

26 February 2021

To: Chorus Limited
Level 10 Aon Centre
1 Willis Street
Wellington 6011

Attention: Julian Kersey
Head of Regulatory and Policy Affairs

Notice to supply information to the Commerce Commission under section 221 of the Telecommunications Act 2001 - Requirements for initial PQ regulatory asset base (initial PQ RAB) (core fibre assets and financial loss asset)

Background

1. From 31 December 2021, Chorus Limited (**Chorus**) will be subject to price-quality regulation under Part 6 of the Telecommunications Act 2001 (**Act**) in respect of the services specified in Regulation 6 of the Telecommunications (Regulated Fibre Service Providers) Regulations 2019. The Commerce Commission (**Commission**) must, after the date on which the relevant input methodologies (**IMs**) are determined but before the implementation date (1 January 2022), make a determination under s 170 specifying how price-quality regulation applies to Chorus during the first regulatory period (1 January 2022 until 31 December 2024, that we refer to as PQP1).¹

Purpose of this notice

2. The information sought in this request is necessary to enable the Commission to carry out its functions and exercise its powers under ss 194 and 195 of the Act to determine Chorus' price-quality path, and to apply the relevant IMs in doing so (as required by s 175 of the Act).
3. One of the key requirements of the price-quality path is the maximum revenues that the Commission must determine, specified in the IMs as allowable revenue.² As set out in the Commission's process and approach paper, *Fibre information disclosure and price quality regulation: Proposed process and approach for the first regulatory period (approach paper)*, our preferred approach is to determine allowable revenue using a building blocks model.³

¹ Telecommunications Act 2001, s 172(1)(a).

² Commerce Commission *Fibre Input Methodologies (initial value of financial loss asset) Amendment Determination 2020* [2020] NZCC 24 (3 November 2020), clause 3.1.1 of Attachment B.

³ Commerce Commission "Fibre information disclosure and price-quality regulation – Proposed process and approach for the first regulatory period" (15 September 2020), paras 5.7-5.22.

4. The building blocks approach requires establishment of the initial price-quality regulatory asset base (**initial PQ RAB**), which is comprised of the core fibre assets and the financial loss asset. Consistent with the approach outlined in the asset valuation IM and in our approach paper⁴, the initial PQ RAB will be established using historical data for the period 1 December 2011 to 30 June 2020, forecasts for the period 1 July 2020 to 31 December 2021, and forecasts of core fibre assets that will be employed in the provision of PQ FFLAS⁵ as of 1 January 2022.
5. To determine the initial PQ RAB consistently with the asset valuation, cost allocation, cost of capital, and the taxation IMs,⁶ and to ensure that this decision best gives (or is likely to best give) effect to the purpose of Part 6 and, where relevant, to the promotion of workable competition in telecommunications markets for the long-term benefit of end-users of telecommunications services, as required under s 166(2) of the Act, we must evaluate the initial PQ RAB information that Chorus provides. This information will be an input into the Commission's provisional determination of the initial PQ RAB under clause 3.3.1(8) of the IMs.
6. We require the information specified in this notice to do so. As such, we require Chorus, under section 221 of the Act, to provide the information set out in Attachments A and B of this notice.

Timeframes for responding to this notice

7. Chorus must supply the information in respect of the 'first initial PQ RAB information request', as specified in Attachment A of this notice, by **5pm, 5 March 2021**.
8. Chorus must supply the information in respect of the 'second initial PQ RAB information request', as specified in Attachment B of this notice, by **5pm, 26 March 2021**.

Variations, extensions and exemptions

9. The Commission may, on Chorus' application, grant Chorus a variation to the information requirements set out in this notice to account for any practical limitations on Chorus' ability to provide the specified information by the specified time.
10. For the purposes of clause 9:
 - 10.1 if Chorus applies for a variation, its application must:
 - 10.1.1 be in writing;

⁴ Commerce Commission "Fibre information disclosure and price-quality regulation – Proposed process and approach for the first regulatory period" (15 September 2020), paras 5.107-5.140.

⁵ "PQ FFLAS" is defined under Commerce Commission *Fibre Input Methodologies (initial value of financial loss asset) Amendment Determination 2020 [2020] NZCC 24* (3 November 2020), clause 1.1.4(2) of Attachment B.

⁶ Commerce Commission *Fibre Input Methodologies (initial value of financial loss asset) Amendment Determination 2020 [2020] NZCC 24* (3 November 2020), clauses 3.2.1, 3.3.1(6)-(8), and Schedule B of Attachment B.

- 10.1.2 explain why Chorus considers that a variation to the information requirements is reasonably justified having regard to the circumstances; and
- 10.1.3 be made no later than 3 working days (in respect of information specified in Attachment A) or 10 working days (in respect of information specified in Attachment B) before the applicable time limit is due to expire; and
- 10.2 if the Commission decides to grant Chorus a variation, then:
 - 10.2.1 the approved form of the variation shall take effect by the Commission giving or posting written notice of the variation to Chorus; and
 - 10.2.2 the notice effecting the approved form of the variation must specify the reasons for the variation.
- 11. The Commission may, on Chorus' application, grant Chorus an extension to the timeframes set out in clauses 7-8 of this notice.
- 12. For the purposes of clause 11:
 - 12.1 if Chorus applies for an extension, its application must:
 - 12.1.1 explain why Chorus considers that an extension to the time limit is reasonably justified having regard to the circumstances; and
 - 12.1.2 be made no later than 3 working days (in respect of information specified in Attachment A) or 5 working days (in respect of information specified in Attachment B) before the applicable time limit is due to expire; and
 - 12.2 if the Commission decides to grant Chorus an extension, then:
 - 12.2.1 the approved form of the extension shall take effect by the Commission giving or posting written notice of the extension to Chorus;
 - 12.2.2 the notice effecting the approved form of the extension must specify the period of the extension and the reasons for the extension.
- 13. The Commission may, at any time, by way of written notice to Chorus:
 - 13.1 exempt Chorus from any obligation in this notice, on such terms and conditions as the Commission specifies in the notice; and
 - 13.2 amend or revoke any such exemption.

Means of responding to this notice

- 14. In accordance with the timeframes in clauses 7-8 and 17, Chorus must produce and provide the Commission with the information required by supplying the information to the Commission by uploading it to the Commission's box.com data room. Instructions for uploading the information to the box.com data room have been provided in the covering email to this notice.

15. Chorus must also notify the Commission when some or all of the information has been uploaded, by sending an email to regulation.branch@comcom.govt.nz (Attention: Manager, Fibre price-quality and information disclosure) with the subject line "Chorus – Response to section 221 Notice – Requirements for initial PQ RAB".
16. Narrative information is to be provided or published in searchable Adobe PDF format. Numerical information is to be provided or published in electronic form in an 'unlocked' MS Excel file format.

Use of supplied information and confidentiality

17. Where Chorus considers that any information it provides to the Commission in response to this notice is confidential or commercially sensitive, and that the Commission should not publish or publicly refer to any particular part of its response, Chorus must, in addition to the requirements in clauses 7-8, by **5pm, 9 April 2021**:
 - 17.1 provide that information in a separate appendix;
 - 17.2 provide both an unredacted version, and a redacted version with the confidential/commercially sensitive information removed;
 - 17.3 clearly mark the information as confidential or commercially sensitive (as applicable) in both the redacted and unredacted versions; and
 - 17.4 give clear reasons why Chorus considers that part of the response is confidential or commercially sensitive (as applicable), and why the Commission should not publish or publicly refer to it.
18. If Chorus indicates that we should not publish or publicly refer to part of its response, we will discuss with Chorus before deciding whether to do so.
19. Please note that all responses we receive, including any parts that we decide not to publish, can be requested from the Commission under the Official Information Act 1982. This means that if requested, we would be required to release material (whether published or not) unless good reason existed under the Official Information Act 1982 to withhold it. We would normally consult before releasing any material that Chorus has requested not be published.

Offences under section 103 of the Act

20. Sections 15(1)(l) and 15(4) of the Act provide that s 103 of the Commerce Act 1986 (**Commerce Act**) applies to notices made under s 221 of the Act.
21. Section 103 of the Commerce Act provides that no person shall:
 - 21.1 without reasonable excuse, refuse or fail to comply with a notice under [section 221 of the Act];
 - 21.2 in purported compliance with such a notice, furnish information, or produce a document, or give evidence, knowing it to be false or misleading; or
 - 21.3 attempt to deceive or knowingly mislead the Commission in relation to any matter before it.

22. It is an offence to contravene section 103 of the Commerce Act and any person who does so is liable on conviction to a fine not exceeding \$100,000 in the case of an individual or \$300,000 in any other case.

Dated at Wellington: 26 February 2021

Signed by:

A handwritten signature in black ink, appearing to read 'Tristan Gilbertson', followed by a period.

Tristan Gilbertson
Telecommunications Commissioner

Attachment A Information required for “first initial PQ RAB information request”

- A1 Under sections 221(1)(e) and (f) of the **Act**, and consistent with the **IM Determination**, **Chorus** must provide the information in this Attachment A.
- A2 **Chorus** must comply, where relevant, with the following parts of Attachment B of the **IM Determination** when responding to the requirements in this Attachment A:
- A2.1 Part 2 Subpart 2: Asset valuation;
 - A2.2 Part 3 Subpart 2: Cost allocation;
 - A2.3 Section 2 of Schedule B: Asset valuation;
 - A2.4 Section 3 of Schedule B: Cost allocation; and
 - A2.5 Section 4 of Schedule B: Taxation.

Interpretation

- A3 Unless the context otherwise requires:
- A3.1 a word which denotes the singular also denotes the plural and vice versa;
 - A3.2 unless stated otherwise, any reference to “includes” means “includes, but is not limited to”;
 - A3.3 in this Attachment A and Attachment B to this notice, words or phrases in bold type bear the following meanings:
 - A3.3.1 **Act** means the Telecommunications Act 2001;
 - A3.3.2 **allocator type** has the meaning set out in the **IM Determination**;
 - A3.3.3 **allocator value** has the meaning set out in the **IM Determination**;
 - A3.3.4 **AM** means Analysys Mason;
 - A3.3.5 **AM Opex Model** means the file named “BBM Opex Allocation v3.30” that contains values for **Chorus**;
 - A3.3.6 **asset allocator** has the meaning set out in the **IM Determination**;

- A3.3.7 **asset class** refers to a category of assets as referred to in Table A.1 of Schedule A of Attachment B of the **IM Determination**, to reflect **GAAP** depreciation categories;
- A3.3.8 **asset value** has the meaning set out in the **IM Determination**;
- A3.3.9 **auditor** means a person who-
- (a) is qualified for appointment as auditor of a company under the Companies Act 1993;
 - (b) is **independent**;
 - (c) has not assisted with the compilation of the information requested in:
 - (i) A4, A5.1, A5.3-A5.6 of Attachment A of this notice; and
 - (ii) B4-B9, B11-B42 of Attachment B of this notice; and
 - (d) has not provided opinions or advice (other than in relation to audit reports) on the methodologies or processes used or to be used in compiling the information requested in:
 - (i) A4, A5.1, A5.3-A5.6 of Attachment A of this notice; and
 - (ii) B4-B9, B11-B42 of Attachment B of this notice;
- A3.3.10 **capital contribution** has the meaning set out in the **IM Determination**;
- A3.3.11 **causal relationship** has the meaning set out in the **IM Determination**;
- A3.3.12 **Chorus** has the meaning set out in the **IM Determination**;
- A3.3.13 **closing cost allocator value** has the meaning specified in clause B1.1.2(4) of Schedule B of Attachment B of the **IM Determination**;
- A3.3.14 **Commission** has the meaning set out in the **IM Determination**;
- A3.3.15 **commissioned** has the meaning set out in the **IM Determination**;
- A3.3.16 **commissioning date** has the meaning set out in the **IM Determination**;
- A3.3.17 **core fibre asset** has the meaning set out in the **IM Determination**;

- A3.3.18 **cost allocator** has the meaning set out in the **IM Determination**;
- A3.3.19 **Crown financing** has the same meaning as defined in s 164 of the **Act**;
- A3.3.20 **directly attributable** has the meaning set out in the **IM Determination**;
- A3.3.21 **disposed asset** has the meaning set out in the **IM Determination**;
- A3.3.22 **draft AM Opex Model** means a version of the **AM Opex Model** populated with data as of 26 February 2021;
- A3.3.23 **draft IAV Model** means a version of the **IAV Model** populated with data as of 26 February 2021;
- A3.3.24 **easeement** has the meaning set out in the **IM Determination**;
- A3.3.25 **final AM Opex Model** means a version of the **AM Opex Model** populated with data as of 26 March 2021;
- A3.3.26 **final IAV Model** means a version of the **IAV Model** populated with data as of 26 March 2021;
- A3.3.27 **finance lease** has the meaning set out in the **IM Determination**;
- A3.3.28 **financial loss asset** has the meaning set out in the **IM Determination**;
- A3.3.29 **financial loss period** has the meaning set out in the **IM Determination**;
- A3.3.30 **financial loss year** has the meaning set out in the **IM Determination**;
- A3.3.31 **GAAP** has the meaning set out in the **IM Determination**;
- A3.3.32 **good telecommunications industry practice** has the meaning set out in the **IM Determination**;
- A3.3.33 **IAV Model** means the file named "Chorus NZL Core BBM v115" that contains values for **Chorus**;
- A3.3.34 **identifiable non-monetary asset** has the meaning set out in the **IM Determination**;

- A3.3.35 **IM Determination** means the Fibre Input Methodologies (initial value of financial loss asset) Amendment Determination 2020 [2020] NZCC 24;
- A3.3.36 **impairment losses** has the meaning set out in the **IM Determination**;
- A3.3.37 **implementation date** has the meaning set out in the **IM Determination**;
- A3.3.38 **independent** has the meaning set out in the **IM Determination**;
- A3.3.39 **initial RAB** means the collection of **fibre assets** in respect of the **PQ RAB** at the **implementation date**, as referred to in clause 2.2.2(1)(b) of Attachment B of the **IM Determination**;
- A3.3.40 **initial RAB value** has the meaning set out in the **IM Determination**;
- A3.3.41 **network spare** has the meaning set out in the **IM Determination**;
- A3.3.42 **NZ IFRS 16** means *New Zealand Equivalent to International Financial Reporting Standard 16 Leases (NZ IFRS 16)*, issued by the New Zealand Accounting Standards Board of the External Reporting Board on 11 February 2016, under s 12(a) of the Financial Reporting Act 2013;
- A3.3.43 **opening cost allocator value** has the meaning specified in clause B1.1.2(4)(a) of Schedule B of Attachment B of the **IM Determination**;
- A3.3.44 **operating cost** has the meaning in clause B1.1.1(2) of Schedule B of Attachment B of the **IM Determination**;
- A3.3.45 **operating cost categories** means groupings of expenditure for similar costs (eg, field service maintenance costs, electricity costs);
- A3.3.46 **operating revenue** means operating revenue as disclosed in **Chorus'** published general purpose financial statements;
- A3.3.47 **permanent differences** has the same meaning as under **GAAP**;
- A3.3.48 **PQ FFLAS** has the meaning set out in the **IM Determination**;
- A3.3.49 **PQ RAB** has the meaning set out in the **IM Determination**;

- A3.3.50 **proxy asset allocator** has the meaning set out in the **IM Determination**;
- A3.3.51 **proxy cost allocator** has the meaning set out in the **IM Determination**;
- A3.3.52 **regulated fibre service provider** has the meaning set out in the **IM Determination**;
- A3.3.53 **regulatory tax asset value** has the meaning set out in the **IM Determination**;
- A3.3.54 **related party transaction** has the meaning set out in the **IM Determination**;
- A3.3.55 **tax asset value** has the meaning set out in the **IM Determination**;
- A3.3.56 **tax rules** has the meaning set out in paragraph (a) of the definition of 'tax rules' in the **IM Determination**;
- A3.3.57 **temporary differences** has the same meaning as under **GAAP**;
- A3.3.58 **UFB asset** has the meaning set out in the **IM Determination**;
- A3.3.59 **UFB closing tax losses** has the meaning set out in clause B1.1.9(4) of Schedule B of the **IM Determination**;
- A3.3.60 **UFB FFLAS** has the meaning set out in the **IM Determination**;
- A3.3.61 **UFB FFLAS commissioning date** has the meaning set out in the **IM Determination**;
- A3.3.62 **UFB opening tax losses** has the meaning set out in clause B1.1.9(3) of Schedule B of the **IM Determination**;
- A3.3.63 **UFB revenues cash flow** has the meaning set out in the **IM Determination**;
- A3.3.64 **UFB revenues cash flow including capital contribution deductions** means revenues derived by **Chorus** from the provision of **UFB FFLAS** for the **financial loss year** in question, including any deductions of **capital contributions** originally accounted for as revenue under **GAAP**;
- A3.3.65 **value of commissioned asset** has the meaning set out in the **IM Determination**; and

A3.3.66 **vested asset** has the meaning set out in the **IM Determination**.

Information

Summary information

- A4 Provide a summary document that:
- A4.1 lists the name of each file provided in response to the requirements set out in this notice and a brief description of the information each file contains;
 - A4.2 shows where the **Commission** can find the information provided by **Chorus** in response to each requirement set out in this notice;
 - A4.3 includes a glossary of key terms used by **Chorus** in its response to this notice where the terms are not defined in this notice or the **IM Determination**.

Model information

- A5 Provide:
- A5.1 a summary description of **AM's** terms of engagement with **Chorus** to build the **IAV Model** and **AM Opex Model**;
 - A5.2 the terms of engagement between **Chorus** and its **auditors** engaged to review the **IAV Model** and **AM Opex Model**;
 - A5.3 the **draft IAV Model**;
 - A5.4 relevant documentation for the **draft IAV Model**, including an explanation of:
 - A5.4.1 the underlying assumptions used in the **draft IAV Model**; and
 - A5.4.2 how the various parts of the **draft IAV Model** interact with:
 - a) other parts of the **draft IAV Model**; and
 - b) the various parts of the **draft AM Opex Model**;
 - A5.5 the **draft AM Opex Model**; and
 - A5.6 relevant documentation for the **draft AM Opex Model**, including an explanation of:
 - A5.6.1 the underlying assumptions used in the **draft AM Opex Model**; and
 - A5.6.2 how the various parts of the **draft AM Opex Model** interact with other parts of the **draft AM Opex Model**.

Attachment B Information required for “second initial PQ RAB information request”

- B1 Under sections 221(1)(e), (f) and (g) of the **Act**, and consistent with the **IM Determination**, **Chorus** must provide the information in this Attachment B.
- B2 **Chorus** must comply, where relevant, with the following parts of Attachment B of the **IM Determination** when responding to the requirements in this Attachment B:
- B2.1 Part 2 Subpart 2: Asset valuation;
 - B2.2 Part 3 Subpart 2: Cost allocation;
 - B2.3 Section 2 of Schedule B: Asset valuation;
 - B2.4 Section 3 of Schedule B: Cost allocation; and
 - B2.5 Section 4 of Schedule B: Taxation.
- B3 Unless the context otherwise requires:
- B3.1 a word which denotes the singular also denotes the plural and vice versa;
 - B3.2 unless stated otherwise, any reference to “includes” means “includes, but is not limited to”;
 - B3.3 in this Attachment B, words or phrases in bold type bear the meanings in A3 of Attachment A of this notice.

Summary information

- B4 Provide a summary document that:
- B4.1 lists the name of each file provided in response to the requirements set out in this notice and a brief description of the information each file contains;
 - B4.2 shows where the **Commission** can find the information provided by **Chorus** in response to each requirement set out in this notice;
 - B4.3 includes a glossary of key terms used by **Chorus** in its response to this notice where the terms are not defined in this notice or the **IM Determination**.

Model information

- B5 Provide:
- B5.1 the **final IAV Model**;

- B5.2 relevant documentation for the **final IAV Model**, including an explanation of:
- B5.2.1 the underlying assumptions used in the **final IAV Model**; and
 - B5.2.2 how the various parts of the **final IAV Model** interact with:
 - a) other parts of the **final IAV Model**; and
 - b) the various parts of the **final AM Opex Model**;
- B5.3 the **final AM Opex Model**; and
- B5.4 relevant documentation for the **final AM Opex Model**, including an explanation of:
- B5.4.1 the underlying assumptions used in the **final AM Opex Model**; and
 - B5.4.2 how the various parts of the **final AM Opex Model** interact with other parts of the **final AM Opex Model**.

IM Determination compliance information

B6 Provide:

- B6.1 an explanation of how the **final IAV Model** complies in all material respects with the relevant requirements in the **IM Determination**, including:
- B6.1.1 clause 3.3.1(8) of Attachment B of the **IM Determination**; and
 - B6.1.2 clauses B1.1.2(2)-(9) of Schedule B of Attachment B of the **IM Determination**;
- B6.2 an explanation of how the **final AM Opex Model** complies in all material respects with the relevant requirements in the **IM Determination**, including:
- B6.2.1 clause 3.3.1(8) of Attachment B of the **IM Determination**; and
 - B6.2.2 clauses B1.1.2(2)-(9) of Schedule B of Attachment B of the **IM Determination**; and
- B6.3 an explanation of how the **cost allocators** and **asset allocators** used in the **final IAV Model** and **final AM Opex Model**:
- B6.3.1 have been chosen; and
 - B6.3.2 comply with:

- (a) clause 3.2.1(11) of Attachment B of the **IM Determination**;
and
- (b) clause B1.1.6(4) of Schedule B of Attachment B of the **IM Determination**.

- B7 Where the **final IAV Model** and **final AM Opex Model** do not include relevant information required by the **Commission** to determine the **financial loss asset** under clause 3.3.1(8) of Attachment B of the **IM Determination**, provide an explanation and evidence (where relevant) of how **Chorus** complies in all material respects with those relevant requirements in the **IM Determination**.
- B8 Where a formula has been used in the **final IAV Model** and **final AM Opex Model** which is inconsistent with a formula used in the **IM Determination**, but produces an economically equivalent output to the formula used in the **IM Determination**:
- B8.1 identify those formula; and
 - B8.2 demonstrate how it produces an economically equivalent output.

Additional qualitative and quantitative information

- B9 Provide other quantitative and qualitative information that **Chorus** considers would support the **Commission's** understanding of the **final IAV Model** and **final AM Opex Model**, which may include an explanation of:
- B9.1 the value of any assets with an unknown location; and
 - B9.2 any **cost allocators** and **asset allocators** that are based on extrapolated data.

Audit and assurance requirements

- B10 Provide a report by an **auditor** to reflect the work the **auditor** was engaged to undertake for **Chorus**, which was:
- B10.1 to review the **final IAV Model** and **final AM Opex Model** in respect of:
 - B10.1.1 Model Integrity, where it tested the mathematical integrity of the formulae contained within the in-scope models in accordance with the test procedures agreed with **Chorus**; and
 - B10.1.2 Model Documentation, where it:
 - a) checked the consistency of the model's logic with the **AM** model documentation; and
 - b) commented on the fitness for purpose for use by the **Commission**;
and

- B10.2 to review the **final IAV Model** and **final AM Opex Model** against the relevant requirements in the **IM Determination** and:
- B10.2.1 explain how the **final IAV Model** and **final AM Opex Model** give effect to the relevant requirements in the **IM Determination**; and
 - B10.2.2 note any exceptions, omissions, ambiguities, interpretations and judgements (where appropriate) made in respect of B10.2.1.
- B11 Provide an explanation of the assurance work undertaken internally by **Chorus** regarding the quality of the data inputs use in the **final IAV Model** and **final AM Opex Model**, including **Chorus'** internal certification process.

Initial RAB value of financial loss asset

UFB revenues cash flow

- B12 Provide details of any revenue allocations that were applied to gross revenues in order to determine the **UFB revenues cash flow**. In particular, provide a list of all revenue allocators that **Chorus** has applied to allocate revenues that are not **directly attributable** to the provision of **UFB FFLAS** for each **financial loss year**. The list must provide the following as a minimum:
- B12.1 the name of the **allocator type**;
 - B12.2 whether the **allocator type** is based on a **causal relationship** or is equal to a **proxy cost allocator**;
 - B12.3 a list of all revenue categories to which this allocator is applied;
 - B12.4 the **allocator value** for each **financial loss year**;
 - B12.5 the rationale for the choice of this allocator, including
 - B12.5.1 demonstrating that the **causal relationship** or **proxy cost allocator** is consistent with similar measures, both within a **financial loss year** and between **financial loss years**;
 - B12.5.2 evidence that supports that the allocator is objectively justifiable and demonstrably reasonable; and
 - B12.5.3 alternative allocators considered when choosing the allocator.
- B13 Provide a reconciliation of the **UFB revenues cash flow including capital contribution deductions** back to **operating revenue** according to service as disclosed in **Chorus'** published general purpose financial statements for each **financial loss year** and an explanation of all reconciling items.

- B14 Provide details to confirm that adjustments to the **UFB revenues cash flow including capital contribution deductions** are reconcilable to amounts deducted from the **value of commissioned assets**, as provided for under clause B1.1.3 of Schedule B of Attachment B of the **IM Determination**:
- B14.1 in respect of a **UFB asset commissioned** prior to 1 December 2011, adjusting that cost for accumulated depreciation and **impairment losses** (if any) recognised by the **regulated fibre service provider** (ignoring any accounting adjustment for **Crown financing**), as at the **UFB FFLAS commissioning date**, under **GAAP**; or
- B14.2 in respect of a **UFB asset commissioned** in the **financial loss period**, adjusting that cost for accumulated depreciation and **impairment losses** (if any) recognised by the **regulated fibre service provider** (ignoring any accounting adjustment for **Crown financing**), as at the **UFB FFLAS commissioning date**, under **GAAP**.

Depreciation adjustments in relation to capital contributions

- B15 Any **capital contributions** received must be deducted from the **value of commissioned assets**. As those **capital contributions** originally accounted for under **GAAP** as revenue will have undergone an adjustment to reduce asset values, this will lead to depreciation adjustments. Provide details of:
- B15.1 the value of any accumulated depreciation adjustments in respect of **capital contributions** deducted from the costs incurred by **Chorus** in constructing or acquiring a **UFB asset** for each **financial loss year**; and
- B15.2 the reconciliation of the revised depreciation data to the unadjusted depreciation data, which reconciles to **Chorus'** published general purpose financial statements.

Information regarding the valuation of specific asset types – clause B1.1.3(2)

- B16 Provide details for each **financial loss year** of the valuation applied to any of the following that are included in the **value of commissioned assets**, in order to demonstrate compliance with clause B1.1.3(2) of Schedule B of Attachment B of the **IM Determination**:
- B16.1 **easements**;
- B16.2 **UFB assets** acquired from another **regulated fibre service provider**;
- B16.3 **a UFB asset** (or component of) acquired in a **related party transaction**; and
- B16.4 **vested assets**.

B17 Provide an explanation of whether **network spares** for each **financial loss year**:

B17.1 are held in accordance with **good telecommunications industry practice**;
and

B17.2 have costs that are treated wholly as or part of the cost of a **UFB asset** under **GAAP**.

B18 For the purpose of B17, where **network spares** are held in accordance with **good telecommunications industry practice** or have costs that treated wholly as or part of the cost a **UFB asset** under **GAAP**, demonstrate how this view has been reached.

Finance leases

B19 Provide an explanation of how **Chorus** has accounted for **finance leases** for the **financial loss period**, given the change in requirements under **NZ IFRS 16**, for example:

B19.1 when the change to capitalising leases as required under **NZ IFRS 16** was made; and

B19.2 the impact on **operating costs** from the change to capitalisation of leases under **NZ IFRS 16**.

Identifiable non-monetary assets

B20 Provide a description and the value of any **identifiable non-monetary assets** that have been included or excluded from the **value of commissioned assets**.

Related party transactions for UFB assets

B21 Provide details of how any **UFB assets** acquired in a **related party transaction** have been treated to ensure compliance with clause B1.1.4 of Schedule B of the **IM Determination**.

Allocation methodology for determining financial losses

Cost allocator types

B22 Provide a list of all **cost allocators** that **Chorus** has applied to allocate **operating costs** that are not **directly attributable** to the provision of **UFB FFLAS** and the **opening cost allocator value** for each **financial loss year**. The list must provide the following as a minimum:

B22.1 the name of the **allocator type**;

- B22.2 whether the **allocator type** is based on a **causal relationship** or is equal to a **proxy cost allocator**;
- B22.3 the allocator from the **allocator types** listed in clause B1.1.6(1)(c)(i)-(ix) of Schedule B of Attachment B of the **IM Determination** to which it relates, or identifying if **Chorus** is applying for separate approval by the **Commission** under clause B1.1.6(1)(c)(x) of Schedule B of Attachment B of the **IM Determination**;
- B22.4 a list of all **operating cost categories** to which this allocator is applied;
- B22.5 the **allocator value** for each **financial loss year**;
- B22.6 the rationale for the choice of this allocator, including
- B22.6.1 demonstrating that the **causal relationship** or **proxy cost allocator** is consistent with similar measures, both within a **financial loss year** and between **financial loss years**; and
 - B22.6.2 evidence that supports that the allocator is objectively justifiable and demonstrably reasonable; and
- B22.7 alternative allocators considered when choosing the allocator, including whether they are included in the **allocator types** listed in clause B1.1.6(1)(c)(i)-(ix) of Schedule B of Attachment B of the **IM Determination** or would need separate approval by the **Commission** under clause B1.1.6(1)(c)(x) of Schedule B of Attachment B of the **IM Determination**.

UFB opening and UFB closing cost allocator values for each financial loss year

Allocator types

- B23 Provide a list of all **allocator types** and **allocator values**, as at the beginning and end of each **financial loss year**, applied to undertake the calculation of the **opening cost allocator value** and **closing cost allocator values** by **financial loss year**. The list must provide the following information as a minimum:
- B23.1 name of **allocator type**;
 - B23.2 whether the **allocator type** is based on a **causal relationship** or is equal to a **proxy asset allocator**;

- B23.3 which allocator from the **allocator types** listed in clause B1.1.6(2)(d)(i)-(ix) of Schedule B of Attachment B of the **IM Determination** it relates to, or identifying if **Chorus** is applying for separate approval by the **Commission** under B1.1.6(2)(d)(x) of Schedule B of Attachment B of the **IM Determination**;
- B23.4 a list of all **asset classes** to which this allocator is applied;
- B23.5 the **opening cost allocator value** and **closing cost allocator values** of each **financial loss year**;
- B23.6 the rationale for the choice of this allocator, including
- B23.6.1 demonstrating that the **causal relationship** or **proxy asset allocator** is consistent with similar measures, both within a **financial loss year** and between **financial loss years**; and
 - B23.6.2 evidence that supports that the allocator is objectively justifiable and demonstrably reasonable; and
- B23.7 alternative allocators considered when choosing the allocator, including whether they are included in the **allocator types** listed in clause B1.1.6(2)(d)(i)-(ix) of Schedule B of Attachment B the **IM Determination** or would need separate approval by the **Commission** under clause B1.1.6(2)(d)(x) of Schedule B of Attachment B of the **IM Determination**.

Regulatory tax asset value for UFB assets

- B24 Provide:
- B24.1 the sum of **tax asset values** at the start of each **financial loss year** for the **financial loss period**;
 - B24.2 the sum of **regulatory tax asset values** at the start of each **financial loss year** for the **financial loss period**;
 - B24.3 the method by which an asset or group of assets maintained under the **tax rules** has been traced to a matching **UFB asset** or asset group;
 - B24.4 the nature and values of **UFB assets** according to **asset class** that do not have matching assets or groups of assets maintained under the **tax rules**, and value of associated depreciation **temporary differences** included in the sum of depreciation **temporary differences**;

- B24.5 where an asset or group of assets maintained under the **tax rules** does not have a matching **UFB asset** or group of **UFB assets**, the value of the asset allocated to the provision of **UFB FFLAS** and the allocation methodology employed;
- B24.6 the weighted average remaining tax life of assets employed by **asset class**;
- B24.7 the tax depreciation methodology employed and tax depreciation rates by **asset class**;
- B24.8 particulars of the calculation used to derive the **regulatory tax asset values** at the start of the **financial loss year** from the **tax asset values** at the start of each **financial loss year**;
- B24.9 sum of **regulatory tax asset values** at the end of the **financial loss year**;
- B24.10 roll-forward reconciliation between the sum of **regulatory tax asset values** at the start of the **financial loss year** in accordance with B24.2-B24.8 above and the sum of **regulatory tax asset values** at the end of **the financial loss year** in accordance with B24.9 showing:
- B24.10.1 the **values of commissioned assets**;
- B24.10.2 **disposed assets**;
- B24.10.3 tax depreciation; and
- B24.10.4 other asset adjustments, including cost allocation adjustments.

Tax losses information

- B25 Provide:
- B25.1 the amount of **UFB opening tax losses** (if any) and particulars of how it was calculated applying the **tax rules**;
- B25.2 information describing the nature and amounts of significant items giving rise to any **UFB opening tax losses**;
- B25.3 information demonstrating that any **UFB opening tax losses** arose from the supply of **UFB FFLAS**; and
- B25.4 roll-forward reconciliation of **UFB opening tax losses** to **UFB closing tax losses**.

Permanent differences information

B26 Provide:

B26.1 the sum of **permanent differences** for each **financial loss year**; and

B26.2 the amounts and nature of items used to determine **permanent differences**.

Temporary differences information

B27 Provide:

B27.1 the sum of depreciation **temporary differences**;

B27.2 the sum of **temporary differences** other than depreciation **temporary differences**; and

B27.3 the amounts and nature of items used to determine **temporary differences** other than depreciation **temporary differences**.

Forecast initial PQ RAB values of core fibre assets - unallocated/allocated to PQ FFLAS***Core fibre assets directly attributable to PQ FFLAS***

B28 Information provided for the **initial RAB values** will necessarily be based on forecast information and must comply with clause 3.3.1(8) of Attachment B of the **IM Determination**

B29 Provide the sum of all **initial RAB values** of **core fibre assets** for the **PQ RAB** that are forecast as **directly attributable** to the provision of **PQ FFLAS**, aggregated according to **asset classes**.

Core fibre assets not directly attributable to PQ FFLAS

B30 Provide the sum of all **initial RAB values** of **core fibre assets** for the **PQ RAB** that are forecast as not **directly attributable** to the provision of **PQ FFLAS**, aggregated according to **asset classes**.

B31 In respect of the **initial RAB values** in B30, provide both the unallocated and allocated values.

Value of commissioned assets

B32 B33 below requires forecast information on the **value of commissioned asset** in relation to a **core fibre asset** with a **commissioning date** prior to the **implementation date** (including a **core fibre asset** in respect of which **capital contributions** were received, or a **vested asset**).

Assets constructed or acquired prior to 1 December 2011

- B33 Provide the sum of the costs, as of the **commissioning date**, for all **core fibre assets** forecast to be in the **initial RAB** owned by **Chorus** before 1 Dec 2011, being the cost of those assets as recorded by **Chorus** in its published general purpose financial statements as of 1 Dec 2011, as follows:
- B33.1 it is not necessary to separately list the cost of each individual **core fibre asset**: the information may be aggregated according to **asset classes**; and
- B33.2 those costs must be adjusted for accumulated depreciation and **impairment losses** (if any) recognised by **Chorus** (ignoring any accounting adjustment for **Crown financing**), as at the **implementation date**, under **GAAP**.

Assets constructed or acquired post 30 November 2011

- B34 Provide the sum of the costs, as of the **commissioning date**, net of **capital contributions**, for all **core fibre assets** forecast to be in the **initial RAB** with a **commissioning date** prior to the **implementation date**, by **financial loss year**, as follows:
- B34.1 it is not necessary to separately list the cost of each individual **core fibre asset**: the information may be aggregated according to **asset classes**; and
- B34.2 the cost must be adjusted for accumulated depreciation and **impairment losses** (if any) recognised by **Chorus** (ignoring any accounting adjustment for **Crown financing**), as at the **implementation date**, under **GAAP**.

Information regarding the valuation of specific assets types – clause 2.2.13

- B35 Provide details of the valuation applied to any of the following that are forecast to be included in the **initial RAB** in order to demonstrate compliance with clause 2.2.13(3) of Attachment B of the **IM Determination**:
- B35.1 **easements**;
- B35.2 **networks spares**;
- B35.3 a **core fibre asset** acquired or forecast to be acquired from another **regulated fibre service provider**;
- B35.4 a **core fibre asset** (or component of) acquired or forecast to be acquired in a **related party transaction**; and
- B35.5 **vested assets**.

Related party transactions for initial RAB values

- B36 Provide details of how any **core fibre assets** or components of **core fibre assets** forecast to be included in the **initial RAB** acquired or forecast to be acquired in a **related party transaction** have been treated to ensure compliance with clause 2.2.15 of Attachment B of the **IM Determination**.

Cost Allocation

Allocation requirements for ABAA

- B37 Given the requirements of clause 2.1.3(3) of Attachment B of the **IM Determination**, provide a forecast update for the **allocator values** at **implementation date** used to determine the **initial RAB values** forecast to be included in the **PQ RAB**.

New allocator types at implementation

- B38 The **allocator types** proposed for the **financial loss period** must be applied to establish the **initial RAB**. If any new **allocator types**, that were not required for the **financial loss period**, are forecast to be required, provide the following information as a minimum:

- B38.1 name of **allocator type**;
- B38.2 whether the **allocator type** is based on a **causal relationship** or **proxy asset allocator**;
- B38.3 a list of all **asset classes** to which this allocator is applied;
- B38.4 **allocator values** at **implementation date**;
- B38.5 the rationale for the choice of this allocator, including:
 - B38.5.1 demonstrating that the **causal relationship** or **proxy asset allocator** is consistent with similar measures, both within a **financial loss year** and from **financial loss year** to **financial loss year**; and
 - B38.5.2 evidence that they are objectively justifiable and demonstrably reasonable; and
- B38.6 alternative allocators considered when choosing the allocator.

- B39 Confirm and provide information to demonstrate that the **allocator types** forecast to be applied to determine the **initial RAB** are the same as those used to determine the information provided for the **financial loss period**.

Key data used for cost allocation or other purposes for the determination of the RAB

- B40 Provide a breakdown by **allocator type** of the **allocator values** used to calculate each allocator over time.
- B41 Explain and reconcile any changes in segmentation approach that have been necessary, for example, when forecasting demand versus forecasting assets.

Assets whose location is unknown

- B42 Provide the following information regarding any assets whose location is unknown:
- B42.1 the type (with reference to **asset class**); and
 - B42.2 current book value.