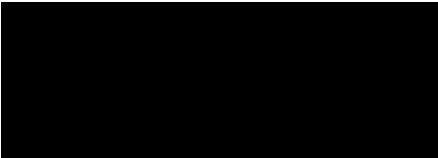


Electricity Distribution Services Default Price-Quality Path (Unison Networks Limited Unforeseeable Major Capex Project) Amendment Determination 2024

[2024] NZCC 20

The Commission: Vhari McWha
Bryan Chapple
Dr Derek Johnston

Date of decision: 19 September 2024



Dated at Wellington this 12 day of September 2024

COMMERCE COMMISSION

Wellington, New Zealand

Determination history		
Determination date	Decision number	Determination name
27 November 2019	[2019] NZCC 21	Electricity Distribution Services Default Price-Quality Path Determination 2020 [2019] NZCC 21
30 March 2020	[2020] NZCC 3	Electricity Distribution Services Default Price-Quality Path (Definition of discount) Amendments Determination 2020 [2020] NZCC 3
26 November 2020	[2020] NZCC 25	Electricity Distribution Services Default Price-Quality Path (Wellington Electricity transition) Amendments Determination 2020 [2020] NZCC 25
17 December 2020	[2020] NZCC 28	Electricity Distribution Services Default Price-Quality Path (Aurora quality standard variation) Amendments Determination 2020 [2020] NZCC 28
4 March 2022	[2022] NZCC 2	Electricity Distribution Services Default Price-Quality Path (Unison unforeseeable major capex project) Amendment Determination 2022 [2022] NZCC 2
30 November 2022	[2022] NZCC 25	Electricity Distribution Services Default Price-Quality Path (Powerco transition) Amendments Determination 2022 [2022] NZCC 25
1 March 2023	[2023] NZCC 3	Electricity Distribution Services Default Price-Quality Path (Compliance Statement Due Date) Amendment Determination 2023
10 November 2023	[2023] NZCC 29	Electricity Distribution Services Default Price-Quality Path (Innovation Project Allowance Approval Criteria) Amendment Determination 2023
8 August 2024	[2024] NZCC 13	Electricity Distribution Services Default Price-Quality Path (Wellington Electricity Lines Limited Unforeseeable Major Capex Projects) Amendment Determination 2024
19 September 2024	[2024] NZCC 20	Electricity Distribution Services Default Price-Quality Path (Unison Networks Limited Unforeseeable Major Capex Project) Amendment Determination 2024

[Drafting notes:

- This amendment determination amends the Electricity Distribution Services Default Price-Quality Path Determination 2020 [2019] NZCC 21 to increase Unison Networks Limited's allowable revenue to provide for an unforeseeable major capex project.
- The included amendments which are secondary legislation are made under the Legislation Act 2019 and Part 4 of the Commerce Act 1986.]

Electricity Distribution Services Default Price-Quality Path (Unison Networks Limited Unforeseeable Major Capex Project) Amendment Determination 2024

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

1. TITLE

- 1.1 This determination is the Electricity Distribution Services Default Price-Quality Path (Unison Networks Limited Unforeseeable Major Capex Project) Amendment Determination 2024.

2. DETERMINATION AMENDED

- 2.1 This determination amends the Electricity Distribution Services Default Price-Quality Path Determination 2020 [2019] NZCC 21 (**principal determination**).

3. COMMENCEMENT

- 3.1 This determination comes into force on 20 September 2024.

4. PRINCIPAL DETERMINATION AMENDMENTS

- 4.1 In clause 4.2 of the **principal determination**, replace the definition of ‘**actual net allowable revenue**’ with:

“**actual net allowable revenue** means:

- (a) for the first **assessment period** of the **DPP regulatory period** for each **non-exempt EDB** other than Wellington Electricity Lines Limited and Unison Networks Limited, the amount specified as **forecast net allowable revenue** for the first **assessment period**;
- (aa) for the first **assessment period** of the **DPP regulatory period** for Unison Networks Limited,—
 - (i) where used to calculate the amount in paragraph (cb), the **forecast net allowable revenue** for the first **assessment period** specified in paragraph (3F) of Schedule 1.6; and
 - (ii) where used for any other purpose, the **forecast net allowable revenue** for the first **assessment period** specified in paragraph (2B) of Schedule 1.6;

- (b) for the first **assessment period** of the **DPP regulatory period** for Wellington Electricity Lines Limited,—
 - (i) where used to calculate the amount in paragraph (e), the **forecast net allowable revenue** for the first **assessment period** specified in paragraph (8E) of Schedule 1.6; and
 - (ii) where used for any other purpose, the **forecast net allowable revenue** for the first **assessment period** specified in paragraph (8) of Schedule 1.6;
- (c) for the second to fifth **assessment periods** of the **DPP regulatory period** for each **non-exempt EDB** other than Unison Networks Limited, Wellington Electricity Lines Limited and Powerco Limited, the amount calculated for that **assessment period** in paragraph (3) of Schedule 1.6;
- (ca) for the second to fourth **assessment periods** of the **DPP regulatory period** for Unison Networks Limited, the amount calculated for that **assessment period** in paragraph (3A) of Schedule 1.6;
- (cb) for the fifth **assessment period** of the **DPP regulatory period** for Unison Networks Limited, the amount calculated for that **assessment period** in paragraph (3B) of Schedule 1.6;
- (d) for the second to fourth **assessment periods** of the **DPP regulatory period** for Wellington Electricity Lines Limited, the amount calculated for that **assessment period** in paragraph (5) of Schedule 1.6;
- (e) for the fifth **assessment period** of the **DPP regulatory period** for Wellington Electricity Lines Limited, the amount calculated for that **assessment period** in paragraph (8A) of Schedule 1.6; and
- (f) for the second to fifth **assessment periods** of the **DPP regulatory period** for Powerco Limited, the amount calculated for that **assessment period** in paragraph (11) of Schedule 1.6”.

4.2 In clause 4.2 of the **principal determination**, replace the definition of **‘forecast net allowable revenue’** with:

“forecast net allowable revenue has the meaning given in the **IM determination** and is:

- (a) in respect of the first **assessment period**:
 - (i) for the purpose of calculating **actual net allowable revenue** for Unison Networks Limited for the first **assessment period**,—

- (A) where used to calculate **actual net allowable revenue** for the first to fourth **assessment periods**, the amount calculated according to paragraph (2B) of Schedule 1.6; and
 - (B) where used to calculate **actual net allowable revenue** for the fifth **assessment period**, the amount calculated according to paragraph (3F) of Schedule 1.6;
 - (ii) for the purpose of calculating **actual net allowable revenue** for Powerco Limited for the first **assessment period**, the amount calculated according to paragraph (14) of Schedule 1.6;
 - (iii) for the purpose of calculating **actual net allowable revenue** for Wellington Electricity Lines Limited for the first **assessment period**,—
 - (A) where used to calculate **actual net allowable revenue** for the first to fourth **assessment periods**, the amount calculated according to paragraph (8) of Schedule 1.6; and
 - (B) where used to calculate **actual net allowable revenue** for the fifth **assessment period**, the amount calculated according to paragraph (8E) of Schedule 1.6;
 - (iv) for all other purposes, the amount specified for a **non-exempt EDB** for the applicable **assessment period** in Schedule 1.4;
- (b) in respect of the second to fifth **assessment periods**, the amount specified for the relevant **assessment period** in Schedule 1.4”.
- 4.3 In the row for Unison Networks Limited in Table 1.4.1 (“Forecast net allowable revenue for the DPP regulatory period”) of Schedule 1.4 of the **principal determination**, replace the value “108,515” in the column labelled “Assessment period ending 31 March 2025” with “108,693”.
- 4.4 In paragraph (2A) of Schedule 1.6, replace the existing text with the following:
- “(2A) For the purpose of paragraphs (2)(a) and (3E), ‘actual net allowable revenue’ for Unison Networks Limited for the first **assessment period**,—
- (a) where used to calculate the ‘actual net allowable revenue’ for the fifth **assessment period** of the **DPP regulatory period** under paragraph (3B), means the **forecast net allowable revenue** for the first **assessment period** specified in paragraph (3F); and

(b) where used for any other purpose, means the **forecast net allowable revenue** for the first **assessment period** specified in paragraph (2B)."

4.5 In paragraph (2B) of Schedule 1.6:

4.5.1 replace "(2A)" with "(2A)(b)"; and

4.5.2 replace "paragraph (3)" with "paragraph (3A)".

4.6 In paragraph (3) of Schedule 1.6, replace "'actual net allowable revenue' for the second to fifth **assessment periods**" with "'actual net allowable revenue' for each **non-exempt EDB** other than Unison Networks Limited for the second to fifth **assessment periods**".

4.7 After paragraph (3) of Schedule 1.6 and before paragraph (4) of Schedule 1.6, insert the following as new paragraphs "(3A)" to "(3F)":

"(3A) For the purposes of paragraphs (2)(b)-(c) of Schedule 1.6, 'actual net allowable revenue' for Unison Networks Limited for the second to fourth **assessment periods** of the **DPP regulatory period**, means the amount calculated using the following formula—

$$ANAR_{previous} \times (1 + \Delta CPI_t) \times (1 - X)$$

where—

$ANAR_{previous}$ is the 'actual net allowable revenue' of the previous **assessment period**;

X is the annual rate of change as specified in Schedule 1.2; and

ΔCPI is the derived change in the **CPI** to be applied for the **assessment period**, calculated in accordance with the formula—

$$\Delta CPI = \frac{CPI_{Jun,t-1} + CPI_{Sep,t-1} + CPI_{Dec,t-1} + CPI_{Mar,t}}{CPI_{Jun,t-2} + CPI_{Sep,t-2} + CPI_{Dec,t-2} + CPI_{Mar,t-1}} - 1$$

where—

$CPI_{q,t-n}$ is the **CPI** for the quarter year ending q in the 12-month period n years prior to year t ; and

t is the year in which the **assessment period** ends."

“(3B) For the purposes of paragraphs (2)(b)-(c) of Schedule 1.6, ‘actual net allowable revenue’ for Unison Networks Limited for the fifth **assessment period** of the **DPP regulatory period**, means the amount calculated using the following formula—

$$ANAR_{2024} \times (1 + \Delta CPI_t) \times (1 - X)$$

where—

$ANAR_{2024}$ is the ‘actual net allowable revenue’ for the fourth **assessment period** as calculated under paragraph (3C);

X is the annual rate of change as specified in Schedule 1.2; and

ΔCPI is the derived change in the **CPI** to be applied for the **assessment period**, calculated in accordance with the formula—

$$\Delta CPI = \frac{CPI_{Jun,t-1} + CPI_{Sep,t-1} + CPI_{Dec,t-1} + CPI_{Mar,t}}{CPI_{Jun,t-2} + CPI_{Sep,t-2} + CPI_{Dec,t-2} + CPI_{Mar,t-1}} - 1$$

where—

$CPI_{q,t-n}$ is the **CPI** for the quarter year ending q in the 12-month period n years prior to year t ; and

t is the year in which the **assessment period** ends.”

“(3C) For the purpose of paragraph (3B), the “‘actual net allowable revenue’ for the fourth assessment period” referred to in paragraph (3B) is calculated using the following formula—

$$ANAR_{2023} \times (1 + \Delta CPI_t) \times (1 - X)$$

where—

$ANAR_{2023}$ is the ‘actual net allowable revenue’ for the third **assessment period** as calculated under paragraph (3D);

X is the annual rate of change as specified in Schedule 1.2; and

ΔCPI is the derived change in the **CPI** to be applied for the **assessment period**, calculated in accordance with the formula—

$$\Delta CPI = \frac{CPI_{Jun,t-1} + CPI_{Sep,t-1} + CPI_{Dec,t-1} + CPI_{Mar,t}}{CPI_{Jun,t-2} + CPI_{Sep,t-2} + CPI_{Dec,t-2} + CPI_{Mar,t-1}} - 1$$

where—

$CPI_{q,t-n}$ is the **CPI** for the quarter year ending q in the 12-month period n years prior to year t ; and

t is the year in which the **assessment period** ends.””

“(3D) For the purpose of paragraph (3C), the “‘actual net allowable revenue’ for the third assessment period” referred to in paragraph (3C) is calculated using the following formula—

$$ANAR_{2022} \times (1 + \Delta CPI_t) \times (1 - X)$$

where—

$ANAR_{2022}$ is the ‘actual net allowable revenue’ for the second **assessment period** as calculated under paragraph (3E);

X is the annual rate of change as specified in Schedule 1.2; and

ΔCPI is the derived change in the **CPI** to be applied for the **assessment period**, calculated in accordance with the formula—

$$\Delta CPI = \frac{CPI_{Jun,t-1} + CPI_{Sep,t-1} + CPI_{Dec,t-1} + CPI_{Mar,t}}{CPI_{Jun,t-2} + CPI_{Sep,t-2} + CPI_{Dec,t-2} + CPI_{Mar,t-1}} - 1$$

where—

$CPI_{q,t-n}$ is the **CPI** for the quarter year ending q in the 12-month period n years prior to year t ; and

t is the year in which the **assessment period** ends.””

“(3E) For the purpose of paragraph (3D), the “actual net allowable revenue’ for the second assessment period” referred to in paragraph (3D) is calculated using the following formula—

$$ANAR_{2021} \times (1 + \Delta CPI_t) \times (1 - X)$$

where—

$ANAR_{2021}$ is the ‘actual net allowable revenue’ for the first **assessment period** under paragraph (2A)(a);

X is the annual rate of change as specified in Schedule 1.2; and

ΔCPI is the derived change in the **CPI** to be applied for the **assessment period**, calculated in accordance with the formula—

$$\Delta CPI = \frac{CPI_{Jun,t-1} + CPI_{Sep,t-1} + CPI_{Dec,t-1} + CPI_{Mar,t}}{CPI_{Jun,t-2} + CPI_{Sep,t-2} + CPI_{Dec,t-2} + CPI_{Mar,t-1}} - 1$$

where—

$CPI_{q,t-n}$ is the **CPI** for the quarter year ending q in the 12-month period n years prior to year t ; and

t is the year in which the **assessment period** ends.”

“(3F) For the purpose of paragraph (2A)(a), ‘forecast net allowable revenue’ for the first **assessment period** means the amount calculated using the following formula—

$$\begin{aligned} & \$108.693 \text{ million} \div ((1 + \Delta CPI_{2025}) \times (1 - X) \times (1 + \Delta CPI_{2024}) \\ & \times (1 - X) \times (1 + \Delta CPI_{2023}) \times (1 - X) \times (1 + \Delta CPI_{2022}) \times (1 - X)) \end{aligned}$$

where-

ΔCPI_{2025} has the meaning specified for ‘ ΔCPI ’ in paragraph (3B) that applied in respect of the fifth **assessment period**;

ΔCPI_{2024} has the meaning specified for ‘ ΔCPI ’ in paragraph (3A) that applied in respect of the fourth **assessment period**;

ΔCPI_{2023} has the meaning specified for ‘ ΔCPI ’ in paragraph (3A) that applied in respect of the third **assessment period**;

ΔCPI_{2022} has the meaning specified for ‘ ΔCPI ’ in paragraph (3A) that applied in respect of the second **assessment period**; and

X is the annual rate of change as specified in Schedule 1.2.”

- 4.8 In the row for Unison Networks Limited in Table 2.2.2 (“Forecast aggregate value of commissioned assets for non-exempt EDBs for the DPP regulatory period”) of Schedule 2.2 of the **principal determination**, replace the value “48,041” in the column labelled “Assessment period ending 31 March 2025” with “53,807”.