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**Public version**

Gas Transmission Services Default Price-Quality Path Determination 2013

Technical consultation draft

Date: 8 February 2013

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Regulation Branch, Commerce Commission

Wellington, NEW ZEALAND

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Gas Transmission Services Default Price-Quality Path Determination 2013

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

# Title

This determination is the Gas Transmission Services Default Price-Quality Path Determination 2013.

# Commencement

This determination takes effect on 1 July 2013.

# Application

* 1. This determination sets the default price-quality paths for **GTBs**, and is made pursuant to s 55E(2) of the **Act**.
  2. This determination applies to **GTBs** for the **regulatory period**.

# Interpretation

* 1. Unless the context otherwise requires—
     1. terms used in this determination that are defined in the **Act** but not in this determination have the same meanings in this determination as in the **Act**;
     2. terms used in this determination that are defined in the **IM determination** but not in this determination have the same meanings as in the **IM determination**; and
     3. a word which denotes the singular also denotes the plural and vice versa.
  2. In this determination, unless the context otherwise requires—

**Act** means the Commerce Act 1986;

**amalgamation** has the same meaning as clause 1.1.4 of the **IM determination**;

**assessment period** means a period for which compliance with the default price-quality path is to be demonstrated, as specified in Schedule 1;

**auditor**, in relation to a **GTB**, means a person who:

* 1. is qualified for appointment as auditor of a company under the Companies Act 1993; and
  2. has no relationship with, or interest in, the **GTB** that is likely to involve the person in a conflict of interest; and
  3. 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**; and
  4. has the necessary expertise to properly undertake an audit for the purposes of completing the report required by clause 11.2.4; but
  5. 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 s 2 of the **Act**;

**compliance statement** means a written statement made by a **GTB** under clause 11;

**consumer** has the same meaning as defined in s 2(1) of the Gas Act 1992;

**CPI** has the same meaning as clause 1.1.4 of the **IM determination**;

**CPP proposal** has the same meaning as clause 1.1.4 of the **IM determination;**

**director** has the same meaning as clause 1.1.4 of the **IM determination**;

**emergency** means an incident that is, or will be, reported under the ‘Guidelines for a Certificate of Fitness for High-Pressure Gas and Liquids Transmission Pipelines’ that the **GTB** considers a representative of the **GTB** is required to immediately respond to the incident;

**gas transmission services** has the same meaning as clause 1.1.4 of the **IM determination**;

**GTB** has the same meaning as clause 1.1.4 of the **IM determination**;

**IM determination** means the Gas Transmission Services Input Methodologies Determination 2012;

**Input methodology** has the same meaning as in s 52C of the **Act**;

**MDL** means Maui Development Limited;

**merger or acquisition** means a transaction, other than an **amalgamation**, whereby a **GTB**, directly or indirectly:

1. combines the ownership of substantially all of its assets with, or acquires ownership or control of, substantially all of the assets of another **GTB**; or
2. combines its ownership with that of another **GTB**, or acquires ownership or control of a majority of the voting power of another **GTB**;

**pass-through costs** has the same meaning as clause 1.1.4 of the **IM determination**, and are calculated in accordance with Schedule 6;

**prices** has the same meaning as clause 1.1.4 of the **IM determination**;

**pricing period** means a 12 month period:

1. commencing 1 October and ending on 30 September of the following year for **Vector**; and
2. commencing 1 July and ending on 30 June of the following year for **MDL;**

**quantities** has the same meaning as clause 3.1.1(7) of the **IM determination**;

**recoverable costs** has the same meaning as clause 1.1.4 of the **IM determination**, and are calculated in accordance with Schedule 6;

**regulatory period** means the period 1 July 2013 to 30 September 2017;

**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**; and

**Vector** means Vector Limited.

# Default price-quality path

* 1. During the **regulatory period** every **GTB** subject to this determination must comply with the default price-quality path, which consists of both:
     1. the price path specified in clause 8; and
     2. the quality standards specified in clause 9.

# Applicable input methodologies

* 1. The **input methodologies** that are applied through this determination are the following parts of the **IM determination:**
     + 1. Subpart 1 of Part 3 - specification of price;
       2. Subpart 2 of Part 3 – amalgamations;
       3. Subpart 1 of Part 4 – cost allocation;
       4. Subpart 2 of Part 4 – asset valuation;
       5. Subpart 3 of Part 4 – treatment of taxation;
       6. Subpart 4 of Part 4 – cost of capital;
       7. Subpart 5 of Part 4 – reconsideration of the default price-quality path;
       8. Subpart 6 of Part 4 – treatment of periods that are not 12 month periods; and
       9. Subpart 7 of Part 4 – availability of information.

# Customised price-quality path proposals

A **CPP proposal** may be submitted to the **Commission** at any time before 1 October 2016.

# Price path

### *Starting prices*

* 1. The starting prices that apply to the **regulatory period** are as set out in Schedule 2.

### Rate of change

* 1. The annual rate of change, relative to the **CPI**, that is allowed during the **regulatory period** is set out in Schedule 3.

### Allowable notional revenue

* 1. Allowable notional revenue determined under this clause specifies the maximum revenues that may be recovered during an **assessment period**.

### Compliance with the price path

* 1. The notional revenue of a **GTB** for the **assessment period** must not exceed the allowable notional revenue for the **assessment period**, such that:
     1. for **assessment periods** other than the first **assessment period** for **Vector** and the fifth **assessment period** for **MDL**—



* + 1. for the first **assessment period** for **Vector**—



* + 1. for the fifth **assessment period** for **MDL**—



* 1. For the purposes of calculating notional revenue and allowable notional revenue in clause 8.4:
     1. notional revenue for the **pricing period** ending in year t is NRt, where:

****

and:

|  |  |
| --- | --- |
| *t* | is the year i*n* which the **pricing period** ends; |
| *i* | is each **price** relating to a **gas transmission service**; |
|  | is the ith **price** for any part of the **pricing period**; |
|  | is the **quantity** corresponding to the *i*th **price** during the **pricing period** ending in year t-*2*; |
| Kt | is the sum of all **pass-through costs** for the **pricing period**, determined in accordance with Schedule 6; |
| Vt | is the sum of all **recoverable costs** for the **pricing period**, determined in accordance with Schedule 6; and |

* + 1. allowable notional revenue for the **pricing period** ending in year t is ANRt, as specified:
       1. Schedule 4 for the first **assessment period**; and
       2. Schedule 5 for all other **assessment periods**.

[Insert claw-back provision here, as required –see clause 8.6 and Schedule 6 of the gas distribution services draft determination for relevant drafting and calculations]

# Quality standard

### Compliance with annual quality assessment formula

* 1. A **GTB’s RTE** values for an **assessment period** must be such that:



* 1. For the purposes of calculating the **RTE** values in clause 9.1:

 is the total number of **emergencies** in the **assessment period** where the **GTB’s RTE** for the **emergency** was less than or equal to 180 minutes;

 is the total number of **emergencies** in the **assessment period**;and

 is the total number of **emergencies** in the **assessment period** for which the **Commission** has granted an exemption.

*Exclusion of for approved emergencies*

* 1. If a **GTB** has reasonable grounds for not responding to an **emergency** in 180 minutes or less, a **GTB** may apply to the **Commission** to exclude the **emergency** from the total number of **emergencies** for the calculation required by clause 9.1.
  2. An exclusion request must–
     1. be submitted in writing to the **Commission** within 30 working days of the **emergency**; and
     2. include sufficient evidence demonstrating why it was reasonable that the **GTB’s RTE was greater than** 180 minutes.
  3. A **GTB** may exclude an **emergency** from the calculations of **RTE** values for the **GTB’s** **compliance statement** only where the **Commission** agreed to this in writing for that **emergency** by the time the **compliance statement** is provided to the **Commission**.

# Transactions

*Amalgamations*

* 1. A **GTB** that participates in an **amalgamation** with another **GTB** subject to a default price-quality path must, in complying with -
     1. the price path specified in clause 8, aggregate the notional revenue and allowable notional revenue specified in clause 8 with those of the other **GTB**; and
     2. the quality standards specified in clause 9, aggregate the total number of **emergencies** with those of the other **GTB** in calculating its **RTE** values;

with effect from the start of the **assessment period** immediately following the date of default price-quality path aggregation specified by clause 3.2.1 of the **IM determination**.

*Merger or acquisition*

* 1. A **GTB** participating in a **merger or acquisition** must comply with the price path and quality standards by treating the **merger or acquisition** as if it were an **amalgamation** for the purposes of the **IM determination** and clause 10.1.

*Transactions resulting in consumers being supplied by another GTB*

* 1. A **GTB** that commences or ceases to supply **gas pipeline services** to any **consumer**, shipper or welded party in an **assessment period** as a result of the **GTB** participating in a transaction involving a transfer of assets to or from another **GTB** (other than a transaction which is an **amalgamation** or a **merger or acquisition**), must increase or decrease the allowable notional revenue and notional revenue calculated for that **assessment period** as specified in Schedule 7.

*Alternative demonstration of compliance for amalgamation or merger or acquisition*

* 1. If a **GTB** participates in an **amalgamation** or **merger or acquisition** for which it does not aggregate its allowable notional revenue or notional revenue or total number of emergencies, the **GTB** must instead demonstrate to the satisfaction of the **Commission** that —
     1. the aggregation could not be performed due to a lack of information available which was beyond its control; and
     2. the **GTB** has complied with clauses 8 and 9 by reference to an alternative assessment approach that has a substantially equivalent effect.

*Alternative demonstration of compliance for transaction*

* 1. If an **GTB** participates in a transaction specified in clause 10.3 for which it does not calculate the required increase or decrease to the relevant allowable notional revenue or notional revenue, the **GTB** must instead demonstrate to the satisfaction of the **Commission** that —
     1. the calculation could not be performed due to a lack of information available which was beyond its control; and
     2. the **GTB** has complied with clauses 8 and 9 by reference to an alternative assessment approach that has a substantially equivalent effect.

*Requirement to notify the Commission of large transactions*

* 1. A **GTB** must notify the **Commission** in writing within 30 working days of any arrangement or transaction of the type set out in clauses 10.1 to 10.3 where:
     1. the total regulatory value of the **GTB’s** assets associated with the provision of **gas distribution services** is anticipated to increase or decrease by more than 10% as a result of the transaction; or
     2. the **GTB’s** total revenues recovered through **prices** from **consumers**, shippers or welded parties for the supply of **gas distribution services** is anticipated to increase or decrease by more than 10% within an **assessment period** as a result of the transaction.

1. **Compliance statement**
   1. Every **GTB** must:
      1. provide to the Commission a written **compliance statement** within 50 working days following the end of each **assessment period**; and
      2. make its **compliance statement** publicly available on its website within 5 working days after providing it to the **Commission**.
   2. The **compliance statement** must:
      1. state whether or not the **GTB** has complied with:
         1. the price path in clause 8 for the **assessment period**; and
         2. the quality standards in clause 9 for the **assessment period**;
      2. state the date on which the statement was prepared;
      3. include a certificate in the form set out in Schedule 9, signed by at least one **director** of the **GTB**; and
      4. be accompanied by a report on the **compliance statement** that is signed by an **auditor** and is in the form set out in Schedule 10.
   3. The **compliance statement** must include any information reasonably necessary to demonstrate whether the **GTB** has complied with:
      1. clause 8, including but not limited to:
         1. the amount of allowable notional revenue, the amount of notional revenue, **prices**, **quantities**, units of measurement associated with all numeric data, and other relevant data, information, and calculations;
         2. the amounts of **pass-through costs** and **recoverable costs**, and other relevant data, information, and calculations; and
         3. if the **GTB** has not complied with the price path, the reasons for the non-compliance; and
      2. clause 9, including but not limited to:
         1. relevant incident data and calculations;
         2. a description of policies and procedures which the **GTB** has used for recording the **RTE** statistics for the **assessment period**;
         3. any exclusions that have been agreed to by the **Commission**, and any exclusion requests that are pending a decision by the **Commission**, to exclude an **emergency** from the **RTE** values in the **assessment period**, and
         4. if the **GTB** has not complied with the quality standard:
            1. the reasons for not meeting the quality standard;
            2. the effect of specific incidents on meeting the quality standard;
            3. a description of the incidents, including their nature cause and location; and
            4. the number of **consumers**, shippers or welded parties affected.
   4. If a **GTB** has restructured its **prices** during an **assessment period**, the **GTB** must state in the **compliance statement** that it has restructured its **prices** and include:
      1. the methodology that the **GDB** has used to determine **quantities** that correspond to the restructured **prices**; and
      2. estimates of **quantities** for the **assessment period** and two prior **pricing periods**;
   5. If a **GDB** participates in an arrangement or transaction of the type described in clauses 10.1 to 10.3 which requires an aggregation or adjustment for an **assessment period**, the **compliance statement** for that **assessment period** must-
      1. state whether the **GDB** has complied with all relevant parts of clause 10; and
      2. include any information or calculations that are reasonably required to assess compliance with that clause.

# Annual balancing gas statements

[Note clause 12 and Schedule 7 of this determination may change following consultation on this paper].

* 1. Each **GTB** must submit an annual balancing gas statement for the **Commission’s** approval in accordance with the timeframe as specified in Schedule 7.
  2. The statement given for the purposes of clause 12.1 shall include:
     1. the net cost or credit amount arising from the **GTB’s** purchase or sale of balancing gas that has not been allocated to a person shipping gas on the **GTB’s** network; and
     2. information and calculations used to derive the net cost or credit amount, including:
        1. the date, quantity, price and sale or purchase amount for each transaction; and
        2. the shipper or welded party name, date, quantity, price and credit or debit amount for each allocation of balancing gas to a shipper or welded party.
  3. The **Commission** will notify **GTBs** in accordance with the timeframe as specified in Schedule 7 the net cost or credit amount that can be a **recoverable cost**.
  4. The net cost or credit amounts that can be **recoverable costs** for the first **assessment period** are set out in Schedule 7.

Dated at Wellington this [xxth day of Xxxx] 2013.

Commerce Commission

## Schedule 1: Assessment periods for GTBs

The assessment periods for the regulatory period are set out in Table 1 for Vector and Table 2 for MDL.

Table 1: Assessment periods for Vector

|  |  |
| --- | --- |
| First **assessment period** | 1 July 2013 to 30 September 2014 |
| Second **assessment period** | 1 October 2014 to 30 September 2015 |
| Third **assessment period** | 1 October 2015 to 30 September 2016 |
| Fourth **assessment period** | 1 October 2016 to 30 September 2017 |

Table 2: Assessment periods for MDL

|  |  |
| --- | --- |
| First **assessment period** | 1 July 2013 to 30 June 2014 |
| Second **assessment period** | 1 July 2014 to 30 June 2015 |
| Third **assessment period** | 1 July 2015 to 30 June 2016 |
| Fourth **assessment period** | 1 July 2016 to 30 June 2017 |
| Fifth **assessment period** | 1 July 2017 to 30 September 2017 |

## Schedule 2: Starting prices

The starting prices for each **GTB** for the **regulatory period** are set out in Table 3.

**Table 3: Starting prices for each GTB**

|  |  |
| --- | --- |
| GTB | MAR ($m) |
| **MDL** | [XX.XXX] |
| **Vector** | [XX.XXX] |

## Schedule 3: Rate of change

The annual rate of change is 0%, unless specified otherwise in Table 4.

**Table 4: Rates of change for specified GTBs**

|  |  |
| --- | --- |
| GTB | Rate of change for calculating allowable notional revenue (%) |
| [xxx] | [x] |

## Schedule 4: Allowable notional revenue for the first assessment period

Allowable notional revenue for the first **assessment period** must becalculated in accordance with**:**

* + - 1. Equation 1 and Equation 2 for **Vector**; and
      2. Equation 3 for **MDL**.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Equation 1**  The allowable notional revenue for the **pricing period**ending in 2013is:    where: | | | | | | |
|  |  | | is the starting price, as specified in Schedule 2. | | | |
|  |  | | is the change in constant price revenue for the period 1 October 2011 to 30 September 2013, as specified in Table 4. | | | |
|  |  | | is the sum of all **pass-through costs** and **recoverable costs** for the **pricing period** ending 2013 determined in accordance with Schedule 6. | | | |
| **Equation 2**  The allowable notional revenue for the **pricing period** ending in 2014is:    where: | | | | | | |
|  |  | | is the allowable notional revenue for the **pricing period** ending in 2013, calculated in accordance with Equation 1. | | | |
|  |  | | is the rate of change, as specified in Schedule 3. | | | |
|  |  | | is the derived change in the **CPI** to be applied for the **pricing period** ending in 2014 being equal to:    where: | | | |
|  |  | | *CPIq,t* | | is the **CPI** for the quarter ending q of year *t.* |  |
| **Equation 3**    where: | | | | | | | |
|  | |  | | is the starting price, as specified in Schedule 2. | | | |
|  | |  | | is the change in constant price revenue for the period 1 July 2012 to 30 June 2014, as specified in Table 5. | | | |
|  | |  | | is the sum of all **pass-through costs** and **recoverable costs** for the first **assessment period**, determined in accordance with Schedule 6. | | | |

**Table 5: Allowable notional revenue inputs for the first assessment period for each GTB**

|  |  |
| --- | --- |
| GTB | ∆D |
| **MDL** | [x.xxx] |
| **Vector** | [x.xxx] |

## Schedule 5: Allowable notional revenue for all assessment periods other than the first assessment period

Allowable notional revenue for all **assessment periods** other than the first **assessment period** must becalculated in accordance with Equation 4.

|  |  |  |  |
| --- | --- | --- | --- |
| **Equation 4**    where: | | | |
|  | *t* | is the year in which the **pricing period** ends; | |
|  |  | is the allowable notional revenue for the **pricing period**. | |
|  |  | is the allowable notional revenue for the **pricing period** ending in year t*-*1. | |
|  |  | is the derived change in the **CPI** to be applied for the **pricing period,** being equal to:  (a) for **Vector**:    (b) for **MDL:**    where: | |
|  |  | *CPIi,t* | is the **CPI** for the quarter ending q of year *t* |
|  | *X* | is the rate of change, as specified in Schedule 3. | |

## Schedule 6: Process for determining the amount of pass-through costs and recoverable costs

* + 1. The individual **pass-through cost** or **recoverable cost** amounts that are used to calculate allowable notional revenue for the first **assessment period** and notional revenue for a **pricing period** must:
       1. be known, and not forecast, when the **GTB** sets its **prices** for the **pricing period**;
       2. not have already been passed through to or recovered from **consumers**, shippers or welded parties by the **GTB**; and
       3. not relate to costs that were incurred by the **GTB** prior to the **regulatory period**, except as provided under item (2) below.
    2. [Insert clause concerning recovery of certain pass-through and recoverable costs that were incurred prior to regulatory period – for further information, see Chapter 3 of the 8 February 2013 consultation paper].
    3. **Pass-through costs** and **recoverable costs** that are claimed in a **pricing period** may be adjusted for the time value of money using Equation 5:

**Equation 5**

where

t denotes the year in which the **pricing period** ends;

is the sum of all **pass-through costs** claimed during the **pricing period;**

is the sum of all **recoverable costs** claimed during the **pricing period;**

n denotes the year that actual **pass-through costs** and **recoverable costs** were paid or payable;

is the sum of all **pass-through costs** paid or payable in year n;

is the sum of all **recoverable costs** paid or payable in year n;

r discount rate for time-value-of-money adjustments, and is [x]%

## Schedule 7: Balancing gas payments

[Note clause 12 and Schedule 7 of this determination may change following consultation on the 8 February 2013 consultation paper].

The balancing gas amount to be included as a **recoverable cost** for the first **assessment period** for each **GTB** is set out in Table 6. The timeframe for submitting annual balancing gas statements and what **assessment period** the balancing gas amount is allowed to be included as a **recoverable cost** are contained in Table 7 and Table 8.

**Table 6: Balancing gas amounts for the first assessment period**

|  |  |
| --- | --- |
| **GTB** | Amount ($) |
| **MDL** | [xxx] |
| **Vector** | [xxx] |

Table 7: Timeframes relevant to approval of Vector’s balancing gas amounts

|  |  |  |
| --- | --- | --- |
| Due date for balancing gas statements | Decision date on balancing gas amounts | Assessment period where balancing gas amounts are a recoverable cost |
| 28 February 2014 | 11 April 2014 | Second **assessment period** |
| 27 February 2015 | 10 April 2015 | Third **assessment period** |
| 26 February 2016 | 8 April 2016 | Fourth **assessment period** |

**Table 8: Timeframes relevant to approval of MDL’s balancing gas amounts**

|  |  |  |
| --- | --- | --- |
| Due date for balancing gas statements | Decision date on balancing gas amounts | Assessment period where balancing gas amounts are a recoverable cost |
| 31 January 2014 | 14 March 2014 | Second **assessment period** |
| 30 January 2015 | 13 March 2015 | Third **assessment period** |
| 29 January 2016 | 11 March 2016 | Fourth **assessment period** |
| 27 January 2017 | 10 March 2017 | Fifth **assessment period** |

## Schedule 8: Adjustments to allowable notional revenue and notional revenue resulting from a transaction

Where a **GTB** completes a transaction referred to in clause 10.3, the adjustment for the **assessment period** is to:

* + - 1. include allowable notional revenue and notional revenue amounts that are associated with the provision of any additional **gas transmission services** the **GTB** supplies as a result of the transaction; or
      2. remove allowable notional revenue and notional revenue amounts that are associated with the **gas transmission services** the **GTB** no longer supplies as a result of the transaction,

such that allowable notional revenue is adjusted by the amount calculated using Equation 6, and the corresponding adjustment to notional revenue uses the same **quantities** as used in Equation 6.

Equation 6



|  |  |
| --- | --- |
| where: |  |
| *t* | is the year in which the **pricing period** ends; |
|  | is the amount that allowable notional revenue for the **pricing period** is adjusted for as a result of the additional or excluded services |
| i | is each **price** relating to the additional or excluded services |
|  | is the ith **price** charged by the supplier of the services in the **pricing period** ending in year t-1 |
|  | is the **quantity** corresponding to the ith **price** in the **pricing period** ending in year t-2 |
|  | is the derived change in the **CPI** to be applied for the **pricing period**, being equal to:    where:  CPIq, t is the **CPI** for the quarter *q* of year *t* |

## Schedule 9: Form of directors’ certificate on 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 statementof [*name of GTB*], and related information, prepared for the purposes of the *Gas Transmission Services Default Price-Quality Path Determination 2013* 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 summary conviction to a fine not exceeding $10,000 in the case of an individual or $30,000 in the case of a body corporate.

## Schedule 10: Form of auditor’s report on compliance statement

To the readers of the compliance statement of [*insert name of GTB*] for the assessment period ended on [*insert date*]:

I/We have audited the attached statement, which is a compliance statement in respect of the default price-quality path prepared by [*insert name of GTB*] for the assessment period ended on [*insert date*] and dated [*insert date*] for the purposes of clause 11 of the *Gas Transmission Services Default Price-Quality Path Determination 2013* (“the Determination”).

**Directors’ responsibilities**

The directors of *[insert name of GTB]* are responsible for the preparation of the compliance statement in accordance with the Determination and for such internal control as the directors determine is necessary to enable the preparation of a compliance statement that is free from material misstatement, whether due to fraud or error.

**Auditor’s qualifications**

We are qualified as an auditor as defined in theDetermination.

**Auditor’s responsibilities**

My/Our responsibility is to express an opinion on the compliance statement based on my/our audit. I/We conducted my/our audit 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*]. Those standards require that I/we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compliance statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the compliance statement. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the compliance statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation of the compliance statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the compliance statement.

In relation to the price path set out in clause 8 of the Determination, my/our audit included examination, on a test basis, of evidence relevant to the amounts and disclosures contained on pages [*insert page references*] of the compliance statement.

In relation to the quality standard set out in clause 9 of the Determination, my/our audit included examination, on a test basis, of evidence relevant to the amounts and disclosures contained on pages [*insert page references*] of the compliance statement.

My/Our audit also included assessment of the significant estimates and judgments, if any, made by [*insert name of GTB*] in the preparation of the compliance statement and assessment of whether the basis of preparation has been adequately disclosed.

I/We believe that the audit evidence I/we have obtained is sufficient and appropriate to provide a basis for my/our audit opinion.

**Independence**

I/we have no relationship with, or interests in *[insert name of GTB]* other than *[insert relationship and/or interests including a statement verifying that no conflict of interest exists].*

**Opinion**

In my/our opinion, the compliance statement of [*insert name of GTB*] for the assessment period ended on [*insert date*], has been prepared, in all material respects, in accordance with the Determination.

\*[**Qualification on opinion**]

\*[My/Our opinion is qualified as follows:]

\*[*Insert the nature of and reason(s) for the qualification together with the impact on the compliance statement*].

My/Our audit was completed on [*insert date*] and my/our opinion is expressed as at that date.

[*Signature of auditor*]

[*Name of auditing firm*]

[*Address of auditing firm*]

[*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 summary conviction to a fine not exceeding $10,000 in the case of an individual or $30,000 in the case of a body corporate.

## Explanatory note

The purpose of the *Gas Transmission Services Default Price-Quality Path Determination 2013* (“the Determination”) is to set default price-quality paths for gas transmission businesses (“GTBs”) for the four years and three months beginning 1 July 2013 and ending 30 September 2017, pursuant to Part 4 of the Commerce Act 1986 (“the Act”).

Pursuant to section 53N of the Act, each GTB is required to provide to the Commerce Commission (“the Commission”) a compliance statement stating whether or not it has complied with the default price-quality path set out in the Determination together with supporting evidence. The compliance statement is to be accompanied by both an auditor’s report and a director’s certificate. Each GTB must publish its compliance statement on its website within five working days after submitting it to the Commission.

The Commission conducted a comprehensive process of consultation before making the Determination. A reasons paper providing detailed background to, and analysis of, the Determination can be found at:

<http://www.comcom.govt.nz/initial-default-price-quality-path/>

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.