Disclosure of the monthly ROI

- 2.37 We have changed the criteria for when the monthly ROIs are required to be disclosed so that only the timing of assets commissioned is required to be assessed when determining if a monthly ROI is required to be disclosed.

³³ The deferred tax movement is recognised in the IRR ROI calculations by recognising the opening and closing deferred tax balance in the opening and closing regulatory investment values.

³⁴ Commerce Commission "Input methodology amendments for electricity distribution services" (27 November 2014).

³⁵ The TCSD timing assumption in the ROI calculation and the regulatory tax allowance calculation is different to be consistent with the approach applied in price-quality regulation.

- 2.38 Submitters had proposed that the requirement to disclose the monthly ROIs should be removed on the basis that the cost of preparing the disclosure outweighs its benefit.³⁶ Our analysis of the 2013 and 2014 disclosures shows there has been a significant variance in a monthly ROI disclosure compared to a mid-year ROI disclosure.³⁷
- 2.39 We note that in some instances the previous criteria had resulted in the disclosure of monthly ROIs that did not show a meaningful variance to the mid-year ROI disclosure. We have therefore removed the ‘notional cash flow’ criteria so the criteria is less costly to apply and will reduce the instances where less meaningful disclosures are made.
- 2.40 We also note that changes to the way the monthly ROI is calculated will reduce the complexity of the calculation and lower the risk of errors in the disclosure. The changes include removing the requirement to:
- 2.40.1 disclose a revenue related working capital amount;³⁸ and
 - 2.40.2 allocate tax payments to the monthly cash flow.³⁹

WACC rates disclosed alongside the ROI

- 2.41 We have included a requirement for suppliers subject to price-quality regulation to disclose, in Schedule 2, the WACC rate used by the Commission when setting price-quality paths. This requirement has been included so interested persons can assess returns against the WACC assumptions used when setting prices.
- 2.42 Exempt EDBs are not required to make this disclosure because they are not required to set prices based on a WACC rate.

³⁶ Maui Development Limited “Submission on draft decision amendments to ID requirements” (19 December 2014), at page 2, PricewaterhouseCoopers “Submission to the Commerce Commission on Proposed amendments for 2015 to information disclosure determinations for electricity distribution and gas pipeline services”, above n 22, at page 3, and Vector “Submission on Proposed amendments for 2015 to information disclosure determinations”, above n 22, at page 11.

³⁷ Nelson Electricity disclosed a 152 basis point difference in their disclosure year 2014 disclosures. Other variances disclosed were not deemed significant after factoring in the changes to the monthly ROI calculation, outlined above, and what appears to be disclosure errors.

³⁸ Paragraph 2.31 outlines our reasons for this amendment.

³⁹ Paragraph 2.36 outlines our reasons for this amendment.

3. Other financial information

Purpose of this chapter

- 3.1 This chapter outlines our reasons for the amendments to the financial information disclosure requirements, made as part of this round of amendments, other than ROI disclosures.⁴⁰ The chapter covers changes to pass-through and recoverable costs, regulatory tax, financial distributions and related party transactions.
- 3.2 Table 3.1 sets out the policy changes to financial information.

Table 3.1: Policy changes to other financial information

Area of change	Change to the disclosure requirement	Affected clauses and schedules
Pass-through and recoverable costs	<p>Recoverable costs identified as financial incentives or wash-up adjustments are separately recognised from other pass-through and recoverable costs</p> <p>Financial incentives and wash-up recoverable costs are disclosed in the ROI schedule and their effect is reflected in the revised ROI disclosure</p> <p>The list of pass-through costs is updated to clarify how costs are disclosed</p> <p>The recoverable costs listing for EDBs is updated to reflect new recoverable costs</p> <p>All EDBs are required to disclose a detailed breakdown of pass-through and recoverable costs</p>	<p>Schedule 2</p> <p>Schedule 3</p> <p>Schedule 16 definitions</p>
Regulatory tax disclosures	<p>Regulatory tax calculation reflects IM changes which remove the double deduction of the TCSD and revise the tax timing assumption of the TCSD</p> <p>Revaluations are separately disclosed as an exclusion from taxable income</p> <p>The definition of 'opening weighted average remaining life of relevant assets', which is used for determining 'amortisation of initial difference in asset values', is clarified (EDB and GDB only)</p> <p>Schedule 14 disclosures relating to permanent and temporary differences are only required for material items</p> <p>Various terms are defined and refined to improve clarity</p>	<p>Clause 1.4.3 definitions</p> <p>Schedule 3</p> <p>Schedule 5a</p> <p>Schedule 14</p> <p>Schedule 16 definitions</p>

⁴⁰ Chapter 2 outlines our reasons for the changes to the ROI disclosures and calculations.

Area of change	Change to the disclosure requirement	Affected clauses and schedules
Financial distributions	EDBs are required to make 'financial distributions relating to ownership interests' disclosure where they determine the allocation, make a recommendation on the allocation or where they make an allocation to customers on behalf of the owner	EDB clause 1.4.3 definitions EBD clause 2.4.23 GDB Schedule 5a
Related party transaction disclosure	Improved disclosure of the valuation approach adopted	Schedule 16 definitions

Pass-through and recoverable costs

3.3 This section outlines the amendments to the disclosure of pass-through and recoverable costs.

Financial incentives and wash-ups are separately recognised from other pass-through and recoverable costs

3.4 Recoverable costs identified as financial incentives or wash-ups are separately recognised from other pass-through and recoverable costs. Financial incentive and wash-up recoverable costs are excluded from the determination of regulatory profit, instead their effect is separately disclosed in the ROI profitability assessment. Paragraphs 2.11 to 2.22 outline our reasons for this amendment.

3.5 The remaining recoverable costs, which are recognised as an expense in information disclosure, represent costs incurred by the supplier in the disclosure year.

3.6 Table 3.2 outlines the recoverable costs included in each of the categories and the criteria used to categorise them. Attachment B includes references to the IM determinations for each recoverable cost identified.

Table 3.2: Recoverable costs categorisation

Recoverable cost category	Recoverable costs included in category	Criteria for including costs in category
Recoverable costs recognised as an expense in information disclosure	<ul style="list-style-type: none"> Electricity lines service charge payable to Transpower (EDB only) Transpower new investment contract charges (EDB only) System operator services (EDB only) Distributed generation allowance (EDB only) Balancing gas costs (GTB only) Extended reserves allowance (EDB only) Other recoverable costs 	Recoverable costs incurred by the regulated supplier in the current disclosure year

Recoverable cost category	Recoverable costs included in category	Criteria for including costs in category
Financial incentives	<ul style="list-style-type: none"> • Net recoverable costs allowed under incremental rolling incentive scheme • Purchased assets - avoided transmission charge (EDB only) • Energy efficiency and demand incentive allowance (EDB only) • Quality incentive adjustment (EDB only) • Other financial incentives 	Recoverable costs that do not represent an actual cost incurred by the regulated supplier
Wash-ups	<ul style="list-style-type: none"> • Input methodology claw-back • Recoverable customised price-quality path costs • Catastrophic event allowance (EDB only) • Capex wash-up adjustment (EDB only) • Transmission asset wash-up adjustment (EDB only) • 2013-2015 NPV wash-up allowance (EDB only) • Reconsideration event allowance (EDB only) • Other wash-ups 	Recoverable costs incurred by the regulated supplier but not in the current disclosure year

List of pass-through costs are updated to remove confusion

3.7 We have improved the pass-through costs terms used in ID by referring to ‘Industry levies’ and ‘CPP specified pass-through costs’. The definitions are also updated so there is a direct reference to the list of recoverable costs identified in the IM determinations. This improvement removes the ambiguity identified by regulated suppliers.⁴¹

3.8 Attachment B outlines the revised terms used and references to the relevant IM clauses.

Recoverable costs are updated to reflect costs proposed in the electricity price-quality path

3.9 The recoverable costs disclosure for EDB’s is updated to reflect new recoverable costs introduced as part of the EDB DPP reset process and Orion CPP determination.

⁴¹ PricewaterhouseCoopers “IDD clarification points resulting from the PWC ELB CFO forum (07/12/12)”.

All EDBs are required to disclose a detailed breakdown of pass-through and recoverable costs

- 3.10 The voluntary exemption that allowed exempt EDBs to not provide a detailed breakdown of pass-through and recoverable costs has been removed.⁴² Requiring the disclosure of pass-through and recoverable costs by all EDBs provides a greater comparability of costs across regulated suppliers. As costs are required to be separately calculated to complete the previous disclosure requirements, the additional disclosure is not expected to be onerous.⁴³ The Electricity Networks Association (ENA) was supportive of the additional disclosure requirement.⁴⁴

Regulatory tax disclosures

- 3.11 This section outlines our reasons for amendments made to regulatory tax disclosures.

TCS D IM amendments

- 3.12 The treatment of the TCS D in the calculation of the regulatory tax within the IMs has been amended.⁴⁵ The ID determinations have been updated to align to the IM amendment.
- 3.13 The changes remove the double deduction of the TCS D and change the TCS D cash flow timing assumption in the calculation of notional deductible interest.
- 3.14 The double deduction of the TCS D in the regulatory tax allowance is removed by excluding the TCS D expense from regulatory profit / (loss) before tax. The TCS D is then recognised in regulatory taxable income through its continued inclusion in notional deductible interest.
- 3.15 The cash flow timing assumption change in the notional deductible interest calculation is a formula change to the schedules. The definition of notional deductible interest is not required to be amended as the ID determination definition references the IM determination definition which was amended as part of the IM amendment.

⁴² The voluntary exemption to disclose a breakdown of pass-through and recoverable costs was included in the green section of Schedule 3 of the EDB ID determination.

⁴³ It is noted that only 2 exempt EDBs used the exemption to not disclose the breakdown of pass-through and recoverable costs in the 2013 disclosures.

⁴⁴ ENA "Submission on the proposed amendments for 2015 to the information disclosure determination for electricity distribution services: final submission", above n 22, at page 13.

⁴⁵ Commerce Commission "Gas Pipeline Services Input Methodologies Determination Amendment (No. 1) 2013" (25 February 2013) and Commerce Commission "Proposed amendments to input methodologies for Electricity Distribution Services: Consultation Paper" (24 June 2014).

Revaluations

- 3.16 We have included a separate line disclosure for the deduction of revaluations from regulatory taxable income to remove confusion on how revaluations are treated. In the 2013 disclosures suppliers failed to exclude current year revaluations from regulatory taxable income. The change clarifies the correct treatment.
- 3.17 Revaluations are not treated as temporary differences that go through the deferred tax account but instead are accounted for in the regulatory tax allowance through amortisation of revaluations. Accordingly current year revaluations are reversed out of regulatory profit as a negative permanent difference and the amortisation of revaluations is included as a positive permanent difference.
- 3.18 Further description of the modified deferred tax approach and the reasons for adopting it are outlined in the IM reasons paper.⁴⁶

Amortisation of initial difference in asset values (EDB and GDB only)

- 3.19 The ‘opening weighted average remaining life of relevant assets’ used for determining the ‘amortisation of initial difference in asset values’ was amended to clarify how it should be calculated. This amendment was to address questions and concerns raised by suppliers on the interpretation of this definition.⁴⁷
- 3.20 In clarifying the definition we have specified an approach that requires the calculation of the average remaining life of the assets only at the beginning of the regime (original calculation), with the remaining years being determined based on the original calculation. Although it may be more accurate to recalculate the average every year, we do not believe the benefit of doing so outweighs the costs.
- 3.21 The result of the ‘opening weighted average remaining life of relevant assets’ calculation allocates the tax effect of the initial difference in asset values between disclosure years. The specification of the term is therefore NPV neutral.
- 3.22 By defining ‘opening weighted average remaining life of relevant assets’, the spreading of the tax effect of the initial difference in asset values will not take into account timing changes created from asset disposals and acquisition of assets with an initial Regulatory Asset Base (RAB) value from other regulated suppliers. These are not expected to have a material effect on the regulatory tax calculation.

⁴⁶ Commerce Commission “Input Methodologies (Electricity Distribution and Gas Pipeline Services) Reasons Paper, December 2010” (22 December 2010), paragraphs 5.3.5-5.3.16.

⁴⁷ Commerce Commission “Issues Register for Electricity and Gas Information Disclosure”, above n 6, at issue 321.

- 3.23 Amortisation of initial difference in asset values is recognised in the regulatory tax calculation by increasing the regulatory taxable income and crediting the tax effect to the deferred account. This approach is equivalent over time to applying deferred accounting to the difference between the regulatory tax asset values and the initial RAB values.
- 3.24 The specification adopted for the original calculation is consistent with the calculation proposed by the ENA in response to the draft decision.⁴⁸ Given that ENA represents the majority of suppliers affected and its proposed approach is likely to be consistent with how suppliers have previously done the calculation, we consider it appropriate to accept ENA's recommendation. Adopting ENA's proposed approach provides for future disclosures to be consistent with forecasts used in DPPs and reduces the likelihood of suppliers being required to recalculate the original calculation.

Disclosure of permanent and temporary differences

- 3.25 We have clarified that explanatory notes on permanent and temporary differences are only required for material items. This amendment was a result of requests for clarification by suppliers on the requirement.
- 3.26 Requiring the disclosure of only material items aligns the requirement to other Schedule 14 disclosures.⁴⁹

Defining and refining terms used

- 3.27 We have defined and refined various terms used in the regulatory tax calculation to improve clarity. The terms defined or refined include:
- 3.27.1 Notional deductible interest;
 - 3.27.2 Opening sum of RAB values without revaluations;
 - 3.27.3 Lost and found assets adjustment;
 - 3.27.4 Adjustment resulting from asset allocation;
 - 3.27.5 Opening and closing sum of regulatory tax asset values;
 - 3.27.6 Tax effect of other temporary differences;
 - 3.27.7 Deferred tax balance relating to assets disposed in the disclosure year; and

⁴⁸ Electricity Networks Association "Submission on the proposed amendments for 2015 to the information disclosure determination for electricity distribution services: final submission", above n 22, at page 48.

⁴⁹ Schedule 14(5) requires the disclosure of material items included in 'other regulated income'.

3.27.8 Tax effect of tax depreciation.

EDB financial distributions

- 3.28 We have clarified when an EDB is required to disclose information about financial distributions. The previous requirement had resulted in differing interpretations of the requirement. We have clarified the requirement by defining financial distributions so it is clear when a disclosure is required and clarifying what is required to be disclosed. Financial distributions to consumers form part of the net price paid by consumers and may provide incentives for consumers to alter their behaviour. Therefore, policies relating to such discounts should be available when comparisons of prices paid across consumer groups and over time are performed.
- 3.29 We require the disclosure of the financial distribution allocation methodology where an EDB:
- 3.29.1 recommends how the allocation should be made; or
 - 3.29.2 allocates the financial distribution to consumers on behalf of the owner.
- 3.30 Submitters suggested that disclosure of the allocation methodology should not be required where the allocation is not recommended by the EDB.⁵⁰ Requiring EDBs to disclose the allocation methodology in such instances removes any ambiguity on when an allocation has been recommended by an EDB or not. Where the allocation is made by an EDB to consumers on behalf of the owner, the EDB will have the allocation methodology available for disclosure.
- 3.31 A requirement to disclose the value of the financial distribution has also been included so interested persons can understand how significant the payments are.

Related party transactions disclosure

- 3.32 We have clarified the related party disclosure requirements to remove ambiguity about how suppliers describe the valuation approach applied.

⁵⁰ ENA "Submission on the proposed amendments for 2015 to the information disclosure determination for electricity distribution services: final submission", above n 22, at page 15 and PricewaterhouseCoopers "Submission to the Commerce Commission on Proposed amendments for the 2015 to information disclosure determinations for electricity distribution and gas pipeline services", above n 22, at page 13.

- 3.33 Suppliers have previously adopted a range of approaches to describing the valuation approach applied. We have amended the definition of 'basis for determining value' so it is clear suppliers should refer to the relevant ID or IM sub clause applied in the valuation.⁵¹
- 3.34 Suppliers have raised various issues about the valuation approaches allowed under the ID determinations for related party transactions. As specified in Attachment C we have decided to defer consideration of these issues.

⁵¹ Related party operating expenditure transactions are valued using the approaches specified in clause 2.3.6 of the ID Determinations or for capital expenditure clause 2.2.11(5) of the IM Determination.

4. Asset management plans

Purpose of this chapter

- 4.1 This chapter explains our reasons for the amendments to the asset management plan (AMP) requirements.
- 4.2 Table 4.1 sets out the amendments to the AMP requirements.

Table 4.1: Amendments to the AMP requirements

Area of amendment	Amendment	Affected clauses and schedules
Timing of disclosures	Forecast schedules (schedules 11 and 12) are publicly disclosed before the start of the disclosure year	Clause 2.6.6 Schedule 14a Schedule 17 Schedules 11.x-12.x EDB Schedule 18, GDB and GTB Schedule 19 Clause 2.7.2 Various cross-references to the above clauses.
AMP update disclosures	Clarified when an AMP update can be disclosed instead of a full AMP	Clause 2.6.3 to 2.6.4
Asset Management Maturity Assessment Tool (AMMAT)	Removed the suggestion that AMMATs are required to be maintained	Schedule 13
GTB AMP requirement	Removed the GTB requirement that available capacity calculations have specific regard to historic pressure requirements at offtake points	GTB Attachment A 8.2.
Disclosure of inflation assumptions	Clarified the period for which suppliers must describe the difference between nominal and constant price expenditure	Schedule 14a

Timing of disclosing forecast schedules

- 4.3 We have amended the AMP requirements so that schedules 11 and 12 (forecast schedules) are now required to be publicly disclosed before the start of each disclosure year rather than five months afterwards (EDBs) or six months afterwards (GDBs and GTBs) as previously required.⁵²
- 4.4 We consider that requiring the information to be disclosed only at the beginning of the disclosure year removes the uncertainty around when the information shall be disclosed and what the certification requirements are when disclosing at the later date.
- 4.5 We previously allowed the forecast schedules to be publicly disclosed with the year-end schedules (5-6 months after the start of the disclosure year) but required them to be disclosed to us before the start of the disclosure year. This option allowed suppliers to provide interested persons with a single reference source for the annual schedules. We now consider the benefit of this option to be outweighed by the confusion it has caused.
- 4.6 The amendments also include consequential changes to the director certification, the mandatory explanatory notes disclosures and various cross-references.
- 4.7 The information contained within the schedules is still required to be included in the AMP, AMP update, or transitional AMP as applicable. The AMP, AMP update, or transitional AMP does not need to contain the schedules themselves, but must include the information disclosed within the schedules.⁵³

Asset management maturity assessment tool (AMMAT)

- 4.8 We have clarified our intentions with regards to the AMMAT report. The introductory paragraphs in Schedule 13 erroneously suggested the AMMAT reports should be both completed and maintained. However, it was our intention that suppliers complete the AMMAT report rather than complete and maintain it.
- 4.9 It is the responsibility of the supplier to determine how it should monitor the maturity of its asset management function. Suppliers may choose to use the AMMAT report between making disclosures under the ID determinations, but it is not a requirement.

⁵² The forecast schedules include information relating to forecast asset condition, capital expenditure, capacity demand, interruptions and duration, operational expenditure and utilisation.

⁵³ This is noted in response to a clarification request from Northpower. Commerce Commission "Issues Register for Electricity and Gas Information Disclosure", above n 6, at issue 80.

AMP update

- 4.10 We have clarified clause 2.6.3, which specifies when an AMP update can be disclosed. The clarification was necessary because this clause was difficult to interpret and it has been suggested that it may have been interpreted to require disclosure of a full AMP only at the start of the regime.
- 4.11 We have made it clearer that an AMP update can be disclosed instead of a full AMP in certain circumstances. If a supplier has disclosed a full AMP in the past, it can choose to disclose an AMP update instead of a full AMP in certain disclosure years during the regulatory period.
- 4.12 The transitional provisions available to GasNet and Maui Development Limited (MDL) in clause 2.13.7 of the Gas Transmission Businesses (GTB) ID determination and 2.13.9 of the Gas Distribution Businesses (GDB) ID determination, and in written exemptions under clause 2.11.1 of the original determinations continue to apply.

Pressure requirements at offtake points

- 4.13 We have removed reference to ‘pressure requirements’ in the GTB AMP. Vector has advised us that the use of the term ‘pressure requirements’ creates compliance and interpretation issues for GTBs because gas pressure is not modelled in the way suggested by the GTB ID determination.⁵⁴
- 4.14 We agree with Vector and consider that by removing the reference, pressure constraints across the system can now be modelled to comply with contractual requirements and to reflect operational security margins.

Nominal and constant price expenditure forecasts

- 4.15 It was our intention that suppliers would provide commentary on the variance for all disclosure years described in Schedule 11a and 11b.
- 4.16 However, MainPower has sought clarity on when the variance analysis is required as part of the mandatory explanatory notes.
- 4.17 We agree with MainPower that our intention may not have been clear and have clarified the expenditure period for which suppliers are required to comment on the difference between the nominal and constant price forecasts.

⁵⁴ Commerce Commission “Issues Register for Electricity and Gas Information Disclosure”, above n 6, at issue 151.

5. EDB network information

Purpose of this chapter

- 5.1 This chapter explains our reasons for the amendments to the EDB network information requirements.
- 5.2 Table 5.1 sets out the amendments to EDB network information.

Table 5.1: Amendments to EDB network information

Area of amendments	Amendment	Affected schedules
EDB network information	Clarified terms relating to zone substations; including ‘installed firm capacity’ and ‘transfer capacity’	EDB Schedule 12b(i) EDB Schedule 16 definitions
	Consolidated terms relating to consumer connections	EDB Schedule 9e(i) EDB Schedule 12c(i)
	Allowed EDBs to estimate the capacity of non-EDB owned transformer capacities	EDB Schedule 9e(iii)

Zone substation capacity disclosures

- 5.3 Powerco suggested that we extend the zone substation definition for ‘installed firm capacity’ to cover outages of the highest capacity circuit supplying the substation. Powerco also suggested that we clarify the definition for ‘transfer capacity’ by specifying timeframes and circuits for transfer. The zone substation definitions are used to complete Schedule 12(i). These issues were included in the issues register.⁵⁵
- 5.4 We amended these definitions generally in line with the suggestion by Powerco. We considered the definition amendments to be appropriate because the amendments recognise that firm capacity of a substation is not necessarily limited by the capacity of the highest capacity transformer.

⁵⁵ Commerce Commission “Issues Register for Electricity and Gas Information Disclosure”, above n 6, at issues 342, 344-345.

- 5.5 We have extended the definition of ‘installed firm capacity’ to cover potential outages of “the highest capacity circuit supplying the substation”. However, we did not extend the definition of ‘installed firm capacity’ to all upstream constraints, including Transpower assets. The reason for not including all upstream constraints is that different EDBs use different (and sometimes complex) methods to classify the security of supply of assets when considering all upstream equipment. Including consideration of circuits directly supplying the substations improves the definition, while still enabling the classification to remain relatively simple and consistent across all EDBs.
- 5.6 Powerco (supported by Vector) also suggested we extend the definition of ‘security of supply classification’ to include consideration of all upstream equipment, including Transpower’s assets.⁵⁶ Powerco and Vector noted that it is common industry practice or industry standard to include upstream assets in the security class assessment of a substation. Powerco noted that our proposal to amend the definition of ‘installed firm capacity’ but not the definition of ‘security of supply classification’ would create a disconnect, and proposed that both ‘security of supply classification’ and ‘installed firm capacity’ be defined as functions of all upstream equipment, including Transpower’s assets.
- 5.7 In its submission on the technical consultation paper, Powerco raised an additional concern that, with the security of supply classification not including upstream equipment, the company must manage two sets of spreadsheets. The ENA, in its submission on the technical consultation paper, stated that it supported Powerco’s suggestion that we amend both definitions to be functions of all upstream equipment.⁵⁷
- 5.8 We are aware that EDBs do not necessarily use consistent approaches in their supply planning to assess security of supply. For example, the security categorisation methods and depictions in the Powerco and Vector AMPs differ, both from each other and from the transformer redundancy count disclosed in Schedule 12(i). Maintaining the simple substation transformer redundancy metric for the Schedule 12(i) disclosure helps to ensure that we do not unintentionally encourage the use of specific methods in supply planning. We also note that an extended security definition could incorporate more constraints that are outside the ownership and responsibility of the EDBs.

⁵⁶ Ibid, at issue 343 and Vector “Submission on Proposed amendments for 2015 to information disclosure determinations” (19 December 2014), at page 15.

⁵⁷ ENA “Submission on the proposed amendments for 2015 to the information disclosure determination for electricity distribution services – Technical consultation paper” (6 March 2015), at page 12.

- 5.9 We consider that including upstream constraints in the ‘installed firm capacity’ term and excluding upstream constraints from the ‘security of supply classification’ provides a sufficiently rich set of information in a consistent schedule form to help interested persons assess expenditure drivers. The ‘installed firm capacity + five years’ data, along with the cause of the constraint, is particularly useful when considering forecast expenditure. We consider that the exclusion of upstream constraints from the ‘security of supply classification’ does not distract from the usefulness of the ‘installed firm capacity + five years’ information and suppliers can provide further explanation of constraints in their AMP if required.
- 5.10 Vector has also proposed that we add a column to the zone substation system growth information table. Vector has suggested adding this column to seek confirmation as to whether each substation is operating within the EDB’s security standards.⁵⁸ We consider that this amendment is not necessary as the information may be entered in the ‘explanation’ column of the table.⁵⁹

Capacity of distribution generation installed in year

- 5.11 Wellington Electricity requested clarification of the information required to be disclosed about distributed generation.⁶⁰ We agree that the requirement could be clarified and so we have consolidated terms used in the demand and forecast schedules (schedules 9e(i) and 12c(i)). The changes clarify that the disclosures relate to the gross increase in distributed generation capacity from adding distributed generation to the network.
- 5.12 We have deferred amending the disclosures relating to consumer types and number of connections until full consideration can be given to the terms ICP, consumer and connection.

Non-coincident maximum system demand

- 5.13 Vector has proposed that suppliers disclose ‘non-coincident maximum system demand’ rather than ‘maximum coincident system demand’.⁶¹ We consider ‘maximum coincident system demand’ to be the better measure as it is needed to calculate load factor. Accordingly, we have not amended this disclosure requirement. Suppliers wishing to disclose non-coincident maximum system demand may include the information as a voluntary explanatory note in Schedule 15.

⁵⁸ Ibid, at Schedule 12b(i).

⁵⁹ Ibid.

⁶⁰ Commerce Commission “Issues Register for Electricity and Gas Information Disclosure”, above n 6, at issue 43.

⁶¹ Ibid, at issue 373.

Transformer capacity

- 5.14 Vector has suggested that suppliers should not have to disclose non-EDB owned transformer capacity in Schedule 9e(iii).⁶² We do not agree with Vector. We have retained the original disclosure so that interested persons continue to have the opportunity to calculate the capacity utilisation of the network as a whole. More detailed analysis of disaggregated data will also still be possible using data from Schedule 12b.
- 5.15 We consider that it is important to retain the inclusion of non-EDB owned transformers in the data to ensure consistency between EDBs and across time despite potentially different or changing policies on transformer ownership.
- 5.16 We may seek further feedback on the use of the total distribution transformer capacity during a future round of amendments. We may also further consider the data required for additional summary and analysis that we may carry out.
- 5.17 To address the issue that EDBs may not always be privy to information about non-EDB owned transformers capacity, we have amended the definition of distribution transformer capacity (non-EDB owned) so that EDBs can estimate the capacity of these transformers where the information is not easily obtainable.

⁶² Commerce Commission “Issues Register for Electricity and Gas Information Disclosure”, above n 6, at issue 372 and Vector “Submission on Proposed amendments for 2015 to information disclosure determinations” (19 December 2014), at page 15.

6. GDB network information

Purpose of this chapter

- 6.1 This chapter explains our reasons for the amendments to the GDB network information requirements.
- 6.2 Table 6.1 sets out the amendments to GDB network information.

Table 6.1: Amendments to GDB network information

Area of amendments	Amendment	Affected schedules
GDB network information	Amending terms describing gas volumes	GDB Schedule 1(i) GDB Schedule 9d(ii) GDB Schedule 12c(ii) GDB Schedule 16 definitions

Gas volumes

- 6.3 We consolidated terms used to describe the monthly amount of gas entering a network. Powerco questioned whether both ‘maximum monthly load’ and ‘maximum monthly amount of gas entering network’ are required.⁶³ Previously both terms were used and produced the same information. We have therefore removed the line containing ‘maximum monthly amount of gas entering network’ from the disclosure.
- 6.4 Vector has also requested the removal of terms describing aggregate overall load.⁶⁴ We consider that the disclosure of ‘maximum daily load’ and ‘maximum monthly load’ provides meaningful information and should continue to be disclosed. ‘Maximum daily load’ is an important measure for managing and understanding the limits of the network. ‘Maximum monthly load’ has been used in past calculations and measurements (e.g. utilisation), and provides an indicator of network performance and overall network load demand growth.

⁶³ Commerce Commission “Issues Register for Electricity and Gas Information Disclosure”, above n 6, at issue 341.

⁶⁴ Ibid, at issue 371.

Information by operating pressure

- 6.5 Vector has suggested that the requirement for disaggregating metrics by operating pressure in the GDB should be removed because it requires considerable resources and is not used internally.⁶⁵ As discussed in the reasons paper supporting the original ID determinations, due to the similarity of characteristics of network assets within the same operating pressure the information enables interested persons to compare information (such as expenditure and expenditure drivers) across networks. We have therefore retained the disclosure.⁶⁶

⁶⁵ Ibid, at issue 370 and Vector “Submission on Proposed amendments for 2015 to information disclosure determinations” (19 December 2014), page 17.

⁶⁶ Commerce Commission “Information Disclosure for Electricity Distribution Businesses and Gas Pipeline Businesses: Final Reasons Paper”, above n 2, at paragraph 5.66.

7. GTB network information

Purpose of this chapter

7.1 This chapter explains our reasons for the changes to the GTB network information.

7.2 Table 7.1 sets out the amendments to GTB network information.

Table 7.1: Amendments to GTB Network Information

Area of amendments	Amendment	Affected clauses and schedules
GTB Network Information	Consolidate GTB terms used to describe intake volume, injection volume and offtake volume	GTB Schedule 1(i)-1(ii) GTB Schedule 9d(i)-(ii) GTB Schedule 12b(ii) GTB Schedule 16 definitions
	Clarify that GTB 'new connections' and 'gas volumes and connections' disclosures relate to injection and offtake points	GTB Schedule 9d(i)-(ii) GTB Schedule 12b(i) GTB Schedule 16 definitions
	Clarify the requirement to disclose connection types	
	Change the count of the number of offtake points to a count of connection points	GTB Schedule 9c GTB Schedule 9d(iii)
	Clarify terms used to describe GTB 'gas conveyed'	GTB Schedule 12b(ii) GTB Schedule 16 definitions
	Remove the requirement to disclose the maximum allowable operating pressure for each transmission system	GTB Schedule 9c
	Enhance GTB 'unaccounted for gas disclosure' by adding table showing gas entering the system from other systems owned by GTB	GTB Schedule 9d(iii) GTB Schedule 16 definitions
	Change the specified days that information concerning transmission system capacity reservations applies to 'pricing year'	GTB clause 2.5.4(4) GTB Schedule 16 definitions
	Remove the line items for "Change in LinePack" and "unaccounted for gas" in the forecast of "Gas conveyed"	GTB Schedule 12b

Intake, injection and offtake volume

- 7.3 We have consolidated and clarified the terms used to describe quantity of gas entering the network, quantity of gas entering the system and quantity of gas delivered. This change was intended to avoid uncertainty amongst suppliers and to make it easier for interested parties to understand the intake, injection and offtake volumes of the suppliers.
- 7.4 We have standardised the terms as follows:
- 7.4.1 'quantity of gas delivered (TJ)' to describe offtake volume;
 - 7.4.2 'gas entering the network (TJ)' to describe injection volume; and
 - 7.4.3 'gas entering the system (TJ)' to describe injection and intake volume.
- 7.5 We have changed the terms used to describe 'billed quantities' in Schedule 8(ii) to provide a clearer reference to the defined term 'billed quantities'. Billed quantities are required to reflect the quantities associated with each price component.⁶⁷

'Connection capex', 'Gas volumes and connections' and 'new connections'

- 7.6 We have amended schedules 9d(i), 9d(ii) and 12b(i) and associated definitions to clarify the disclosure relates to both injection and offtake points. The disclosure provides more meaningful information for analysis of consumer connection expenditure if new injection volumes and points are included.
- 7.7 We have also changed the requirement to disclose information relating to a number of parameters to a disclosure by types of connection point, rather than disclosure by consumer type. Those parameters are capital expenditure on Consumer Connections (Schedule 6a(iii)), Number of new Connections (Schedule 9d(i)), Gas Volumes and Connections (Schedule 9d(ii)) and forecast number of connections (Schedule 12b(i)).
- 7.8 We have made this change from disclosure by consumer type to disclosure by connection type because the changed requirement will provide information that is more meaningful. We have replaced the term 'consumer type' used in 6a(iii), 9d(i), 9d(ii) and 12b(i) with 'connection type', refined the 'connection type' defined term and deleted the definition of 'consumer type'.

⁶⁷ Commerce Commission "Gas Transmission Information Disclosure Determination 2012" (1 October 2012), at Schedule 16.

Gas conveyed

- 7.9 We have refined the GTB terms used to describe gas conveyed in Schedule 9d(iii). Making this amendment should improve the clarity of the schedule.
- 7.10 We have also inserted definitions for the terms ‘unaccounted for gas’ and ‘total gas conveyed’ in Schedule 16. We understand that these changes better align to the definition of ‘unaccounted for gas’ in the Vector Transmission Code and accordingly the definition is more consistent with that used in the industry.⁶⁸ ‘Total gas conveyed’ now includes ‘vented gas’.

Maximum allowable pressure

- 7.11 We have removed the requirement to disclose the maximum allowable operating pressure (MAOP) for each transmission system in Schedule 9c as there is not just one MAOP for each transmission system, but multiple such MAOPs in different parts of a transmission system.

Unaccounted for gas

- 7.12 We added a table in Schedule 9d(iv) disclosing the amount of gas entering the system from other systems owned by the GTB. Vector has suggested that an extra table describing this information will help explain the difference between gas entering the network and gas entering the transmission systems.⁶⁹ We agree with Vector. Amending the disclosure is also helpful in the analysis of ‘unaccounted for gas’ for each system.

Forecasts of ‘change in line pack’ and ‘unaccounted for gas’

- 7.13 We have removed the requirement to disclose forecasts in Schedule 9c of change in line pack and unaccounted for gas as it is not feasible to forecast meaningful values for these parameters. These parameters are essentially random in nature and so forecasts are not generally feasible.

Transmission system capacity reservations

- 7.14 We have changed the specified days for which information concerning transmission system capacity reservations is disclosed. Changing the reference in clause 2.5.4(4) from ‘disclosure year’ to ‘pricing year’ allows interested persons to identify reservation changes that occur at the beginning of a new pricing year.

⁶⁸ Vector “Vector Transmission Code” (1 October 2014), at page 15.

⁶⁹ Commerce Commission “Issues Register for Electricity and Gas Information Disclosure”, above n 6, at issue 415.

Responses to submissions on the revised draft

- 7.15 We received submissions from MDL and Vector on GTB network information in the technical consultation paper. Our response to the drafting proposals in these submissions is set out in Appendix D – responses to submissions regarding drafting.

8. Disclosure of Errors

Purpose of this chapter

- 8.1 This chapter outlines our reasons for the new disclosure of errors requirement and associated policy decisions introduced during this round of amendments.
- 8.2 Table 8.1 sets out the policy decisions for the disclosure of error requirements.

Table 8.1: Policy decisions for the disclosure of error requirements

Area of amendment	Amendment	Affected clauses and schedules
Disclosure of errors in previously disclosed information	<p>Suppliers must disclose information about errors in previously disclosed information if:</p> <ul style="list-style-type: none"> the error is material; or the error is not material but the supplier wants to reflect the corrected information in succeeding disclosures. <p>Disclosures reliant on previous disclosures must be consistent with the previous disclosure unless an error disclosure has been made</p> <p>Errors are defined to align with the purpose of information disclosure</p> <p>Information about errors is required to be disclosed within seven months of identifying the error</p> <p>The certification and audit of errors is to be to the same standard as the original disclosure</p> <p>Materiality will continue to be assessed by suppliers, directors and assurance providers based on the relevant reporting and professional standards</p>	<p>Clause 1.4.3 definitions</p> <p>Clause 2.12</p> <p>Schedule 14</p>

- 8.3 This chapter also discusses how previous and revised data or statements are to be disclosed in the error disclosure.

Disclosure of errors in previously disclosed information

- 8.4 We have included a new requirement for suppliers to make disclosures about errors in information disclosed in accordance with the ID determinations. The ID determinations had previously not explicitly provided for the correction or re-disclosure of errors.
- 8.5 The new requirement:
- 8.5.1 allows succeeding disclosures to be based on corrected information;

- 8.5.2 allows interested parties to more accurately assess performance of suppliers over time;
 - 8.5.3 provides clarity on the steps required when errors in previously disclosed information are identified; and
 - 8.5.4 provides certainty to the Commission and interested parties that material errors and their effects are able to be considered in the assessment of performance.
- 8.6 Suppliers must disclose information about errors in previously disclosed information if:
- 8.6.1 the error is material; or
 - 8.6.2 the error is not material but the supplier wants to reflect the corrected information in succeeding disclosures.

Disclosures must be consistent with prior disclosures

- 8.7 We have made it explicit in the ID determinations that disclosures that reference or rely on previous disclosures must be consistent with the previous disclosure unless an error disclosure has been made.⁷⁰
- 8.8 It is important that information only be corrected in opening balances when an error disclosure, as outlined in the new requirement, has been made. If suppliers were able to make corrections to previously disclosed information without the appropriate error disclosures:
- 8.8.1 interested persons would not be able to identify where an error has been corrected or reconcile balances that reference or rely on previous disclosures;⁷¹
 - 8.8.2 amended disclosures would not be subject to the required certification and assurance; and
 - 8.8.3 there is a risk the assessment of profitability may not consider all relevant items.⁷²

⁷⁰ For example - Commerce Commission “Electricity Distribution Information Disclosure Determination 2012 – (consolidated in 2015)”, at clause 2.12.3.

⁷¹ Disclosures that reference or rely on previous disclosures includes, but is not limited to total opening RAB value, tax balances, cost allocation information, forecast information and asset register information.

⁷² The assessment of profitability relies on movements in the RAB and other regulatory balances being recorded in the identified roll forward items. When opening balances do not equal closing balances it means that not all movements are available for the assessment of supplier profitability.

- 8.9 Submitters had requested that suppliers be able to correct non-material errors without making an error disclosure or that a less onerous requirement be established for non-material errors.
- 8.10 We consider it important that, for the reasons outlined in paragraph 8.8, information only be corrected in opening balances when an error disclosure has been made. If the error is not material, suppliers have the option to not correct the information in opening balances and instead treat the error as a prior period non-material error would be treated in statutory financial statements.
- 8.11 The error disclosure requirement does not require disclosure of non-material errors made prior to the date these amendments to the ID determinations came into effect. We are aware that suppliers may have in the past made non-material changes to opening balances to correct prior disclosure errors and it is not our intention for suppliers to go back and make an error disclosure for each of these.
- 8.12 However, suppliers are required to make an error disclosure where there has been a material error in a prior disclosure, irrespective of whether the disclosure was corrected in an opening balance.

Definition of error is aligned to the purpose of information disclosure

- 8.13 We have established a definition of error that aligns with the purpose of information disclosure.⁷³ A summary of what is and what is not required to be disclosed is outlined in Table 8.2.
- 8.14 Non-material errors, changes to estimates due to new information becoming available and errors disclosed under previous ID requirements have been excluded from the error disclosure requirements. These exclusions are aimed at getting an appropriate balance between making error free information available for interested persons while not over burdening suppliers' disclosure requirements.
- 8.15 We consider that non-material items do not need to be corrected as, by definition, they could not reasonably be expected to influence relevant decisions of intended users.
- 8.16 Changes to estimates due to new information becoming available are not considered to be errors. These changes have been excluded from the error disclosure requirements as they would make a continuous disclosure requirement for suppliers which would be difficult to manage.

⁷³ The purpose of information is to ensure that sufficient information is readily available to interested persons to assess whether the purpose of this Part is being met.

- 8.17 Only errors in information disclosed under the 2012 ID determinations require error disclosures as the likely cost of correcting errors in information disclosed in accordance with the preceding requirements are expected to exceed the benefit. The value of correcting this information is deemed low because of the break in continuity resulting from the change in requirements and because of the age of the disclosures.

Table 8.2: Summary of errors requiring disclosure

Errors requiring disclosure	Errors not requiring disclosure
Data is incorrect	The error was disclosed under disclosure requirements preceding the 2012 ID determinations
A statement is incorrect	The correction is to the initial RAB
The compilation of disclosed information is inconsistent with the ID determinations in place at the time	An estimate has changed due to new information becoming available
	The change is a lost or found assets adjustment
	The error is not material

- 8.18 Corrections to the initial RAB are excluded from the disclosure of error requirements. The Commission, when establishing the IM determinations, noted that suppliers will not be permitted to revisit aspects of the initial RAB value at a future date.⁷⁴
- 8.19 Adjustments for lost and found assets are excluded from the error disclosure requirements because they are already provided for in the RAB roll forward and regulatory tax asset base roll forward.⁷⁵
- 8.20 The definition of error makes clear that it does not require or allow for the correction of information where suppliers adjust a compilation methodology and the original methodology was consistent with the ID determinations in place at the time of the disclosure. This correction is excluded because the disclosure was consistent with the requirements in place at the time of the disclosure.

⁷⁴ Commerce Commission “Input Methodologies (Electricity Distribution and Gas Pipeline Services) Reasons Paper”, above n 45, at paragraph E2.8.

⁷⁵ For example – Commerce Commission “Electricity Distribution Information Disclosure Determination 2012 – (consolidated in 2015)”, at clause 1.4.3, definition of ‘Lost and found assets adjustment’.

- 8.21 Submitters, during the consultation process, suggested the definition of errors should align to the Generally Accepted Accounting Practice (GAAP) requirement.⁷⁶ We have not relied on the NZIAS 8 definition of ‘prior period error’ because the NZIAS definition includes only errors arising from a failure to use, or misuse of, information that could have reasonably been expected to be obtained and taken into account.⁷⁷
- 8.22 If a disclosure is identified as having an error in it we believe it should be corrected, subject to the exclusions outlined in the ID determinations, irrespective of whether the information was reasonably expected to be obtained and taken into account. We note, however, that where the information is an estimate it does not require an error disclosure.⁷⁸

Information is required to be disclosed within seven months of identifying the error

- 8.23 We have set a maximum time of seven months, from identifying an error, for suppliers to make the required error disclosures. We consider that the seven months provides appropriate time for suppliers to confirm, certify and audit the disclosure, where required. We also consider that it provides suppliers with the ability to group errors where multiple errors are identified during the year. This reduces the likelihood of there being more than two error disclosures required in any given year.
- 8.24 We have also extended the timeframe beyond what was proposed during the consultation so a single accurate disclosure can be made for each error. Including the certification and audit in the initial disclosure reduces the likelihood of multiple corrections being disclosed.
- 8.25 Extending the initial disclosure by seven months to improve accuracy will have an effect on the timeliness of the disclosure. However, we note the value of timely information and we would encourage disclosure earlier than the maximum seven months where appropriate. We also note that price-quality paths can be reconsidered where the decision has relied on information that has an error in it.⁷⁹

⁷⁶ Maui Development Limited “Submission on draft decision – Amendments to information disclosure requirements” (19 December 2015), at page 6.

⁷⁷ Financial Reporting Standards Board of the New Zealand Institute of Chartered Accountants “New Zealand Equivalent to international Accounting Standard 8: Accounting Policies, Changes in Accounting Estimates and Errors (NZ IAS 8)” (31 October 2010), at pages 10 and 11.

⁷⁸ Examples of estimates include information used to establish forecasts, asset lives, distribution transformer capacity (non-EDB owned) and accruals.

⁷⁹ For example – Commerce Commission “Electricity Distribution Information Disclosure Determination 2012 – (consolidated in 2015)”, at clause 4.5.2.

- 8.26 We have provided provision for suppliers to transition to this requirement.⁸⁰ The transitional provision allows suppliers an initial period to disclose errors in information identified prior to the requirement coming into effect.

Certification and audit of an error disclosure

- 8.27 The certification and assurance of errors shall have the same standard as the original disclosure except for the certification and assurance of indirectly affected disclosures.
- 8.28 Certification and assurance of an error disclosure shall have the same standard as the original disclosure so that the corrected disclosure has the same assurance and certification as the original disclosure.
- 8.29 The error disclosure certification and assurance is not limited to the part of the data or statement that has been identified as being incorrect.⁸¹ The error disclosure certification and audit is of everything that makes up the data or statement including the error. This all-inclusiveness facilitates all aspects of the data or statement, material or not, to be considered when determining whether a disclosure has an error in it. Accordingly if two errors net off so that the data or statement is still materially correct, then an error disclosure is not required.
- 8.30 We have set a reduced certification and audit requirement for indirectly affected data or statements.⁸² We do not believe the benefit will exceed the cost of requiring suppliers to re-certify and obtain independent assurance on information that is only indirectly affected by an error.⁸³ The certification and assurance required for indirectly affected data and statement disclosures is whether the disclosed error has been correctly reflected in the revised indirectly affected data and statements.

⁸⁰ For example - Commerce Commission “Electricity Distribution Information Disclosure Determination 2012 – (consolidated in 2015)”, at clause 2.13.4.

⁸¹ References to ‘data and statement’ refer to data points or statements included in a disclosure.

⁸² When disclosing an error, suppliers are required to disclose all numbers that are affected by the error.

⁸³ Indirectly affected data and statements are those data or statements which are incorrect only because they relied on disclosed data or statements that are affected by an error.

Request for definition of materiality

- 8.31 We have decided not to define materiality and instead we refer suppliers and their independent auditors to their relevant reporting and professional standards. Submitters raised concerns about the lack of guidance from the Commission and the difficulty suppliers have had in ensuring their interpretation of materiality is consistent with the Commission's.⁸⁴
- 8.32 We have decided not to specify a uniform quantitative threshold or predetermine what could be relevant in determining materiality because materiality is an entity and disclosure specific consideration that is based on the nature or magnitude, or both, of an item in the context of the information being disclosed. Providing specific guidance on materiality may put the Commission at risk of overriding or contradicting relevant standards and it would also represent only one intended user's view.
- 8.33 In applying materiality we would expect suppliers and their auditors to consider how disclosures are being used by interested persons as well as the Commission.
- 8.34 Suppliers should refer to generally accepted accounting practices for guidance on establishing materiality.
- 8.35 The suppliers' independent auditor should refer to their relevant assurance standards including those specified in the ID determinations. The ID determinations require the independent auditor to apply assurance standards SAE 3100 and ISAE (NZ) 3000. SAE 3100 outlines how auditors should apply materiality in relation to potential and detected compliance risk as well as in relation to compliance systems.⁸⁵ ISAE (NZ) 3000 outlines how auditors should determine and apply materiality in assurance engagements other than audits or reviews of historical financial information.⁸⁶

⁸⁴ Counties Power "Counties Power Submission on 2015 Proposed Amendments to Information Disclosure Determinations for Electricity Distribution Services", at page 1 and Maui Development Limited "MDL submission - on draft decision - amendments to information disclosure requirements", at page 6.

⁸⁵ External Reporting Board "Standard on Assurance Engagements 3100 Compliance Engagements" (August 2011).

⁸⁶ External Reporting Board "International Standard on Assurance Engagements (New Zealand) 3000 (Revised)" (July 2014).

- 8.36 Paragraphs A92 to A100 of ISAE (NZ) 3000 provides helpful guidance as to how materiality can be determined. This could be a helpful reference point for both the independent auditors and suppliers. There is also the audit exposure draft ISA (NZ) 320 that could provide helpful guidance.⁸⁷
- 8.37 We note that directors and assurance practitioners apply materiality concepts under financial reporting standards and therefore the application of these concepts should not be foreign to them.
- 8.38 We also note the ID determinations allow suppliers to disclose material and non-material items without identifying them as material or not. This means suppliers do not have to come up with a definitive application of materiality. It does, however, encourage disclosure where judgement may be involved.

Disclosure of previous and revised data or statements

- 8.39 We have not specified how previous and revised data or statements affected by an error are required to be disclosed.⁸⁸
- 8.40 We have not specified how this information should be disclosed because there are multiple scenarios as to the types of information and level of data and statements that will be required to be disclosed under this requirement. The types of information and level of data and statements will depend on the nature of the error and what data and statements are indirectly affected by the error.
- 8.41 When suppliers make this disclosure we recommend suppliers consider how the information will be best understood by the reader.

⁸⁷ New Zealand Institute of Chartered Accountants "Exposure Draft International Standard on Auditing (New Zealand) 320 Materiality in Planning and Performing an Audit" (September 2008).

⁸⁸ The requirement to disclose previous and revised data and statements included in the ID requirements at clause 2.12.1.

9. Director certifications and transitional provisions

Purpose of this chapter

- 9.1 This chapter outlines our reasons for the amendments to director certifications and transitional requirements.
- 9.2 Table 9.1 sets out the amendments to director certifications and transitional requirements.

Table 9.1: Amendments to director certifications and transitional requirements

Area of amendment	Amendment	Affected clauses and schedules
Cost allocation Director Certification	The year-end director certification will certify optional variance to accounting-based allocation approach (OVABAA) adjustment information where relevant	EDB Schedule 18 GDB and GTB Schedule 19
Transitional Requirements	<p>Transitional provisions that no longer apply are removed</p> <p>Transitional provisions are provided to transition in this round of amendments for:</p> <ul style="list-style-type: none"> • Powerco’s gas distribution year-end disclosures due prior to 1 April 2015; • EDB year-beginning disclosures due prior to 1 April 2015; • GasNet’s and Vector’s gas pipeline businesses’ year-beginning disclosures due prior to 1 July 2015; and • the disclosure of errors <p>Suppliers are required to disclose prior year ROIs consistent with the revised ROI calculation</p>	<p>GDB clauses 2.3.1, 2.3.2, 2.4.21, 2.4.22, 2.5.1, 2.5.2 and 2.7.1</p> <p>Clause 2.6.6</p> <p>Clause 2.7.2</p> <p>Clause 2.9.1</p> <p>GDB clause 2.9.3</p> <p>Clause 2.12 (previous determinations)</p> <p>Clause 2.13</p> <p>Schedule 1-10</p> <p>Schedule 5h (previous determinations)</p> <p>EDB Schedule 5i (previous determinations)</p> <p>Schedules 11x-12x</p> <p>Schedule 14a</p> <p>Schedule 16 definitions</p> <p>Schedule 17</p> <p>EDB Schedule 18, GDB and GTB Schedule 19</p> <p>EDB Schedule 19, GDB and GTB Schedule 20 (previous determinations)</p>

Cost allocation Director Certification

- 9.3 We have updated the director certification required for year-end disclosures. The director certification now provides for optional variance to accounting-based allocation approach (OVABAA) adjustment as allowed for in the IM determinations.⁸⁹
- 9.4 The IM reasons paper outlines the Commission’s decision to require directors to certify the appropriateness of the decision to include an OVABAA adjustment in the suppliers cost allocation.⁹⁰ This amendment to the ID requirements implements that decision.

Transitional requirements

- 9.5 This section outlines our reasons for the amendments to the transitional requirements. We have removed expired transitional requirements and provided transitional requirements for Powerco’s GDB year-end disclosures due 1 April 2015, EDB’s year-beginning disclosures due 1 April 2015, and GasNet and Vector’s GPB year-beginning disclosures due 1 July 2015 which have been impacted by the amendments.

Removing expired transitional requirements

- 9.6 We have removed from the ID determinations the transitional provisions that no longer have an effect. These transitional provisions allowed suppliers to transition into the original ID determinations.⁹¹ These requirements no longer apply because their applicable time period has passed. We have removed the expired requirements to reduce the length of the ID determinations and improve their readability. We have also removed the relevant references and terms that applied only to the removed transitional requirements.
- 9.7 The GDB and GTB transitional AMP requirements continue to apply until the end of the first DPP regulatory period.

⁸⁹ Commerce Commission “2015 Amendment to the Electricity Distribution Information Disclosure Determination 2012” (24 March 2015), at Schedule 18, Commerce Commission “2015 Amendment to the Gas Distribution Information Disclosure Determination 2012” (24 March 2015), at Schedule 19, and Commerce Commission “2015 Amendment to the Gas Transmission Information Disclosure Determination 2012” (24 March 2015), at Schedule 19.

⁹⁰ Commerce Commission “Input Methodologies (Electricity Distribution and Gas Pipeline Services) Reasons Paper, above n 48, at paragraph B6.6.

⁹¹ The transitional provisions were introduced to address four distinct objectives as discussed within the reasons paper. Commerce Commission “Information Disclosure for Electricity Distribution Businesses and Gas Pipeline Businesses: Final Reasons Paper”, above n 2, at page 109.

New transitional requirements

- 9.8 The new transitional provisions address three distinct objectives:
- 9.8.1 To recognise that suppliers may have completed or progressed disclosures related to obligations under the original ID determinations which have been revised under these amendments;
 - 9.8.2 To require completion of ROI information in accordance with the new requirements within Schedule 2 which relates to previous disclosure years; and
 - 9.8.3 To allow suppliers time to meet their obligations for the disclosure of material errors.

Suppliers who have completed or largely completed disclosures under the original ID determinations

Powerco's year-end disclosures

- 9.9 We have provided mandatory transitional provisions for Powerco's GDB year-end 2014 disclosures due 1 April 2015.
- 9.10 We have included mandatory transitional provisions for Powerco to provide comparability with Vector and GasNet's GDB year-end 2014 disclosures due 1 January 2015. As outlined in Chapter 2, we have changed the ROI calculation and consider that Powerco's year-end information will be more useful for comparability by using the ROI calculation used in previous schedules.
- 9.11 In providing transitional provisions for Powerco, we have also noted their submission suggesting that they have insufficient time to complete their year-end 2014 disclosures under the GDB amendment determination.⁹²
- 9.12 Under the transitional provisions, Powerco is required to complete and publicly disclose their year-end 2014 disclosures under the original GDB determination, rather than the GDB amendment determination.^{93 94}

⁹² Powerco "Submission on Proposed amendments for 2015 to information disclosure determinations for electricity distribution and gas pipeline services" (19 December 2014), at page 3.

⁹³ Commerce Commission "2015 Amendment to the Gas Distribution Information Disclosure Determination 2012" (24 March 2015), at clause 2.13.1.

⁹⁴ For the year-end 2014 disclosure, Powerco will disclose the previous version of Schedules 1-10b, rather than the latest version of Schedules 1-10b. In completing the previous version of Schedules 1-10b,

EDBs year-beginning disclosures

- 9.13 We have provided transitional provisions for EDB's year-beginning 2016 disclosures which have been impacted by the amendments.
- 9.14 We have provided transitional provisions for EDBs as they would have insufficient time to complete their year-beginning 2016 disclosures under the EDB amendment determination. We have provided mandatory provisions as we require that information is provided on a consistent and therefore, comparable, basis. We see this consistency as important for EDBs as there are 29 suppliers subject to the EDB ID determinations. If EDBs were to disclose on an inconsistent basis, it would be administratively difficult for the Commission to manage.
- 9.15 ENA has suggested that transitional requirements should not be required for EDBs and exemptions should be granted for individual suppliers who have insufficient time to complete their year-beginning 2016 disclosures in accordance with the EDB amendment determination.⁹⁵ We consider it would be unlikely for EDBs to be able to apply for and be issued exemptions between the timing of issuing the amendments and 1 April 2015.
- 9.16 Accordingly we have provided transitional provisions which allow suppliers to complete year-beginning 2016 disclosures under the original EDB ID determination rather than the EDB amendment determination where the requirements have changed.⁹⁶
- 9.17 Although certain EDBs may have sufficient time to complete their year-beginning disclosures under the EDB amendment determination, the need for comparable information from 29 suppliers has meant that we require all EDBs to disclose using the same determination for the upcoming year-beginning disclosure.
- 9.18 Therefore, EDBs will be compliant with the ID determinations if they disclose the previous version of schedules 11a-12d, rather than the latest version of schedules 11a-12d.⁹⁷

Powerco must use definitions from clause 1.4.3 and Schedule 16 of the original GDB determination, rather than the definitions applying to those schedules from the GDB amendment determination.

⁹⁵ ENA "Submission on the proposed amendments for 2015 to the information disclosure determinations for electricity distribution services: final submission", above n 22, at pages 3-4.

⁹⁶ Commerce Commission "2015 Amendment to the Electricity Distribution Information Disclosure Determination 2012" (24 March 2015), at clause 2.13.1.

⁹⁷ In completing the previous version of Schedules 11a-12d, EDBs must use the definitions from clause 1.4.3 and Schedule 16 of the original EDB determination, rather than definitions applying to those schedules from the EDB amendment determination.

GPBs year-beginning disclosures

- 9.19 We have provided optional transitional provisions for GasNet and Vector's GPB year-beginning 2016 disclosures.
- 9.20 We are providing transitional provisions for GasNet and Vector's GPB year-beginning 2016 disclosures as they may have insufficient time to complete their disclosures due 1 July 2015.
- 9.21 In providing optional transitional provisions for GasNet and Vector's GPB year-beginning disclosures, we note that Vector has put 'substantial effort' into completing their year-beginning GPB disclosures under the original ID determination.⁹⁸
- 9.22 Providing transitional provisions will allow GasNet and Vector's GPB to elect whether they complete part of their year-beginning disclosures under the original ID determination or the amendment determination.⁹⁹¹⁰⁰

Director certifications

- 9.23 We have provided optional transitional provisions for EDBs, GasNet and Vector's GPB year-beginning 2016 and Powerco's GDB year-end 2014 director certification disclosures.
- 9.24 We are providing transitional provisions for EDBs, GasNet and Vector's GPB year-beginning 2016 disclosures and Powerco's GDB year-end 2014 disclosures as they may have insufficient time to complete the amended director certifications due 1 April 2015 or 1 July 2015.

⁹⁸ Vector "Submissions on Proposed amendments for 2015 to information disclosure determinations" (19 December 2014), at page 9.

⁹⁹ Commerce Commission "2015 Amendment to the Gas Distribution Information Disclosure Determination 2012" (24 March 2015), at clause 2.13.2, and Commerce Commission "2015 Amendment to the Gas Transmission Information Disclosure Determination 2012" (24 March 2015), at clause 2.13.1.

¹⁰⁰ If GasNet and/or Vector elect(s) to complete under the original determination, they will disclose the previous version of Schedules 11-12, rather than the latest version of Schedules 11-12. If completing the previous version of Schedules 11-12, they must use definitions from clause 1.4.3 and Schedule 16 of the original determination, rather than the definitions applying to those schedules from the amendment determination.

- 9.25 Vector has requested transitional schedules for the certification of year-beginning 2016 disclosures.¹⁰¹ Because the new requirements came into effect 26 March 2015, we have provided optional transitional provisions to allow suppliers to complete our amended director certification schedules for their upcoming disclosures.
- 9.26 Providing transitional provisions will allow EDBs, GasNet and Vector's GPB to elect whether they complete their year-beginning 2016 director certification under the original determinations or the amendment determinations.¹⁰² If EDBs, GasNet and Vector's GPB have complied with the requirements from the clauses described in the year-beginning certifications in the original determinations, for the disclosure year 2016, they have complied with the equivalent clauses in the amendment determinations.
- 9.27 Providing transitional provisions allows Powerco's GDB to elect whether they complete their year-end 2014 director certification under the original determination¹⁰³ or the amendment determination.¹⁰⁴ If Powerco have complied with the requirements from the clauses described in the year-end 2014 director certification in the original determination, for the disclosure year 2014, they have complied with the equivalent clauses in the amendment determinations.

Mandatory explanatory notes on forecast information

- 9.28 We have provided optional transitional provisions for EDBs, GasNet and Vector's GPB year-beginning 2016 mandatory explanatory notes on forecast information.
- 9.29 We are providing transitional provisions for EDBs, GasNet and Vector's GPB year-beginning 2016 disclosures as they may have insufficient time to complete the amended mandatory explanatory notes due 1 April 2015 or 1 July 2015.

¹⁰¹ Vector "Submission on proposed amendments for 2015 to information disclosure determinations: technical services, 23 February 2015" (6 March 2015), at page 4.

¹⁰² Commerce Commission "2015 Amendment to the Electricity Distribution Information Disclosure Determination 2012" (24 March 2015), at clause 2.13.3, Commerce Commission "2015 Amendment to the Gas Distribution Information Disclosure Determination 2012" (24 March 2015), at clauses 2.13.4 and 2.13.5, and Commerce Commission "2015 Amendment to the Gas Transmission Information Disclosure Determination 2012" (24 March 2015), at clause 2.13.3.

¹⁰³ Commerce Commission "Distribution Information Disclosure Determination 2012 (1 October 2012)", at Schedule 19.

¹⁰⁴ Commerce Commission "2015 Amendment to the Gas Distribution Information Disclosure Determination 2012" (24 March 2015), at Schedule 19.

- 9.30 Providing transitional provisions allows EDBs, GasNet and Vector's GPB to elect whether they complete and publicly disclose the mandatory explanatory notes on forecast information for the year-beginning disclosure year either:
- 9.30.1 using the notes in the amendment determination as part of their year-beginning disclosure;¹⁰⁵ or
 - 9.30.2 using the notes in the amendment determination as part of their year-end disclosure;¹⁰⁶ or
 - 9.30.3 using the notes in the original determination as part of their year-beginning disclosure.¹⁰⁷

ROI information relating to prior years

- 9.31 We have established a transitional requirement to make it clear that the prior year ROI disclosures in the 2015 and 2016 disclosure years are required to be recalculated using the revised ROI calculations.¹⁰⁸ This recalculation is required so interested persons have a consistent time series to assess profitability.
- 9.32 Submitters have requested we provide a spreadsheet template to assist with the restatement of the historical ROI disclosures.¹⁰⁹ We are considering this request and will confirm our position prior to the end of April 2015.

¹⁰⁵ Commerce Commission "2015 Amendment to the Electricity Distribution Information Disclosure Determination 2012" (24 March 2015), at Schedule 14a, Commerce Commission "2015 Amendment to the Gas Distribution Information Disclosure Determination 2012" (24 March 2015), at Schedule 14a and Commerce Commission "2015 Amendment to the Gas Transmission Information Disclosure Determination 2012" (24 March 2015), at Schedule 14a.

¹⁰⁶ Commerce Commission "2015 Amendment to the Electricity Distribution Information Disclosure Determination 2012" (24 March 2015), at Schedule 14a, Commerce Commission "2015 Amendment to the Gas Distribution Information Disclosure Determination 2012" (24 March 2015), at Schedule 14a and Commerce Commission "2015 Amendment to the Gas Transmission Information Disclosure Determination 2012" (24 March 2015), at Schedule 14a.

¹⁰⁷ Commerce Commission "Electricity Distribution Information Disclosure Determination 2012" (1 October 2012), at Schedule 14a, Commerce Commission "Gas Distribution Information Disclosure Determination 2012" (1 October 2012), at Schedule 14a and Commerce Commission "Gas Transmission Information Disclosure Determination 2012" (1 October 2012), at Schedule 14a.

¹⁰⁸ For example – Commerce Commission "2015 Amendment to the Electricity Distribution Information Disclosure Determination 2012" (24 March 2015), at clause 2.13.5.

¹⁰⁹ ENA "Submission on the proposed amendments for 2015 to the information disclosure determination for electricity distribution services – Technical consultation paper", above n 57, at page 10.

Reporting of errors

- 9.33 As noted in the chapter on disclosure of errors, we have provided a provision for suppliers who have identified material errors in their past disclosures. Suppliers shall disclose material errors within seven months of identifying the material error or before 1 September 2015.
- 9.34 This transitional provision allows suppliers sufficient time to meet their disclosure obligations as they relate to errors in past disclosures that are known when these amendments to the ID determinations come into effect.

Attachment A: Comparison of ID and price-quality path cash flow timing assumptions

Building block item	Timing assumptions			
	Mid-year ROI	Monthly ROI	DPP decision	CPP IM
Line charge revenue	Evenly during the year but recognising its received 20th of the following month	Each month revenue accrued but recognising its received 20th of the following month	Evenly during the year but recognising its received 20th of the following month	Evenly during the year but recognising its received 20th of the following month
Operating expenditure	Evenly during the year	Each month costs incurred	Evenly during the year	Evenly during the year
Commissioned assets	Evenly during the year	Commissioning month	Evenly during the year	Commissioning date
Disposed assets	Evenly during the year	Disposal month	Year-end	Disposal date
Tax	Evenly during the year	Evenly during the year	Evenly during the year	Evenly during the year
Other regulatory income	Evenly during the year	Each month income accrued	Evenly during the year	Evenly during the year
Term credit spread differential allowance	Year-end	Year-end	Year-end	Evenly during the year

Attachment B: List of pass-through and recoverable costs

B1 The following tables outline the price-quality regulation pass-through and recoverable costs and notes how they are treated in the ID determinations.

Pass-through costs	Treatment in ID	IM clause reference		
		EDB	GDB	GTB
clause 3.1.2				
Rates	Cost	(2)(a)	(2)(a)	(2)(a)
Commerce Act levies	Cost	(2)(b)(i)	(2)(b)(i)	(2)(b)(i)
Industry levies	Cost	(1)(b)(i) and (2)(b)(i)-(iii)	(1)(b)(i) and (2)(b)(i)-(iv)	(1)(b)(i) and (2)(b)(i)-(iii)
CPP specified pass-through costs	Cost	(1)(b)(ii)	(1)(b)(ii)	(1)(b)(ii)
Cost – cost recognised in Schedule 3 Regulatory profit / (loss)				

Recoverable costs	Treatment in ID	IM clause reference		
		EDB	GDB	GTB
Clause 3.1.3				
Net recoverable costs allowed under incremental rolling incentive scheme	Financial Incentive	(1)(a)	(1)(a)	(1)(a)
Electricity lines service charge payable to Transpower	Cost	(1)(b)	n/a	n/a
Transpower new investment contract charges	Cost	(1)(c)	n/a	n/a
System operator services	Cost	(1)(d)	n/a	n/a
Distributed generation allowance	Cost	(1)(e)	n/a	n/a
Purchased assets - avoided transmission charges	Financial incentive	(1)(f)	n/a	n/a
Input methodology claw-back	Wash-up	(1)(g)	(1)(b)	(1)(b)
Balancing gas costs	Cost	n/a	n/a	(1)(c)
Recoverable customised price-quality path costs	Wash-up	(1)(h)-(l)	(1)(c)-(g)	(1)(d)-(h)
Energy efficiency and demand incentive allowance	Financial incentive	(1)(m)*	n/a	n/a
Catastrophic event allowance	Wash-up	(1)(n)*	n/a	n/a
Extended reserves allowance	Cost	(1)(o)*	n/a	n/a

Recoverable costs	Treatment in ID	IM clause reference		
		EDB	GDB	GTB
Clause 3.1.3				
Quality incentive adjustment	Financial incentive	(1)(p)*	n/a	n/a
Capex wash-up adjustment	Wash-up	(1)(q)*	n/a	n/a
Transmission asset wash-up adjustment	Wash-up	(1)(r)*	n/a	n/a
2013-15 NPV wash-up allowance	Wash-up	(1)(s)*	n/a	n/a
Reconsideration event allowance	Wash-up	(1)(t)*	n/a	n/a
Other financial incentives	Financial incentive	Commerce Act 1986 s 53V(2)(c)		
Other wash-ups	Wash-up	Commerce Act 1986 s 53V(2)(c)		
Other recoverable costs excluding financial incentives and wash-ups	Cost	Commerce Act 1986 s 53V(2)(c)		

* - References with an asterisk are to the clauses in IM amendment determination published as part of the electricity price-quality path reset process.¹¹⁰

Cost – recoverable cost recognised in Schedule 3 Regulatory profit / (loss)

Financial incentive – recoverable cost disclosed as a financial incentive in Schedule 2 as part of the ROI profitability assessment

Wash-up – recoverable cost disclosed as a wash-up in Schedule 2 as part of the ROI profitability assessment

¹¹⁰ Commerce Commission “Electricity Distribution Input Methodology Amendments Determination 2014 [2014] NZCC 31” (27 November 2014).

Attachment C: Matters considered as part of this round of amendments

Purpose of this chapter

- C1 This chapter provides an overview of:
- C1.1 the matters considered as part of this round of amendments; and
 - C1.2 the matters deferred for consideration during future rounds of amendments.
- C2 We also provide an overview of how matters considered as part of the default price-quality path applicable to electricity distribution services from 1 April 2015 (electricity price-quality path) were treated in this round of amendments.

Matters considered as part of this round of amendments

- C3 The purpose of this round of amendments is to consider various matters noted in the issues register for electricity distribution and gas pipeline services.¹¹¹ Due to time and resource constraints, not all matters could be addressed in this round of amendments.
- C4 Accordingly, we decided, in consultation with interested parties,¹¹² that this round of amendments would consider matters that:
- C4.1 require little or no consultation; and
 - C4.2 would not lead to multiple amendments to the same information requirements.

Matters that require little or no consultation

- C5 We decided to address matters that required little or no consultation in this round of amendments. These were identified as non-complex, i.e., matters that required no or limited consultation, did not require a fundamental change to the ID determinations and could be addressed without expert resource. Addressing these matters improves the accuracy and presentation of the determinations.
- C6 Amendments that were non-complex and were not expected to require consultation are not discussed in this paper.

¹¹¹ Commerce Commission “Issues Register for Electricity and Gas Information Disclosure”, above n 6.

¹¹² Commerce Commission “Proposed process – Amendments to information disclosure requirements” (23 June 2014).

Matters that reduce the likelihood of multiple amendments to the same information

- C7 Our review of the complex matters was focused on types of disclosed information. Focusing our review of complex matters on types of disclosed information reduces the likelihood of multiple amendments to the same information requirements.
- C8 In response to the process paper consultation, suppliers were generally supportive of carrying out rounds of amendments.¹¹³ However, Vector recommended we should work through a process to resolve all issues and make a single amendment to the ID determinations.¹¹⁴ We accept that Vector’s suggestion could reduce potential confusion from multiple amendments and remove the requirement to prioritise issues. However, we consider the delay in conducting a process addressing all the suggestions from suppliers would outweigh the benefits of completing all amendments at once.
- C9 Table C1 provides an overview of the complex matters considered in this round of amendments, and where they are addressed in this paper.

Table C.1: Overview of matters considered in this round of amendments

Type of disclosure	EDBs	GDBs	GTBs
ROI – assessment of profitability		Chapter 2	
Other financial information		Chapter 3	
Asset management plans		Chapter 4	
Network information	Chapter 5	Chapter 6	Chapter 7
Errors in previously disclosed information		Chapter 8	
Director certifications and transitional requirements		Chapter 9	

Matters deferred to future rounds of amendments

- C10 Due to time and resource constraints, not all complex matters could be addressed in this round of amendments.

¹¹³ ENA “Prioritisation of issues for ID Amendments” (11 July 2014).

¹¹⁴ Vector “Information Disclosure amendments process” (11 July 2014), at page 2.

C11 We decided to defer matters that:

C11.1 are being considered as part of an alternative work stream;

C11.2 are likely to require significant consultation; or

C11.3 require an amendment to an input methodologies determination.

C12 Table C.2 provides an overview of matters deferred to future rounds of amendments.

Matters that are being considered as part of an alternative work stream or likely to require significant consultation

C13 Matters that are being considered as part of an alternative work stream or likely to require significant consultation are deferred to reduce the likelihood of multiple amendments to the same information.

C14 EDB quality of service and incremental rolling incentive scheme disclosures are examples of matters being considered as part of an alternative work stream.

C15 We have deferred amendments to the ID determinations for these matters because the changes are not required until the end of the first disclosure year of the new regulatory period (i.e. 31 March 2016). It means regulated suppliers can continue to disclose information consistent with the current DPP.

C16 Valuation of related party transactions is an example of matters that will likely require significant consultation.

Matters where an amendment to the input methodologies determinations is required

C17 We deferred matters where an amendment to an input methodology (IM) determination is required.¹¹⁵

¹¹⁵ Clause 52Y of the Commerce Act outlines a requirement for the Commission to review the input methodologies at least every 7 years. Proposed amendments to the IMs are to be deferred for consideration as part of the 7 year review unless there is a compelling reason for them to be addressed earlier.

Table C.2: Summary of matters deferred to future rounds of amendments

Type of disclosure	Matters deferred
Financial Information	Valuation of related party transactions Disclosure of incremental rolling incentive scheme Depreciation disclosures Expenditure categories Various amendments to asset valuation, treatment of taxation and cost allocation IMs IM definitions of operating cost, pass-through costs and recoverable costs
Pricing information	Clarification of criteria for disclosing contract, pricing and pricing methodology information Timing of non-standard contract disclosures GTB price notice period timing
Non-financial information	Alignment of SAIDI and SAIFI definitions to price-quality path regulation Definition and application of terms ICP, customer and connection Asset categories EDB quality measures EDB circuit length disclosures GPB emergency definitions GDB classes of interruptions GDB odour test disclosure GDB telephone call disclosures GTB definition of interruptions Assurance provided on quality measures

Attachment D: Responses to submissions regarding drafting

D1 The following table provides notes on drafting for issues which have not been addressed within Chapters 2 – 9. These address areas where we have received submissions proposing revised drafting or believe further information would be beneficial to enable suppliers and auditors to understand the rationale for the drafting of the ID determinations.

Affected areas and clauses	Responses to submissions regarding drafting
ROI – assessment of profitability Schedule 2 Schedule 14 Schedule 16 definitions	<ul style="list-style-type: none"> References to the Microsoft Excel IRR calculation have been removed from the ROI definitions to address concerns around the adequacy of the Microsoft calculation under certain conditions. The templates are to continue to use the Microsoft formula with the ability for suppliers to use alternative calculation methods should the Microsoft formula not produce a valid disclosure. The mid-year and monthly ROI formulas are not adjusted for leap years. This is consistent with the approach applied in the DPP. The instructions in Schedule 14 outline the information that is required to be disclosed. Suppliers are encouraged to provide any additional information to assist users to understand what is being disclosed. We have not specified what the additional information would be as it will vary depending on the situation. The year-end ROI definition and formula has been updated to align with its intended purpose (refer paragraph 2.5.3). The amendment is required because we have removed financial incentive and wash-up recoverable cost expenses from the determination of regulatory profits.
Pass-through and recoverable costs recognised in information disclosure Schedule 2 Schedule 3 Schedule 16 definitions	<ul style="list-style-type: none"> Each industry has a different set of pass-through and recoverable costs specified in their respective IM determinations. The ID pass-through and recoverable costs disclosures reflect these differences. New data points ‘other recoverable costs excluding financial incentives and wash-ups’, ‘other financial incentives’ and ‘other wash-ups’ have been included in Schedule 2 and 3 so costs specified in a CPP determination can be disclosed. The term will incorporate the specific costs specified in the Orion CPP determination.
Regulatory tax disclosures Clause 1.4.3 definitions Schedule 5a Schedule 16 definitions	<ul style="list-style-type: none"> The Schedule 16 definition of ‘Deferred tax balances relating to assets disposed in the disclosure year’ has been clarified so it is clear that it is referring to a deferred tax asset. When this term is defined as a deferred tax asset it should be deducted from the deferred tax balance, which is also defined as a deferred tax asset. If the deferred tax balance is a liability it should be entered as a negative number. The Schedule 16 definition of ‘Tax payments’ adds the closing deferred tax balance and subtracts the opening, with the deferred tax balance being defined as a deferred tax asset.
Asset management plans Clause 2.6.4	<ul style="list-style-type: none"> We have retained the text “the information set out in” in clause 2.6.4(6) of the determinations to maintain clarity.

<p>GTB Network Information</p> <p>GTB Schedule 8(i)-8(ii)</p> <p>GTB Schedule 9c</p> <p>GTB Schedule 9d(i)-(iv)</p> <p>GTB Schedule 12b(i)-(ii)</p> <p>GTB Schedule 16 definitions</p>	<ul style="list-style-type: none"> • The definition of ‘Quantity of gas delivered’ excludes gas used in compressor stations and heating systems. • The definition of ‘Change in line pack’ refers to the line pack in the network rather than in the “pipeline” as line pack is disclosed for an entire network rather than for each transmission system. • Gas entering the system refers to both gas injected from production stations and from other transmission systems, whereas gas entering the network refers to intake volume. • The definitions of Gas entering the network, Gas entering the system and Quantity of gas delivered all include the clarification that the quantities for bidirectional connection points should be the gross amounts. • Schedule 8(i) is deleted and schedules 8(ii) and 8(iii) column headings reflect current transmission billing structures. • In Schedule 9d(ii), the column heading “Gas entering the network” has been maintained to be clear as to the direction of the flow . • We have not changed column headings in schedules 8(ii) and 8(iii) as we consider an indication of the nature of billing to be more useful for interested persons rather than requiring interested persons to understand the Maui Pipeline Operating Code tariff structure to understand the disclosure.
<p>Disclosure of errors in previously disclosed information</p> <p>Clause 2.12.1</p>	<ul style="list-style-type: none"> • Suppliers are required to disclose error disclosures when publicly disclosing the original disclosure. Clause 2.10.1 makes the act of publicly disclosing a continuous requirement for 7 years. Therefore the error disclosures should be disclosed alongside the original disclosure on the supplier’s website, when made available or when provided in response to a request.
<p>Transitional requirements</p> <p>EDB and GTB clause 2.13.5, GDB clause 2.13.7</p>	<ul style="list-style-type: none"> • When suppliers complete prior year disclosures as part of the Report on Return on Investment set out in Schedule 2, they must use definitions from the amendment determinations, see clause 2.13.5 of the EDB and GTB (clause 2.13.7 of the GDB) determination • We have retained clause 2.13.3 in the GTB as although there are no financial incentives, the base ROI still needs to be calculated as timing assumption have changed.
<p>Definition of ‘IM Determination’</p> <p>Clause 1.4.3</p>	<ul style="list-style-type: none"> • The definition of ‘IM determination’ includes IM amendment determinations in effect at the time the ID determination comes into effect. This timing intentionally excludes any IM amendment determinations that come into effect after the ID amendment determination. We note that the IM amendment determination NZCC 31 and NZCC 32 are in effect at the time the ID determination comes into effect.¹¹⁶

¹¹⁶ The statement in the Reasons Paper supporting the IM amendment determinations refers to when the IM determinations practically apply in the context of the DPP and was not reference to when the IM amendments come into effect.

Definition of ‘mark-up’ Clause 1.4.3	<ul style="list-style-type: none"> • 'Price' has been retained as an un-bolded term in the definition for 'mark-up' as the term is used in a different context to the defined term in the IM.
Definition of ‘revenue’ Clause 1.4.3	<ul style="list-style-type: none"> • We have maintained the removal of the defined term ‘revenue’. In the context of related party clauses (2.3.6-2.3.7 of the EDB/GDB and 2.3.7-2.3.8 of the GTB), ‘revenue’ was not used as a bolded term and therefore, did not use the previous definition from clause 1.4.3. • We are not amending the related party clauses containing ‘revenue’ at this time. Changes to the related party requirements are to be considered at a later round of amendments.
Definition of ‘unallocated works under construction’ and ‘allocated works under construction’ Clause 1.4.3	<ul style="list-style-type: none"> • We have reverted back to the previous definition for 'unallocated works under construction' where 'works under construction' was bolded. To improve consistency, we have also bolded 'works under construction' in the definition for 'allocated works under construction' in all three determinations.
Definition of ‘direct billing’ Clause 1.4.3 (EDB), Schedule 16 (GDB)	<ul style="list-style-type: none"> • 'Direct billing' is already defined in clause 1.4.3. Because the term 'direct billing' is used in other places in the EDB determination, we do not consider that it is appropriate to refine the definition to only use the language applicable for Schedule 6b.
Definition of ‘related services’ Clause 1.4.3	<ul style="list-style-type: none"> • We have retained the refined definition for ‘related services’. Section 2 of the Gas Act 1992 defines 'gas appliances' as 'means any appliance that uses, or is designed or intended to use, gas, whether or not it also uses, or is designed or intended to use, any other form of energy'. While the term may not be currently applicable we do not consider that the term needs to be removed at this time.
Definition of ‘EDB’, ‘GDB’ and ‘GTB’ Clause 1.4.3	<ul style="list-style-type: none"> • We have amended the term 'GTB' in clause 1.4.3 to 'GTB (or gas transmission business)' to cover the bolded term 'gas transmission business'. As 'gas transmission business' is not defined in the IM determination, we have clarified that the definition for 'GTB (or gas transmission business)' relates to the IM definition for 'GTB'. • We have amended the equivalent terms in the EDB and GDB determinations.
Definition of ‘transmission charge’ Clause 1.4.3	<ul style="list-style-type: none"> • We have reverted back to the current definition for 'transmission charge' in the EDB determination.
Definition of ‘system operations and network support’ (EDB/GDB) and ‘network support’ (GTB) Clause 1.4.3 (EDB), Schedule 16 (GDB)	<ul style="list-style-type: none"> • We have used 'excluding costs capitalised' rather than 'excluding costs' for ‘system operations and network support’. • We have added both 'contractor/contracts management (excluding costs capitalised)' and 'network related research and development' to ‘system operations and network support’. We consider that 'transmission operator liaison and management' is already included in 'business support' as 'liaison with Transpower, customers and electricity retailers'. • We have removed 'engineering and technical consulting' from 'system operations and network support' in the EDB and GDB and from 'network support' in the GTB. The term is the same as 'engineering/technical consulting services (excluding costs capitalised)'.

Location of 'business support' Clause 1.4.3, Schedule 16	<ul style="list-style-type: none"> We have maintained 'business support' in clause 1.4.3 in the EDB determination. Clauses 1.4.1(1) of the determinations indicate that we have provided bolded definitions for terms in clause 1.4.3 where they are used in the body of the determination. While we consider that consistency between the determinations is important, we have retained the current location to improve consistency with clause 1.4.1(1).
AMP requirements Clause 1.4.3 Attachment A EDB clause 4.5.1-4.5.8, GDB clause 6.1-6.7 Schedule 16	<ul style="list-style-type: none"> We have changed the term 'other system fixed assets' to 'other network assets' in clause 4.5.7 of the EDB AMP requirements and have removed the term 'other assets' from clause 4.5.8 of the EDB AMP. Clause 4.4 of the AMP requires descriptions of information for network asset categories. 'Other assets' in the EDB do not relate to the 'network' and should not be included as an asset category requiring a description under clause 4.5. We have amended clauses 4.5.1-4.5.8 of the EDB AMP and 6.1-6.7 of the GDB AMP to instead use the language from clause 7.1 of the GTB AMP. Clause 4.5.1 of the EDB and 6.1 of the GDB will now read 'the categories listed in the Report on Forecast Capital Expenditure in Schedule 11a'.
	<p><u>Impact of amendment</u></p> <ul style="list-style-type: none"> Amending clause 4.5.1 of the EDB to read 'the categories listed in the Report on Forecast Capital Expenditure in Schedule 11a' has the same effect as changing 'other system fixed assets' to 'other network assets' and removing 'other assets'. We have decided to reference Schedule 11a to improve consistency between the determinations. Making this change in the EDB has required the terms 'distribution and LV cables', 'distribution and LV lines', 'distribution substations and transformers' and 'distribution switchgear' to be moved from clause 1.4.3 to Schedule 16 as they are no longer used in the body of the determination. It has also required 'special crossings' in the GDB to move from clause 1.4.3 to Schedule 16. To improve consistency between the EDB and GDB, we also moved 'other network assets' from clause 1.4.3 in the GTB to Schedule 16 as the term is not used in the body of the determination.
Report on Asset Management Maturity requirements Clause 2.6.1	<ul style="list-style-type: none"> To avoid ambiguity over the Report on Asset Management Maturity requirements, clause 2.6.1(1)(e) now reads 'contains the Report on Asset Management Maturity as described in Schedule 13'.
Use of 'for each project' Clause 2.3.8(2) (EDB), clause 2.3.9(2) (GTB)	<ul style="list-style-type: none"> We have retained 'for each project' in clause 2.3.8(2) of the EDB and clause 2.3.9(2) of the GTB. The words are not intended to change suppliers' requirements for this disclosure. They are intended to improve consistency in the wording of the requirements for Schedule 6a throughout clause 2.3.8 (clause 2.3.9 of the GTB).
Use of 'normalised SAIDI' and 'normalised SAIFI' Attachment B (EDB)	<ul style="list-style-type: none"> 'Normalised SAIDI' and 'normalised SAIFI' are defined in Schedule 16 and not defined in clause 1.4.3. Terms defined in Schedule 16 should not be bolded. References to the terms 'SAIDI', 'SAIFI', 'SAIDI value' and 'SAIFI value' are already bolded as part of the draft determinations.

Capex Expenditure Schedule 6a(iii)	<ul style="list-style-type: none"> For GTBs, disclosure of capex is by connection type rather than by consumer type. References to consumer types are replaced by references to connection type, and the definition of consumer type is deleted from the GTB Schedule 16.
GDB Mandatory explanatory Notes Schedule 14	<ul style="list-style-type: none"> Subclauses 2.5.1(1)(a)-(d), 2.5.1(1)(f), 2.5.2(1)(a)-(d) and 2.5.2(1)(f) of the GDB determination relate to schedules that do not require mandatory comments in Schedule 14 (Schedule 9a-9d, 10b). Schedule 10a requires mandatory comments and is described in subclauses 2.5.1(1)(e) and 2.5.2(1)(e).
Other regulated income (other than gains / (losses) on asset disposals) Schedule 16	<ul style="list-style-type: none"> We have defined the term 'other regulated income (other than gains / (losses) on asset disposals)' in Schedule 16 as 'means other regulated income excluding gains / (losses) on asset disposals'. Therefore, 'other regulated income' includes 'gains / (losses) on asset disposals'.