

[Draft] Electricity Distribution Services Input Methodologies (treatment of insurance entitlements) Amendment Determination 2024

[2024] NZCC [XX]

The Commission:

Vhari McWha
Dr Derek Johnston
Bryan Chapple
Nathan Strong

Date of decision:

[day] [month] 2024

[signature]

[name], Commissioner

Dated at Wellington this [day] of [month] 2024

COMMERCE COMMISSION

Wellington, New Zealand

Determination history		
Determination date	Decision number	Determination name
28 September 2012	[2012] NZCC 26	Electricity Distribution Services Input Methodologies Determination 2012 ('principal determination')*
15 November 2012	[2012] NZCC 34	Electricity and Gas Input Methodologies Determination Amendments (No. 2) 2012
26 September 2014	[2014] NZCC 24	Electricity Lines Services Input Methodologies Determination Amendment 2014
29 October 2014	[2014] NZCC 27	Electricity Lines Services and Gas Pipeline Services Input Methodologies Determination Amendment (WACC percentile for price-quality regulation) 2014
14 November 2014	n/a	Determination of Input Methodologies by the High Court in <i>Wellington International Airports Ltd and others v Commerce Commission</i> [2013] NZHC 3289 (11 December 2013)
27 November 2014	[2014] NZCC 31	Electricity Distribution Input Methodology Amendments Determination 2014
27 November 2014	[2014] NZCC 32	Incremental Rolling Incentive Scheme Input Methodology Amendments Determination 2014
11 December 2014	[2014] NZCC 38	Electricity Lines Services and Gas Pipeline Services Input Methodologies Determination Amendment (WACC percentile for information disclosure regulation) 2014
12 November 2015	[2015] NZCC 28	Electricity and Gas (Customised Paths) Input Methodology Amendments Determination 2015
25 November 2015	[2015] NZCC 32	Electricity Distribution Services (Incremental Rolling Incentive Scheme) Input Methodologies Amendments Determination 2015
20 December 2016	[2016] NZCC 24	Electricity Distribution Services Input Methodologies Amendments Determination 2016
21 December 2017	[2017] NZCC 30	Electricity Distribution Services Input Methodologies Amendments Determination 2017
8 November 2018	[2018] NZCC 19	Electricity Distribution Services Input Methodologies (Accelerated Depreciation) Amendments Determination 2018
13 November 2019	[2019] NZCC 18	Electricity Distribution Services Input Methodologies Amendments Determination 2019
26 November 2019	[2019] NZCC 20	Electricity Distribution Services Input Methodologies Amendments Determination (No. 2) 2019

30 March 2020	[2020] NZCC 2	Electricity Distribution Services Input Methodologies Amendments Determination 2020
13 December 2023	[2023] NZCC 35	Electricity Distribution Services Input Methodologies (IM Review 2023) Amendment Determination 2023
[date]	[2024] NZCC [XX]	Electricity Distribution Services Input Methodologies (treatment of insurance entitlements) Amendment Determination 2024

* The principal determination re-determined the input methodologies contained in *Commerce Act (Electricity Distribution Services Input Methodologies) Determination 2010* (Commerce Commission Decision No. 710, 22 December 2010), as amended by the *Electricity and Gas Input Methodologies Determination Amendments (No. 1) 2012* [2012] NZCC 18 (29 June 2012). A complete history of determinations relevant to the input methodologies applicable to electricity distribution services is available on the Commission's website.

[Drafting notes:

- This determination amends the Electricity Distribution Services Input Methodologies Determination 2012, as previously amended, ('principal determination').
- The included amendments which are secondary legislation are made under the Legislation Act 2019 and Part 4 of the Commerce Act 1986.]

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

1. TITLE

1.1 This determination is the Electricity Distribution Services Input Methodologies (treatment of insurance entitlements) Amendment Determination 2024.

2. DETERMINATION AMENDED

2.1 This determination amends the **principal determination**.

3. INTERPRETATION

3.1 In this determination, the words or phrases in bold type bear the following meanings:

3.1.1 **Act** means the Commerce Act 1986;

3.1.2 **Aurora CPP determination** means the Aurora Energy Limited Electricity Distribution Customised Price-Quality Path Determination 2021 [2021] NZCC 3;

3.1.3 **Commission** has the same meaning as defined in s 2 of the **Act**;

3.1.4 **CPP** means customised price-quality path;

3.1.5 **CPP application** has the same meaning as in the **principal determination**;

3.1.6 **disclosure year** has the same meaning as in the **principal determination**;

3.1.7 **DPP** means default price-quality path;

3.1.8 **DPP3 determination** means the Electricity Distribution Services Default Price-Quality Path Determination 2020 [2019] NZCC 21;

3.1.9 **IM Review amendment determination** means the Electricity Distribution Services Input Methodologies (IM Review 2023) Amendment Determination 2023 [2023] NZCC 35; and

3.1.10 **principal determination** means the Electricity Distribution Services Input Methodologies Determination 2012 [2012] NZCC 26.

4. COMMENCEMENT AND APPLICATION

4.1 This determination comes into force on [date], being the day after which notice of it is given in the New Zealand Gazette under the Legislation Act 2019 in accordance with s 52W of the **Act**.

- 4.2 However:
- 4.2.1 the amendments to the **principal determination** in Attachment B, including any amendments to the **principal determination** set out in Attachment A relevant to Part 2 of the **principal determination**:
 - (a) apply from the commencement of **disclosure year 2026**; and
 - (b) do not apply for **disclosure year 2025**;
 - 4.2.2 the amendments to the **principal determination** in Attachment BA, including any amendments to the **principal determination** set out in Attachment AA relevant to Part 2 of the **principal determination**, apply for **disclosure year 2025**, including any disclosures related to that year;
 - 4.2.3 the amendments to the **principal determination** in Attachment C apply for **disclosure year 2025** and subsequent **disclosure years**;
 - 4.2.4 the amendments to the **principal determination** in Attachment D, including any amendments to the **principal determination** set out in Attachment A relevant to Parts 3 and 4 of the **principal determination**, apply for a **DPP** which commences on or after 1 April 2025;
 - 4.2.5 the amendments to the **principal determination** in Attachment DA, including any amendments to the **principal determination** set out in Attachment AA relevant to Parts 3 and 4 of the **principal determination**, apply for the **DPP3 determination**;
 - 4.2.6 the amendments to the **principal determination** in clause 5.3 and Attachments E and F, including any amendments to the **principal determination** set out in Attachment A relevant to Parts 3 and 5 of the **principal determination**, apply for a **CPP application** made on or after the date described in clause 4.1, and any **CPP** resulting from that application; and
 - 4.2.7 the amendments to the **principal determination** in Attachments EA and F, including any amendments to the **principal determination** set out in Attachment AA relevant to Parts 3 and 5 of the **principal determination**, apply for the **Aurora CPP determination**.
- 4.3 Clause 4.4 applies to a provision of the **principal determination** that is amended by the **IM Review amendment determination** and by this determination.
- 4.4 If the amendments to the provision are expressed, in the **IM review amendment determination** and in this determination, to apply from the same date, the amendments set out in this determination apply immediately after the amendments set out in the **IM review amendment determination** apply.
- 4.5 For the avoidance of doubt, if the **Commission** determines that any forecast values are required to be calculated consistent with Attachment D for the determination of

a **DPP** that will be in force from 1 April 2025, the provisions in Attachment D, and any applicable amendments to the **principal determination** set out in clauses 5.1 to 5.2 and Attachment A relevant to Parts 3 and 4 of the **principal determination**, will apply as amended by this determination to the setting of those forecast values.

- 4.6 The amendments to the **principal determination** in Attachment BA, including any amendments to the **principal determination** set out in Attachment AA relevant to Part 2 of the **principal determination**, do not apply for **disclosure year** 2026 and subsequent **disclosure years**.
- 4.7 The amendments to the **principal determination** in Attachment DA, including any amendments to the **principal determination** set out in Attachment AA relevant to Parts 3 and 4 of the **principal determination**, do not apply for a **DPP** which commences on or after 1 April 2025.
- 4.8 The amendments to the **principal determination** in Attachment EA, including any amendments to the **principal determination** set out in Attachment AA relevant to Parts 3 and 5 of the **principal determination**, do not apply for a **CPP application** made on or after the date described in clause 4.1, and any **CPP** resulting from that application.

5. PRINCIPAL DETERMINATION AMENDMENTS

- 5.1 In clause 1.1.4(2) of the **principal determination**, insert in their appropriate alphabetical order:

“compensatory entitlement

means, for the purposes of–

- (a) Part 2, money or the monetary value of other consideration relating to an event, other than an **insurance entitlement** or **capital contribution**, that is received or receivable from **consumers** or other parties, for any of the following purposes:
- (i) restoring damaged assets to the same operating condition and location as prior to the event;
 - (ii) relocating assets if required; and
 - (iii) compensating for damaged or destroyed assets;
- (b) Parts 4 and 5, money or the monetary value of other consideration relating to

an event, other than an **insurance entitlement** or **capital contribution**, that is received or receivable from, or forecast to be received or receivable from, **consumers** or other parties, for any of the following purposes:

- (i) restoring damaged assets to the same operating condition and location as prior to the event;
- (ii) relocating assets if required; and
- (iii) compensating for damaged or destroyed assets;”

“insurance entitlement

means, for the purposes of–

- (a) Part 2, money or the monetary value of other consideration relating to an event, that is received or receivable from a ‘licensed insurer’ as that term is defined in the Insurance (Prudential Supervision) Act 2010, in respect of a contract of insurance that insures against damaged or destroyed assets or **operating costs** arising from damaged or destroyed assets, excluding business interruption insurance or **third-party liability entitlements**; and
- (b) Parts 4 and 5, money or the monetary value of other consideration relating to an event that is received or receivable from, or forecast to be received or receivable from, a ‘licensed insurer’ as that term is defined in the Insurance (Prudential Supervision) Act 2010, in respect of a contract of insurance that insures against damaged or destroyed assets or **operating costs** arising from damaged or destroyed assets, excluding business interruption insurance or **third-party liability**

entitlements;”

“third-party liability entitlement means, for the purposes of-

- (a) Part 2, money or the monetary value of other consideration relating to an event, that is received or receivable from a ‘licensed insurer’ as that term is defined in the Insurance (Prudential Supervision) Act 2010, in respect of a contract of insurance that insures against third-party liability; and
- (b) Parts 4 and 5, money or the monetary value of other consideration relating to an event, that is received or receivable from, or forecast to be received or receivable from, a ‘licensed insurer’ as that term is defined in the Insurance (Prudential Supervision) Act 2010, in respect of a contract of insurance that insures against third-party liability;”

5.2 Amend the definition of “operating cost” in clause 1.1.4(2) of the **principal determination** so that the text up to paragraph (c) of that definition reads as follows, with the text from paragraph (c) onwards remaining unchanged:

“operating cost means a cost incurred by the **EDB** in question relating to the **supply** of-

- (a) **regulated services** alone; or
- (b) **regulated services** and one or more **unregulated service**,

net of any **insurance entitlement** or **third-party liability entitlement** for the same cost, up to the amount of that cost,

and excludes-

- (c) ...;”

5.3 In Schedule E “Capital and operating expenditure – regulatory templates” of the **principal determination**, Table 2 “Capex summary”, Table 4 “Capex projects and programmes”, and Table 5 “Capex by asset categories” are amended in these ways:

5.3.1 in Table 2 at 2b “Actual and forecast capex in nominal prices \$(000)”, insert as a new line after “less Value of capital contributions”-

“less Value of insurance entitlements and compensatory entitlements”;

- 5.3.2 in Table 4 at 4c “Asset replacement and renewal by projects or programmes”, insert as a new line after “less Capital contributions funding asset replacement and renewal”-

“Less value of insurance entitlements and compensatory entitlements”;

- 5.3.3 in Table 4 at 4f2 “Non-network assets – atypical expenditure”, replace “Total capex network assets less capital contributions” with-

“Total capex network assets less capital contributions less insurance entitlements and compensatory entitlements”; and

- 5.3.4 in Table 5 at 5B, insert as a new line after “Less Capital contributions funding asset replacement and renewal”-

“Less value of insurance entitlements and compensatory entitlements”

- 5.4 The **principal determination** is amended in accordance with the deletions, replacements, and insertions that are tracked in red in the excerpts of the **principal determination** that are set out in Attachments A, AA, B, BA, C, D, DA, E, EA, and F.

ATTACHMENT A – PART 1 OF THE PRINCIPAL DETERMINATION

1.1.4 Interpretation

[...]

(2) In this determination, including in the schedules, the words or phrases in bold type bear the following meanings:

other regulated income

for the purpose of–

- (a) Part 3, means income associated with the supply of **electricity distribution services**, including gains and losses on **disposed assets**, but excluding -
- (i) income through **prices**;
 - (ii) investment-related income;
 - (iii) **capital contributions**;
 - (iv) **vested assets**; ~~or~~
 - (v) income associated with the assets that are funded under **large connection contracts**;
~~and~~
 - (vi) any **insurance entitlement** that has been applied to reduce the value of a **commissioned asset** under clause 2.2.11(1)(m);
 - (vii) any **compensatory entitlement** that has been applied to reduce the value of a **commissioned asset** under clause 2.2.11(1)(m);
 - (viii) any **insurance entitlement** that has been netted off in calculating an **operating cost**;
~~and~~
 - (ix) any **third-party liability entitlement** that has been netted off in calculating an **operating cost**; and
- (b) Parts 4 and 5, means income associated with the supply of **electricity distribution services**, including gains and losses on **disposed assets**, but excluding -
- (i) income through **prices**;
 - (ii) investment-related income;
 - (iii) **capital contributions**;

- (iv) **vested assets;**~~or~~
- (v) income associated with the assets that are funded under **large connection contracts;**~~;~~

~~(vi) any **insurance entitlement** that has been applied to reduce the value of a **commissioned** asset under clause 2.2.11(1)(m);~~

~~(vii) any **compensatory entitlement** that has been applied to reduce the value of a **commissioned** asset under clause 2.2.11(1)(m);~~

~~(viii) any **insurance entitlement** that has been netted off in calculating an **operating cost**; and~~

~~(ix) any **third-party liability entitlement** that has been netted off in calculating an **operating cost**,~~

as determined by the **Commission**;

ATTACHMENT AA – PART 1 OF THE PRINCIPAL DETERMINATION

1.1.4 Interpretation

[...]

(2) In this determination, including in the schedules, the words or phrases in bold type bear the following meanings:

other regulated income

for the purpose of–

- (a) Part 3, means income associated with the supply of **electricity distribution services**, including gains and losses on **disposed assets**, but excluding –
- (i) income through **prices**;
 - (ii) investment-related income;
 - (iii) **capital contributions**; ~~or~~
 - (iv) **vested assets**; ~~and~~
 - (v) any **insurance entitlement** that has been applied to reduce the value of a **commissioned asset** under clause 2.2.11(1)(l);
 - (vi) any **compensatory entitlement** that has been applied to reduce the value of a **commissioned asset** under clause 2.2.11(1)(l);
 - (vii) any **insurance entitlement** that has been netted off in calculating an **operating cost**; and
 - (v) any **third-party liability entitlement** that has been netted off in calculating an **operating cost**; and
- (b) Part 4, means ~~forecast~~ income associated with the supply of **electricity distribution services**, including gains and losses on **disposed assets**, but excluding –
- (i) income through **prices**;
 - (ii) investment-related income;
 - (iii) **capital contributions**; ~~or~~

(iv) **vested assets;**

(v) **any insurance entitlement** that has been applied to reduce the value of a **commissioned** asset under clause 2.2.11(1)(l);

(vi) **any compensatory entitlement** that has been applied to reduce the value of a **commissioned** asset under clause 2.2.11(1)(l);

(vii) **any insurance entitlement** that has been netted off in calculating an **operating cost;** and

(v) **any third-party liability entitlement** that has been netted off in calculating an **operating cost,**

as determined by the **Commission;**

ATTACHMENT B – PART 2 OF THE PRINCIPAL DETERMINATION

2.2.11 Value of commissioned assets

- (1) Value of **commissioned** asset, in relation to an asset (including an asset in respect of which **capital contributions** were received or a **vested asset**), means the cost of the asset to an **EDB** determined by applying **GAAP** to the asset as on its **commissioning date**, except that, subject to subclause (2), the cost of-

[...]

- (j) for the purpose of subclause (a)(i), a **finance lease** excludes the value of any asset for which annual charges are a **pass-through cost** under clause 3.1.2(2)(d);
- (k) an asset, part or all of the cost of which has an **EDB** has recovered under an **innovation and non-traditional solutions allowance**, is the cost of the asset by applying **GAAP**, reduced by the amount of **capex** recovered under that **innovation and non-traditional solutions allowance**; ~~and~~
- (l) an asset used in providing **electricity distribution services** under a **large connection contract** is nil; ~~and~~
- (m) an asset that replaces an asset in respect of which-
- (i) an **insurance entitlement or compensatory entitlement** was received or is receivable; and
- (ii) such an **insurance entitlement or compensatory entitlement** does not reduce the cost of the asset when applying **GAAP**, is the cost of the asset by applying **GAAP**, reduced by the amount of the **insurance entitlement or compensatory entitlement** that was received or is receivable.

[...]

- (4) For the avoidance of doubt-
- (a) revenue derived in relation to **works under construction** that is not included in regulatory income under an **ID determination** or preceding regulatory information disclosure requirements reduces the cost of an asset by the amount of the revenue where such reduction is not otherwise made under **GAAP**; ~~and~~
- (b) where expenditure on an asset which forms part of the cost of that asset under **GAAP** is incurred by an **EDB** after that asset was **commissioned**, such expenditure is treated as relating to a separate asset; ~~and~~
- (c) where an **insurance entitlement** forms part of the cost of an asset under subclause (1)(m), any adjustment to that amount after that asset was first **commissioned**, to reflect the full and final settlement of the associated **insurance contract**, is treated as expenditure or negative expenditure relating to a separate asset.

[...]

ATTACHMENT BA – PART 2 OF THE PRINCIPAL DETERMINATION

2.2.11 Value of commissioned assets

(1) Value of **commissioned** asset, in relation to an asset (including an asset in respect of which **capital contributions** were received or a **vested asset**), means the cost of the asset to an **EDB** determined by applying **GAAP** to the asset as on its **commissioning date**, except that, subject to subclause (2), the cost of-

[...]

(j) for the purpose of subclause (a)(i), a **finance lease** excludes the value of any asset for which annual charges are a **recoverable cost** under clause 3.1.3(1)(c); ~~and~~

(k) an asset part of the cost of which has been recovered as a **recoverable cost** by being drawn down by an **EDB** from its **innovation project allowance**, is the cost of the asset by applying **GAAP**, reduced by the amount of the **recoverable cost** that the **Commission** has specified as **capex** in its approval of the draw down from the **innovation project allowance**; ~~and~~

(l) an asset that replaces an asset in respect of which-

(i) an insurance entitlement or compensatory entitlement was received or is receivable; and

(ii) such an insurance entitlement or compensatory entitlement does not reduce the cost of the asset when applying GAAP,

is the cost of the asset by applying GAAP, reduced by the amount of the insurance entitlement or compensatory entitlement that was received or is receivable.

[...]

(4) For the avoidance of doubt-

(a) revenue derived in relation to **works under construction** that is not included in regulatory income under an **ID determination** or preceding regulatory information disclosure requirements reduces the cost of an asset by the amount of the revenue where such reduction is not otherwise made under **GAAP**; ~~and~~

(b) where expenditure on an asset which forms part of the cost of that asset under **GAAP** is incurred by an **EDB** after that asset was **commissioned**, such expenditure is treated as relating to a separate asset; ~~and~~

(c) where an insurance entitlement forms part of the cost of an asset under subclause (1)(l), any adjustment to that amount after that asset was first commissioned, to reflect the full and final settlement of the associated insurance contract, is treated as expenditure or negative expenditure relating to a separate asset.

[...]

ATTACHMENT C – PART 2 OF THE PRINCIPAL DETERMINATION

2.3.9 Regulatory tax asset value

[...]

(3) 'Notional tax asset value' means, for the purpose of-

(a) [...]

(b) [...]

(c) subclause (2)(a)(iii), value in respect of the **disclosure year** in which the asset was acquired or transferred that is-

(i) consistent with the **tax rules**; and

(ii) limited to its **value of commissioned asset** plus any insurance entitlements and compensatory entitlements, or, if relevant **capital contributions** are treated for tax purposes in accordance with section CG 8 of the Income Tax Act 2007 (or subsequent equivalent provisions), limited to the **value of commissioned asset** plus any taxed **capital contributions** applicable to the asset plus any insurance entitlements and compensatory entitlements.

[...]

ATTACHMENT D – PART 4 OF THE PRINCIPAL DETERMINATION

4.2.5 Forecast aggregate value of commissioned assets

- (1) Forecast aggregate value of commissioned assets means the forecast cost of **additional assets**, less any **capital contributions** for those assets, less any insurance entitlements and compensatory entitlements forecast to be received or receivable in respect of those assets, if **GAAP** were to be applied to determine the cost of the assets to the **EDB** in the **disclosure year** in question, and is equal to forecast **capital expenditure** for the relevant **disclosure year** as determined by the **Commission**.
- (2) For the purpose the purpose of subclause (1), an asset that is forecast to be used in providing **electricity distribution services** under a **large connection contract** must be excluded from the meaning of **additional assets**.

[...]

4.5.4 Catastrophic event

- (1) A 'catastrophic event' is an event-
 - (a) [...]
 - (b) [...]
 - (c) [...]
 - (d) for which-
 - (i) action required to rectify its adverse consequences cannot be delayed until a future **regulatory period** without quality standards under the **DPP** being breached;
 - (ii) remediation requires **capex, opex**, or both;
 - (iii) the full remediation costs are not provided for in the **DPP**; and
 - (iv) the costs of remediation net of any insurance entitlements and compensatory entitlements ~~insurance or compensatory entitlements~~ exceeds one of the thresholds specified in subclause (2).

[...]

4.5.15 Amending DPP after reconsideration

[...]

(3) The **Commission** will not amend-

- (a) the price path more than is reasonably necessary to mitigate the effect of the **reopener event** on the **DPP**; and
- (b) the price path more than is reasonably necessary to take account of the change resulting from the **reopener event** net of any insurance entitlements and compensatory entitlements~~insurance or compensatory entitlements~~.

[...]

ATTACHMENT DA – PART 4 OF THE PRINCIPAL DETERMINATION

4.2.5 Forecast aggregate value of commissioned assets

Forecast aggregate value of commissioned assets means the forecast cost of **additional assets**, less any insurance entitlements and compensatory entitlements forecast to be received or receivable in respect of those assets, if **GAAP** were to be applied to determine the cost of the assets to the **EDB** in the **disclosure year** in question, and is equal to forecast **capital expenditure** for the relevant **disclosure year** as determined by the **Commission**.

[...]

4.5.1 Catastrophic Event

Catastrophic event means an event-

- (a) [...]
- (b) [...]
- (c) [...]
- (d) in respect of which-
 - (i) action required to rectify its adverse consequences cannot be delayed until a future **regulatory period** without quality standards being breached;
 - (ii) remediation requires either or both of **capital expenditure** or **operating expenditure** during the **regulatory period**;
 - (iii) the full remediation costs are not provided for in the **DPP**; and
 - (iv) in respect of an **EDB** subject to a **DPP**, the cost of remediation (net of any insurance entitlements and compensatory entitlements) ~~insurance or compensatory entitlements~~ has had or will have an impact on the price path over the **disclosure years** of the **DPP** remaining on and after the first date at which a remediation cost is proposed to be or has been incurred, by an amount equivalent to at least 1% of the aggregated **forecast net allowable revenue** for the **disclosure years** of the **DPP** in which the cost was or will be incurred.

[...]

ATTACHMENT E – PART 5 OF THE PRINCIPAL DETERMINATION

5.3.11 Forecast value of commissioned assets

- (1) 'Forecast value of commissioned asset', in relation to an asset for which **capital expenditure** is included in forecast capital expenditure (including an asset in respect of which **capital contributions** are or are forecast to be received, or a **vested asset**) means the forecast cost of the asset to an **EDB** determined by applying **GAAP** to the asset as on its forecast **commissioning date**, except that, subject to subclauses (2) and (3), the cost of-

[...]

- (k) an asset, part or all of the cost of which an **EDB** has recovered or forecast to recover under an **innovation and non-traditional solutions allowance**, is the cost or the forecast cost of the asset by applying **GAAP**, reduced by the amount of **capex** recovered or forecast to be recovered under that **innovation and non-traditional solutions allowance**; ~~and~~
- (l) an asset forecast to be used in providing **electricity distribution services** under a **large connection contract** is nil; ~~and~~
- (m) an asset that replaces an asset in respect of which-
- (i) an **insurance entitlement** or **compensatory entitlement** is forecast to be received or receivable; and
 - (ii) such an **insurance entitlement** or **compensatory entitlement** does not reduce the cost of the asset when applying **GAAP**, is the cost of the asset by applying **GAAP**, reduced by the amount of the **insurance entitlement** or **compensatory entitlement** that is forecast to be received or receivable.

[...]

5.6.4 Catastrophic event

- (1) A 'catastrophic event' is an event-
- (a) [...]
 - (b) [...]
 - (c) [...]
 - (d) for which-
 - (i) action required to rectify its adverse consequences cannot be delayed until a future **regulatory period** without quality standards under the **CPP** being breached;
 - (ii) remediation requires **capex**, **opex**, or both;
 - (iii) the full remediation costs are not provided for in the **CPP**; and
 - (iv) the costs of remediation net of any **insurance entitlements** and **compensatory entitlements** ~~insurance or compensatory entitlements~~ exceeds one of the thresholds specified in subclause (2).

[...]

5.6.13 Amending CPP after reconsideration

[...]

(2) The **Commission** will not amend-

- (a) the **CPP** more than is reasonably necessary to mitigate the effect of the **reopener event** on the **CPP**; and
- (b) the price path more than is reasonably necessary to take account of the change in costs net of any insurance entitlements and compensatory entitlements~~insurance or compensatory entitlements~~.

[...]

ATTACHMENT EA – PART 5 OF THE PRINCIPAL DETERMINATION

5.3.11 Forecast value of commissioned assets

- (1) 'Forecast value of commissioned asset', in relation to an asset for which **capital expenditure** is included in forecast capital expenditure (including an asset in respect of which **capital contributions** are or are forecast to be received, or a **vested asset**) means the forecast cost of the asset to an **EDB** determined by applying **GAAP** to the asset as on its forecast **commissioning date**, except that, subject to subclauses (2) and (3), the cost of-

[...]

- (k) an asset part of the cost of which has been or has been forecast to be recovered as a **recoverable cost** by being drawn down by an **EDB** from its **innovation project allowance**, is the cost or the forecast cost of the asset by applying **GAAP**, reduced by the amount of the **recoverable cost** or forecast **recoverable cost** that the **Commission** has specified as **capex** in its approval of the draw down from the **innovation project allowance**; and

(l) an asset that replaces an asset in respect of which-

(i) an **insurance entitlement** or **compensatory entitlement** is forecast to be received or receivable; and

(ii) such an **insurance entitlement** or **compensatory entitlement** does not reduce the cost of the asset when applying **GAAP**,

is the cost of the asset by applying **GAAP**, reduced by the amount of the **insurance entitlement** or **compensatory entitlement** that is forecast to be received or receivable.

[...]

5.6.1 Catastrophic event

Catastrophic event means an event-

(a) [...]

(b) [...]

(c) [...]

(d) in respect of which-

(i) action required to rectify its adverse consequences cannot be delayed until a future **regulatory period** without quality standards being breached;

(ii) remediation requires either or both of **capital expenditure** or **operating expenditure** during the **regulatory period**;

(iii) the full remediation costs are not provided for in the **DPP** or **CPP**; and

(iv) the cost of remediation (net of any **insurance entitlements** and **compensatory entitlements**~~insurance or compensatory entitlements~~)

has had or will have an impact on the price path over the **disclosure years** of the **CPP** remaining on and after the first date at which a remediation cost is proposed to be or has been incurred, by an amount

equivalent to at least 1% of the aggregated **forecast net allowable revenue** for the **disclosure years** of the **CPP** in which the cost was or will be incurred.

[...]

5.6.8 Amending price-quality path after reconsideration

[...]

(3) The **Commission** must not amend the-

- (a) price path more than is reasonably necessary to take account of the change in costs net of any **insurance entitlements and compensatory entitlements**~~insurance or compensatory entitlements~~; and

[...]

ATTACHMENT F – PART 5 OF THE PRINCIPAL DETERMINATION

5.3.21 Regulatory tax asset value

- (1) Regulatory tax asset value, in relation to an asset, means the value determined in accordance with the formula-
- tax asset value** × *result of asset allocation ratio*.
- (2) Tax asset value means, in respect of-
- (a) an asset-
 - (i) in the **initial RAB** where, in the **disclosure year** 2010, the sum of **unallocated initial RAB values** is less than the sum of the **adjusted tax values** of all assets in the **initial RAB**;
 - (ii) acquired from a **regulated supplier** who used it to **supply regulated goods or services**; or
 - (iii) acquired or transferred from a **related party**,
the value of the asset determined by applying the **tax depreciation rules** to its notional tax asset value; and
 - (b) any other asset, its forecast **adjusted tax value**.
- (3) 'Notional tax asset value' means, for the purpose of-
- (a) subclause (2)(a)(i), **adjusted tax value** of the asset in the **disclosure year** 2010 adjusted to account proportionately for the difference between the-
 - (i) sum of the **unallocated initial RAB values**; and
 - (ii) sum of the **adjusted tax values**,
of all assets in the **initial RAB**;
 - (b) subclause (2)(a)(ii), value after applying the **tax depreciation rules** to the tax asset value (as 'tax asset value' is defined in the **input methodologies** applying to the **regulated goods or services** in question) in respect of the **disclosure year** in which the asset was acquired; and
 - (c) subclause (2)(a)(iii), value in respect of the **disclosure year** in which the asset was acquired or transferred that is-
 - (i) consistent with the **tax rules**; and
 - (ii) limited to its **value of commissioned asset** plus any insurance entitlements and compensatory entitlements or, if relevant **capital contributions** are treated for tax purposes in accordance with section CG 8 of the Income Tax Act 2007 (or subsequent equivalent provisions), limited to the **value of commissioned asset** plus any taxed **capital contributions** applicable to the asset plus any insurance entitlements and compensatory entitlements.

[...]

5.4.14 Commissioned assets information

- (1) For each **disclosure year**, after the last disclosure made under an **ID determination**, until the last **disclosure year** of the **next period**, provide the-
- (a) sum of **value of commissioned assets**; and
 - (b) sum of **forecast value of commissioned assets**,
- in respect of each of the following groups of assets:
- (c) assets-
 - (i) acquired or intended to be acquired from a **related party**; or
 - (ii) transferred from a part of the **EDB** that supplies **unregulated services**;
 - (d) assets-
 - (i) acquired or intended to be acquired from another **regulated supplier** and used by that **regulated supplier** in the **supply of regulated services**; or
 - (ii) transferred or intended to be transferred from a part of the **EDB** that supplies **other regulated services**;
 - (e) **network spares**; and
 - (f) all other assets having a **commissioning date** or forecast to have a **commissioning date** in that period.
- (2) In respect of each value provided in accordance with subclause (1) provide-
- (a) all data, information, calculations and assumptions used to derive it from relevant data provided in the **capex forecast**; ~~and~~
 - (b) where **capital contributions** are taken into account in any value disclosed pursuant to subclause (1)-
 - (i) the amount of such **capital contributions**, with respect to asset types and quantities; and
 - (ii) policies relevant to such **capital contributions**; ~~and~~
 - (c) where **insurance entitlements** or **compensatory entitlements** are taken into account in any value disclosed pursuant to subclause (1)-
 - (i) the amount of such **insurance entitlements**, with respect to asset types and quantities;
 - (ii) a description of the insurance contracts relevant to such **insurance entitlements**; and
 - (iii) a description of the nature and amounts, with respect to asset types and quantities, of **compensatory entitlements**.

[...]