

Electricity Distribution Services Input Methodologies Amendments Determination 2019

[2019] NZCC 18

The Commission:

Sue Begg
Dr Stephen Gale
Elisabeth Welson
John Crawford

Date of decision:

13 November 2019

[Drafting notes:

- This amendments determination amends the *Electricity Distribution Services Input Methodologies Determination 2012* [2012] NZCC 26 ('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 *Electricity Distribution Services Input Methodologies Determination 2012* [2012] NZCC 26, 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:

2.2.1 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:

- (a) for any **DPP** in force from 1 April 2020 onwards; and
- (b) for any **CPP application** made after the commencement date described in clause 2.1;

2.2.2 Part 4 of the **principal determination**, including any amended definitions in clause 4.1-4.3 of this determination affecting Part 4 of the **principal determination**, apply for any **DPP** in force from 1 April 2020 onwards; and

2.2.3 Part 5 of the **principal determination**, including any amended definitions in clause 4.1-4.3 of this determination affecting Part 5 of the **principal determination**, apply for any **CPP application** made after the commencement date described in clause 2.1.

2.3 For the avoidance of doubt, if the **Commission** determines that any forecast values are required to be calculated consistent with Part 3 or Part 4 of the **principal determination** for the determination of a **DPP** that is to come into force from 1 April 2020, Part 3 and Part 4 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. ELECTRICITY DISTRIBUTION SERVICES 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**”; and
- 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:

“for the purpose of –

- (a) Subpart 3 of Part 3, means **operating costs** plus any **lease payments**;
- (b) Part 4, means the value of **operating costs** attributable to **electricity distribution services** supplied by an **EDB** which are forecast to be incurred in the **disclosure year** in question as determined by the **Commission**; and
- (c) Part 5, means **operating costs** after application of clause 5.3.5;”.

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 2.2.8(1)(f) to now read:

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

4.5 In the **principal determination** amend clause 2.3.7(1) to now read:

“(1) Opening deferred tax means,-

- (a) in respect of the **disclosure year** 2010, nil; and
- (b) subject to paragraph (c), in respect of each **disclosure year** thereafter, closing deferred tax for the preceding **disclosure year**; and

- (c) in respect of each **disclosure year** after the **disclosure year** 2010, for assets for which there is no **regulatory tax asset value**, the opening deferred tax balance under **GAAP** for those assets at the date when those assets were first **commissioned**.”.

4.6 In the **principal determination** amend clause 3.3.3(9) to now read:

- “(9) ‘Actual opex’ is the amount of **operating costs** allocated to **electricity distribution services** for the relevant **disclosure year**, calculated in accordance with Part 2, plus any **lease payments**.”.

4.7 In the **principal determination** amend clause 3.3.12(2) to replace the phrase “‘PV of forecast commissioned asset values’ is an amount equal to the sum of –” with “Subject to subclause (4), ‘PV of forecast commissioned asset values’ is an amount equal to the sum of –”.

4.8 In the **principal determination** amend clause 3.3.12(3) to replace the phrase “‘PV of actual commissioned asset values’ is the present value” with “Subject to subclause (4), ‘PV of actual commissioned asset values’ is the present value”.

4.9 In the **principal determination** amend clause 3.3.12 to insert new subclause (4):

- “(4) For the purpose of subclauses (2)-(3) and clauses 3.3.13-3.3.14–
 - (a) the sum of the **forecast aggregate value of commissioned assets** excludes any forecast **right-of-use asset**;
 - (b) the sum of the **forecast value of commissioned assets** excludes any forecast **right-of-use asset**; and
 - (c) the **value of commissioned asset** excludes any **right-of-use asset**.”.

4.10 In the **principal determination** amend clause 4.3.4(1) to now read:

- “(1) Opening deferred tax means, for-
 - (a) the **base year**, the 'opening deferred tax' determined in accordance with Part 2 for that **disclosure year**; and
 - (b) subject to paragraph (c), each **disclosure year** thereafter, closing deferred tax for the preceding **disclosure year**; and
 - (c) each **disclosure year** after the **base year** referred to in paragraph (a), for assets for which there is no **regulatory tax asset value**, the opening deferred tax balance under **GAAP** for those assets at the date when those assets are forecast to be **commissioned**.”.

4.11 In the **principal determination** amend clause 5.3.19 to now read:

“(1) Opening deferred tax means-

- (a) in respect of the **disclosure year** 2010, nil; and
- (b) subject to paragraph (c), in respect of each **disclosure year** thereafter, closing deferred tax for the preceding **disclosure year**; and
- (c) in respect of each **disclosure year** after the **disclosure year** 2010, for assets for which there is no **regulatory tax asset value**, the opening deferred tax balance under **GAAP** for those assets at the date when those assets are forecast to be **commissioned**.”.

A handwritten signature in blue ink, appearing to read "S. J. Begg".

Commissioner

Dated at Wellington this 13th day of November 2019.

COMMERCE COMMISSION