



## COMMERCE COMMISSION

### Commerce Commission Authorisation

### Decision No. 657

Authorisation pursuant to the Commerce Act 1986 in the matter of controlled services supplied by:

#### **VECTOR LIMITED**

**The Commission:** PR Rebstock  
D Bates  
PJM Taylor

**Summary of the Authorisation:** Pursuant to s70 of the Commerce Act 1986 (as continued in force by section 55G of that Act) the Commission authorises the supply of the controlled services defined by the Commerce (Control of Natural Gas Services) Order 2005 (as amended by the Commerce (Control of Natural Gas Services) Amendment Order 2005) by Vector Limited, on the terms specified in the authorisation attached.

Date of Decision: 30 October 2008

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**COMMERCE ACT (VECTOR NATURAL GAS SERVICES)  
AUTHORISATION 2008**

Pursuant to section 70 of the Commerce Act 1986 (as continued in force by section 55G of that Act), the Commerce Commission (“the Commission”) makes the following authorisation:

**1 Title**

This authorisation may be cited as the Commerce Act (Vector Natural Gas Services) Authorisation 2008.

**2 Commencement and expiry**

2.1 This authorisation comes into force on the day after the date on which notice of it is given in the *Gazette* under section 70B of the Commerce Act 1986 (as continued in force by section 55G of that Act).

2.2 This authorisation remains in force until it is revoked or 1 July 2012, whichever is the earlier.

**3 Provisional authorisation superseded**

Except as provided in *clauses 5(a) and 5(c)*, the Commerce Act (Natural Gas Services) Provisional Authorisation 2005 is superseded by this authorisation, and accordingly ceases to have effect in respect of Vector on the date on which this authorisation comes into force.

**4 Interpretation**

4.1 In this authorisation, unless the context otherwise requires, —

**Act** means the Commerce Act 1986

**annual compliance statement** means a statement of a kind described in *clause 10*

**auditor**, in relation to Vector, means a person who—

- (a) is qualified for appointment as auditor of a company under the Companies Act 1993; and
- (b) has no relationship with, or interest in, Vector, being a relationship or interest that is likely to involve that person in a conflict of interest; and
- (c) has not assisted with the compilation of the information being audited or provided advice or opinions (other than in relation to audit reports) on the methodologies or processes used in compiling the information; and
- (d) is not associated with nor directed by any person who has provided any such assistance, advice, or opinion; and

- (e) has the necessary expertise to properly undertake the audit concerned; but
- (f) need not be the same person as the person who audits the financial statements of Vector for any other purpose

**commencement date** means 1 January 2009

**commencement period** means the period on and from the commencement date to 30 September 2009

**control period** means the period from 25 August 2005 until this Authorisation ceases to be in force under *clause 2.2*

**controlled services** means the controlled services described in the Schedule of the Order that are provided by Vector

**excluded services** means the services described in *clause 6.3.1*

**financial year** means a period of 12 months ending on 30 June

**methodological requirements** means the requirements set out in *Part 2 of Schedule 3*

**non-standard contract** means a contract for the supply of a controlled service that is not a standard contract

**non-standard service** means a controlled service that is not a standard service

**Order** means the Commerce (Control of Natural Gas Services) Order 2005 as amended by the Commerce (Control of Natural Gas Services) Amendment Order 2005

**pass-through costs** has the meaning set out in *clause 6.4.1*

**Vector** means Vector Limited

**price** means a price in nominal terms (such as a tariff, fee or charge) or a component thereof, that Vector charges in relation to a controlled service

**pricing principles** means the principles set out in *Part 1 of Schedule 3*

**pricing year** means each of the following:

- (a) a period of 12 months ending on 30 September in any year before 2012;
- (b) the period commencing on 1 October 2011 and ending on 1 July 2012

**provisional authorisation** means the Commerce Act (Natural Gas Services) Provisional Authorisation 2005 dated 24 August 2005

**publicly disclose**, in relation to any information, means to publish that information in each of the following ways:

- (a) by making copies of that information available for inspection, during ordinary office hours, at the principal office of Vector; and
- (b) at the request of any person, by providing the person with a copy of that information (either free of charge or for a charge that is reasonably required to recover the cost of providing that copy) either—
  - (i) by post; or
  - (ii) for collection, during ordinary office hours, from the principal office of Vector,
 whichever the person requesting the information prefers; and
- (c) by publishing the information in the disclosures section of Vector's internet web site in a manner that enables it to be readily located by a person reviewing that section;

and public disclosure has a corresponding meaning.

**quantity** means:

- (a) in relation to a daily charge, number of days billed for a daily charge;
- (b) in relation to the volume of gas billed, the volume in gigajoules;
- (c) where the volume of gas used in charging for the controlled services is scaled to account for unaccounted for gas, that volume;
- (d) where the volume of gas used in charging for the controlled services is not scaled to account for unaccounted for gas, that volume;
- (e) in relation to the amount of an annual quantity for a year ending 30 September, the amount as finally determined in an invoice issued by the following 1 January and payable by the 20<sup>th</sup> day of that month.

**standard contract** means a contract for the supply of a controlled service, where the price at which the controlled service is to be supplied under the contract is determined solely by reference to publicly available terms and conditions

**standard service** means a controlled service supplied in accordance with a standard contract.

- 4.2 Terms used in this authorisation that are defined in the Act or in the Order but not in this authorisation have, unless the context otherwise requires, the same meanings in this authorisation as in the Act or in the Order.

## 5 Authorisation

The Commission authorises Vector to supply to any person the controlled services on the terms specified in -

- (a) during the period from the date on which this authorisation comes into force until the commencement date, *clauses 4 and 6 to 10 and Schedules 1 to 7* of this authorisation and *clauses 3 and 5 to 7, and Schedules 1 and 2*, of the provisional authorisation; and
- (b) on and from the commencement date, *clauses 4 and 6 to 10 and Schedules 1 to 7* of this authorisation; and
- (c) *clause 7(2)* of the provisional authorisation, with respect to the report for the quarter ending 31 December 2008.

## 6 Aggregate Pricing

### 6.1 Prices prior to the commencement date

Prices on and from 25 August 2005 until the commencement date should have been such that the revenue earned in respect of the controlled services by Vector in each complete financial year and in the part years from 25 August 2005 to 30 June 2006 and 1 July 2008 to the commencement date did not exceed the amounts specified in *Schedule 2*. As the revenue so earned did exceed those amounts, the weighted average price caps in *clause 6.2* include, pursuant to section 70C of the Act, an adjustment to partially compensate for those excess amounts.

### 6.2 Weighted average price cap

#### 6.2.1 Prices during the commencement period

Prices during the commencement period must be such that the total notional revenue of Vector calculated in accordance with the left-hand side of the following expression *does not exceed* the allowable notional revenue of Vector calculated in accordance with the right-hand side of the following expression:

$$\sum P_{ij,t} Q_{ij,ref} \leq R_{2009}$$

where:

- $P_{ij,t}$  is the price of component  $j$  of service  $i$  during the commencement period
- $Q_{ij,ref}$  is reference quantity of component  $j$  of service  $i$  used for setting the quantity weights, which is to be the audited quantity for each component of price for the year ending 30 September 2008; and
- $R_{2009}$  is the relevant amount specified in *Schedule 1*.

### 6.2.2 Prices after the commencement period

Prices during each pricing year commencing on or after 1 October 2009 must be such that the notional revenue of Vector calculated in accordance with the left-hand side of the following expression *does not exceed* the allowable notional revenue of Vector calculated in accordance with the right-hand side of the following expression:

$$\sum P_{ij,t} Q_{ij,ref} \leq (\sum P_{ij,t-1} Q_{ij,ref} - C_{t-1})(1 + \Delta CPI_t)(1 - X) + C_t$$

where:

- t indicates the calendar year to which reference is being made
- i is service i
- j is component j of service i
- $P_{ij,t}$  is the price of component j of service i in the year commencing 1 October in calendar year t
- $P_{ij,t-1}$  is the price of the component j of service i in the year commencing 1 October in calendar year t-1
- X is specified in *Schedule 1*
- $Q_{ij,ref}$  is the reference quantity of component j of service i used for setting the quantity weights, which is to be the audited quantity for each component of price for the year ending 30 September of year t-1.
- $C_t$  is the allowed increase (decrease) in pass-through costs for the pricing year commencing 1 October in calendar year t above (below) the forecast allowance specified in *Schedule 1*
- $C_{t-1}$  is the allowed increase (decrease) in pass-through costs for the pricing year commencing 1 October in calendar year t-1 above (below) the forecast allowance specified in *Schedule 1*
- $\Delta CPI_t$  is the average change in the quarterly Consumer Price Index over the calendar year that ends on 31 March in the year t, calculated in accordance with the following expression:

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

where 't' refers to calendar years ending 31 December

### 6.2.3 New standard services

If Vector proposes to introduce a new standard service, the  $Q_{ij,ref}$  quantities in the expression in *clause 6.2.2* must be the estimates for those quantities in an amendment to the pricing methodology under *clause 7.5*.

## 6.3 Excluded Services

6.3.1 The following are excluded services :

- (a) disconnection services;
- (b) reconnection services;

- (c) decommission services;
  - (d) gas connection services – for connecting new customers; and
  - (e) non-standard distribution services that Vector commenced supplying after 30 September 2007 and that satisfy the conditions specified in *clause 6.3.3*.
- 6.3.2 Excluded services are not to be included in the application of the formulae in *clauses 6.2.1 and 6.2.2*.
- 6.3.3 Notwithstanding *clause 6.3.1*, a non-standard distribution service is not an excluded service unless:
- (a) the customer is supplied under a non-standard contract; and
  - (b) the customer is a new non-standard customer. For the avoidance of doubt, renewals of an existing customer's contract do not qualify as an excluded service.

#### **6.4 Pass-through costs**

- 6.4.1 The following costs are pass-through costs to the extent that they are applicable to the controlled services:
- (a) local authority rates;
  - (b) the levy payable under the Commerce (Levy for Control of Natural Gas Services) Regulations 2005;
  - (c) the levy payable as a member of the Electricity and Gas Complaints Commissioner Scheme;
  - (d) levies payable under section 53ZE of the Act; and
  - (e) any levy payable under the Gas Act 1992; and
  - (f) audit fees payable for reports in *Form 2 or 10 of Schedule 7* provided to the Commission; and
  - (g) any category of costs that Vector has applied to be added under *clause 6.4.3* and that the Commission has approved as pass-through costs, but only for the purpose referred to in that clause.
- 6.4.2 Vector may invoice customers with a direct charge in relation to pass-through costs provided the Commission has approved an application for such a charge in accordance with *clause 10.2*.
- 6.4.3 Vector may apply to the Commission by 1 February in any year to add a category of costs (for example, taxes where there has been a material change in tax law or in interpretation of tax law) as pass-through costs under *clause 6.4.1(g)* for the purpose of setting prices from 1 October of that calendar year.



## **7 Pricing Methodology**

### **7.1 Pricing methodology**

For each pricing year commencing on or after 1 October 2009, Vector must set prices, and charge, for the supply of its controlled services in accordance with a pricing methodology that:

- (a) has been approved by the Commission in accordance with *clause 7.4*; or
- (b) is the default pricing approach in *clause 7.2*.

### **7.2 Default Pricing Approach**

For each pricing year for which a pricing methodology has not been approved in accordance with *clause 7.4*, the default pricing approach is that there must be no price change from the immediately preceding pricing year for any controlled service (other than an excluded service).

### **7.3 Pricing methodology requirements**

7.3.1 A pricing methodology submitted to the Commission for approval in accordance with *clause 7.4* must be consistent with the weighted average price cap set out in *clause 6.2* and have regard to and be consistent with the pricing principles and methodological requirements set out in *Schedule 3*;

7.3.2 The pricing methodology must include the following :

- (a) a pricing methodology report, which includes the information described in *Schedule 4*; and
- (b) a quantitative cost of supply model.

7.3.3 The following items must be attached to the pricing methodology report:

- (a) a directors' certificate of compliance in the form set out in *Form 1* of *Schedule 7*;
- (b) an auditor's report on the quantitative cost of supply model in the form set out in *Form 2* of *Schedule 7*.

7.3.4 The cost of supply model must:

- (a) be developed in accordance with the pricing principles and methodological requirements set out in *Schedule 3*;
- (b) be spreadsheet based so that changes to the inputs automatically produce revised outputs.

### **7.4 Approval of pricing methodology and public disclosure**

7.4.1 Vector must submit a pricing methodology to the Commission for approval no later than 1 May 2009.

- 7.4.2 The Commission must approve the pricing methodology unless it considers that it does not comply with *clause 7.3*.
- 7.4.3 If the Commission has not notified Vector that it has rejected Vector's pricing methodology by the close of the 25th working day after 1 May 2009 or by the close of the 20th working day after the day by which a notification under *clause 7.4.4* is required to be responded to by Vector, whichever is the later, then the pricing methodology is deemed to be approved by the Commission.
- 7.4.4 If the Commission has notified Vector that it does not approve its pricing methodology and the reasons why, or that it requires further information in relation to the pricing methodology, Vector must respond to the Commission's notification within 10 working days (or such longer period as the Commission may allow) of receiving it. If (after considering Vector's response) the Commission considers that the pricing methodology does not comply with *clause 7.3*, or Vector does not respond to the Commission as required by this clause, the Commission may reject the pricing methodology.
- 7.4.5 Vector must submit a public version of the pricing methodology report to the Commission for its approval within 5 working days of approval by the Commission of the pricing methodology, together with an explanation relating to any information sought to be omitted from public disclosure. Any information omitted by Vector from the public version must be indicated in square brackets in the public version. Vector must publicly disclose the public version of the report within 5 working days of the Commission's approval of the public version and must maintain a copy of the public version on its website until the end of the control period.
- 7.4.6 The cost of supply model and information relating to individual non-standard services is not required to be publicly disclosed.

## **7.5 Amendments to pricing methodology**

- 7.5.1 Vector may submit to the Commission, by 1 May in 2010 or any subsequent year, applications for the Commission's approval of amendments to the pricing methodology in respect of the pricing year commencing on 1 October of the same calendar year. Such an application may be for an amendment to a pricing methodology approved under *clause 7.4* or a default pricing approach which constitutes a pricing methodology under *clause 7.1*.
- 7.5.2 Amendments to the pricing methodology that require the Commission's approval include:
- (a) the creation of a new standard service; and
  - (b) changes to the structure of the quantitative cost of supply model.

- 7.5.3 Amendments that arise solely from updating the inputs to the quantitative cost of supply model with audited information from an annual compliance statement do not require the Commission's approval.
- 7.5.4 If Vector wishes to create a new standard service, it must include in its application for the Commission's approval:
- (a) the reasons for introducing the new service;
  - (b) whether or not the new service is associated with the cessation of an existing service;
  - (c) whether consumers will be required to transfer from an existing service;
  - (d) a forecast of the number of consumers and the quantities of gas to be delivered under the new service in each year until 30 June 2012. If consumers are to be transferred from existing services, the forecast number and consumption of such transferring consumers, broken down by existing service, must also be supplied. All forecasts required by this paragraph are to be supplied with sufficient information on the quantitative basis and the methodology used for the Commission to satisfy itself of the accuracy of the forecast; and
  - (e) whether the tariff restructuring is expected to be revenue neutral, together with information supporting the revenue forecast.
- 7.5.5 *Clauses 7.4.2 to 7.4.6* apply, with all necessary modifications, in respect of an application for approval of an amendment to a pricing methodology for a pricing year as if -
- (a) the application were for the approval of a pricing methodology submitted under *clause 7.4.1*; and
  - (b) the reference in *clause 7.4.3* to "1 May 2009" were a reference to the day on which the Commission receives the application.

## **8 Quality**

Vector must disclose information on the quality of the controlled services supplied in accordance with *clause 10, Schedules 5 and 6, and Form 8 of Schedule 7*.

## **9 Commencement Period Compliance Statement**

- 9.1 Vector must provide to the Commission a commencement period compliance statement within 30 working days of the commencement date. The statement must:
- (a) demonstrate compliance with *clause 6.2.1* in relation to the pricing during the commencement period; and
  - (b) include any other relevant information to support the pricing and its compliance with *clause 6.2.1*; and

- (c) have attached a completed *Form 4 of Schedule 7*; and
- (d) have attached an auditor's report in accordance with *clause 10.4*; and
- (e) have attached a certificate of compliance (*Form 9 of Schedule 7*) signed by two directors of Vector attesting to Vector's compliance with the terms of this authorisation.

9.2 *Clauses 10.4, 10.5 and 10.6* apply in respect of the commencement period compliance statement as if it were an annual compliance statement.

## 10 Annual Compliance Statement

### 10.1 Reporting requirement

10.1.1 Vector must provide an annual compliance statement to the Commission by 1 May 2009 and by each 1 May during the remainder of the control period.

10.1.2 An annual compliance statement must:

- (a) demonstrate compliance with *clause 6* in relation to prices for the forthcoming pricing year; and
- (b) have attached the following completed forms in respect of the forthcoming pricing year:
  - (i) *Form 3 of Schedule 7* (Pricing Compliance); and
  - (ii) *Form 5 of Schedule 7* (Pass-through Costs); and
- (c) have attached the following completed forms in respect of the preceding financial year:
  - (i) *Form 6 of Schedule 7* (New Services);
  - (ii) *Form 7 of Schedule 7* (Excluded Services);
  - (iii) *Form 8 of Schedule 7* (Quality Performance); and
- (d) include any other relevant information necessary to support the pricing for the forthcoming pricing year and its compliance with the weighted average price cap and the pricing principles; and
- (e) have attached an auditor's report in accordance with *clause 10.4*; and
- (f) have attached a certificate of compliance (*Form 9 of Schedule 7*) signed by two directors of Vector attesting to Vector's compliance with the terms of this authorisation.

10.1.3 The form referred to in *clause 10.1.2(c)(iii)* is not required to be attached to the annual compliance statement due by 1 May 2009.

### 10.2 Pass-through costs

10.2.1 The amounts of pass-through costs included in allowed revenue are listed in *Schedule 1*. Where the amount of a pass-through cost has become certain, for example by Vector receiving an invoice or notice, the amount payable must be included in the annual compliance statement in *Form 5 of Schedule 7*. The form must indicate for each amount that has become certain whether the amount has been submitted in a previous annual compliance statement. For the amounts that

have not been previously submitted the form must indicate whether Vector wishes to recognise the difference between the allowed and the actual pass-through costs in the formula in *clause 6.2.2* or by directly invoicing customers in accordance with *clause 6.4.2*.

- 10.2.2 If any pass-through cost difference is to be invoiced directly to Vector's customers, the total amount to be invoiced must be allocated between customers. The allocation approach and calculation must be included in the annual compliance statement.

### **10.3 Reporting of quality performance**

- 10.3.1 Detailed explanations of the reasons for instances of quality performance not meeting the thresholds in *Schedule 5* must be provided by Vector as part of the annual compliance statement.
- 10.3.2 *Clause 10.3.1* does not apply in respect of the compliance statement due by 1 May 2009.

### **10.4 Audit of annual compliance statement**

- 10.4.1 An annual compliance statement must be accompanied by an audit report in the form of *Form 10 of Schedule 7* completed by an auditor.
- 10.4.2 The auditor must give a qualified audit report or disclaimer if the auditor is unable to obtain reasonable assurance in accordance with the New Zealand Auditing Standards issued by the New Zealand Institute of Chartered Accountants that the information in the annual compliance certificate complies with this authorisation.
- 10.4.3 If an auditor's report given for the purposes of this clause is qualified in any respect, the report must state the full reasons for the qualification. Lack of technical knowledge is not an acceptable reason for a qualified audit report.

### **10.5 Breaches of this authorisation**

An annual compliance statement must -

- (a) confirm that there has been no breach of any of the provisions of this authorisation (other than a breach that has been disclosed in a previous compliance statement in accordance with paragraph (b)); or
- (b) in the event of a breach, state that a breach has occurred and provide full details of the breach, including:
  - (i) the date, nature and extent of the breach;
  - (ii) actions taken to control or mitigate the breach;
  - (iii) actions taken or proposed to be taken to prevent a recurrence of the breach; and
  - (iv) the date by which Vector expects to comply fully with the obligation that has been breached.

### **10.6 Public disclosure of the annual compliance statement**

Vector must submit a public version of the annual compliance statement to the Commission within 10 working days of the submission of the full version, together with an explanation relating to any information sought to be omitted from public disclosure. Any information omitted from the public version must be indicated in square brackets in the public version. The public version must be publicly disclosed within 5 working days of the Commission's approval of the public version.

### **11 Amendments to this authorisation**

The Commission may amend this authorisation from time to time in accordance with section 70F of the Act (as continued in force by section 55G of the Act).

### **12 Reasons for this authorisation**

The Commission's reasons for making this authorisation are—

- (a) the Order declares that the controlled services are controlled on and from 25 August 2005; and
- (b) the Commission authorised the supply of controlled services in the provisional authorisation under section 71 of the Act; and
- (c) a provisional authorisation has effect pending the making of a final authorisation under section 70 of the Act (as continued in force by section 55G of the Act); and
- (d) since making the provisional authorisation, the Commission has engaged in a detailed process of consultation with affected parties, including Vector regarding the terms of this authorisation, and has obtained sufficient information to make a final authorisation; and
- (e) the Commission considers that it is appropriate to make a final authorisation, and that this should supersede the provisional authorisation; and
- (f) the Commission has not obtained or accepted an undertaking under section 72 of the Act (as so continued), and
- (g) the Commission considers that the terms in *clauses 6 to 10* strike an appropriate balance in respect of the interests of all those affected by this authorisation.

A Decisions Paper providing detailed background to, and analysis of, this authorisation, has been issued together with this authorisation, and can be found at:

<http://www.comcom.govt.nz/IndustryRegulation/Gas/CommissionReportsandDocuments/Authorisation.aspx>

**SCHEDULES**

- Schedule 1 Compliance Parameters
- Schedule 2 Pricing in the years until the Commencement Date
- Schedule 3 Pricing Principles and Methodological Requirements
- Schedule 4 Template for the Pricing Methodology Report
- Schedule 5 List of Quality Performance Indicators and Thresholds
- Schedule 6 Quality Performance Reporting
- Schedule 7 Schedule of Forms
  - Form 1 Form of Director's Certificate of Compliance for Pricing Methodology Report
  - Form 2 Form of Auditor's Report for the Cost of Supply Model
  - Form 3 Annual Compliance Statement: Pricing Compliance
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  - Form 10 Form of Auditor's Report for Annual Compliance Statement

**SCHEDULE 1  
COMPLIANCE PARAMETERS**

*Clause 6.2*

Description	Amount
Annualised 2009 revenue (R <sub>2009</sub> )	\$42,721,589
X amount	0%

Pass-through cost allowances	2008	2009	2010	2011	2012
Local Authority Rates	476	489	500	510	521
Levy under the Commerce (Levy for Control of Natural Gas Services) Regulations 2005	963	252	300	300	300
Electricity and Gas Complaints Commissioner Scheme membership levy	13	14	14	15	15
Levies under section 53ZE (as continued in force by section 55G)	0	0	0	0	0
Levies (if any) under the Gas Act 1992	0	0	0	0	0
Audit fees payable for reports in Form 2 or 10 of Schedule 7 provided to the Commission	0	0	0	0	0
<b>Total</b>	<b>1,452</b>	<b>755</b>	<b>814</b>	<b>825</b>	<b>836</b>

**SCHEDULE 2  
PRICING UNTIL THE COMMENCEMENT DATE**

*Clause 6.1*

The amounts referred to in *clause 6.1* are as follows:

Period	Amount
25 August 2005 to 30 June 2006*	32,826,953
1 July 2006 to 30 June 2007	38,967,710
1 July 2007 to 30 June 2008	43,649,689
1 July 2008 to the commencement date*	22,782,894

\*this is the amount for a part-year



**SCHEDULE 3** *Clause 7*  
**PRICING PRINCIPLES AND METHODOLOGICAL REQUIREMENTS**

**Part 1: Pricing Principles**

- |  |
|--|
| <p>1) Prices are to signal the economic costs of service provision, by:</p> <ul style="list-style-type: none"><li>a) being subsidy free (equal to or greater than incremental costs, and less than or equal to stand alone costs);</li><li>b) having regard, to the extent practicable, to the level of available service capacity; and</li><li>c) signalling, to the extent practicable, the impact of additional usage on future investment costs.</li></ul> |
| <p>2) Where prices based on 'efficient' incremental costs would under-recover allowed revenues, the shortfall should be made up by setting prices in a manner that has regard to consumers' demand responsiveness, to the extent practicable.</p>  |
| <p>3) Provided that prices satisfy (1) above, prices should be responsive to the requirements and circumstances of users in order to:</p> <ul style="list-style-type: none"><li>a) discourage uneconomic bypass, and</li><li>b) allow negotiation to better reflect the economic value of specific services.</li></ul>   |
| <p>4) Development of prices should promote price stability and certainty for customers, and changes to prices should have regard to the impact on customers.</p>   |

## **Part 2: Methodological Requirements**

1) Prices are to be consistent with the terms of this authorisation, including any price limits or side constraints that may be set by the Commission.
2) Prices should be based on a well-defined and clearly explained methodology.
3) Price development should incorporate, to the extent practicable, an analysis of the cost of service provision that includes: <ul style="list-style-type: none"> <li>a) definition of the classes of service provided and the parameters by which the quality of service in each class are measured;</li> <li>b) an examination of the cost elements that arise from the use, operation and expansion of the network;</li> <li>c) identification of the relationship between the quality of service provided and the level of current and future cost for each class of service;</li> <li>d) an allocation of existing and future network costs to service classes, and an explanation of the cost allocation methodology used;</li> <li>e) the translation of allocated costs into service prices at the defined level of quality of service;</li> <li>f) analysis of the extent to which costs are marginal, and whether the associated price components in the tariff structure reflect those marginal costs; and</li> <li>g) estimates of the range of subsidy-free prices for each service class.</li> </ul>
4) Information relating to standard customers on customer class price levels and structures, quality of service standards, underlying costs, price derivation methods and rationale, and medium term price and quality of service strategies should be publicly disclosed in order to allow current and potential users to understand the basis for prices, and to take account of prices and quality of service standards in their consumption, investment and location decisions.
5) Underlying service classifications, cost data, cost allocations and other elements that contribute to pricing decisions should be periodically reviewed and updated where relevant to reflect industry developments and changes in user requirements and preferences, methods of service provision and costs.

**SCHEDULE 4***Clause 7.3.2***TEMPLATE FOR THE PRICING METHODOLOGY REPORT**

<b>Section 1 Overview</b>
<ul style="list-style-type: none"> <li>▪ Description of regulatory requirements.</li> <li>▪ Description of business' price setting policy framework, including the outcomes sought by the business from its pricing policy.</li> <li>▪ Summary of overall pricing strategy for the control period (to 1 July 2012).</li> </ul>
<b>Section 2 Pricing Methodology</b>
<ul style="list-style-type: none"> <li>▪ Description of pricing methodology for controlled services.</li> <li>▪ Description of the development of the pricing methodology for controlled services, including, but not limited to: <ul style="list-style-type: none"> <li>– an explanation of how the cost of supply model operates;</li> <li>– definition of the classes of service provided and the parameters by which the quality of service in each class are measured;</li> <li>– identification of the relationship between the quality of service provided and the level of current and future cost for each class of service;</li> <li>– explanation of the cost allocation methodology used to allocate existing and future network costs to service classes;</li> <li>– analysis of the extent to which costs are marginal, and whether the associated price components in the tariff structure reflect those marginal costs;</li> <li>– description of the methodology to estimate the range of subsidy-free prices for each service class; and</li> <li>– demonstration of compliance with the pricing principles.</li> </ul> </li> </ul>
<b>Section 3 Impact of Applying the Proposed Pricing Methodology</b>
<ul style="list-style-type: none"> <li>▪ Tariff reform and/or restructuring required, including an explanation for why it is necessary.</li> <li>▪ Extent to which rebalancing of prices (if any) between service classes is required, including an explanation for why it is necessary.</li> <li>▪ Discussion of the approach to implementing rebalancing over the control period and justification for taking this approach.</li> <li>▪ Proposed tariffs for 2009-2010 pricing year.</li> <li>▪ Comparison of proposed prices per service class for 2009-2010 pricing year with prices per service class in 2008-2009 pricing year.</li> <li>▪ Estimates of subsidy-free prices for all service classes.</li> <li>▪ Schedule setting out a reconciliation of how the proposed 2009-2010 pricing year's pricing schedule has been derived from the overall revenue requirement through the application of the methodology.</li> </ul>

#### **Section 4 Medium Term Pricing Strategy**

- Expected tariff reform and/or restructuring for the remainder of the control period.
- Expected price movements for each service class in each remaining year of the control period.
- Any further rebalancing that is required to complete the rebalancing between service classes as discussed in Section 3 of this Report.
- Excluded Services:
  - definition of excluded services and charges for 2009-2010; and
  - medium term price strategy for excluded services.
- Description of the proposed framework for periodically reviewing underlying service classifications, cost data, cost allocations and other elements that contribute to pricing decisions.
- Discussion of any expected further pricing development in future years of the Authorisation that may lead to changes in the Pricing Methodology Report.

#### **Attachments to be provided with the Pricing Methodology Report - Public Disclosure**

- Director's certificate of compliance of the:
  - pricing methodology with the pricing principles and methodological requirements; and
  - the Pricing Methodology Report with the requirements set out in the Template for Pricing Methodology Report.
- Auditor's report for cost of supply model.

**SCHEDULE 5 – LIST OF QUALITY PERFORMANCE INDICATORS AND THRESHOLD**      *Clauses 8, 10.3*

<b>Reliability – Indicator</b>	<b>Applicable Measure</b>	<b>Calculation</b>	<b>Disag-gregate</b>	<b>Thres-hold</b>	<b>Threshold Level</b>
SAIDI – unplanned, excl. transmission faults	System Average Interruption Duration Index. The sum of the duration of each unplanned interruption (in customer minutes) attributable solely to distribution divided by the average total number of distribution customers.	$[(\text{Sum of (unplanned interruption durations)} - \text{Sum of (unplanned interruption durations caused by transmission faults)}) / \text{average total customer numbers}] \times 1000$	Yes	Yes	121
SAIFI – unplanned, excl. transmission faults	System Average Interruption Frequency Index. The total number of unplanned interruptions attributable solely to distribution divided by the total number of distribution customers.	$[\text{Sum of (no of customers affected by each unplanned interruption not caused by transmission faults)} / \text{average total customer numbers}] \times 1000$	Yes	Yes	4.4
CAIDI – unplanned, excl. transmission faults	Customer Average Interruption Duration Index. The sum of the duration of each unplanned (excl transmission) interruption, divided by the total number of unplanned (excl transmission) interruptions.	SAIDI - unplanned, excl transmission faults/SAIFI - unplanned, excl transmission faults	Yes	No	
SAIDI – planned	The sum of the duration of each planned interruption (in customer minutes) divided by the average total customer numbers.	$\text{Sum of (planned interruption durations)} / \text{average total customer numbers}$	Yes	No	
SAIFI – planned	The total number of planned interruptions (in customer minutes) divided by the average total customer numbers.	$\text{Sum of (number of planned interruptions)} / \text{average total customer numbers}$	Yes	No	
Outage Events	Number of unplanned interruptions which affect more than five customers.	Number of Outage events	Yes	No	
Outage Events caused by Third Party damage	Number of unplanned interruptions which affect more than five customers, which has been caused by third party damage.	Number of Outage events caused by Third Party Damage	Yes	No	

<b>System Condition &amp; Integrity – Indicator</b>	<b>Applicable Measure</b>	<b>Calculation</b>	<b>Disaggregated</b>	<b>Threshold Level</b>
Third Party Damage Events	Number of occurrences of where damage causing interruptions has been caused by third parties on the distributor's network (both mains and services).	Number of third party damage events/total length of pipeline	Yes	No
Leaks	Number of leaks detected by survey carried out by the distributor.	Number of leaks detected by routine survey / total length of pipeline surveyed	Yes	No
Public Reported Escapes (PRE)	Number of confirmed public reported escapes of gas on the network.	Number of confirmed public reported escapes of gas / total length of pipeline [kms] * 1000	Yes	219.6
Poor pressure due to network causes	Number of unplanned incidents where delivery pressure drops below target levels within a pressure system.	Number of poor pressure events	Yes	No
Unaccounted for Gas	Ratio of the volume of unaccounted for gas to total gas delivered to entry points.	Unaccounted for gas/total gas input at entry points	Yes	No
<b>Customer Service – Indicator</b>	<b>Applicable Measure</b>	<b>Calculation</b>	<b>Disaggregated</b>	<b>Threshold Level</b>
Responses to Emergency	Proportion of emergencies responded to within one hour.	Number responded to within one hour / total number of emergencies.	Yes	95% responded to within an one hour
Answering Telephone calls	Answering telephone calls at the business/ call centre.	Telephone calls to the emergency number will be answered by an individual within 30 seconds	No	No
Complaints	Number of complaints received.	Number of complaints / average total customer numbers	No	No

**SCHEDULE 6**  
**QUALITY PERFORMANCE REPORTING**

*Clause 8*

Indicator	Description	Guidance/Instruction
<b>Leaks Detected by Routine Survey</b>	Number of leaks detected on system by routine network survey / length of mains surveyed.	Record consistent with GANZ methodology. Vector must initially inform the Commission of the definition and methodology for reporting this term and then inform the Commission of any changes to the methodology and definition.
<b>Average Total Customer Numbers</b>	The average of customer numbers measured at the start of the reporting year and at end of the reporting year.	
<b>CIV</b>	Customer Isolation Value.	
<b>Complaints</b>	Any separate complaint received from either a retailer or customer.	
<b>Confirmed Public Reported Escapes of Gas</b>	Any escape of gas confirmed by the business excluding third party damage events, routine survey find and no traces events.	Record consistent with GANZ methodology. Vector must initially inform the Commission of the definition and methodology for reporting this term and then inform the Commission of any changes to the methodology and definition.
<b>Customer</b>	A connection point assigned a unique ICP number or agreed point of supply.	
<b>Emergency</b>	Can be one of the following events: an unplanned escape and/or ignition of gas that requires the active involvement of any emergencies service (i.e, fire service, ambulance); or an unplanned disruption in the supply of gas that affects more than 5 customers; or the need to evacuate premises as the result of escape or ignition of gas.	
<b>Emergency Response Time</b>	The response time is defined as the time elapsed from when an emergency is reported to a Vector representative until Vector's personnel arrives at the location of the emergency.	Recorded in minutes.
<b>Interruption</b>	A loss of gas supply upstream at the Customer Isolation Value (CIV) to a customer.	Except for momentary interruptions of less than a minute, Vector must record all instances when gas supply has been lost. Reporting should only apply to loss of the gas supply at the customer isolation valve.
<b>Interruption Duration</b>	The time difference between the start time of the initial interruption and the interruption end time.	Interruption duration must be recorded in minutes. Rounding up to the nearest minute is permitted. Vector must notify Commission of any instance where they

Indicator	Description	Guidance / Instruction
		have approximated the interruption duration.
<b>Interruption End Time</b>	The time at which the supply of gas is restored to the customer's isolation valve.	
<b>Interruption Start Time</b>	The interruption start time is the earlier of the date and time at which: the CIV is closed by Vector; plant is isolated by Vector; or the time and date initially logged by the call centre following calls received to the Emergency Services number in respect of multiple losses of supply arising from a single cause; or Vector is advised of loss of supply by a retailer.	
<b>Mains</b>	Mains are the network of pipes that transport gas from the bulk supply transmission system to the service.	
<b>Outage Event</b>	Any unplanned interruption that affects more than five customers.	Vector must record the following details for each event:- date, regional network name, number of connections affected, average duration, whether caused by third party interference damage.
<b>Planned Interruptions</b>	Any interruptions that have been planned by Vector and notified to the end-customer.	Planned interruptions occur when a distributor needs to disconnect supply either for its own reasons (i.e., to undertake maintenance or construction work) or on the initiative of another party (i.e. customer, local council, other utilities providers). Vector must give customers at least 10 business days' notice for all planned interruptions.
<b>Poor Pressure Events</b>	Number of confirmed unplanned incidents where delivery pressure drops below target levels within a pressure system. Incidents caused by low gate station pressure should be excluded, but third party damage events to the network should be included.	Record consistent with GANZ methodology. Vector must initially inform the Commission of the definition and methodology for reporting this term and then inform the Commission of any changes to the methodology and definition.
<b>Reporting Year</b>	Is the businesses' financial year (year end 30 June).	
<b>Services</b>	Services are the pipes used for the transport of gas from the main to the customer.	
<b>Third Party Damage Event</b>	An Interruption resulting from third party damage to the network.	Third party damage excludes damage caused by related parties or contractors in the service of Vector.
<b>Total Gas Input at Entry Points</b>	Quantity of gas entering the system or systems during the reporting year.	Recorded in GJ as recorded by metering system.
<b>Total Length of Pipeline</b>	Total pipeline operated by Vector.	Measured in kms. Includes services pipeline.



Indicator	Description	Guidance / Instruction
<b>Total Length of Pipeline Surveyed</b>	Length of system (mains and services) surveyed.	Record consistent with GANZ methodology. Vector must initially inform the Commission of the definition and methodology for reporting this term and then inform the Commission of any changes to the methodology and definition.
<b>Transmission Fault</b>	An occurrence of insufficient system capability to provide the required quantity of gas to a supply point due to a failure on the transmission network.	
<b>Unaccounted for Gas (UFG)</b>	Total gas measured at transmission input stations minus all quantity of gas delivered.	Record in GJs. UFG is the quantity of gas that has flowed into the network that has not be accounted for by deliveries or by any other known disposition of gas during the reporting year.
<b>Unplanned Interruptions</b>	Any interruption that was not planned.	

**SCHEDULE 7**

**SCHEDULE OF FORMS**

**Form 1**

*Clause 7.3.3*

**Form of Directors' Certificate of Compliance for Pricing Methodology Report**

**Directors' Certificate of Compliance  
Pricing Methodology Report**

We, \_\_\_\_\_ and \_\_\_\_\_, being directors of Vector Limited, certify that, having made all reasonable enquiry, to the best of our knowledge and belief, the attached Pricing Methodology Report and related information submitted this [1 May 2009] prepared for the purposes of the Commerce Act (Vector Natural Gas Services) Authorisation 2008 complies with the requirements of that Authorisation.

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

Form 2

Clause 7.3.3

**Form of Auditor's Report for the Cost of Supply Model****Special Purpose Audit Report****To the Commissioners of the Commerce Commission**

[I/we] have examined the Cost of Supply Model which is attached to the Pricing Methodology Report submitted by Vector Limited ('Vector') pursuant to the Commerce Act (Vector Natural Gas Services) Authorisation 2008 ('Authorisation').

The Cost of Supply Model is spreadsheet-based and meets the requirements set out in *clause 7.3.4* of the Authorisation.

[My/our] special purpose audit was performed solely to provide a report on the Cost of Supply Model in accordance with the requirements of *clause 7.3.3* of the Authorisation.

**Director's Responsibilities**

The directors of Vector are responsible for the preparation and certification of the Cost of Supply Model in accordance with the Authorisation.

**Auditor's Responsibilities**

It is [my/our] responsibility to express an independent opinion on the Cost of Supply Model provided by the directors and report [my/our] opinion to you.

**Basis of Opinion**

[My/our] special purpose audit included examining, on a test basis, evidence relevant to the amounts, input cells, spreadsheet formulae, calculations and disclosures in the Cost of Supply Model. It also included assessment of:

- the controls operating to ensure the completeness and accuracy of information produced by the Cost of Supply Model;
- the significant estimates and judgments made by the directors in the preparation of the Cost of Supply Model;
- whether the Cost of Supply Model has been developed in accordance with the pricing principles and methodological requirements listed in Schedule 3 of the Authorisation; and
- whether there are any material errors in the model, the materiality limit being 1% of the allowable notional revenue as calculated in accordance with *clause 6.2.2* of the Authorisation.

[I/we] conducted [my/our] audit in accordance with the auditing standards of the New Zealand Institute of Chartered Accountants. [I/we] planned and performed [my/our] audit so as to obtain all the information and explanations which [I/we]

considered necessary. [I/we] obtained sufficient evidence to give reasonable assurance that the Cost of Supply Model is free from material misstatements, whether caused by fraud or error. In forming [my/our] opinion [I/we] also evaluated the overall adequacy of the information and assumptions presented in the Cost of Supply Model and the internal controls exercised by the directors to maintain the integrity of the model.

Other than in [my/our] capacity as auditor [I/we] have no relationship with or interests in Vector.

### **Opinion**

[I/we] have obtained all the information and explanations [I/we] have required.

In [my/our] opinion:

- proper records and effective internal controls have been maintained by Vector to ensure the integrity of the Cost of Supply Model;
- where relevant the information contained in the Cost of Supply Model has been properly extracted from the accounting records, prepared in accordance with generally accepted accounting practice;
- the Cost of Supply Model satisfies the requirements set out in *clause 7.3.4* of the Authorisation;
- based on the results of our testing there are no material errors in the Cost of Supply Model

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

[Signature of auditor]

[Name of auditor]

[Name of auditing firm]

[Address of auditing firm]



Form 4

Clause 9.1(c)

**Vector Commencement Period Compliance Statement: Pricing Compliance**

**1. Summary Pricing Compliance Information**

Definition	Variable	Amount
Current Year Notional Revenue	$\Sigma P_{ij} Q_{ij.ref}$	
<i>Compliance with Pricing Terms met?</i>		Yes/No

**2. Price and Quantity Information**

**2.1 Distribution - Standard Services**

Load Group	Commencement Period				
	Price		Reference Quantity		Revenue
	Fixed (\$/day)	Variable (\$/GJ)	Ave No of ICPs	Volume (GJ)	
<b>TOTAL</b>					

**2.2 Distribution - Non-Standard Services**

ICP	Commencement Period				
	Price		Reference Quantity		Revenue
	Fixed (\$/day)	Variable (\$/GJ)	No of days	Volume (GJ)	
<b>TOTAL</b>					

Form 5

Clause 10.1.2, 10.2

**Vector Annual Compliance Statement****Pass-through Costs Report for the Reporting Period from 1 July \_\_\_\_\_ to 30 June \_\_\_\_\_**

The column headings below indicating years refer to the years ending 30 June for which a pass through cost allowance was made in the Authorisation and for which actual costs have become certain such that a difference in pass through costs can be established.

	2008	2009	2010	2011	2012
<b>Local Authority Rates</b>					
Allowance in Authorisation	476,000	489,000	500,000	510,000	521,000
Actual amount	_____				
Increase (decrease) from allowance	_____				
Previously claimed (Y/N?)	_____				
Difference claimed in this application	_____				
<b>Levy under the Commerce (Levy for Control of Natural Gas Services) Regulations 2005</b>					
Allowance in Authorisation	962,500	251,500	300,000	300,000	300,000
Actual amount	_____				
Increase (decrease) from allowance	_____				
Previously claimed (Y/N?)	_____				
Difference claimed in this application	_____				
<b>Electricity and Gas Complaints Commissioner Scheme membership levy</b>					
Allowance in Authorisation	13,180	14,130	14,452	14,800	15,161
Actual amount	_____				
Increase (decrease) from allowance	_____				
Previously claimed (Y/N?)	_____				
Difference claimed in this application	_____				
<b>Levies under section 53ZE of the Commerce Act 1986 (as continued in force by section 55G of that Act)</b>					
Allowance in Authorisation	_____				
Actual amount	_____				
Increase (decrease) from allowance	_____				
Previously claimed (Y/N?)	_____				
Difference claimed in this application	_____				
<b>Levies (if any) under the Gas Act 1992</b>					
Allowance in Authorisation	_____				
Actual amount	_____				
Increase (decrease) from allowance	_____				
Previously claimed (Y/N?)	_____				
Difference claimed in this application	_____				
<b>Audit fees for issuing reports in Forms 2 and 10 of Schedule 7 of the Authorisation</b>					
Allowance in Authorisation	_____				
Actual amount	_____				
Increase (decrease) from allowance	_____				
Previously claimed (Y/N?)	_____				
Difference claimed in this application	_____				
<b>Total difference claimed</b> (before allowing for return)	_____				
Regulated rate of return	_____				
<b>Total difference claimed</b> (after allowing for the time cost of money at the regulated rate of return)	_____				
Total difference claimed	<input type="text"/>				
Amount proposed to be directly invoiced	<input type="text"/>				
Amount to be used in weighted average price cap	<input type="text"/>				





**Form 7***Clause 10.1.2 (c)***Vector Annual Compliance Statement: Excluded Services**

For the Reporting Period 1 July \_\_\_\_ to 30 June \_\_\_\_

**1. Excluded Services**

<b>Excluded Services</b>	<b>Revenue (\$ '000)</b>
Disconnection services	
Reconnection services	
Decommission services	
Gas connection services for new services	
Excluded non-standard distribution services	
<b>TOTAL</b>	

**Form 8***Clauses 8 and 10.1.2 (c)***Vector Annual Compliance Statement: Quality Performance**

For the Reporting Period 1 July \_\_\_\_ to 30 June \_\_\_\_

**1 System Reliability**

<b>Indicator</b>	<b>Calculation</b>	<b>Threshold</b>	<b>Value</b>
<b>SAIDI - unplanned, excluding transmission faults</b>	[(Sum of (unplanned interruption durations) - Sum of (unplanned interruption durations caused by transmission faults))/ average total customer numbers] x1000	195	
<b>SAIFI - unplanned, excluding transmission faults</b>	[Sum of (no of customers affected by each unplanned interruption not caused by transmission faults)/ average total customer numbers] x 1000	3.9	
<b>CAIDI - unplanned, excluding transmission faults</b>	SAIDI - unplanned, excl transmission faults/SAIFI - unplanned, excl transmission faults	Not applicable	
<b>SAIDI planned</b>	Sum of (planned interruption durations)/ average total customer numbers	Not applicable	
<b>SAIFI planned</b>	Sum of (number of planned interruptions) / average total customer numbers	Not applicable	
<b>Outage Events</b>	Number of Outage events	Not applicable	
<b>Outage Events caused by third party damage</b>	Number of Outage events caused by Third Party Damage	Not applicable	

## 2 System Condition and Integrity

Indicator	Calculation	Threshold	Value
<b>Third Party Damage Events</b>	Number of third party damage events/total length of pipeline	Not applicable	
<b>Leaks</b>	Number of leaks detected by routine survey / total length of pipeline surveyed	Not applicable	
<b>Public Reported Escapes (PRE)</b>	Number of confirmed public reported escapes of gas / total length of pipeline [kms] * 1000	219.6	
<b>Poor pressure due to network causes</b>	Number of poor pressure events	Not applicable	
<b>Unaccounted for Gas</b>	Unaccounted for gas/total gas input at entry points	Not applicable	

## 3 Customer Service

Indicator	Calculation	Threshold	Value
<b>Responses to Emergency</b>	Sum of (emergency response time) / total number of emergencies	95% of emergency should be responded to within an average of 60 minutes	
<b>Answering Telephone calls</b>	Telephone calls to the emergency number will be answered by an individual within 30 seconds		
<b>Complaints</b>	Number of complaints / average total customer numbers	Not applicable	

**Form 9***Clause 10.1.2 (f)***Form of Directors' Certificate for Annual Compliance Statement****Directors' Certificate for the Annual Compliance Statement  
For the period \_\_\_\_\_ to \_\_\_\_\_**

We, \_\_\_\_\_ and \_\_\_\_\_, being directors of Vector Limited, certify that, having made all reasonable enquiry, to the best of our knowledge and belief, the attached Annual Compliance Statement, and related information, prepared for the purposes of the Commerce Act (Vector Natural Gas Services) Authorisation 2008 complies with the requirements of that authorisation.

\_\_\_\_\_  
Director\_\_\_\_\_  
Director\_\_\_\_\_  
Date\_\_\_\_\_  
Date

**Form 10***Clause 10.4***Form of Auditor's Report for Annual Compliance Statement****Special Purpose Audit Report****To the Commissioners of the Commerce Commission**

[*I/we*] have examined the Annual Compliance Statement dated [*insert date*] prepared by the directors of Vector Limited ('Vector') pursuant to the Commerce Act (Vector Natural Gas Services) Authorisation 2008 ('Authorisation'). The Annual Compliance Statement is required to meet the requirements set out in *clause 10.1* of the Authorisation.

[*My/our*] special purpose audit was performed solely to provide a report in accordance with the requirements of *clause 10.4* of the Authorisation.

**Directors' responsibilities**

The directors of Vector are responsible for the preparation and certification of the Annual Compliance Statement in accordance with the Authorisation.

**Auditor's responsibilities**

It is [*my/our*] responsibility to express an independent opinion on the Annual Compliance Statement provided by the directors and report [*my/our*] opinion to you.

**Basis of Opinion**

[*My/our*] special purpose audit included examining, on a test basis, evidence relevant to the amounts and disclosures in the Annual Compliance Statement. It also included assessing:

- the significant estimates and judgments made by the directors in the preparation of the Annual Compliance Statement; and
- whether the information reported has been prepared in accordance with the terms of the Authorisation.

[*I/we*] conducted [*my/our*] audit in accordance with New Zealand Auditing Standards issued by the New Zealand Institute of Chartered Accountants. [*I/we*] planned and performed [*my/our*] audit so as to obtain all the information and explanations which [*I/we*] considered necessary. [*I/we*] obtained sufficient evidence to give reasonable assurance that the Annual Compliance Statement is free from material misstatements, whether caused by fraud or error. In forming [*my/our*] opinion [*I/we*] also evaluated the overall adequacy of the information presented and assumptions made in the reports provided.

Other than in *[my/our]* capacity as auditor *[I/we]* have no relationship with or interests in Vector.

### Opinion

*[I/we]* have obtained all the information and explanations *[I/we]* have required.

In *[my/our]* opinion:

- proper records have been maintained by Vector to enable the preparation of the Annual Compliance Statement by the directors;
- the Annual Compliance Statement includes amounts and other information properly extracted from the accounting records of Vector prepared, where relevant, in accordance with generally accepted accounting practice;
- the Annual Compliance Statement complies by providing the information as required by *clause 10.1* of the Authorisation; and
- the information in the Annual Compliance Statement overall has been adequately and properly presented.

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

*[Signature of auditor]*

*[Name of auditor]*

*[Name of auditing firm]*

*[Address of auditing firm].*

Dated at Wellington this 30th day of October 2008.

A handwritten signature in black ink, appearing to read 'Paul Rebstock', written in a cursive style.

P R Rebstock

CHAIR,  
COMMERCE COMMISSION

