

17 December 2012

Mr Simon McKenzie
Vector Limited
Private Bag 99882
AUCKLAND 1149

Dear Mr McKenzie

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

1. The Commerce Commission (Commission) requires Vector Limited (Vector) to provide us with the information specified in this notice, issued under s 53ZD of the Commerce Act 1986 (the Act). We need this information for the purpose of carrying out our functions and exercising our powers under Part 4 of the Act. Specifically, this information is required to inform our decisions on the initial default price-quality paths for suppliers of gas transmission services.
2. Information required by this notice includes:
 - 2.1 An update to regulatory asset base-related information contained in the July 2011 and June 2012 information requests, where applicable, due to any restatement of the costs of related party transactions permitted under the input methodology amendments for information disclosure published on 29 June 2012;
 - 2.2 A reconciliation of annual asset value adjustments to the total asset value adjustment that was used to establish the 2009 modified asset values in the July 2011 information request, with any disallowed asset adjustments removed;
 - 2.3 Insurance information, including information demonstrating adjustments to Vector's insurance rates or premiums for the period 2012 to 2018 due to natural disasters;
 - 2.4 The costs for any balancing gas amounts for the first assessment period (1 July 2013 to 30 September 2014) of the initial default price-quality paths;
 - 2.5 Unaccounted for gas for the 2011 disclosure year; and
 - 2.6 Information (including any calculations and supporting data) that demonstrates whether or not Vector has increased, or intends to increase, its weighted average prices by more CPI for the period 30 September 2012 to 28 February 2012.

3. In the *Revised Draft Decision on the Initial Default Price-Quality Paths for Gas Pipeline Services*, published on 24 October 2012, we indicated that we would issue requests for information. We have limited the scope and volume of information we are requesting in this notice after taking into consideration views from interested parties.

Interpretation

4. Unless the context otherwise requires, words in bold type have the following meanings:

Request workbook means the MS Excel workbook that we have provided, labelled 'Vector (Trans) - Request workbook for gas transmission DPP, Dec 2012'.

Information requirements

Schedules of required information

5. Vector must provide us with the following completed Schedules of the **Request workbook**:
- 5.1 Schedule A1.
- 5.2 Schedule A2, where Vector has elected to undertake an asset value adjustment process.
- 5.3 Schedule A3 (population of 2013 to 2018 values is optional).
6. We have pre-populated the 'submitted' columns in schedule A1 and A2 of the **Request workbook** with the data we have previously received from Vector. Populated values and formulas should not be changed in these columns unless agreed by, or at the direction of, the Commission.
7. Any necessary adjustments to previously disclosed values must be made by populating the white 'adjustment' cell that corresponds to that value. Vector must provide reasons for each proposed adjustment and any supporting information, including any calculations.
8. Attachment A sets out a list of adjustments that Vector must address when completing the **Request Workbook** for this notice.

Balancing gas amounts for approval as a recoverable cost

9. Vector must provide us with a statement on the balancing gas amounts to be approved as a recoverable cost in the first assessment period of the initial default price-quality path. The statement provided by Vector must pertain to balancing gas amounts that Vector incurred for the period 1 July 2011 to 30 June 2012, and include:
- 9.1 the net cost or credit amount arising from Vector's purchase or sale of balancing gas that has not been allocated to a person shipping gas or a welded party on Vector's network; and

9.2 information and calculations used to derive the net cost or credit amount, including:

- 9.2.1 the date, quantity, price and sale or purchase amount for each transaction; and
- 9.2.2 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.

Unaccounted for gas for 2011

10. Vector has submitted that it considers unaccounted for gas is essentially the same as balancing gas, and should be treated as a recoverable cost. We request that Vector provides the value of unaccounted for gas for the 2011 disclosure year so that, if Vector's view is accepted, this value can be excluded from 2011 operating expenditure.

Required information on weighted average prices

11. Vector must provide the Commission with information (including any calculations and supporting data) that demonstrates whether or not Vector has increased, or intends to increase, its weighted average prices by more than the movement, or forecast movement, in the all groups index number of the New Zealand Consumer Price Index for the period beginning 30 September 2012 and ending 28 February 2013 (consistent with section 55F(2) of the Act).

Supporting information

Cover letter

12. The information required by this notice must be provided under cover of a letter on Vector's company letterhead, signed by a person with the appropriate authority.

Certification

13. Vector must provide the Commission with:

- 13.1 a certificate, signed by an Officer of Vector, in the form set out in Attachment B; and
- 13.2 for balancing gas, unaccounted for gas and weighted average price information required under paragraphs 9 to 11, a Directors' certificate in the form set out in Attachment C, to be completed and signed by at least one Director of Vector.

Supporting information for related party transaction calculations

14. Please note that some of the additional options for including related party transactions require additional supporting documentation, such as market valuations prepared by a valuer, or prices certified by two directors as reflecting arm's-length transactions. The Commission must be provided with this additional supporting

information if related party transactions based on such information are included in the regulatory asset base.

Information format

15. The information required by paragraph 5 must be supplied in the **Request workbook**.
16. The **Request workbook** must be completed in accordance with the instructions and definitions contained in, or referenced in, the **Request workbook**.
17. The **Request workbook** must be 'unlocked' in MS Excel format, so that information can be easily transferred (ie, able to be 'copied and pasted') by the Commission. The format of the **Request workbook** should not be altered unless by agreement with the Commission.

Publication of supplied information and confidentiality

18. The Commission may publish the information provided by Vector.
19. The **Request workbook** may contain requirements that parties consider require the disclosure of confidential information.
20. In the event that the Commission agrees to any request that information provided by Vector remain confidential, Vector should provide the Commission with both confidential and public versions of its disclosure. The responsibility for ensuring that confidential information is not included in a public version of a disclosure rests entirely with Vector.

Date of response

21. Vector must supply the specified information to the Commission by email to the following address: regulation.branch@comcom.govt.nz by no later than 5 pm on 1 February 2013.
22. Should you have any queries on this notice, please send them to Richard Eglinton, c/o regulation.branch@comcom.govt.nz.

Dated at Wellington: 17 December 2012

Yours sincerely,



Dr. Mark Berry
Chair

Attachment A: Matters to be addressed when responding to this notice

This attachment sets out certain matters that must be addressed when completing the **request workbook**.

1. We have disallowed some of your proposed adjustments to the regulatory asset base. We will provide you with separate notification of this disallowed amount.
2. Make any necessary changes as a result of 1. above e.g. impact on depreciation

Attachment B: Certification by a company Officer

I, *[insert full name of Officer]*, being an Officer of Vector Limited (Vector) certify that, having made all reasonable enquiry, to the best of my knowledge and belief, the attached information complies with the Commerce Commission's requirements in respect of the request for information, which was issued by notice in writing to Vector under section 53ZD of the Commerce Act 1986 on 17 December 2012 **[except in the following respects: [insert description of non-compliance]]*

[Signature of Officer]

[Date]

*Delete if inapplicable.

Attachment C: Certification by a company Director

I, *[insert full name of first director]*, being a director of Vector Limited (Vector) certify that, having made all reasonable enquiry, to the best of my knowledge and belief, the attached information complies with the Commerce Commission's requirements in respect of the request for information, which was issued by notice in writing to Vector under section 53ZD of the Commerce Act 1986 on 17 December 2012 *[except in the following respects: *[insert description of non-compliance]*]

[Signature of director]

[Date]

*Delete if inapplicable.