



COMMERCE COMMISSION

Decision No. [XXX]

Gas transmission default price-quality path determination pursuant to Part 4 of the Commerce Act 1986 (the Act).

The Commission:
Dr M Berry
S Begg
P Duignan
S Gale

Summary of the determination: Pursuant to Part 4 of the Act, the Commerce Commission has determined a default price-quality path that applies to gas transmission businesses. The attached determination sets the default price-quality path as required by section 55E(2) of the Act. The determination takes effect on and from 1 July 2012 and applies for the period to 30 September 2016.

This determination is currently in draft form and is intended for consultation purposes only. Following submissions on this draft determination, it is proposed that a final determination shall be made on or before 29 February 2012.

Date of decision: [xx xxxxxxxx 2012]

ISBN: 978-1-869451-56-1

COMMERCE ACT (GAS TRANSMISSION DEFAULT PRICE-QUALITY PATH) DETERMINATION 2012

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

1 Title

This determination is the Commerce Act (Gas Transmission Default Price-Quality Path) Determination 2012.

2 Commencement

This determination comes into force on 1 July 2012.

3 Application

3.1 This determination sets a default price-quality path for **GTBs**, as required by s 55E(2) of the **Act**.

3.2 This determination applies to **GTBs** in respect of the **regulatory period**.

4 Interpretation

4.1 Unless the context otherwise requires—

- (a) terms used in this determination that are defined in the **Act** but not in this determination have the same meanings as in the **Act**;
- (b) 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**;
- (c) words appearing in this determination in bold type are defined terms and bear the meanings given to them in this clause 4; and
- (d) a word which denotes the singular also denotes the plural and vice versa.

4.2 In this determination, unless the context otherwise requires—

Act means the Commerce Act 1986;

amalgamate has the meaning set out in the **IM determination**;

annual compliance date means 30 November for each of the years 2012 to 2016;

annual compliance statement means a written statement made by a **GTB** under clause 11;

annual quality assessment formula means the formula specified in clause 9.2 used to assess a **GTB's** performance in respect of quality during an **assessment period**;

assessment period means a period for which compliance with the default price-quality path is to be demonstrated, being:

- (a) 1 July 2012 to 30 September 2013;
- (b) 1 October 2013 to 30 September 2014;
- (c) 1 October 2014 to 30 September 2015; and
- (d) 1 October 2015 to 30 September 2016;

auditor has the meaning set out in the **IM determination**;

Commission means the Commerce Commission as set out in s 2 of the **Act**;

CPI has the meaning set out in the **IM determination**;

CPP proposal has the meaning set out in the **IM determination**;

director has the meaning set out in the **IM determination**;

emergency means an incident for which one or more of the emergency services (such as Police, Fire, and Ambulance) is called and is reported to the **GTB**; or an unplanned disruption in the supply of gas that affects more than five customers; or the need to evacuate premises as the result of escape or ignition of gas.

first assessment period means the **assessment period** for the 15 month period 1 July 2012 to 30 September 2013;

gas transmission services has the meaning set out in the **IM determination**;

GTB has the meaning set out in the **IM determination**;

IM determination means the Commerce Act (Gas Transmission Services Input Methodologies) Determination 2010;

last assessment period means the **assessment period** for the 12 month period 1 October 2015 to 30 September 2016;

pass-through cost has the meaning set out in the **IM determination**, and the amounts as determined in accordance with Schedule 6;

prices has the meaning set out in the **IM determination**;

quality standards means the quality standards defined in clause 9 of this determination;

quantity means the unit of quantity (which may include, but is not limited to gigajoules, gigajoules.km and day) corresponding to a **price**;

recoverable cost has the meaning set out in the **IM determination**, and the amounts as determined in accordance with Schedule 6;

regulatory period means the period 1 July 2012 to 30 September 2016; and

RTE means ‘response time to **emergency**’, being the time elapsed from when an **emergency** is reported to a representative of the **GTB** until the **GTB**’s personnel arrive at the location of the **emergency**.

5 **Default price-quality path**

GTBs must comply with the default price-quality path, which consists of:

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

- (b) the quality standards specified in clause 9.

DRAFT

6 Applicable input methodologies

The input methodologies that apply to this determination are:

- (a) Part 3 of the **IM determination**; and
- (b) Part 4 of the **IM determination**.

7 Customised price-quality path proposals

A **CPP proposal** may be submitted to the **Commission** at any time before 1 October 2015, in accordance with s 53Q of the Act.

8 Price path

8.1 Starting prices

The starting prices that apply during the regulatory period are set out in Schedule 1.

8.2 Rate of change

The annual rate of change (i.e. X), relative to the CPI, that is allowed during the regulatory period is set out in Schedule 2.

8.3 Price path compliance for **first assessment period**

GTBs must comply with the pricing requirements in Schedule 3 for the **first assessment period**.

8.4 Price path compliance for **assessment periods** other than the **first assessment period**

GTBs must comply with the pricing requirements in Schedule 4 for all **assessment periods** other than the **first assessment period**.

8.5 Restructuring of prices

If a **GTB** restructures its **prices** that apply during an **assessment period**, it must demonstrate to the satisfaction of the **Commission** in the **annual compliance statement** that is due on the **annual compliance date** immediately after that **assessment period**:

- (a) whether or not the restructuring of itself increased its **allowable notional revenue** for that **assessment period** above that which would have applied if the restructuring had not occurred; or
- (b) where it is not possible to demonstrate the effects of the restructure on **allowable notional revenue** under paragraph (a), whether or not the restructuring of itself increased its notional revenue for that **assessment period** above that which would have applied if the restructuring had not occurred;

and, if the restructuring of itself—

- (c) did not increase the **GTB's** allowable notional revenue (referred to in paragraph (a)) or notional revenue (referred to in paragraph (b)) for that **assessment period**, clause 8.3 or 8.4 will apply as if the new **price** structure applied on and from the beginning of that **assessment period**; or
- (d) did increase the **GTB's** allowable notional revenue (referred to in paragraph (a)) or notional revenue (referred to in paragraph (b)) for that **assessment period**, the **prices** will not have been complied with.

8.6 Alternative compliance following restructuring of **prices**

If a **GTB** restructures its **prices** during an **assessment period**, and—

- (a) the **Commission** is satisfied that, because of a lack of information beyond the control of the **GTB**, it is not practicable for the **GTB** to demonstrate the effect of the restructuring under clause 8.5 and therefore to demonstrate compliance with the price path for that **assessment period**; and
- (b) the **GTB** demonstrates to the satisfaction of the **Commission**, by use of an alternative approach that has the equivalent effect of clause 8.5, that the substance of that clause has been complied with—

the **GTB** will be regarded as having complied with the price path for that **assessment period**.

8.7 Changes to **prices**

If a **GTB** changes its **prices** during an **assessment period** from those specified in the **annual compliance statement** provided in that **assessment period**, it must:

- (a) determine the notional revenue resulting from the changes and comply with clauses 8.3 or 8.4; and
- (b) demonstrate in the **annual compliance statement** that is due on the **annual compliance date** immediately after that **assessment period** that the requirements in paragraph (a) have been met.

9 Quality standards

9.1 A **GTB** must, in respect of each **assessment period**, comply with the **annual quality assessment formula** specified in clause 9.2 for that **assessment period**.

9.2 Annual quality assessment formula

A **GTB's RTE** values for an assessment must be such that:

$$\frac{RTE \leq 180Minutes_t}{\Sigma RTE_t} = 1$$

where

$RTE \leq 180Minutes_t$ is the number of **emergencies** in **assessment period** t where the **GTB's RTE** was less than or equal to 180 minutes

ΣRTE_t is the total number of **emergencies** in **assessment period** t .

10 Transactions

- 10.1 Where a **GTB** has completed an **amalgamation** in accordance with Part 13 of the Companies Act 1993, clause 3.2.1 of the **IM Determination** applies.
- 10.2 Where a **GTB** takes over or otherwise merges with another **GTB** other than by an **amalgamation**, or purchases all the assets of a **GTB** (together a merger) clause 3.2.1 of the **IM Determination** applies, as if the merger was an **amalgamation**.
- 10.3 Where a **GTB** has completed a transaction other than an **amalgamation** or a merger which:
- (a) the **GTB's** value of assets associated with the provision of **gas pipeline services** increases or decreases by 10% or more within an **assessment period**, as a result of a transaction; or
 - (b) the **GTB's** value of notional revenue associated with the provision of **gas pipeline services** increases or decreases by 10% or more within an **assessment period**, as a result of a transaction:

the **GTB** or, if the transaction is with another **GTB**, each of the **GTBs**, must comply with clause 10.4.

- 10.4 Where clause 10.3 applies, the **GTB** or **GTBs** must:
- (a) state to the extent practicable whether or not the **GTB** complied with the price path in clause 8 for that assessment period;
 - (b) state to the extent practicable whether or not the **GTB** complied with the quality standards in clause 9 for that assessment period; and
 - (c) notify the Commission within 30 days of the completion of the transaction as to the nature and effect of that transaction to enable the Commission to assist the **GDB** to demonstrate compliance in terms of clauses 8 and 9 for the assessment periods following the one in which the transaction occurred.

11 Annual compliance statement

- 11.1 Each **GTB** must provide to the **Commission** an **annual compliance statement** by each **annual compliance date**.
- 11.2 Where applicable, an **annual compliance statement** will consist of:
- (a) for **assessment periods** other than the **last assessment period**, a written statement that states whether or not the **GTB** has complied with the price path in clauses 8.3 or 8.4 in respect of the **assessment period** in which the **annual compliance date** falls;
 - (b) sufficient information to support the statement required by paragraph (a), including:
 - (i) the amount of allowable notional revenue, the amount of notional revenue, **prices**, **quantities**, units of measurement associated with all numeric data, and other relevant data, information, and calculations;
 - (ii) the amounts of **pass-through costs** and **recoverable costs**; and

- (iii) if a **GTB** used an alternative approach to demonstrate compliance as referred to in clause 10.2, an explanation as to why that alternative approach was needed;
 - (c) for **assessment periods** other than the **first assessment period**, if clauses 8.5, 8.6 or 8.7 apply, a written statement that states whether or not the **GTB** has complied those clauses in respect of the **assessment period** prior to the **annual compliance date**;
 - (d) information of the kind set out in paragraphs (b)(i) and (ii) to support the statement required by paragraph (c), including:
 - (i) if clause 8.5 applies, whether or not the restructuring has of itself increased the **GTB's** allowable notional revenue above that which would have applied if the restructuring had not occurred, using both the previous and restructured **prices** and **quantities**;
 - (ii) if clause 8.5 applies, whether or not the restructuring has of itself increased the **GTB's** notional revenue above that which would have applied if the restructuring had not occurred, using both the previous and restructured **prices** and **quantities**, and reasoning why it is not practicable for the **GTB** to demonstrate the effects of the restructuring on allowable notional revenue; and
 - (iii) if clause 8.6 applies, why it is not practicable for the **GTB** to demonstrate the effects of the restructuring on allowable notional revenue or notional revenue;
 - (e) for **assessment periods** other than the **first assessment period**, a written statement that states whether or not the **GTB** has complied with the quality standards in clause 9 in respect of the **assessment period** prior to the **annual compliance date**;
 - (f) reasons for any failure to meet the quality standards in clause 9;
 - (g) the date on which the statement was prepared; and
 - (h) a certificate in the form set out in Schedule 6, signed by at least one **director** of the **GTB**.
- 11.3 Each **GTB** should publish its **annual compliance statement** on its website within one week after submitting it to the **Commission**.
- 11.4 An **annual compliance statement** referred to in clause 11.1 must be accompanied by a report on the **annual compliance statement** that is signed by an **auditor** and is in the form set out in Schedule 7.
- 11.5 An **auditor's** report given for the purposes of clause 11.4:
- (a) may be qualified only if the **auditor** considers that the **annual compliance statement** concerned has not been prepared, in all material respects, in accordance with this determination, and the report explains with full reasons the respects in which the statement so fails; and
 - (b) where this determination requires the **Commission** to be satisfied in relation to a matter, need not express a view in relation to the **Commission's** satisfaction.

12 Annual gas balancing statements

- 12.1 Each GTB must submit an annual balancing gas statement for the Commission's approval by 31 March in each of the years 2013, 2014 and 2015, where:
- (a) the statement to be submitted by 31 May 2013 shall comprise two separate sub-statements, one relating to the 15 month period 1 July 2011 to 30 September 2012 and the other to the 12 month period from 1 July 2011 to 30 June 2012;
 - (b) the statement to be submitted by 31 May 2014 shall relate to the 12 month period from 1 October 2012 to 30 September 2013; and
 - (c) the statement to be submitted by 31 May 2015 shall relate to the 12 month period from 1 October 2013 to 30 September 2014.
- 12.2 The statement, or sub-statement, given for the purposes of clause 12.1 shall include:
- (a) the net cost or credit amount arising from the GTB's purchase or sale of balancing gas that has not been allocated to a person shipping gas on the GTB's network; and
 - (b) information and calculations used to derive the net cost or credit amount, including:
 - (i) the date, quantity, price and sale or purchase amount for each transaction; and
 - (ii) the shipper name, date, quantity, price and credit or debit amount for each allocation of balancing gas to a shipper.
- 12.3 The Commission will notify GTBs by 31 May in the respective year the net cost or credit amount that can be a **recoverable cost**.

Dated at Wellington this xth day of x 2012.

COMMERCE COMMISSION

SCHEDULE 1

Clause 8

STARTING PRICES

The starting **prices** that apply during the **regulatory period** are the **prices** that applied at 30 June 2010.

DRAFT

SCHEDULE 2

Clause 8

RATE OF CHANGE

The annual rate of change (i.e. X) is 0%.

DRAFT

SCHEDULE 3

Clause 8

COMPLIANCE WITH THE PRICE PATH FOR THE FIRST ASSESSMENT PERIOD

The notional revenue ($^{15}NR_{2013}$) during the **first assessment period** must not exceed the allowable notional revenue ($^{15}R_{2013}$) for the **first assessment period**, such that:

$$^{15}NR_{2013} \leq ^{15}R_{2013}$$

where

$^{15}NR_{2013}$ is the notional revenue for the **first assessment period**, being equal to:

$$\sum_i {}^3P_{i,2012} {}^3Q_{i,2010} + \sum_i P_{i,2013} Q_{i,2011} - {}^{15}K_{2013} - {}^{15}V_{2013}$$

where

i denotes each component of **price** relating to a **gas transmission service**

${}^3P_{i,2012}$ is the i^{th} **price** applying between 1 July 2012 and 30 September 2012

${}^3Q_{i,2010}$ is the **quantity** corresponding to the i^{th} **price** during the 3 month period from 1 July 2010 to 30 September 2010

$P_{i,2013}$ is the i^{th} **price** applying between 1 October 2012 and 30 September 2013

$Q_{i,2011}$ is the **quantity** corresponding to the i^{th} price during the 12 month period from 1 October 2010 to 30 September 2011

${}^{15}K_{2013}$ is the sum of all **pass-through costs** for the **first assessment period**

${}^{15}V_{2013}$ is the sum of all **recoverable costs** for the **first assessment period**

$^{15}R_{2013}$ is the allowable notional revenue for the **first assessment period**, being equal to:

$$\left(\sum_i P_{i,2009} {}^3Q_{i,2009} + \sum_i P_{i,2010} Q_{i,2010} - {}^{15}K_{2012} - {}^{15}V_{2012} \right) \times (1 + {}^{15}\Delta CPI_{2013}) \times (1 - X)^{1.25}$$

where

$P_{i,2009}$ is the i^{th} **price** applying during the period 1 July 2009 to 30 September 2009

${}^3Q_{i,2009}$ is the **quantity** corresponding to the i^{th} **price** during the 3 month period from 1 July 2009 to 30 September 2009

$P_{i,2010}$ is the i^{th} starting **price** as specified in Schedule 1

$Q_{i,2010}$ is the **quantity** corresponding to the i^{th} **price** during the 12 month period from 1 October 2009 to 30 September 2010

${}^{15}K_{2012}$ is the sum of all **pass-through costs** during the 15 month period 1 July 2011 to 30 September 2012

¹⁵V₂₀₁₂ is the sum of all **recoverable costs** during the 15 month period 1 July 2011 to 30 September 2012

X is the rate of change specified in Schedule 2

¹⁵ΔCPI₂₀₁₃ is the derived change in the **CPI** to be applied during the **first assessment period**,, being:

$$\frac{CPI_{Mar,2011} + CPI_{Jun,2011} + CPI_{Sep,2011} + CPI_{Dec,2011} + CPI_{Mar,2012}}{CPI_{Dec,2009} + CPI_{Mar,2010} + CPI_{Jun,2010} + CPI_{Sep,2010} + CPI_{Dec,2010}} - 1$$

DRAFT

SCHEDULE 4

Clause 8

COMPLIANCE WITH THE PRICE PATH FOR ALL ASSESSMENT PERIODS OTHER THAN THE FIRST ASSESSMENT PERIOD

The notional revenue (NR_t) during an **assessment period** t must not exceed the allowable notional revenue (R_t) for the **assessment period**, such that:

$$NR_t \leq R_t$$

where

NR_t is the notional revenue for the **assessment period** t , being equal to:

$$\sum_i P_{i,t} Q_{i,t-2} - K_t - V_t$$

where

i denotes each component of **price** relating to a **gas transmission service**

$P_{i,t}$ is the i^{th} **price** during any part of the **assessment period** t

$Q_{i,t-2}$ is the **quantity** corresponding to the i^{th} **price** during the 12 month period $t-2$

K_t is the sum of all **pass-through costs** during the **assessment period**

V_t is the sum of all **recoverable costs** during the **assessment period**

R_{2014} is the allowable notional revenue for the **assessment period** ending 30 September 2014, being equal to:

$$R_{2014} = R_{2013} \times (1 + \Delta CPI_{2014}) \times (1 - X)$$

where

R_{2013} is the allowable notional revenue for the 12 month period ending 30 September 2013, being:

$$\sum_i P_{i,2010} Q_{i,2010} - K_{2012} - V_{2012}) \times (1 + \Delta CPI_{2013}) \times (1 - X)$$

where

$P_{i,2010}$ is the i^{th} starting **price** as specified in Schedule 1

$Q_{i,2010}$ is the **quantity** corresponding to the i^{th} **price** during the 12 month period from 1 July 2009 to 30 June 2010

K_{2012} is the sum of all **pass-through costs** during the 12 month period 1 July 2011 to 30 June 2012

V_{2012} is the sum of all **recoverable costs** during the 12 month period 1 July 2011 to 30 June 2012

X is the rate of change specified in Schedule 2

ΔCPI_{2013} is the derived change in the **CPI** that relates to the 12 month period ending 30 September 2013, being equal to:

$$\frac{CPI_{Jun,2011} + CPI_{Sep,2011} + CPI_{Dec,2011} + CPI_{Mar,2012}}{CPI_{Jun,2010} + CPI_{Sep,2010} + CPI_{Dec,2010} + CPI_{Mar,2011}} - 1$$

ΔCPI_{2014} is the derived change in the **CPI** to be applied during the **assessment period** ending 30 September 2014, being equal to:

$$\frac{CPI_{Jun,2012} + CPI_{Sep,2012} + CPI_{Dec,2012} + CPI_{Mar,2013}}{CPI_{Jun,2011} + CPI_{Sep,2011} + CPI_{Dec,2011} + CPI_{Mar,2012}} - 1$$

R_t is the allowable notional revenue for the **assessment period** t , being equal to:

$$R_{t-1} \times (1 + \Delta CPI_t) \times (1 - X)$$

where

R_{t-1} is the allowable notional revenue for the **assessment period** $t-1$

X is the rate of change specified in Schedule 2

ΔCPI_t is the derived change in the **CPI** to be applied during the **assessment period** t , being equal to:

$$\frac{CPI_{Jun,t-2} + CPI_{Sep,t-2} + CPI_{Dec,t-2} + CPI_{Mar,t-1}}{CPI_{Jun,t-3} + CPI_{Sep,t-3} + CPI_{Dec,t-3} + CPI_{Mar,t-2}} - 1$$

where

$CPI_{i,t}$ is the **CPI** for the quarter i of year t

SCHEDULE 5

Clause 8

PROCESS FOR DETERMINING THE AMOUNT OF PASS-THROUGH COSTS AND RECOVERABLE COSTS

1. This schedule sets out how the amounts of **pass-through costs** (K_t) and **recoverable costs** (V_t), referred to in Schedules 3 and 4, are to be determined.
2. The variables K_t and V_t are used in determining notional revenue (and in some cases allowable notional revenue) for the period ending 30 September of year t .
3. The individual **pass-through cost** or **recoverable cost** amounts that are included in K_t and V_t are the most recent annual amounts of each cost that are known at the time prices are being set for an **assessment period**. K_t and V_t therefore are not necessarily the individual **pass-through cost** or **recoverable cost** amounts that are to be incurred in year t , as the amounts can be lagged.
4. Where it is necessary to use lagged **pass-through cost** and/or **recoverable cost** amounts because relevant information is not available, the extent of the lag should be as short as possible and consistent for each **assessment period**.

SCHEDULE 6

Clause 11

FORM OF DIRECTORS' CERTIFICATE ON ANNUAL COMPLIANCE STATEMENT

I/We, [*insert full name/s*], being director/s of [*insert name of GTB*] certify that, having made all reasonable enquiry, to the best of my/our knowledge and belief, the attached **annual compliance statement** of [*name of GTB*], and related information, prepared for the purposes of the *Commerce Act (Gas Transmission Default Price-Quality Path) Determination 2012* are true and accurate **[except in the following respects]*.

**[insert description of non-compliance]*

[Signatures of Directors]

[Date]

*Delete if inapplicable.

Note: Section 103(2) of the Commerce Act 1986 provides that no person shall attempt to deceive or knowingly mislead the Commission in relation to any matter before it. It is an offence to contravene section 103(2) and any person who does so is liable on summary conviction to a fine not exceeding \$10,000 in the case of an individual or \$30,000 in the case of a body corporate.

SCHEDULE 7

Clause 11

FORM OF AUDITOR'S REPORT ON ANNUAL COMPLIANCE STATEMENT

To the readers of the **annual compliance statement** of [*insert name of GTB*] for the **assessment period** [*insert assessment date*]:

I/We have audited the attached statement, which is an **annual compliance statement** in respect of the default price-quality path prepared by [*insert name of GTB*] for the period [*insert assessment period*] and dated [*insert date*] for the purposes of clause 11 of the *Commerce Act (Gas Transmission Default Price-Quality Path) Determination 2012* (“the Determination”).

In relation to the price path set out in clause 8 of the Determination, my/our audit included examination, on a test basis, of evidence relevant to the amounts and disclosures contained on pages [*insert page references*] of the **annual compliance statement**.

My/Our audit also included assessment of the significant estimates and judgments, if any, made by [*insert name of GTB*] in the preparation of the **annual compliance statement** and assessment of whether the basis of preparation has been adequately disclosed.

Directors' Responsibilities

The **directors** of [*insert name of GTB*] are responsible for the preparation of the **annual compliance statement** in accordance with the Determination and for such internal control as the **directors** determine is necessary to enable the preparation of an **annual compliance statement** that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

My/Our responsibility is to express an opinion on the **annual compliance statement** based on my/our audit. I/We conducted my/our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that I/we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the **annual compliance statement** is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the **annual compliance statement**. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the **annual compliance statement**, whether due to fraud or error. In making those risk assessments, the **auditor** considers internal control relevant to the entity's preparation of the **annual compliance statement** in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the **annual compliance statement**.

I/We believe that the audit evidence I/we have obtained is sufficient and appropriate to provide a basis for my/our audit opinion.

I/we have no relationship with, or interests in *[insert name of GTB]* other than *[insert relationship and/or interests including a statement verifying that no conflict of interest exists]*.

Opinion

In my/our opinion, the **annual compliance statement** of *[insert name of GTB]* for the **assessment period** ended on *[insert assessment date]*, has been prepared, in all material respects, in accordance with the Determination.

***[Qualification on Opinion]**

*[My/Our opinion is qualified as follows:]

[Insert the nature of and reason(s) for the qualification together with the impact on **the annual compliance statement].*

My/Our audit was completed on *[insert date]* and my/our opinion is expressed as at that date.

[Signature of Auditor]

[Name of auditing firm]

[Address of auditing firm]

[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 \$10,000 in the case of an individual or \$30,000 in the case of a body corporate.

EXPLANATORY NOTE

The purpose of the *Commerce Act (Gas Transmission Default Price-Quality Path) Determination 2012* (“the Determination”) is to set a default price-quality path for gas transmission businesses (“GTBs”) for the four years and three months beginning 1 July 2012 and ending 30 September 2016, pursuant to Part 4 of the Commerce Act 1986 (“the Act”).

Pursuant to section 53N of the Act, each GTB is required to provide to the Commerce Commission (“the Commission”) an annual compliance statement stating whether or not it has complied with the default price-quality path set out in the Determination together with supporting evidence. The annual compliance statement is to be accompanied by both an auditor’s report and a director’s certificate. Each GTB should publish its annual compliance statement on its website within one week after submitting it to the Commission.

The Commission has conducted a comprehensive process of consultation before making the Determination. A decisions paper providing detailed background to, and analysis of, the Determination, has been issued together with this determination, and can be found at:

<http://www.comcom.govt.nz/2012-default-price-quality-path/>

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.