

Information Disclosure (Input Methodologies Amendment Determination 2024)

Final Decision - Reasons Paper

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Associated documents

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| 1 October 2012 | [2012] NZCC 22 | Electricity Distribution Information Disclosure Determination 2012 |
| 1 October 2012 | [2012] NZCC 23 | Gas Distribution Information Disclosure Determination 2012 |
| 1 October 2012 | [2012] NZCC 24 | Gas Transmission Information Disclosure Determination 2012 |
| 31 March 2023 | N/A | Gas-Distribution-ID-Exemption-Vector-Limited-applying-to-all-GDBs-Asset-Management-Plans-during-DPP3-31-March-2023 |
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Glossary

| Acronyms | |
|-----------------------------|--------------------------------------------------------------------|
| AMP | Asset management plan |
| CPP | Customised price-quality path |
| Capex | Capital expenditure |
| DPP | Default price-quality path |
| DPP3 | The third price-quality path regulatory period ¹ |
| DY | Disclosure year |
| EDB | Electricity distribution business |
| EDB ID determination | Electricity Distribution Information Disclosure Determination 2012 |
| FENZ | Fire and Emergency New Zealand |
| GAAP | Generally accepted accounting principles |
| GDB | Gas distribution business |
| GDB ID determination | Gas Distribution Information Disclosure Determination 2012 |
| GTB | Gas transmission business |
| GTB ID determination | Gas Transmission Information Disclosure Determination 2012 |
| ID | Information Disclosure |
| IMs | Part 4 input methodologies |
| IM Review | Input Methodologies Review 2023 |
| IRIS | Incremental rolling incentive scheme |
| NZ IFRS | New Zealand – International Financial Reporting Standards |
| Opex | Operational expenditure |
| Part 4 | Part 4 of the Commerce Act 1986 |
| TIDR | Targeted Information Disclosure Review 2024 |
| WUC | Works under construction |

¹ For the avoidance of doubt, the DPP3 regulatory period is 1 April 2020 – 31 March 2025 for EDBs, and 1 October 2022 – 30 September 2026 for gas pipeline businesses.

Executive summary

Changes to information disclosure requirements to align with the Input Methodologies for electricity distribution businesses, gas distribution businesses and the gas transmission business

- X1 We reviewed the information disclosure (**ID**) requirements for electricity distribution businesses (**EDBs**), gas distribution businesses (**GDBs**), and the gas transmission business (**GTB**) to ensure that ID requirements are aligned with the changes from the Input Methodologies Review 2023 (**IM Review**).
- X2 We have also made other amendments relating to error corrections, and consistency with the default price-quality path (**DPP**) for EDBs, GDBs and the GTB.
- X3 As part of this review, we have changed some existing requirements, added some new requirements and removed some requirements. These changes are aimed at ensuring our ID requirements for EDBs, GDBs and GTB remain fit for purpose in light of the IM Review.
- X4 This paper outlines our final decision for changes we have made to the following, including relevant schedules, and our reasons for them:
- X4.1 Electricity Distribution Information Disclosure Determination 2012 (**EDB ID determination**)²;
 - X4.2 Gas Distribution Information Disclosure Determination 2012 (**GDB ID determination**)³; and
 - X4.3 Gas Transmission Information Disclosure Determination 2012 (**GTB ID determination**)⁴.
- X5 The structure of this paper is as follows:
- X5.1 Chapter 1: Introduction - sets out the purpose and context of this paper.
 - X5.2 Chapter 2: Reasons for our final decision - discusses our final decision which was proposed in the draft decision, and additional amendments we have made which were suggested by submitters on our draft decision.

² *Electricity Distribution Information Disclosure (amendments related to IM Review 2023) Amendment Determination 2024 [2024]*

³ *Gas Distribution Information Disclosure (amendments related to IM Review 2023) Amendment Determination 2024 [2024]*

⁴ *Gas Transmission Information Disclosure (amendments related to IM Review 2023) Amendment Determination 2024 [2024]*

- X6 Our final decision was informed by feedback received from stakeholders in the submissions process following the publication of our draft decision, as well as our own analysis on how we can improve the ID requirements for EDBs, GDBs and the GTB.⁵

⁵ [Submissions](#) and [cross-submissions](#) can be found on our website.

Chapter 1 Introduction

We have made changes to information disclosure requirements

- 1.1 We have changed the information disclosure (ID) requirements that apply to electricity distribution businesses (**EDBs**), gas distribution businesses (**GDBs**), and the gas transmission business (**GTB**) under Part 4 of the Commerce Act 1986 (**Part 4**). The changes reflect decisions made as part of the IM Review and other amendments which were proposed in either the draft decision of these changes or were suggested by submitters during the consultation process, and we have considered all feedback received in reaching these final changes.

We set ID requirements to enable stakeholders to assess the performance of EDBs, GDBs and the GTB

- 1.2 ID is a regulatory tool provided for under Part 4. We use it to regulate certain markets where there is little or no competition (and little prospect of future competition) by requiring suppliers in those markets to publicly disclose information about their performance. All EDBs, GDBs, and the GTB are subject to ID regulation under Part 4.^{6,7}
- 1.3 The purpose of ID regulation is to ensure that sufficient information is readily available to interested persons (stakeholders) to assess whether the purpose of Part 4 is being met.^{8,9} We also summarise and analyse that information into a form that is helpful and easier for consumers and other stakeholders to understand.
- 1.4 An effective ID regime provides transparency to stakeholders on the performance of regulated suppliers. Information is disclosed regularly, to provide an ongoing source of information, which amongst other things allows multi-year trends to be identified and monitored over time. This allows stakeholders to assess whether, in relation to a regulated supplier, outcomes are consistent with those produced in a competitive market.
- 1.5 Publishing our analysis of the information that a supplier publicly discloses can also promote incentives for the supplier to improve its performance, by highlighting performance levels, relative performance, and performance trends to stakeholders including other suppliers.

⁶ Section 54F of the Commerce Act 1986 provides that electricity lines services are subject to information disclosure regulation.

⁷ Section 55C of the Commerce Act 1986 provides that gas pipeline services are subject to information disclosure regulation.

⁸ Section 52A of the Commerce Act 1986 provides the purpose of Part 4.

⁹ Section 53A of the Commerce Act 1986 provides the purpose of ID.

We are changing our ID requirements to implement changes made in the Input Methodologies Review 2023 (IM Review)

- 1.6 Our changes are focussed on amendments to the ID requirements that apply to EDBs, GDBs, and the GTB and their relevant schedules as a result of decisions made as part of the IM Review.
- 1.7 We have also made other amendments which were proposed in either the draft decision of this change or were suggested by submitters during the consultation process to remove errors and increase clarity of requirements.
- 1.8 In coming to our final decision on the above amendments, we have had regard to the requirements in the Part 4 input methodologies (**IMs**) for EDBs, GDBs, and the GTB (following from our IM Review decisions) and the *Part 4 Information Disclosure Reviews – Framework paper*.^{10, 11} While the framework paper largely focuses on EDBs, the paper provides a broad overview of the information disclosure regime, making it applicable to GDBs and the GTB as well.

Our final decision reflects feedback from stakeholders and our analysis

- 1.9 Our draft decision for this review were published in July 2024.¹² We received five submissions and two cross-submissions on this paper.
- 1.10 Our final decision is informed from considering the feedback received from stakeholders and our analysis on how we can align the ID requirements for EDBs, GDBs and the GTB with the IM Review, and meet the purpose of ID.
- 1.11 Further information on when the changes come into effect can be found in [Table 2.1](#).

¹⁰ More information on the IM Review can be found in the link [here](#).

¹¹ Commerce Commission, [Part 4 Information Disclosure Reviews – Framework paper](#), (14 December 2023), paragraphs 6-20.

¹² Commerce Commission, [ID IM Amendment Determination 2024 Draft Decision Reasons Paper](#), (18 July 2024).

Chapter 2 Reasons for our final decision

This chapter discusses our reasons for our final decision

- 2.1 The purpose of this chapter is to explain our final decision to change the ID requirements for EDBs, GDBs, and the GTB.
- 2.2 In this chapter, we discuss the key considerations behind our final decision and summarise for each issue:
- 2.2.1 our final decision;
 - 2.2.2 the purpose of our final decision; and
 - 2.2.3 submissions and cross-submissions on the issue.
- 2.3 Table 2.1 shows the application dates for issues.
- 2.3.1 The application dates in the EDB, GDB, and GTB IMs relating to ID will apply from disclosure year (**DY**) 2026, eg, for Issue #1 the application date of 1 April 2025 means that the change will apply to data relating to the period 1 April 2025 to 31 March 2026, which must be reported in August 2026.

Table 2.1 - Application Dates

| <i>Issue#</i> | <i>Description</i> | <i>Application Dates</i> |
|---------------|--------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | Disclosure of IRIS incentive amounts | EDB: 1 April 2025 (DY26) |
| 2 | Wash-up account and other carry-forward balances | EDB*: 1 April 2025 (DY26) *(except for “innovation and non-traditional solutions recovered amount” and “Energy efficiency and demand incentive allowance” which come into effect 1 January 2025 (DY25)). GDB (GasNet and Vector): 1 July 2025 (DY26) GDB (First Gas and Powerco): 1 October 2025 (DY26) GTB: 1 October 2025 (DY26) |
| 3 | Transferred works under construction | EDB: 1 April 2025 (DY26) GDB (GasNet and Vector): 1 July 2025 (DY26) GDB (First Gas and Powerco): 1 October 2025 (DY26) GTB: 1 October 2025 (DY26) |

| <i>Issue#</i> | <i>Description</i> | <i>Application Dates</i> |
|---------------|------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 4 | Network lease opex clarification | EDB: 1 April 2025 (DY26) GDB (GasNet and Vector): 1 July 2025 (DY26) GDB (First Gas and Powerco): 1 October 2025 (DY26) GTB: 1 October 2025 (DY26) |
| 5 | Timing of future AMPs and AMP updates | GDB & GTB: 1 January 2025 (DY25) |
| 6 | Update assurance standards | GDB & GTB: 1 January 2025 (DY25) |
| 7 | Removal of redundant or transitional ID requirements | EDB, GDB & GTB: 1 January 2025 (DY25) |
| 8 | Schedule 11c error | EDB: 1 January 2025 (DY25) |
| 9 | Other IM-related amendments | EDB: 1 April 2025 (DY26) GDB (GasNet and Vector): 1 July 2025 (DY26) GDB (First Gas and Powerco): 1 October 2025 (DY26) GTB: 1 October 2025 (DY26) |
| 10 | Other amendments | EDB, GDB & GTB: 1 January 2025 (DY25) |

Issue #1 – Disclosure of IRIS incentive amounts

Final decision

- 2.4 Our final decision is to require non-exempt EDBs to disclose operating expenditure (**opex**) incremental rolling incentive scheme (**IRIS**) amounts and capital expenditure (**capex**) incentive amounts, and other relevant expenditure incentive information, in their annual information disclosures.
- 2.5 Having considered the submissions received on this issue, our decision is to require non-exempt EDBs to fill out a new Schedule 3a.
- 2.6 Following feedback on the draft schedule, we have removed some line items and added additional line items to ensure the calculations are better aligned with the IMs. We have also changed the years of disclosure so that the schedule better represents expenditure over a regulatory period.

- 2.7 Schedule 3a includes line items for both opex incentive amounts and capex incentive amounts as summarised in Table 2.2 below. The Schedule will have to be director certified.

Table 2.2 – New Schedule 3a line items for Issue #1

| <i>Operating Expenditure Incentive</i> | <i>Capital Expenditure Incentive</i> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> - Forecast opex - Actual opex - Lease payments - Actual opex for IRIS - Expenditure variance to opex allowance | <ul style="list-style-type: none"> - Forecast aggregate value of commissioned assets - Actual commissioned assets - Right-of-use assets - Actual commissioned assets for IRIS - Expenditure variance to commissioned assets allowance |

- 2.8 These amounts will all be disclosed across the regulatory period. In each year's disclosure, EDBs will specify which Regulatory Year is the Current Year.
- 2.9 We have used a proposed schedule from the ENA's cross submission as a basis for the format that this information is collected in. This means that the Schedule 3a we published in our draft decision has changed.
- 2.10 We consider that this new schedule (as amended from draft to final) is a format that interested parties will be able to understand more easily, and that will be easier for EDBs to use.
- 2.11 EDBs will be required to disclose:
- 2.11.1 forecast opex (which includes forecast lease payments) compared to actual opex plus lease payments to determine their expenditure variance to opex allowance; and
 - 2.11.2 forecast aggregate value of commissioned assets compared to actual commissioned assets less right-of-use assets to determine their expenditure variance to commissioned assets allowance.
- 2.12 This will give interested parties a view on how expenditure variance relative to the allowance set under the price-quality path is tracking for the regulatory period for both their opex IRIS and capex incentives.
- 2.13 As IRIS is closely connected with an EDB's price quality path, the definitions in the EDB ID Determination directly reference either the IMs or the default price-quality path (**DPP**) or customised price-quality path (**CPP**) determination as relevant. We have not defined "actual commissioned assets" and "actual commissioned assets for IRIS" as they are combinations of other defined terms.

2.14 Consistency between our regulatory mechanisms (ID, DPPs, CPPs) promotes the purpose of Part 4 and s 53A.

2.15 These amendments apply to non-exempt EDBs from disclosure year 2026.

Purpose of the amendment

2.16 The purpose of the amendment is to provide additional information to interested persons on the underspends or overspends of EDBs' IRIS allowances and capex incentive amounts.

2.17 Additionally, these changes will allow us to evaluate how the IRIS mechanism is performing across the sector. IRIS is one of the fundamental incentive mechanisms of our PQ regime intended to incentivise cost reduction by temporarily decoupling allowed revenue from actual costs. We will be able to use these disclosures to help inform the extent to which IRIS is fulfilling its purpose, or whether it needs to be changed in future.¹³

Submitters were concerned with the proposed amendments

2.18 Submitters questioned whether the schedule as proposed in draft would achieve this intent. The ENA in particular did not believe the schedule as proposed in draft would achieve the required purpose.¹⁴

"Our concerns with the current proposed disclosures are:

- interested persons may not easily ascertain that the 'Amount carried forward' disclosure relates to underspends or overspends of an EDBs allowances.
- the proposed calculation of 'Cumulative amounts carried forward' is not accurate.
- there are inconsistencies in the capex and opex IRIS disclosures, including that opex disclosures include:
 - prior year information to support the current year calculation;
 - and
 - a projection of future IRIS amounts,
 while capex does not.
- how the disclosure links to schedule 2(v) does not appear consistent with the IRIS mechanism."

¹³ We note that we have published an IRIS demonstration model alongside the final DPP4 determination. The data collected through this disclosure aligns with the inputs to that model.

¹⁴ ENA, [Submission on Amendment to information disclosure requirement 2024](#), (15 August 2024), page 1.

2.18.1 We agree with the ENA on these points and have largely incorporated the schedule example provided in their cross-submission in our final decision.

2.19 Vector disagreed with the purpose of the amendment, and believes this requirement only benefits EDBs which have not engaged with the IRIS cashflow implications¹⁵:

"This is information disclosure which only benefits EDBs who have not mastered the IRIS mechanism, which must be noted has been in place for over nine years. We repeat that EDBs should use the Commission's model at their disposal to forecast IRIS adjustments. Adding this Schedule to the electricity information disclosures simply adds internal governance efforts with directors required to certify an additional schedule, and external auditing costs. "

2.19.1 We acknowledge Vector's point that some EDBs have invested internal resources to understand the implications of the IRIS mechanism and capex incentives for how they manage their cashflows. To the extent that some EDBs already track this information internally, we consider that this new disclosure will not impose significant additional regulatory costs. In the context of the submissions we received during the IM Review process, in our view the new disclosure will provide useful additional information to interested stakeholders.¹⁶

2.19.2 We note that this incentive data is already collected for DPP resets. We acknowledge the extra cost that auditing this data will require, but the benefit to the regulatory regime of understanding whether the IRIS mechanism is currently working as intended (and thus whether costs relating to it are justified) is likely to outweigh the costs of reporting. EDBs will have to make these calculations audited for DPP5 regardless, so net additional audit costs are likely to be small.

2.19.3 The current single line item disclosure on IRIS is insufficient to determine how IRIS performs. We consider that the new disclosure will allow us to better evaluate the efficacy of the IRIS mechanism and the capex incentive scheme in future, and thus make informed future decisions on changes that might better promote the purpose of Part 4.

¹⁵ Vector, [Vector cross-submission on information disclosure \(Input Methodologies Amendment Determination 2024\)](#), (3 September 2024), paragraph 3.

¹⁶ Wellington Electricity, [Submission on IM Review 2023 Draft Decisions](#), (19 July 2023), para 3.1.2. Orion, [Submission on IM Review Process and Issues paper and draft Framework paper](#), (11 July 2022), para 43. Vector, [Cross submission on IM Review process and issues paper, and draft framework paper](#), (3 August 2022), para 71.

Issue #2 – Wash-up account and other carry-forward balances

Final decision

- 2.20 Our final decision is to implement effectiveness improvements to the revenue path wash-up mechanism for EDBs, GDBs and the GTB.¹⁷
- 2.21 Changes to implement effectiveness improvements to the revenue path wash-up mechanism will:
- 2.21.1 give effect to substantive decisions made in the IM Review in respect of inflation risk and connection capex for customised price-quality paths (CPPs);
 - 2.21.2 better manage revenue and price volatility;
 - 2.21.3 mitigate potential issues with cashflow timing and financeability; and
 - 2.21.4 reduce the complexity of the overall wash-up mechanism.¹⁸
- 2.22 In response to submissions, we have made the following amendments to the EDB, GDB and GTB schedules and the associated Schedule 16 definitions to improve clarity around the breakdown of the wash-up mechanism:
- 2.22.1 “Urgent project allowance” to “CPP urgent project allowance”;
 - 2.22.2 “other financial incentives” to “other CPP financial incentives”;
 - 2.22.3 “other recoverable costs excluding financial incentives and wash-ups” to “other CPP recoverable costs excluding financial incentives and wash-ups”;
and
 - 2.22.4 “other wash-ups” to “other CPP wash-ups”.
- 2.23 We have made minor amendments to the GDB ID Determination and schedules, so that they align with the final decision in the IM review regarding a “reopener event allowance”.¹⁹
- 2.24 We have also made minor amendments to align defined terms in ID schedules with the IMs.

¹⁷ Commerce Commission, [Part 4 IM Review 2023 Final decision Risks and Incentives topic paper](#), (13 December 2023), Attachment D.

¹⁸ Commerce Commission, [Part 4 IM Review 2023 Final decision Risks and Incentives topic paper](#), (13 December 2023), paragraph D2.

¹⁹ Commerce Commission, [CPP and in-period adjustment mechanisms topic paper](#) (13 December 2023), para 5.120, 9.46

2.25 The final changes to EDB, GDB and GTB Schedule 2(v) and Schedule 3(ii) are listed in Table 2.3. Associated definitions have been changed in clause 1.4.3 and schedule 16 but are omitted from the table below.

Table 2.3 – Final changes to EDB, GDB and GTB Schedule 2(v) and Schedule 3(ii) for Issue #2

| <i>EDB</i> | <i>GDB and GTB</i> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Amendments to EDB ID Schedule 2(v):</p> <ul style="list-style-type: none"> - Add “Reopener event allowance” - Add “Wash-up drawdown amount” - Remove “Energy efficiency and demand incentive allowance - Add “Innovation and non-traditional solutions recovered amount” - Add “CPP Urgent project allowance” - Amend “Other CPP financial incentives” - Amend “Other CPP wash-ups” - Remove “Catastrophic event allowance” - Remove “Capex wash-up adjustment” - Remove “Transmission asset wash-up adjustment” - Remove “2013–15 NPV wash-up allowance” - Remove “Reconsideration event allowance” - Amend “Wash-up costs” <p>Amendments to EDB ID Schedule 3(ii):</p> <ul style="list-style-type: none"> - Remove “Distributed generation allowance” - Add “Independent engineer costs” - Add “FENZ levies” - Amend “CPP or DPP specified pass-through costs” - Amend “Electricity lines service charge payable to Transpower” - Amend “Transpower new investment contract charges” - Amend “System operator services” - Amend “Other CPP recoverable costs excluding financial incentives and wash-ups” - Amend “Pass-through and recoverable costs excluding financial incentives and wash-ups” | <p>Amendments to GTB ID Schedule 2(v):</p> <ul style="list-style-type: none"> - Add “Wash-up drawdown amount” - Remove “Capex wash-up adjustment” - Remove “Revenue wash-up drawdown amount” <p>Amendments to GDB and GTB Schedule 2(v):</p> <ul style="list-style-type: none"> - Add “Reopener event allowance” - Add “CPP Urgent project allowance” - Remove “Catastrophic event allowance” - Amend “Other CPP wash-ups” - Amend “Wash-up costs” <p>Amendments to GTB Schedule 3(ii):</p> <ul style="list-style-type: none"> - Remove “Mokau compressor fuel gas costs” - Add “Compressor fuel gas costs” <p>Amendments to GDB and GTB Schedule 3(ii):</p> <ul style="list-style-type: none"> - Remove “Urgent project allowance” - Add “FENZ levies” - Amend “Other CPP recoverable costs excluding financial incentives and wash-ups” - Amend “Pass-through and recoverable costs excluding financial incentives and wash-ups” |

2.26 These amendments apply to non-exempt EDBs, GDBs and the GTB from disclosure year 2026 (subject to the exception noted in Table 2.1 above).

Purpose of the amendment

- 2.27 The purpose of these amendments is to align the ID requirements with the decisions made in the IM Review in regard to the wash-up account and other carry-forward balances. This provides the correct format for EDBs, GDBs and the GTB to disclose this information.
- 2.28 We consider the above amendments will promote the purpose of ID as the information regulated providers disclose will be consistent with the IMs.

Submitters supported the proposed amendments

- 2.29 In general, there was support for the amendment, with some suggested minor changes. Both the ENA and Unison and Centralines suggested that to improve readability, defined terms that only affect regulated businesses on a CPP should include "CPP" in the name. They also suggested adjustments to some terms in the ID schedules, so they aligned with the IMs.^{20, 21}
- 2.30 The ENA submitted that consideration should be given to the previous breakdown of wash-ups and how useful they were to interested persons²²:

"Before finalising the amendments, consideration should be given to:

- the previous breakdown of wash-ups and specific identification of reopener recoverable costs are likely to be useful to interested persons"

- 2.30.1 Whilst there is merit in the previous breakdown of wash-ups, all changes in the ID schedules reflect the changes implemented to the wash-up mechanism in the IM Review.²³
- 2.31 Unison and Centralines were supportive of the amendment in their submission. Outside of their support of the ENA's submission, they also suggested the following changes to the amendment to clarify and avoid confusion²⁴:

"We recommend minor changes to ensure consistency between the IMs and the ID schedules: "Wash-up draw down amount" should be revised to "Wash-up drawdown amount," and "Re-opener event allowance" should be updated to "Reopener event allowance."

²⁰ ENA, [Submission on Amendment to information disclosure requirement 2024](#), (15 August 2024).

²¹ Unison and Centralines, [Submission on proposed changes to information disclosure requirements](#), (15 August 2024).

²² ENA, [Submission on Amendment to information disclosure requirement 2024](#), (15 August 2024), page 2.

²³ Commerce Commission, [Part 4 IM Review 2023 Final decision Risks and Incentives topic paper](#), (13 December 2023), Attachment D.

²⁴ Unison and Centralines, [Submission on proposed changes to information disclosure requirements](#), (15 August 2024), Appendix A.

2.31.1 We agree with Unison and Centralines and have implemented these changes into our final decision. Furthermore, we also found another typographical error and changed “pass through and recoverable costs excluding financial incentives and wash-ups” to “pass-through and recoverable costs excluding financial incentives and wash-ups” in both the GDB and GTB ID determination and schedules to align with their respective IM determinations.

2.32 Unison and Centralines also suggested²⁵:

“Given the inherent complexity of Default Price-Quality Path (DPP) and CPP wash-ups greater granularity in the disclosure of amounts to match all available wash-ups would improve transparency and justify removing the “Other wash-ups” line.”

2.32.1 While we acknowledge that this suggestion aims to reduce complexity by providing greater breakdown in the ID schedules, we believe that removing the “other wash-ups” line would potentially harm interested parties. For example, if a future decision added a new wash-up to either DPPs or CPPs, without an “other wash-ups” line, regulated businesses would not be able to disclose this wash-up in ID. Therefore, to future-proof ID for these potential changes, the “other wash-ups” line will remain.

2.33 Vector proposed the following amendment in its cross-submission²⁶:

“Vector proposes removing the current division of pass-through and recoverable costs into (1) normal pass-through and recoverable costs, and (2) financial incentives and wash-ups, as disclosed in Schedule 3(ii) and Schedule 2(v) of the Electricity Information Disclosure (EID) template. This division is redundant, requiring reconciliation between two schedules and creating uncertainty in defining financial incentives under the current ID and IMs. The ID lacks comprehensive details on all financial incentives, and the IMs do not distinguish between financial and non-financial incentives.

Schedule 3 of the EID, which reports regulatory profit, should include all pass-through and recoverable costs, aligning with our annual compliance statement. Consolidating these costs into Schedule 3 would remove the need to distinguish financial incentives, reducing audit costs. Additionally, simplifying Schedule 2 to reflect Return on Investment (ROI) on all revenue earned only would streamline reporting and focus on target revenue, removing unnecessary ROI calculations.”

2.33.1 In our draft decision for this issue, we sought to align the ID schedules with the changes made in the IMs relating to the wash-up account and other carry-forward balances.

²⁵ Unison and Centralines, [Submission on proposed changes to information disclosure requirements](#), (15 August 2024), Appendix A.

²⁶ Vector, [Vector cross-submission on information disclosure \(Input Methodologies Amendment Determination 2024\)](#) (3 September 2024), para 8,9.

- 2.33.2 We consider that what Vector is proposing in its cross-submission is a change to both the ROI calculation in Schedule 2(i) and the regulatory profit calculation in Schedule 3(i). We consider this proposed amendment is a material change and is therefore outside the scope of this project. We may return to this suggestion in a future review.

Issue #3 – Transferred Works Under Construction

Final decision

- 2.34 Our final decision is to require a more detailed breakdown of movements through the works under construction (**WUC**) account in Schedule 4(iv). This includes adding line items for regulated providers to disclose further detail on capital expenditure that has gone through the WUC account, and capital contributions and other revenue received that relates to WUC.
- 2.35 We have further broken down the ‘Roll Forward of Works Under Construction’ disclosure in Schedule 4(iv) by:
- 2.35.1 Renaming ‘capital expenditure’ to ‘WUC capital expenditure’;
- 2.35.2 Adding the following subcategories within ‘WUC capital expenditure’:
- 2.35.2.1 ‘WUC acquired from a regulated supplier’;
- 2.35.2.2 ‘WUC acquired from a related party’; and
- 2.35.2.3 ‘WUC capital expenditure – other’.
- 2.35.3 Adding two new line items:
- 2.35.3.1 ‘WUC capital contributions’; and
- 2.35.3.2 ‘WUC other revenue’.
- 2.36 We have also amended the ‘assets commissioned’ subcategories in Schedule 4(ii) (Unallocated Regulatory Asset Base), by replacing the line item ‘assets commissioned (other than below)’ with two new line items: ‘assets commissioned out of WUC’, and ‘assets acquired (other than below)’.
- 2.37 We have amended existing definitions and added new definitions in clause 1.4 and Schedule 16 of the ID determinations to reflect and align the determinations with the schedules.
- 2.38 In response to submissions, we have made the following changes from the draft decision to the final decision:

- 2.38.1 We have added the line items ‘WUC acquired from a related party’ and ‘WUC capital expenditure – other’ to Schedule 4(iv);
- 2.38.2 ‘WUC acquired from a regulated supplier’, ‘WUC acquired from a related party’ and ‘WUC capital expenditure – other’ are now subcategories within ‘WUC capital expenditure’ in Schedule 4(iv) for EDBs, GDBs and the GTB;
- 2.38.3 We have made changes to clarify the definitions in the EDB, GDB and GTB ID determinations for ‘WUC capital expenditure’ and the subcategories within it; and
- 2.38.4 The definition of ‘works under construction’ in the EDB, GDB and GTB ID determinations now refers to the corresponding definition in the IM determinations.
- 2.39 These amendments apply for EDBs, GDBs and the GTB from disclosure year 2026.

Purpose of the amendment

- 2.40 IM changes arising from our IM Review require that WUC acquired from another regulated supplier are capped at the cost incurred by the selling party.²⁷ Clause 2.2.11(1) in each of the EDBs, GDBs, and GTB IM determinations requires capital contributions to be deducted from an asset when it is commissioned, but they are often received when the asset is under construction.²⁸ Clause 2.2.11(4) in each of the EDBs, GDBs, and GTB IM determinations also requires that any revenue derived in relation to WUC, reduces the value of WUC.²⁹
- 2.41 These amendments will align the ID requirements with the decisions made in the IM Review and make the calculation required by the IMs for the closing value of WUC clearer.
- 2.42 These amendments promote the purpose of ID as they should improve accuracy and completeness of the information disclosed on WUC.

²⁷ Commerce Commission, [Report on the IM Review 2023: Part 4 Input Methodologies Review 2023](#) (13 December 2024), paragraph 4.5.2.

²⁸ Commerce Commission, [Electricity Distribution Services Input Methodologies \(IM Review 2023\) Amendment Determination 2023](#), (13 December 2023).
Commerce Commission, [Gas Distribution Services Input Methodologies \(IM Review 2023\) Amendment Determination 2023](#), (13 December 2023).
Commerce Commission, [Gas Transmission Services Input Methodologies \(IM Review 2023\) Amendment Determination 2023](#), (13 December 2023).

²⁹ Ibid.

Submitters supported the proposed amendment in principle but noted that further clarification was needed

- 2.43 In response to our draft decision, submitters supported the proposed amendment in principle but recommended further changes to the final decision. Specifically, submitters suggested that clarification was needed regarding certain aspects of the disclosure requirement.
- 2.44 ENA supported the proposed amendment but recommended that Schedule 4(ii) and Schedule 4(iv) continue to include an ‘assets commissioned’ total that allows reconciliation between the two disclosures, and that Schedule 4(iv) continues to include a ‘capital expenditure’ disclosure that can be reconciled to Schedule 6a (Report on Capital Expenditure for the Disclosure Year). It noted that any additional breakdown of these amounts could then be included in the schedule as further detail.³⁰
- 2.44.1 Regarding the ‘capital expenditure’ disclosure and its reconciliation between Schedule 4(iv) and Schedule 6a, our view is that these values will not be reconcilable in all circumstances, as Schedule 6a includes *all* capex (eg including not just capex on WUC, but also capex to acquire ready-to-use assets), whereas Schedule 4(iv) includes only capex that goes through the WUC account. If the entirety of a regulated provider’s capex is put through the WUC account (ie, they have not purchased any ready-to-use assets), they are still able to link the Schedule 4(iv) values to the Schedule 6a values in their disclosures, with appropriate adjustments.
- 2.44.2 In response to ENA’s suggestion that the additional breakdown of ‘capital expenditure’ is included as further detail, we have altered the proposed schedule layout so that ‘WUC acquired from a regulated supplier’, ‘WUC acquired from a related party’ and ‘WUC capital expenditure – other’ are subcategories within the ‘WUC capital expenditure’. We note that ‘WUC capital expenditure – other’ was added in the final decision, to capture WUC purchased from suppliers other than regulated suppliers and related parties. We consider that this change in layout makes the disclosure requirement clearer.

³⁰ ENA, [Submission on Amendment to information disclosure requirement 2024](#), (15 August 2024).

- 2.44.3 Regarding the ‘assets commissioned’ disclosure, the final decision amendments continue to provide a reconcilable value for assets commissioned (between Schedule 4(ii) and Schedule 4(iv)). This is because ‘assets commissioned out of WUC’ is included as a line item in both schedules. Similarly to the point noted in paragraph 2.44.1, our view is that ‘assets commissioned’ at a total level as disclosed in Schedule 4(ii) will not be reconcilable with the assets commissioned value in Schedule 4(iv) in all circumstances, because the Schedule 4(ii) ‘total’ value includes all assets commissioned (including the acquisition of ready-to-use assets), whereas Schedule 4(iv) includes only assets commissioned out of the WUC account.
- 2.45 Submitters suggested that further clarification was required to the definitions, in particular, the distinction between ‘assets acquired from a regulated supplier’ and ‘WUC acquired from a regulated supplier’. Unison and Centralines also requested clarification of what transactions would be included in ‘WUC other revenue’, and ENA submitted that the proposed definition for ‘WUC capital expenditure’ would result in a double deduction of capital contributions and other revenue.³¹
- 2.45.1 In response to submitters’ requests for clarification of the distinction between ‘assets acquired from a regulated supplier’ and ‘WUC acquired from a regulated supplier’, we have amended the definition of ‘works under construction’ in the ID determination, so that it now refers to the corresponding definition in the IM determination. The IM determination definition describes the conditions under which an asset is considered to be ‘works under construction’. One of these conditions is that the asset has been, is being, or is forecast to be constructed by, or on behalf of, the regulated provider. This is the key difference between ‘assets acquired from a regulated supplier’ and ‘WUC acquired from a regulated supplier’. Accordingly, ‘WUC acquired from a regulated supplier’ includes only assets purchased from another regulated supplier, that the purchaser plans to do further construction work on before commissioning, whereas ‘assets acquired from a regulated supplier’ would include only the purchase of assets which are ready to use.

³¹ Aurora Energy, [Aurora Energy’s submission: Information Disclosure \(Input Methodologies Amendment Determination 2024\)](#), (15 August 2024).
ENA, [Submission on Amendment to information disclosure requirement 2024](#), (15 August 2024).
Unison and Centralines, [Submission on proposed changes to Information Disclosure requirements](#), (15 August 2024).

- 2.45.2 In the final decision we have added another line item, 'WUC acquired from a related party', to Schedule 4(iv). We added this line item because if the entirety of a regulated provider's capex is put through the WUC account (ie, they have not purchased any ready-to-use assets), and as a result, the total value of 'assets commissioned' in Schedule 4(ii) comes through as 'assets commissioned out of WUC', visibility of the value of assets acquired from a related party would be lost. By requiring the disclosure of 'WUC acquired from a related party', visibility of this value is retained. The valuation rules in the IMs for commissioned assets acquired in a related party transaction also apply for WUC. This means that where WUC is purchased from a party that is both a regulated supplier and a related party, it should be disclosed as 'WUC acquired from a regulated supplier'.
- 2.45.3 Regarding the request from Unison and Centralines for clarification of what transactions would be included in 'WUC other revenue', an example could be rental income received in respect of an asset which is not yet commissioned. For example, a trench owned by an EDB which is not yet commissioned (as the electricity cables have not yet been laid), but fibre cables have been laid, and the EDB is receiving rental income for the use of the trench by the fibre company.
- 2.45.4 Regarding ENA's point about the double deduction of capital contributions and other revenue from 'WUC capital expenditure', we agree with this point as it relates to other revenue. 'WUC capital expenditure' is disclosed in Schedule 4(iv) gross of 'WUC capital contributions' and 'WUC other revenue'. This differs to 'capital expenditure' which is disclosed in Schedule 5b and Schedule 6a net of these amounts. Since the definition of 'WUC capital expenditure' refers to the defined term 'capital expenditure', it should include a requirement for regulated providers to add back 'WUC capital contributions' and 'WUC other revenue', to prevent double deduction of these values in the calculation of 'works under construction – current disclosure year' in Schedule 4(iv). The proposed definition of 'WUC capital expenditure' included the requirement to add back 'WUC capital contributions' but was missing the requirement to add back 'WUC other revenue'. Therefore, in the final decision we have amended the definition of 'WUC capital expenditure' to include a requirement for regulated providers to add back 'WUC other revenue'.

Issue #4 – Network lease opex clarification

Final decision

- 2.46 Unchanged from our draft decision, the final decision is to amend the definition of the following to remove the inclusion of leases:

- 2.46.1 ‘system operations and network support’ for EDBs in clause 1.4.3;
- 2.46.2 ‘system operations and network support’ for GDBs in Schedule 16; and
- 2.46.3 ‘network support’ for the GTB in Schedule 16.

2.47 These amendments apply for EDBs, GDBs and the GTB from disclosure year 2026.

Purpose of the amendment

2.48 The purpose of the amendment is to align with the IM changes, clarifying the correct categorisation of leases in accordance with the IMs. We believe this promotes the purpose of ID as it enhances the accuracy and completeness of the information disclosed.

Submitters generally supported the proposed amendment

2.49 There was general support for the amendment. Some submitters wanted clarification on how these changes would affect low value leases and Transpower payments, and expressed concern that these would be affected by the change to the definition.³² Orion requested clarification on how Transpower payments are to be treated:³³

“We encourage the Commission to consider how Transpower payments are considered under the new ID requirements. For example, we have a Transpower New Investment Agreement which is treated as a finance lease for accounting purposes, but for regulatory purposes the monthly charge forms part of our recoverable costs (i.e. within the regulatory framework our payments are essentially treated as an operating lease and expensed in total in the calculation of regulatory profit as part of Schedule 3). We seek that the Commission clarifies that Transpower payments are not to be treated as finance leases in the ID requirements.

Also, smaller finance leases can be treated as operating leases under the New Zealand Equivalent to International Financial Reporting Standard 16 Leases (NZ IFRS 16), if they are low value or short term. This standard encourages compliance for material items without being overly burdensome by including immaterial items. We request that this be allowed to continue under the ID requirements.

³² Vector, [Vector cross-submission on information disclosure \(Input Methodologies Amendment Determination 2024\)](#), (3 September 2024), paragraphs 6, 7. ENA, [Submission on Amendment to information disclosure requirement 2024](#), (15 August 2024), page 2. Unison and Centralines, [Submission on proposed changes to Information Disclosure requirements](#), (15 August 2024), Appendix A.

³³ Orion, [Submission on Input Methodologies Amendment Determination 2024](#), 15 August 2024, page 1.

To align with NZ IFRS 16, we submit that the Commission should not remove all references to operating leases but instead rely on compliance with GAAP and allow low value/short term leases to remain as operating leases. Such an approach would align the treatment of leases between financial and regulatory reporting (i.e. if a lease is not treated as a finance lease for financial reporting, it isn't treated as a finance lease for regulatory reporting), rather than ruling out operating leases entirely. There would need to be the key exception where leases are treated as a recoverable cost for regulatory purposes, such as the Transpower leases discussed above."

- 2.49.1 Leases are being removed from the definition of 'system operations and network support' and 'network support' as the majority of leases are now treated as right-of-use assets under GAAP, and as such, do not constitute opex.³⁴ Regarding the payments to Transpower (raised by Orion), recoverable costs are excluded from right-of-use assets, and also from opex, by definition.³⁵ Accordingly, they are separately disclosed as an expense line item in Schedule 3(ii).
- 2.49.2 Payments associated with low value and short-term leases which are allowed to be recognised as opex under GAAP may still be recognised as 'systems operations and network support' opex for regulatory purposes.³⁶ It was not our intention that the removal of the prescriptive term 'leases' from the definition would have the effect of excluding all lease costs. We consider its removal, as proposed in our draft decision, allows the necessary flexibility to align with GAAP.

Issue #5 – Timing of future AMPs and AMP updates

Final decision

- 2.50 Unchanged from our draft decision, our final decision is to amend clause 2.6.3 of both the GTB and GDB ID determination to account for both a four-year and a five-year DPP regulatory period length. Specifically, we have made the following amendments to clause 2.6.3:
- 2.50.1 We have split the clause to have two subclauses, 2.6.3(1) and 2.6.3(2), to reflect a five-year and a four-year reg period respectively.
- 2.50.2 Within each subclause are sub-parts (a) and (b) which reflect the two years in each reg period where a compulsory AMP is required.
- 2.51 These amendments apply for GDBs and the GTB from disclosure year 2025.

³⁴ Commerce Commission, [Treatment of operating leases Final Decision](#), (13 November 2019), paragraph X2.

³⁵ Commerce Commission, [Electricity Distribution Services Input Methodologies \(IM Review 2023\) Amendment Determination 2023](#), (13 December 2023), paragraph 1.1.4(2).

³⁶ [NZ IFRS 16](#) includes a recognition exemption whereby lessees may elect not to apply the requirements to short term leases and leases for which the underlying asset is of low value.

Purpose of the amendment

- 2.52 The amendment ensures that regardless of the length of the regulatory cycle, GDBs and the GTB will submit two AMPs. These AMPs will be at points in the regulatory cycle that are most advantageous to interested parties to show progress over the period. It will also ensure up-to-date information is provided ahead of a reset.
- 2.53 By way of context, for the Gas DPP3, the regulatory period for GDBs and the GTB changed from five years to four years. This has meant that the timing of the second mandatory AMP disclosure during DPP3 was in consecutive years. We issued an exemption in 2023 to address this issue.³⁷
- 2.54 This amendment makes a permanent change to allow for a four-year regulatory period, and reduces regulatory burden on GDBs and the GTB, recognising it is unlikely that AMP information will change substantially in one year.

Submitters supported the proposed amendment

- 2.55 Submissions on this proposed amendment were in support.³⁸

Issue #6 – Update assurance standards*Final decision*

- 2.56 Unchanged from our draft decision, our final decision is to amend clause 1.4.3 of the ID determination for GDBs and the GTB to update the assurance standards and remove redundant requirements. Specifically, the following amendments have been made:
- 2.56.1 updates to the definition of “ISAE (NZ) 3000” and “SAE 3100” to refer to the current version of these assurance standards that are issued by the External reporting board;
 - 2.56.2 removal of the guidance note under the definition of “Arm’s length transaction” that refers to ISA (NZ) 550, as this is not needed given “Arm’s length transaction” has the meaning given in the IM determination; and
 - 2.56.3 removal of the definition for “ISA (NZ) 550” as the term was not used anywhere in the ID determination other than in the guidance note which is now removed.
- 2.57 These amendments apply for GDBs and the GTB from disclosure year 2025.

³⁷ Commerce Commission, [Gas-Distribution-ID-Exemption-Vector-Limited-applying-to-all-GDBs-AssetManagement-Plans-during-DPP3-31-March-2023, \(6 April 2023\)](#), paragraphs 1–17 .

³⁸ Vector, [Vector submission on information disclosure \(Input Methodologies Amendment Determination 2024\)](#), (15 August 2024), para 13.

Purpose of the amendment

- 2.58 The purpose of these amendments is to update the assurance standards to reduce the risk that auditors may not be able to undertake an engagement or issue an opinion on the basis of an incorporated standard where it has been changed or superseded.

Submitters supported the proposed amendment

- 2.59 Submissions on this proposed amendment were in support.³⁹

Issue #7 – Removal of redundant or transitional ID requirements*Final decision*

- 2.60 Unchanged from our draft decision, our final decision is to remove redundant and transitional requirements from the EDB, GTB and GDB ID schedule templates. Additional minor notes regarding the start or end of reporting of particular data points will be removed where they are now redundant.
- 2.61 These amendments apply for EDBs, GDBs and the GTB from disclosure year 2025.

Purpose of the amendment

- 2.62 These changes will simplify the schedules.

Submitters supported the proposed change

- 2.63 Submissions on this proposed amendment were in support.⁴⁰

Issue #8 – Schedule 11c error*Final decision*

- 2.64 Unchanged from the draft decision, our final decision is to remove the statement within the EDB ID template of Schedule 11c: Report on Cybersecurity Expenditure Forecast that the information is subject to audit.
- 2.65 This amendment applies for EDBs from disclosure year 2025.

Purpose of amendment

- 2.66 Removing this typographical error will align the schedule template with the ID determination and remove uncertainty around whether the schedule is audited.

³⁹ Vector, [Vector submission on information disclosure \(Input Methodologies Amendment Determination 2024\)](#), (15 August 2024), para 13.

⁴⁰ Unison and Centralines, [Submission on proposed changes to Information Disclosure requirements](#), (15 August 2024), Appendix A.
Vector, [Vector submission on information disclosure \(Input Methodologies Amendment Determination 2024\)](#), (15 August 2024), para 13.

Submitters supported the proposed change

2.67 Submissions on this proposed amendment were in support.⁴¹

Issue #9 – Other IM-related amendments

Final decision

2.68 Unchanged from our draft decision, our final decision is to make some minor amendments to align the EDB, GTB and GDB ID determinations with the new and adjusted definitions within the relevant IMs.

2.69 These amendments apply for EDBs, GDBs and the GTB from disclosure year 2026.

Purpose of amendment

2.70 The purpose of these minor amendments is to maintain consistency between the IM and the ID determinations.

Submitters supported the proposed change

2.71 Submissions were in support of the IM-related amendments.⁴²

Issue #10 – Other amendments

Final decision

2.72 Our final decision is to adopt the amendments which were proposed in our draft decision to address minor clarifications and error corrections. These were:

2.72.1 In the GDB and GTB ID determinations, update how we refer to Schedules 1-13 (addition of Part 3 “Schedules included in this Document”). These updates are consistent with how the EDB ID determination refers to its schedules.

2.72.2 In the GDB and GTB ID determinations, update the Schedule 16 definition “gains / (losses) on asset disposals” to match that of the EDB ID determination.

2.72.3 Fix errors in some formulas in EDB Schedules 1, 5b, 7 and 9e.

2.72.4 Make minor clarifications and correction of typographical errors.

⁴¹ Orion, [Submission on Input Methodologies Amendment Determination 2024](#), 15 August 2024, page 2. Unison and Centralines, [Submission on proposed changes to Information Disclosure requirements](#), (15 August 2024), Appendix A. Vector, [Vector submission on information disclosure \(Input Methodologies Amendment Determination 2024\)](#), (15 August 2024), para 13.

⁴² Unison and Centralines, [Submission on proposed changes to Information Disclosure requirements](#), (15 August 2024), Appendix A. Vector, [Vector submission on information disclosure \(Input Methodologies Amendment Determination 2024\)](#), (15 August 2024), para 13.

2.73 We have also made additional amendments to correct minor typographical errors in the EDB, GTB and GDB ID schedules generally, as well as an amendment to correct an error in Schedule 8(ii) for EDBs specifically.

2.73.1 We identified an error in Schedule 8(ii) relating to EDBs, in that the disclosure layout meant that consumer discounts (which were included in the dropdown list for ‘standardised price component’ in the ‘line charge revenues (\$000) by price component’ table) would be added to the total revenue figures. This was incorrect because revenue disclosed in this table is required to be presented net of consumer discounts.⁴³

2.73.2 To correct this, we have removed the consumer discounts options from the dropdown list for ‘standardised price component’ in the ‘line charge revenues (\$000) by price component’ table, and we have added a separate table alongside it, for EDBs to disclose the same information for consumer discounts.

2.74 These amendments apply for EDBs, GDBs and the GTB from disclosure year 2025.

Purpose of amendment

2.75 The purpose of these amendments, including the additional amendments that we identified as being needed after the draft decision, is to clarify and correct existing ID requirements to make it easier for EDBs, GDBs and GTBs to report.

Submitters supported the proposed change

2.76 Submitters supported the amendments proposed in our draft decision.⁴⁴ The additional amendments that we identified as being needed after the draft decision are non-material clarifications and corrections.

⁴³ Clause 1.4 of the [EDB ID determination](#) defines ‘Line charge revenue’ as ‘revenue from **prices**’. ‘Prices’ is defined in clause 3.1.1(7) of the [EDB IM determination](#), which states that prices must include a discount taken up by consumers.

⁴⁴ Unison and Centralines, [Submission on proposed changes to Information Disclosure requirements](#), (15 August 2024), Appendix A. Vector, [Vector submission on information disclosure \(Input Methodologies Amendment Determination 2024\)](#), (15 August 2024), para 13.