

Gas Pipeline Services Input Methodologies Determination Amendment (No. 1) 2013

Decision No. [2013] NZCC 3

Amendment made under s 52X of the Commerce Act 1986 to the input methodologies for gas distribution and gas transmission services.

The Commission:

Dr M Berry

S Begg

P Duignan

Dr S Gale

Date of Decision: 25 February 2013

Gas Pipeline Services Input Methodologies Determination Amendment (No. 1) 2013

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 following determinations (each a Determination):

- 1.1 *Gas Distribution Services Input Methodologies Determination 2012*, [2012] NZCC 27 (the **GDB Determination**); and
- 1.2 *Gas Transmission Services Input Methodologies Determination 2012*, [2012] NZCC 28 (the **GTB Determination**).

2. COMMENCEMENT

This determination comes into force on 25 February 2013.

3. INTERPRETATION

- 3.1 Terms in bold type have the meaning given to those terms in the Determination. Terms used in this determination that are defined in the Act but not this determination, have the same meaning as in the Act.
- 3.2 Nothing in this determination limits the **Commission's** authority to amend the Determination in accordance with the Act.

4. GDB INPUT METHODOLOGY AMENDMENTS

In the **GDB Determination** –

- 4.1 in subclause 2.2.4(4), replace “electricity distribution services” with “gas distribution services”.

- 4.2 replace subclause 2.3.4(2) with:

“For the purpose of subclause (1), 'notional deductible interest' means the amount determined in accordance with the formula-

$$\frac{((\textit{regulatory investment value} \times \textbf{leverage} \times \textbf{cost of debt}) + \textbf{term credit spread differential allowance})}{\sqrt{1 + \textbf{cost of debt}}}$$

- 4.3 in subclause 4.3.1(4), delete “– term credit spread differential allowance”.

- 4.4 replace subclause 4.3.3(2) with:

“For the purpose of subclause (1), 'notional deductible interest' means the amount determined in accordance with the formula-

“((opening investment value x leverage x cost of debt) + term credit spread differential allowance)/√1 + cost of debt.”

4.5 replace paragraph 5.3.1(1)(a) with:

“controllable opex for the CPP regulatory period;”

4.6 replace subclause 5.3.16(2) with:

“For the purpose of subclause (1), 'notional deductible interest' means the amount determined in accordance with the formula-

“(((regulatory investment value + RAB proportionate investment) x leverage x cost of debt) + term credit spread differential allowance)/√1 + cost of debt.”

4.7 in Schedule D, replace clause D16 with:

“Controllable opex

“For each **disclosure year** of the **next period** provide-

“(a) a description of the types of **opex** comprised in the forecast for controllable opex; and

“(b) justification for why the **opex** referred to in paragraph (a) should be determined as controllable opex, including a description of how the **GDB** is able to control the amount of **opex** over the **CPP regulatory period.**”

5. GTB INPUT METHODOLOGY AMENDMENTS

In the GTB Determination–

5.1 replace subclause 2.3.1(5) with:

“For the purpose of subclause (3), 'notional deductible interest' means the amount determined in accordance with the formula-

“((regulatory investment value x leverage x cost of debt) + term credit spread differential allowance)/√1 + cost of debt.”

5.2 replace paragraph 3.1.2(2)(b) with:

“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 the Electricity and Gas Complaints Commissioner Scheme by virtue of their membership.”

5.3 replace subclause 3.1.3(1)(c) with:

“subject to the requirement specified in subclause (2), a cost or a credit arising from the **GTB's** purchase or sale of balancing gas that has not been –

“(i) allocated to a **person** shipping gas on the **GTB's network**; or

“(ii) recovered from or credited to **persons** having an interconnection agreement with the **GTB**;”

5.4 in subclause 4.3.1(4), delete “– term credit spread differential allowance”.

5.5 replace subclause 4.3.4(1) with:

“Notional deductible interest means the amount determined in accordance with the formula-

“ $((\textit{opening investment value} \times \textit{leverage} \times \textit{cost of debt}) + \textit{term credit spread differential allowance}) / \sqrt{1 + \textit{cost of debt}}$.”

5.6 replace paragraph 5.3.1(1)(a) with:

“controllable opex for the **CPP regulatory period**;”

5.7 replace paragraph 5.3.13(5) with:

“‘Notional deductible interest’ means the amount determined in accordance with the formula-

“ $((\textit{regulatory investment value} + \textit{RAB proportionate investment}) \times \textit{leverage} \times \textit{cost of debt}) + \textit{term credit spread differential allowance}) / \sqrt{1 + \textit{cost of debt}}$.”

5.8 in Schedule D, in clause D1, delete “gas balancing” from the definition of “system management and operations opex” and renumber accordingly.

5.9 in Schedule D, replace clause D16 with:

“**Controllable opex**

“For each **disclosure year** of the **next period** provide-

“(a) a description of the types of **opex** comprised in the forecast for controllable opex; and

“(b) justification for why the **opex** referred to in paragraph (a) should be determined as controllable opex, including a description of how the **GTB** is able to control the amount of **opex** over the **CPP regulatory period**.”

Sue Begg, *Deputy Chair*

Dated at Wellington this 25th day of February 2013.

COMMERCE COMMISSION

Explanatory Note

The amendments contained in this determination resolve a number of issues with the input methodologies affecting default price-quality paths for gas pipeline businesses. These issues were identified by the Commission and interested parties in the lead-up to the determination of default price-quality paths for suppliers of gas pipeline services scheduled to be made in February 2013.