Wellington Electricity Lines Limited Electricity Distribution
Customised Price-Quality Path Determination 2018

[2018] NZCC 6

The Commission: Part 4 Division
Sue Begg
Dr Stephen Gale
Dr Mark Berry
Dr Jill Walker

Date of determination: 28 March 2018
### Determination version history

This determination amends the *Electricity Distribution Services Default Price-Quality Path Determination 2015* [2014] NZCC 33, 28 November 2014, as it applies to Wellington Electricity Lines Limited.

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

1. **Title**

1.1 This determination is the Wellington Electricity Lines Limited Electricity Distribution Customised Price-Quality Path Determination 2018.

2. **Commencement**

2.1 This determination takes effect on 1 April 2018.

3. **Application**

3.1 This determination amends the *Electricity Distribution Services Default Price-Quality Path Determination 2015* [2014] NZCC 33, 28 November 2014, as it applies to Wellington Electricity to set the customised price-quality path for Wellington Electricity, and is made under sections 53Q and 53V of the Act.

3.2 This determination applies to Wellington Electricity, and replaces all terms of the *Electricity Distribution Services Default Price-Quality Path Determination 2015* [2014] NZCC 33, 28 November 2014 as they apply to Wellington Electricity.

4. **Interpretation**

4.1 Unless the context otherwise requires:

(a) terms in bold type in this determination, including its schedules, have the meaning given to those terms in clause 4.2;

(b) terms used in this determination that are defined in the Act but not in this determination have the same meanings as in the Act;

(c) for the avoidance of doubt, references to terms from legislation in this determination have the meaning given in the applicable legislation at the time they are applied;

(d) terms used in this determination that are defined in the IM determination but not in this determination have the same meanings as in the IM determination;

(e) any reference to a period of time is interpreted in accordance with section 35 of the Interpretation Act 1999; and

(f) a word which denotes the singular also denotes the plural and vice versa.

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

67th percentile estimate of post-tax WACC has the meaning given in the IM determination;
Actual allowable revenue means:
(a) for the first assessment period, the amount specified in paragraph (2)(a) of Schedule 1.5; and
(b) for the second to third assessment periods, the amount specified in paragraph (2)(b) of Schedule 1.5;

Actual net allowable revenue means:
(a) for the first assessment period, the amount specified as forecast net allowable revenue for the first assessment period; and
(b) for the second to third assessment periods, the amount calculated in paragraph (3) of Schedule 1.5;

Actual pass-through costs and recoverable costs means:
(a) for the first assessment period, the sum of all pass-through costs and recoverable costs that were incurred in the assessment period; and
(b) for the second to third assessment periods, the sum of all pass-through costs and recoverable costs that were incurred in the assessment period, excluding any recoverable cost that is a revenue wash-up draw down amount;

Actual revenue means the sum of actual revenue from prices;

Actual revenue from prices means the sum of each price multiplied by each corresponding actual quantity;

Amalgamate and Amalgamation has the meaning given in the IM
Annual compliance statement means a written statement required to be made by Wellington Electricity in respect of the wash-up amount calculation, quality standards and transactions under clause 11.4-11.6;

Assessment period means:

(a) a 12 month period commencing 1 April and ending on 31 March of the following year during the CPP regulatory period, for which compliance with a price-quality path must be demonstrated;

(b) for the purpose of clause 9.1 and 9.3, a 12 month period commencing 1 April and ending on 31 March of the following year, for which compliance with a price-quality path must be demonstrated;

Capex incentive amount has the meaning given in the IM determination;

Class B interruptions means planned interruptions by Wellington Electricity;

Class C interruptions means unplanned interruptions originating within the system fixed assets of Wellington Electricity;

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

Consumer has the meaning given in the IM determination;

CPI has the meaning given in the IM determination;
CPP proposal has the meaning given in the IM determination;

CPP regulatory period means the regulatory period 1 April 2018 to 31 March 2021 during which Wellington Electricity is subject to a customised price-quality path;

Director has the meaning given in the IM determination;

Disclosure year has the meaning given in the IM determination;

DPP regulatory period means the regulatory period 1 April 2015 to 31 March 2020;

Earthquake readiness expenditure has the meaning given in the IM determination, as varied in accordance with the agreed IM variations as specified in Schedule 11;

EDB means a supplier of electricity lines services other than Transpower;

Electricity lines services has the meaning given in the IM determination;

Extended reserves allowance has the meaning given in the IM determination;

Forecast allowable revenue means the amount calculated for each assessment period as specified in Schedule 1.4;

Forecast net allowable revenue means the amount specified in Schedule 1.3;

Forecast opex has the meaning given in the IM
Wellington Electricity Lines Limited Electricity Distribution Customised Price-Quality Path Determination 2018

Forecast pass-through and recoverable costs means the sum of all the forecast pass-through costs and forecast recoverable costs, excluding any recoverable cost that is a revenue wash-up draw down amount;

Forecast revenue from prices means the amount calculated for each assessment period as specified in Schedule 1.2;

Forecast value of commissioned asset has the meaning given in the IM determination, as varied in accordance with the agreed IM variations as specified in Schedule 11;

IM determination means the Electricity Distribution Services Input Methodologies Determination 2012 [2012] NZCC 26, including, for the avoidance of doubt, any amendment in effect at the time of determination of a default price-quality path or customised price-quality path;

Independent auditor means a person who:

(a) is qualified for appointment as auditor of a company under the Companies Act 1993; and

(b) has no relationship with, or interest in, Wellington Electricity that is likely to involve the person in a conflict of interest; and

(c) has not assisted with the preparation of the annual compliance statement or provided advice or opinions (other than in relation to audit reports) on the methodologies or processes used in preparing the annual compliance statement; and

(d) has the necessary expertise to properly prepare an assurance report required
by clause 11.5(e); but

(e) need not be the same person as the person who audits Wellington Electricity accounts for any other purpose;

Input methodology has the same meaning as in section 52C of the Act;

Interruption means, in relation to the conveyance of electricity to a consumer by means of a prescribed voltage electric line, the cessation of conveyance of electricity to that consumer for a period of 1 minute or longer, or disconnection of that consumer, other than:

(a) in accordance with any requirements in the Electricity Industry Participation Code 2010 relating to extended reserves; or

(b) as a result of an automatic under voltage, under frequency, or rolling outage scheme or similar arrangement required as part of the system operator services or other instruction from an authorised regulator; or

(c) for breach of the contract under which the electricity is conveyed; or

(d) as a result of a request from the consumer; or

(e) as a result of a request by the consumer’s electricity retailer; or

(f) for the purpose of isolating an unsafe installation;

Major event day means any day where the daily SAIDI value for Class C interruptions or daily SAIFI value for Class C interruptions exceeds the applicable
SAIDI unplanned boundary value or SAIFI unplanned boundary value;

**Major transaction** has the meaning given in the IM determination;

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

(a) the purchase of all the assets of another non-exempt EDB;

(b) the acquisition of sufficient shares in another non-exempt EDB to have an interest in the other non-exempt EDB sufficient to enable it, whether directly or indirectly, to exert a substantial degree of influence over the activities of the other non-exempt EDB; or

(c) a scheme of arrangement under Part 15 of the Companies Act 1993 having like effect;

**New building standards rating** means, in relation to a building, the degree, as expressed as a percentage, to which the building meets the requirements of the building code (made under section 400 of the Building Act 2004):

(a) that relate to how a building is likely to perform in an earthquake; and

(b) that would be used to design a new building on the same site; and

(c) as they applied on the day on which section 133AC of the Building Act 2004 came into force;
Non-exempt EDB has the meaning given in the IM determination;

Non-reopener transaction means a transaction, whether contingent or not, where consumers are acquired or no longer supplied by Wellington Electricity and that transaction:

(a) has resulted in, or will result in, the acquisition of, or an agreement to acquire, assets with a value which is equivalent to less than 10% of Wellington Electricity’s opening RAB value in the assessment period of acquisition;

(b) has resulted in, or will result in, the disposal of, or an agreement to dispose of, assets of Wellington Electricity with a value of less than 10% of the opening RAB value in the assessment period of disposal;

(c) has, or is likely to have, the effect of Wellington Electricity acquiring rights or interests with a value which is equivalent to less than 10% of the opening RAB value in the assessment period of acquisition; or

(d) has, or is likely to have, the effect of Wellington Electricity incurring obligations or liabilities or contingent liabilities, excluding loans or borrowing costs in respect of assets, with a value, which is equivalent to less than 10% of the opening RAB value in the assessment period of incurring the obligation;

Opening RAB value has the meaning given in the IM determination;

Opening wash-up account means the amount calculated as specified in
balance paragraph (1) of Schedule 1.6;

Opex incentive amount has the meaning given in the IM determination;

Pass-through balance has the meaning given in the IM determination, as varied in accordance with the agreed IM variations as specified in Schedule 11;

Pass-through balance annual recovery means the amount calculated as specified in paragraph (1) of Schedule 1.7;

Pass-through costs has the meaning given in the IM determination;

Planned interruption means any interruption other than an unplanned interruption;

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

Prices has the meaning given in the IM determination;

Quality incentive adjustment has the meaning given in the IM determination, and is calculated in accordance with Schedule 4;

Quantity has the meaning given in the IM determination;

Recoverable costs has the meaning given in the IM determination;

Regulatory period has the meaning given in the IM determination;
Resilience index means an index spanning from 0 to 100 used to measure Wellington Electricity’s performance in delivering improvements to its networks’ ability to respond to a major earthquake;

Resilience index assessed value means the resilience index value for an assessment period calculated in accordance with paragraph (8) of Schedule 3;

Resilience index cap means the maximum resilience index value used for purposes of calculating the quality incentive adjustment, and is specified in Schedule 4;

Resilience index collar means the minimum resilience index value used for purposes of calculating the quality incentive adjustment, and is specified in Schedule 4;

Resilience index minimum means the resilience index value against which Wellington Electricity’s compliance with the quality standards is assessed, and is specified in Schedule 3;

Resilience index target means the resilience index value used for purposes of calculating the quality incentive adjustment, and is specified in Schedule 4;

Resilience index value means a value on the resilience index;

Resilience performance value means a value specified in column C of Schedule 9;

Retention factor has the meaning given in the IM determination;

Revenue foregone means:

(a) where the revenue reduction percentage is greater than 20%, the ‘revenue foregone’ must be calculated in accordance with the formula:
(a) the actual net allowable revenue \( X \) (revenue reduction percentage – 20%);  
(b) where the revenue reduction percentage is not greater than 20%, the ‘revenue foregone’ is nil;

Revenue reduction percentage is 1 minus (actual revenue from prices ÷ forecast revenue from prices);

Revenue wash-up draw down amount means the amount calculated as specified in paragraph (4) of Schedule 1.5;

\( S \)

SAIDI assessed value means the sum of SAIDI values for an assessment period calculated in accordance with Schedule 3;

SAIDI cap means the maximum SAIDI value used for purposes of calculating the quality incentive adjustment, and is specified in Schedule 4;

SAIDI collar means the minimum SAIDI value used for purposes of calculating the quality incentive adjustment, and is specified in Schedule 4;

SAIDI limit means the SAIDI value against which Wellington Electricity’s compliance with the quality standards is assessed, and is specified in Schedule 3;

SAIDI target means the SAIDI value used for purposes of calculating the quality incentive adjustment, and is specified in Schedule 4;

SAIDI unplanned boundary value means the value specified in Schedule 3;

SAIDI value means the system average interruption duration index values, where any interruption that spans multiple calendar days accrues to the day on which the interruption began;
SAIFI assessed value means the sum of SAIFI values for an assessment period calculated in accordance with Schedule 3;

SAIFI cap means the maximum SAIFI value used for purposes of calculating the quality incentive adjustment, and is specified in Schedule 4;

SAIFI collar means the minimum SAIFI value used for purposes of calculating the quality incentive adjustment, and is specified in Schedule 4;

SAIFI limit means the SAIFI value against which Wellington Electricity’s compliance with the quality standards is assessed, and is specified in Schedule 3;

SAIFI target means the SAIFI value used for purposes of calculating the quality incentive adjustment, and is specified in Schedule 4;

SAIFI unplanned boundary value means the value specified in Schedule 3;

SAIFI value means the system average interruption frequency index values;

Supply has the meaning given in the IM determination;

System fixed assets means all fixed assets owned, provided, maintained, or operated by Wellington Electricity that are used or intended to be used for the supply of electricity lines services;

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

Unplanned interruption means any interruption in respect of which less than 24 hours’ notice, or no
notice, was given either to the public or to all consumers affected by the interruption;

**Unregulated services** has the meaning given in the IM determination;

**V**

**Voluntary undercharging amount foregone** means the amount as specified in paragraph (5) of Schedule 1.5;

**W**

**Wash-up amount** means the amount calculated for each assessment period as specified in Schedule 1.5;

**Wellington Electricity** means Wellington Electricity Lines Limited’s EDB;

**Working day** has the meaning given in section 2(1) of the Act.
5. **Customised price-quality path**

During the **CPP regulatory period**, Wellington Electricity must comply with the customised price-quality path, which consists of:

(a) the price path specified in clause 8; and

(b) the quality standards specified in clause 9.

6. **Applicable input methodologies**

6.1 The **input methodologies** that apply are the following parts of the IM determination:

(a) Subpart 1 of Part 3 – Specification of price;

(b) Subpart 2 of Part 3 – Amalgamations;

(c) Subpart 3 of Part 3 – Incremental rolling incentive scheme;

(d) Section 1 of Subpart 3 of Part 5 – Determination of annual allowable revenues;

(e) Section 2 of Subpart 3 of Part 5 – Cost allocation and asset valuation;

(f) Section 3 of Subpart 3 of Part 5 – Treatment of taxation;

(g) Section 4 of Subpart 3 of Part 5 – Cost of capital;

(h) Section 5 of Subpart 3 of Part 5 – Alternative methodologies with equivalent effect; and

(i) Subpart 6 of Part 5 – Catastrophic events and reconsideration of a customised price-quality path.

6.2 The **input methodologies** that are applied are subject to the variation agreed with Wellington Electricity, which is attached as Schedule 11.

7. **When the customised price-quality path may be reconsidered**

7.1 The customised price-quality path in this determination may be reconsidered in accordance with clause 5.6.7 of the IM determination.
8. 

**Price path**

*Starting price*

8.1 The starting price that applies to Wellington Electricity for the CPP regulatory period is set out in Schedule 1.1.

*Rate of change*

8.2 The annual rate of change in revenue, relative to the CPI, that is allowed during the CPP regulatory period is 0%.

*Compliance with the price path*

8.3 The forecast revenue from prices for each assessment period must not exceed the forecast allowable revenue for the assessment period.

*Wash-up amount calculation*

8.4 Wellington Electricity must calculate the wash-up amount for each assessment period using the methodology specified in Schedule 1.5.

9. 

**Quality standards**

*Compliance with quality standards*

9.1 Wellington Electricity must, in respect of each assessment period, either:

   (a) comply with the annual reliability assessment specified in clause 9.3 for that assessment period; or

   (b) have complied with the annual reliability assessment in each of the two preceding assessment periods.

9.2 Wellington Electricity must, in respect of each assessment period, comply with the annual resilience assessment specified in clause 9.4 for that assessment period.

*Annual reliability assessment*

9.3 For the purpose of clause 9.1(a), to comply with the annual reliability assessment:

   (a) Wellington Electricity’s SAIDI assessed value for the assessment period must not exceed the SAIDI limit specified in Schedule 3; and

   (b) Wellington Electricity’s SAIFI assessed value for the assessment period must not exceed the SAIFI limit specified in Schedule 3.
Annual resilience assessment

9.4 For the purpose of clause 9.2, to comply with the annual resilience assessment, Wellington Electricity's resilience index assessed value for the assessment period must be at or above the resilience index minimum specified in Schedule 3.

10. Transactions

Requirement to notify the Commission of an amalgamation, merger or transaction

10.1 Wellington Electricity must notify the Commission in writing within 30 working days after entering into an agreement with another EDB or Transpower for an amalgamation, merger, major transaction or non-reopener transaction.

Impact on the customised price-quality path following an amalgamation, merger or transaction

10.2 If Wellington Electricity enters into an agreement with another EDB or Transpower for an amalgamation, merger, major transaction or non-reopener transaction, the Commission may amend the customised price-quality path for Wellington Electricity.

11. Annual compliance statements

Annual price-setting compliance statement

11.1 Wellington Electricity must:

(a) provide to the Commission a written ‘annual price-setting compliance statement’ in respect of price setting:

(i) for the first assessment period, within two months after the start of the first assessment period; and

(ii) for the second to third assessment period, before the start of each assessment period;

(b) make the ‘annual price-setting compliance statement’ and the director’s certificate provided under clause 11.2(c) publicly available on its website within five working days after providing it to the Commission; and

(c) provide to the Commission schedules reflecting the prices and forecast quantities used in the calculation of forecast revenue from prices, disclosed in an electronic format that is compatible with Microsoft Excel, with the ‘annual price-setting compliance statement’.

11.2 The ‘annual price-setting compliance statement’ must:

(a) state whether or not Wellington Electricity has complied with the price path in clause 8 for the assessment period;

(b) state the date on which the statement was prepared; and
11.3 The ‘annual price-setting compliance statement’ must include the following information:

(a) Wellington Electricity’s calculation of its forecast revenue from prices together with supporting information for all components of the calculation;

(b) Wellington Electricity’s calculation of its forecast allowable revenue together with supporting information for all components of the calculation;

(c) if Wellington Electricity has not complied with the price path, the reasons for the non-compliance; and

(d) if Wellington Electricity has not complied with the price path, any actions taken to mitigate any non-compliance and to prevent similar non-compliance in future assessment periods.

Annual compliance statement in respect of the wash-up amount calculation, quality standards and transactions

11.4 Wellington Electricity must:

(a) provide to the Commission a written ‘annual compliance statement’ in respect of the wash-up amount calculation, quality standards and transactions within 50 working days following the end of each assessment period;

(b) make the ‘annual compliance statement’ publicly available on its website within 5 working days after providing it to the Commission; and

(c) provide to the Commission schedules reflecting the prices and actual quantities used to calculate the wash-up amount, disclosed in an electronic format that is consistent with Microsoft Excel, with the ‘annual compliance statement’.

11.5 The ‘annual compliance statement’ must:

(a) state whether or not Wellington Electricity has:

(i) complied with the requirements to calculate the wash-up amount in clause 8.4 for the assessment period; and

(ii) complied with the quality standards in clause 9 for the assessment period;

(b) state the day on which the statement was prepared;
(c) state whether or not Wellington Electricity has entered into any agreement with another EDB or Transpower for an amalgamation, merger, major transaction or non-reopener transaction in the assessment period;

(d) include a certificate in the form set out in Schedule 7, signed by at least one director of Wellington Electricity; and

(e) be accompanied by an assurance report meeting the requirements in Schedule 8, in respect of all information contained in the ‘annual compliance statement’.

11.6 The ‘annual compliance statement’ must include any information reasonably necessary to demonstrate whether Wellington Electricity has complied with clause 8.4, clause 9, and clause 10.1, including, but not limited to:

Wash-up amount calculation

(a) details of the wash-up amount calculation as specified in clause 8.4, together with supporting information for all components of the calculation;

Quality standards compliance

(b) if Wellington Electricity has not complied with the annual reliability assessment in clause 9.3 for the assessment period, the reasons for not complying;

(c) if Wellington Electricity has not complied with the annual resilience assessment in clause 9.4 for the assessment period, the reasons for not complying;

(d) actions taken to mitigate any non-compliance and to prevent similar non-compliance in future assessment periods;

(e) for the annual reliability assessment, the SAIDI assessed value, SAIFI assessed value, SAIDI limit, SAIFI limit, SAIDI unplanned boundary value, SAIFI unplanned boundary value, SAIDI cap, SAIFI cap, SAIDI collar, SAIFI collar, SAIDI target and SAIFI target for the assessment period, and any supporting calculations (including those in Schedule 3) and the annual reliability assessments for the two previous assessment periods;

(f) a description of the policies and procedures which Wellington Electricity has used for capturing and recording Class B interruptions and Class C interruptions, and for calculating SAIDI assessed values and SAIFI assessed values for the assessment period;

(g) the cause of each major event day within the assessment period;

(h) for the annual resilience assessment, the resilience index assessed value, resilience index minimum, resilience index cap, resilience index collar and
resilience index target for the assessment period, and any supporting calculations (including those in Schedule 3); (i) for each resilience performance value used in calculating the resilience indexed assessed value, an explanation of how Wellington Electricity has demonstrated that the measure specified in column B of Schedule 9 is met for that assessment period; and

(j) for each ‘attained resilience performance value’ determined in accordance with paragraph (5) of Schedule 3, ‘RPV attained’, ‘NBS target’, ‘NBS assess’, ‘NBS start’ and ‘RPV max’ and any supporting calculations (including those in paragraph (5) of Schedule 3)) for that assessment period.

Sue Begg, Deputy Chair

Dated at Wellington this 28th day of March 2018.

COMMERCE COMMISSION
Schedule 1.1: Starting price

Clause 8.1

The starting price for the CPP regulatory period, specified as actual net allowable revenue for the first assessment period, is $105,206,000.
Schedule 1.2: Calculation of forecast revenue from prices

Clause 8.3

(1) When setting prices for an assessment period, Wellington Electricity must calculate the ‘forecast revenue from prices’ for the assessment period.

(2) When calculating the ‘forecast revenue from prices’, Wellington Electricity must prepare a forecast of quantities for the assessment period to which the prices for the assessment period will apply.

(3) The ‘forecast revenue from prices’ must be calculated as the sum of each price multiplied by each corresponding forecast quantity.

(4) All forecast quantities used to calculate the ‘forecast revenue from prices’ must be demonstrably reasonable.
Schedule 1.3: Forecast net allowable revenue

Clause 8.3

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<tr>
<th>Assessment period ending</th>
<th>Forecast net allowable revenue ($000)</th>
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<tr>
<td>31 March 2019</td>
<td>105,206</td>
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<tr>
<td>31 March 2020</td>
<td>107,383</td>
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<tr>
<td>31 March 2021</td>
<td>109,531</td>
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</table>
Schedule 1.4: Calculation of forecast allowable revenue

Clause 8.3

(1) When setting prices for an assessment period, Wellington Electricity must calculate the ‘forecast allowable revenue’.

(2) When calculating the ‘forecast allowable revenue’, Wellington Electricity must prepare a forecast of pass-through costs and a forecast of recoverable costs, excluding any recoverable cost that is a revenue wash-up draw down amount.

(3) All forecasts of pass-through costs and recoverable costs used to calculate the ‘forecast allowable revenue’ must be demonstrably reasonable.

(4) For the purposes of paragraph (3), ‘recoverable costs’ include the amounts specified in Schedule 2.1.

(5) The ‘forecast allowable revenue’ for an assessment period must be determined in accordance with the formula:

\[
\text{forecast net allowable revenue} + \text{forecast pass-through and recoverable costs} + \text{opening wash-up account balance} + \text{pass-through balance annual recovery}
\]
Schedule 1.5: Calculation of wash-up amount for an assessment period

Clause 8.4

Formula for wash-up amount

(1) The ‘wash-up amount’ must be calculated in accordance with the formula:

\[
\text{actual allowable revenue} - \text{actual revenue} - \text{revenue foregone}
\]

Actual allowable revenue

(2) For the purposes of paragraph (1), ‘actual allowable revenue’ means:

(a) for the first assessment period:

\[
\text{actual net allowable revenue} + \text{actual pass-through costs and recoverable costs} + \text{pass-through balance annual recovery}
\]

(b) for the second to third assessment periods:

\[
\text{actual net allowable revenue} + \text{actual pass-through costs and recoverable costs} + \text{revenue wash-up draw down amount} + \text{pass-through balance annual recovery}
\]

(3) For the purposes of paragraph (2)(b), ‘actual net allowable revenue’ for the second to third assessment periods means the amount calculated using the following formula:

\[
\text{\textit{actual net allowable revenue}} \text{ of the previous assessment period} \times (1 + \Delta CPI_t) \times (1 - X)
\]

where:

\[\Delta CPI\] is the derived change in the CPI to be applied for the assessment period, calculated in accordance with the formula:

\[
\Delta CPI = \frac{\text{CPI}_{\text{Jun,}t-1} + \text{CPI}_{\text{Sep,}t-1} + \text{CPI}_{\text{Dec,}t-1} + \text{CPI}_{\text{Mar,}t}}{\text{CPI}_{\text{Jun,}t-2} + \text{CPI}_{\text{Sep,}t-2} + \text{CPI}_{\text{Dec,}t-2} + \text{CPI}_{\text{Mar,}t-1}} - 1
\]

where:

\[\text{CPI}_{q,t-n}\] is the CPI for the quarter year ending q in the 12 month period n years prior to year t;

\[t\] is the year in which the assessment period ends;

\[X\] is the annual rate of change, as specified in clause 8.2.

(4) For the purpose of paragraph (2)(b), ‘revenue wash-up draw down amount’ is:

(a) for the second assessment period, nil, including voluntary undercharging amount foregone; and
(b) For the third assessment period, the ‘opening wash-up account balance’ calculated in accordance with Schedule 1.6, including voluntary undercharging amount foregone.

(5) The ‘voluntary undercharging amount foregone’ for the second to third assessment periods is nil.
Schedule 1.6: Calculation of opening wash-up account balance

Clause 8.4

(1) The ‘opening wash-up account balance’ means:
   (a) for the first **assessment period**, nil; and
   (b) for second to third **assessment periods**, the **closing wash-up account balance** of the previous **assessment period**.

(2) For the purpose of paragraph (1)(b), the ‘closing wash-up account balance’ means:
   (a) for the first **assessment period**, nil; and
   (b) for the second to third **assessment periods**, the amount calculated in accordance with the formula:

   \[
   \text{wash-up amount for the previous assessment period} \times (1 + 67^{\text{th}} \text{ percentile estimate of post-tax WACC})^2
   \]
Schedule 1.7: Calculation of pass-through balance annual recovery

Clause 8.4

(1) The ‘pass-through balance annual recovery’ means:

(a) for the first assessment period:

(i) for the purposes of calculating the ‘forecast allowable revenue’ in accordance with Schedule 1.4:

\[-\frac{9,634,000}{3} \times (1 + \text{WACC})\]

(ii) for the purposes of calculating the ‘actual allowable revenue’ in accordance with Schedule 1.5:

\[-\frac{1 \times \text{pass through balance}}{3} \times (1 + \text{WACC})\]

(b) for the second assessment period, for the purposes of calculating the ‘forecast allowable revenue’ and ‘actual allowable revenue’:

\[-\frac{1 \times \text{pass through balance}}{3} \times (1 + \text{WACC})^2\]

(c) for the third assessment period, for the purposes of calculating the ‘forecast allowable revenue’ and ‘actual allowable revenue’:

\[-\frac{1 \times \text{pass through balance}}{3} \times (1 + \text{WACC})^3\]

Where ‘WACC’ means 67th percentile estimate of post-tax WACC.
Schedule 2.1: Recoverable costs

(1) The forecast opex used for calculating the opex incentive amount is specified in paragraph (1) of Schedule 2.2.
(2) The forecast value of commissioned assets and retention factor used for calculating the capex incentive amount are specified in paragraphs (2)-(3) of Schedule 2.2.
(3) The CPP proposal application fee, specified in clause 3.1.3(1)(h) of the IM determination, for Wellington Electricity is $23,000.
(4) The fee, specified in clause 3.1.3(1)(i) of the IM determination, for Wellington Electricity is the amount which the Commission notifies to Wellington Electricity in the CPP regulatory period as being payable in respect of the Commission’s assessment of the CPP proposal and the determination of the customised price-quality path.
(5) The CPP verifier fee, specified in clause 3.1.3(1)(j) of the IM determination, for Wellington Electricity is nil.
(6) The CPP auditor fee, specified in clause 3.1.3(1)(k) of the IM determination, for Wellington Electricity is $71,386.05.
(7) The extended reserves allowance for Wellington Electricity must be approved in accordance with Schedule 5.
(8) The quality incentive adjustment for Wellington Electricity must be calculated in accordance with Schedule 4.
(9) The ‘capex wash-up adjustment’, specified in clause 3.1.3(1)(p) of the IM determination, as varied in accordance with the agreed IM variations as specified in Schedule 11, is $489,000 for disclosure year 2019, $518,000 for disclosure year 2020 and $350,000 for disclosure year 2021.
**Schedule 2.2: Specified amounts for the incremental rolling incentive scheme**

(1) For the purposes of calculating the **opex incentive amount** for Wellington Electricity for the **CPP regulatory period**, the **forecast opex**, and the **assessment period** to which it applies, is set out in Table 2.2.1.

<table>
<thead>
<tr>
<th>Assessment period ending</th>
<th>Forecast opex ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 March 2019</td>
<td>34,131</td>
</tr>
<tr>
<td>31 March 2020</td>
<td>35,184</td>
</tr>
<tr>
<td>31 March 2021</td>
<td>34,039</td>
</tr>
</tbody>
</table>

(2) For the purposes of calculating the **capex incentive amount** for Wellington Electricity for the **CPP regulatory period**, the **forecast value of commissioned assets**, and the **assessment period** to which it applies, is set out in Table 2.2.2.

<table>
<thead>
<tr>
<th>Assessment period ending</th>
<th>Forecast value of commissioned assets (readiness and non-readiness expenditure) ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 March 2019</td>
<td>39,516</td>
</tr>
<tr>
<td>31 March 2020</td>
<td>42,355</td>
</tr>
<tr>
<td>31 March 2021</td>
<td>44,485</td>
</tr>
</tbody>
</table>

(3) Under the agreed IM variations as specified in Schedule 11, **forecast value of commissioned assets** for the purposes of Part 3, Subpart 3, Section 3 of the IM determination, is comprised of:

(a) the ‘forecast aggregate value of commissioned assets’ determined by the Commission, for the relevant **disclosure year**, where the value of **earthquake readiness expenditure** is nil; and
(b) the ‘forecast value of commissioned assets’ specified by the Commission for the relevant disclosure year, where the value only reflects earthquake readiness expenditure to be incurred in the CPP regulatory period,

where values for the components specified in paragraph (3)(a) and (3)(b) and the assessment period to which they apply are set out in Table 2.2.3.

Table 2.2.3: Forecast aggregate value of commissioned assets (non-readiness) and forecast value of commissioned assets (readiness) for assessment periods of the CPP regulatory period 1 April 2018 – 31 March 2021

<table>
<thead>
<tr>
<th>Assessment period ending</th>
<th>Forecast aggregate value of commissioned assets (non-readiness) ($000)</th>
<th>Forecast value of commissioned assets (readiness) ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 March 2019</td>
<td>31,197</td>
<td>8,319</td>
</tr>
<tr>
<td>31 March 2020</td>
<td>31,209</td>
<td>11,146</td>
</tr>
<tr>
<td>31 March 2021</td>
<td>32,603</td>
<td>11,882</td>
</tr>
</tbody>
</table>

(4) For the purposes of calculating the capex incentive amount for Wellington Electricity for the CPP regulatory period, the retention factor is 15%.
Schedule 3: Quality standards

Clause 9

(1) The SAIDI limit, SAIFI limit, SAIDI unplanned boundary value, SAIFI unplanned boundary value and resilience index minimum for Wellington Electricity for the CPP regulatory period are as set out in Table 3.1.

<table>
<thead>
<tr>
<th>Wellington Electricity</th>
<th>18/19</th>
<th>19/20</th>
<th>20/21</th>
</tr>
</thead>
<tbody>
<tr>
<td>SAIDI limit</td>
<td>40.630</td>
<td>40.630</td>
<td>40.630</td>
</tr>
<tr>
<td>SAIDI unplanned boundary value</td>
<td>2.103</td>
<td>2.103</td>
<td>2.103</td>
</tr>
<tr>
<td>SAIFI limit</td>
<td>0.625</td>
<td>0.625</td>
<td>0.625</td>
</tr>
<tr>
<td>SAIFI unplanned boundary value</td>
<td>0.031</td>
<td>0.031</td>
<td>0.031</td>
</tr>
<tr>
<td>Resilience index minimum</td>
<td>20.0</td>
<td>40.0</td>
<td>60.0</td>
</tr>
</tbody>
</table>

Calculation of the SAIDI assessed value

(2) Wellington Electricity’s SAIDI assessed value \( (SAIDI_{\text{assess}}) \) for an assessment period is calculated in accordance with the formula:

\[
SAIDI_{\text{assess}} = (0.5 \times SAIDI_B) + SAIDI_C
\]

where:

\( SAIDI_B \) is the sum of the daily SAIDI values for Class B interruptions commencing within the assessment period; and

\( SAIDI_C \) is the sum of the daily SAIDI values for Class C interruptions commencing within the assessment period, where any daily SAIDI value for Class C interruptions greater than the SAIDI unplanned boundary value equals the SAIDI unplanned boundary value.

Calculation of the SAIFI assessed value

(3) Wellington Electricity’s SAIFI assessed value \( (SAIFI_{\text{assess}}) \) for an assessment period is calculated in accordance with the formula:

\[
SAIFI_{\text{assess}} = (0.5 \times SAIFI_B) + SAIFI_C
\]
where:

\( SAIFI_B \) is the sum of the daily \( SAIFI \) values for Class B interruptions commencing within the assessment period; and

\( SAIFI_C \) is the sum of the daily \( SAIFI \) values for Class C interruptions commencing within the assessment period, where any daily \( SAIFI \) value for Class C interruptions greater than the \( SAIFI \) unplanned boundary value equals the \( SAIFI \) unplanned boundary value.

**Calculation of the resilience index assessed value**

(4) Where Wellington Electricity can reasonably demonstrate that a measure in column B of Schedule 9 has been met as at the last day of the relevant assessment period, the corresponding resilience performance value is an ‘attained resilience performance value’ for the purposes of assessing a resilience index assessed value for that assessment period.

(5) The ‘attained resilience performance value’ (\( RPV_{attained} \)) for each of the buildings specified in Schedule 10 is determined as follows:

(a) where either \( NBS_{assess} \) or \( NBS_{start} \) has not been determined in the manner set out below, \( RPV_{attained} \) will be zero.

(b) where both \( NBS_{assess} \) and \( NBS_{start} \) have been determined in the manner set out below, \( RPV_{attained} \) is determined in accordance with the formula:

\[
RPV_{attained} = (NBS_{assess} - NBS_{start}) \times \left( \frac{RPV_{max}}{NBS_{target} - NBS_{start}} \right)
\]

\( RPV_{attained} \) is the attained resilience performance value for a specific building used for the purposes of calculating Wellington Electricity’s resilience index assessed value in accordance with paragraph (8)

\( NBS_{target} \) is 67% (i.e. 0.67)

\( NBS_{assess} \) is new building standards rating for a building in column D of Schedule 10, where for the purposes of this clause any new building standards rating above 67% is deemed to be 67%

\( NBS_{start} \) for a building in column D of Schedule 10 is either:

(a) the corresponding ‘NBS start value’ in column G of Schedule 10; or

(b) where no such value is available, the new building standards rating that Wellington Electricity can reasonably demonstrate was determined prior to commencement of any seismic strengthening work during the CPP regulatory period

\( RPV_{max} \) = is the maximum resilience performance value that can be attained for the building, which is specified in column F of Schedule 10.
(6) The new building standards rating of a building must be determined by either:

(a) a detailed seismic assessment of the building in accordance with the ‘EPB methodology’, as specified under section 133AK of the Building Act 2004; or

(b) an alternative methodology approved by the Commission.

(7) The new building standards rating of a building for an assessment period must be determined on or before the final day of that assessment period.

(8) Wellington Electricity’s resilience index assessed value ($RESIL_{assess}$) for an assessment period is the sum of ‘attained resilience performance values’ for that assessment period.
Schedule 4: How to calculate the quality incentive adjustment

(1) The quality incentive adjustment must be calculated by Wellington Electricity within 50 working days following the expiration of the assessment period in accordance with paragraph (5), adjusted for the time-value of money using the 67th percentile estimate of post-tax WACC, and is a recoverable cost in the assessment period following that in which it was calculated.

(2) The SAIDI target, SAIDI collar and SAIDI cap for Wellington Electricity during the CPP regulatory period 1 April 2018 to 31 March 2021 are as set out in Table 4.1.

Table 4.1: SAIDI quality incentive measures for the CPP regulatory period 1 April 2018 – 31 March 2021

<table>
<thead>
<tr>
<th>Wellington Electricity</th>
<th>18/19</th>
<th>19/20</th>
<th>20/21</th>
</tr>
</thead>
<tbody>
<tr>
<td>SAIDI target</td>
<td>35.4358</td>
<td>35.4358</td>
<td>35.4358</td>
</tr>
<tr>
<td>SAIDI collar</td>
<td>30.2414</td>
<td>30.2414</td>
<td>30.2414</td>
</tr>
<tr>
<td>SAIDI cap</td>
<td>40.6302</td>
<td>40.6302</td>
<td>40.6302</td>
</tr>
</tbody>
</table>

(3) The SAIFI target, SAIFI collar, and SAIFI cap for Wellington Electricity during the CPP regulatory period 1 April 2018 to 31 March 2021 are as set out in Table 4.2.

Table 4.2: SAIFI quality incentive measures for the CPP regulatory period 1 April 2018 – 31 March 2021

<table>
<thead>
<tr>
<th>Wellington Electricity</th>
<th>18/19</th>
<th>19/20</th>
<th>20/21</th>
</tr>
</thead>
<tbody>
<tr>
<td>SAIFI target</td>
<td>0.5465</td>
<td>0.5465</td>
<td>0.5465</td>
</tr>
<tr>
<td>SAIFI collar</td>
<td>0.4682</td>
<td>0.4682</td>
<td>0.4682</td>
</tr>
<tr>
<td>SAIFI cap</td>
<td>0.6248</td>
<td>0.6248</td>
<td>0.6248</td>
</tr>
</tbody>
</table>

(4) The resilience index target, resilience index collar, and resilience index cap for Wellington Electricity during the third assessment period are as set out in Table 4.3.

Table 4.3: resilience quality incentive measures for the third assessment period

<table>
<thead>
<tr>
<th>Wellington Electricity</th>
<th>20/21</th>
</tr>
</thead>
</table>
The ‘quality incentive adjustment’ is calculated in accordance with the following formula:

\[ S_{TOTAL} = S_{SAIDI} + S_{SAIFI} + S_{RESILIENCE} \]

where:

- \( S_{TOTAL} \) is the ‘quality incentive adjustment’ applicable as a recoverable cost;
- \( S_{SAIDI} \) is the amount calculated in accordance with paragraph (6);
- \( S_{SAIFI} \) is the amount calculated in accordance with paragraph (8); and
- \( S_{RESILIENCE} \) is the amount calculated in accordance with paragraph (10).

For the purposes of paragraph (5):

(a) \( S_{SAIDI} \) is the amount, subject to subparagraph (b), calculated in accordance with the following formula:

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

where:

- \( SAIDI_{IR} \) is the amount calculated in accordance with paragraph (7);
- \( SAIDI_{target} \) is the SAIDI target specified for Wellington Electricity for the assessment period; and
- \( SAIDI_{assess} \) is the SAIDI assessed value for the assessment period, calculated in accordance with Schedule 3, subject to subparagraph (b).

(b) Where \( SAIDI_{assess} \) is:

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

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

For the purposes of paragraph (6), ‘\( SAIDI_{IR} \)’ is the amount calculated in accordance with the following formula:
\[ SAIDI_{IR} = \frac{0.5 \times REV_{RISK}}{SAIDI_{cap} - SAIDI_{target}} \]

where:

- \( SAIDI_{cap} \) is the \textit{SAIDI cap} specified for \textit{Wellington Electricity} for the \textit{assessment period};
- \( SAIDI_{target} \) is the \textit{SAIDI target} specified for \textit{Wellington Electricity} for the \textit{assessment period}; and
- \( REV_{RISK} \) is 1% of the \textit{actual net allowable revenue} for \textit{Wellington Electricity} for the first \textit{assessment period} specified in Schedule 1.1.

(8) For the purposes of paragraph (5):

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

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

where:

- \( SAIFI_{IR} \) is the amount calculated in accordance with paragraph (8);
- \( SAIFI_{target} \) is the \textit{SAIFI target} specified for \textit{Wellington Electricity} for the \textit{assessment period}; and
- \( SAIFI_{assess} \) is the \textit{SAIFI assessed value} for the \textit{assessment period}, calculated in accordance with Schedule 3, subject to subparagraph (b).

(b) Where \( SAIFI_{assess} \) is:

(i) greater than the \( SAIFI_{cap} \), \( SAIFI_{assess} \) equals the \( SAIFI_{cap} \);

(ii) less than the \( SAIFI_{collar} \), \( SAIFI_{assess} \) equals the \( SAIFI_{collar} \).

(9) For the purposes of paragraph (8), ‘\( SAIFI_{IR} \)’ is the amount calculated in accordance with the following formula:

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

where:

- \( SAIFI_{cap} \) is the \textit{SAIFI cap} specified for \textit{Wellington Electricity} for the \textit{assessment period};
SAIFI_{target} is the SAIFI target specified for Wellington Electricity for the assessment period; and

REV_{RISK} is 1% of the actual net allowable revenue for Wellington Electricity for the first assessment period specified in Schedule 1.1.

(10) For the purposes of paragraph (5):

(a) \( S_{\text{RESILIENCE}} \) is:

(i) for the first assessment period and the second assessment period, nil; and

(ii) for the third assessment period, the amount, subject to subparagraph (b), calculated in accordance with the following formula:

\[
S_{\text{RESILIENCE}} = RESIL_{IR} \times (RESIL_{target} - RESIL_{assess})
\]

where:

\( RESIL_{IR} \) is the amount calculated in accordance with paragraph (11);

\( RESIL_{target} \) is the resilience index target specified for Wellington Electricity for the assessment period; and

\( RESIL_{assess} \) is the resilience index assessed value, calculated in accordance with Schedule 3, subject to subparagraph (b).

(b) Where \( RESIL_{assess} \) is:

(i) greater than the \( RESIL_{cap} \), \( RESIL_{assess} \) equals the \( RESIL_{cap} \);

(ii) less than the \( RESIL_{collar} \), \( RESIL_{assess} \) equals the \( RESIL_{collar} \).

(11) For the purposes of paragraph (10), \( 'RESIL_{IR}' \) is the amount calculated in accordance with the following formula:

\[
RESIL_{IR} = \frac{-1 \times REV_{RISK}}{RESIL_{cap} - RESIL_{collar}}
\]

where:

\( RESIL_{cap} \) is the resilience index cap specified for Wellington Electricity for the assessment period;

\( RESIL_{collar} \) is the resilience index collar specified for Wellington Electricity for the assessment period; and
\[ REV_{RISK} \] is $34,567,000 \times 15\%.$
Schedule 5: Approval of extended reserves allowances

(1) Wellington Electricity must, no later than 70 working days following the end of an assessment period, submit an application for approval of an extended reserves allowance if any amounts were incurred or received in that assessment period in accordance with any requirements in the Electricity Industry Participation Code 2010 relating to extended reserves.

(2) The application for approval must include:

(a) all compensation payments made by Wellington Electricity in the assessment period in accordance with any requirements in the Electricity Industry Participation Code 2010 relating to extended reserves;

(b) all compensation payments and revenue received by Wellington Electricity in the assessment period in accordance with any requirements in the Electricity Industry Participation Code 2010 relating to extended reserves;

(c) an estimate of the compensation payments and revenue received by Wellington Electricity in the assessment period in accordance with any requirements in the Electricity Industry Participation Code 2010 relating to extended reserves that should be associated with unregulated services, along with reasons for such treatment; and

(d) any other explanatory material or supporting information reasonably necessary to demonstrate costs incurred and amounts payable or receivable in accordance with any requirements in the Electricity Industry Participation Code 2010 relating to extended reserves.

(3) The Commission may request additional information, independent evidence, director certificates, or audit statements relating to the information provided in the application.

(4) The Commission may approve by notice in writing to Wellington Electricity, subject to clause 3.1.3(7) of the IM determination, an allowance for costs incurred and amounts payable, or for amounts receivable, under any extended reserves regulations made under the Electricity Industry Act 2010, as determined by the Commission.

(5) The amount approved by the Commission is an ‘extended reserves allowance’ recoverable cost under clause 3.1.3(1)(n) of the IM determination in the assessment period to which the application relates.
Schedule 6: Form of director’s certificate for annual price-setting compliance statement

Clause 11.2(c)

I/We, [insert full name/s], being director/s of Wellington Electricity certify that, having made all reasonable enquiry, to the best of my/our knowledge and belief, the attached annual price-setting compliance statement of Wellington Electricity, and related information, prepared for the purposes of the Wellington Electricity Lines Limited Electricity Distribution Customised Price-Quality Path Determination 2018 has been prepared in accordance with all the relevant requirements, and all forecasts used in the calculations for forecast revenue from prices and forecast allowable revenue are reasonable *[except in the following respects].

*[insert description of non-compliance]*

[Signatures of directors]

[Date]

*Delete if inapplicable.

Note: Section 103(2) of the Commerce Act 1986 provides that no person shall attempt to deceive or knowingly mislead the Commission in relation to any matter before it. It is an offence to contravene section 103(2) and any person who does so is liable on summary conviction to a fine not exceeding $100,000 in the case of an individual or $300,000 in the case of a body corporate.
Schedule 7: Form of director’s certificate for annual compliance statement

Clause 11.5(d)

I/We, [insert full name/s], being director/s of Wellington Electricity certify that, having made all reasonable enquiry, to the best of my/our knowledge and belief, the attached annual compliance statement of Wellington Electricity, and related information, prepared for the purposes of the Wellington Electricity Lines Limited Electricity Distribution Customised Price-Quality Path Determination 2018 has been prepared in accordance with all the relevant requirements*[except in the following respects].

*[insert description of non-compliance]

[Signatures of directors]

[Date]

*Delete if inapplicable.

Note: Section 103(2) of the Commerce Act 1986 provides that no person shall attempt to deceive or knowingly mislead the Commission in relation to any matter before it. It is an offence to contravene section 103(2) and any person who does so is liable on summary conviction to a fine not exceeding $100,000 in the case of an individual or $300,000 in the case of a body corporate.
Schedule 8: Independent auditor’s report on annual compliance statement

Clause 11.5(e)

For the purpose of clause 11.5(e), Wellington Electricity must procure an assurance report by an independent auditor in respect of the annual compliance statement that is prepared in accordance with Standard on Assurance Engagements 3100 – Compliance Engagements (SAE 3100) and International Standard on Assurance Engagements (New Zealand) 3000 (ISAE (NZ) 3000), signed by the independent auditor (either in his or her own name or that of his or her firm), and that:

(a) is addressed to the directors of Wellington Electricity and to the Commission as the intended users of the assurance report;

(b) states:

(i) that it has been prepared in accordance with Standard on Assurance Engagements 3100 – Compliance Engagements (SAE 3100) and International Standard on Assurance Engagements (New Zealand) 3000 (ISAE (NZ) 3000);

(ii) the work done by the independent auditor;

(iii) the scope and limitations of the assurance engagement;

(iv) the existence of any relationship (other than that of auditor) which the independent auditor has with, or any interests which the independent auditor has in, Wellington Electricity or any of its subsidiaries;

(v) whether the independent auditor has obtained sufficient recorded evidence and explanations that he or she required and, if not, the information and explanations not obtained; and

(vi) whether, in the independent auditor’s opinion, as far as appears from an examination, the information used in the preparation of the annual compliance statement has been properly extracted from Wellington Electricity’s accounting and other records, sourced from its financial and non-financial systems; and

(c) states whether (and, if not, the respects in which it has not), in the independent auditor’s opinion, Wellington Electricity has complied, in all material respects, with the Wellington Electricity Lines Limited Electricity Distribution Customised Price-Quality Path Determination 2018 in preparing the annual compliance statement.
Schedule 9: How to assess performance on resilience index

<table>
<thead>
<tr>
<th></th>
<th>A</th>
<th>B</th>
<th>C</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mobile substations</strong></td>
<td>Resilience performance</td>
<td>Measured by demonstrating</td>
<td>Resilience performance value</td>
</tr>
<tr>
<td>Ability to get a key Hutt area substations downed in and earthquake up and running</td>
<td>Wellington Electricity has one mobile 10MVA substation +11KV portable switch board deployed in the Hutt region</td>
<td>9.17</td>
<td></td>
</tr>
<tr>
<td>Ability to get key CBD substations downed in and earthquake up and running</td>
<td>Wellington Electricity has one mobile 10MVA substation deployed in the Wellington Central Business District Area</td>
<td>6.55</td>
<td></td>
</tr>
<tr>
<td><strong>Emergency hardware</strong></td>
<td>Resilience performance</td>
<td>Measured by demonstrating</td>
<td>Resilience performance value</td>
</tr>
<tr>
<td>Capability to replace 33KV fluid filled cables, damaged in and earthquake, with overhead lines.</td>
<td>Spare hardware required to construct at least 4km emergency overhead power lines to replace 33KV fluid filled cable damage.</td>
<td>3.26</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Spare hardware required to construct at least 8km emergency overhead power lines to replace 33KV fluid filled cable damage.</td>
<td>3.26</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Spare hardware required to construct at least 12km emergency overhead power lines to replace 33KV fluid filled cable damage.</td>
<td>3.26</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Spare hardware required to construct at least 16km emergency overhead power lines to replace 33KV fluid filled cable damage.</td>
<td>3.26</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Spare hardware required to construct at least 19km emergency overhead power lines to replace 33KV fluid filled cable damage.</td>
<td>2.45</td>
<td></td>
</tr>
<tr>
<td>Capability to repair damaged 33KV XLPE cable damaged in an earthquake</td>
<td>Wellington Electricity holds stock of 12 cable joining kits and 500m 33KV cable lengths.</td>
<td>0.27</td>
<td></td>
</tr>
<tr>
<td><strong>Ability to respond to 11KV cable and equipment faults</strong></td>
<td>Resilience performance</td>
<td>Measured by demonstrating</td>
<td>Resilience performance value</td>
</tr>
<tr>
<td>Capability to respond to 11KV cable and equipment faults</td>
<td>WELL holds 12 11kV transformers and 30 units of 11kV switchgear available for deployment in the case of an earthquake.</td>
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<td></td>
<td>WELL holds three sets of cable fault location equipment available for deployment in the case of an earthquake.</td>
<td>2.01</td>
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<td></td>
<td>WELL holds 200 11kV cable joint repair kits available for deployment in the case of an earthquake.</td>
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<td>WELL holds 400 11kV cable joint repair kits available for deployment in the case of an earthquake.</td>
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<td>WELL holds 600 11kV cable joint repair kits available for deployment in the case of an earthquake.</td>
<td>1.95</td>
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<td>WELL holds 800 11kV cable joint repair kits available for deployment in the case of an earthquake.</td>
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<tr>
<td>A</td>
<td>Resilience performance</td>
<td>B</td>
<td>Measured by demonstrating</td>
</tr>
<tr>
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<tr>
<td>Wellington Electricity Lines Limited Electricity Distribution Customised Price-Quality Path Determination 2018</td>
<td>Well holds 1018 11kV cable joint repair kits available for deployment in the case of an earthquake.</td>
<td>WELL holds 1018 11kV cable joint repair kits available for deployment in the case of an earthquake.</td>
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<tr>
<td></td>
<td>WELL holds 4,090m of spare 11kV cable available for deployment in the case of an earthquake.</td>
<td>WELL holds 4,090m of spare 11kV cable available for deployment in the case of an earthquake.</td>
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<td>WELL holds a generation connection transformer available for deployment in the case of an earthquake.</td>
<td>WELL holds a generation connection transformer available for deployment in the case of an earthquake.</td>
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**Communication systems**

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<th>Measured by demonstrating</th>
<th>C</th>
<th>Resilience performance value</th>
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<td>Ability to maintain communications and run network systems following a major earthquake</td>
<td>WELL has established a containerised data centre at Haywards with back up generation of 500kVA.</td>
<td>WELL has established a containerised data centre at Haywards with back up generation of 500kVA.</td>
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<td>WELL has established a containerised data centre in Newtown with back up generation of 500kVA.</td>
<td>WELL has established a containerised data centre in Newtown with back up generation of 500kVA.</td>
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<td>WELL has established a containerised data centre Porirua with back up generation of 500kVA.</td>
<td>WELL has established a containerised data centre Porirua with back up generation of 500kVA.</td>
<td>5.01</td>
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<tr>
<td></td>
<td></td>
<td>WELL has a communications connection between the primary control centre at Petone head office and disaster recovery control centre at Haywards, as well as between the other two data centres; and WELL has a system in place that will allow field service providers access to the Push-Wireless Digital Network in the case of a major earthquake.</td>
<td>WELL has a communications connection between the primary control centre at Petone head office and disaster recovery control centre at Haywards, as well as between the other two data centres; and WELL has a system in place that will allow field service providers access to the Push-Wireless Digital Network in the case of a major earthquake.</td>
<td>2.85</td>
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<td>WELL has a communications connection between the primary control centre at Petone head office and disaster recovery control centre at Haywards, as well as between the other two data centres; and WELL has a system in place that will allow field service providers access to the Push-Wireless Digital Network in the case of a major earthquake.</td>
<td>1.68</td>
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### Schedule 10: How to assess strengthening of key substations’ performance on resilience index

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<td><strong>Seismic strengthening of substation buildings</strong></td>
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<td><strong>Substation building</strong></td>
<td><strong>Target resilience standard</strong></td>
<td><strong>Maximum resilience performance value</strong></td>
<td><strong>NBS start value</strong></td>
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<td>Customhouse Quay 40 Zone substation building strengthened to at least 67% of NBS</td>
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<td>Flagstaff hill (Flagstaff Line Street)</td>
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<td>49%</td>
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<td>Substation building</td>
<td>Target resilience standard</td>
<td>Maximum resilience performance value</td>
<td>NBS start value</td>
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Schedule 11: IM variation

Clause 6.2

Deed to vary the Input Methodologies that will apply to Wellington Electricity Lines Limited’s CPP determination

This is a deed between Wellington Electricity Lines Limited (Wellington Electricity) and the Commerce Commission (Commission) with regard to an agreed variation in accordance with s 53V(2)(c) of the Commerce Act 1986 (the Act).

Background

On 5 December 2017, Wellington Electricity submitted an application for a customised price-quality path to the Commission. The Commission is currently in the process of evaluating Wellington Electricity’s customised price-quality path proposal for the purpose of making a determination, as required by s 53T and 53V of the Act.

In accordance with s 52S of the Act, the Commission must apply all relevant input methodologies.

The Commission and Wellington Electricity have agreed to the following variations to the input methodologies in accordance with s 53V(2)(c) of the Act that will apply to the Commission’s determination under s 52P of the Act.

Deed

1. This deed varies the Electricity Distribution Services Input Methodologies Determination 2012 [2012] NZCC 26 (the IM Determination) as it applies to the Commission’s customised price-quality path determination for Wellington Electricity’s customised price-quality path proposal of 5 December 2017.

2. Clause 1.1.4(2) of the IM Determination is varied so that:

2.1 A new definition for ‘2015 DPP determination’ is added to read:

“means the Electricity Distribution Service Default Price-Quality Path Determination 2015 [2014], NZCC 33, including all amendments as of 9 July 2015;”

2.2 A new definition for ‘2015 DPP financial model’ is added to read:

“means the spreadsheet entitled ‘Financial-model-EDB-DPP-2015-2020’ published by the Commission alongside the 2015 DPP determination;”

2.3 The definition of ‘building blocks allowable revenue before tax’ is varied by replacing the existing text with the following text:

“means, for:

(a) disclosure years 2019 and 2020, the sum of:

(i) \( \text{MAR}_{\text{DPP}} \) determined in accordance with clause 5.3.2(7); and

(ii) \( \text{BBAR}_{\text{DPR}} \) (readiness), determined in accordance with clause 5.3.2(1);
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(b) disclosure year 2021, the sum of-

(i) $BBAR_{(DPP)}$, determined in accordance with clause 5.3.2(8); and

(ii) $BBAR_{(readiness)}$, determined in accordance with clause 5.3.2(1);""
the forecast aggregate value of commissioned assets determined by the Commission for the relevant disclosure year in the 2015 DPP determination; and

(ii) disclosure year 2021, the sum of-

the forecast aggregate value of commissioned assets determined by the Commission for disclosure year 2021, where for the purposes of determining this value, the value of earthquake readiness expenditure is nil; and

the forecast value of commissioned assets’ specified by the Commission for disclosure year 2021, where the value only reflects earthquake readiness expenditure to be incurred during the CPP regulatory period;

(b) all other sections, the value determined in accordance with clause 5.3.11/"*

2.10 The definition of 'next period' is varied by replacing the existing text with the following text:

"means the period beginning on the first day of disclosure year 2019 and terminating on the last day of disclosure year 2021;"*

2.11 A new definition of 'pass-through balance' is added to read-

"has the meaning specified in clause 3.1.1(12);"

2.12 A new definition of 'pass-through balance annual recovery' is added to read-

"has the meaning specified in clause 3.1.1(14);"

2.13 A new definition of 'pass-through prices' is added to read-

"means the portion of prices attributable to pass-through costs and recoverable costs;"

3. Clause 3.1.1(4) of the IM Determination is varied by replacing the existing text with the following text:

"(4) For the purpose of this subpart, 'forecast allowable revenue' as specified in a DPP determination or CPP determination includes-

(a) forecast not allowable revenue;

(b) forecast pass-through costs;

(c) forecast recoverable costs, excluding any revenue wash-up draw down amount under clause 3.1.3(1)(v) for the disclosure year, referred to in subclause (1);

(d) the balance of the wash-up account available for draw down; and
(e) pass-through balance annual recovery."

4. Clause 3.1.1(12) is added to read:

"(12) 'Pass-through balance' is the cumulative difference between the revenue from pass-through prices and the sum of pass-through costs and recoverable costs, calculated in accordance with clause 8.6 of the 2015 DPP determination, for the 'assessment period' (as defined in that determination) ending 31 March 2018."

5. Clause 3.1.1(13) is added to read:

"(13) The pass-through balance must be returned, or in the case of a negative amount recovered, over the CPP regulatory period as the pass-through balance annual recovery, as specified in a CPP determination."

6. Clause 3.1.1(14) is added to read:

"(14) 'Pass-through balance annual recovery' means an amount which an EDB must calculate for each disclosure year in accordance with the method specified in a CPP determination, where the CPP determination methodology allows for the recovery or return of the pass-through balance over the CPP regulatory period and includes any time value of money adjustment using a rate equal to the 67th percentile estimate of WACC."

7. Clause 3.1.3(1)(p) of the IM Determination is varied by replacing the existing text with the following text:

"(p) a capex wash-up adjustment;"

8. Clause 3.1.3(8) and 3.1.3(9) are deleted.

9. Clause 3.1.3(13)(e) of the IM Determination is varied by replacing the existing text with the following text:

"(e) 'actual allowable revenue' means, for a disclosure year, an amount calculated in accordance with a DPP determination or CPP determination that includes-

(i) actual net allowable revenue;

(ii) pass-through costs;

(iii) recoverable costs, including any revenue wash-up draw down amount; and

(iv) pass-through balance annual recovery;"

10. Clause 3.1.3(13)(f) of the IM Determination is varied by replacing the existing text with the following text:

"(f) 'actual revenue' means, for a disclosure year, the revenue amount calculated in accordance with a DPP determination or CPP determination that includes actual revenue from prices;"

11. Clause 3.1.3(13)(l) is deleted.
12. Clause 3.3.2(1) and 3.3.2(2) of the IM Determination is varied by replacing the existing text with the following text:

"(1) An opex incentive amount must be calculated for each disclosure year of a regulatory period, subject to subclause (3).

(2) The ‘opex incentive amount’ for a disclosure year is an amount equal to the sum of:
   (a) all amounts carried forward into that disclosure year from a disclosure year in a preceding regulatory period; and
   (b) where an adjustment to the opex incentive is applicable during the regulatory period under clause 3.3.4(1):—
      (i) the amount calculated in accordance with the following formula for a disclosure year in the regulatory period:

      \[
      \text{Adjustment to the opex incentive} = \left( \frac{l - 1}{l} \right) \times (1 + r)^{y+0.5}
      \]

      where—
      \( l \) is the number of disclosure years in the regulatory period;
      \( r \) is the cost of debt applying to the DPP or CPP in question; and
      \( y \) is the number of disclosure years preceding the disclosure year in question in the regulatory period."

13. Clause 3.3.2(3) is deleted.

14. Clause 3.3.2(4) is renumbered as clause 3.3.2(3).

15. Clause 3.3.11 of the IM Determination is varied by replacing the existing text with the following text:

"(1) The ‘capex wash-up’ is an amount equal to the present value of the differences in the series of building blocks allowable revenue before tax for the preceding DPP regulatory period, subject to subclause (2) and clauses 3.3.13 and 3.3.14 from adopting—

   (a) the sum of the value of commissioned assets for each disclosure year of that preceding DPP regulatory period, instead of—

   (b) for each disclosure year of the preceding DPP regulatory period in which the EDB was subject to a DPP, the forecast aggregate value of commissioned assets determined by the Commission in respect of those disclosure years; and

   (c) for each disclosure year of the preceding DPP regulatory period in which the EDB was subject to a CPP, the sum of the forecast value of commissioned assets determined by the Commission in respect of those disclosure years.

(2) For the purpose of subclause (1)–

   (a) the present value must be determined by discounting the series of building blocks allowable revenue before tax to the end of the preceding DPP regulatory period.
using a discount rate equal to the WACC applied by the Commission in setting prices for each disclosure year for the relevant DPP or CPP in the preceding DPP regulatory period;

(b) the series of building blocks allowable revenue before tax for each disclosure year of the preceding DPP regulatory period must—

(i) be calculated using the same methodology that was applied by the Commission in setting starting prices for the ED8 for the relevant DPP or CPP, subject to subparagraphs (ii), (iii), (iv), (v) and (vi);

(ii) for the purpose of subparagraph (i), adopt the sum of depreciation calculated under Part 2 in respect of each disclosure year for assets having a commissioning date in the preceding DPP regulatory period; and

(iii) for the purpose of subparagraph (i), adopt the same values for all other inputs to the calculation of building blocks allowable revenue before tax; and

(iv) for the purpose of subparagraph (i), for the disclosure years in which Wellington Electricity Lines Limited is subject to a CPP, building blocks allowable revenue before tax is equal to the sum of—

(1) \( BBAR_{ru}(DPP) \), determined in accordance with subparagraph (v); and

(2) \( BBAR_{ru}(readiness) \), determined in accordance with clause 5.3.2(1); and

(v) for the purpose of subparagraph (iv), ‘\( BBAR_{ru}(DPP) \)’ means—

(1) for disclosure years 2019 and 2020, the value determined in accordance with the formula for ‘\( BBAR \) before tax in revenue date terms’, for Wellington Electricity Lines Limited for the applicable disclosure year, specified in the 2015 DPP Financial Model; and

(2) for disclosure year 2021, the value determined in accordance with clause 5.3.2(6); and

(vi) for the purpose of subparagraphs (i), (ii), (iv) and (v)—

(1) \( BBAR_{ru}(DPP) \) is calculated using the sum of the value of commissioned assets and the sum of depreciation excluding that relating to earthquake readiness expenditure; and

(2) \( BBAR_{ru}(readiness) \) is calculated using the sum of the value of commissioned assets and the sum of depreciation for earthquake readiness expenditure; and

(c) where the series of building blocks allowable revenue before tax from adopting the sum of value of commissioned assets exceed the series of building blocks allowable revenue before tax from using the forecast values of commissioned assets (as determined using the forecast aggregate value of commissioned assets for each disclosure year in which the ED8 was subject to a DPP and sum of the forecast...
value of commissioned assets for each disclosure year in which the EDB was subject to a CPP then the difference is a positive amount of capex wash-up; and

(d) where the series of building blocks allowable revenue before tax from adopting the sum of value of commissioned assets is less than the series of building blocks allowable revenue before tax from using the forecast value of commissioned assets (as determined using the forecast aggregate value of commissioned assets for each disclosure year in which the EDB was subject to a DPP and sum of the forecast value of commissioned assets for each disclosure year in which the EDB was subject to a CPP) then the difference is a negative amount of capex wash-up."

16. Clause 5.3.2(1) of the IM Determination is varied by replacing the existing text with the following text:

‘(1) ‘BBAAR_{n}(readiness)’ for each disclosure year of the next period is determined in accordance with the formula:

\[(\text{regulatory investment value} \times \text{cost of capital} + \text{total value of commissioned assets} \times (TF_{\text{VOL}} - 1) + \text{term credit spread differential allowance} \times TF \times \text{total revaluation} \times (TF_{\text{corporate}} - \text{corporate tax rate}) \times TF) \times \text{(1 - corporate tax rate) \times TF} \times (\text{forecast operating expenditure} \times TF_{\text{corporate}} - \text{corporate tax rate}) \times (TF_{\text{corporate}} - \text{corporate tax rate}) \times TF) \times (\text{closing deferred tax - opening deferred tax}) \times (TF - 1) \times (\text{permanent differences + regulatory tax adjustments - utilised tax losses}) \times \text{corporate tax rate} \times TF) \times (TF_{\text{corporate}} - \text{corporate tax rate}) \times TF\]

where the values of each term specified in this formula, and the terms used to calculate those values, only reflect earthquake readiness expenditure incurred during the CPP regulatory period."

17. Clause 5.3.2(7) is renumbered to 5.3.2(9);

18. A new clause 5.3.2(7) is added to read:

‘(7) ‘MAR_{n}(DPP)’ means for disclosure year 2019 and disclosure year 2020, the value for ‘maximum allowable revenue before tax in revenue date terms for applicable X factor’, for Wellington Electricity Lines Limited for the applicable disclosure year, specified in the 2015 DPP financial model less an adjustment for actual CPI under the 2015 DPP determination, being $2,893,000 for disclosure year 2019 and $3,664,000 for disclosure year 2020."

19. Clause 5.3.2(8) is added to read:

‘(8) ‘BBAR_{n}(DPP)’ means the value determined in accordance with the formula for ‘BBAR before tax in revenue date terms, calculation not referencing tax’, as applied in the 2015 DPP financial model for disclosure year 2020, applied to disclosure year 2021-

(a) where the value for disclosure year 2021 of each term in the formula specified for 'BBAR before tax in revenue date terms, calculation not referencing tax' is determined in accordance with the respective formulas applied in the 2015 DPP financial model for disclosure year 2020, applied to disclosure year 2021; and
(b) for terms with no formula in the 2015 DPP financial model, the value for disclosure year 2021 is determined as follows:

(i) ‘operating expenditure’ means, in relation to a CPP proposal—

that has not been assessed by the Commission, the amount of operating expenditure for the relevant disclosure year included by the CPP applicant in its opex forecast; or

that is undergoing assessment by the Commission, the amount of operating expenditure determined for the relevant disclosure year by the Commission;

(ii) ‘value of commissioned assets’ means, in relation to a CPP proposal—

that has not been assessed by the Commission, the forecast aggregate value of commissioned assets for the relevant disclosure year included by the CPP applicant in its CPP proposal; or

that is undergoing assessment by the Commission, the forecast aggregate value of commissioned assets determined for the relevant disclosure year by the Commission;

(iii) ‘forecast changes in CPI used for revaluations’ is determined in accordance with the following methodology:

Forecast CPI for revaluations is:

for a quarter prior to the quarter for which the vanilla WACC applicable to the relevant DPP regulatory period was determined, CPI as per paragraph (a) of the ‘CPI’ definition and excluding any adjustments made under paragraph (b) of the CPI definition arising as a result of an event that occurs after the issue of the Monetary Policy Statement referred to in the paragraph directly below;

for each later quarter for which a forecast of the change in headline CPI has been included in the Monetary Policy Statement last issued by the Reserve Bank of New Zealand prior to the date for which the vanilla WACC applicable to the relevant DPP regulatory period was determined, the CPI last applying under the paragraph directly above extended by the forecast change; and

in respect of later quarters, the forecast last applying under the paragraph directly above adjusted such that an equal increment or decrement made to that forecast for each of the following three years results in the forecast for the last of those years being equal to the target midpoint for the change in headline CPI set out in the Monetary Policy Statement referred to in the paragraph directly above;

(iv) ‘disposed assets’ is the value of that term for disclosure year 2021 specified in the DPP Other Regulated Income and Disposed Assets Model.
(v) 'other regulated income' is the value of that term for disclosure year 2021 specified in the DPP Other Regulated Income and Disposed Assets Model, where, for the purposes of determining BBAR_{\text{DPP}}, the value of earthquake readiness expenditure is nil."

20. Clause 5.3.12 of the IM Determination is varied by replacing the existing text with the following text:

"(1) 'Opening works under construction' means, in respect of-
   (a) the first disclosure year of the next period, nil; and
   (b) any year other than the first disclosure year of the next period, closing works under construction of the preceding disclosure year.

(2) 'Closing works under construction' is the amount determined in accordance with the formula:-
   opening works under construction + capital expenditure - forecast value of commissioned assets,
   where the values of each term specified in this formula and the terms used to calculate those values only reflect earthquake readiness expenditure incurred during the CPP regulatory period."

21. Clause 5.3.13(1) of the IM Determination is varied by replacing the existing text with the following text:

"(1) 'Forecast regulatory tax allowance (readiness)' is, where forecast regulatory net taxable income is-
   (a) nil or a positive number, the tax effect of forecast regulatory net taxable income; and
   (b) a negative number, nil."

22. Clause 5.3.13(1A) is added to read:

"(1A) The value of forecast regulatory net taxable income in subclause (1), and the terms used to calculate that value, must only reflect earthquake readiness expenditure incurred during the CPP regulatory period."

23. Clause 5.3.13(5) is added to read:

"(5) 'Forecast regulatory tax allowance (DPP)' means, for-
   (a) disclosure years 2019 and 2020, the value for 'regulatory tax allowance', for Wellington Electricity Lines Limited for the applicable disclosure year, specified in the 2015 DPP Financial Model;
   (b) disclosure year 2021, the value determined in accordance with the formula for 'regulatory tax allowance', as applied in the 2015 DPP Financial Model for disclosure year 2020, applied to disclosure year 2021-
(i) where the value for disclosure year 2021 of each term in the formula for ‘regulatory tax allowance’ is determined in accordance with the respective formulas applied in the 2015 DPP Financial Model for disclosure year 2020, applied to disclosure year 2021; and

(ii) for terms with no formulas in the 2015 DPP Financial Model, the value for disclosure year 2021 is determined as follows-

‘operating expenditure’ means, in relation to a CPP proposal-

that has not been assessed by the Commission, the amount of operating expenditure for the relevant disclosure year included by the CPP applicant in its opex forecast; or

undergoing assessment by the Commission, the amount of operating expenditure determined for the relevant disclosure year by the Commission;

‘value of commissioned assets’ means, in relation to a CPP proposal-

that has not been assessed by the Commission, the forecast aggregate value of commissioned assets for the relevant disclosure year included in its CPP proposal; or

undergoing assessment by the Commission, the forecast aggregate value of commissioned assets determined for the relevant disclosure year by the Commission;

‘forecast changes in CPI used for revaluations’ is determined in accordance with the following methodology-

Forecast CPI for revaluations is:

for a quarter prior to the quarter for which the vanilla WACC applicable to the relevant DPP regulatory period was determined, CPI as per paragraph (a) of the ‘CPI’ definition and excluding any adjustments made under paragraph (b) of the CPI definition arising as a result of an event that occurs after the issue of the Monetary Policy Statement referred to in the paragraph directly below;

for each later quarter for which a forecast of the change in headline CPI has been included in the Monetary Policy Statement last issued by the Reserve Bank of New Zealand prior to the date for which the vanilla WACC applicable to the relevant DPP regulatory period was determined, the CPI last applying under the paragraph directly above extended by the forecast change; and

in respect of later quarters, the forecast last applying under the paragraph directly above adjusted such that an equal increment or decrement made to that forecast for each of the following three years results in the forecast for the last of those years being equal.
to the target midpoint for the change in headline CPI set out in the Monetary Policy Statement referred to in the paragraph directly above;

‘disposed assets’ is the value of that term for disclosure year 2021 specified in the DPP Other Regulated Income and Disposed Assets Model;

‘other regulated income’ is the value of that term for disclosure year 2021 specified in the DPP Other Regulated Income and Disposed Assets Model,

where, for the purpose of determining 'forecast regulatory tax allowance (DPP)', the value of earthquake readiness expenditure is nil.*

Executed as a Deed on ___ day of __________ 2018.

by Wellington Electricity Lines Limited

Signature of representative authorised to execute a deed

GREG SKELTON

Name of authorised representative

26 MARCH 2018

Date

by the Commerce Commission

Signature of authorised representative

SUSAN JANICE BEGG

Name of authorised representative

26 MARCH 2018

Date
Explanatory note

(1) The purpose of the Wellington Electricity Lines Limited Electricity Distribution Customised Price-Quality Path Determination 2018 ("the Determination") is to set a customised price-quality paths for Wellington Electricity Lines Limited ("Wellington Electricity") for the three years beginning 1 April 2018 and ending 31 March 2021, pursuant to Part 4 of the Commerce Act 1986 ("the Act").

(2) Pursuant to section 53N of the Act, Wellington Electricity is required to provide to the Commerce Commission ("the Commission"), separate compliance statements relating to price setting, the wash-up account calculation, performance against quality standards and transactions. Wellington Electricity must state whether or not it has complied with the customised price-quality path set out in the Determination, provide its wash-up amount calculation, and supporting evidence. The two compliance statements must both be accompanied by a director’s certificate. The compliance statement for the wash-up amount calculation, quality standards and transactions must also be accompanied by an auditor’s report. Wellington Electricity must publish its compliance statements on its website within five working days after submitting them to the Commission.

(3) A reasons paper providing detailed background to, and analysis of, the Determination can be found at:


(4) Copies of this Determination are available for inspection free of charge at the Commission (during ordinary office hours), on the Commission’s website at the above link, or for purchase at a reasonable price at the Commission.