

## **[DRAFT] Electricity Distribution Services Default Price- Quality Path Determination 2020**

**[2019] NZCC [XX]**

**The Commission:**

**Part 4 Division**

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## Contents

<b>1</b>	Title	5
<b>2</b>	Commencement	5
<b>3</b>	Application	5
<b>4</b>	Interpretation	5
<b>5</b>	Default price-quality path	25
<b>6</b>	Applicable input methodologies	25
<b>7</b>	Dates for proposing a customised price-quality path	25
<b>8</b>	Price path	26
<b>9</b>	Quality standards	26
<b>10</b>	Transactions	27
<b>11</b>	Annual compliance statements	31
<b>12</b>	Reporting requirements	36
<b>Schedule 1.1</b>	Starting prices	40
<b>Schedule 1.2</b>	Annual rates of change	41
<b>Schedule 1.3</b>	Calculation of forecast revenue from prices	42
<b>Schedule 1.4</b>	Forecast net allowable revenue	43
<b>Schedule 1.5</b>	Calculation of forecast allowable revenue	45
<b>Schedule 1.6</b>	Calculation of wash-up amount for an assessment period	46
<b>Schedule 1.7</b>	Calculation of opening wash-up account balance	48
<b>Schedule 2.1</b>	Recoverable costs	49
<b>Schedule 2.2</b>	Specified amounts for the incremental rolling incentive scheme	50
<b>Schedule 3.1</b>	Quality standards – planned interruptions	53
<b>Schedule 3.2</b>	Quality standards – unplanned interruptions	56

<b>Schedule 3.3</b>	Quality standards – extreme event interruptions	58
<b>Schedule 4</b>	How to calculate the quality incentive adjustment	59
<b>Schedule 5.1</b>	Avoided transmission charges	64
<b>Schedule 5.2</b>	Approval of extended reserves allowance	65
<b>Schedule 5.3</b>	Approval of amount of innovation project allowance	66
<b>Schedule 6</b>	Form of director’s certificate for annual price-setting compliance statement	68
<b>Schedule 7</b>	Form of director’s certificate for annual compliance statement	69
<b>Schedule 8</b>	Independent auditor’s report on annual compliance statement	70
<b>Schedule 9</b>	Form of director’s certificate for planned interruptions reporting	71
<b>Schedule 10</b>	Form of director’s certificate for unplanned interruptions reporting	72
<b>Schedule 11</b>	Form of director’s certificate for extreme event interruption reporting	73

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

**1. Title**

1.1 This determination is the Electricity Distribution Services Default Price-Quality Path Determination 2020.

**2. Commencement**

2.1 This determination comes into force on 1 April 2020.

**3. Application**

3.1 This determination applies to all **non-exempt EDBs**, except as provided in clauses 3.2 and 3.3.

3.2 This determination does not apply to Powerco Limited until the expiration of the *Powerco Limited Electricity Distribution Customised Price-Quality Path Determination 2018* [2018] NZCC 5.

3.3 This determination does not apply to Wellington Electricity Lines Limited until the expiration of the *Wellington Electricity Lines Limited Electricity Distribution Customised Price-Quality Path Determination 2018* [2018] NZCC 6.

**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) 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**;
- (d) any reference to a period of time is interpreted in accordance with section 35 of the Interpretation Act 1999;
- (e) any reference to legislation includes a reference to that legislation as amended, consolidated, or substituted;
- (f) 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;
- (g) a word which denotes the singular also denotes the plural and vice versa.

4.2 In this determination, unless the context otherwise requires,

#

**67<sup>th</sup> percentile estimate of post-tax WACC** means [XX]%

A

**accumulated SAIDI limit** means the **SAIDI value** against which a **non-exempt EDB's** compliance with the planned interruptions reliability assessment cap is assessed, and is specified in Schedule 3.1

**accumulated SAIFI limit** means the **SAIFI value** against which a **non-exempt EDB's** compliance with the planned interruptions reliability assessment cap is assessed, and is specified in Schedule 3.1

**Act** means the Commerce Act 1986

**actual allowable revenue** means—

- (a) for the first **assessment period** of the **DPP regulatory period**, the amount specified in paragraph (2)(a) of Schedule 1.6; and
- (b) for the second to fifth **assessment periods** of the **DPP regulatory period**, the amount specified in paragraph (2)(b) of Schedule 1.6

**actual net allowable revenue** means—

- (a) for the first **assessment period** of the **DPP regulatory period**, the amount specified as **forecast net allowable revenue** for the **first assessment period**; and
- (b) for the second to fifth **assessment periods** of the **DPP regulatory period**, the amount calculated in paragraph (3) of Schedule 1.6

**actual pass-through costs and recoverable costs**

means—

- (a) for the first **assessment period** of the **DPP regulatory period**, the sum of all **pass-through costs** and **recoverable costs** that were incurred in the **assessment period** plus the **pass-through balance** multiplied by  $(1 + 67^{\text{th}} \text{ percentile estimate of post-tax WACC})$ ; and
- (b) for the second to fifth **assessment periods** of the **DPP regulatory period**, 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** plus **other regulated income**

**actual revenue from prices**

means the sum of each **price** multiplied by each corresponding actual **quantity**

**additional notice**

means, information about a **Class B interruption's** start time and end time provided by a **non-exempt EDB**, where:

- (a) that **Class B interruption** must not span more than four hours;
- (b) the information about that **Class B interruption's** start time and end time is provided to a **notice group** no later than five **working days** before that **Class B interruption** commences; and
- (c) the information about that **Class B interruption's** start time and end time is either:
  - (i) displayed on the home page of that **non-exempt EDB's** website no later than five **working days** before the **Class B interruption** commences; or
  - (ii) displayed as a link at the top of the home page of that **non-exempt**

**EDB's** website no later than five **working days** before the **Class B interruption** commences

<b>adverse environment</b>	means an <b>unplanned interruption</b> where the primary cause is due to an adverse environment, such as a slip or a seismic event
<b>adverse weather</b>	means an <b>unplanned interruption</b> where the primary cause is due to adverse weather conditions, other than <b>lightning, vegetation or adverse environment</b>
<b>amalgamation</b>	has the meaning given to 'amalgamate' in the <b>IM determination</b>
<b>annual compliance statement</b>	means a written statement required to be made by a <b>non-exempt EDB's</b> in respect of the <b>wash-up amount</b> calculation, quality standards and transactions under clause 11.4-11.6
<b>asset replacement and renewal</b>	<p>means an activity where the <b>primary driver</b> is the need to maintain <b>network</b> asset integrity in order to maintain either—</p> <ul style="list-style-type: none"> <li>(a) current security;</li> <li>(b) quality of supply standards; or</li> <li>(c) current security and quality of supply standards,</li> </ul> <p>where this activity includes replacing or renewing assets incurred as a result of—</p> <ul style="list-style-type: none"> <li>(a) the progressive physical deterioration of the condition of <b>network</b> assets or their immediate surrounds;</li> <li>(b) the obsolescence of <b>network</b> assets;</li> <li>(c) preventative replacement programmes, consistent with asset life-cycle management policies; or</li> <li>(d) the need to ensure the ongoing physical security of the <b>network</b> assets</li> </ul>
<b>assessment period</b>	means 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

### C

<b>capex incentive amount</b>	has the meaning given in the <b>IM determination</b>
<b>cause</b>	means one of either: <ul style="list-style-type: none"> <li>(a) <b>lightning;</b></li> <li>(b) <b>vegetation;</b></li> <li>(c) <b>adverse weather;</b></li> <li>(d) <b>adverse environment;</b></li> <li>(e) <b>third party interference;</b></li> <li>(f) <b>wildlife;</b></li> <li>(g) <b>human error;</b></li> <li>(h) <b>defective equipment;</b></li> <li>(i) <b>other cause;</b> or</li> <li>(j) <b>unknown cause</b></li> </ul>
<b>Class B interruptions</b>	means <b>planned interruptions</b> by a <b>non-exempt EDB</b>
<b>Class C interruptions</b>	means <b>unplanned interruptions</b> originating within the <b>system fixed assets</b> of a <b>non-exempt EDB</b>
<b>Commission</b>	means the Commerce Commission as defined in section 2 of the <b>Act</b>
<b>commissioning</b>	has the meaning given to 'commissioned' in the <b>IM determination</b>
<b>consumer</b>	has the meaning given in the <b>IM determination</b>
<b>CPI</b>	has the meaning given in the <b>IM determination</b>

### D

<b>defective equipment</b>	means an <b>unplanned interruption</b> resulting from either: <ul style="list-style-type: none"> <li>(a) <b>mechanical equipment failure;</b> or</li> </ul>
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(b) electrical equipment failure

<b>director</b>	has the meaning given in the <b>IM determination</b>
<b>distribution cables (excluding LV)</b>	means all <b>underground</b> power cables operated at <b>distribution voltage</b> excluding <b>low voltage</b> cables
<b>distribution lines (excluding LV)</b>	means all <b>overhead</b> power lines operated at <b>distribution voltage</b> excluding <b>low voltage</b> lines
<b>distribution other (excluding LV)</b>	means <b>network</b> assets operated at <b>distribution voltage</b> which are not <b>distribution cables</b> or <b>distribution lines</b> and excluding <b>low voltage</b> assets
<b>distribution voltage</b>	means 3 phase nominal voltage— <ul style="list-style-type: none"> <li>(a) over 1 <b>kV</b> and up to and including 30 <b>kV</b>; and</li> <li>(b) excludes those voltages used within the <b>network</b> in the role or manner of a <b>subtransmission voltage</b></li> </ul>
<b>DPP regulatory period</b>	means the <b>regulatory period</b> 1 April 2020 to 31 March 2025

## E

<b>EDB</b>	means a supplier of <b>electricity lines services</b> other than <b>Transpower</b>
<b>electricity lines services</b>	has the meaning given in the <b>IM determination</b>
<b>electricity retailer</b>	means a <b>person</b> who supplies electricity to another <b>person(s)</b> for any purpose other than for re-supply by the other <b>person(s)</b>
<b>engineer</b>	has the meaning given in the <b>IM determination</b>
<b>exempt EDB</b>	means an <b>EDB</b> other than a <b>non-exempt EDB</b>
<b>extreme event</b>	means any 3 hour period where the sum of <b>SAIDI values</b> attributable to <b>defective equipment, human error, or unknown cause</b>

exceeds the applicable **extreme event interruption reliability assessment limit**

**extreme event interruption reliability assessment limit**

means for **unplanned interruptions**, the **SAIDI value** against which a **non-exempt EDB's** compliance with the quality standards is assessed, and is specified in Schedule 3.3

**extended reserves allowance**

has the meaning given in the **IM determination**

## F

**forecast allowable revenue**

has the meaning given in the **IM determination** and is the amount calculated for each **assessment period** as specified in Schedule 1.5

**forecast net allowable revenue**

has the meaning given in the **IM determination** and is the amount specified in Schedule 1.4 for a **non-exempt EDB** for the applicable **assessment period**

**forecast opex**

has the meaning given in the **IM determination**

**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**

has the meaning given in the **IM determination** and is the amount calculated for each **assessment period** as specified in Schedule 1.3

**forecast aggregate value of commissioned asset**

has the meaning given in the **IM determination**

## H

**human error**

means an **unplanned interruption** resulting from either:

- (a) contractors or staff;
- (b) **commissioning** errors;
- (c) incorrect protection settings;
- (d) SCADA problems;

- (e) switching errors; or
- (f) dig-in;

## I

<b>IM determination</b>	means the <i>Electricity Distribution Services Input Methodologies Determination 2012</i> [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
<b>incentive rate</b>	means the amount used for purposes of calculating the <b>quality incentive adjustment</b> , and is specified in Schedule 4
<b>independent auditor</b>	means a person who— <ul style="list-style-type: none"> <li>(a) is qualified for appointment as auditor of a company under the Companies Act 1993 or, where the <b>non-exempt EDB</b> is a public entity (as defined in s 4 of the Public Audit Act 2001), is the Auditor-General; and</li> <li>(b) has no relationship with, or interest in, the <b>non-exempt EDB</b> being audited that is likely to involve the person in a conflict of interest; and</li> <li>(c) has not assisted with the preparation of the <b>annual compliance statement</b> or provided advice or opinions (other than in relation to audit reports) on the methodologies or processes used in preparing the <b>annual compliance statement</b>; and</li> <li>(d) has the necessary expertise to properly prepare an assurance report required by clause 11.5(e); but</li> <li>(e) need not be the same person as the person who audits the <b>non-exempt EDB's</b> accounts for any other purpose</li> </ul>

<b>intended interruption</b>	means a <b>Class B interruption</b> that did not occur, where a <b>non-exempt EDB</b> has given <b>additional notice</b> for that <b>Class B interruption</b>
<b>innovation project</b>	has the meaning given in the <b>IM determination</b>
<b>innovation project allowance</b>	has the meaning given in the <b>IM determination</b>
<b>input methodology</b>	has the same meaning as in section 52C of the <b>Act</b>
<b>interruption</b>	<p>means, in relation to the conveyance of electricity to a <b>consumer</b> by means of a <b>prescribed voltage electric line</b>, the cessation of conveyance of electricity to that <b>consumer</b> for a period of 1 minute or longer, or disconnection of that <b>consumer</b>, other than—</p> <ul style="list-style-type: none"> <li>(a) in accordance with any requirements in the Electricity Industry Participation Code 2010 relating to extended reserves; or</li> <li>(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</li> <li>(c) for breach of the contract under which the electricity is conveyed; or</li> <li>(d) as a result of a request from the <b>consumer</b>; or</li> <li>(e) as a result of a request by the <b>consumer’s electricity retailer</b>; or</li> <li>(f) for the purpose of isolating an unsafe installation</li> </ul>

## K

<b>kV</b>	means kilovolt
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**L**

<b>lightning</b>	means an <b>unplanned interruption</b> : <ul style="list-style-type: none"> <li>(a) where the primary cause is a lightning strike, resulting in insulation breakdown and flashovers, where typically protection is the only observable operation; or</li> <li>(b) where the primary cause is a lightning strike, resulting in insulation breakdown or flashovers, where typically protection is the only observable operation</li> </ul>
<b>limit on annual percentage increase in forecast revenue from prices</b>	means for all <b>non-exempt EDBs</b> , 10%
<b>location</b>	means the name of a circuit on which an <b>interruption</b> originated
<b>low voltage</b>	means the nominal Alternating Current (AC) voltage of less than 1000 volts or the assets of the <b>EDB</b> that are directly associated with the transport or delivery of electricity at those voltages
<b>M</b>	
<b>main equipment</b>	means one of either: <ul style="list-style-type: none"> <li>(a) <b>subtransmission lines</b>;</li> <li>(b) <b>subtransmission cables</b>;</li> <li>(c) <b>subtransmission other</b>;</li> <li>(d) <b>distribution lines (excluding LV)</b>;</li> <li>(e) <b>distribution cables (excluding LV)</b>; or</li> <li>(f) <b>distribution other (excluding LV)</b></li> </ul>
<b>major transaction</b>	has the meaning given in clause 4.5.4 of the <b>IM determination</b>
<b>merger</b>	means a transaction whereby a <b>non-exempt EDB</b> takes over, or otherwise merges with, another <b>non-exempt EDB</b> other than by an

**amalgamation**, 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

## N

<b>network</b>	means the fixed assets used by an <b>EDB</b> to provide <b>electricity lines services</b>
<b>non-exempt EDB</b>	has the meaning given in the <b>IM determination</b>
<b>non-major transaction EDB</b>	means, the <b>non-exempt EDB</b> or <b>non-exempt EDBs</b> for whom a transaction is a <b>transfer</b> , where there is a transaction involving at least two or more <b>non-exempt EDBs</b> , and this transaction would be a: <ul style="list-style-type: none"> <li>(a) <b>transfer</b> for one or more <b>non-exempt EDBs</b>; and</li> <li>(b) <b>major transaction</b> for one or more <b>non-exempt EDBs</b></li> </ul>
<b>notice group</b>	means, for the purpose of a <b>non-exempt EDB</b> giving ‘additional notice’, <b>consumers</b> affected by a <b>Class B interruption</b> , which can be either: <ul style="list-style-type: none"> <li>(a) all <b>electricity retailers</b> affected by that <b>Class B interruption</b> and that <b>non-exempt EDB’s</b> 10 largest <b>consumers</b> affected by that <b>Class B interruption</b>; or</li> <li>(b) all of that <b>non-exempt EDB’s</b></li> </ul>

**consumers** affected by that **Class B interruption**

## O

<b>opening RAB value</b>	has the meaning given in clause 2.2.4(3) of the <b>IM determination</b>
<b>opening wash-up account balance</b>	means the amount calculated as specified in paragraph (1) of Schedule 1.7
<b>opex incentive amount</b>	has the meaning given in the <b>IM determination</b>
<b>other cause</b>	means an <b>unplanned interruption</b> for which the primary cause is not <b>lightning, vegetation, adverse weather, adverse environment, third party interference, wildlife, human error, or defective equipment</b>
<b>other regulated income</b>	has the meaning given in the <b>IM determination</b>
<b>overhead</b>	means circuits installed as overhead lines, expressed in km

## P

<b>pass-through balance</b>	is the 'pass-through balance' amount calculated by the <b>non-exempt EDB</b> for the <b>assessment period</b> ending 31 March 2020 under clause 8.6 of the <i>Electricity Distribution Services Default Price-Quality Path Determination 2015</i> [2014]
<b>pass-through costs</b>	has the meaning given in the <b>IM determination</b>
<b>person</b>	has the meaning given in the <b>IM determination</b>
<b>planned interruption</b>	means any <b>interruption</b> other than an <b>unplanned interruption</b>
<b>prescribed voltage electric line</b>	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**

**primary driver** has the meaning given in the **IM determination**

**project** has the meaning given in the **IM determination**

## Q

**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**

## R

**recoverable costs** has the meaning given in the **IM determination**, where certain ‘recoverable costs’ for the **DPP regulatory period** are specified in Schedule 2.1

**regulatory period** has the meaning given in the **IM determination**

**retention factor** has the meaning given in the **IM determination** and is specified in Schedule 2.2

**revenue at risk** means the amount used for purposes of calculating the **quality incentive adjustment**, and is the amount calculated for each **assessment period** as specified in paragraph (6)(h) of Schedule 4

**revenue foregone** means—

(a) where the **revenue reduction percentage** is greater than 20%, the ‘revenue foregone’ must be calculated in accordance with the formula—

$$\text{actual net allowable revenue} \times (\text{revenue reduction percentage} - 20\%);$$

(b) where the **revenue reduction percentage** is not greater than 20%, the

'revenue foregone' is nil;

<b>revenue reduction percentage</b>	is 1 minus ( <b>actual revenue from prices ÷ forecast revenue from prices</b> )
<b>revenue wash-up draw down amount</b>	means the amount calculated as specified in paragraph (4) of Schedule 1.6
<b>S</b>	
<b>SAIDI assessed value</b>	means— <ul style="list-style-type: none"> <li>(a) for <b>planned interruptions</b>, the sum of <b>SAIDI values</b> for an <b>assessment period</b> calculated in accordance with Schedule 3.1; and</li> <li>(b) for <b>unplanned interruptions</b>, the sum of <b>SAIDI values</b> for an <b>assessment period</b> calculated in accordance with Schedule 3.2</li> </ul>
<b>SAIDI limit</b>	means for <b>unplanned interruptions</b> , the <b>SAIDI value</b> against which a <b>non-exempt EDB's</b> compliance with the quality standards is assessed, and is specified in Schedule 3.2
<b>SAIDI major event</b>	means any 3 hour period that starts on the hour or half past the hour, where the sum of <b>SAIDI values</b> over that period exceeds the applicable <b>SAIDI unplanned boundary value</b>
<b>SAIDI planned interruption cap</b>	means the maximum <b>SAIDI value</b> for <b>planned interruptions</b> used for purposes of calculating the <b>quality incentive adjustment</b> , and is specified in Schedule 4
<b>SAIDI planned interruption collar</b>	means the minimum <b>SAIDI value</b> for <b>planned interruptions</b> used for purposes of calculating the <b>quality incentive adjustment</b> , and is specified in Schedule 4
<b>SAIDI planned interruption target</b>	means the <b>SAIDI value</b> for <b>planned interruptions</b> used for purposes of calculating

the **quality incentive adjustment**, and is specified in Schedule 4

<b>SAIDI unplanned interruption cap</b>	means the maximum <b>SAIDI value</b> for <b>unplanned interruptions</b> used for purposes of calculating the <b>quality incentive adjustment</b> , and is specified in Schedule 4
<b>SAIDI unplanned interruption collar</b>	means the minimum <b>SAIDI value</b> for <b>unplanned interruptions</b> used for purposes of calculating the <b>quality incentive adjustment</b> , and is specified in Schedule 4
<b>SAIDI unplanned interruption target</b>	means the <b>SAIDI value</b> for <b>unplanned interruptions</b> used for purposes of calculating the <b>quality incentive adjustment</b> , and is specified in Schedule 4
<b>SAIDI unplanned boundary value</b>	means the value specified in Schedule 3.2
<b>SAIDI value</b>	means the system average interruption duration index values, where any <b>interruption</b> that spans multiple <b>assessment periods</b> accrues to the <b>assessment period</b> on which the <b>interruption</b> began
<b>SAIFI assessed value</b>	means— <ul style="list-style-type: none"> <li>(a) for <b>planned interruptions</b>, the sum of <b>SAIFI values</b> for an <b>assessment period</b> calculated in accordance with Schedule 3.1; and</li> <li>(b) for <b>unplanned interruptions</b>, the sum of <b>SAIFI values</b> for an <b>assessment period</b> calculated in accordance with Schedule 3.2</li> </ul>
<b>SAIFI limit</b>	means for <b>unplanned interruptions</b> , the <b>SAIFI value</b> against which a <b>non-exempt EDB's</b> compliance with the quality standards is assessed, and is specified in Schedule 3.2
<b>SAIFI major event</b>	means any 3 hour period that starts on the hour or half past the hour, where the sum of <b>SAIFI values</b> over that period exceeds the

applicable **SAIFI unplanned boundary value**

<b>SAIFI unplanned boundary value</b>	means the value specified in Schedule 3.2
<b>SAIFI value</b>	means the system average interruption frequency index values
<b>subtransmission cables</b>	means all power cables operated at a <b>subtransmission voltage</b>
<b>subtransmission lines</b>	means all power lines operated at a <b>subtransmission voltage</b>
<b>subtransmission other</b>	means an asset operated at a <b>subtransmission voltage</b> that is not a <b>subtransmission cable</b> or <b>subtransmission line</b>
<b>subtransmission voltage</b>	means 3 phase nominal voltage— <ul style="list-style-type: none"> <li>(a) over 30 <b>kV</b> and up to and including 110 <b>kV</b>; or</li> <li>(b) 22<b>kV</b>, if that voltage is used within the <b>network</b> in the role or manner of a sub-transmission voltage</li> </ul>
<b>sum of forecast net allowable revenue</b>	means the amount specified for the <b>non-exempt EDB</b> in the column labelled ‘sum of forecast net allowable revenue for the DPP regulatory period’, as specified in Table 1.4.1 of Schedule 1.4
<b>system fixed assets</b>	means all fixed assets owned, provided, maintained, or operated by a <b>non-exempt EDB</b> that are used or intended to be used for the supply of <b>electricity lines services</b>

## T

<b>third party interference</b>	means an <b>unplanned interruption</b> resulting from external contractors or members of the public, and includes: <ul style="list-style-type: none"> <li>(a) dig-in;</li> <li>(b) <b>overhead</b> contact;</li> <li>(c) vandalism; and</li> <li>(d) vehicle damage</li> </ul>
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**transfer**

means a transaction other than an **amalgamation** or **merger** whereby an **EDB** directly or indirectly transfers to another **person** and **consumers** are acquired by or no longer supplied by that **EDB** as a result of the asset transfer, where that transaction—

- (a) has resulted in, or will result in, the acquisition of, or an agreement to acquire, assets with a value equivalent to less than 10% of that **EDB'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 that **EDB's** 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 that **EDB** 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 that **EDB** incurring obligations or liabilities or contingent liabilities, excluding loans or borrowing costs in respect of assets, with a value equivalent to less than 10% of the **opening RAB value** in the **assessment period** of incurring the obligation

**transmission pricing methodology**

means the methodology determined by the Electricity Authority that specifies how **Transpower's** charges for its services are allocated and who is to be charged

**Transpower**

means Transpower New Zealand Limited or any subsidiary of, or successor to, that company

**U**

<b>underground</b>	means all circuits that are installed as underground cables
<b>unknown cause</b>	means an <b>unplanned interruption</b> where the cause of that <b>interruption</b> is not known
<b>unplanned interruption</b>	means any <b>interruption</b> in respect of which less than 24 hours' notice, or no notice, was given either to the public or to all <b>consumers</b> affected by the <b>interruption</b>
<b>unregulated services</b>	has the meaning given in the <b>IM determination</b>

**V**

<b>vegetation</b>	means an <b>unplanned interruption</b> resulting from vegetation contact and includes debris contact, grass contact and tree contact
<b>vegetation management</b>	means an activity where the <b>primary driver</b> is the need to either— <ul style="list-style-type: none"> <li>(a) physically fell vegetation;</li> <li>(b) remove vegetation; or</li> <li>(c) trim vegetation,</li> </ul> where that need is in the proximity of <b>overhead</b> lines or <b>underground</b> cables, including— <ul style="list-style-type: none"> <li>(a) root management;</li> <li>(b) inspecting affected lines and cables, where the inspection is substantially or wholly directed to this need (e.g., as part of a 'vegetation management' contract), including either: <ul style="list-style-type: none"> <li>(i) pre-trim inspections; and</li> <li>(ii) inspections of vegetation cut for the primary purpose of ensuring the work has been undertaken in an appropriate manner; and</li> </ul> </li> <li>(c) liaising with landowners, including either: <ul style="list-style-type: none"> <li>(i) the issue of trim notices;</li> <li>(ii) the issue of cut notices;</li> <li>(iii) the issue of trim and cut notices; and</li> <li>(iv) follow-up calls on notices; and</li> </ul> </li> </ul>

- (d) the felling or trimming of vegetation to meet externally imposed requirements or internal policy, including operational support such as any mobile generation used during the activity

**voluntary undercharging amount foregone** means—

- (a) where an **EDB's forecast revenue from prices** for an **assessment period** is less than **voluntary undercharging revenue floor** for that **assessment period**, the 'voluntary undercharging amount foregone' for that **assessment period** must be calculated in accordance with the formula—

**voluntary undercharging revenue floor – forecast revenue from prices;**

- (b) where an **EDB's forecast revenue from prices** for an **assessment period** is  $\geq$  **voluntary undercharging revenue floor** for that **assessment period**, the 'voluntary undercharging amount foregone' for that **assessment period** is nil

**voluntary undercharging revenue floor**

means, for the purposes of calculating the 'voluntary undercharging amount foregone' for an **assessment period**, the lesser of—

- (a) an **EDB's forecast allowable revenue** for that **assessment period**  $\times$  **voluntary undercharging threshold**; and
- (b)  $(1 + \text{limit on annual percentage increase in forecast revenue from prices}) \times$  that **EDB's forecast revenue from prices** for the previous **assessment period**)

**voluntary undercharging threshold**

means for all **non-exempt EDBs**, 90%

## W

**wash-up amount**

means the amount calculated for each **assessment period** as specified in Schedule 1.6

**wildlife**

means an **unplanned interruption** resulting from wildlife contact and includes, but is not

24

limited to:

- (a) birds;
- (b) possums;
- (c) vermin; and
- (d) cats

**working day**

has the meaning given in section 2(1) of the **Act**.

## 5. Default price-quality path

During the **DPP regulatory period**, every **non-exempt EDB** must comply with the 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) Subpart 1 of Part 4 – cost allocation;
- (e) Subpart 2 of Part 4 – asset valuation;
- (f) Subpart 3 of Part 4 – treatment of taxation;
- (g) Subpart 4 of Part 4 – cost of capital;
- (h) Subpart 5 of Part 4 – reconsideration of the default price-quality path;
- (i) Subpart 6 of Part 4 – treatment of periods that are not 12 month periods; and
- (j) Subpart 7 of Part 4 – availability of information.

## 7. Dates for proposing a customised price-quality path

7.1 Where a **non-exempt EDB** elects to propose a customised price-quality path which commences 1 April 2021, that **non-exempt EDB** must submit a proposal for the customised price-quality path no later than 10 July 2020.

7.2 Where a **non-exempt EDB** elects to propose a customised price-quality path which commences 1 April 2022, that **non-exempt EDB** must submit a proposal for the customised price-quality path no later than 9 July 2021.

7.3 Where a **non-exempt EDB** elects to propose a customised price-quality path which commences 1 April 2023, that **non-exempt EDB** must submit a proposal for the customised price-quality path no later than 11 July 2022.

7.4 Where a **non-exempt EDB** elects to propose a customised price-quality path which commences 1 April 2024, that **non-exempt EDB** must submit a proposal for the customised price-quality path no later than 10 July 2023.

- 7.5 Where a **non-exempt EDB** elects to propose a customised price-quality path which commences 1 April 2025, that **non-exempt EDB** must submit a proposal for the customised price-quality path no later than 29 March 2024.
- 7.6 A **non-exempt EDB** may not within the fifth **assessment period** of the **DPP regulatory period** submit a proposal for a customised price-quality path to the **Commission**.

## 8. Price path

### *Starting price*

- 8.1 The starting price that applies to a **non-exempt EDB** for the **DPP regulatory period**, other than Powerco Limited and Wellington Electricity Lines Limited is set out in Schedule 1.1.

### *Rates of change*

- 8.2 The annual rates of change in revenue, relative to **CPI**, that are allowed for a **non-exempt EDB** during the **DPP regulatory period** are set out in Schedule 1.2.

### *Compliance with the price path*

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

### *Wash-up amount calculation*

- 8.4 A **non-exempt EDB** must calculate the **wash-up amount** for each **assessment period** using the methodology specified in Schedule 1.6.

## 9. Quality standards

### *Compliance with planned interruptions quality standard*

- 9.1 A **non-exempt EDB** must comply with the planned interruptions reliability assessment cap specified in clause 9.2 for the **DPP regulatory period**.

### *Planned interruptions reliability assessment cap*

- 9.2 For the purpose of clause 9.1, subject to clause 9.3, to comply with the planned interruptions reliability assessment cap—
- (a) the sum of a **non-exempt EDB's SAIDI assessed values** accumulated through the first to fifth **assessment periods** of the **DPP regulatory period** must not exceed the **accumulated SAIDI limit** specified in Schedule 3.1; and
  - (b) the sum of a **non-exempt EDB's SAIFI assessed values** accumulated through the first to fifth **assessment periods** of the **DPP regulatory period** must not exceed the **accumulated SAIFI limit** specified in Schedule 3.1.

9.3 Where a **non-exempt EDB** is subject to a customised price-quality path for part of the **DPP regulatory period**—

- (a) if that **EDB** transitions onto a customised price-quality path during the **DPP regulatory period**, its **accumulated SAIDI limit** and **accumulated SAIFI limit** will be adjusted to reflect the **assessment periods** that it is subject to the default price-quality path by dividing the relevant **accumulated SAIDI limit** and **accumulated SAIFI limit** for the **DPP regulatory period** given in Table 3.1.1 of Schedule 3.1 by 5 and multiplying it by the number of **assessment periods** that the **EDB** is subject to the default price-quality path;
- (b) in respect of Powerco Limited and Wellington Electricity Lines Limited, the relevant **accumulated SAIDI limit** and **accumulated SAIFI limit** for the **DPP regulatory period** given in Table 3.1.1 of Schedule 3.1 apply.

*Compliance with unplanned interruptions quality standard*

9.4 A **non-exempt EDB** must, in respect of each **assessment period**, comply with the annual unplanned interruptions reliability assessment specified in clause 9.5 for that **assessment period**.

*Annual unplanned interruptions reliability assessment*

9.5 For the purpose of clause 9.4, to comply with the annual unplanned interruptions reliability assessment—

- (a) a **non-exempt EDB's SAIDI assessed value** for **unplanned interruptions** for the **assessment period** must not exceed the **SAIDI limit** specified in Schedule 3.2; and
- (b) a **non-exempt EDB's SAIFI assessed value** for **unplanned interruptions** for the **assessment period** must not exceed the **SAIFI limit** specified in Schedule 3.2.

*Compliance with annual extreme event interruption reliability assessment*

9.6 A **non-exempt EDB** must, in respect of each **assessment period**, comply with the annual extreme event interruption reliability assessment specified in clause 9.7 for that **assessment period**.

*Annual extreme event interruption reliability assessment*

9.7 For the purpose of clause 9.6, to comply with the annual extreme event interruption reliability assessment, a **non-exempt EDB** must not have an **extreme event** in the **assessment period**.

## 10. Transactions

*Requirement to notify the Commission of large transactions*

- 10.1 Each **non-exempt EDB** 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 transfer**.

*Transfers*

- 10.2 Where a **non-exempt EDB** is party to a **transfer** it must adjust its—
- (a) **forecast allowable revenue;**
  - (b) **accumulated SAIDI limit;**
  - (c) **accumulated SAIFI limit;**
  - (d) **SAIDI limit;**
  - (e) **SAIFI limit;**
  - (f) **SAIDI unplanned boundary value;**
  - (g) **SAIFI unplanned boundary value;**
  - (h) **extreme event interruption reliability assessment limit;**
  - (i) **SAIDI planned interruption cap;**
  - (j) **SAIDI unplanned interruption cap;**
  - (k) **SAIDI planned interruption target;**
  - (l) **SAIDI unplanned interruption target;**
  - (m) **SAIDI planned interruption collar;**
  - (n) **SAIDI unplanned interruption collar; and**
  - (o) **incentive rate.**
- 10.3 The measures specified in clause 10.2 must be adjusted in accordance with clauses 10.4 to 10.18.

*Where a non-exempt EDB makes transfers to another non-exempt EDB*

- 10.4 Where a **non-exempt EDB** is party to a **transfer** with another **non-exempt EDB**, it must agree with the other **non-exempt EDB**—
- (a) an allocation of the **forecast allowable revenue** attributable to the **consumers** transferred as a result of the **transfer** that is:
    - (i) reasonable; and

- (ii) supported by a robust and verifiable analysis; and
- (b) an allocation of the measures specified in clause 10.2(b)-(o) that:
  - (i) best reflects the historic reliability of those parts of the **network** which have been the subject of the **transfer**; and
  - (ii) is supported by a robust and verifiable analysis,

where the allocations required under clauses 10.4(a) and 10.4(b) are subject to the approval of the **Commission**.

- 10.5 Where an allocation under clause 10.4(a) has been approved by the **Commission**—
- (a) a **non-exempt EDB transferring consumers** must reduce its **forecast allowable revenue** by the amount determined in accordance with clause 10.4(a) for the remaining **assessment periods** of the **DPP regulatory period**; and
  - (b) a **non-exempt EDB** receiving a **transfer of consumers** must increase its **forecast allowable revenue** by the amount determined in accordance with clause 10.4(a) for the remaining **assessment periods** of the **DPP regulatory period**.
- 10.6 For the purpose of clause 10.4(b), for each of the adjusted measures specified in clause 10.2(b)-(o), the average adjusted measure following the **transfer** must not be less stringent than the measure applicable prior to the **transfer**, where the average adjusted measure is calculated by using **consumer** numbers as weights.
- 10.7 Where an allocation under clause 10.4(b) has been approved by the **Commission**, the **non-exempt EDBs** must adjust the measures specified in clause 10.2(b)-(o) by the amounts determined in accordance with clause 10.4(b) for the remaining **assessment periods** of the **DPP regulatory period**.

*Where there is a major transaction for a non-exempt EDB, but not a major transaction for the other non-exempt EDB*

- 10.8 Where a **non-exempt EDB** is a party to a transaction with another **non-exempt EDB** and that transaction would be a **major transaction** for one party and a **transfer** for the other party, the **non-major transaction EDB** must apply—
- (a) an allocation of the **forecast allowable revenue** attributable to the **consumers** transferred as a result of the **transfer** that is:
    - (i) reasonable; and
    - (ii) supported by a robust and verifiable analysis; and
  - (b) an allocation of the measures specified in clause 10.2(b)-(o) that:

- (i) best reflects the historic reliability of those parts of the **network** which have been the subject of the **transfer**; and
- (ii) is supported by a robust and verifiable analysis,

where the allocations required under clauses 10.8(a) and clause 10.8(b) are subject to the approval of the **Commission**.

- 10.9 Where an allocation under clause 10.8(a) has been approved by the **Commission** and **consumers** are **transferred** from the **non-major transaction EDB**, the **non-major transaction EDB** must reduce its **forecast allowable revenue** by the amount determined in accordance with clause 10.8(a) for the remaining **assessment periods** of the **DPP regulatory period**.
- 10.10 Where an allocation under clause 10.8(a) has been approved by the **Commission** and the **non-major transaction EDB** receives a **transfer** of **consumers**, the **non-major transaction EDB** must increase its **forecast allowable revenue** by the amount determined in accordance with clause 10.8(a) for the remaining **assessment periods** of the **DPP regulatory period**.
- 10.11 Where an allocation under clause 10.8(b) has been approved by the **Commission**, the **non-major transaction EDB** must adjust the measures specified in clause 10.2(b)-(o) by the amounts determined in accordance with clause 10.8(b) for the remaining **assessment periods** of the **DPP regulatory period**.

*Where a non-exempt EDB makes transfers to an exempt EDB*

- 10.12 Where a **non-exempt EDB** is party to a **transfer** with an **exempt EDB**, it must agree with the **exempt EDB**—
- (a) an allocation of the **forecast allowable revenue** attributable to the **consumers** transferred as a result of the **transfer** that is:
    - (i) reasonable; and
    - (ii) supported by a robust and verifiable analysis; and
  - (b) an allocation of the measures specified in clause 10.2(b)-(o) that:
    - (i) best reflects the historic reliability of those parts of the **network** which have been the subject of the **transfer**; and
    - (ii) is supported by a robust and verifiable analysis,

where the allocations required under clauses 10.12(a) and clause 10.12(b) are subject to the approval of the **Commission**.

- 10.13 Where an allocation under clause 10.12(a) has been approved by the **Commission** and **consumers** are **transferred** from the **non-exempt EDB**, the **non-exempt EDB** must reduce its **forecast allowable revenue** by the amount determined in

accordance with clause 10.12(a) for the remaining **assessment periods** of the **DPP regulatory period**.

10.14 Where an allocation under clause 10.12(a) has been approved by the **Commission** and the **non-exempt EDB** receives a **transfer of consumers**, the **non-exempt EDB** must increase its **forecast allowable revenue** by the amount determined in accordance with clause 10.12(a) for the remaining **assessment periods** of the **DPP regulatory period**.

10.15 Where an allocation under clause 10.12(b) has been approved by the **Commission**, the **non-exempt EDB** must adjust the measures specified in clause 10.2(b)-(o) by the amounts determined in accordance with clause 10.12(b) for the remaining **assessment periods** of the **DPP regulatory period**.

*Transactions resulting in an amalgamation or merger*

10.16 Where a **non-exempt EDB** completes—

- (a) an **amalgamation** with one or more **non-exempt EDBs**, clause 3.2.1 of the **IM determination** applies; and
- (b) a **merger** with one or more **non-exempt EDBs**, clause 3.2.1 of the **IM determination** applies as if it were an **amalgamation**.

10.17 Where a **non-exempt EDB** completes an **amalgamation** or **merger** and that transaction does not result in a **major transaction**, it must apply an aggregation of the measures specified in clause 10.2(b)-(o) that:

- (a) best reflects the historic reliability of the **networks** which have been the subject of the **amalgamation** or **merger**; and
- (b) is supported by a robust and verifiable analysis,

where that aggregation is subject to the approval of the **Commission**.

10.18 Where an aggregation under clause 10.17 has been approved by the **Commission**, the **non-exempt EDB** must adjust the measures specified in clause 10.2(b)-(o) by the amounts determined in accordance with clause 10.17 for the remaining **assessment periods** of the **DPP regulatory period**.

## **11. Annual compliance statements**

*Annual price-setting compliance statement*

11.1 A **non-exempt EDB** must—

- (a) provide to the **Commission** a written ‘annual price-setting compliance statement’ in respect of **price setting** for each **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 at the same time it provides 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 the **non-exempt EDB** has complied with the price path in clause 8.3 for the **assessment period**;
- (b) state the date on which the statement was prepared; and
- (c) include a certificate in the form set out in Schedule 6, signed by at least one **director** of the **non-exempt EDB**.

11.3 The ‘annual price-setting compliance statement’ must include the following information—

- (a) the **non-exempt EDB’s** calculation of its **forecast revenue from prices** together with supporting information for all components of the calculation;
- (b) the **non-exempt EDB’s** calculation of its **forecast allowable revenue** together with supporting information for all components of the calculation;
- (c) if the **non-exempt EDB** has not complied with the price path, the reasons for the non-compliance; and
- (d) if the **non-exempt EDB** 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 A **non-exempt EDB** 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 at the same time it provides 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 the **non-exempt EDB** 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 the **non-exempt EDB** has entered into any agreement with another **EDB** or **Transpower** for an **amalgamation, merger, major transaction** or **transfer** in the **assessment period**;
- (d) include a certificate in the form set out in Schedule 7, signed by at least one **director** of the **non-exempt EDB**; 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 the **non-exempt EDB** has complied with clause 8.4, clause 9, and clauses 10.1-10.18, 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 and quality incentives compliance

- (b) actions taken to mitigate any non-compliance with clause 9 and Schedule 4 and to prevent similar non-compliance in future **assessment periods**;
- (c) for the annual planned interruptions reliability assessment cap, the **SAIDI assessed value, SAIFI assessed value, SAIDI limit** and **SAIFI limit** for the **assessment period**, and any supporting calculations (including those in Schedule 3.1);
- (d) for the annual unplanned interruptions reliability assessment, the **SAIDI assessed value, SAIFI assessed value, SAIDI limit, SAIFI limit, SAIDI unplanned boundary value, SAIFI unplanned boundary value, SAIDI planned interruption cap, SAIDI unplanned interruption cap, SAIDI planned interruption collar, SAIDI unplanned interruption collar, SAIDI planned**

**interruption target, SAIDI unplanned interruption target and incentive rate for the assessment period, and any supporting calculations (including those in Schedule 3.2);**

- (e) a description of the policies and procedures which the **non-exempt EDB** 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**;
- (f) information relating to each **SAIDI major event** within the **assessment period**, including:
  - (i) the **cause** of the **SAIDI major event**;
  - (ii) the start date (dd/mm/yyyy) of the **SAIDI major event**;
  - (iii) the start time (hh:mm:ss am/pm) of the **SAIDI major event**;
  - (iv) the end date (dd/mm/yyyy) of the **SAIDI major event**;
  - (v) the end time (hh:mm:ss am/pm) of the **SAIDI major event**;
  - (vi) the **SAIDI value** for the **SAIDI major event** before any replacements under paragraph (2) of Schedule 3.2 occurred;
  - (vii) the **location** of the **SAIDI major event**;
  - (viii) the **main equipment** involved in the **SAIDI major event**;
  - (ix) how the **non-exempt EDB** responded to the **SAIDI major event**;
  - (x) any mitigating factors that may have prevented or minimised the **SAIDI major event**;
- (g) information relating to each **SAIFI major event** within the **assessment period**, including:
  - (i) the **cause** of the **SAIFI major event**;
  - (ii) the start date (dd/mm/yyyy) of the **SAIFI major event**;
  - (iii) the start time (hh:mm:ss am/pm) of the **SAIFI major event**;
  - (iv) the end date (dd/mm/yyyy) of the **SAIFI major event**;

- (v) the end time (hh:mm:ss am/pm) of the **SAIFI major event**;
- (vi) the **SAIFI value** for the **SAIFI major event** before any replacements under paragraph (3) of Schedule 3.2 occurred;
- (vii) the **location** of the **SAIFI major event**;
- (viii) the **main equipment** involved in the **SAIFI major event**;
- (ix) how the **non-exempt EDB** responded to the **SAIFI major event**;
- (x) any mitigating factors that may have prevented or minimised the **SAIFI major event**; and

#### *Transactions*

- (h) all information and calculations required to be made under clauses 10.1-10.18, including:
  - (i) all adjusted measures made in accordance with clauses 10.4-10.18;
  - (ii) any supporting information and calculations used to determine the adjusted measures made in accordance with clauses 10.4-10.18;
  - (iii) details of the **wash-up amount** calculation for the period in an **assessment period** commencing 1 April and ending on the day where a **transfer, major transaction, amalgamation, or merger** has occurred, and any supporting information for all components of the calculation;
  - (iv) the sum of the **SAIDI values** for **Class B interruptions** for the period in an **assessment period** commencing 1 April and ending on the day where a **transfer, major transaction, amalgamation, or merger** has occurred, and any supporting calculations;
  - (v) the sum of the **SAIDI values** for **Class C interruptions** for the period in an **assessment period** commencing 1 April and ending on the day where a **transfer, major transaction, amalgamation, or merger** has occurred, and any supporting calculations;
  - (vi) the sum of the **SAIFI values** for **Class B interruptions** for the period in an **assessment period** commencing 1 April and ending on the day where a **transfer, major transaction, amalgamation, or merger** has occurred, and any supporting calculations; and
  - (vii) the sum of the **SAIFI values** for **Class C interruptions** for the period in an **assessment period** commencing 1 April and ending on the day where a

**transfer, major transaction, amalgamation, or merger** has occurred, and any supporting calculations.

## 12. Reporting requirements

- 12.1 If a **non-exempt EDB** has not complied with clauses 9.1 and 9.2, it must—
- (a) provide to the **Commission** the ‘planned interruption reporting’ specified in clause 12.2 within 50 **working days** following the end of the **assessment period** where the **non-exempt EDB** first exceeded the planned interruptions reliability assessment cap; and
  - (b) make the ‘planned interruptions reporting’ specified in clause 12.2 publicly available on its website at the same time it provides it to the **Commission**.
- 12.2 For the purpose of clause 12.1, the ‘planned interruptions reporting’ must contain—
- (a) the reasons for not complying with the planned interruptions reliability assessment cap and supporting evidence for those reasons;
  - (b) for each **Class B interruptions** during the **DPP regulatory period**:
    - (i) the start date (dd/mm/yyyy) of the **Class B interruption**;
    - (ii) the start time (hh:mm:ss am/pm) of the **Class B interruption**;
    - (iii) the end date (dd/mm/yyyy) of the **Class B interruption**;
    - (iv) the end time (hh:mm:ss am/pm) of the **Class B interruption**;
    - (v) **SAIDI value** of the **Class B interruption**;
    - (vi) **SAIFI value** of the **Class B interruption**;
  - (c) any strategy for managing **Class B interruptions**;
  - (d) any analysis or investigation of the **Class B interruptions** for the **DPP regulatory period**;
  - (e) an outline of any intended strategy, intended analysis, or intended investigation that would meet the requirements specified in clause 12.2(c)-(d) which is planned, but not yet completed; and
  - (f) a certificate in the form set out in Schedule 9, signed by at least one **director** of the **non-exempt EDB**.
- 12.3 If a **non-exempt EDB** has not complied with clauses 9.4 and 9.5 for an **assessment period**, it must—

- (a) provide to the **Commission** the ‘unplanned interruption reporting’ specified in clause 12.4 within 50 **working days** following the end of that **assessment period**; and
- (b) make the ‘unplanned interruptions reporting’ specified in clause 12.4 publicly available on its website at the same time it provides it to the **Commission**.

12.4 For the purpose of clause 12.3, the ‘unplanned interruptions reporting’ must contain—

- (a) the reasons for not complying with the annual unplanned interruptions reliability assessment and supporting evidence for those reasons;
- (b) for each **Class C interruption** for the **assessment period**:
  - (i) the start date (dd/mm/yyyy) of the **Class C interruption**;
  - (ii) the start time (hh:mm:ss am/pm) of the **Class C interruption**;
  - (iii) the end date (dd/mm/yyyy) of the **Class C interruption**;
  - (iv) the end time (hh:mm:ss am/pm) of the **Class C interruption**;
  - (v) **SAIDI value** of the **Class C interruption**;
  - (vi) **SAIFI value** of the **Class C interruption**;
  - (vii) the **cause**;
- (c) any existing independent reviews of the state of the **network** or operational practices;
- (d) where there was a **SAIDI major event** or **SAIFI major event**, any investigations of the **SAIDI major events** or **SAIFI major events** commencing during the **assessment period**;
- (e) any investigations into why the **non-exempt EDB** has not complied with clauses 9.4 and 9.5 for the **assessment period**;
- (f) any analysis of trends in asset condition;
- (g) any analysis of the **causes of Class C interruption**;
- (h) any analysis of **asset replacement and renewal**;
- (i) any analysis of **vegetation management**;

- (j) an outline of any intended reviews, intended analysis, or intended investigation that would meet the categories specified in clause 12.4(c)-(i), which is planned, but not yet completed; and
- (k) a certificate in the form set out in Schedule 10, signed by at least one **director** of the **non-exempt EDB**.

12.5 If a **non-exempt EDB** has not complied with clauses 9.6 and 9.7 for an **assessment period**, it must—

- (a) provide to the **Commission** the ‘extreme event interruption reporting’ specified in clause 12.6 within 50 **working days** following the end of that **assessment period**; and
- (b) make the ‘extreme event interruption reporting’ specified in clause 12.6 publicly available on its website at the same time it provides it to the **Commission**.

12.6 For the purpose of clause 12.5, the ‘extreme event interruptions reporting’ must contain—

- (a) the reasons for not complying with the annual extreme event interruptions reliability assessment and supporting evidence for those reasons;
- (b) any existing independent reviews of the state of the **network** or operational practices;
- (c) any analysis of trends in asset condition;
- (d) any investigation, analysis, or post-event review of the **extreme interruption**;
- (e) any analysis of **asset replacement and renewal**;
- (f) an outline of any intended reviews, intended analysis, or intended investigation that would meet the categories specified in clause 12.6(b)-(e), which is planned, but not yet completed; and
- (g) a certificate in the form set out in Schedule 11, signed by at least one **director** of the **non-exempt EDB**.

[Commissioner name], [Commissioner title]

Dated at Wellington this [XX] day of [month] 2019.

**COMMERCE COMMISSION**

## Schedule 1.1: Starting prices

Clause 8.1

- (1) The starting prices that apply for the **DPP regulatory period** for each **non-exempt EDB**, specified as **actual net allowable revenue\*** for the first **assessment period** of the **DPP regulatory period**, are as set out in Table 1.1.1.

**Table 1.1.1: Starting prices for the DPP regulatory period  
1 April 2020 – 31 March 2025**

<b>Non-exempt EDB</b>	<b>Actual net allowable revenue (\$000)</b>
Alpine Energy Limited	45,361
Aurora Energy Limited	72,031
Centralines Limited	9,399
Electricity Ashburton Limited	37,696
Eastland Network Limited	25,055
Electricity Invercargill Limited	12,292
Horizon Energy Distribution Limited	25,009
Nelson Electricity Limited	5,588
Network Tasman Limited	28,781
Orion New Zealand Limited	161,170
OtagoNet Joint Venture	25,085
The Lines Company Limited	33,944
Top Energy Limited	42,189
Unison Networks Limited	102,251
Vector Limited	403,346

**\*Actual net allowable revenue** means for the first **assessment period** of the **DPP regulatory period**, the **forecast net allowable revenue** for the first **assessment period** of the **DPP regulatory period**.

## Schedule 1.2: Annual rates of change

### Clause 8.2

- (1) The annual rate of change is the annual rate of change generally applicable to all **non-exempt EDBs** for the **DPP regulatory period**, unless an alternative rate of change is specified for the **non-exempt EDB**.
- (2) The annual rate of change generally applicable to all **non-exempt EDBs** for the **DPP regulatory period** is 0%.
- (3) The alternative annual rate of change for Aurora Energy Limited for the **DPP regulatory period** is negative 8.9%.

### Schedule 1.3: Calculation of forecast revenue from prices

#### Clause 8.3

- (1) When setting prices for an **assessment period**, a **non-exempt EDB** must calculate the 'forecast revenue from prices' for the **assessment period**.
- (2) When calculating the 'forecast revenue from prices', a **non-exempt EDB** 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) For the second to fifth **assessment periods** of the **DPP regulatory period**, the 'forecast revenue from prices' for an **assessment period** must not increase from the 'forecast revenue from prices' for the previous **assessment period** by more than the **limit on annual percentage increase in forecast revenue from prices**.
- (5) All forecast **quantities** used to calculate the 'forecast revenue from prices' must be demonstrably reasonable.

## Schedule 1.4: Forecast net allowable revenue

Clause 8.3

- (1) The **forecast net allowable revenue** for **non-exempt EDBs** for the **DPP regulatory period** is as set out in Table 1.4.1.

**Table 1.4.1: Forecast net allowable revenue for the DPP regulatory period 1 April 2020 - 31 March 2025**

Non-exempt EDB	Forecast net allowable revenue (\$000)					Sum of forecast net allowable revenue for the DPP regulatory period
	Assessment period ending 31 March 2021	Assessment period ending 31 March 2022	Assessment period ending 31 March 2023	Assessment period ending 31 March 2024	Assessment period ending 31 March 2025	
Alpine Energy Limited	45,361	46,303	47,260	48,220	49,185	236,329
Aurora Energy Limited	72,031	80,069	88,997	98,889	109,844	449,829
Centralines Limited	9,399	9,594	9,792	9,991	10,191	48,966
Electricity Ashburton Limited	37,696	38,478	39,274	40,072	40,874	196,394
Eastland Network Limited	25,055	25,575	26,104	26,634	27,167	130,535
Electricity Invercargill Limited	12,292	12,547	12,806	13,066	13,328	64,038
Horizon Energy Distribution Limited	25,009	25,527	26,055	26,585	27,117	130,292
Nelson Electricity Limited	5,588	5,704	5,822	5,940	6,059	29,114
Network Tasman Limited	28,781	29,378	29,985	30,595	31,206	149,944
Orion New Zealand Limited	161,170	164,514	167,914	171,328	174,755	839,682
OtagoNet Joint Venture	25,085	25,605	26,134	26,666	27,199	130,689

The Lines Company Limited	33,944	34,648	35,364	36,083	36,805	176,843
Top Energy Limited	42,189	43,065	43,955	44,848	45,745	219,802
Unison Networks Limited	102,251	104,373	106,530	108,696	110,870	532,719
Vector Limited	403,346	411,715	420,224	428,768	437,344	2,101,397

## Schedule 1.5: Calculation of forecast allowable revenue

### Clause 8.3

- (1) When setting prices for an **assessment period**, a **non-exempt EDB** must calculate the 'forecast allowable revenue'.
- (2) When calculating the 'forecast allowable revenue', a **non-exempt EDB** 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) of Schedule 1.5, **recoverable costs** include the amounts specified in Schedule 2.1.
- (5) Subject to clauses 10.4 to 10.5, 10.8-10.10, 10.12-10.14 and 10.16, the 'forecast allowable revenue' for an **assessment period** is the amount calculated in accordance with the following formula—

$$FNAR + FPRC + OWAB$$

where—

*FNAR* is the **forecast net allowable revenue**;

*FPRC* is the **forecast pass-through and recoverable costs**; and

*OWAB* is the **opening wash-up account balance**.

## Schedule 1.6: Calculation of wash-up amount for an assessment period

Clause 8.4

### Formula for wash-up amount

- (1) The 'wash-up amount' is the amount calculated in accordance with the following formula—

$$AAR - AR - RV$$

where—

*AAR* is the **actual allowable revenue**;

*AR* is the **actual revenue**; and

*RV* is the **revenue foregone**.

### Actual allowable revenue

- (2) For the purposes of paragraph (1) of Schedule 1.6, 'actual allowable revenue' means—
- (a) for the first **assessment period** of the **DPP regulatory period**—  
**actual net allowable revenue plus actual pass-through costs and recoverable costs**
- (b) for the second to fifth **assessment periods** of the **DPP regulatory period**—  
**actual net allowable revenue plus actual pass-through costs and recoverable costs plus revenue wash-up draw down amount**
- (3) For the purposes of paragraph (2)(b) of Schedule 1.6, 'actual net allowable revenue' for the second to fifth **assessment periods** of the **DPP regulatory period** means the amount calculated using the following formula—

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

where—

*ANAR<sub>previous</sub>* 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

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

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

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.

- (4) For the purpose of paragraph (2)(b) of Schedule 1.6, ‘revenue wash-up draw down amount’ is:
- (a) for the second **assessment period** of the **DPP regulatory period**, nil
  - (b) For the third to fifth **assessment periods** of the **DPP regulatory period**, the ‘opening wash-up account balance’ calculated in accordance with Schedule 1.7.

## Schedule 1.7: Calculation of opening wash-up account balance

- (1) The 'opening wash-up account balance' means—
- (a) for the first **assessment period** of the **DPP regulatory period**, a demonstrably reasonable estimate amount of the **pass-through balance** as of 31 March 2020; and
  - (b) for second to fifth **assessment periods** of the **DPP regulatory period**, the closing wash-up account balance of the previous **assessment period**.
- (2) For the purpose of paragraph (1)(b) of Schedule 1.7, the 'closing wash-up account balance' means—
- (a) for the first **assessment period** of the **DPP regulatory period**, the amount calculated in accordance with the formula—
 

**(pass-through balance – the demonstrably reasonable estimate amount of the pass-through balance as of 31 March 2020, as specified in paragraph (1) of Schedule 1.7)) × (1 + 67<sup>th</sup> percentile estimate of post-tax WACC); and**
  - (b) for the second to fifth **assessment periods** of the **DPP regulatory period**, the amount calculated in accordance with the formula—
 

**(wash-up amount for the previous assessment period – voluntary undercharging amount foregone for the previous assessment period) × (1 + 67<sup>th</sup> percentile estimate of post-tax WACC)<sup>2</sup>**

## 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 aggregate 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 **extended reserves allowance** for a **non-exempt EDB** must be approved in accordance with Schedule 5.2.
- (4) The **quality incentive adjustment** for a **non-exempt EDB** must be calculated in accordance with Schedule 4.
- (5) The **innovation project allowance** for a **non-exempt EDB** must not exceed the amount specified in paragraphs (3)-(4) of Schedule 5.3, where the process for approval by the **Commission** of the amount of an **innovation project allowance** for a **non-exempt EDB** is set out in paragraphs (1)-(2) of Schedule 5.3.

## Schedule 2.2: Specified amounts for the incremental rolling incentive scheme

### Schedule 2.1

- (1) For the purposes of calculating the **opex incentive amount** for each **non-exempt EDB** for the **DPP regulatory period** 1 April 2020 to 31 March 2025, the **forecast opex**, and the **assessment period** to which it applies, is as set out in Table 2.2.1.

**Table 2.2.1: Forecast opex for non-exempt EDBs for the DPP regulatory period 1 April 2020 – 31 March 2025**

Non-exempt EDB	Assessment period (All amounts in \$000)				
	Assessment period ending 31 March 2021	Assessment period ending 31 March 2022	Assessment period ending 31 March 2023	Assessment period ending 31 March 2024	Assessment period ending 31 March 2025
Alpine Energy Limited	18,958	19,559	20,152	20,710	21,128
Aurora Energy Limited	40,108	41,759	43,421	44,973	46,240
Centralines Limited	3,806	3,878	3,947	4,003	4,031
Electricity Ashburton Limited	13,506	13,999	14,491	14,961	15,333
Eastland Network Limited	10,851	11,159	11,461	11,739	11,935
Electricity Invercargill Limited	4,994	5,128	5,259	5,380	5,463
Horizon Energy Distribution Limited	11,291	11,610	11,922	12,208	12,409
Nelson Electricity Limited	2,122	2,192	2,261	2,325	2,373
Network Tasman Limited	12,096	12,484	12,867	13,222	13,487

Orion New Zealand Limited	61,023	63,365	65,711	67,829	69,505
OtagoNet Joint Venture	7,994	8,233	8,469	8,675	8,820
The Lines Company Limited	13,361	13,748	14,126	14,454	14,681
Top Energy Limited	17,657	18,209	18,754	19,261	19,636
Unison Networks Limited	42,560	43,931	45,287	46,545	47,488
Vector Limited	128,569	133,813	139,089	143,908	147,804

- (2) For the purposes of calculating the **capex incentive amount** for each **non-exempt EDB** for the **DPP regulatory period**, the **forecast aggregate value of commissioned assets**, and the **assessment period** to which it applies, is as set out in Table 2.2.2.

**Table 2.2.2: Forecast aggregate value of commissioned assets for non-exempt EDBs for the DPP regulatory period 1 April 2020 – 31 March 2025**

Non-exempt EDB	Assessment period (All amounts in \$000)				
	Assessment period ending 31 March 2021	Assessment period ending 31 March 2022	Assessment period ending 31 March 2023	Assessment period ending 31 March 2024	Assessment period ending 31 March 2025
Alpine Energy Limited	16,681	16,097	13,451	14,063	11,412
Aurora Energy Limited	29,928	30,650	30,012	28,160	29,245
Centralines Limited	2,840	2,668	2,701	3,233	3,322
Electricity Ashburton Limited	19,239	19,088	18,059	15,819	16,278
Eastland Network Limited	8,521	7,730	7,311	8,261	9,078

Electricity Invercargill Limited	4,513	3,805	4,168	4,126	4,192
Horizon Energy Distribution Limited	8,242	6,287	6,750	7,480	8,080
Nelson Electricity Limited	1,491	1,618	1,652	1,843	1,670
Network Tasman Limited	5,449	6,788	6,445	4,310	4,689
Orion New Zealand Limited	60,621	64,786	69,550	66,466	78,731
OtagoNet Joint Venture	14,983	15,217	15,967	16,984	16,671
The Lines Company Limited	12,187	12,287	11,929	11,691	12,255
Top Energy Limited	22,807	16,698	16,364	16,658	17,736
Unison Networks Limited	45,182	44,799	44,116	49,990	48,856
Vector Limited	169,613	190,827	204,070	199,264	189,811

- (3) For the purposes of calculating the **capex incentive amount** for each **non-exempt EDB** for the **DPP regulatory period**, the **retention factor** is 26%.

### Schedule 3.1: Quality standards – planned interruptions

Clauses 9.1, 9.2 and 9.3

- (1) The **accumulated SAIDI limits** and **accumulated SAIFI limits** for **planned interruptions** for each **non-exempt EDB** for the **DPP regulatory period**, subject to clauses 9.3, 10.4, 10.6-10.8, 10.11-10.12 and 10.15-10.18 are as set out in Table 3.1.1.

**Table 3.1.1: Accumulated SAIDI limits and accumulated SAIFI limits for planned interruptions for non-exempt EDBs for the DPP regulatory period ending 31 March 2025**

<b>Non-exempt EDB</b>	<b>Accumulated SAIDI limit for the DPP regulatory period ending 31 March 2025</b>	<b>Accumulated SAIFI limit for the DPP regulatory period ending 31 March 2025</b>
Alpine Energy Limited	857.07	3.7035
Aurora Energy Limited	762.88	3.9827
Centralines Limited	515.42	2.4794
Electricity Ashburton Limited	1,319.45	4.8610
Eastland Network Limited	1,336.60	7.7224
Electricity Invercargill Limited	109.52	0.4925
Horizon Energy Distribution Limited	528.73	3.4350
Nelson Electricity Limited	197.92	2.6201
Network Tasman Limited	1,027.91	4.5881
Orion New Zealand Limited	198.81	0.7605
OtagoNet Joint Venture	2,076.58	9.3704
Powerco Limited	598.26	2.8354
The Lines Company Limited	1,228.32	8.6415
Top Energy Limited	1,959.63	7.6252
Unison Networks Limited	604.52	3.9621
Vector Limited	460.45	2.3686
Wellington Electricity Lines Limited	58.99	0.4479

*Calculation of the planned interruptions SAIDI assessed values*

- (2) A non-exempt EDB's SAIDI assessed value ( $SAIDI_{planned, assessed}$ ) for **planned interruptions** for an **assessment period** is calculated in accordance with the formula—

$$SAIDI_{planned, assessed} = SAIDI_B + \frac{SAIDI_I}{2} + \frac{SAIDI_N}{2}$$

where—

$SAIDI_B$  is the sum of the **SAIDI values** for **Class B interruptions** commencing within the **assessment period** where:

- (a) **additional notice** is not given; or
- (b) **additional notice** is given but those **Class B interruptions** do not occur entirely within the start time and end time specified to the **notice group**.

$SAIDI_I$  is the sum of the **SAIDI values** attributable to **intended interruptions** within the **assessment period**.

$SAIDI_N$  is the sum of the **SAIDI values** for **Class B interruptions** commencing within the **assessment period** where:

- (a) **additional notice** is given; and
- (b) those **Class B interruptions** occur entirely within the start time and end time specified to the **notice group**.

*Calculation of the planned interruptions SAIFI assessed values*

- (3) A non-exempt EDB's SAIFI assessed value ( $SAIFI_{planned, assessed}$ ) for **planned interruptions** for an **assessment period** is calculated in accordance with the formula—

$$SAIFI_{planned, assessed} = SAIFI_B + \frac{SAIFI_I}{2} + \frac{SAIFI_N}{2}$$

where—

$SAIFI_B$  is the sum of the **SAIFI values** for **Class B interruptions** commencing within the **assessment period** where:

- (a) **additional notice** is not given; or
- (b) **additional notice** is given but those **Class B interruptions** do not occur entirely within the start time and end time specified to the **notice group**.

$SAIFI_I$  is the sum of the **SAIFI values** attributable to **intended interruptions**

within the **assessment period**.

*SAIFI<sub>N</sub>* is the sum of the **SAIFI values** for **Class B interruptions** commencing within the **assessment period** where:

- (a) **additional notice** is given; and
- (b) those **Class B interruptions** occur entirely within the start time and end time specified to the **notice group**.

## Schedule 3.2: Quality standards – unplanned interruptions

Clauses 9.4 and 9.5

- (1) The **SAIDI limits** and **SAIFI limits**, and **SAIDI unplanned boundary values** and **SAIFI unplanned boundary values**, for **unplanned interruptions** for each **non-exempt EDB** for the **DPP regulatory period**, subject to clauses 10.4, 10.6-10.8, 10.11-10.12 and 10.15-10.18, are as set out in Table 3.2.1.

**Table 3.2.1: SAIDI limits, SAIFI limits, SAIDI unplanned boundary values and SAIFI unplanned boundary values for unplanned interruptions for non-exempt EDBs for the DPP regulatory period 1 April 2020 – 31 March 2025**

<b>Non-exempt EDB</b>	<b>SAIDI limit</b>	<b>SAIFI limit</b>	<b>SAIDI unplanned boundary value</b>	<b>SAIFI unplanned boundary value</b>
Alpine Energy Limited	128.37	1.2056	9.25	0.0611
Aurora Energy Limited	78.98	1.3748	4.14	0.0558
Centralines Limited	85.24	3.0008	7.21	0.1445
Electricity Ashburton Limited	103.62	1.3620	7.61	0.0702
Eastland Network Limited	246.56	3.3273	13.63	0.1971
Electricity Invercargill Limited	24.67	0.6336	3.40	0.0688
Horizon Energy Distribution Limited	169.84	2.2374	9.54	0.0832
Nelson Electricity Limited	17.91	0.2205	8.24	0.1208
Network Tasman Limited	100.69	1.2107	6.79	0.0673
Orion New Zealand Limited	88.73	0.9798	6.79	0.0601
OtagoNet Joint Venture	162.15	2.2258	9.71	0.1232
Powerco Limited	161.14	2.1946	3.27	0.0371
The Lines Company Limited	185.56	3.1900	8.20	0.1308

Top Energy Limited	441.79	5.5436	27.41	0.2161
Unison Networks Limited	89.10	1.8246	6.30	0.0659
Vector Limited	102.13	1.3591	4.54	0.0345
Wellington Electricity Lines Limited	39.88	0.6178	1.76	0.0292

*Calculation of the unplanned interruptions SAIDI assessed values*

- (2) The **SAIDI assessed value** ( $SAIDI_{unplanned, assessed}$ ) for an **assessment period** is the sum of the **SAIDI values** for **Class C interruptions** commencing within the **assessment period**, where for each 30 minute period within a **SAIDI major event**, the **SAIDI value** for that 30 minute period is replaced with  $1/48^{\text{th}}$  of the **SAIDI unplanned boundary value** for that **assessment period**.

*Calculation of the unplanned interruptions SAIFI assessed values*

- (3) The **SAIFI assessed value** ( $SAIFI_{unplanned, assessed}$ ) for an **assessment period** is the sum of the **SAIFI values** for **Class C interruptions** commencing within the **assessment period**, where for each 30 minute period within a **SAIFI major event**, the **SAIFI value** for that 30 minute period is replaced with  $1/48^{\text{th}}$  of the **SAIFI unplanned boundary value** for that **assessment period**.

### Schedule 3.3: Quality standards – extreme event interruptions

Clauses 9.6 and 9.7

- (1) The **extreme event interruption reliability assessment limits for unplanned interruptions** for each **non-exempt EDB** for the **DPP regulatory period**, subject to clauses 10.4, 10.6-10.8, 10.11-10.12 and 10.15-10.18, are as set out in Table 3.3.1.

**Table 3.3.1: Extreme event interruptions reliability assessment limits for unplanned interruptions for non-exempt EDBs for the DPP regulatory period 1 April 2020 – 31 March 2025**

<b>Non-exempt EDB</b>	<b>Extreme event interruptions reliability assessment limit</b>
Alpine Energy Limited	27.74
Aurora Energy Limited	12.43
Centralines Limited	21.64
Electricity Ashburton Limited	22.84
Eastland Network Limited	40.88
Electricity Invercargill Limited	10.21
Horizon Energy Distribution Limited	28.61
Nelson Electricity Limited	24.72
Network Tasman Limited	20.36
Orion New Zealand Limited	20.38
OtagoNet Joint Venture	29.13
Powerco Limited	9.81
The Lines Company Limited	24.61
Top Energy Limited	82.22
Unison Networks Limited	18.91
Vector Limited	13.63
Wellington Electricity Lines Limited	5.29

## Schedule 4: How to calculate the quality incentive adjustment

### Schedule 2.1

- (1) The **quality incentive adjustment** must be calculated by the **non-exempt EDB** within 50 **working days** following the expiration of the **assessment period** in accordance with paragraph (5) of Schedule 4, adjusted for the time-value of money using the **67<sup>th</sup> 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 unplanned interruption target**, **SAIDI unplanned interruption collar**, and **SAIDI unplanned interruption cap** for **unplanned interruptions** for each **non-exempt EDB** during the **DPP regulatory period**, subject to clauses 10.4, 10.6-10.8, 10.11-10.12 and 10.15-10.18, are as set out in Table 4.1.

**Table 4.1: SAIDI unplanned interruption collars, SAIDI unplanned interruption targets and SAIDI unplanned interruption caps for the DPP regulatory period 1 April 2020 – 31 March 2025**

<b>Non-exempt EDB</b>	<b>SAIDI unplanned interruption collar</b>	<b>SAIDI unplanned interruption target</b>	<b>SAIDI unplanned interruption cap</b>
Alpine Energy Limited	–	104.06	128.37
Aurora Energy Limited	–	68.08	78.98
Centralines Limited	–	67.16	85.24
Electricity Ashburton Limited	–	86.63	103.62
Eastland Network Limited	–	210.12	246.56
Electricity Invercargill Limited	–	16.92	24.67
Horizon Energy Distribution Limited	–	138.18	169.84
Nelson Electricity Limited	–	9.77	17.91
Network Tasman Limited	–	81.29	100.69
Orion New Zealand Limited	–	76.38	88.73
OtagoNet Joint Venture	–	133.26	162.15
Powerco Limited	–	149.51	161.14
The Lines Company Limited	–	159.97	185.56
Top Energy Limited	–	377.92	441.79

Unison Networks Limited	–	77.49	89.10
Vector Limited	–	93.80	102.13
Wellington Electricity Lines Limited	–	33.82	39.88

- (3) The **SAIDI planned interruption target, SAIDI planned interruption collar, and SAIDI planned interruption cap** for **planned interruptions** for each **non-exempt EDB** during the **DPP regulatory period**, subject to clauses 10.4, 10.6-10.8, 10.11-10.12 and 10.15-10.18, are as set out in Table 4.2.

**Table 4.2: SAIDI planned interruption collars, SAIDI planned interruption targets and SAIDI planned interruption caps for the DPP regulatory period 1 April 2020 – 31 March 2025**

<b>Non-exempt EDB</b>	<b>SAIDI planned interruption collar</b>	<b>SAIDI planned interruption target</b>	<b>SAIDI planned interruption cap</b>
Alpine Energy Limited	–	57.14	171.41
Aurora Energy Limited	–	50.86	152.58
Centralines Limited	–	34.36	103.08
Electricity Ashburton Limited	–	87.96	263.89
Eastland Network Limited	–	89.11	267.32
Electricity Invercargill Limited	–	7.30	21.90
Horizon Energy Distribution Limited	–	35.25	105.75
Nelson Electricity Limited	–	13.19	39.58
Network Tasman Limited	–	68.53	205.58
Orion New Zealand Limited	–	13.25	39.76
OtagoNet Joint Venture	–	138.44	415.32
Powerco Limited	–	39.88	119.65
The Lines Company Limited	–	81.89	245.66
Top Energy Limited	–	130.64	391.93
Unison Networks Limited	–	40.30	120.90
Vector Limited	–	30.70	92.09
Wellington Electricity Lines Limited	–	3.93	11.80

- (4) The **incentive rate** for each **non-exempt EDB** during the **DPP regulatory period**, subject to clauses 10.4, 10.6-10.8, 10.11-10.12 and 10.15-10.18, are as set out in Table 4.3.

**Table 4.3: Incentive rates for the  
DPP regulatory period 1 April 2020 – 31 March 2025**

<b>Non-exempt EDB</b>	<b>Incentive rate</b>
Alpine Energy Limited	7,753
Aurora Energy Limited	12,848
Centralines Limited	1,045
Electricity Ashburton Limited	5,637
Eastland Network Limited	2,745
Electricity Invercargill Limited	2,539
Horizon Energy Distribution Limited	5,267
Nelson Electricity Limited	1,386
Network Tasman Limited	6,053
Orion New Zealand Limited	31,063
OtagoNet Joint Venture	4,248
Powerco Limited	45,870
The Lines Company Limited	3,724
Top Energy Limited	3,203
Unison Networks Limited	15,777
Vector Limited	82,900
Wellington Electricity Lines Limited	23,004

- (5) The **quality incentive adjustment** is calculated as the sum of—
- (a)  $(SAIDI_{unplanned,target} - SAIDI_{unplanned,assessed}) * IR$ ; and
- (b)  $(SAIDI_{planned,target} - SAIDI_{planned,assessed}) * 0.5 * IR$ ,

where the ‘quality incentive adjustment’ must not exceed the **revenue at risk**.

- (6) For the purposes of paragraph (5) of Schedule 4—
- (a)  $SAIDI_{unplanned, target}$  is the **SAIDI unplanned interruptions target** specified for the **non-exempt EDB** in respect of **unplanned interruptions** for the **assessment period** set out in Table 4.1 of Schedule 4;
  - (b)  $SAIDI_{unplanned, assessed}$  is the **SAIDI assessed value** for the **non-exempt EDB** in respect of **unplanned interruptions** for the **assessment period** calculated in accordance with paragraph (2) of Schedule 3.2;
  - (c) where  $SAIDI_{unplanned, assessed}$  is:
    - (i) greater than the **SAIDI unplanned interruption cap** specified for the **non-exempt EDB** for the **assessment period** set out in Table 4.1 of Schedule 4,  $SAIDI_{unplanned, assessed}$  equals the **SAIDI unplanned interruption cap** specified for the **non-exempt EDB** for the **assessment period** set out in Table 4.1 of Schedule 4;
    - (ii) less than the **SAIDI unplanned interruption collar** specified for the **non-exempt EDB** for the **assessment period** set out in Table 4.1 of Schedule 4,  $SAIDI_{unplanned, assessed}$  equals the **SAIDI unplanned interruption collar** specified for the **non-exempt EDB** for the **assessment period** set out in Table 4.1 of Schedule 4;
  - (d)  $IR$  is the **incentive rate** specified for the **non-exempt EDB** in respect of the **assessment period** set out in Table 4.3 of Schedule 4;
  - (e)  $SAIDI_{planned, target}$  is the **SAIDI planned interruption target** specified for the **non-exempt EDB** in respect of **planned interruptions** for the **assessment period** set out in Table 4.2 of Schedule 4;
  - (f)  $SAIDI_{planned, assessed}$  is the **SAIDI assessed value** for the **non-exempt EDB** in respect of **planned interruptions** for the **assessment period** calculated in accordance with paragraph (2) of Schedule 3.1;
  - (g) where  $SAIDI_{planned, assessed}$  is:
    - (i) greater than the **SAIDI planned interruption cap** specified for the **non-exempt EDB** for the **assessment period** set out in Table 4.2 of Schedule 4,  $SAIDI_{planned, assessed}$  equals the **SAIDI planned interruption cap** specified for the **non-exempt EDB** for the **assessment period** set out in Table 4.2 of Schedule 4;
    - (ii) less than the **SAIDI planned interruption collar** specified for the **non-exempt EDB** for the **assessment period** set out in Table 4.2 of Schedule 4,  $SAIDI_{planned, assessed}$  equals the **SAIDI planned interruption collar** specified for the **non-exempt EDB** for the **assessment period** set out in Table 4.2 of Schedule 4;

- (h) 'revenue at risk' is the amount calculated in accordance with the following formula—

$$0.02 * ANAR$$

where—

*ANAR* is the **actual net allowable revenue** for the **non-exempt EDB** for the **assessment period**.

## Schedule 5.1: Avoided transmission charges

### Schedule 2.1

- (1) For the purposes of calculating a **recoverable cost** under clause 3.1.3(1)(e) of the **IM determination**, the amount of charge described in paragraph 3.1.3(1)(b) of the **IM determination** that a **non-exempt EDB** has avoided liability to pay as a result of the **EDB** having purchased **system fixed assets** from **Transpower** is—
- (a) for a purchase prior to 1 April 2020, for each of the five **assessment periods** immediately following the **assessment period** in which the purchase of the **system fixed assets** from **Transpower** occurs—
- (i) the amount that would have been charged by **Transpower** for the use of the **system fixed assets** transferred to the **non-exempt EDB** as specified in a pricing schedule determined by **Transpower** for the year immediately preceding the **assessment period** in which the charge was first recovered; or
- (ii) the amount determined in accordance with paragraph (1)(a)(i) of Schedule 5.1 adjusted using a method consistent with the **transmission pricing methodology**; or
- (b) for a purchase made on or after 1 April 2020—
- (i) in the first **assessment period** of the **DPP regulatory period** following the purchase of the **system fixed assets** from **Transpower**, the difference, as calculated by **Transpower** in accordance with the **transmission pricing methodology**, between the costs of transmission payable to **Transpower** for the first full **assessment period** following the transfer of the **system fixed assets** and the costs of transmission that would have been payable to **Transpower** for the **assessment period** in question had the transfer of **system fixed assets** not occurred; and
- (ii) in each of the four following **assessment periods** after the first **assessment period** of the **DPP regulatory period** for which an amount is calculated, the amount calculated in accordance with paragraph (1)(b)(i) of Schedule 5.1, in constant nominal terms.

## Schedule 5.2: Approval of extended reserves allowances

### Schedule 2.1

- (1) A **non-exempt EDB** 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 the **non-exempt EDB** 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 the **non-exempt EDB** 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 the **non-exempt EDB** 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 the **non-exempt EDB**, 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 5.3: Approval of amount of innovation project allowance

#### Schedule 2.1

- (1) To receive an ‘innovation project allowance’, a **non-exempt EDB** must, no later than 50 **working days** following the end of an **assessment period**:
  - (a) submit an application to the **Commission** for approval in accordance with paragraph (2) of Schedule 5.3, where this application must also include:
    - (i) what the proposed allowance is for;
    - (ii) the **project’s** purpose;
    - (iii) how the **non-exempt EDB** intends to achieve the **project’s** purpose; and
  - (b) make the application specified in paragraph (1)(a) of Schedule 5.3 publicly available on its website at the same time as it provides it to the **Commission**.
- (2) An amount of ‘innovation project allowance’ may be approved by the **Commission** if the **non-exempt EDB** satisfies the **Commission** upon application that—
  - (a) the amount of the proposed allowance for the **project** does not exceed 0.1% of the **non-exempt EDB’s sum of forecast net allowable revenue** for the **DPP regulatory period**; and
  - (b) it has received a signed report from an **engineer**, where the **engineer** has stated in their opinion that-
    - (i) the proposed allowance is aimed at either:
      - A. delivering **electricity lines services** at a lower cost to **consumers**; or
      - B. delivering **electricity line services** at a higher quality of supply to **consumers**; or
      - C. delivering **electricity lines services** at a lower cost to **consumers** and at a higher quality of supply to **consumers**; and
    - (ii) the proposed allowance is for an **innovation project**; and
    - (iii) the **non-exempt EDB** expects to spend an amount of costs on the **project** that is  $\geq 200\%$  of the proposed allowance, where these costs must be used for delivering **electricity lines services**; and
    - (iv) if successful, the focus of the proposed allowance has a reasonable prospect of being scaled up within the **non-exempt EDB** or scaled up to other **EDBs**.

- (3) Subject to paragraph (4) of Schedule 5.3, an amount approved by the **Commission** under paragraph (2) of Schedule 5.3 must not exceed 0.1% of the **non-exempt EDB's sum of forecast net allowable revenue** for the **DPP regulatory period**.
- (4) Where more than one amount of **innovation project allowance** is approved for the **non-exempt EDB** by the **Commission** in a **DPP regulatory period**, the total accumulated amounts of **innovation project allowance** for the **DPP regulatory period** must not exceed 0.1% of the **non-exempt EDB's sum of forecast net allowable revenue** for the **DPP regulatory period**.

## 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 *[insert name of non-exempt EDB]* certify that, having made all reasonable enquiry, to the best of my/our knowledge and belief, the attached annual price-setting compliance statement of *[name of non-exempt EDB]*, and related information, prepared for the purposes of the *Electricity Distribution Services Default Price-Quality Path Determination 2020* 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 director(s)]*

*[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 *[insert name of non-exempt EDB]* certify that, having made all reasonable enquiry, to the best of my/our knowledge and belief, the attached annual compliance statement of *[name of non-exempt EDB]*, and related information, prepared for the purposes of the *Electricity Distribution Services Default Price-Quality Path Determination 2020* has been prepared in accordance with all the relevant requirements\**[except in the following respects]*.

\**[insert description of non-compliance]*

*[Signatures of director(s)]*

*[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)

- (1) For the purpose of clause 11.5(e), a **non-exempt EDB** 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 their own name or that of their firm), and that—
- (a) is addressed to the **directors** of the **non-exempt EDB** 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, the **non-exempt EDB** or any of its subsidiaries;
    - (v) whether the **independent auditor** has obtained sufficient recorded evidence and explanations that they 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 the **non-exempt EDB'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, the **non-exempt EDB** has complied, in all material respects, with the *Electricity Distribution Services Default Price-Quality Path Determination 2020* in preparing the **annual compliance statement**.

**Schedule 9: Form of director's certificate for planned interruptions reporting**

Clause 12.2(f)

I/We, *[insert full name/s]*, being director/s of *[insert name of non-exempt EDB]* certify that, having made all reasonable enquiry, to the best of my/our knowledge and belief, the attached planned interruptions reporting requirements of *[name of non-exempt EDB]*, and related information, prepared for the purposes of the *Electricity Distribution Services Default Price-Quality Path Determination 2020* has been prepared in accordance with all the relevant requirements\**[except in the following respects]*.

\**[insert description of non-compliance]*

*[Signatures of director(s)]*

*[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 10: Form of director's certificate for unplanned interruptions reporting

Clause 12.4(k)

I/We, [*insert full name/s*], being director/s of [*insert name of non-exempt EDB*] certify that, having made all reasonable enquiry, to the best of my/our knowledge and belief, the attached unplanned interruptions reporting requirements of [*name of non-exempt EDB*], and related information, prepared for the purposes of the *Electricity Distribution Services Default Price-Quality Path Determination 2020* has been prepared in accordance with all the relevant requirements\* [*except in the following respects*].

\*[*insert description of non-compliance*]

[*Signatures of director(s)*]

[*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 11: Form of director's certificate for extreme event interruption reporting

Clause 12.6(g)

I/We, *[insert full name/s]*, being director/s of *[insert name of non-exempt EDB]* certify that, having made all reasonable enquiry, to the best of my/our knowledge and belief, the attached extreme event interruption reporting requirements of *[name of non-exempt EDB]*, and related information, prepared for the purposes of the *Electricity Distribution Services Default Price-Quality Path Determination 2020* has been prepared in accordance with all the relevant requirements\**[except in the following respects]*.

\**[insert description of non-compliance]*

*[Signatures of director(s)]*

*[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.

## Explanatory note

- (1) The purpose of the *Electricity Distribution Services Default Price-Quality Path Determination 2020* (“the Determination”) is to set default price-quality paths for Electricity Distribution Businesses (“EDBs”) for the five years beginning 1 April 2020 and ending 31 March 2025, pursuant to Part 4 of the Commerce Act 1986 (“the Act”).
- (2) Pursuant to section 53N of the Act, each EDB is required to provide to the Commerce Commission (“the Commission”), separate compliance statements relating to price setting, the wash-up account calculation, and its performance against quality standards. Each EDB must state whether or not it has complied with the default 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 and quality standards must also be accompanied by an auditor’s report. Each EDB must publish its compliance statements on its website at the same time as submitting them to the Commission.
- (3) A reasons paper providing detailed background to, and analysis of, the Determination can be found at—  
  
<https://comcom.govt.nz/regulated-industries/electricity-lines/electricity-lines-price-quality-paths/electricity-lines-default-price-quality-path/2020-2025-default-price-quality-path>
- (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.