

Notice to supply information to the Commerce Commission under section 53ZD of the Commerce Act 1986

To: Transpower New Zealand Limited
PO Box 1021
WELLINGTON

1. For the purpose of carrying out its functions and exercising its powers under Part 4 of the Commerce Act 1986 (the Act), the Commerce Commission (Commission) requires, under section 53ZD(d) of the Act, that Transpower New Zealand Limited (Transpower) provides the Commission with the information specified in this notice.
2. The information provided in accordance with this notice supplements the information that Transpower is required to provide in its annual compliance monitoring statement for the 2012/13 disclosure year, as required by clause 5.1(1) of the Commerce Act (Transpower Individual Price-Quality Path) Determination 2010 (IPP Determination).
3. The information requested under the heading 'Major Capex Annual Information Requirements' will be used for the major capex adjustment calculations to be made in accordance with clause 3.3.6(2)(a)(ii), clause 3.3.7(3)(a)(ii) and Division 2 of Schedule B of the Transpower Capital Expenditure Input Methodology Determination (Capex IM Determination), and clauses 5.3(4)(e) and 5.2(9) of the IPP Determination.
4. The information under the heading 'Update of Forecast MAR for the 2014/15 Pricing Year' will be used to update the forecast maximum allowable revenue (MAR) for the 2014/15 pricing year, in accordance with the IPP Determination.
5. All information must be provided in accordance with the IPP Determination and the Capex IM Determination. The relevant sections of these determinations are indicated in this notice.

Interpretation

6. In this notice, unless the context otherwise requires, words in bold are defined in the Capex IM Determination, except for the following -

annual compliance monitoring statement has the meaning specified in the **IPP Determination**;

asset enhancement has the meaning specified in the **IPP Determination**;

auditor has the meaning specified in the **IPP Determination**;

Capex IM Determination means Re Transpower Capital Expenditure Input Methodology Determination [2012] NZCC 2;

directors' certificate means a certificate issued by two directors of **Transpower** in respect of **Transpower's** 2012/13 **major capex** adjustments in the form specified at Attachment 1 of this notice;

disclosure year means the year ending 30 June 2013;

EV adjustment has the meaning specified in the **IPP Determination**;

forecast MAR has the meaning specified in the **IPP Determination**;

IM Determination means Commerce Act (Transpower Input Methodologies) Determination 2010, issued by the **Commission** on 22 December 2010, and any amendment to the determination issued by the **Commission**;

IPP Determination means Commerce Act (Transpower Individual Price-Quality Path) Determination 2010, issued by the **Commission** on 22 December 2010, and any amendment to the determination issued by the **Commission**;

major capital expenditure has the meaning set out in the **IPP Determination**;

MAR has the meaning specified in the **IPP determination**;

minor capital expenditure has the meaning specified in the **IPP Determination**; and

pricing year has the meaning specified in the **IPP Determination**.

Major Capex Information Requirements

7. **Transpower** must provide the following information related to the 2012/13 **disclosure year**:
 - 7.1 a list of the **minor capital expenditure asset enhancement projects** for which **Transpower** has submitted a **major capex proposal** to the **Commission** in the 2012/13 **disclosure year**, and the reduction in the approved **minor capital expenditure** for **RCP1** made in respect of the amount of **major capex**.
 - 7.2 for each approved **major capex project** where the last asset to be delivered by the **project** is not yet **commissioned** or, in the case of **non-transmission solutions**, the **project** has not yet reached its **completion date** as at 30 June 2013:
 - 7.2.1 for **transmission investments**, an update to the expected cost of each **major capex project** (P50) compared against the **major capex allowance**;

- 7.2.2 for **non-transmission solutions**, an update to the expected cost of each **major capex project (P50)** compared against the maximum **recoverable cost**;
 - 7.2.3 an explanation for any material variance between the updated expected **project cost** and the expected **project cost** specified in the **major capex project approval**; and
 - 7.2.4 forecast completion date and an explanation for any material variance from the **commissioning date assumption** or **completion date assumption** specified in the **major capex approval**
- 7.3 for each **major capex project** that was **commissioned** in the 2012/13 disclosure year:
- 7.3.1 commissioning date for assets commissioned under the project;
 - 7.3.2 for transmission investments, actual major capex;
 - 7.3.3 for non-transmission solutions, actual costs intended to be recoverable costs; and
 - 7.3.4 major capex project outputs achieved by the major capex project.
- 7.4 for each **major capex project** that was **commissioned** in the 2012/13 **disclosure year**, where there was a material variation in any of the components of the **major capex project** of the types listed in clause 3.3.3(5) of the **Capex IM Determination**:
- 7.4.1 explanations for any material variances between the actual **commissioning dates** of assets associated with the **project** and the forecast **commissioning dates** specified in the **major capex project approval**;
 - 7.4.2 for **transmission investments**, an explanation for any material variance from the **major capex** that was forecast to be **commissioned**;
 - 7.4.3 for **non-transmission solutions**, an explanation for any material variance from the forecast **recoverable costs**;
 - 7.4.4 an explanation of any variance from the approved **major capex project outputs**;
 - 7.4.5 a summary of lessons learned during and after completion of the **project**; and
 - 7.4.6 an assessment of the amount of any cost efficiencies that **Transpower** considers it has achieved in the course of the **project** and explanations of the assumptions made in that assessment.

- 7.5 for each **major capex project** for which the **major capex overspend adjustment** in clause 3.3.7(1)(a) of the **Capex IM Determination** applies in the 2012/13 **disclosure year**:
- 7.5.1 **Transpower's** calculation of the **major capex overspend adjustment** for the **project**, calculated in accordance with clause B4(1) of Schedule B of the **Capex IM Determination**;
 - 7.5.2 the 'excess amount' for the **project**, as defined in clause B4(3)(a) of Schedule B of the **Capex IM Determination**;
 - 7.5.3 the **adjusted major capex allowance** for the **project**, as calculated in accordance with clause B4(4) of Schedule B of the **Capex IM Determination**; and
 - 7.5.4 the amounts for each **project**, as defined in terms o, p, q, and r in clause B4(4) of Schedule B of the **Capex IM Determination**;
 - 7.5.5 a narrative explanation for the overspend; and
 - 7.5.6 a narrative explanation for any amount that **Transpower** considers should not be included in the **major capex overspend adjustment**, being item r in clause B4(4) of Schedule B of the **Capex IM Determination**, with the extent of narrative being appropriate to the amount of the overspend.
- 7.6 for each **major capex project** for which the **major capex overspend adjustment** in clause 3.3.7(1)(b) of the **Capex IM Determination** applies in the 2012/13 **disclosure year**:
- 7.6.1 **Transpower's** calculation of the **major capex overspend adjustment** for the **project**, calculated in accordance with clause B4(1) of Schedule B of the **Capex IM Determination**;
 - 7.6.2 the 'excess amount' for the **project**, as defined in clause B4(3)(b) of Schedule B of the **Capex IM Determination**; and
 - 7.6.3 a narrative explanation for the overspend, with the extent of narrative being appropriate to the amount of the overspend.
- 7.7 for each **major capex project** for which the **major capex project output adjustment** in clause 3.3.7(2) of the **Capex IM Determination** applies in the 2012/13 **disclosure year**:
- 7.7.1 **Transpower's** calculation of the **major capex project output adjustment** for the **project**, calculated in accordance with the calculation in clause B5(1) of Schedule B of the **Capex IM Determination**;

- 7.7.2 **Transpower's** calculation of the **capital expenditure** amount for each **project** where the approved **major capex project outputs** were not met, in accordance with the definition in term t in clause B5(1) of Schedule B of the **Capex IM Determination**; and
- 7.7.3 a narrative explanation of the reasons why the **approved major capex project outputs** were not met.

Update of Forecast MAR for the 2014/15 Pricing Year

- 8. **Transpower** must calculate an update of the **forecast MAR** for the 2014/15 pricing year in accordance with clause 5.4(3)(a) of the **IPP Determination**.
- 9. An update of a **forecast MAR** is not intended to be a full recalculation of the **forecast MAR**. **Transpower** must demonstrate the incremental revenue impact of the additional approved **major capex** and the **EV adjustment**, calculated for the affected building blocks on a consistent basis with the calculation of the **forecast MAR** as determined on 1 November 2011. The calculation is to be carried out on a basis that is consistent with the **Commission's** notice of 15 July 2011 and subsequent necessary amendments and clarifications.
- 10. The forecast opening RAB value at 1 July 2013 that is to be used in the applicable 2014/15 building block calculations is the opening RAB value used in determining the initial **forecast MAR** in Schedule F of the **IPP Determination**. This is not required to be updated to the actual closing RAB value that will separately be used in the calculation of the 2012/13 **MAR** wash up.
- 11. No other amendments to the **forecast MAR** may be made apart from approved **major capex** and the **EV adjustment** relating to the 2012/13 **MAR** wash up.
- 12. The calculation must update the 2014/15 **forecast MAR** for the following **major capex** amounts up to 30 June 2012:
 - 12.1 new approved **major capex proposals** that were not included in the calculation of the **forecast MAR** set on 31 October 2012;
 - 12.2 amendments approved to the **major capex allowance** of an existing approved project included in the calculation of the **forecast MAR** set on 31 October 2012; and
 - 12.3 amendments approved to the **commissioning date assumption** of an existing approved **project** included in the **forecast MAR** set on 31 October 2012.
- 13. The incremental revenue adjustments in the update of the **forecast MAR** for **major capex** must include the forecasts of the capital charge, depreciation and the regulatory tax allowance.

14. No adjustments are to be made in the update of the **forecast MAR** for changes in the timing assumptions for **minor capital expenditure**.
15. No adjustments are to be made to the **forecast MAR** for any other **forecast MAR** building block.

Certification and Supporting Information

16. **Transpower** must provide the **Commission** with a **directors' certificate** for the information provided in response to this notice in the format set out in Attachment 1, to be completed and signed by a minimum of two directors of **Transpower**. If the information required by this notice is provided in **Transpower's annual compliance monitoring statement**, this information requirement may be satisfied by inclusion of the relevant certification within an appropriately amended form of **directors' certificate** provided under clause 5.8(a) of the **IPP Determination**.
17. **Transpower** must provide copies of supporting work papers in respect of each of the calculations in the information, showing how the numbers have been calculated, identifying any significant adjustments to the numbers, referencing the sources of the data used, and identifying any material judgments or estimates made in applying the data with particular reference to any variations from **Transpower's** internal approval processes.

References

18. If **Transpower** uses any reference material other than that specified in this notice in its calculations, it must provide the **Commission** with a list of such reference material.

Format

19. The numerical information requested in this notice is to be provided in electronic form in MS Excel file format with every formula intact, apart from cross-references to the TM1 database. The narrative information is to be provided in Adobe PDF format.
20. **Transpower** may elect to provide the information requested in this notice as part of its 2012/13 **annual compliance monitoring statement**. If the information is provided on this basis, the **directors' certificate** may be suitably amended with the applicable certification provided under the **IPP Determination**.
21. All information provided in response to this notice will be made publicly available on the **Commission's** website.

Date and Place of Response

22. **Transpower** must supply the information requested in this notice by email to the following address: regulation.branch@comcom.govt.nz (Attention: Matthew Lewer) by no later than 5pm on 4 October 2013.

Dated at Wellington:

Signed by:

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

Sue Begg

Deputy Chair

Attachment 1: Directors' Certificate

We, [insert full name of first director] and [insert full name of second director], being directors of Transpower New Zealand Limited (Transpower) certify that, having made all reasonable enquiry, to the best of our knowledge and belief, the attached major capex annual information requirements and supporting information for the disclosure year ending 30 June 2013, and attached calculation of the update of the forecast maximum allowable revenue and supporting information, dated [insert date], comply in all material respects with the Commission's information requirements, which were issued by notice in writing to Transpower under section 53ZD of the Commerce Act 1986 on [insert date]*[except in the following respects:].

*[insert description of non-compliance if applicable]

[Signatures of directors]

[Date]

*Delete if inapplicable.