Project no. 14.11/13720

Public version

Revised Draft Transpower New Zealand Limited Information Disclosure 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

28 February 2014

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

1. This determination takes effect on 1 July 2014.

Application

1. This determination applies to **Transpower** in relation to the supply of **electricity lines services**.

Interpretation

1. Unless the context otherwise requires—
	* 1. words appearing in this determination in bold type (except for headings) are defined terms and bear the meaning given in clause 6;
		2. 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 meaning given in the **Transpower IM determinations**;
		3. 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 meaning given in the **Act**;
		4. 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;

* + 1. an obligation to do something is deemed to include an obligation to cause that thing to be done; and
		2. a word which denotes the singular also denotes the plural and vice versa.
1. 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.
2. In this determination—

**Act** means the Commerce Act 1986

**audited disclosure information** means the information Transpower is required to publicly disclose

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

**commencement date** means 01 July 2014

**Commission** means the Commerce Commission

**commissioned** has the meaning given in the **Transpower IMs determination**

**director** has the meaning given in the **Transpower IMs determination**

**disclosure year** means the 12 month period ending on 30 June of the year the disclosure relates to

**Electricity Industry Participation Code** means the Code made by the Electricity Authority under section 36 of the Electricity Industry Act 2010

**electricity lines services** has the meaning given in section 54C of the **Act**

**GAAP** has the meaning given in the **Transpower IM determination**

**IMs** means the **Transpower IMs** and the **Capex IM** taken together

**independent auditor** means a person who-

1. is qualified for appointment as auditor of a company under the Companies Act 1993;
2. has no relationship with, or interest in **Transpower** that is likely to involve a conflict of interest;
3. 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
4. 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;

1. make copies of the **information** available for inspection by any person during ordinary office hours, at the principal office of **Transpower**; and
2. 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

**related party** has the meaning given in the **Transpower IM determination**

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

**transmission lines services** are all **electricity lines services** supplied by **Transpower** excluding **system operator services**

**Transmission Pricing Methodology** has the meaning set out in **the Electricity Industry Participation Code** or its successor code

**Transpower** has the meaning given in section 54B of the **Act**

**Transpower IMs** means the Transpower Input Methodologies Determination [2012] NZCC 17

Information Disclosure

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

Applicable Input Methodologies

1. **Transpower** must apply the requirements set out in the following subparts of the **IMs** where applicable when complying with this determination:

8.1 Subpart 1 of Part 2 of the **Transpower IM** – Cost allocation;

8.2 Subpart 2 of Part 2 of the **Transpower IM** – Asset valuation;

8.3 Subpart 3 of Part 2 of the **Transpower IM** – Treatment of taxation;

8.4 Subpart 4 of Part 2 of the **Transpower IM** – Cost of capital;

8.5 Subpart 2 of Part 3 of the **Capex IM** – Base capex

8.6 Subpart 3 of Part 3 of the **Capex IM** – Major capex projects

Transmission Lines Services - Financial Information

1. **Transpower** must **publicly disclose,** by the Friday of the third complete week of October after the end of each **disclosure year**, the following **information** relating to **transmission lines services** for that **disclosure year**:

9.1 Vanilla return on investment solved in accordance with the following formula:

9.2 Post-tax return on investment solved in accordance with the following formula:

9.3 A comparison of the vanilla return on investment to both the 75th percentile and mid-point estimates of the information disclosure vanilla WACC rate and a comparison of the post-tax return on investment to the 75th percentile and mid-point estimates of the post-tax information disclosure WACC rate and narrative explaining any variances.

9.4 Regulatory profit solved in accordance with the following formula:

9.5 All transactions with **related parties** including**:**

9.5.1 The name of the **related party;**

9.5.2 The relationship between the **related party** and **Transpower;**

9.5.3 A description of the transaction;

9.5.4 The value of the transaction; and

9.5.5 The basis used for determining the value of the transaction.

9.6 All contracts entered into where the **Transmsision Pricing Methodology** does not apply including:

* + 1. The name or title of the contract;
		2. A brief description of the contract;
		3. The contracting customer;
		4. The date of the contract;
		5. Capacity of the investment; and
		6. Build cost.

9.7 Explanations for the variance between actual and forecast opex and actual and forecast base capex sufficiently disaggregated by category.

9.8 The base capex expenditure adjustment calculated in accordance with clause B1 of the **Capex IM,** including the values for *c, e, f* and *g*.

9.9 The base capex annual policies and processes adjustment calculated in accordance with clause B2 of the **Capex IM,** including the values for hand *h’*.

9.10 The annual grid output adjustment calculated in accordance with clause B3 of the **Capex IM,** including the value for *m.*

9.11 A list of the base capex projects for which **Transpower** has submitted a major capex proposal to the **Commission**, and the reduction in the approved base capex for the regulatory control period made in respect of the amount of major capex.

9.12 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 the end of the **disclosure year**:

9.12.1 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

9.12.2 an explanation for any material variance from the commissioning date assumption or completion date assumption specified in the major capex approval.

9.13 For each major capex project that was commissioned in the **disclosure year**:

* + 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;
		2. for non-transmission solutions, an explanation for any material variance from the forecast recoverable costs;
		3. an explanation of any variance from the approved major capex project outputs;
		4. a summary of lessons learned from the project;
		5. an assessment of the amount of any cost efficiencies achieved in the course of the project including explanations of any assumptions when making the assessment;
		6. the adjusted major capex allowance for the project and values for the terms *o, p q* and *r*, calculated in accordance with clause B4(4) of Schedule B of the **Capex IM**;
		7. the ‘excess amount’ for the project, if applicable , as defined in clause B4(3)(a) of Schedule B of the **Capex IM**;
		8. The major capex overspend adjustment for the project, if applicable, calculated in accordance with clause B4(1) of Schedule B of the **Capex IM**;
		9. an explanation for any overspend;
		10. an explanation for any amount that should not be included in the major capex overspend adjustment, being item r in clause B4(4) of Schedule B of the **Capex IM**, with the extent of narrative being appropriate to the amount of the overspend
		11. the capital expenditure amount for each project where the approved major capex project outputs were not met, calculated in accordance with the definition in term t in clause B5(1) of Schedule B of the **Capex IM**;
		12. the major capex project output adjustment for the project, if applicable, calculated in accordance with clause B5(1) of Schedule B of the **Capex IM**,; and
		13. a narrative explanation of the reasons why the approved major capex project outputs were not met.

10 **Transpower** must **publicly disclose**, by the Friday of the third complete week of October after the end of each **disclosure year**, the following **information** relating to **transmission lines services** for that **disclosure year**:

10.1 Schedule F1 - Value of the Regulatory Asset Base (RAB Roll Forward);

10.2 Schedule F2- Operating Expenditure (Opex): Actuals;

10.3 Schedule F3 - Base Capital Expenditure (Base Capex): Commissioned;

10.4 Schedule F4 - Actuals v Forecasts (Opex and Base Capex Commissioning);

10.5 Schedule F5 - Major Capital Expenditure (Major Capex).

11 **Transpower** must **publicly disclose** by the last working day of December after the end of each **disclosure year**, the following information relating to revenue and customer charges:

11.1 Schedule F6 – Revenue and Customer Charges

Transmission Lines Services Grid Management Information

12 **Transpower** must **publicly disclose,** by the Friday of the third complete week of October after the end of each **disclosure year**, the following **information** relating to **transmission lines services** for that **disclosure year**:

12.1 Schedule G1 – System Statistics;

12.2 Schedule G2 - Grid Demand and Injection;

12.3 Schedule G3 - Grid Exit Point (GXP) Connection Capacity and Demand (Actual and Forecast);

12.4 Schedule G4 - Quality of Supply: Grid Outputs and Performance Measures; and

* 1. Schedule G5 - Quality of Supply: Interconnection and Core Grid Assets.

13 **Transpower** must **publicly disclose,** in the form of a companion to theIntegrated Transmission Planfor the second **disclosure year** of aregulatory control periodand theIntegrated Transmission Planpublished 16 months prior to a regulatory control period**,** the following **information** relating to **transmission lines services** supplied by **Transpower** for that **disclosure year**:

13.1 Schedule G6 - Asset Age, Health and Changes;

13.2 Schedule G7 - Asset Management Maturity Assessment Tool (AMMAT);

13.3 Schedule G8 - AMMAT Results Summary;

13.4 An indication of the long term expenditure for the following expenditure categories:

13.4.1 HVDC;

13.4.2 Power transformers;

13.4.3 High voltage cables;

13.4.4 Dynamic reactive support; and

13.4.5 Reconductoring.

including forecast expenditure in 5 year intervals from years 10 to 20 and a single figure for 20 plus years.

13.5 Any significant changes that have occurred since the last report that will affect the expenditure trends or quantum of expenditure. This includes, but is not limited to:

13.5.1 Changes to Transpower’s strategic direction;

13.5.2 Changes to Transpower’s Treasury Policy; and

13.5.3 Changes to strategies, policies and processes;

13.6 To meet the requirements of clause 13.2 and 13.3, Transpower can submit an asset management audit report if the audit report contains all of the assessment areas in the AMMAT, and both the narrative and numerical results are presented in a consistent format throughout the report and in subsequent reports.

13.7 Any other disclosures Transpower deems valuable for interested persons to understand Transpower’s performance since the last report.

**System operator information**

14 **Transpower** must **publicly disclose,** by the Friday of the third complete week of October after the end of each **disclosure year**, the following **information** relating to **system operator services** supplied by **Transpower** for that **disclosure year**:

14.1 Schedule SO1 - System Operator.

Audit and Certification Requirements

15 Where **Transpower** is required to **publicly disclose** any **information** under sub-clauses 9.1-11.1 and 14.1, **Transpower** must:

15.1 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:

* + 1. is addressed to the **directors** of **Transpower** and to the **Commission** as the intended users of the assurance report; and
		2. states:

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;

the work done by the **independent auditor**;

the scope and limitations of the assurance engagement;

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;

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;

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;

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

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

* 1. **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**.
1. Where **Transpower** is required to **publicly disclose** any information under sub-clauses 9.1-14.1, **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

1. For the purpose of sub-clause 9 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 IMs**.
2. For the purpose of sub-clause 9.5.4 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:

18.1 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 IMs**, provided that the cost incurred by the **related party** in providing the service to **Transpower**:

18.1.1 is fair and reasonable to **Transpower**; and

18.1.2 is substantially the same as the cost incurred by the **related party** in providing the same type of services to third parties; or

* 1. the price paid by **Transpower** where:
		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
		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
	2. the price paid by **Transpower** to the **related party** following a competitive tender process, provided that-
		1. the price is no more than 5% higher than the price of the lowest conforming tender received;
		2. all relevant material to consideration of a proposal was provided to third parties, or made available upon request;
		3. at least one other qualifying proposal was received;
		4. the final agreement for the provision of the services or goods by the **related party** does not include any **special contract terms**; and
		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

18.4 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

18.5 nil.

1. For the purpose of sub-clause 9 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:

19.1 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

19.2 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

19.3 at the cost incurred by **Transpower** in providing the service, good, or asset.

Retention and Continuing Disclosures

1. **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

1. The Commission may at any time, by way of written notice to **Transpower**:
	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
	2. Amend or revoke any such exemption.

Form of Disclosure

1. All financial and numerical **information** required to be **publicly disclosed** must be publicly available in an electronic Microsoft Excel file or similar format capable of a ‘copy and paste’ function being applied to it.
2. All other **information** must be made publicly available in an electronic Microsoft Word, Microsoft Excel or Adobe PDF file capable of a ‘copy and paste’ function being applied to it.
3. 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 made publicly available.
4. The content and/or format of disclosures may be changed by **Transpower** in consultation with the **Commission.**
5. The schedules detail the minimum information requirements. The format of the disclosures can be changed as long as the information requirement is met.
6. **Transpower** may **publicly disclose** additional comments pertaining to **information** disclosed in accordance with this determination.

**Schedules F1-S01**

[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 16

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- 14.1 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 F1-6, G1-7 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 F5, F6, G3, G6 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 17-19.3 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]