

Gas Transmission Services Input Methodologies (IM Review 2023) Amendment Determination 2023

[2023] NZCC [XX]

The Commission:

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Date of decision:

[day] [month] 2023

[signature]

[name], Commissioner

Dated at Wellington this [day] of [month] 2023

COMMERCE COMMISSION

Wellington, New Zealand

Determination version history		
Determination date	Decision number	Determination name
28 September 2012	[2012] NZCC 28	Gas Transmission Services Input Methodologies Determination 2012 ('principal determination')*
25 October 2012	n/a	n/a – updated consolidated version to reflect error corrected by Decision 744
15 November 2012	[2012] NZCC 34	Electricity and Gas Input Methodologies Determination Amendments (No. 2) 2012
25 February 2013	[2013] NZCC 3	Gas Pipeline Services Input Methodologies Determination Amendment (No. 1) 2013
29 October 2014	[2014] NZCC 27	Electricity Lines Services and Gas Pipeline Services Input Methodologies Determination Amendment (WACC percentile for price-quality regulation) 2014
14 November 2014	n/a	Determination of Input Methodologies by the High Court in <i>Wellington International Airports Ltd and others v Commerce Commission</i> [2013] NZHC 3289 (11 December 2013)
11 December 2014	[2014] NZCC 38	Electricity Lines Services and Gas Pipeline Services Input Methodologies Determination Amendment (WACC percentile for information disclosure regulation) 2014
12 November 2015	[2015] NZCC 28	Electricity and Gas (Customised Paths) Input Methodology Amendments Determination 2015
20 December 2016	[2016] NZCC 26	Gas Transmission Services Input Methodologies Amendments Determination 2016
21 December 2017	[2017] NZCC 32	Gas Transmission Services Input Methodologies Amendments Determination 2017
25 March 2022	[2022] NZCC 6	Gas Transmission Services Input Methodologies Amendment Determination (No.1) 2022
30 May 2022	[2022] NZCC 16	Gas Transmission Services Input Methodologies Amendment Determination (No.2) 2022
[day] [month] 2023	[2023] NZCC [XX]	Gas Transmission Services Input Methodologies (IM Review 2023) Amendment Determination 2023

* The principal determination re-determined the input methodologies contained in *Commerce Act (Gas Transmission Services Input Methodologies) Determination 2010*

(Commerce Commission Decision No. 712, 22 December 2010), as amended by *Commerce Act (Gas Transmission Services Input Methodologies) Amendment Determination 2011* (Commerce Commission Decision No. 744, 19 December 2011) and the *Electricity and Gas Input Methodologies Determination Amendments (No. 1) 2012* [2012] NZCC 18 (29 June 2012). A complete history of determinations relevant to the input methodologies applicable to gas transmission services is available on the Commission's website.

[Drafting notes:

- This determination amends the Gas Transmission Services Input Methodologies Determination 2012, as previously amended, ('principal determination').
- The included amendments which are secondary legislation are made under the Legislation Act 2019 and Part 4 of the Commerce Act 1986.
- The amendments to the body of the principal determination are marked as track changes in red.
- Incremental changes in the revised draft are highlighted in yellow.
- For convenience, only pages with changes in the revised draft are reproduced here.

~~(e)(g)~~ materials incorporated by reference into this determination, including standards promulgated by other bodies, are incorporated under the terms of Schedule 5 of the **Act**.

(2) In this determination, including in the schedules, the words or phrases in bold type bear the following meanings:

~~**67th percentile estimate of WACC**~~ means, for the purpose of—
(a) ~~Part 2, the 67th percentile estimate of post tax WACC, determined in accordance with clause 2.4.5(4);~~
(b) ~~Part 3, the 67th percentile estimate of post tax WACC, determined in accordance with clause 4.4.5(2); and~~
(c) ~~Part 4 and Part 5, the 67th percentile estimate of vanilla WACC, determined in accordance with clause 4.4.5(1);~~

2009 disclosed assets

means, in relation to—

- (a) Maui Development Limited, assets relating to the calculation of the 'Accounting Return on Total Assets' measured in the **2009 disclosure financial statements**; and
- (b) any other **GTB**, assets included by the **GTB** in question in the 'Non-Current Assets' category in the **2009 disclosure financial statements**;

2009 disclosure financial statements

means, the financial statements disclosed by the **GTB** in question in accordance with the Gas (Information Disclosure) Regulations 1997 for the **disclosure year** 2009;

A

ABAA

means accounting-based allocation approach, as described in, in the case of—
(a) **operating costs**, clause 2.1.3(1); and
(b) **regulated service asset values**, clause 2.1.3(2);

ACAM

means avoidable cost allocation methodology, as described in clause 2.1.5;

Act

means the Commerce Act 1986;

actual allowable revenue

has the meaning specified in clause 3.1.4(4)3(8)(d);

actual inflation

means the amount calculated under clause 3.1.4(412)(b) for the purpose of calculating the **annual cost of debt wash-up amount**;

actual net allowable revenue	has the meaning specified in clause 3.1.3(8)(g) or 3.1.3(8)(h), as applicable;
actual revenue	has the meaning specified in clause 3.1.4(1315)3(8)(e);
additional assets	means assets of a GTB which are not existing assets and are forecast to be commissioned ;
adjusted tax value	has the same meaning as in the tax depreciation rules ;
adjustment process	has the meaning specified in clause 2.2.1(1);
aggregate closing RAB value for additional assets	means the amount determined in accordance with clause 4.2.1(5);
aggregate closing RAB value for existing assets	means the amount determined in accordance with clause 4.2.1(3);
aggregate opening RAB value for additional assets	means the amount determined in accordance with clause 4.2.1(4);
aggregate opening RAB value for existing assets	means the amount determined in accordance with clause 4.2.1(2);
allocation methodology type	means one of ACAM , ABAA or OVABAA ;
allocator metric	means the value in units (e.g., number of employees or kilometres of pipeline) for each cost allocator or asset allocator used to calculate the proportion of operating costs or regulated service asset values to be allocated to each of- <ul style="list-style-type: none"> (a) gas transmission services, (b) where applicable, each other regulated service; and (c) where applicable, each unregulated service;
allocator type	means the basis for the attribution or allocation of an operating cost or regulated service asset value to gas transmission services and other regulated services , namely, viz. 'directly attributable', 'causal' or 'proxy';
allowable revenue before tax	means allowable revenue before tax as determined by the Commission ;
alternative depreciation method	means a depreciation method which is not the standard depreciation method ;
amalgamate	means amalgamate in accordance with Part 13 of the Companies Act 1993 and

<p>annual cost of debt wash-up amount</p> <p>arm's-length deduction</p>	<p>amalgamation is to be construed accordingly;</p> <p>has the meaning specified in clause 3.1.4(10);</p> <p>means in respect of-</p> <p>(a) operating costs not directly attributable, an amount of operating costs incurred by a GTB in the supply of unregulated services that have been recouped in an arm's-length transaction; and</p> <p>(b) regulated service asset values not directly attributable, the amount of regulated service asset values in respect of assets used by a GTB in the supply of unregulated services for which a recoupment of capital costs has been made by the GTB in an arm's-length transaction, in respect of which the GTB wishes account to be taken for cost allocation purposes;</p>
<p>arm's-length transaction</p>	<p>means a transaction conducted on such terms and conditions as between a willing buyer and a willing seller who are unrelated and are acting independently of each other and pursuing their own best interests;</p>
<p>assessment period</p>	<p>means the period between the end of the most recent disclosure year prior to submission of the CPP application in question and the GTB's anticipated commencement date of the CPP, assuming that-</p> <p>(a) the CPP application is neither discontinued in accordance with s 53S of the Act nor deferred in accordance with s 53Z of the Act; and</p> <p>(b) reasonable time is allotted for the Commission to undertake its assessment of the CPP application in accordance with ss 53S, 53T and 53U of the Act;</p>
<p>asset adjustment process</p>	<p>has the meaning specified in clause 2.2.1;</p>
<p>asset allocator</p>	<p>means a ratio proportion of a quantifiable measure used to allocate regulated service</p>

	at which gas is imported into or exported from the network ;
<u>consequential capex</u>	<u>means capex that is incurred in connection with an opex project or programme and would not otherwise be incurred but for that project or programme;</u>
<u>consequential opex</u>	<u>means opex that is incurred in connection with a capex project or programme and would not otherwise be incurred but for that project or programme;</u>
consumer	has the same meaning as defined in s 2(1) of the Gas Act 1992;
contingent project	has the meaning specified in clause 5.7. 103(4) ;
corporate tax rate	means the rate of income taxation applying to companies as specified in the tax rules ;
cost allocator	means a ratio proportion of a quantifiable measure used to allocate operating costs that are not directly attributable , and whose quantum is- <ul style="list-style-type: none"> (a) based on a causal relationship; or (b) equal to a proxy cost allocator;
cost of debt	means the amount specified for r_d in, for the purpose of- <ul style="list-style-type: none"> (a) Part 2, clause 2.4.1(3); and (b) Parts 3, 4, and Part 5, clause 4.4.1(3);
<u>cost of debt wash-up amount</u>	<u>has the meaning specified in clause 3.1.4(9);</u>
CPI	means- <ul style="list-style-type: none"> (a) subject to paragraph (b), the consumer price index stipulated for each quarter in the 'All Groups Index SE9A' as published by Statistics New Zealand; and (b) in respect of quarters prior to any quarter in which the rate of GST is amended after this determination comes into force, the same index as described in paragraph (a), multiplied by the Reserve Bank of New Zealand's forecast change in that index (expressed as a decimal) arising from the amendment;
CPP	means customised price-quality path;

forecast allowable revenue	means an amount specified in clause 3.1.1(34);
forecast allowable revenue as a function of demand	means a value specified in clause 3.1.1(5);
forecast CPI	means: <ul style="list-style-type: none"> (a) <u>for the purpose of an annual cost of debt wash-up amount,</u> <ul style="list-style-type: none"> (i) <u>forecast CPI for DPP revaluation, where a GTB is subject to a DPP; and</u> (ii) <u>forecast CPI for CPP revaluation, where a GTB is subject to a CPP;</u> (b) for all other the amount specified in, for the purposes in of Part 3 and Part 5, the value specified in clause 3.1.1(68);
forecast CPI for CPP revaluation	means the value amount specified in accordance with clause 5.3.10(5);
forecast CPI for DPP revaluation	means the value amount specified in accordance with clause 4.2.3(4);
forecast depreciation for existing assets	means the values specified in a DPP determination in respect of GTBs ;
<u>forecast inflation</u>	<u>means the amount calculated under 3.1.4(112)(a) for the purpose of calculating the annual cost of debt wash-up amount;</u>
forecast net allowable revenue	means a value specified in accordance with clause 3.1.1(46) or 3.1.1(57), as applicable;
forecast operating expenditure	has the meaning specified in clause 5.3.2(7);
forecast regulatory tax allowance	has the meaning specified in clause 5.3.13;
forecast revenue from prices	means an amount specified in clause 3.1.1(23);
forecast value of commissioned asset	means the value determined in accordance with clause 5.3.11;
found asset	has the meaning specified in clause 2.2.12(1);
G	
GAAP	means generally accepted accounting practice in New Zealand, save that, where the cost of an asset is being determined in accordance with this determination, only the cost model of recognition is applied insofar as an election may be made between the

	<p><u>the GTB's ability to maintain current security or quality of supply standards; but does not include any regular:</u></p> <p><u>(a) asset replacement and renewal capex that is consistent with appropriate lifecycle and asset management planning; or</u></p> <p><u>(b) expenditure for cybersecurity;</u></p>
<u>resilience or asset relocation event</u>	<u>has the meaning specified in clause 4.5.11;</u>
reevaluation	<p>means the amount determined in accordance with, for the purpose of-</p> <p>(a) Part 2, clause 2.2.9(2);</p> <p>(b) Part 4, clause 4.2.3(2); and</p> <p>(c) Part 5, clause 5.3.10(2);</p> <p>which, for the avoidance of doubt, may be a negative number;</p>
reevaluation rate	<p>has the meaning specified in, for the purpose of-</p> <p>(a) Part 2, clause 2.2.9(4);</p> <p>(b) Part 4, clause 4.2.3(3); and</p> <p>(c) Part 5, clause 5.3.10(4);</p>
revenue foregone	has the meaning specified in clause 3.1.4(6)3(8)(f);
revenue reduction percentage	has the meaning specified in clause 3.1.3(8)(i);
<u>revenue smoothing limit</u>	<u>means a maximum limit on revenue (excluding recovery of pass-through costs) specified by the Commission in a DPP determination or CPP determination;</u>
revenue wash-up draw down amount	has the meaning specified in clause 3.1.3(8)(j);
reversal and reverse	have the same meanings as under GAAP ;
<u>revised cost of debt</u>	<u>means the amount calculated under clause 3.1.4(1011) for the purposes of calculating the annual cost of debt wash-up amount;</u>
right-of-use asset	has the same meaning as under GAAP ;
risk event	has the same meaning specified in clause 4.5.104B;
	S
safety	means the quality of averting or not causing injury, danger, or loss;

selection rationale	means a description of either or both of the- (a) criteria applied; and (b) fundamental reasons used, for, either or both- (c) determining; and (d) selecting, each- (e) asset allocator and associated allocator metric ; and (f) cost allocator and associated allocator metric ;
services	has the same meaning as defined in s 2 of the Act ;
<u>smoothed cost of debt wash-up amount</u>	<u>has the meaning specified in clause 3.1.4(9);</u>
standard depreciation method	means, in respect of an asset whose remaining asset life is the term remaining of its physical asset life at the commencement of the disclosure year in question, method specified in clause 5.3.7 excluding any method referred to in the whole clauses to which clause 5.3.7 is subject;
standard error	means estimated standard deviation;
standard physical asset life	means life for an asset as specified in Schedule A;
<u>supply</u>	<u>has the same meaning as defined in s 2 of the Act and supplied must be construed accordingly;</u>
system growth capex	means capex , other than customer connection capex , where the primary reason is the requirement for additional capacity at a particular location, and excludes any capital contributions ;
<u>system growth expenditure</u>	<u>means:</u> <u>(a) system growth capex; or</u> <u>(b) opex-</u> <u>(i) for which the primary driver is a requirement for additional capacity at a particular location; and</u> <u>(ii) that is incurred to acquire flexibility;</u>

total revaluation	means, for the purpose of- (a) Part 2 and Part 5, the sum of revaluation for all assets; and (b) Part 4, the value determined in accordance with clause 4.2.3;
transitional adjusted asset life for existing assets	means the values specified in a DPP Determination in respect of GTBs ;
transitional disclosure year	means a disclosure year that includes the commencement date of a DPP regulatory period ;
transitional pricing methodology	has the meaning specified in clause 5.4.1(3);
<u>transitional revenue accrual</u>	<u>has the meaning specified in clause 3.1.4(1214);</u>
trigger event	has the meaning specified in clause 5.7. 10(2)(a)3(3) ;
U	
unallocated closing RAB value	means value determined in accordance with, for the purpose of- (a) Part 2, clause 2.2.4(2); and (b) Part 5, clause 5.3.6(6);
unallocated depreciation	means, in relation to a disclosure year , an allowance to account for the diminution in an asset's remaining service life potential in the disclosure year in question with respect to its unallocated opening RAB value and the amount of such allowance is determined in accordance with, for the purpose of- (a) Part 2, clause 2.2.5(1); and (b) Part 5, clause 5.3.7(1);
unallocated initial RAB value	means value of an asset in the initial RAB determined in accordance with clause 2.2.3(1);
unallocated opening RAB value	means value determined in accordance with, for the purpose of- (a) Part 2, clause 2.2.4(1); and (b) Part 5, clause 5.3.6(5);
unallocated revaluation	means amount determined in accordance with, for the purpose of- (a) Part 2, clause 2.2.9(1); and (b) Part 5, clause 5.3.10(1);
<u>undercharging limit</u>	<u>means an amount specified by the Commission in a DPP determination or CPP</u>

PART 3 INPUT METHODOLOGIES FOR BOTH DEFAULT AND CUSTOMISED PRICE-QUALITY PATHS

SUBPART 1 Specification of price

3.1.1 Specification and definition of prices

~~(1)~~ For the purpose of s 53M(1)(a) of the Act, the maximum revenues that may be recovered by a GTB will be specified in a **DPP determination** or **CPP determination** as a revenue cap, whereby:

~~(a)~~ **forecast revenue from prices** must not exceed **forecast allowable revenue** for each **pricing year** of the **regulatory period**; ~~and~~

~~(a)(b)~~ **forecast revenue from prices less forecast pass-through costs** must not exceed the **revenue smoothing limit** for each **pricing year** of the **regulatory period**.

~~(2)~~ For the purpose of setting the maximum revenues under subclause (1), the **Commission** may specify in a **DPP determination** or **CPP determination** an annual maximum percentage increase in **forecast allowable revenue as a function of demand for a pricing year**.

~~(3)(2)~~ For the purpose of this subpart, 'Forecast revenue from prices' for a **pricing year** means the forecast revenue used by a **GTB** to set **prices**, where forecast revenue is the total of each **price** multiplied by each forecast **quantity**, plus any forecast of other regulated income.

~~(4)(3)~~ For the purpose of this subpart, 'Forecast allowable revenue' as specified in a **DPP determination** or **CPP determination** includes-

- (a) **forecast net allowable revenue**;
- (b) **forecast pass-through costs**; ~~and~~
- (c) **forecast recoverable costs**, ~~excluding any revenue wash-up draw down amount~~ under clause 3.1.3(1)(i) for the **pricing year** referred to in subclause (1); ~~and~~
- ~~(d)~~ the balance of the ~~wash-up account~~ available for draw down.

~~(5)~~ For the purpose of this subpart, 'forecast allowable revenue as a function of demand' is the **forecast allowable revenue** for the **pricing year** expressed as a function of one or more units of demand that are determined by the **Commission** in a **DPP determination** or **CPP determination**.

~~(6)(4)~~ For the purpose of this subpart, 'Forecast net allowable revenue' for the first **pricing year** of a **DPP** or **CPP regulatory period** will be specified by the **Commission** ~~by~~ at the start of the **regulatory period** in a **DPP determination** or **CPP determination**.

~~(7)(5)~~ For each **pricing year** of the **DPP** or **CPP regulatory period** after the first **pricing year**, 'forecast net allowable revenue' is calculated ~~based on~~ applying-

- (a) the **forecast net allowable revenue** for the **preceding first pricing year of the regulatory period**;
- (b) the **forecast CPI**, as specified in subclause ~~(6)~~ and
- (c) any X factor applicable to the **GTB**.

~~(8)(6)~~ 'Forecast CPI' ~~means~~,-

- (a) for a quarter ~~where CPI is available prior to the quarter for which the vanilla WACC applicable to the relevant DPP regulatory period or CPP regulatory period was determined, CPI as per~~ has the meaning under paragraph (a) of the 'CPI' definition, and excluding any adjustments made under paragraph (b) of ~~the~~ the ~~CPI~~ definition arising as a result of an event that occurs after the issue of the Monetary Policy Statement referred to in paragraph (b) below;
- (b) for each later quarter for which a forecast of the change in headline CPI has been included in the Monetary Policy Statement last issued by the Reserve Bank of New Zealand prior to the date a GTB sets its prices for the purposes of calculating forecast revenue from prices ~~for which the vanilla WACC applicable to the relevant DPP regulatory period or CPP regulatory period was determined, means~~ the CPI last applying under paragraph (a) extended by the forecast change in that Monetary Policy Statement; and
- (c) ~~in respect of for~~ later quarters, means the forecast last applying under paragraph (b) adjusted such that an equal increment or decrement made to that forecast for each of the following three years results in the forecast for the last of those years being equal to the target midpoint for the change in headline CPI set out in the Monetary Policy Statement referred to in paragraph (b).

~~(9)(7)~~ 'Prices' means-

- (a) individual tariffs, fees or charges; or
- (b) individual components thereof,

in nominal terms exclusive of GST for the supply of a gas transmission service, and does not include any tariff, fee or charge set by a capacity auction.

~~(10)(8)~~ 'Quantity' means the amounts **supplied** of **gas transmission services** corresponding to the extent practicable to **prices**, expressed in units of GJ, km, day or other unit applicable to such **supply**.

3.1.2 Pass-through costs

- (1) Subject to subclause (4), a pass-through cost is-
 - (a) a cost listed in subclause (2); or
 - (b) subject to subclause (3), a cost other than one listed in subclause (2), as specified in a **DPP determination** or **CPP determination**.
- (2) For the purpose of subclause (1)(a), the costs are-
 - (a) rates on system fixed assets paid or payable by a **GTB** to a **local authority** under the Local Government (Rating) Act 2002; and
 - (b) **levies** payable-
 - (i) under regulations made under s 53ZE of the **Act**;
 - (ii) under regulations made under the Gas Act 1992; or
 - (iii) by all members of a dispute resolution scheme (within the meaning of section 43E of the Gas Act 1992) ~~the Electricity and Gas Complaints Commissioner Scheme~~ by virtue of their membership.

- (3) For the purpose of subclause (1)(b), the cost in question must-
- (a) be-
 - (i) associated with the **supply of gas transmission services**;
 - (ii) outside the control of the **GTB**;
 - (iii) not a **recoverable cost**;
 - (iv) appropriate to be passed through to **consumers**; and
 - (v) one in respect of which provision for its recovery is not made explicitly or implicitly in the **DPP** or, where applicable, **CPP**; and
 - (b) come into effect during a **DPP regulatory period** or, where applicable, **CPP regulatory period**.
- (4) For the purpose of subclause (1), where a cost relates to both **gas transmission services** and other services **supplied** by the **GTB**, only the proportion of the cost attributable to the **supply of gas transmission services** (as determined in accordance with clause 2.1.1), may be a pass-through cost.

3.1.3 Recoverable costs

- (1) Subject to subclause (5), aA recoverable cost is a cost that is-
- (a) claw-back applied by the **Commission** under sections 55F(2), 55F(4) or 53ZB(3) of the **Act**;
 - (b) any cost, credit or charge, including a cash-out, arising from a balancing regime specified in a transmission access code that is in effect for a **GTB**, including costs, credits and charges for imbalances, mismatch and peaking;
 - (c) a standard application fee for a **CPP proposal** under 53Q(2)(c), subject to the proviso specified in subclause (2);
 - (d) a fee notified by the **Commission** as payable by the **GTB** in respect of the **Commission** assessing a **CPP proposal** and determining a **CPP** in accordance with s 53Y of the **Act**, subject to the proviso specified in subclause (2);
 - (e) a fee payable to a **verifier**, subject to the requirement specified in subclause (3);
 - (f) any **auditor's** cost incurred for the purpose of meeting clauses 5.1.4 or 5.6.3, subject to the requirement specified in subclause (3);
 - (g) a fee payable to an **engineer** for the purpose of meeting a requirement of clause 5.5.10(4)(b), subject to the requirement specified in subclause (3);
 - (h) an urgent project allowance, as determined by the **Commission** under subclause (4);
 - ~~(i) the amount calculated for a **GTB** in accordance with the following formula for each **disclosure year** other than the first 'm' years in a **regulatory period** for which the starting prices were determined by the **Commission** in a **DPP determination** or **CPP determination**-~~

$$\left(\frac{\text{capex wash-up adjustment}}{l-m} \right) \times (1+r)^{y+0.5}$$

~~where—~~

~~l is the number of **disclosure years** in the **regulatory period**;~~

~~r is the 67th percentile for the post tax **mid-point estimate of WACC** applying to the price-quality path for the **regulatory period**;~~

~~y is the number of **disclosure years** preceding the **disclosure year** in question in the **regulatory period**; and~~

~~m is—~~

~~(i) for a **GTB** with a **disclosure year** ending on 30 September or 31 December, the value 1; or~~

~~(ii) for a **GTB** with a **disclosure year** ending on 31 March or 30 June, the value 2;~~

~~(j)(i) a **catastrophic reopener event allowance**, as specified in a **DPP determination** or **CPP determination**;~~

~~(k)(j) a compressor fuel gas cost **incurred with respect to the Mokau compressor on the Maui pipeline**; or~~

~~(k) a **revenue wash-up draw down amount**, as specified in **subclause 3.1.4(5)(8)(j)**; or~~

~~(l) a levy payable to Fire and Emergency New Zealand under the Fire and Emergency New Zealand Act 2017.~~

- (2) For the purposes of subclauses (1)(c) and (1)(d), the proviso is that the **CPP proposal** is not discontinued by the **Commission** under s 53S of the **Act**.
- (3) For the purposes of subclauses (1)(e) – (1)(g), ~~the requirement is that~~ the amount that may be recovered in respect of a particular **GTB** must be specified by the **Commission** in a **CPP determination**.
- (4) ‘Urgent project allowance’ means the allowance determined by the **Commission** in a **CPP determination** in respect of additional net costs where these costs—
 - (a) exceed those already provided for in a **DPP determination** or **CPP determination**;
 - (b) will not otherwise be recovered by the **GTB**; and
 - (c) will be prudently incurred by the **GTB** before commencement of the resulting **CPP regulatory period** in responding to an urgent **project** that occurred in the time between the submission of a **CPP proposal** and determination of the resulting **CPP determination** by the **Commission**.

~~(5) For the purpose of subclause 3.1.3(1)(i), the ‘capex wash-up adjustment’ is an amount equal to the present value of the difference in the series of **forecast net allowable revenue** for the **pricing years** of the **DPP regulatory period** or **CPP regulatory period** in question, subject to subclause (6), from adopting—~~

~~(a) the sum of **value of commissioned assets** in the building blocks allowable revenue before tax for each **disclosure year** that follows the **base year** in the preceding **DPP regulatory period** or **CPP regulatory period**;~~

~~instead of—~~

~~(b) — the **forecast aggregate value of commissioned assets** determined by the **Commission** in respect of each of those **disclosure years** when determining prices in accordance with a **DPP determination** or **CPP determination**, or an amendment thereof.~~

~~(6) — For the purpose of subclause (5) —~~

~~(a) — the present value must be determined by discounting the series of building blocks allowable revenue before tax, using a discount rate equal to the **WACC** applied by the **Commission** in setting prices for the **DPP regulatory period** or **CPP regulatory period** in question, to —~~

~~(i) — where the **capex wash-up adjustment** is applied for a **DPP regulatory period**, the end of the preceding **DPP regulatory period**;~~

~~(ii) — where the **capex wash-up adjustment** is applied for a **CPP regulatory period**, the point in the preceding **DPP regulatory period** where the **CPP regulatory period** began;~~

~~(b) — the series of building blocks allowable revenue before tax for the **DPP regulatory period** are those used when resetting starting prices based on the current and projected profitability of each **GTB** and must —~~

~~(i) — be calculated using the same methodology that was applied by the **Commission** in setting starting prices for the **GTB** for the **DPP**, subject to subparagraphs (ii) and (iii);~~

~~(ii) — for the purpose of subparagraph (i), adopt the sum of **depreciation** calculated under Part 2 in respect of each **disclosure year** that follows the **base year** in the preceding **regulatory period** for assets having a **commissioning date** in any of those **disclosure years**; and~~

~~(iii) — for the purpose of subparagraph (i), adopt the same values for all other inputs to the calculation of building blocks allowable revenue before tax;~~

~~(c) — the **building blocks allowable revenue before tax** for the **CPP regulatory period** are those used when setting the series of **maximum allowable revenue after tax** in accordance with clause 5.3.4(1) and must —~~

~~(i) — be calculated using the same building blocks methodology that was applied by the **Commission** when setting the **GTB forecast net allowable revenue** for the **CPP**, subject to subparagraphs (ii) and (iii);~~

~~(ii) — for the purpose of subparagraph (i), adopt the sum of **depreciation** calculated under Part 2 in respect of each **disclosure year** that follows the **base year** in the preceding **DPP regulatory period** for assets having a **commissioning date** in any of those **disclosure years**; and~~

~~(iii) — for the purpose of subparagraph (i), adopt the same values for all other inputs to the calculation of **building blocks allowable revenue before tax**;~~

- ~~(d) — where the series of building blocks allowable revenue before tax from adopting the sum of **value of commissioned assets** exceed the series of building blocks allowable revenue before tax from using the **forecast aggregate value of commissioned assets**, then the difference is a positive amount of capex wash-up adjustment;~~
- ~~(e) — where the series of building blocks allowable revenue before tax from adopting the sum of **value of commissioned assets** is less than the series of building blocks allowable revenue before tax from using the **forecast aggregate value of commissioned assets**, then the difference is a negative amount of capex wash-up adjustment; and~~
- ~~(f) — where a **CPP** applies in respect of a **disclosure year** during the **DPP regulatory period**, then the amount of capex wash-up adjustment for that **disclosure year** and each subsequent **disclosure year** of the **DPP regulatory period** will be specified by the **Commission** in the relevant **CPP determination**, taking account the partial recovery of the capex wash-up adjustment in prior **disclosure years** of that **DPP regulatory period**.~~

~~(7) — For the purpose of subclause (1)(l), a **GTB** must for each **pricing year**—~~

- ~~(a) — perform a revenue wash-up calculation as specified in a **DPP determination** or **CPP determination**;~~
- ~~(b) — record in the **wash-up account** the resulting **wash-up amount** calculated in accordance with subclause (8)(a);~~
- ~~(c) — record in the **wash-up account** any **revenue wash-up draw-down amount**; and~~
- ~~(d) — record a time value of money adjustment in the **wash-up account**—

 - ~~(i) — using a rate equal to the **67th percentile estimate of WACC**; and~~
 - ~~(ii) — calculated by applying the method as specified in a **DPP determination** or **CPP determination**.~~~~

~~(8) — For the purpose of subclause (7)–~~

- ~~(a) — ‘wash-up amount’ means, subject to subclauses (b) and (c), **actual allowable revenue** less **actual revenue** less **revenue foregone** for a **pricing year**;~~
- ~~(b) — if the revenue reduction percentage exceeds 20%, an amount of **revenue foregone** shall be calculated in accordance with subclause (f);~~
- ~~(c) — if the revenue reduction percentage is less than or equal to 20%, the amount of **revenue foregone** shall be nil;~~
- ~~(d) — ‘actual allowable revenue’ means, for a **pricing year**, an amount calculated in accordance with a **DPP determination** or **CPP determination** that includes–

 - ~~(i) — **actual net allowable revenue**;~~
 - ~~(ii) — **pass-through costs**; and~~
 - ~~(iii) — **recoverable costs**, including any **revenue wash-up draw-down amount**;~~~~

- (e) ~~‘actual revenue’ means, for a pricing year, the revenue amount calculated in accordance with a DPP determination or CPP determination that includes—~~
 - (i) ~~actual revenue from prices; and~~
 - (ii) ~~other regulated income;~~
- (f) ~~‘revenue foregone’ means an amount calculated in a manner specified in a DPP determination or CPP determination by applying—~~
 - (i) ~~the revenue reduction percentage to a net allowable revenue amount; less~~
 - (ii) ~~20% of a net allowable revenue amount;~~~~where—~~
 - (iii) ~~net allowable revenue is specified for each of (i) and (ii) in the DPP determination or CPP determination;~~
- (g) ~~‘actual net allowable revenue’ means, for the first pricing year of the regulatory period, the forecast net allowable revenue for that pricing year as specified in clause 3.1.1(6);~~
- (h) ~~‘actual net allowable revenue’ means, for each pricing year of the regulatory period after the first pricing year, an amount calculated in accordance with a DPP determination or CPP determination by applying—~~
 - (i) ~~the actual net allowable revenue for the preceding pricing year;~~
 - (ii) ~~the CPI in place of the forecast CPI to the extent that forecast CPI was applied in setting prices for the pricing year in accordance with clause 3.1.1(7); and~~
 - (iii) ~~the X factor that was used when the forecast net allowable revenue was originally determined for the pricing year in accordance with clause 3.1.1(7);~~
- (i) ~~‘revenue reduction percentage’ means, for a pricing year, the percentage reduction in revenue calculated in accordance with a DPP determination or CPP determination by comparing the actual revenue from prices with forecast revenue from prices for the pricing year;~~
- (j) ~~‘revenue wash-up draw-down amount’ means an amount, calculated by the GTB in accordance with a DPP determination or CPP determination, such that if the balance referred to in clause 3.1.1(4)(d) is a balance that is to be returned to consumers, the amount shall equal that balance; and~~

(5) where a pass-through cost or recoverable cost is incurred by the GTB prior to a regulatory period and an amount of the cost is not otherwise able to be recovered by the GTB, the amount plus any related time value of money adjustment made in accordance with a DPP determination shall be included in the wash-up account. For the purpose of subclause (1), where a cost relates to both gas transmission services and to other services supplied by the GTB, only the proportion of the cost attributable to the supply of gas transmission services (as determined in accordance with clause 2.1.1) may be a recoverable cost.

3.1.4 Wash-up amounts

- (1) For each **pricing year**, a **GTB** must calculate the **wash-up account balance**, which is:
- (a) except in the case of subclause (2), the **wash-up account balance** for the previous **pricing year**; plus
 - (b) a time value of money adjustment, equal to the **wash-up account balance** for the previous **pricing year** multiplied by the **mid-point estimate of WACC**; plus
 - (c) the **wash-up accrual amount** for the **pricing year**; minus
 - (d) the **wash-up drawdown amount** for the **pricing year**; minus
 - (e) any **revenue foregone** amount for the **pricing year**; plus
 - (f) for the **pricing year 2027** and the **pricing year 2028**, any **transitional revenue accrual**.
- (2) For the **pricing year 2027**, the **wash-up account balance** for the previous **pricing year** is nil.
- (3) For the purposes of subclause (1), the “wash-up accrual amount” for a **pricing year** is an amount equal to:
- (a) **actual allowable revenue**; minus
 - (b) **actual revenue**; minus
 - (c) the **smoothed cost of debt wash-up amount**.
- (4) For the purposes of subclause (3), ‘actual allowable revenue’ for a **pricing year** means an amount calculated on the same basis as the **forecast allowable revenue** for the **pricing year** (as specified by the **Commission** in a **DPP determination** or **CPP determination**), adjusted by substituting:
- (a) actual **pass-through costs** for forecast **pass-through costs**;
 - (b) actual **recoverable costs** for forecast **recoverable costs**;
 - (c) actual **CPI** for **forecast CPI**, except where **CPI** is used to determine the **revaluation rate** under clause 4.2.3 or clause 5.3.10;
 - (d) the actual **value of commissioned assets** in the **pricing year** prior to the start of the **regulatory period** for the **forecast value of commissioned assets** in the **pricing year** prior to the start of the **regulatory period**;
and
 - (e) in respect of any asset referenced in paragraph (d) with a **commissioning date** in the preceding **DPP regulatory period** or **CPP regulatory period**, the weighted average **remaining asset life** calculated under Part 2 in respect of each **disclosure year** for the forecast **remaining asset life** for that asset.
- (5) For the purposes of clause 3.1.3(1)(k) and subclause (1), the ‘wash-up drawdown amount’ means the sum of:
- (a) an amount specified by the **Commission** in a **DPP determination** or **CPP determination** to be drawn down by the **GTB** in each **pricing year** of a **regulatory period**;
 - (b) an amount for each **pricing year** nominated by the **GTB**, when demonstrating compliance with the price path in accordance with a notice under s 53N of the **Act**, that is:

- (i) if the **wash-up account balance** for the **pricing year** two years prior is zero or positive, no greater than that **wash-up account balance**;
or
- (ii) if the **wash-up account balance** for the **pricing year** two years prior is negative, no less than that **wash-up account balance**.

(6) For the purposes of subclause (1), 'revenue foregone' means:

- (a) **voluntary revenue foregone**; plus
- (b) **compulsory revenue foregone**.

(7) For the purposes of subclause (6), 'voluntary revenue foregone' means:

- (a) the **undercharging limit** minus **forecast revenue from prices**, where **forecast revenue from prices** is less than the **undercharging limit**; or
- (b) nil, where **forecast revenue from prices** is greater than or equal to the **undercharging limit**.

(8) For the purposes of subclause (6), 'compulsory revenue foregone' means a positive amount returned to **consumers** through a reduction in **forecast revenue from prices** and **actual revenue**, for example, as agreed between the **Commission** and a **GTB** in response to a breach of a price-quality requirement or an information disclosure requirement.

(9) For the purposes of subclause (3), 'smoothed cost of debt wash-up amount' for a **pricing year** means:

- (a) the **annual cost of debt wash-up amount** for that **pricing year** divided by 5; plus
- (b) the **annual cost of debt wash-up amounts** for each of the four preceding **pricing years** divided by 5 and adjusted for time value of money applying the **mid-point estimate of WACC**.

(10) For the purposes of subclause (93) and subject to subclause (13), 'annual cost of debt wash-up amount' means:

- (a) the **opening sum of RAB values without revaluations** multiplied by **leverage**, multiplied by the **cost of debt**; minus
- (b) the **opening sum of RAB values without revaluations** multiplied by **leverage**, multiplied by the **revised cost of debt**.

(11) For the purposes of subclause (910)(b), the 'revised cost of debt' for a **pricing year** must be calculated in accordance with the following formula:

$$(1 + \text{cost of debt}) \div (1 + \text{forecast inflation for the pricing year}) \times (1 + \text{actual inflation for the pricing year}) - 1.$$

(12) For the purposes of subclause (1011),-

- (a) the 'forecast inflation' for a **pricing year** must be calculated in accordance with the following formula:
 $(\text{forecast CPI for the pricing year} \div \text{forecast CPI for the previous pricing year}) - 1$; and

(b) the ‘actual inflation’ for a pricing year must be calculated in accordance with the following formula:

(actual CPI for the pricing year ÷ actual CPI for the previous pricing year) – 1.

(13) For each pricing year before the pricing year 2026, the annual cost of debt wash-up amount is nil.

(14) For the purposes of subclause (1)(f), ‘transitional revenue accrual’ means any “wash-up amount” calculated under clause 3.1.3(8)(a) of Gas Transmission Services Input Methodologies Determination 2012 [2012] NZCC 28 in effect immediately before the commencement of the Gas Transmission Services Input Methodologies (IM Review 2023) Amendment Determination 2023 [2023] NZCC [XX].

(15) For the purposes of subclauses (3) and (8), ‘actual revenue’ means, for a pricing year, the revenue amount calculated in accordance with a DPP determination or CPP determination that includes:

(a) actual revenue from prices; and
(b) other regulated income.

SUBPART 2 Amalgamations

3.2.1 Treatment of amalgamations

- (1) The DPPs of GTBs subject to DPPs that have amalgamated must be aggregated from the start of the disclosure year following the amalgamation.
- (2) A DPP for an amalgamated GTB formed from a GTB subject to a DPP and a GTB subject to a CPP applies at the end of the existing CPP.
- (3) A DPP for an amalgamated GTB formed from 2 GTBs each subject to a CPP applies at the end of the existing CPPs.
- (4) Nothing in subclauses (2) and (3)-
 - (a) precludes a CPP applying to the amalgamated GTB at the end of the existing CPP or CPPs, as the case may be; nor
 - (b) derogates from the application of a DPP to gas transmission services that are-
 - (i) supplied by the amalgamated GTB; and
 - (ii) not specified services,pending expiry of any DPP or CPP applying to the specified services.
- (5) A CPP for an amalgamated GTB may not apply before 3 disclosure years of each CPP applying to the GTBs from which it was formed have been completed.
- (6) Upon the determination of a CPP for an amalgamated GTB, the termination date of any CPP to which the amalgamated GTB is subject, pursuant to subclauses (2) and (3), is treated as amended to the day before the day on which the CPP for the amalgamated GTB will apply.
- (7) ~~Following an amalgamation, the~~ **Commission** may not, in response to an amalgamation, reset starting prices for specified services to take effect during the remainder of the regulatory period applicable to the specified services except-
 - (a) for the purpose of s 54K; or