

Transpower Input Methodologies Amendments Determination (No. 2) 2019

[2019] NZCC 16

The Commission:

Sue Begg
Dr Stephen Gale
Elisabeth Welson
John Crawford

Date of decision:

13 November 2019

[Drafting notes:

- This amendments determination amends the *Commerce Act (Transpower Input Methodologies) Determination 2010* [2012] NZCC 17 ('principal determination').
- The included amendments are made under s 52X of the Commerce Act 1986.]

Commerce Commission

Wellington, New Zealand

Pursuant to Part 4 of the Commerce Act 1986 (the **Act**) the Commerce Commission makes the following determination:

1. DETERMINATION AMENDED

This determination amends the *Commerce Act (Transpower Input Methodologies) Determination 2010* [2012] NZCC 17, as previously amended (the **principal determination**).

2. COMMENCEMENT

- 2.1 Subject to clause 2.2 of this determination, this determination comes into force on the date on which notice of the determination is given in the New Zealand Gazette in accordance with section 52W of the **Act**.
- 2.2 Amendments in this determination affecting Part 3 of the **principal determination**, including any amended definitions in clause 4.1-4.3 of this determination affecting Part 3 of the **principal determination**, apply for any **IPP determination** in force from 1 April 2020 onwards.
- 2.3 For the avoidance of doubt, if the **Commission** determines that any forecast values are required to be calculated consistent with Part 3 of the **principal determination** for the determination of an **IPP** that is to come into force from 1 April 2020, Part 3 of the **principal determination** and any applicable definitions in clause 1.1.4(2) of the **principal determination** will apply as amended by this determination to the setting of those forecast values.

3. INTERPRETATION

- 3.1 Terms in bold type have the meaning given to those terms in the **principal determination**. Terms in bold type used in this determination that are defined in the **Act**, but not this determination, have the same meaning as in the **Act**.

4. TRANSPOWER INPUT METHODOLOGIES DETERMINATION AMENDMENTS

- 4.1 In the **principal determination** insert the following definitions to clause 1.1.4(2):

- | | | |
|-------|----------------------------|---|
| 4.1.1 | “lease payment | has the same meaning as under GAAP except that it only applies to lease payments under an operating lease ;”; |
| 4.1.2 | “operating lease | has the same meaning as under GAAP ;”; |
| 4.1.3 | “right-of-use asset | has the same meaning as under GAAP except that it excludes any part of the cost of that |

asset that is a **pass-through cost** or **recoverable cost**”.

4.2 In the **principal determination** amend the definition of ‘**operating expenditure**’ in clause 1.1.4(2) to now read:

“(a) except for the purpose of Subpart 6 of Part 3, means **operating costs** after applying clause 3.2.1(1); and

(b) for the purpose of Subpart 6 of Part 3, means **operating costs** after applying clause 3.2.1(1) plus any **lease payments**”.

4.3 In the **principal determination** amend the definition of ‘**identifiable non-monetary asset**’ in clause 1.1.4(2) to now read:

“has the same meaning as under **GAAP** (which, for the avoidance of doubt, includes **right-of-use assets**) except that it excludes goodwill”.

4.4 In the **principal determination** amend clause 2.2.6(1)(h) to now read:

“(h) a non-network asset or **right-of-use asset**, its asset life determined under **GAAP**”.

4.5 In the **principal determination** amend clause 3.6.3(8) to now read:

“(8) ‘Actual opex’ is the sum of–

(a) any **operating costs** allocated to **electricity transmission services** for the relevant **disclosure year** calculated in accordance with Part 2; and

(b) any **lease payments** allocated to **electricity transmission services** other than **system operator** services for the relevant **disclosure year**”.

4.6 In the **principal determination** amend clause 3.6.4(3) to now read:

“(3) The ‘baseline adjustment term’ is calculated in accordance with the formula–

–(differences in penultimate year)

x

$((1-(1+WACC)^{-6})/WACC)$

x

$(1+WACC)^2$

where–

differences in penultimate year means the amount calculated in accordance with subclause (4); and

WACC means the **WACC** as determined by the **Commission** and applicable to **Transpower's** current **regulatory period**. ”.

- 4.7 In the **principal determination** amend clause 3.6.5(2) to replace the phrase “allocated to **electricity transmission services**” with “allocated to **electricity transmission services** after the application of clause 2.1.1(1)”.

Commissioner

Dated at Wellington this 13th day of November 2019.

COMMERCE COMMISSION