

## **Wellington Electricity Lines Limited Electricity Distribution Customised Price-Quality Path (Allowable Revenue) Amendments Determination 2020**

**[2020] NZCC 5**

Amendment made under section 52Q of the Commerce Act 1986 to the *Wellington Electricity Lines Limited Electricity Distribution Customised Price-Quality Path Determination 2018* [2018] NZCC 6.

**The Commission:** Sue Begg  
Dr Stephen Gale  
Elisabeth Welson  
John Crawford

**Date of Decision:** 31 March 2020

Commerce Commission

Wellington, New Zealand

## Wellington Electricity Lines Limited Electricity Distribution Customised Price-Quality Path (Allowable Revenue) Amendments Determination 2020

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

### SHORT TITLE

2. This determination is the Wellington Electricity Lines Limited Electricity Distribution Customised Price-Quality Path (Allowable Revenue) Amendments Determination 2020.

### APPLICATION

3. This determination amends the *Wellington Electricity Lines Limited Electricity Distribution Customised Price-Quality Path Determination 2018* [2018] NZCC 6 (**principal determination**).

### COMMENCEMENT

4. This determination comes into force on 31 March 2020.

### INTERPRETATION

5. Unless the context otherwise requires:
  - 5.1 terms used in this determination that are defined in the **Act** but not in this determination have the same meanings as in the **Act**;
  - 5.2 terms used in this determination that are defined in the **principal determination** have the same meanings as in the **principal determination**.

### AMENDMENTS

6. In clause 4.2 of the **principal determination**,—
  - 6.1 replace the definition of ‘**forecast net allowable revenue**’ with:
 

“**Forecast net allowable revenue** means:

    - (a) in respect of the first **assessment period**:
      - (i) for the purpose of calculating **actual net allowable revenue** for the third **assessment period**, the amount calculated in paragraph (9) of Schedule 1.5; and
      - (ii) for all other purposes, the amount specified for that assessment period in Schedule 1.3; and
    - (b) in respect of the second and third **assessment periods**, the amount specified for the relevant **assessment period** in Schedule 1.3;”

6.2 insert in its appropriate alphabetical order:

**“maximum allowable revenue after tax** has the meaning given in the **IM determination;**”

7. In column 2 (“Forecast net allowable revenue (\$000)”) of the table in Schedule 1.3: Forecast net allowable revenue of the **principal determination**, in line 4, next to “31 March 2021”, replace “109,531” with “91,697”.
8. After Schedule 1.3: Forecast net allowable revenue of the **principal determination**, insert as new Schedule 1.3A:

**“Schedule 1.3A: Maximum allowable revenue after tax following WACC change of 25 September 2019**

Assessment period ending	Maximum allowable revenue after tax (\$000)
31 March 2021	83,796

9. Amend paragraph (3) of Schedule 1.5 of the **principal determination** to replace the phrase “For the purposes of paragraph (2)(b), ‘actual net allowable revenue’ for the second to third **assessment periods** means the amount calculated” with “For the purposes of paragraph (2)(b), ‘actual net allowable revenue’ for the second to third **assessment periods** means, subject to paragraph (6), the amount calculated”.
10. In Schedule 1.5 of the **principal determination**, insert—
- 10.1 as new paragraph (6):
- “(6) For the third **assessment period**, the “‘actual net allowable revenue’ of the previous **assessment period**” referred to under paragraph (3) is calculated under paragraph (7).”; and

10.2 as new paragraph (7):

“(7) For the purpose of paragraph (6), “‘actual net allowable revenue’ of the previous **assessment period**” means the amount calculated using the following formula:

$$\text{actual net allowable revenue for the first assessment period} \times ((1 + \Delta \text{CPI}_{2020}) \times (1 - X))$$

where:

$\Delta\text{CPI}_{2020}$  has the meaning specified for ‘ $\Delta\text{CPI}$ ’ in paragraph (3) that applied in respect of the second **assessment period**; and  
 X has the meaning specified for ‘X’ in paragraph (3).”

10.3 as new paragraph (8):

“(8) For the purpose of paragraph (7), ‘*actual net allowable revenue* for the first **assessment period**’ means the **forecast net allowable revenue** for the first **assessment period**.”

10.4 as new paragraph (9):

“(9) For the purpose of paragraph (8), ‘forecast net allowable revenue’ for the first **assessment period** means the amount calculated using the following formula:

$$\$91.697 \text{ million} \div ((1+\Delta\text{CPI}_{2020}) \times (1+\Delta\text{CPI}_{2021}) \times (1-X)^2)$$

where:

$\Delta\text{CPI}_{2020}$  has the meaning specified for ‘ $\Delta\text{CPI}$ ’ in paragraph (3) that applied in respect of the second **assessment period**;

$\Delta\text{CPI}_{2021}$  has the meaning specified for ‘ $\Delta\text{CPI}$ ’ in paragraph (3) that applied in respect of the third **assessment period**; and

X has the meaning specified for ‘X’ in paragraph (3).”

Sue Begg, Deputy Chair

Dated at Wellington this 31<sup>st</sup> day of March 2020.

COMMERCE COMMISSION