

ISBN 978-1-869459-75-8
Project no. 45340

Public version

Gas Transmission Services Default Price-Quality Path Determination 2022

[2022] NZCC [XX]

The Commission:

Part 4 Division

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Date of determination: [Day] [Month] 2022

| Determination version history | | |
|-------------------------------|------------------|---|
| Determination date | Decision number | Determination name |
| May 2022 | [2022] NZCC [XX] | Gas Transmission Services Default Price-Quality Path Determination 2022 |

CONTENTS

| | |
|---|-----------|
| 1. TITLE..... | 4 |
| 2. COMMENCEMENT | 4 |
| 3. APPLICATION..... | 4 |
| 4. INTERPRETATION | 4 |
| 5. DEFAULT PRICE-QUALITY PATH | 7 |
| 6. APPLICABLE INPUT METHODOLOGIES | 7 |
| 7. CPP PROPOSALS..... | 8 |
| 8. PRICE PATH | 8 |
| 9. QUALITY STANDARDS | 8 |
| 10. INCENTIVES TO MAINTAIN QUALITY OF SUPPLY - REPORTING IN THE CASE OF A FAILURE TO MEET THE MAJOR INTERRUPTION QUALITY STANDARD | 9 |
| 11. TRANSACTIONS | 10 |
| 12. COMPLIANCE STATEMENTS..... | 10 |
| SCHEDULE 1: STARTING PRICES..... | 14 |
| SCHEDULE 2: RATE OF CHANGE | 15 |
| SCHEDULE 3: CALCULATION OF FORECAST REVENUE FROM PRICES | 16 |
| SCHEDULE 4: FORECAST NET ALLOWABLE REVENUE | 17 |
| SCHEDULE 5: CALCULATION OF FORECAST ALLOWABLE REVENUE | 18 |
| SCHEDULE 6: CALCULATION OF WASH-UP AMOUNT FOR THE FIRST ASSESSMENT PERIOD | 19 |
| SCHEDULE 7: CALCULATION OF WASH-UP AMOUNT FOR THE SECOND TO FOURTH ASSESSMENT PERIODS | 21 |
| SCHEDULE 8: CALCULATION OF OPENING WASH-UP ACCOUNT BALANCE..... | 23 |
| SCHEDULE 9: FORM OF DIRECTORS' CERTIFICATE FOR PRICE SETTING COMPLIANCE STATEMENT.... | 24 |
| SCHEDULE 10: FORM OF DIRECTORS' CERTIFICATE FOR WASH-UP AMOUNT CALCULATION, QUALITY STANDARDS AND QUALITY INCENTIVE REPORTING COMPLIANCE STATEMENT | 25 |
| SCHEDULE 11: FORM OF AUDITOR'S REPORT FOR WASH-UP AMOUNT CALCULATION, QUALITY STANDARDS, AND QUALITY INCENTIVE REPORTING COMPLIANCE STATEMENT | 26 |
| EXPLANATORY NOTE | 28 |

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

1. Title

- 1.1 This determination is the Gas Transmission Services Default Price-Quality Path Determination 2022.

2. Commencement

- 2.1 This determination takes effect on 1 October 2022.

3. Application

- 3.1 This determination applies to GTBs in respect of the supply of Gas Transmission Services during the Regulatory Period.

4. Interpretation

- 4.1 Unless the context otherwise requires—

- (a) words appearing in this determination with capitalised initial letters are defined terms and bear the meaning given to them in clause 4.2;
- (b) terms used in this determination that are defined in the IM Determination, but not in clause 4.2 of this determination, have the same meanings as in the IM Determination; and
- (c) terms used in this determination that are defined in the Act, but not in clause 4.2 of this determination or the IM Determination, have the same meaning as in the Act;

- 4.2 In this determination, unless the context otherwise requires—

Act means the Commerce Act 1986;

Amalgamate has the same meaning as in clause 1.1.4 of the IM Determination;

Assessment Period means a 12 month period commencing 1 October and ending on 30 September of the following year;

Auditor, in relation to a GTB, means a person who:

- (a) is qualified for appointment as Auditor of a company under the Companies Act 1993 or, where the GTB is a public entity (as defined in section 4 of the Public Audit Act 2001), is the Auditor-General;
- (b) has no relationship with, or interest in, the GTB that is likely to involve the person in a conflict of interest;
- (c) has not assisted with the preparation of the Compliance Statement or provided advice or opinions (other than in relation to audit reports) on the

- methodologies or processes used in preparing the Compliance Statement;
- (d) is not associated with nor directed by any person mentioned in (c) above;
 - (e) has the necessary expertise to properly prepare the assurance report required by clause 11.5(d); but
 - (f) need not be the same person as the person who audits the GTB's accounts for any other purpose;

Commission means the Commerce Commission as defined in section 2 of the Act;

Compliance Statement means the relevant written statement required to be made by a GTB under clause 12;

Consumer has the same meaning as in clause 1.1.4 of the IM Determination;

Control means the acquisition of rights similar to ownership, such as a long-term lease;

CPI has the same meaning as in clause 1.1.4 of the IM Determination;

CPP Proposal has the same meaning as in clause 1.1.4 of the IM Determination;

Critical Contingency means a critical contingency as determined by the critical contingency operator in accordance with regulation 48 of the Gas Governance (Critical Contingency Management) Regulations 2008, as incorporated by reference;

Curtailment Band has the same meaning as in Schedule 3 of the Gas Governance (Critical Contingency Management) Regulations 2008, as incorporated by reference;

Director has the same meaning as in clause 1.1.4 of the IM Determination;

Emergency means an incident:

- (a) that has occurred on or in the near vicinity of a GTB's assets on the transmission network, including leaks, unplanned disruptions of supply, third party damage, near-miss incidents, equipment failure, overpressure, or ignitions; and
- (b) that should be responded to immediately by the GTB based on GIP;

Forecast CPI has the same meaning as in clause 1.1.4 of the IM Determination;

Forecast Revenue From Prices means the amount calculated for each Assessment Period as specified in Schedule 3;

Forecast Allowable Revenue means the amount calculated for each Assessment Period as specified in Schedule 5;

Gas Transmission Services has the same meaning as in clause 1.1.4 of the IM Determination;

GIP means ‘Good Industry Practice’, where the GTB concerned exercised the degree of skill, diligence, prudence and foresight which would reasonably and ordinarily be expected from a skilled and experienced operator engaged in the same type of undertaking under the same or similar circumstances;

GTB has the same meaning as in clause 1.1.4 of the IM Determination;

IM Determination means the Gas Transmission Services Input Methodologies Determination 2012 as at the date of this determination;

Input Methodology has the same meaning as in section 52C of the Act;

Interconnected Body Corporate means any two or more bodies corporate where one of them is a body corporate of which the other is a subsidiary (within the meaning of section 5 of the Companies Act 1993), or if both of them are subsidiaries (within the meaning of that section) of one and the same body corporate;

Major Interruption means any declaration of a **Critical Contingency** caused or contributed to by an incident on the transmission assets owned or controlled by the GTB, which results in curtailment directions being issued in respect of Curtailment Band 2 and above;

Major Transaction has the same meaning as in clause 1.1.4 of the IM Determination;

Merger means a transaction, other than an Amalgamation, whereby a GTB directly or indirectly:

- (a) acquires ownership or Control of all or substantially all of the assets of another GTB; or
- (b) acquires ownership or Control of another GTB through the acquisition of all of its share capital;

Pass-through Cost has the same meaning as in clause 1.1.4 of the IM Determination;

Person has the same meaning as in clause 1.1.4 of the IM Determination;

Price has the same meaning as in clause 1.1.4 of the IM Determination;

Quantity has the same meaning as in clause 1.1.4 of the IM Determination;

Recoverable Cost has the same meaning as in clause 1.1.4 of the IM Determination;

Regulatory Period means the period 1 October 2022 to 30 September 2026;

RTE means ‘response time to emergencies’, being the time elapsed from when an Emergency is reported to a GTB representative until the GTB’s personnel arrives at the location of the Emergency;

Transfer means a transaction other than an Amalgamation or Merger, whereby a GTB directly or indirectly transfers assets to another Person, and Consumers are acquired by or no longer supplied by a GTB as a result of the asset transfer;

Wash-up Amount means the amount calculated for each Assessment Period as specified in Schedule 6 for the first Assessment Period and Schedule 7 for the second to fourth Assessment Periods; and

Working Day has the same meaning as in clause 1.1.4 of the IM Determination.

5. Default price-quality path

5.1 Every GTB must comply with the default price-quality path, which consists of:

- (a) the price path specified in clause 8;
- (b) the quality standards specified in clause 9; and
- (c) the quality incentive reporting requirements in clause 10.

6. Applicable Input Methodologies

6.1 The Input Methodologies that are applied through this determination are the following parts of the IM Determination:

- (a) Subpart 1 of Part 3 – specification of price;
- (b) Subpart 2 of Part 3 – amalgamations;
- (c) Subpart 1 of Part 4 – cost allocation;
- (d) Subpart 2 of Part 4 – asset valuation;
- (e) Subpart 3 of Part 4 – treatment of taxation;
- (f) Subpart 4 of Part 4 – cost of capital;
- (g) Subpart 5 of Part 4 – reconsideration of the default price-quality path;
- (h) Subpart 6 of Part 4 – treatment of periods that are not 12 month periods; and
- (i) Subpart 7 of Part 4 – availability of information.

7. CPP Proposals

- 7.1 A GTB may submit a CPP Proposal to the Commission at any time before 23 October 2024.
- 7.2 A GTB may not submit a CPP Proposal within the period 24 October 2024 to 30 September 2026.

8. Price path

Starting prices

- 8.1 The starting prices that apply to the Regulatory Period are as set out in Schedule 1.

Rate of change

- 8.2 The annual rate of change in revenue, relative to the CPI, that is allowed during the Regulatory Period is set out in Schedule 2.

Compliance with the price path

- 8.3 The Forecast Revenue From Prices of a GTB for each Assessment Period must not exceed the Forecast Allowable Revenue for the Assessment Period.

Wash-up Amount calculation

- 8.4 The GTB must calculate the Wash-up Amount for each Assessment Period using the methodology specified in Schedule 6 for the first Assessment Period, and the methodology specified in Schedule 7 for the second to fourth Assessment Periods.

9. Quality standards

Compliance with quality standards

- 9.1 In respect of each Assessment Period:

- (a) a GTB's RTE for any Emergency must not exceed 180 minutes; and
- (b) there must be no Major Interruption.

Exclusion of certain Emergencies

- 9.2 If a GTB has a reasonable excuse for not meeting the quality standard in clause 9.1(a) in respect of the RTE for a particular Emergency, the GTB may apply to the Commission to treat such RTE as having complied with that quality standard.

- 9.3 A request under clause 9.2 must–

- (a) be submitted to the Commission in writing within 45 Working Days of the Emergency; and
- (b) include sufficient evidence demonstrating why it was reasonable that the

GTB's RTE was greater than 180 minutes.

- 9.4 A GTB may only treat a RTE greater than 180 minutes as having complied with that quality standard, where the Commission has determined in writing that the GTB can treat such RTE as having complied with that quality standard.

10. Incentives to maintain quality of supply - Reporting in the case of a failure to meet the Major Interruption quality standard

Reporting and public disclosure of a Major Interruption

- 10.1 A GTB must notify the Commission in writing within 5 Working Days of any Major Interruption, and provide the Commission with the following information within 60 Working Days of the termination of the Critical Contingency leading to the Major Interruption:
- (a) a description of the interruption (including the cause(s), location, assets involved);
 - (b) whether the risk of the interruption was identified in advance, and any steps the GTB took to reduce or mitigate that risk;
 - (c) the duration of the interruption;
 - (d) the GTB's best estimate of the quantities of services not delivered as a result of the interruption, and the revenues that would have been earned for any undelivered services, to the extent that it is possible to determine them;
 - (e) the direct cost of the interruption (including repair costs) to the GTB; and
 - (f) what actions (if any) the GTB intends to take to avoid similar interruptions in future.
- 10.2 The GTB must make the information required in clause 10.1(a) to (f) publicly available on its website within 5 Working Days after providing it to the Commission.
- 10.3 Where a GTB is not reasonably able to provide the Commission with some or all of the information required in clause 10.1(a) to (f) within the prescribed 60 Working Day period, it may apply in writing to the Commission for an extension of time to provide it with such information.
- 10.4 An extension request made under clause 10.3 must set out why the information is unavailable and the proposed timeframe for supplying the information to the Commission.

11. Transactions

Requirement to notify the Commission of Amalgamations, Mergers, Transfers and Major Transactions

- 11.1 A GTB must notify the Commission in writing within 30 Working Days of any Amalgamation, Merger, Transfer or Major Transaction.

12. Compliance Statements

Compliance Statements in respect of Price setting

- 12.1 Every GTB must:
- (a) provide to the Commission a written ‘annual price-setting compliance statement’ in respect of Price setting for each Assessment Period before the start of the Assessment Period;
 - (b) make the ‘annual price-setting compliance statement and the Director’s certificate provided under clause 12.2(c) publicly available on its website within 5 Working Days after providing it to the Commission; and
 - (c) provide to the Commission, schedules reflecting the Prices and forecast Quantities used in the calculation of Forecast Revenue From Prices, disclosed in an electronic format that is consistent with Microsoft Excel with the ‘annual price-setting compliance statement’.
- 12.2 The ‘annual price-setting compliance statement’ must:
- (a) state whether or not the GTB has complied with the price path in clause 8.3 for the Assessment Period;
 - (b) state the date on which the statement was prepared; and
 - (c) include a certificate in the form set out in Schedule 9, signed by at least one Director of the GTB.
- 12.3 The ‘annual price-setting compliance statement’ must include the following information:
- (a) the GTB’s calculation of its Forecast Revenue From Prices together with supporting information for all components of the calculation;
 - (b) the GTB’s calculation of its Forecast Allowable Revenue together with supporting information for all components of the calculation;
 - (c) if the GTB has not complied with the price path, the reasons for the non-compliance; and
 - (d) if the GTB has not complied with the price path, any actions taken to mitigate any non-compliance and to prevent similar non-compliance in future Assessment Periods.

Compliance Statement in respect of the Wash-up Amount calculation and quality standards

12.4 Every GTB must:

- (a) provide to the Commission a written ‘annual compliance statement’ in respect of the Wash-up Amount calculation in clause 8.4, the quality standards in clause 9, and the quality incentive reporting requirements in clause 10, within 50 Working Days following the end of each Assessment Period;
- (b) make the ‘annual compliance statement’, the Director’s certificate provided under clause 12.5(c), and the assurance report provided under clause 12.5(d) publicly available on its website within 5 Working Days after providing it to the Commission; and
- (c) provide to the Commission schedules reflecting the Prices and actual Quantities used to calculate the Wash-up Amount, disclosed in an electronic format that is consistent with Microsoft Excel with the ‘annual compliance statement’.

12.5 The ‘annual compliance statement’ must:

- (a) state whether or not the GTB has:
 - (i) complied with the requirement to calculate the Wash-up Amount in clause 8.4 for the Assessment Period;
 - (ii) complied with the quality standards in clause 9 for the Assessment Period; and
 - (iii) complied with the quality incentive reporting requirements in clause 10.
- (b) state the date on which the statement was prepared;
- (c) include a certificate in the form set out in Schedule 10, signed by at least one Director of the GTB; and
- (d) be accompanied by an assurance report meeting the requirements specified in Schedule 11, in respect of all information contained in the ‘annual compliance statement’.

12.6 The ‘annual compliance statement’ must include information reasonably necessary to demonstrate whether the GTB has complied with clause 8.4, clause 9 and clause 10, including but not limited to:

Wash-up Amount calculation

- (a) details of the *Wash-up Amount calculation* as specified in clause 8.4, together with supporting information for all components of the calculation;

Quality standards - RTEs

- (b) relevant incident data;
- (c) a description of policies and procedures which the GTB has used for recording the RTE statistics for the Assessment Period;
- (d) a list of all Emergencies where the Commission has determined in writing that the GTB can treat the RTE to such Emergency as having complied with the quality standard for that Emergency, and any requests under clause 9.2 that are pending a decision by the Commission for the Assessment Period;
- (e) if the GTB has not complied with a quality standard the reasons for not meeting the quality standard;
- (f) if the GTB has not complied with a quality standard, the actions taken to mitigate any non-compliance and to prevent similar non-compliance in future Assessment Periods; and
- (g) where a quality standard has not been met, for each Emergency which exceeded the RTE for that quality standard, a description of the Emergency, including the nature, cause, and location;

Quality standards - Major Interruptions

- (h) if the GTB has not complied with a quality standard the reasons for not meeting the quality standard; and
- (i) if the GTB has not complied with a quality standard, the actions taken to mitigate any non-compliance and to prevent similar non-compliance in future Assessment Periods.

Quality incentive reporting - Major Interruptions

- (j) if a Major Interruption has occurred state whether the GTB has complied with clause 10;
- (k) details of all Major Interruptions, including without limitation the following information, where such information has not already been disclosed under clause 10:
 - (i) details of the trigger event and contributory factors to the Major Interruption;
 - (ii) whether or not the triggers and contributory factors to the Major Interruption were within the GTB's control, including whether the Major Interruption was due to the GTB's own systems, or a third party event; and
 - (iii) whether the risk of the trigger event and contributory factors to the Major Interruption were identified and mitigated, including any steps the GTB took to avoid the Major Interruption or reduce its impact; and

Dated at Wellington this [XX] day of May 2022.

COMMERCE COMMISSION

Schedule 1: Starting prices

The starting price for the Regulatory Period for First Gas Limited (in respect of Gas Transmission Services), specified as actual net allowable revenue, is \$148.762m.

Schedule 2: Rate of change

The annual rate of change is -10%.

Schedule 3: Calculation of Forecast Revenue from Prices

1. When setting Prices for an Assessment Period the GTB must calculate the Forecast Revenue From Prices for the Assessment Period.
2. When calculating the Forecast Revenue From Prices the GTB must prepare a forecast of Quantities for the Assessment Period to which the Prices for the Assessment Period will apply.
3. The Forecast Revenue From Prices must be calculated as the sum of each Price multiplied by each corresponding forecast Quantity.
4. All forecast Quantities used to calculate the Forecast Revenue From Prices must be reasonable.

Schedule 4: Forecast Net Allowable Revenue

| Assessment Period ending | Forecast net allowable revenue (\$000) |
|---------------------------------|---|
| 30 September 2023 | 148,762 |
| 30 September 2024 | 167,033 |
| 30 September 2025 | 187,411 |
| 30 September 2026 | 210,275 |

Schedule 5: Calculation of Forecast Allowable Revenue

1. When setting Prices for an Assessment Period, the GTB must calculate the Forecast Allowable Revenue.
2. When calculating the Forecast Allowable Revenue the GTB must prepare a forecast of Pass-through Costs and a forecast of Recoverable Costs.
3. All forecasts of Pass-through Costs and Recoverable Costs used to calculate the Forecast Allowable Revenue must be reasonable.
4. The Forecast Allowable Revenue must be determined in accordance with the formula -

forecast net allowable revenue + forecast pass-through and recoverable costs + opening balance of the wash-up account

where -

forecast net allowable revenue is the amount as specified in Schedule 4;

forecast pass-through and recoverable costs is the sum of all the forecast Pass-through Costs and forecast Recoverable Costs, excluding any Recoverable Cost that is a *revenue wash-up draw down amount* calculated as specified in paragraph 5 of Schedule 7; and

opening wash-up account balance is the amount calculated as specified in paragraph 3 of Schedule 8.

5. Unless expressly stated otherwise, all amounts referred to in this schedule are for the Assessment Period for which the relevant calculations are being performed.

Schedule 6: Calculation of Wash-up Amount for the first Assessment Period

Definitions

1. For purposes of this schedule, the following terms have the following meanings:
 - 1.1 *Actual net allowable revenue* is the amount specified in Schedule 4 as the *forecast net allowable revenue* for the first Assessment Period;
 - 1.2 *Actual revenue from prices* must be calculated as the sum of each Price multiplied by each corresponding actual Quantity;
 - 1.3 *Discount rate* is 5.85%; and
2. Unless expressly stated otherwise, all amounts referred to in this schedule are for the first Assessment Period.

Formula for Wash-up Amount

3. The Wash-up Amount must be calculated in accordance with the formula –
$$\text{actual allowable revenue} - \text{actual revenue} - \text{revenue foregone}$$
4. The components of the formula to calculate the Wash-up Amount must be calculated as set out below in paragraphs 5 to 8.

Actual allowable revenue

5. *Actual allowable revenue* must be calculated in accordance with the formula –

$$\text{actual net allowable revenue} + \text{actual pass-through costs and recoverable costs} + \text{revenue wash-up draw down amount}$$

where –

| | |
|--|--|
| <i>actual net allowable revenue</i> | is the amount as specified in paragraph 1.1 above; |
| <i>actual pass-through costs and recoverable costs</i> | is the sum of all Pass-through Costs and Recoverable Costs that were incurred in the Assessment Period, excluding any Recoverable Cost that is a <i>revenue wash-up draw down amount</i> ; and |
| <i>revenue wash-up draw down amount</i> | is the <i>opening wash-up account balance</i> calculated in accordance with Schedule 8. |

Actual revenue

6. *Actual revenue* must be calculated in accordance with the formula –

$$\text{actual revenue from prices} + \text{other regulated income}$$

where –

actual revenue from prices is the amount calculated as specified in paragraph 1.2 above

other regulated income has the same meaning as in clause 1.1.4 of the IM Determination.

Revenue foregone

7. If the *revenue reduction percentage* is greater than 20%, the *revenue foregone* must be calculated in accordance with the formula –

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

where –

actual net allowable revenue is the amount as specified in paragraph 1.1 above; and

revenue reduction percentage is $1 - (\text{actual revenue from prices} \div \text{Forecast Revenue From Prices})$.

and where –

actual revenue from prices is the amount as specified in paragraph 1.2 above; and

Forecast Revenue From Prices is the amount calculated as specified in Schedule 3.

8. If the *revenue reduction percentage* as calculated in paragraph 7 is not greater than 20%, the *revenue foregone* is nil.

Schedule 7: Calculation of Wash-up Amount for the second to fourth Assessment Periods

Definitions

1. For purposes of this schedule, the following terms have the following meanings:
 - 1.1 *Actual revenue from prices* must be calculated as the sum of each Price multiplied by each corresponding actual Quantity.
2. Unless expressly stated otherwise, all amounts referred to in this schedule are for the Assessment Period for which the relevant calculations are being performed.

Formula for Wash-up Amount calculation

3. The Wash-up Amount must be calculated in accordance with the formula –

$$\text{actual allowable revenue} - \text{actual revenue} - \text{revenue foregone}$$

4. The components of the Wash-up Amount calculation formula must be calculated as set out below in paragraphs 5 to 8.

Actual allowable revenue

5. *Actual allowable revenue* must be calculated in accordance with the formula –

$$\text{actual net allowable revenue} + \text{actual pass-through costs and recoverable costs} + \text{revenue wash-up draw down amount}$$

where –

actual net allowable revenue is the amount calculated using the following formula –

$$\text{actual net allowable revenue of the previous Assessment Period} \times (1 + \Delta\text{CPI}_t) \times (1 - X)$$

and where –

ΔCPI is the derived change in the CPI to be applied for the Assessment Period, calculated in accordance with the formula -

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

and where –

| | |
|----------------------|--|
| $\text{CPI}_{q,t-n}$ | is the CPI for the quarter year ending q in the 12 month period n years prior to year t; |
| t | is the year in which the Assessment Period ends; |
| X | is the annual rate of change, as specified in Schedule 2. |

actual-pass through costs and recoverable costs is the sum of all Pass-through Costs and Recoverable Costs that were incurred in the Assessment Period, excluding any Recoverable Cost that is a *revenue wash-up draw down amount*;

revenue wash-up draw down amount for the second to fourth Assessment Period is the *opening wash-up account balance* calculated in accordance with Schedule 8.

Actual revenue

6. *Actual revenue* must be calculated in accordance with the formula –

$$\text{actual revenue from prices} + \text{other regulated Income}$$

where –

actual revenue from prices is the amount calculated as specified in paragraph 1.1 above; and

other regulated income has the same meaning as in clause 1.1.4 of the IM Determination.

Revenue foregone

7. If the *revenue reduction percentage* is greater than 20%, the *revenue foregone* must be calculated in accordance with the formula –

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

where –

actual net allowable revenue is the amount calculated using the formula, *actual net allowable revenue* of the previous Assessment Period $\times (1 + \Delta \text{CPI}_t) \times (1 - X)$, as set out in paragraph 5 above; and

revenue reduction percentage is $1 - (\text{actual revenue from prices} \div \text{Forecast Revenue From Prices})$

and where –

actual revenue from prices is the amount as specified in paragraph 1.1 above; and

Forecast Revenue From Prices is the amount calculated as specified in Schedule 3.

8. If the *revenue reduction percentage* as calculated in paragraph 7 is not greater than 20%, the *revenue foregone* is nil.

Schedule 8: Calculation of Opening Wash-up Account Balance

1. For purposes of this schedule, the following terms have the following meanings:

67th percentile estimate of post-tax WACC is 5.60%.

2. The *closing wash-up account balance* for the first Assessment Period must be calculated in accordance with the formula –

wash-up amount for the previous assessment period × (1 + 67th percentile estimate of post-tax WACC)²

where wash-up amount for the previous assessment period means the *wash-up amount* of the last Assessment Period of the previous regulatory period, calculated in accordance with the Gas Transmission Services Default Price-Quality Path Determination 2017.

3. The *closing wash-up account balance* for the second and, subsequent Assessment Periods must be calculated in accordance with the formula –

wash-up Amount for the previous Assessment Period × (1 + 67th percentile estimate of post-tax WACC)²

4. The *opening wash-up account balance* for the first Assessment Period is the *closing wash-up account balance* of the last Assessment Period of the previous regulatory period, calculated in accordance with the Gas Transmission Services Default Price-Quality Path Determination 2017.

5. The *opening wash-up account balance* for the second and subsequent Assessment Periods is the *closing wash-up account balance* of the previous Assessment Period.

Schedule 9: Form of Directors' certificate for Price setting Compliance Statement

I/We, [insert full name/s], being Director/s of [insert name of GTB] certify that, having made all reasonable enquiry, to the best of my/our knowledge and belief, the attached Compliance Statement of [name of GTB], and related information, prepared for the purposes of the *Gas Transmission Services Default Price-Quality Path Determination 2022* has been prepared in accordance with all the relevant requirements, and all forecasts used in the calculations of Forecast Revenue from Prices and Forecast Allowable Revenue are reasonable*[except in the following respects].

*[insert description of non-compliance]

[Signatures of Directors]

[Date]

*Delete if inapplicable.

Note: Section 103(2) of the Commerce Act 1986 provides that no person shall attempt to deceive or knowingly mislead the Commission in relation to any matter before it. It is an offence to contravene section 103(2) and any person who does so is liable on conviction to a fine not exceeding \$100,000 in the case of an individual or \$300,000 in the case of a body corporate.

**Schedule 10: Form of Directors' certificate for Wash-up Amount calculation,
Quality Standards and Quality Incentive Reporting Compliance Statement**

I/We, [insert full name/s], being Director/s of [insert name of GTB] certify that, having made all reasonable enquiry, to the best of my/our knowledge and belief, the attached Compliance Statement of [name of GTB], and related information, prepared for the purposes of the *Gas Transmission Services Default Price-Quality Path Determination 2022* has been prepared in accordance with all the relevant requirements*[except in the following respects].

*[insert description of non-compliance]

[Signatures of Directors]

[Date]

*Delete if inapplicable.

Note: Section 103(2) of the Commerce Act 1986 provides that no person shall attempt to deceive or knowingly mislead the Commission in relation to any matter before it. It is an offence to contravene section 103(2) and any person who does so is liable on conviction to a fine not exceeding \$100,000 in the case of an individual or \$300,000 in the case of a body corporate.

Schedule 11: Form of Auditor's report For Wash-up Amount Calculation, Quality Standards, and Quality Incentive Reporting Compliance Statement

1. Each GTB must procure an assurance report by an Auditor in respect of the Wash-up Amount Calculation, quality standards, and quality incentive reporting Compliance Statement that is prepared in accordance with Standard on Assurance Engagements 3100 – Compliance Engagements (SAE 3100) and International Standard on Assurance Engagements (New Zealand) 3000 (ISAE (NZ) 3000), signed by the Auditor (either in his or her own name or that of his or her firm), and that-
 - 1.1 is addressed to the Directors of the GTB and to the Commission as the intended users of the assurance report;
 - 1.2 states-
 - (i) that it has been prepared in accordance with Standard on Assurance Engagements 3100 – Compliance Engagements (SAE 3100) and International Standard on Assurance Engagements (New Zealand) 3000 (ISAE (NZ) 3000) or their successor standards;
 - (ii) the work done by the Auditor;
 - (iii) the scope and limitations of the assurance engagement;
 - (iv) the existence of any relationship (other than that of auditor) which the Auditor has with, or any interests which the Auditor has in, the GTB or any of its Interconnected Bodies Corporate;
 - (v) whether the Auditor has obtained sufficient recorded evidence and explanations that he or she required and, if not, the information and explanations not obtained; and
 - (vi) whether, in the Auditor's opinion, as far as appears from an examination, the information used in the preparation of the Compliance Statement has been properly extracted from the GTB's accounting and other records, sourced from its financial and non-financial systems; and
 - 1.3 states whether (and, if not, the respects in which it has not), in the Auditor's opinion, the GTB has complied, in all material respects, with the *Gas Transmission Services Default Price-Quality Path Determination 2017* in preparing the Compliance Statement.
2. In this schedule -

ISAE (NZ) 3000 means the *International Standard on Assurance Engagements (New Zealand) 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, issued in July 2014 by the New Zealand Auditing and Assurance Standards Board of the External Reporting Board pursuant to s 12(b) of the Financial Reporting Act 2013, as incorporated by reference into this determination; and

SAE 3100 means the *Standard on Assurance Engagements 3100 (Revised) – Assurance Engagements on Compliance*, issued in March 2017 by the New Zealand Auditing and Assurance Standards Board of the External Reporting Board pursuant to s 12(b) of the Financial Reporting Act 2013, as incorporated by reference into this determination.

Explanatory note

1. The purpose of the *Gas Transmission Services Default Price-Quality Path Determination 2022* (“the Determination”) is to set default price-quality paths for the gas transmission business (“GTB”) for the four years beginning 1 October 2022 and ending 30 September 2026, pursuant to Part 4 of the Commerce Act 1986 (“the Act”).
2. Pursuant to section 53N and s 98 of the Act, the GTB is required to provide to the Commerce Commission (“the Commission”), separate annual compliance statements relating to Price setting, and their Wash-up Account calculation, quality standards and quality incentive reporting. The GTB must state whether or not it has complied with the default price-quality path set out in the Determination, provide their Wash-up Amount calculation, and supporting evidence. The annual compliance statements must both be accompanied by a directors’ certificate. The annual compliance statement for the Wash-up Amount calculation, quality standards and quality incentive reporting must also be accompanied by an auditor’s report. The requirements relating to the annual compliance statements are set out in clause 12 of this determination. As part of the Determination, we are exercising our power under s 52P to require the publication of information for the purpose of information disclosure regulation. The GTB must publish the annual compliance statements on its website within five Working Days after submitting them to the Commission.
3. We have specified under s 53O(e) that any application for a customised price-quality path must be received before 23 October 2024. In setting this date, we have taken into account our timeframes for processing and deciding on such an application and for resetting a default price-quality path. Assuming we retain our draft decision to set a four-year regulatory period, a date of 23 October 2024 will allow us to finalise our decisions on any applications for a customised price-quality path before we start the process of resetting the default price-quality path for the next regulatory period. If our draft decision on the regulatory period changes to a five-year regulatory period the date before which any application for a customised price-quality path must be received will change to 23 October 2025.
4. A reasons paper providing detailed background to, and analysis of, the Determination can be found at:
<https://comcom.govt.nz/regulated-industries/gas-pipelines/gas-pipelines-price-quality-paths/gas-pipelines-default-price-quality-path/2022-2027-gas-default-price-quality-path>
5. Copies of this Determination are available for inspection free of charge at the Commission (during ordinary office hours), on the Commission’s website at the above link, or for purchase at a reasonable price at the Commission.