

Project no. 14.11/13720

**Public version**

# **Transpower New Zealand Limited Information Disclosure Draft Determination 2014**

## **2014 NZCC XX**

**The Commission:** S Begg  
P Duignan  
Dr S Gale

**Summary of the determination:** Pursuant to Part 4 of the Commerce Act 1986, the Commerce Commission has determined information disclosure requirements that apply to Transpower New Zealand Limited.

**Date of determination:** [28 February 2014]

Regulation Branch, Commerce Commission

Wellington, NEW ZEALAND

21 October 2013

<b>Determination version history</b>		
This determination supersedes the <i>Electricity Information Disclosure Requirements 2004</i> as it applies to Transpower New Zealand Limited.		
<b>Determination date</b>	<b>Decision number</b>	<b>Determination name</b>
[28 February 2014]	[2014] NZCC XX	Transpower New Zealand Information Disclosure Determination 2014.

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

#### **Title**

1. This determination is the Transpower New Zealand Information Disclosure Determination 2014.

#### **Commencement**

2. This determination takes effect on 1 July 2014.

#### **Application**

3. This determination applies to **Transpower** as the supplier of **electricity lines services**.

#### **Interpretation**

4. Unless the context otherwise requires—
  - (a) words appearing in this determination in bold type (except for headings) are defined terms and bear the meaning given to them in clause 6;
  - (b) terms used in the main body of this determination that are defined in the **Transpower IM determinations** but not in this determination have the same meanings as in the **Transpower IM determinations**;
  - (c) terms used in this determination that are defined in the **Act**, but not in this determination or in the **Transpower IM determinations** have the same meanings as in the **Act**;
  - (d) financial items must be measured and disclosed in accordance with **GAAP**, unless otherwise required by the **IM determinations** or this determination;
  - (e) non-financial items must be measured and disclosed in accordance with standard industry practice unless otherwise required in this determination;
  - (f) an obligation to do something is deemed to include an obligation to cause that thing to be done; and
  - (g) a word which denotes the singular also denotes the plural and vice versa.
5. If there is any inconsistency between the main body of this determination and any schedule to this determination, the main body of this determination prevails.
6. In this determination, unless the context otherwise requires—

**Act** means the Commerce Act 1986

**audited disclosure information** has the meaning given to it in clause 13

**commencement date** means 01 July 2014

**Commission** means the Commerce Commission

**commissioned** has the meaning as defined in the **Transpower IM determination**

**director** has the meaning as defined in the **Transpower IM Determination**

**disclosure year** means the 12 month period ending on 30 June of the year the disclosure relates to, or, if the term **disclosure year** is combined with a year, the 12 month period ended on 30 June of that year

**electricity lines services** has the meaning as defined in section 54B of the **Act**

**GAAP** has the meaning as defined in the **Transpower IM determination**

**independent auditor** means a person who-

- (a) is qualified for appointment as auditor of a company under the Companies Act 1993;
- (b) has no relationship with, or interest in **Transpower** that is likely to involve a conflict of interest;
- (c) has not assisted with the compilation of the **information** 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.

**information** means the information required to be **publicly disclosed** under this determination

**publicly disclose** in relation to any **information**, means to-

- (a) disclose the **information** to the public on the Internet at **Transpower's** usual publicly accessible website;
- (b) make copies of the **information** available for inspection by any person during ordinary office hours, at the principal office of **Transpower**;
- (c) within 10 working days of being requested to do so by any person, provide that person with a copy of the **information**, either by post or for collection (during ordinary office hours) from that principal office, whichever the person prefers; and

**regulated supplier** has the meaning as defined in section 52C of the **Act**

**related party** has the meaning as defined in the **Transpower IM determination**

**special contract term** means –

- (a) a non-price term in a contract which materially differs from the terms which the parties in their respective positions would usually include in an arm's length contract; or
- (b) the omission of a material non-price term from a contract, when the parties in their respective positions would usually include that term in an arm's length contract; or
- (c) a non-price term in a contract resulting from a tender process, which materially varies from, or was not included in the contractual basis on which the tender proposals were requested or the terms proposed by the lowest qualifying tender from an unrelated party which credibly could have performed the services.

**system operator services** means the real-time co-ordination of the electricity system

**transmission lines services** are those **electricity lines services** supplied by **Transpower** that are not **system operator services**

**Transpower** has the meaning as defined in section 54B of the **Act**

**Transpower Capex IM determination** means the Transpower Capital Expenditure Input Methodology Determination 2012 (Commerce Commission decision 2 on 31 January 2012)

**Transpower IM determination** means the Transpower Input Methodology Determination 2012 (Commerce Commission decision 17 on 29 June 2012)

**Transpower IM determinations** means the **Transpower Capex IM determination** and the **Transpower IM determination** taken together

### Information Disclosure

- 7. Subject to clause 19 **Transpower** must comply with the **information** disclosure requirements set out in this determination.

### Applicable Input Methodologies

- 8. **Transpower** must apply the requirements set out in the following subparts of the **Transpower IM determination** where applicable when complying with this determination:
  - 8.1 Subpart 1 of Part 2 – Cost Allocation;
  - 8.2 Subpart 2 of Part 2 – Asset Valuation;
  - 8.3 Subpart 3 of Part 2 – Treatment of Taxation; and

#### 8.4 Subpart 4 of Part 2 – Cost of Capital

### **Financial Information (Historical Financial Performance, Revenue, and Expenditure)**

9. **Transpower** must **publicly disclose** by the Friday of the third complete week of October following the end of each **disclosure year**, the financial **information** relating to **transmission lines services** supplied by **Transpower** for that **disclosure year**, in the form set out below:
  - 9.1 Schedule HFP1 - Return on Investment: Information Disclosure Basis;
  - 9.2 Schedule HFP2 - Profit/(Loss) from Electricity Transmission Services: Information Disclosure Basis;
  - 9.3 Schedule HFP3 - Regulatory Tax Allowance;
  - 9.4 Schedule HFP4 - Pass-Through Costs and Recoverable Costs;
  - 9.5 Schedule HFP5 - Term-Credit Spread Differential Allowance;
  - 9.6 Schedule HFP6 - EV Account and Ex-post Economic Gain or Loss;
  - 9.7 Schedule HFP7 - Related Party Transactions;
  - 9.8 Schedule HFP8 - Value of the Regulatory Asset Base (RAB Roll Forward);
  - 9.9 Schedule HFP9 - Actuals v Forecasts (Revenues, Opex and Base Capex Commissioning);
  - 9.10 Schedule R1 - Transmission Revenue (Actual Totals and Detail);
  - 9.11 Schedule R2 - Forecast Transmission Revenue;
  - 9.12 Schedule R3 - Customer Investment Contracts;
  - 9.13 Schedule E1- Operating Expenditure (Opex): Actuals;
  - 9.14 Schedule E2 - Operating Expenditure (Opex): Forecast;
  - 9.15 Schedule E3 - Base Capital Expenditure (Base Capex): Commissioned;
  - 9.16 Schedule E4 - Base Capital Expenditure (Base Capex): Forecast Commissioning; and
  - 9.17 Schedule E5 - Major Capital Expenditure (Major Capex).

### **Grid Management Information (Composition of the Grid, Asset Management, and Quality)**

10. **Transpower** must **publicly disclose** by the Friday of the third complete week of October following the end of each **disclosure year**, the grid management

**information** relating to **transmission lines services** supplied by **Transpower** for that **disclosure year**, in the form set out below:

- 10.1 Schedule CG2 - Network Changes;
  - 10.2 Schedule CG3 - Circuits;
  - 10.3 Schedule AM4 - Grid Demand and Injection;
  - 10.4 Schedule AM5 - Grid Exit Point (GXP) Connection Capacity and Demand (Actual and Forecast);
  - 10.5 Schedule Q1 - Quality of Supply: Grid Outputs and Performance Measures; and
  - 10.6 Schedule Q2 - Quality of Supply: Interconnection and Core Grid Assets.
11. **Transpower** must, biannually, **publicly disclose** by the Friday of the third complete week of October following the end of each **disclosure year**, the grid management **information** relating to **transmission lines services** supplied by **Transpower** for that **disclosure year**, in the form set out below:
- 11.1 Schedule CG1 - Asset Age and Value;
  - 11.2 Schedule AM1 - Asset Health;
  - 11.3 Schedule AM2 - Asset Management Maturity Assessment Tool (AMMAT); and
  - 11.4 Schedule AM3 - AMMAT Results Summary.

### **System Operator Information**

12. **Transpower** must **publicly disclose** by the Friday of the third complete week of October following the end of each **disclosure year**, the **information** relating to **system operator services** supplied by **Transpower** for that **disclosure year** in the form set out below:
- 12.1 Schedule SO1 - System Operator.

### **Audit and Certification Requirements**

13. Where **Transpower** is required to **publicly disclose** any **information** under sub-clauses 9.1-9.17 and 12.1 (the **audited disclosure information**), **Transpower** must:
- 13.1 procure an assurance report by an **independent auditor** in respect of the **audited disclosure information**, that is prepared in accordance with Standard on Assurance Engagements 3100 – Compliance Engagements (SAE 3100) and International Standard on Assurance Engagements 3000 (ISAE (NZ) 3000) or their successor standards, signed by an **independent auditor** (either in his or her own name or that of his or her firm), that:



13.1.1 is addressed to the **directors** of **Transpower** and to the **Commission** as the intended users of the assurance report; and

13.1.2 states:

- (a) that it has been prepared in accordance with Standard on Assurance Engagements 3100 – Compliance Engagements (SAE 3100) and International Standard on Assurance Engagements 3000 (ISAE (NZ) 3000) or their successor standards;
- (b) the work done by the **independent auditor**;
- (c) the scope and limitations of the assurance engagement;
- (d) the existence of any relationship (other than that of auditor) which the **independent auditor** has with, or any interests which the **independent auditor** has in, **Transpower** and/or any of its subsidiaries;
- (e) whether the **independent auditor** has obtained sufficient recorded evidence and explanations that he or she required and, if not, the information and explanations not obtained;
- (f) whether in the **independent auditor's** opinion, as far as appears from the examination, the information used in the preparation of the **audited disclosure information** has been properly extracted from **Transpower's** accounting and other records, sourced from its financial and non-financial systems;
- (g) whether, in the **independent auditor's** opinion, as far as appears from an examination of them, proper **records** to enable the complete and accurate compilation of the **audited disclosure information** required by this determination have been kept by **Transpower** and, if not, the **records** not so kept; and
- (h) whether in the **independent auditor's** opinion, **Transpower** has complied, in all material respects, with this determination in preparing the **audited disclosure information**, and, if not, the respects in which it has not done so; and

13.2 **publicly disclose** the assurance report prepared in accordance with sub-clause 13.1 above at the same time as **Transpower publicly discloses** the **audited disclosure information**.

14. Where **Transpower** is required to **publicly disclose** any information under sub-clauses 9.1-9.17, 10.1-10.6, 11.1-11.4, 12.1, **Transpower** must at that time **publicly**

**disclose** a certificate in the form set out in Schedule Cert1 in respect of that information, duly signed by 2 **directors** of **Transpower**.

### **Related Party Transactions**

15. For the purpose of sub-clause 9.7 the cost of any **commissioned** asset acquired by **Transpower** from a **related party** must be as determined in accordance with sub-clause 2.2.7(1)(f)–(h) of the **Transpower IM determination**.
16. For the purpose of sub-clause 9.7 the cost of any service or goods (other than a transaction relating to a **commissioned** asset) acquired by **Transpower** from a **related party** must be:
  - 16.1 the directly attributable cost incurred by the **related party** in accordance with the cost allocation process set out in clause 2.1.1 of the **Transpower IM determination**, provided that the cost incurred by the **related party** in providing the service to **Transpower**:
    - 16.1.1 is fair and reasonable to **Transpower**; and
    - 16.1.2 is substantially the same as the cost incurred by the **related party** in providing the same type of services to third parties; or
  - 16.2 the price paid by **Transpower** where:
    - 16.2.1 the price paid for all services and goods acquired from that **related party** is less than 1% of **Transpower's** total revenue from the **electricity lines services** for that year; and
    - 16.2.2 the total price paid for all **related party** transactions is less than 5% of **Transpower's** total revenue from **electricity lines services** for that year; or
  - 16.3 the price paid by **Transpower** to the **related party** following a competitive tender process, provided that-
    - 16.3.1 the price is no more than 5% higher than the price of the lowest conforming tender received;
    - 16.3.2 all relevant material to consideration of a proposal was provided to third parties, or made available upon request;
    - 16.3.3 at least one other qualifying proposal was received;
    - 16.3.4 the final agreement for the provision of the services or goods by the **related party** does not include any **special contract terms**; and
    - 16.3.5 **Transpower** retains for a period of 7 years following the closing date of tender proposals a record of the tender and tender process, including the request for information and/or proposal, the criteria

used for the assessment of proposals, reasons for acceptance or rejection of proposals, and all proposals and requests for information on the tender for the purpose of making proposals; or

- 16.4 if the price cannot otherwise be determined under sub-clauses 16.1–16.3, the price paid by **Transpower**, provided no fewer than 2 **Transpower directors** provide a written certification that they are satisfied that the price(s) paid for all such services and, goods acquired from **related parties** reflect the price(s) that would be paid in an arm’s-length transaction; or
- 16.5 nil.
17. For the purpose of sub-clause 9.7 the price received by **Transpower** for any sale or supply of services, goods, or assets to a **related party**, must be one of the following:
- 17.1 if the **related party** is another **regulated supplier** required to **publicly disclose** the price paid or cost incurred in accordance with another **Commission** determination, then the price received must be that disclosed by the **related party**; or
- 17.2 if the price received cannot be determined under sub-clause 17.1, then at the price received from the **related party**, provided that no fewer than 2 directors of **Transpower** provide a written certification that they are satisfied that the price(s) received for all services, goods, or assets provided to **related parties** reflect the price(s) that would be received in an arm’s length transaction; or
- 17.3 at the cost incurred by **Transpower** in providing the service, good, or asset.

### **Retention and Continuing Disclosures**

18. **Transpower** must retain and continuously **publicly disclose** the **information** required to be published by this determination for at least 7 years from the date the **information** is first required to be **publicly disclosed**.

### **Exemptions**

19. The Commission may at any time, by way of written notice to **Transpower**:
- 19.1 Exempt **Transpower** from any or all of the requirements of this determination, for a period and on such terms and conditions as the **Commission** specifies in the notice; and
- 19.2 Amend or revoke any such exemption.

### **Form of Disclosure**

20. All financial and numerical **information** must be provided to the **Commission** in an electronic Microsoft Excel file capable of a ‘copy and paste’ function being applied to it.

21. All other **information** must be provided to the **Commission** in an electronic Microsoft Word, Microsoft Excel or Adobe PDF file capable of a 'copy and paste' function being applied to it.
22. Where data is provided in or derived from a spreadsheet, and has been computed or derived from other values in the spreadsheet through the use of formulae, all underlying formulae must be accessible or provided to the **Commission**.
23. All **information publicly disclosed** must be made available in one document.

#### **Miscellaneous**

24. The disclosure in sub-clause 9.5 (Term Credit Spread Differential Allowance - Schedule HFP5) is only required to be completed by **Transpower** if its debt portfolio, as at the date of its most recently published audited financial statements, has a weighted average original tenor greater than 5 years.
25. The disclosures in clause 11 are required to be disclosed for the first time in the year immediately following the **commencement date**.
26. **Transpower** may **publicly disclose** additional comments pertaining to **information** disclosed in accordance with this determination.

## **Schedules HFP1 – SO1**

[See excel workbook of schedules at <http://www.comcom.govt.nz/regulated-industries/electricity/electricity-transmission/transpower-information-disclosure/> ]

## Schedule Cert1: Certification of Disclosures

### Clause 14

We, [insert full names], being directors of Transpower New Zealand Ltd certify that, having made all reasonable enquiry, to the best of our knowledge-

- (a) the information prepared for the purposes of sub-clauses 9.1-9.17, 10.1-10.6, 11.1-11.4, and 12.1 of the Transpower Information Disclosure Determination 2014 in all material respects complies with that determination; and
- (b) the historical information used in the preparation of Schedules HFP1-9, R1, R3, E1, E3, E5, CG1-3, AM1-2, AM3-5, Q1-2 and SO1 has been properly extracted from Transpower New Zealand Ltd's accounting and other records sourced from its financial and non-financial systems, and that sufficient appropriate records have been retained [and if not, what records and systems were used]; and
- (c) the forecasts in Schedules HFP9, R2, E2, E4, AM5 and SO1 are based on objective and reasonable assumptions which both align with Transpower New Zealand Ltd's corporate vision and strategy, are documented in retained records, and have been measured on a basis consistent with regulatory requirements or recognised industry standards.
- (d) \*In respect of related party transactions valued in accordance with sub-clauses 16.4 and 17.2 of the Transpower Information Disclosure Determination 2014 we certify that, having made all reasonable enquiry, including enquiries of our related parties, we are satisfied that to the best of our knowledge and belief the price(s) recorded for related party transactions reasonably reflect the price(s) that would have been paid or received had these transactions been at arm's-length.

\* Delete if inapplicable

[Signatures of 2 directors]

[Date]