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**[DRAFT] Gas Distribution Services Input Methodologies Determination 2012**

Consolidating all amendments as of [XX] [XX] 2016

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Commerce Commission

Wellington, New Zealand

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| Determination date | Decision number | Determination name |
| 28 September 2012 | [2012] NZCC 27 | Gas Distribution Services Input Methodologies Determination 2012 (‘principal determination’)\* |
| 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 |
| 3 December 2013 | [2013] NZCC 23 | Gas Distribution Services Input Methodologies Determination Amendment 2013 |
| 16 December 2013 | n/a | Updated consolidated determination for typographical errors in transcribing the amendments made by amendment [2013] NZCC 23  |
| 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 Wellington International Airports Ltd and others v Commerce Commission [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 |
| [XX] [XX] 2016  | [2016] NZCC [XX] | Gas Distribution Services Input Methodologies Amendments Determination 2016 |

\* The principal determination re-determined the input methodologies contained in *Commerce Act (Gas Distribution Services Input Methodologies) Determination 2010* (Commerce Commission Decision No. 711, 22 December 2010), as amended by 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 distribution services is available on the Commission’s website.

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

1. GENERAL PROVISIONS
	* + 1. Title

This determination is the Gas Distribution Services Input Methodologies Determination 2012.

* + - 1. Application
				1. The input methodologies in this determination apply to gas distribution services.
				2. The input methodologies relating to cost allocation in Part 2 Supart 1, Part 5 Subpart 3 Section 2 and Part 5 Subpart 5 Section 3 also apply to any other regulated service supplied by a GDB, as provided by the provision in question.
				3. The input methodologies in-

Part 2 apply in relation to information disclosure regulation under Subpart 4;

Part 3 apply to default/customised price-quality regulation under Subpart 6;

Part 4 apply in relation to default price-quality paths under sections 53O and 53P of Subpart 6; and

Part 5 apply in relation to customised price-quality paths under sections 53Q to 53ZA of Subpart 4,

of Part 4 of the Act.

* + - * 1. For the purposes of subclause (3), this determination must be applied in accordance with-

the **input methodologies** in this determination; or

if clause 1.1.5(1) applies, the next closest alternative approach.

* + - 1. Commencement

This determination comes into force on the day after the date on which notice of it is given in the New Zealand Gazette under s 52W of the Act.

* + - 1. Interpretation
				1. In this determination-

unless otherwise stated, references to-

'Sections' are to sections within the same subpart; and

'Subparts' are to subparts within the same part,

in which the reference is made;

unless stated otherwise, references to Parts, Subparts and Sections are to named and numbered parts, subparts and sections of the determination;

unless the context otherwise requires, a word which denotes the singular also denotes the plural and vice versa; and

unless stated otherwise, any reference to an allowance, amount, cost, sum or value is a reference to an allowance, amount, cost, sum or value calculated in relation to a GDB in respect of a disclosure year.

* + - * 1. In this determination, including in the schedules, the words or phrases in bold type bear the following meanings:

**67th percentile estimate of WACC** means an estimate, made for the purpose of-

Part 2, in accordance with clause 2.4.5(5)(b), of the 67th percentile for the post-tax **mid-point estimate of WACC**;

Part 3, in accordance with clause 4.4.5(2), of the 67th percentile for the post-tax **mid-point estimate of WACC**; and

Part 4 and Part 5, in accordance with clause 4.4.5(4), of the 67th percentile for the **mid-point estimate of WACC**;

75th percentile estimate of WACC means an estimate, made for the purpose of Part 2, clause 2.4.5(3)(b)(i), of the 75th percentile for the post-tax **mid-point estimate of WACC**;

2005 authorisation valuation means the valuation of assets adopted as of 30 June 2005 by the Commission in authorising the supply of controlled services, being, in respect of-

Powerco Limited-

system fixed assets of $257,722,084;

metering assets of $8,544,348; and

non-system fixed assets of $2,927,760; and

Vector Limited-

system fixed assets of $216,353,334; and

non-system fixed assets of $9,564,140;

2009 authorisation assets means-

assets included in the 2005 authorisation valuation for the GDB in question; and

other assets commissioned by the GDB in question between 1 July 2005 to 30 June 2009 inclusive in relation to the supply of controlled services by the GDB;

2009 disclosed assets means assets-

included by the GDB in question in the 'Non-Current Assets' category in the 2009 disclosure financial statements; and

that are not 2009 authorisation assets;

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

A

ABAA means accounting-based allocation approach, as described in, in the case of -

operating costs, clause 2.1.3(1); and

regulated service asset values, clause 2.1.3(2);

ACAM means avoidable cost allocation methodology, as described in clause 2.1.4;

Act means the Commerce Act 1986;

additional assets means assets of a GDB which are not existing assets and are forecast to be commissioned;

adjusted depreciation means total depreciation for all assets calculated as if no amount of revaluation had been included in the calculation of any opening RAB value following the determination of the initial RAB;

adjusted tax value has the same meaning as defined in the tax depreciation rules;

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-

gas distribution services,

where applicable, each other regulated service; and

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 distribution services and other regulated services, viz. 'directly attributable', 'causal' or 'proxy';

allowable notional revenue has the meaning specified in clause 3.1.1(2);

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 amalgamation is to be construed accordingly;

amortisation of initial differences in asset values means the amount determined in accordance with, for the purpose of-

Part 2, clause 2.3.5;

Part 4, clause 4.3.3(3); and

Part 5, clause 5.3.17;

amortisation of revaluations means the amount determined in accordance with, for the purpose of-

Part 2, clause 2.3.6;

Part 4, clause 4.3.3(5); and

Part 5, clause 5.3.18;

arm's-length deduction means in respect of-

operating costs not directly attributable, an amount of operating costs incurred by a GDB in the supply of unregulated services that have been recouped in an arm's-length transaction; and

regulated service asset values not directly attributable, the amount of regulated service asset values in respect of assets used by a GDB in the supply of unregulated services for which a recoupment of capital costs has been made by the GDB in an arm's-length transaction,

in respect of which the GDB wishes account to be taken for cost allocation purposes;

arm's-length transaction means a dealing or transaction that does not -

include terms that parties in their respective positions would usually omit; and

omit terms that parties in their respective positions would usually include,

if the parties were-

connected or related only by the dealing or transaction in question;

acting independently; and

each acting in its own best interests;

assessment period means the period between the end of the most recent disclosure year prior to submission of the CPP application in question and the GDB's anticipated commencement date of the CPP, assuming that-

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

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;

asset adjustment process has the meaning specified in clause 2.2.1;

asset allocator means a proportion of a quantifiable measure used to allocate regulated service asset values that are not directly attributable and whose quantum is-

based on a causal relationship; or

equal to a proxy asset allocator;

asset category has the meaning specified in Schedule D;

asset life means a finite period in respect of an asset, being-

its physical asset life; or

where an alternative asset life to the physical asset life is sought for the purpose of a CPP pursuant to clause 5.5.10(2)(b), the alternative asset life determined pursuant to clause 5.3.8;

auditor means-

where the GDB is a public entity (as defined in s 4 of the Public Audit Act 2001), the Auditor-General; or

in all other cases, a person who-

is qualified for appointment as auditor of a company under the Companies Act 1993;

is independent; and

where the GDB is a CPP applicant-

is not a verifier of the GDB's CPP proposal;

has not assisted with the compilation of the information in that proposal;

has not provided opinions or advice (other than in relation to audit reports) on the methodologies or processes used or to be used in compiling the information in the proposal; and

is neither professionally associated with nor directed by any person who has provided such assistance, opinions or advice;

B

base year means the disclosure year selected by the Commission;

building blocks allowable revenue after tax means the amount determined in accordance with clause 5.3.3;

building blocks allowable revenue before tax means the amount determined in accordance with clause 5.3.2;

business has the same meaning as defined in s 2 of the Act;

business day means any day on which statistics relating to trading in New Zealand government bonds are published by a financial information service such as Bloomberg or Reuters;

C

capex means capital expenditure;

capex forecast means the part of the CPP proposal, provided pursuant to clause 5.5.27, that forecasts capex for the next period;

**capex wash-up adjustment** means the amount that is the difference between the revenues for a **DPP regulatory period** using the actual values of **commissioned** assets for a prior **regulatory period** and the revenues using forecast **commissioned** assets applied by the **Commission** when setting prices, and is calculated in accordance with clause 3.1.3(4);

capital contributions means, for the purpose of-

Part 2, money or the monetary value of other consideration charged to or received from consumers or other parties for the purposes of asset construction, acquisition or enhancement;

Part 4, money or the monetary value of other consideration to be charged to or received from consumers or other parties for the purposes of asset construction, acquisition or enhancement; and

Part 5, money or the monetary value of other consideration forecast to be charged to or received from consumers or other parties for the purposes of asset construction, acquisition or enhancement;

capital costs means either or both the return on or return of regulated service asset values;

capital expenditure, means costs, for the purposes of-

Part 2-

incurred in the acquisition or development of an asset that is, or is intended to be, commissioned; and

that are or are or are intended to be included in the value of commissioned asset;

Part 4-

forecast to be incurred in the acquisition or development of an additional asset; and

that are included in the forecast aggregate value of commissioned asset, but only to the extent that the costs are forecast to be included in an aggregate closing RAB value for additional assets; and

Part 5-

incurred or forecast to be incurred in the acquisition or development of an asset that is, or is intended to be, commissioned; and

that are included or intended to be included in the value of commissioned asset or forecast value of commissioned asset, as the case may be, but only to the extent that the costs are included or are intended to be included in a closing RAB value;

catastrophic event has the meaning specified in, for the purposes of –

Part 4, clause 4.5.1; and

Part 5, clause 5.7.1;

**catastrophic event allowance** means the amount determined by the **Commission** for–

additional net costs (over and above those provided for in a **DPP determination** or **CPP determination**) prudently incurred by a **GDB** in responding to a **catastrophic event**, other than costs that are foregone revenue;

**pass-through costs** and **recoverable costs** the **GDB** was permitted to recover under the applicable **DPP determination** or **CPP determination** through **prices**, but did not recover due to a **catastrophic event**,

incurred in or relating to the period between a **catastrophic event** and the effective date of an amendment to the **DPP** or **CPP** following reconsideration of the price-quality path under clause 4.5.5(1)(i) or clause 5.7.7(2)(a);

causal relationship means, in relation to-

operating costs, a circumstance in which a cost driver leads to an operating cost being incurred during the 18 month period terminating on the last day of the disclosure year in respect of which the cost allocation is carried out; and

regulated service asset values, a circumstance in which a factor influences the utilisation of an asset during the 18 month period terminating on the last day of the disclosure year in respect of which the asset allocation is carried out;

change event has the meaning specified in, for the purposes of –

Part 4, clause 4.5.2; and

Part 5, clause 5.7.2;

closing RAB value means the value determined in accordance with, for the purpose of-

Part 2, clause 2.2.4(4); and

Part 5, clause 5.3.6(3);

closing tax losses means the amount determined in accordance with, for the purpose of-

Part 2, clause 2.3.2(4);

Part 4, clause 4.3.2(3)(b); and

Part 5, clause 5.3.14(5);

closing works under construction means the amount determined in accordance with clause 5.3.12(3);Commission has the same meaning as defined in s 2 of the Act;

commissioned means used by a **GDB** to provide gas distribution services and commission shall be construed accordingly;

commissioning date means the date that an asset is or is forecast to be first commissioned, as the case may be;

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

contingent project has the meaning specified in clause 5.7.5(1);

controlled services means the services to which clause 5 of the Commerce (Control of Natural Gas Services) Order 2005 applies;

corporate tax rate means the rate of income taxation applying to companies as specified in the tax rules;

cost allocator means a proportion of a quantifiable measure used to allocate operating costs that are not directly attributable, and whose quantum is-

based on a causal relationship; or

equal to a proxy cost allocator;

cost of debt means the amount specified for rd in, for the purpose of-

Part 2, clause 2.4.1(4); and

Part 4 and Part 5, clause 4.4.1(2);

CPI means-

subject to paragraph (c), in respect of the December 2010 quarter and subsequent quarters, the consumer price index stipulated in the 'All Groups Index SE9A' as published by Statistics New Zealand;

subject to paragraph (c) in respect of each quarter prior to the December 2010 quarter, the same index as described in paragraph (a) multiplied by 1.02; and

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;

CPP applicant means a **GDB** who-

is preparing a CPP proposal; or

has made a CPP proposal that has not been determined;

CPP application has the meaning specified in clause 5.1.1(2);

CPP determination means a determination of a CPP in relation to gas distribution services made by the **Commission** under s 52P of the Act;

CPP proposal means a proposal made by a **GDB** to the Commission for a CPP comprising the information specified in Part 5 Subpart 5;

CPP regulatory period means-

in relation to a CPP proposal, the 5 disclosure years following the assessment period; and

in relation to a particular CPP, the period to which the relevant CPP determination relates;

current period means the 5 disclosure years preceding the disclosure year in which the CPP application  is submitted;

D

debt premium has the meaning specified in and is the amount determined in accordance with, for the purpose of-

Part 2, clause 2.4.4; and

Part 4, clause 4.4.4;

demand group means a pricing category (irrespective of the pricing methodology used) that has a discrete rate of growth in the demand for gas distribution services over the CPP regulatory period;

Examples: industrial consumers, commercial consumers, residential consumers, non-standard consumer groups, large capacity connections, or a combination or sub-group of each of these;

depreciation means 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 opening RAB value, or, for the purpose of Part 4, its aggregate opening RAB value for existing assets and aggregate opening RAB value for additional assets, and the amount of such allowance is determined in accordance with, for the purpose of-

Part 2, clause 2.2.5(2);

Part 4, clause 4.2.2(2);and

Part 5, clause 5.3.7(2);

depreciation temporary differences has the meaning specified, for the purpose of-

Part 2, clause 2.3.8(2);

Part 4, clause 4.3.5; and

Part 5, clause 5.3.20(2);

designated individual means an individual who is-

independent; and

engaged or instructed by a person falling within paragraph (a) of the definition of verifier to verify (in accordance with Schedule G) part or all of the CPP proposal which that person is engaged to verify;

directly attributable means, in relation to-

operating costs, wholly and solely incurred by the GDB in or in relation to its supply of one regulated service; and

regulated service asset values, wholly and solely related to an asset used by the GDB in or in relation to its supply of one regulated service;

director means, in the case of a **GDB** that is-

a company (as 'company' is defined in s 2 of the Companies Act 1993), an individual occupying the position of director of the GDB, by whatever name that position is called;

a partnership (other than a special partnership), a partner;

a special partnership, a general partner; and

any other body corporate or unincorporated body, an individual occupying a position in the body that is comparable with that of director of a company;

disclosure year shall be construed as a 12 month period ending on the date specified in an **ID determination** as the last date in the period to which annual disclosure relates;

Example: where the **ID determination** provides that disclosure is required by a **GDB** in respect of the annual period ending on 30 June, then ‘disclosure year’, in respect of the **GDB**, means the 12 month period ending on 30 June, and ‘disclosure year 2010’ means the 12 month period ending on 30 June 2010;

disposed asset means, for the purpose of-

Part 2, an asset that, in the disclosure year or other period in question, has been sold or transferred, or has been irrecoverably removed from the GDB's possession without consent but is not a lost asset; and

Part 5, an asset that, in relation to a disclosure year, is-

sold or transferred but is not a lost asset; or

forecast to be sold or transferred;

distribution prices means prices excluding pass-through prices;

document has the same meaning as defined in s 2 of the Act;

DPP means default price-quality path;

DPP determination means a DPP determination in relation to gas distribution services made by the **Commission** under s 52P of the Act;

DPP regulatory period means the period to which the relevant DPP determination relates;

E

easement means a right to use but not possess land belonging to another person or a right to prevent certain uses of another person's land;

easement land means land acquired with the intention of-

creating an easement in respect of it; and

disposing of the land thereafter;

EDB has the same meaning as in the Electricity Distribution Input Methodologies Determination 2012;

engineer means an individual who is-

a chartered professional engineer as defined in s 6 of the Chartered Professional Engineers Act 2002;

acting in that professional capacity; and

independent;

error event has the meaning specified in, for the purpose of-

Part 4, clause 4.5.3(1); and

Part 5, clause 5.7.3(1);

excluded asset means an asset that is-

not used to supply gas distribution services as of 30 June 2009;

designated as 'excluded' type as a result of the asset adjustment process; or

easement land;

existing assets means assets of a GDB for which an aggregate closing RAB value for existing assets is calculated for the base year;

expenditure objective means objective that capital expenditure and operating expenditure reflect the efficient costs that a prudent GDB would require to-

meet or manage the expected demand for gas distribution services, at appropriate service standards, during the CPP regulatory period and over the longer term; and

comply with applicable regulatory obligations associated with those services;

F

finance lease has the same meaning as under GAAP;

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

fixed life easement means an easement that-

is of fixed duration; or

whilst of indefinite duration, is to be held for a fixed period;

forecast aggregate value of commissioned assets means the amount determined in accordance with clause 4.2.5;

forecast aggregate value of disposed assets means the amount determined in accordance with clause 4.2.6;

forecast CPI means, for the purpose of-

Part 4, for

a quarter prior to the quarter for which the vanilla WACC applicable to the relevant DPP regulatory period was determined, CPI excluding any adjustments made under paragraphs (b) or (c) of the definition of 'CPI' arising as a result of an event that occurs after the issue of the Monetary Policy Statement referred to in subparagraph (ii);

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 for which the vanilla WACC applicable to the relevant DPP regulatory period was determined, the CPI last applying under subparagraph (i) extended by the forecast change; and

in respect of later quarters, the forecast last applying under subparagraph (ii) 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 subparagraph (ii); and

Part 5, **CPI**, apart from in the calculation of the **revaluation rate** or if there is no **CPI** available for any part of the period in question, in which cases it means -

the **CPI** most recently available when setting thew most recent or current **DPP**; and

in respect of later quarters, a constant annual percent change equal to the arithmetic mean of the values forecast in the most recent four quarters in respect of which a forecast has been made in the current Monetary Policy Statement issued by the Reserve Bank of New Zealand; and

Part 5, for the calculation of the **revaluation rate**-

in the **CPP regulatory period** up to the end of the **DPP regulatory period**, as for Part 4 in accordance with (a) above; and

in respect of later quarters, a constant annual percent change equal to the arithmetic mean of the values forecast in the annual Monetary Policy Statement issued by the Reserve Bank of New Zealand;

forecast operating expenditure has the meaning specified in clause 5.3.2(6);

forecast regulatory tax allowance has the meaning specified in clause 5.3.13;

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 cost model of recognition and the fair value model of recognition;

gas distribution services means any gas pipeline services (as defined in s 55A of the Act) supplied across a network;

GDB means supplier of gas distribution services;

GPB means GDB or GTB (as 'GTB' is defined in the Commerce **Commission** (Gas Transmission Input Methodologies) Determination 2012);

GST has the same meaning as defined in s YA 1 of the Income Tax Act 2007 as amended from time to time, and any equivalent legislation that supplements or replaces that definition;

H

highly probable means one in respect of which the following conditions have been met at the time the CPP application is made:

the directors have approved a plan to sell either or both the other regulated service or unregulated service, as the case may be;

the GDB is taking active steps to-

locate a buyer for the assets; and

complete the plan,

referred to in paragraph (a);

the GDB is actively marketing the assets for sale at a price that is reasonable;

the directors expect the sale to complete within 12 months of the CPP application being made; and

actions to date do not contemplate that significant amendment to the plan may be made or that it will be withdrawn;

I

ID determination means an information disclosure determination in relation to a **GDB** made by the **Commission** under s 52P of the Act;

identifiable non-monetary asset has the same meaning as under GAAP save that goodwill is excluded;

identified programme means a project or programme that a GDB intends to undertake during the next period and which is selected by the verifier for detailed assessment in accordance with clause G4(1);

included asset means an asset which, as a result of the asset adjustment process, is designated as 'included';

included value means value assigned to an included asset;

independent means neither in a relationship with, nor having an interest in, the GDB in question that is likely to involve him her or it in a conflict of interest between his, her or its duties to the GDB and his, her or its duties to the **Commission**;

inflation rate has the meaning specified in clause 5.3.4(10);

initial differences in asset values has the meaning specified in, for the purpose of-

Part 2, clause 2.3.5(3); and

Part 5, clause 5.3.17(3);

initial RAB has the meaning specified in clause 2.2.2;

initial RAB value means value of an asset in the initial RAB determined in accordance with clause 2.2.3(4);

input methodology has the same meaning as defined in s 52C of the Act;

investment grade credit rated means endorsed with a credit rating by an established credit rating agency (such as Standard and Poor's) of "investment grade" on that agency's credit rating scale applicable to long-term investments;

L

land excludes easements;

leverage means the ratio of debt capital to total capital and is the amount specified in, for the purpose of-

Part 2, clause 2.4.2(1); and

Part 4, clause 4.4.2(1);

levy means a tax, charge or fee directly imposed by or under legislation-

on-

GDBs alone; or

a class of persons (other than the general public or businesses in general) that includes GDBs; or

in relation to gas distribution services;

line item means, in respect of-

assets, a group of assets within an asset category for which the same asset allocator is used to allocate their regulated service asset values; and

costs, a group of operating costs within an opex category for which the same cost allocator is used to allocate them,

to gas distribution services and other regulated services;

local authority has the same meaning as defined in s 5(1) of the Local Government Act 2002;

lost asset means an asset-

not included in the initial RAB; and

having, in relation to the disclosure year in question, an unallocated opening RAB value,

but determined by the GDB in that disclosure year never to have been used to provide gas distribution services;

M

**major transaction** has the meaning specified in, for the purpose of-

Part 4, clause 4.5.4; and

Part 5, clause 5.7.4;

maximum allowable revenue after tax means the amount determined in accordance with clause 5.3.4(8);

maximum allowable revenue before tax means the amount determined in accordance with clause 5.3.4;

mid-point estimate of WACC means, for the purpose of-

Part 2, the mid-point estimate of-

vanilla WACC as estimated in accordance with clause 2.4.1(1); or

post-tax WACC as estimated in accordance with clause 2.4.1(2),

as the case may be;

Part 3, the mid-point estimate of post-tax **WACC**, as estimated in accordance with clause 4.4.1(2); and

Part 4, the mid-point estimate of-

vanilla WACC as estimated in accordance with clause 4.4.1(1);

post-tax WACC as estimated in accordance with clause 4.4.1(2),

as the case may be;

modified value means the value of a value modified asset assigned in accordance with clause 2.2.1;

multi-rate PIE has the same meaning as defined in s YA 1 of the Income Tax Act 2007;

N

**Nelson-Siegel-Svensson approach** has the meaning specified in clause 2.4.4(6);

network means the system used to distribute gas to a consumer, comprising pipelines and associated fittings between-

a delivery point from a transmission network; and

the point of supply,

provided that where the pipelines and associated fittings are owned by the same person who owns the relevant transmission network, the delivery point is the place specified by that person;

network spare means an asset that is held by a **GDB** to replace any other asset it holds should that other asset be withdrawn from use owing to failure or damage;

next period means the period commencing on the first day of the disclosure year during which the CPP application is submitted and terminating on the last day of the 5 disclosure years following the assessment period;

notional revenue has the meaning specified in clause 3.1.1(3);

O

opening deferred tax has the meaning specified in, for the purpose of-

Part 2, clause 2.3.7;

Part 4, clause 4.3.4(1); and

Part 5, clause 5.3.19;

opening RAB value means the value determined in accordance with-

for the purpose of Part 2, clause 2.2.4(3); and

for the purpose of Part 5, clause 5.3.6(1);

opening tax losses means the amount determined in accordance with, for the purpose of-

Part 2, clause 2.3.2(3);

Part 4, clause 4.3.2(3)(a); and

Part 5, clause 5.3.14(3);

opening works under construction has the meaning specified in clause 5.3.12(1);

operating cost means a cost incurred by the GDB in question relating to the supply of-

regulated services alone; or

regulated services and one or more unregulated service,

and excludes-

a cost that is treated as a cost of an asset by GAAP;

amounts that are depreciation, tax, subvention payments, revaluations or an interest expense, in accordance with their meanings under GAAP;

pass-through costs;

recoverable costs;

distribution of profits to consumers; and

payments associated with a **finance lease**, where the **finance lease** has an **opening RAB value**;

operating expenditure, for the purpose of-

Part 4, means the value of operating costs attributable to gas distribution services supplied by a GDB which are forecast to be incurred in the disclosure year in question as determined by the Commission; and

Part 5, means operating costs after application of clause 5.3.5;

opex means operating expenditure;

opex category has the meaning specified in Schedule D;

opex forecast means the part of a CPP proposal, provided pursuant to clause 5.5.27, that forecasts operating expenditure for the next period;

other regulated income, for the purpose of-

Part 4, means forecast income associated with the supply of gas distribution services other than-

through prices;

investment-related income;

capital contributions; or

vested assets,

as determined by the Commission; and

Part 5, has the meaning specified in clause 5.3.2(7);

other regulated service means a regulated service, other than gas distribution services, supplied by the GDB in question;

OVABAA means the optional variation to accounting-based allocation approach, as described in clause 2.1.5;

OVABAA allocation increase means, in respect of either or both-

operating costs; and

regulated service asset values,

not directly attributable, as the case may be, allocated to gas distribution services, the dollar difference between the amount determined pursuant to the last application of clause 2.1.5(7)(c) and the application of clause 2.1.5(2)(a) or 2.1.5(3)(a), as the case may be;

P

pass-through cost has the meaning specified in clause 3.1.2(1);

**pass-through prices** means **prices** to the extent attributable to **pass-through costs** and **recoverable costs**;

permanent differences means the amount determined in accordance with, for the purpose of-

Part 2, clause 2.3.3; and

Part 5, clause 5.3.15;

person has the same meaning as defined in s 2 of the Act;

physical asset life has the meaning specified in clause 2.2.8;

point of supply has the same meaning as specified in regulation 5 of the Gas (Safety and Measurement) Regulations 2010;

prescribed investor rate has the same meaning as defined in the Income Tax Act 2007 or any subsequent legislation that supplements or replaces the provisions relating to prescribed investor rate in the Income Tax Act 2007;

prices has the meaning specified in clause 3.1.1(4);

pricing period has the same meaning as specified in the DPP determination;

pricing principles means the principles specified in clause 2.5.2;

programme means a group of related projects with a common purpose;

project means a temporary endeavour requiring concerted effort, undertaken to create a defined outcome;

proxy asset allocator means a proportion of a quantifiable measure-

used to allocate regulated service asset values for which a causal relationship cannot be established; and

whose quantum is based on factors in existence during the 18 month period terminating on the last day of the most recent disclosure year in respect of which the asset allocation is carried out;

proxy cost allocator means a proportion of a quantifiable measure-

used to allocate operating costs for which a causal relationship cannot be established; and

whose quantum is based on factors in existence during the 18 month period terminating on the last day of the most recent disclosure year in respect of which the cost allocation is carried out;

Q

qualifying debt has the meaning specified in, for the purpose of Part 2, clause 2.4.7(1);

qualifying issuer means a New Zealand resident limited liability company -

that-

undertakes the majority of its business activities in Australia and New Zealand; or

is part of a corporate group that undertakes the majority of its business activities in Australia and New Zealand;

that-

does not operate predominantly in the banking or finance industries; or

is part of a corporate group that does not operate predominantly in the banking or finance industries; and

that issues vanilla NZ$ denominated bonds that are publicly traded;

qualifying rating means-

a Standard and Poor's long term credit rating of the specified grade; or

an equivalent long term credit rating of another internationally recognised rating agency;

qualifying supplier has the meaning specified in, for the purpose of Part 2, clause 2.4.7(2);

R

recoverable cost has the meaning specified in clause 3.1.3;

regulated goods or services has the same meaning as defined in s 52C of the Act;

regulated service means a type of service supplied by a **GDB** pursuant to the supply of a regulated good or service, which, for the avoidance of doubt, includes the following types of services:

gas distribution services;

gas transmission services, as defined in the Gas Transmission Services Input Methodologies Determination 2012; and

electricity distribution services, as defined in the Electricity Distribution Services Input Methodologies Determination 2012;

regulated service asset value means, in respect of an asset-

used by a **GDB** in the supply of-

one or more regulated service; or

one or more regulated service and one or more unregulated service;

where at least one of those regulated services is a gas distribution service-

in the disclosure year 2009, its unallocated initial RAB value; and

in all other disclosure years, its unallocated closing RAB value; and

used by a **GDB** only in the supply of-

one or more other regulated service; or

one or more other regulated service and one or more unregulated service;

in-

the disclosure year 2009, its unallocated initial RAB value; and

all other disclosure years, its unallocated closing RAB value,

determined in accordance with the input methodologies applicable to the other regulated service.

regulated supplier means a supplier of regulated goods or services;

regulatory investment value has the meaning specified in clause 5.3.2(2);

regulatory net taxable income has the meaning specified in, for the purpose of-

Part 2, clause 2.3.1(2);

Part 4, clause 4.3.1(2); and

Part 5, clause 5.3.13(2);

regulatory period means the regulatory period for default/customised price-quality regulation applicable to a **GDB** as specified in a determination made under s 52P of the Act;

regulatory profit / (loss) before tax has the meaning specified in, for the purpose of-

Part 2, clause 2.3.1(4);

Part 4, clause 4.3.1(4); and

Part 5, clause 5.3.13(4);

regulatory taxable income means the amount determined in accordance with, for the purpose of-

Part 2, clause 2.3.1(3); and

Part 5, clause 5.3.13(3);

regulatory tax adjustments means the amount determined in accordance with, for the purpose of-

Part 2, clause 2.3.4;

Part 4, clause 4.3.3; and

Part 5, clause 5.3.16;

regulatory tax allowance has the meaning specified, for the purpose of-

Part 2, clause 2.3.1; and

Part 4, clause 4.3.1;

regulatory taxable income means the amount determined in accordance with, for the purpose of-

Part 2, clause 2.3.1(3);

Part 4, clause 4.3.1(3); and

Part 5, clause 5.3.13(3);

regulatory tax asset value has the meaning specified in, for the purpose of-

Part 2, clause 2.3.9; and

Part 5, clause 5.3.21;

regulatory templates has the meaning specified in clause 5.5.27(2);

related party means-

a person that, in accordance with GAAP, is related to the GDB in question; or

any part of the GDB in question that does not supply gas distribution services;

remaining asset life means the term remaining of an asset's asset life at the commencement of the disclosure year in question;

remaining asset life for additional assets has the meaning specified in clause 4.2.2(3)(b);

remaining asset life for existing assets has the meaning specified in clause 4.2.2(3)(a);

revaluation means the amount determined in accordance with, for the purpose of-

Part 2, clause 2.2.9(2); and

Part 4, clause 4.2.3(2); and

Part 5, clause 5.3.10(2);

revaluation rate has the meaning specified in, for the purpose of-

Part 2, clause 2.2.9(4);

Part 4, clause 4.2.3(3); and

Part 5, clause 5.3.10(3);

'**reversal**' and '**reverse**' have the same meanings as under GAAP;

S

selection rationale means a description of either or both of the-

criteria applied; and

fundamental reasons used,

for, either or both-

determining; and

selecting,

each-

asset allocator and associated allocator metric; and

cost allocator and associated allocator metric;

services has the same meaning as defined in s 2 of the Act;

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;

supply has the same meaning as defined in s 2 of the Act, and supplied must be construed accordingly;

T

tax asset value means the value determined in accordance with, for the purpose of-

Part 2, clause 2.3.9(2); and

Part 5, clause 5.3.21(2);

tax depreciation rules means the tax rules that relate to the determination of depreciation allowances for tax purposes;

tax effect means the product of multiplication by the corporate tax rate;

tax rules means the rules applicable to a GDB for determining income tax payable in the Income Tax Act 2007 (as amended from time to time, and any equivalent preceding legislation, or any subsequent legislation that supplements or replaces that Act);

term credit spread difference means the amount determined in accordance with, for the purpose of Part 2 and Part 5, clause 2.4.8;

term credit spread differential is the amount determined in accordance with, for the purpose of Part 2 and Part 5, clause 2.4.9(3);

term credit spread differential allowance, for the purpose of-

Part 2 and Part 5, means the sum of term credit spread differentials; and

Part 4, means the amount determined in accordance with clause 4.4.7(2);

total depreciation means, for the purpose of-

Part 2 and Part 5, the sum of depreciation for all assets; and

Part 4, the value determined in accordance with clause 4.2.2;

total opening RAB value means, for the purpose of –

Part 4, the amount determined in accordance with clause 4.2.1(1);

Part 5, the meaning specified in clause 5.3.6(7);

total revaluation means, for the purpose of-

Part 2 and Part 5, the sum of revaluation for all assets; and

Part 4, the value determined in accordance with clause 4.2.3;

transitional pricing methodology has the meaning specified in clause 5.4.1(3);

transmission network has the same meaning as is defined for 'network' in the Gas Transmission Services Input Methodologies Determination 2012;

trigger event has the meaning specified in clause 5.7.5(3);

U

unallocated closing RAB value means the value determined in accordance with, for the purpose of-

Part 2, clause 2.2.4(2); and

Part 5, clause 5.3.6(6);

unallocated depreciation means 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-

Part 2, clause 2.2.5(1); and

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-

Part 2, clause 2.2.4(1); and

Part 5, clause 5.3.6(5);

unallocated revaluation means amount determined in accordance with, for the purpose of-

Part 2, clause 2.2.9(1); and

Part 5, clause 5.3.10(1);

unduly deterred means, solely as a result of an allocation to the unregulated service in question of either or both of-

operating costs not directly attributable; and

regulated service asset values not directly attributable,

the operating costs not directly attributable or capital costs associated with the regulated service asset values not directly attributable (as the case may be) to be borne by that unregulated service would cause that unregulated service to be-

discontinued; or

not provided,

and 'unduly deter' must be construed accordingly;

unforeseen project has the meaning specified in clause 5.7.6;

unregulated service means any good or service supplied by the GDB that is not a regulated service; utilised tax losses means the amount determined in accordance with, for the purpose of-

Part 2, clause 2.3.2;

Part 4, clause 4.3.2(1); and and

Part 5, clause 5.3.14;

V

value modified asset means an asset which, as a result of the asset adjustment process is designated as 'value modified' type;

value of commissioned asset means the value determined in accordance with clause 2.2.11;

value of found asset means the value of a found asset determined in accordance with clause 2.2.12(2);

valuer means an individual who-

is registered as a valuer under the Valuers Act 1948;

holds a current practising certificate issued by-

the Property Institute of New Zealand; or

the New Zealand Institute of Valuers;

has been engaged to act in his or her professional capacity as a valuer; and

is independent;

vanilla NZ$ denominated bonds means senior unsecured nominal debt obligations denominated in New Zealand dollars without callable, puttable, conversion, profit participation, credit enhancement or collateral features;

verification report means a report prepared by a verifier in accordance with Schedule G;

verifier means-

a person who-

is independent; and

has been engaged to verify the CPP applicant's CPP proposal in accordance with Schedule G; or

a designated individual a person described in paragraph (a);

vested asset means an asset associated with the supply of gas distribution services received by a GDB-

without provision of consideration; or

with provision of nominal consideration;

W

WACC means weighted average cost of capital;

**WACC change** means an event described in clause 5.7.7(4);

working day has the same meaning as defined in s 2 of the Act; and

works under construction means an asset, or a collection of assets that-

has been or is being or is forecast to be constructed by, or on behalf of, a **GDB**;

has not been commissioned; and

the GDB intends to commission.

* + - 1. Next closest alternative approach
				1. The **Commission** may determine that the next closest alternative approach will be applied to any **input methodology** in this determination if that **input methodology** is unworkable.
				2. A **GDB** may propose to the **Commission**, in accordance with subclause (3), that it considers the next closest alternative approach should apply to an **input methodology** where it identifies that the **input methodology** is unworkable.
				3. If a **GDB** proposes a next closest alternative approach, it must-

identify the unworkable **input methodology** and explain why it considers the **input methodology** is unworkable;

describe the next closest alternative approach that would apply instead of the unworkable **input methodology**;

describe whether the next closest alternative approach is likely to have an equivalent or non-equivalent effect to that of the unworkable **input methodology**; and

certify the information in paragraphs (a)-(c), as may be specified by the **Commission** in a s 52P determination.

* + - * 1. If the **Commission** applies the next closest alternative approach in accordance with subclause (1), it must-

identify the unworkable **input methodology**;

describe the next closest alternative approach that would apply instead of the unworkable **input methodology**;

describe whether the next closest alternative approach is likely to have an equivalent or non-equivalent effect to the unworkable **input methodology** and whether a change is required to a s 52P determination to give effect to the next closest alternative approach;

undertake any consultation that the **Commission** considers appropriate; and

publish its decision, including a description of the next closest alternative approach as specified in paragraph (b).

* + - * 1. If the **Commission** decides that the next closest alternative approach has a non-equivalent effect on the price-quality path during the **regulatory period**, the **Commission** may reconsider the price-quality path in accordance with clauses 4.5.5(1) or 5.7.7(9), as applicable.
				2. For the purposes of subclauses (1)-(4), an **input methodology** may be considered as unworkable if it cannot be reasonably applied as intended.
1. INPUT METHODOLOGIES FOR INFORMATION DISCLOSURE
	1. Cost allocation
		* 1. Cost allocation process
				1. Any-

operating costs; and

regulated service asset values,

that are directly attributable to gas distribution services supplied by the GDB must be allocated to gas distribution services.

* + - * 1. Any-

operating costs; and

regulated service asset values,

that are directly attributable to any other regulated service supplied by the GDB must be allocated to the other regulated service to which they are directly attributable.

* + - * 1. Any operating costs and regulated service asset values that are not allocated in accordance with subclauses (1) and (2) must be allocated to gas distribution services and other regulated services using, at the supplier's election-

ABAA; or

subject to clause 2.1.2, another allocation methodology type.

* + - 1. Allocation approaches
				1. For the purpose of clause 2.1.1(3)(b), whether the supplier may elect to use ACAM or OVABAA to allocate-

operating costs; and

regulated service asset values,

not directly attributable, must be determined in accordance with this clause.

* + - * 1. Where, in respect of a disclosure year, revenues received by a **GDB** from the supply of all unregulated services by that GDB are-

less than 10% of revenues received from the supply of all regulated services supplied by the GDB, subclause (3) applies; and

in all other cases, subclause (4) applies.

* + - * 1. Where this subclause applies-

operating costs; and

regulated service asset values,

not directly attributable may be allocated to regulated services, in aggregate, using ACAM.

* + - * 1. Where this subclause applies-

where, in a disclosure year, operating costs not directly attributable less any arm's-length deduction are less than 15% of operating costs, ACAM may be applied to the allocation of operating costs not directly attributable;

where, in a disclosure year, the total value of regulated service asset values not directly attributable less any arm's-length deduction is less than 10% of the aggregated unallocated closing RAB value, ACAM may be applied to the allocation of regulated service asset values not directly attributable; and

in all other cases, ABAA or OVABAA, at the supplier's election, may be applied to the allocation of either or both-

operating costs not directly attributable; or

regulated service asset values not directly attributable,

as the case may be.

* + - * 1. For the purpose of subclause (2), ‘revenue’ excludes related party revenues eliminated on consolidation in the GDB’s consolidated financial statements.
				2. For the purpose of subclause (4)(b), 'aggregated unallocated closing RAB value' means the sum of, in respect of assets used to supply-

gas distribution services, unallocated closing RAB values; and

any other regulated service, unallocated closing RAB values as determined in accordance with input methodologies applicable to that other regulated service;

* + - 1. Accounting-based allocation approach (ABAA)
				1. Cost allocators must be used to allocate operating costs not directly attributable, less any arm’s-length deduction, to-

gas distribution services; and

other regulated services.

* + - * 1. Asset allocators must be used to allocate regulated service asset values not directly attributable, less any arm’s-length deduction, to-

gas distribution services; and

other regulated services.

* + - * 1. Where a **GDB** uses a **proxy cost allocator** for the purposes of subclause (1) or a **proxy asset allocator** for the purposes of subclause (2), the **GDB** must, in accordance with the requirements in the relevant **ID determination**, explain why a **causal relationship** cannot be established.
				2. Where a **GDB** uses a **proxy cost allocator** for the purposes of subclause (1), the **GDB** must, in accordance with the requirements in the relevant **ID determination**, explain the rationale for using a selected quantifiable measure for that **proxy cost allocator**.
				3. Where a **GDB** uses a **proxy asset allocator** for the purposes of subclause (2), the **GDB** must, in accordance with the requirements in the relevant **ID determination**, explain the rationale for using a selected quantifiable measure for that **proxy asset allocator**.
			1. Avoidable cost allocation methodology (ACAM)
				1. In respect of-

operating costs; and

regulated service asset values,

not directly attributable, less any arm's-length deduction, an assessment must be made as to the proportion of each that would be non-avoidable were the GDB not to supply unregulated services.

* + - * 1. The amounts of non-avoidable-

operating costs; or

regulated service asset values,

not directly attributable, determined in accordance with subclause (1), must be allocated to regulated services in aggregate.

* + - * 1. Where the GDB supplies other regulated services, the amounts allocated in accordance with subclause (2) must be allocated to each regulated service supplied by the GDB using the ABAA.
			1. Optional variation to accounting-based allocation approach (OVABAA)
				1. This clause applies to the allocation of-

only operating costs not directly attributable;

only regulated service asset values not directly attributable; or

operating costs not directly attributable and regulated service asset values not directly attributable,

as elected in accordance with clause 2.1.2(4)(c).

* + - * 1. Operating costs not directly attributable less any arm's-length deduction must be initally allocated to-

gas distribution services;

other regulated services; and

each unregulated service,

using cost allocators.

* + - * 1. Regulated service asset values not directly attributable less any arm's-length deduction must be initially allocated to-

gas distribution services;

other regulated services; and

each unregulated service,

using asset allocators.

* + - * 1. Where, after application of-

Subclause (2)(c);

Subclause (3)(c); or

Subclauses (2)(c) and (3)(c),

an unregulated service would-

be unduly deterred, subclause (5) applies; and

not be unduly deterred, the allocation of either or both of-

operating costs not directly attributable; and

regulated service asset values not directly attributable

as the case may be, must remain as carried out in accordance with either or both of subclauses (2)(c) and (3)(c), as the case may be.

* + - * 1. Where this subclause applies, any-

operating costs; and

regulated service asset values,

not directly attributable that were allocated to an unregulated service in accordance with either or both of subclauses (2)(c) and (3)(c), as the case may be, may be reduced to the amount at which the unregulated service would no longer be unduly deterred.

* + - * 1. For the avoidance of doubt, the adjusted amounts determined in accordance with subclause (5) must be treated as the share of either or both, as the case may be, of-

operating costs; and

regulated service asset values,

not directly attributable to be borne by the unregulated service in question.

* + - * 1. The adjusted amounts determined in accordance with subclause (5) must be deducted from either or both the-

operating costs not directly attributable; and

regulated service asset values not directly attributable,

as the case may be, to which subclause (2) or (3) applied after any arm's-length deduction was made, and the remaining costs or values reallocated between-

gas distribution services;

other regulated services; and

each remaining unregulated service,

in accordance with subclauses (2) and (3), as the case may be.

* + - * 1. Where, after application of subclause (7), the-

operating costs; and

regulated service asset values,

not directly attributable allocated to another unregulated service unduly deter that unregulated service, the process in subclauses (5) and (7) may be repeated subject to the modifications specified in subclause (9).

* + - * 1. When re-applying-

subclause (5) to another unregulated service, the starting values of-

operating costs; and

regulated service asset values,

not directly attributable allocated to that unregulated service must be the values obtained in relation to that unregulated service as a result of the previous application of subclause (7); and

subclause (7), for "to which subclause (2) or (3) applied after any arm's-length deduction was made", substitute "to which this subclause previously applied".

* + - * 1. Subclauses (5) and (7) may be re-applied sequentially in respect of each unregulated service which is unduly deterred until any remaining regulated service asset values or operating costs or both are of such quantum that their allocation to the remaining unregulated services does not result in any of those services being unduly deterred.
				2. For the avoidance of doubt, the reallocation undertaken in accordance with subclause (7) is carried out by grossing up allocation percentages used to make allocations to gas distribution services, other regulated services and each remaining unregulated service based on the same cost allocators or asset allocators, as the case may be, used under subclauses (2) and (3), to take into account the omission of the allocation percentages for the unregulated service to which allocation has already been made under subclause (5).
			1. Allocation constraints
				1. For the avoidance of doubt, all allocations of-

operating costs; and

regulated service asset values,

not directly attributable to other regulated services supplied by the GDB must be consistent with allocations made in accordance with input methodologies relating to cost allocation applying to those other regulated services.

* + - * 1. Where the OVABAA is applied to both operating costs not directly attributable and regulated service asset values not directly attributable, the combined amount of such costs and values that is re-allocated in accordance with clause 2.1.5(5) must not exceed the amount required to ensure that the unregulated service is not unduly deterred.
				2. For the avoidance of doubt, after application of this subpart, notwithstanding anything else that may suggest otherwise, each unregulated service must bear at least the total-

operating costs; and

value of assets,

directly attributable to that unregulated service.

* + - * 1. Notwithstanding anything else in this Subpart, the maximum value of-

operating costs that may be allocated to gas distribution services and other regulated services, in aggregate, must not exceed the total value of operating costs; and

regulated service asset values that may be allocated to gas distribution services and other regulated services, in aggregate, must not exceed the total regulated service asset values,

that would be allocated to gas distribution services and other regulated services, in aggregate, using ACAM.

* 1. Asset valuation
		+ 1. Asset adjustment process for setting initial RAB
				1. Asset adjustment process means the process of assets-

being designated as one of the following asset types:

'excluded';

'included'; or

 'value modified';

of 'value modified' type being assigned a modified value; and

of 'included' type being assigned an included value.

* + - * 1. Subject to subclauses (3) to (6), under the asset adjustment process, a GDB may elect to undertake none, some or all of the following things:

modify the value of an asset owned by NGC Holdings Limited or a subsidiary company thereof, which asset is treated as of 'value modified' type;

designate an asset, except one of those described in subclause (4), used by a GDB to supply gas distribution services, as of 'included' type; and

correct the following types of errors found in a GDB's asset register, where the error relates to 2009 disclosed assets:

assets omitted in error, which assets are designated as of 'included' type;

assets included in error, which assets are designated as of 'excluded' type; and

assets allocated to the incorrect asset category, or given an estimation of quantity, age, category or location now known to be incorrect, which assets are designated as of 'value modified' type;

* + - * 1. The modified value of an asset to which subclause (2)(a) is applied is determined by adjusting its value-

in respect of an asset to which subclause (2)(b) or (2)(c) was applied and valued pursuant to subclause (5) or (6), as the case may be; or

where neither subclause (2)(b) nor (2)(c) was applied, included in 'Non-Current Assets' in the 2009 disclosure financial statements,

to the value it would have had as of 30 June 2009 had it been revalued to take account of changes in the consumer price index since 1 July 2005 consistent with the method used by the Commission in its 'Gas Control Model' for the purpose of authorising the supply of controlled services.

* + - * 1. For the purpose of subclause (2)(b), the assets are-

2009 authorisation assets;

assets that were eligible to be 2009 authorisation assets;

2009 disclosed assets;

assets that were eligible to be 2009 disclosed assets;

easement land; and

intangible assets, unless they are-

finance leases; or

identifiable non-monetary assets.

* + - * 1. The included value of an asset to which subclause (2)(b) is applied is-

its depreciated historic cost determined by applying GAAP as of 30 June 2009; or

where sufficient records do not exist to establish this cost, its depreciated carrying value in the general purpose financial statements of the GDB.

* + - * 1. The included value or modified value, as the case may be, of an asset to which subclause (2)(c) is applied is determined by-

taking its value, subject to subclause (7), that resulted, or for an omitted asset, would have resulted, from application of the Gas (Information Disclosure) Regulations 1997, as of the date-

the asset was first commissioned; or

that fixed assets were most recently revalued, other than for the sole purpose of accounting for inflation, under the Gas (Information Disclosure) Regulations 1997,

whichever is the later;

implementing the corrections or modifications required to account for the matters specified in subclause (2)(c) as the case may be; and

adjusting that value to the value as of 30 June 2009 by taking account of-

unallocated depreciation in accordance with the standard depreciation method, where the total asset life used for the purpose of that method is the total asset life used for the purpose of the 2009 disclosure financial statements; and

revaluation to account for consumer price index changes using a method consistent with that used to account for such revaluation in the 2009 disclosure financial statements.

* + - * 1. Where subclause (6)(a)(ii) applies, the value must be obtained using the revaluation methodology that was applied, or would have been applied, in respect of that asset as of the date in question.
			1. Composition of initial RAB

Initial RAB means-

2009 authorisation assets;

2009 disclosed assets;

included assets; and

in respect of Powerco Limited, assets first commissioned in the period beginning on 1 July 2009 and ending on 30 September 2009,

less-

excluded assets;

intangible assets, unless they are-

finance leases; or

identifiable non-monetary assets;

works under construction; and

in respect of Powerco Limited, disposed assets for the period beginning on 1 July 2009 and ending on 30 September 2009.

* + - 1. Initial RAB values for assets
				1. Subject to subclauses (2) and (3), the unallocated initial RAB value of-

an included asset or value modified asset, is its included value or modified value, as the case may be; and

any other asset included in 2009 authorisation assets and described in-

paragraph (a) of the definition of 2009 authorisation assets, is its value specified in the 2005 authorisation valuation; and

paragraph (b) of the definition of 2009 authorisation assets, is its cost determined by applying GAAP to the asset as on its commissioning date,

adjusted as of 30 June 2009 by taking account of-

depreciation; and

changes in the consumer price index;

since 1 July 2005 consistent with the method used by the Commission in its 'Gas Control Model' for the purpose of authorising the supply of controlled services;

any other asset included in 2009 disclosed assets, is its value included in the 'Non-Current Assets' category in the 2009 disclosure financial statements; and

in respect of Powerco Limited, an asset first commissioned in the period beginning on 1 July 2009 and ending on 30 September 2009, is its value of commissioned asset.

* + - * 1. For the purpose of subclause (1), where an asset is used by a GDB in the supply of-

one or more regulated service; or

one or more regulated service and one or more unregulated service,

where at least one of those regulated services is a gas distribution service, the unallocated initial RAB value is the value of the asset had no allocation of asset value relevant to regulatory disclosures been undertaken.

* + - * 1. For the purpose of subclause (1), the value established as the unallocated initial RAB value in respect of Powerco Limited must include an adjustment for the three month period beginning on 1 July 2009 and ending on 30 September 2009 by taking account of-

unallocated depreciation applicable to that period in accordance with the standard depreciation method, using a remaining asset life consistent with the 2009 disclosure financial statements or the Commission’s 'Gas Control Model' for the purpose of authorising the supply of controlled services as the case may be; and

revaluation applicable to that period to account for consumer price index changes using a method consistent with that used in the 2009 disclosure financial statements or by the Commission in its 'Gas Control Model' for the purpose of authorising the supply of controlled services as the case may be.

* + - * 1. The initial RAB value of an asset is determined as the value allocated to gas distribution services as a result of-

adopting its unallocated initial RAB value; and

applying clause 2.1.1 to it as of–

in respect of Powerco Limited, 30 September 2009; and

in respect of other **GDBs**, 30 June 2009.

* + - 1. RAB roll forward
				1. Unallocated opening RAB value in respect of an asset in relation to-

the disclosure year 2010, is its unallocated initial RAB value; and

a disclosure year thereafter is its unallocated closing RAB value in the preceding disclosure year.

* + - * 1. Unallocated closing RAB value means, in the case of-

a found asset, its value of found asset;

a disposed asset, nil;

a lost asset, nil;

any other asset with an unallocated opening RAB value, the value determined in accordance with the formula-

unallocated opening RAB value - unallocated depreciation + unallocated revaluation; and

any other asset having a commissioning date in the disclosure year in question, its value of commissioned asset.

* + - * 1. Opening RAB value, in respect of an asset, is, for-

the disclosure year 2010, its initial RAB value; and

a disclosure year thereafter, its closing RAB value in the preceding disclosure year.

* + - * 1. Closing RAB value, in respect of an asset is determined as the value allocated to gas distribution services as a result of-

adopting its unallocated closing RAB value; and

applying clause 2.1.1 to it.

* + - 1. Depreciation
				1. Unallocated depreciation, in the case of an asset with an unallocated opening RAB value, is determined, subject to subclause (3) and clauses 2.2.6 and 2.2.7, in accordance with the formula-

[1 ÷ remaining asset life] × unallocated opening RAB value.

* + - * 1. Depreciation, in the case of an asset with an opening RAB value, is determined, subject to subclause (3) and clause 2.2.6, in accordance with the formula-

[1 ÷ remaining asset life] × opening RAB value.

* + - * 1. For the purposes of subclauses (1) and (2)-

unallocated depreciation and depreciation are nil in the case of-

land;

an easement other than a fixed life easement; and

a network spare in respect of the period before which depreciation for the network spare in question commences under GAAP; and

in all other cases, where the asset's physical asset life at the end of the disclosure year is nil-

unallocated depreciation is the asset's unallocated opening RAB value; and

depreciation is the asset's opening RAB value.

* + - 1. Depreciation - alternative depreciation method

Where, under a CPP, in accordance with clause 5.3.8, an **alternative depreciation method** is applied to an asset, unallocated depreciation and depreciation for that asset, in respect of each disclosure year of the CPP regulatory period, are determined in accordance with that **alternative depreciation method**, subject to, in the case of unallocated depreciation, clause 2.2.7.

* + - 1. Unallocated depreciation constraint

For the purpose of clause 2.2.5, the sum of unallocated depreciation of an asset calculated over its asset life may not exceed the sum of-

all unallocated revaluations applying to that asset in all disclosure years; and

in the case of an asset-

in the initial RAB, its unallocated initial RAB value; or

not in the initial RAB, its value of commissioned asset or value of found asset.

* + - 1. Physical asset life
				1. Physical asset life means, subject to subclause (2), in the case of-

a fixed life easement, the fixed duration or fixed period (as the case may be) referred to in the definition of fixed life easement;

an extended life asset or a refurbished asset, its physical service life potential as determined by the GDB;

a reduced life asset, its physical service life potential determined by an engineer, subject to subclause (3);

a found asset for which a similar asset exists as described in subclause 2.2.12(2)(b)(i), the asset life applying to the similar asset;

a non-**network** asset, its asset life as determined under **GAAP**;

an asset acquired or transferred from a regulated supplier, the asset life that the vendor would have assigned to the asset at the end of its disclosure year had the asset not been transferred;

an asset acquired or transferred from an entity other than a **regulated supplier**:

where a similar asset exists, the asset life assigned to the similar asset; or

where a similar asset does not exist, the physical service life potential determined by an engineer, subject to subclause (3).

an asset not referred to in paragraphs (a) – (g)-

in the initial RAB and an included asset; or

not in the initial RAB,

and-

having a standard physical asset life, its standard physical asset life;

not having a standard physical asset life, the asset life applying to an asset with an unallocated opening RAB value that is similar in terms of asset type; or

in all other cases, its physical service life potential determined by an engineer, subject to subclause (3);

an asset (other than a composite asset) not referred to in paragraphs (a) – (h), its remaining physical service life potential as on 30 June 2009 as determined in accordance with the method used to determine an allowance for depreciation, in the case of a-

2009 authorisation asset, in the 'Gas Control Model' used by the Commission for the purpose of authorising the supply of controlled services; and

2009 disclosed asset, for the purpose of the 2009 disclosure financial statements;

a composite asset, the average asset life of the assets comprising it determined in accordance with paragraphs (a)–(i), with the modification that each such asset life must be weighted with respect to the proportion of its respective opening RAB value to the sum of the opening RAB values of the components in the earliest disclosure year in which all component assets were held by the GDB.

* + - * 1. For the purpose of subclause (1), physical asset life means, in the case of a dedicated asset which is not expected to be used by the GDB to provide gas distribution services beyond the term of the fixed term agreement relating to the asset between the GDB and the consumer, at the GDB's election, the term of that agreement instead of the physical asset life that would otherwise apply under that subclause.
				2. For the purpose of subclauses (1)(b) and (1)(h)(v), a determination made in accordance with this clause by an engineer of physical service life potential-

in relation to an asset with an unallocated opening RAB value is deemed applicable to all assets of similar asset type for which there is a requirement in this clause for an engineer's determination of physical service life potential; and

must be evidenced by a report written by the engineer in question that includes an acknowledgement by the engineer that the report may be publicly disclosed by a GDB pursuant to an ID determination.

* + - * 1. In this clause-

'dedicated asset' means an asset operated for the benefit of a particular consumer pursuant to a fixed term agreement for the supply of gas distribution services between the GDB in question and that consumer;

'extended life asset' means an asset whose physical service life potential is greater than its standard physical asset life;

'refurbished asset' means an asset on which work (other than maintenance) has been carried out resulting in an extension to its physical service life potential;

'reduced life asset' means an asset determined by the GDB to have a physical service life potential shorter than its standard physical asset life;

'composite asset' means a configuration of two or more assets that is not capable of operation in the absence of any of those assets.

* + - 1. Revaluation
				1. Unallocated revaluation is the amount determined, subject to subclause (3), in accordance with the formula-

unallocated opening RAB value × revaluation rate.

* + - * 1. Revaluation is the amount determined, subject to subclause (3), in accordance with the formula-

opening RAB value × revaluation rate.

* + - * 1. For the purposes of subclauses (1) and (2), where-

the asset's physical asset life at the end of the disclosure year is nil; or

the asset is a-

disposed asset; or

lost asset,

unallocated revaluation and revaluation are nil.

* + - * 1. ‘Revaluation rate’ means, in respect of a disclosure year, the amount determined in accordance with the formula-

(CPI4 ÷ CPI4-4) -1,

where-

CPI4 means CPI for the quarter that coincides with the end of the disclosure year; and

CPI4-4 means CPI for the quarter that coincides with the end of the preceding disclosure year.

* + - 1. Revaluation treated as income

Revaluation, for the purpose of determining profitability, must be treated as income.

* + - 1. Value of commissioned assets
				1. Value of commissioned asset, in relation to an asset (including an asset in respect of which capital contributions were received or a vested asset), means the cost of the asset to a **GDB** determined by applying GAAP to the asset as on its commissioning date, except that, subject to subclause (2), the cost of-

an intangible asset, unless it is-

a finance lease; or

an identifiable non-monetary asset,

is nil;

an easement, is limited to its market value as on its commissioning date as determined by a valuer;

easement land is nil;

a network spare-

which is not required, in light of the historical reliability and number of the assets it is held to replace; or

whose cost is not treated wholly as or part of the cost of an asset under GAAP,

is nil;

an asset-

acquired from another regulated supplier; and

used by that regulated supplier in the supply of regulated goods or services,

is limited to the unallocated closing RAB value of the asset for the regulated supplier, had the asset not been transferred, on the closing day of the **disclosure year** when the asset was transferred (as 'unallocated closing RAB value' is defined in the input methodologies applying to the regulated goods or services supplied by the regulated supplier);

an asset that was previously used by a **GDB** in its supply of other regulated services is limited to the unallocated opening RAB value of the asset in relation to those other regulated services as on the day before the commissioning date (as 'unallocated opening RAB value' is defined in the input methodologies applying to the regulated goods or services supplied by the GDB);

an asset acquired from a related party, other than an asset to which paragraphs (e) or (f) apply, is determined in accordance with subclause 2.2.11(5);

an asset in respect of which capital contributions were received where such contributions do not reduce the cost of the asset when applying GAAP, is the cost of the asset by applying GAAP reduced by the amount of the capital contributions; and

a vested asset in respect of which its fair value is treated as its cost under GAAP; and must exclude any amount of the fair value of the asset determined under GAAP that exceeds the amount of consideration provided by the GDB.

* + - * 1. When applying GAAP for the purpose of subclause (1), the cost of financing is-

applicable only in respect of the period commencing on the date the asset becomes a works under construction and terminating on its commissioning date; and

calculated using a rate not greater than the **GDB’s** weighted average of borrowing costs for each applicable **disclosure year**.

* + - * 1. For the purposes of subclause (2)(b), the ‘weighted average of borrowing costs’ is calculated for a **disclosure year** using principles set out in **GAAP**, where:

the cost of financing rate is the weighted average of the costs applicable to borrowings in respect of **capex** that are outstanding during the **disclosure year**;

the total costs applicable to borrowings outstanding, as used in calculating the weighted average, must include costs of borrowings made specifically for the purpose of any particular –

**capex projects**; or

**capex** **programmes**; and

the amount of borrowing costs capitalised during the **disclosure year** must not exceed the amount of borrowing costs incurred during the **disclosure year**;

if a **capital contribution** is received by an **GDB**, the relevant asset becomes **works under construction** for the purposes of calculating the cost of financing;

subject to subclause (i), a **capital contribution** will reduce the cost of **works** **under construction** for the purpose of the calculation of the finance cost, even if the resulting value of **works under construction** is negative;

subject to subclause (g), if the value of **works under construction** is negative in accordance with subclause (e), the cost of financing for the period ending on the **commissioning date** will be negative;

if the cost of financing an asset which is **works under construction** is negative under subclause (f), it will reduce the value of the relevant asset or assets by that negative amount where such a reduction is not otherwise made under **GAAP**;

for the purpose of subclause (d), **works under construction** includes assets that are forecast to be enhanced or acquired; and

if the cost of financing is derived as income in relation to **works under** **construction** and is both-

negative; and

included in regulatory income under an **ID determination**,

it will not reduce the value of the relevant asset or assets where such reduction is not otherwise made under **GAAP**.

* + - * 1. For the avoidance of doubt-

revenue derived in relation to works under construction that is not included in regulatory income under an ID determination or preceding regulatory information disclosure requirements reduces the cost of an asset by the amount of the revenue where such reduction is not otherwise made under GAAP; and

where expenditure on an asset which forms part of the cost of that asset under GAAP is incurred by a GDB after that asset was commissioned, such expenditure is treated as relating to a separate asset.

* + - * 1. For the purpose of paragraph 2.2.11(1)(g), the cost of a **commissioned** asset, or component of a **commissioned** asset, acquired from a **related party** must be one of the following–

the price paid by the **GDB** for the asset, where the cost of all assets acquired from the **related party** first **commissioned** in that **disclosure year** is less than–

one percent of the sum of **opening RAB values** for the **GDB** for that **disclosure year**, or

20% of the cost of all assets first **commissioned** by the **GDB** in that **disclosure year**;

the price paid by the **GDB** for the asset, where–

at least 50% of the **related party**’s sales of assets are to third parties, and third parties may purchase the same or substantially similar assets from the **related party** on substantially the same terms and conditions, including price; or

that price is substantially the same as the price paid for substantially similar assets (including any adjustments for inflation using CPI or other appropriate input price index) in the preceding 3 **disclosure years** from a party other than a **related party**;

the price paid by the **GDB** to the **related party** following a competitive tender process, provided that–

the price is no more than 5% higher than the price of the lowest conforming tender received;

all relevant information material to consideration of a proposal was provided to third parties, or made available upon request;

at least one other qualifying proposal was received; and

the **GDB** retains for a period of 7 years following the closing date of tender proposals a record of the tender and tender process, including request for information and/or proposal, the criteria used for the assessment of proposals, reasons for acceptance or rejection of proposals, and all proposals and requests for information on the tender for the purposes of making proposals;

its depreciated historic cost on the day before the acquisition by the GDB determinedin accordance with GAAP;

its inventory value on the day before the acquisistion by the **GDB** determined in accordance with **GAAP**;

its market value as at its commissioning date as determined by a valuer;

its directly attributable cost as would be incurred by the group to which the **GDB** and **related party** are a part, determined in accordance with **GAAP**, as if the consolidated group was the **GDB**;

the price paid by the **GDB** for the asset, provided–

the price cannot otherwise be determined under paragraphs (a) – (g), and

no fewer than 2 **directors** of the **GDB** provide a written certification that they are satisfied that the price of any assets determined in accordance with this paragraph reflect the price or prices for those assets that would be received in an arm’s-length transaction; or

nil.

* + - 1. Value of found assets
				1. Found asset means, in relation to a disclosure year, an asset-

other than easement land;

other than an intangible asset, unless it is-

a finance lease; or

an identifiable non-monetary asset;

not having a commissioning date in the disclosure year in question;

the value of which-

is not included as an unallocated opening RAB value in the disclosure year in question nor was so included in any prior disclosure year pursuant to clause 2.2.4(1); and

was not included in an unallocated closing RAB value in any prior disclosure year in accordance with clause 2.2.4(2); and

first determined by the **GDB** in the disclosure year in question to have a commissioning date after the disclosure year 2009.

* + - * 1. The value of found asset is-

the found asset's cost calculated consistently with GAAP; or

where sufficient records do not exist to establish the found asset's cost for the purposes of GAAP-

where an asset with an unallocated opening RAB value for that disclosure year is similar (in terms of asset type and age) to the found asset, the unallocated opening RAB value of the similar asset; and

in all other cases, its market value as determined by a valuer as at the date that the asset was first determined to have been commissioned in a prior disclosure year after the disclosure year 2009.

* 1. Treatment of taxation
		+ 1. Regulatory tax allowance
				1. Regulatory tax allowance is, where regulatory net taxable income is-

nil or a positive number, the tax effect of regulatory net taxable income; and

a negative number, nil.

* + - * 1. Regulatory net taxable income is regulatory taxable income less utilised tax losses.
				2. Regulatory taxable income is determined in accordance with the formula-

regulatory profit / (loss) before tax + permanent differences + regulatory tax adjustments.

* + - * 1. Regulatory profit / (loss) before tax means the amount of 'regulatory profit / (loss) before tax' as determined in accordance with an ID determination.
			1. Tax losses
				1. Utilised tax losses means opening tax losses, subject to subclause (2).
				2. For the purpose of subclause (1), utilised tax losses may not exceed regulatory taxable income.
				3. In this clause, 'opening tax losses' in relation to a disclosure year that commenced-

in 2009, is nil; and

after 2009, is closing tax losses for the preceding disclosure year.

* + - * 1. For the purpose of subclause (3)(b), 'closing tax losses' means the amount determined in accordance with the following formula, in which each term is an absolute value:

opening tax losses + current period tax losses – utilised tax losses.

* + - * 1. For the purpose of subclause (4), 'current period tax losses' is where regulatory taxable income is-

nil or a positive number, nil; and

a negative number, regulatory taxable income.

* + - 1. Permanent differences
				1. Permanent differences is the amount determined in accordance with the formula-

positive permanent differences - negative permanent differences.

* + - * 1. For the purpose of subclause (1), 'positive permanent differences' means, subject to subclause (3) the sum of-

all amounts of income-

treated as taxable were the tax rules applied to determine income tax payable in respect of the GDB's supply of gas distribution services; and

not included as amounts of income in determining regulatory profit / (loss) before tax; and

all amounts of expenditure or loss-

included as amounts of expenditure or loss in determining regulatory profit / (loss) before tax; and

not treated as deductions were the tax rules applied to determine income tax payable in respect of the GDB's supply of gas distribution services,

if the difference in treatment of amounts of-

income under paragraphs (a(i) and paragraph (a)(ii); or

expenditure or loss under paragraph (b)(i) and paragraph (b)(ii),

is a difference that-

is not a **reversal** or partial **reversal** of a difference for a prior disclosure year; and

will not **reverse** in a subsequent disclosure year.

* + - * 1. For the purpose of subclause (2), positive permanent differences excludes any amounts that are-

amortisation of initial differences in asset values; or

amortisation of revaluations.

* + - * 1. For the purpose of subclause (1), 'negative permanent differences' means, subject to subclause (5), the sum of-

all amounts of income-

included as amounts of income in determining regulatory profit / (loss) before tax; and

not treated as taxable were the tax rules applied to determine income tax payable in respect of the GDB's supply of gas distribution services; and

all amounts of expenditure or loss-

treated as deductions were the tax rules applied to determine income tax payable in respect of the GDB's supply of gas distribution services; and

not included as amounts of expenditure or loss in determining regulatory profit / (loss) before tax,

if there are differences between the values in-

paragraphs (a)(i) and paragraph (a)(ii); and

paragraphs (b)(i) and paragraph (b)(ii),

and such differences-

are not the **reversal** of a difference in a prior disclosure year; and

will not **reverse** in a subsequent disclosure year.

* + - * 1. For the purpose of subclause (4), negative permanent differences excludes any amounts that are-

expenditure or loss determined in accordance with the tax rules that is-

interest; or

incurred in borrowing money; and

any-

tax losses; or

subvention payment made or received by a **GDB**.

* + - 1. Regulatory tax adjustments
				1. Regulatory tax adjustments are determined in accordance with the formula-

amortisation of initial differences in asset values + amortisation of revaluations - notional deductible interest.

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

((regulatory investment value × leverage × cost of debt) + term credit spread differential allowance)/.

* + - * 1. For the purpose of subclause (2), ‘regulatory investment value’ means the value for ‘regulatory investment value’ determined in accordance with the ID determination applicable to the disclosure year and the regulated good or service in question.
			1. Amortisation of initial differences in asset values
				1. Amortisation of initial differences in asset values is, subject to subclause (4), determined in accordance with the formula-

opening unamortised initial differences in asset values ÷ weighted average remaining useful life of relevant assets.

* + - * 1. For the purpose of this clause, 'opening unamortised initial differences in asset values' means, in respect of-

the disclosure year 2010, initial differences in asset values; and

each disclosure year thereafter, subject to subclause (4), closing unamortised initial difference in asset values for the preceding disclosure year.

* + - * 1. For the purpose of subclause (2)(a), 'initial differences in asset values' means, subject to subclause (4), the sum of initial RAB values less the sum of regulatory tax asset values on the first day of the disclosure year 2010.
				2. For the purpose of subclauses (1) and (2)-

no account may be taken of unamortised initial differences in asset values of sold assets from the date of sale; and

account must be taken of unamortised initial differences in asset values of acquired assets from the date of acquisition.

* + - * 1. For the purpose of subclause (2)(b), 'closing unamortised initial difference in asset values' is determined in accordance with the formula-

Opening unamortised initial differences in asset values - amortisation of initial difference in asset values

* + - 1. Amortisation of revaluations

Amortisation of revaluations is calculated in accordance with the formula-

total depreciation - adjusted depreciation.

* + - 1. Deferred tax
				1. Opening deferred tax means, in respect of-

the disclosure year 2010, nil; and

each disclosure year thereafter, closing deferred tax for the preceding disclosure year.

* + - * 1. For the purpose of subclause (1)(b), 'closing deferred tax' is determined in accordance with the formula-

opening deferred tax + tax effect of temporary differences - tax effect of amortisation of initial difference in asset values + deferred tax balance relating to assets acquired in the disclosure year in question *– deferred tax balance relating to assets disposed of in the* ***disclosure year*** *in question* + cost allocation adjustment.

* + - * 1. For the purpose of subclause (2), 'deferred tax balance relating to assets acquired in the disclosure year in question' means the amount of deferred tax associated with the assets acquired by the GDB from another regulated supplier excluding the **reversal** of temporary adjustments arising as a consequence of the sale, as determined in accordance with input methodologies applicable to the regulated services that the assets in question were used to supply.
				2. For the avoidance of doubt, the amount referred to in subclause (3) must include proportionate adjustments for-

the tax effect of temporary differences; and

the amortisation of initial differences in asset values,

 up to the date the assets in question were acquired.

* + - * 1. For the purpose of subclause (2), 'cost allocation adjustment' means the tax effect of the dollar value difference between the change in the sum of regulatory tax asset values on the last day of the disclosure year and the change in the sum of closing RAB values as a result only of applying-

the result of asset allocation ratios to the tax asset value in accordance with clause 2.3.9(1); and

clause 2.1.1 to the unallocated closing RAB value.

* + - * 1. For the purpose of subclause (2), ‘deferred tax balance relating to assets disposed of in the **disclosure year** in question’ means the amount of deferred tax associated with the assets disposed of by the **GDB** and, where that deferred tax balance is a deferred tax liability, it must have a negative value.
			1. Temporary differences
				1. Temporary differences is the amount determined in accordance with the formula-

depreciation temporary differences + positive temporary differences - negative temporary differences.

* + - * 1. For the purpose of this clause, 'depreciation temporary differences' means adjusted depreciation less tax depreciation.
				2. For the purpose of subclause (2) 'tax depreciation' means the sum of the amounts determined for all assets of a **GDB** by application of the tax depreciation rules to the regulatory tax asset value of each asset.
				3. For the purpose of subclause (1), 'positive temporary differences' means the sum of-

all amounts of income-

treated as taxable if the tax rules were applied to determine income tax payable in respect of the GDB's supply of gas distribution services; and

not included as amounts of income in determining regulatory profit / (loss) before tax; and

all amounts of expenditure or loss-

included as amounts of expenditure or loss in determining regulatory profit / (loss) before tax; and

not treated as deductions were the tax rules applied to determine income tax payable in respect of the GDB's supply of gas distribution services,

less any amount that are depreciation temporary differences, if there are differences between the values in-

paragraphs (a)(i) and (a)(ii); and

paragraphs (b)(i) and (b)(ii),

and such differences-

are the **reversal** of a difference in a prior disclosure year; or

will **reverse** in a subsequent disclosure year.

* + - * 1. For the purpose of subclause (1), 'negative temporary differences' means the sum of-

all amounts of income-

included as amounts of income in determining regulatory profit / (loss) before tax; and

not treated as taxable were the tax rules applied to determine income tax payable in respect of the GDB's supply of gas distribution services; and

all amounts of expenditure or loss-

treated as deductions were the tax rules applied to determine income tax payable in respect of the GDB's supply of gas distribution services; and

not included as amounts of expenditure or loss in determining regulatory profit / (loss) before tax,

less any amount that are depreciation temporary differences, if there are differences between the values in-

paragraphs (a)(i) and (a)(ii); and

paragraphs (b)(i) and (b)(ii),

and such differences-

are the **reversal** of a difference in a prior disclosure year; or

will **reverse** in a subsequent disclosure year.

* + - 1. Regulatory tax asset value
				1. Regulatory tax asset value, in relation to an asset, means the value determined in accordance with the formula-

tax asset value × result of asset allocation ratio.

* + - * 1. Tax asset value means, in respect of-

an asset,

in the initial RAB where, in the disclosure year 2010, the sum of unallocated initial RAB values is less than the sum of the adjusted tax values of all assets in the initial RAB;

acquired from a regulated supplier who used it to supply regulated goods or services; or

acquired or transferred from a related party,

the value of the asset determined by applying the tax depreciation rules to its notional tax asset value; and

any other asset, its adjusted tax value.

* + - * 1. 'Notional tax asset value' means, for the purpose of-

subclause (2)(a)(i), adjusted tax value of the asset in the disclosure year 2010 adjusted to account proportionately for the difference between the-

sum of the unallocated initial RAB values; and

sum of the adjusted tax values,

of all assets in the initial RAB;

subclause (2)(a)(ii), value after applying the tax depreciation rules to the tax asset value (as 'tax asset value' is defined in the input methodologies applying to the regulated goods or services in question) in respect of the disclosure year in which the asset was acquired; and

subclause (2)(a)(iii), value in respect of the disclosure year in which the asset was acquired or transferred that is-

consistent with the tax rules; and

limited to its value of commissioned asset or, if relevant capital contributions are treated for tax purposes in accordance with section CG 8 of the Income Tax Act 2007 (or subsequent equivalent provisions), limited to the value of commissioned asset plus any capital contributions applicable to the asset.

* + - * 1. For the purpose of subclause (1), 'result of asset allocation ratio' means, where an asset or group of assets maintained under the tax rules-

has a matching asset or group of assets maintained for the purpose of Subpart 2, the value obtained in accordance with the formula-

opening RAB value or sum of opening RAB values, as the case may be

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unallocated opening RAB value or sum of unallocated opening RAB values, as the case may be,

applying the formula in respect of the asset or smallest group of assets maintained for the purpose of Subpart 2 that has a matching asset or group of assets maintained under the tax rules; and

does not have a matching asset or group of assets maintained for the purpose of Subpart 2, the value of the asset allocated to the supply of gas distribution services were clause 2.1.1 to apply to the asset or group of assets.

* 1. Cost of capital
		+ 1. Methodology for estimating the weighted average cost of capital
				1. The Commission will determine a mid-point estimate of vanilla WACC for the disclosure year 2011 and each disclosure year thereafter-

in respect of the 5 years commencing on the first day of the disclosure year in question;

subject to subclause (3), within 1 month of the start of the disclosure year in question; and

in accordance with the formula-

rd L + re(1 - L).

* + - * 1. The Commission will determine a mid-point estimate of post-tax WACC for the disclosure year 2011 and each disclosure year thereafter-

in respect of the 5 years commencing on the first day of the disclosure year in question;

subject to subclause (3), within 1 month of the start of the disclosure year in question; and

in accordance with the formula-

rd (1 - Tc)L + re (1 - L).

* + - * 1. The Commission will estimate or determine, as the case may be, the amounts or values-

to which this subclause applies; and

in respect of the disclosure year 2011,

as soon as practicable after this determination comes into force.

* + - * 1. In this clause-

L is leverage;

rd is the cost of debt and is estimated in accordance with the formula:

rf + p + d;

re is the cost of equity and is estimated in accordance with the formula:

rf(1 - Ti) + βeTAMRP;

Tc is the average corporate tax rate;

rf is the risk-free rate;

p is the debt premium;

d is the debt issuance costs;

Ti is the average investor tax rate;

βe is the equity beta; and

TAMRP is the tax-adjusted market risk premium.

* + - * 1. For the purpose of this clause-

the average investor tax rate, the equity beta, the debt issuance costs, the average corporate tax rate applicable to companies and the tax-adjusted market risk premium are the amounts specified in or determined in accordance with clause 2.4.2; and

the risk-free rate must be estimated in accordance with clause 2.4.3.

* + - 1. Fixed WACC parameters
				1. Leverage is 41%.
				2. ‘Average investor tax rate’ is the average of the investor tax rates that, as at the date that the estimation is made, will apply to each of the disclosure years in the 5 year period commencing on the first day of the disclosure year in question.
				3. For the purpose of subclause (2), ' investor tax rate' is, for each **disclosure year**, the maximum **prescribed investor rate** applicable at the start of the **disclosure year** to an individual who is-

resident in New Zealand; and

an investor in a multi-rate PIE.

* + - * 1. ‘Average corporate tax rate’ is the average of the corporate tax rates that, as at the date that the estimation is made, will apply during the 5 year period commencing on the first day of the disclosure year in question.
				2. ’Equity beta’ is 0.58.
				3. ’Debt issuance costs’ are 0.2%.
				4. ’Tax-adjusted market risk premium’ is, for a 5 year period commencing on the first day of each **disclosure year**, 7.0%.
			1. Methodology for estimating risk-free rate

The Commission will estimate a risk-free rate-

for each disclosure year; and

subject to clause 2.4.1(3), within 1 month of the start of the disclosure year in question,

by-

obtaining, for notional benchmark New Zealand government New Zealand dollar denominated nominal bonds, the wholesale market linearly- interpolated bid yield to maturity for a residual period to maturity equal to 5 years on each business day in the 3 months preceding the start of the disclosure year;

calculating the annualised interpolated bid yield to maturity for each business day; and

calculating the unweighted arithmetic average of the daily annualised interpolated bid yields to maturity.

* + - 1. Methodology for estimating debt premium
				1. Debt premium means the spread between-

the bid yield to maturity on vanilla NZ$ denominated bonds that-

are issued by a GPB or an EDB;

are publicly traded;

have a qualifying rating of grade BBB+; and

have a remaining term to maturity of 5 years; and

the contemporaneous interpolated bid yield to maturity of notional benchmark New Zealand government New Zealand dollar denominated nominal bonds having a remaining term to maturity of 5 years.

* + - * 1. The Commission will, in accordance with subclause (3), determine an estimate of an amount for the debt premium-

for each disclosure year; and

 subject to clause 2.4.1(3), within 1 month of the start of each disclosure year.

* + - * 1. The amount of the debt premium will be estimated for each disclosure year by-

identifying publicly traded vanilla NZ$ denominated bonds issued by a qualifying issuer that are-

investment grade credit rated; and

of a type described in the paragraphs of subclause (4);

in respect of each bond identified in accordance with paragraph (a)-

obtaining its wholesale annualised market bid yield to maturity; and

calculating by linear interpolation with respect to maturity, the contemporaneous wholesale market annualised bid yield to maturity for a notional benchmark New Zealand government New Zealand dollar denominated nominal bond with the same remaining term to maturity; and

calculating its contemporaneous interpolated bid to bid spread over notional benchmark New Zealand government New Zealand dollar denominated nominal bonds with the same remaining term to maturity, by deducting the yield calculated in accordance with sub-paragraph (ii) from the yield obtained in accordance with sub-paragraph (i),

for each business day in the 3 months preceding the start of the disclosure year;

calculating, for each bond identified in accordance with paragraph (a), the unweighted arithmetic average of the daily spreads identified in accordance with paragraph (b)(iii); and

subject to subclause (4), estimating, by taking account of the average spreads identified in accordance with paragraph (c), and having regard to the debt premium estimated from applying the **Nelson-Siegel-Svensson approach** in accordance with subclause (6), the average spread that would reasonably be expected to apply to a vanilla NZ$ denominated bonds that-

is issued by a GPB or an EDB;

is publicly traded;

has a qualifying rating of grade BBB+; and

has a remaining term to maturity of 5 years.

* + - * 1. For the purpose of subclause (3)(d), the Commission will have regard, subject to subclause (5), to the spreads observed on the following types of vanilla NZ$ denominated bonds issued by a qualifying issuer:

those that-

have a qualifying rating of grade BBB+; and

are issued by a GPB or an EDB;

those that-

have a qualifying rating of grade BBB+; and

are issued by an entity other than a GPB or an EDB;

those that-

have a qualifying rating of a grade different to BBB+; and

are issued by a GPB or an EDB; and

those that-

have a qualifying rating of a grade different to BBB+; and

are issued by an entity, other than a GPB or an EDB.

* + - * 1. For the purpose of subclause (4)-

progressively lesser regard will ordinarily be given to the spreads observed on the bond types in accordance with the order in which the bond types are described in subclause (4);

the spread on any bond of the type described in subclause (4) that has a remaining term to maturity of less than 5 years will ordinarily be considered to be the minimum spread that would reasonably be expected to apply on an equivelently credit-rated bond issued by the same entity with a remaining term to maturity of 5 years; and

the Commission will adjust spreads observed on bonds described under subclauses (4)(b) to (4)(d) to approximate the spread that is likely to have been observed had the bonds in question been of the type described in subclause (4)(a).

* + - * 1. ‘Nelson-Siegel-Svensson approach’ means a method for modelling yield curves and term structures of interest rates which establishes a relationship between terms to maturity and the **debt premium**, where a curve is generated by changing the parameters of a yield curve’s functional form to minimise the squared deviation between estimated and observed values.
			1. Methodology for estimating the WACC range and the 67th percentile of the WACC
				1. The Commission will determine a WACC range for each mid-point estimate of WACC-

for each disclosure year; and

subject to clause 2.4.1(3), within 1 month of the start of the disclosure year in question.

* + - * 1. For the purpose of subclause (1), 'WACC range' means the values falling between the 25th percentile and 75th percentile inclusive of the mid-point estimate of WACC.
				2. For the purpose of subclause (2)-

the mid-point estimate of WACC must be treated as the 50th percentile; and

the-

75th percentile must be determined in accordance with the formula-

mid-point estimate of WACC + 0.674 × standard error; and

25th percentile must be determined in accordance with the formula-

mid-point estimate of WACC - 0.674 × standard error,

where the standard error of the relevant mid-point estimate of WACC is 0.0113.

* + - * 1. The **Commission** will, commencing with **disclosure year** 2018, determine a 67th percentile estimate of vanilla **WACC** and a 67th percentile estimate of post-tax **WACC** –

for each **disclosure year**; and

within 1 month of the start of the **disclosure year** in question.

* + - * 1. For the purpose of subclause (4)-

the **mid-point estimate of WACC** must be treated as the 50th percentile; and

the 67th percentile must be determined in accordance with the formula-

**mid-point estimate of WACC** + 0.440 x standard error,

where the **standard error** of the relevant **mid-point estimate of WACC** is 0.0113.

* + - 1. Publication of estimates

The Commission will publish all determinations and estimates that it is required to make by this subpart-

on its website; and

no later than 1 month after having made them.

* + - 1. Interpretation of terms relating to term credit spread differential
				1. Qualifying debt means a line of debt-

with an original tenor greater than 5 years; and

issued by a qualifying supplier.

* + - * 1. Qualifying supplier means a regulated supplier whose debt portfolio, as at the date of that supplier's most recently published audited financial statements, has a weighted average original tenor greater than 5 years.
			1. Term credit spread difference
				1. ‘Term credit spread difference’ is determined in accordance with the formula-

T × U,

where-

'T' is the amount determined in accordance with the formula-

0.000559 x (original tenor of the **qualifying debt** – 5);

'U' is the book value in New Zealand dollars of the qualifying debt at its date of issue.

* + - * 1. For the purpose of this clause, where the qualifying debt is issued to a related party, 'original tenor of the qualifying debt' means the-

tenor of the qualifying debt; or

period from the qualifying debt's date of issue to the earliest date on which its repayment is or may be required,

whichever is the shorter.

* + - 1. Methodology for estimating term credit spread differential
				1. This clause applies to the determination of the amount of any term credit spread differential in respect of a qualifying debt for the purpose of disclosure pursuant to an ID determination of a-

term credit spread differential allowance; or

term credit spread differential.

* + - * 1. Disclosure to which this clause applies may only be made by a qualifying supplier.
				2. Term credit spread differential is the amount determined in accordance with the formula-

(A ÷ B) × C ×D,

where-

'A' is the sum of the-

term credit spread difference; and

debt issuance cost re-adjustment;

'B' is the book value of the qualifying supplier's total interest-bearing debt as at the date to which the supplier's financial statements audited and published in the disclosure year in question relate;

'C' is leverage; and

'D' is, in relation to the qualifying supplier, the average of-

the sum of opening RAB values; and

the sum of closing RAB values.

* + - * 1. For the purpose of subclause (3)(a)(ii), 'debt issuance cost re-adjustment' is the amount determined in accordance with the formula-

(0.01 ÷ original tenor of the qualifying debt - 0.002) × book value in New Zealand dollars of the qualifying debt at its date of issue,

which amount, for the avoidance of doubt, will be a negative number.

* 1. Pricing methodologies
		+ 1. Disclosure of pricing methodologies

For the purpose of any requirement in an ID determination to disclose-

an explanation of the extent of consistency of a **GDB**'s pricing methodology with the pricing principles; or

reasons for any inconsistency between a **GDB**'s pricing methodology with the pricing principles,

'pricing principles' means the pricing principles.

* + - 1. Pricing principles
				1. Prices are to signal the economic costs of service provision, by-

being subsidy free, that is, equal to or greater than incremental costs and less than or equal to standalone costs, except where subsidies arise from compliance with legislation and/or other regulation;

having regard, to the extent practicable, to the level of available service capacity; and

signalling, to the extent practicable, the effect of additional usage on future investment costs.

* + - * 1. Where prices based on ‘efficient’ incremental costs would under-recover allowed revenues, the shortfall is made up by prices being set in a manner that has regard to consumers’ demand responsiveness, to the extent practicable.
				2. Provided that prices satisfy (1) above, prices are responsive to the requirements and circumstances of consumers in order to-

discourage uneconomic bypass; and

allow negotiation to better reflect the economic value of services and enable consumers to make price/quality trade-offs or non-standard arrangements for services.

* + - * 1. Development of prices is transparent, promotes price stability and certainty for consumers, and changes to prices have regard to the effect on consumers.
1. INPUT METHODOLOGIES FOR BOTH DEFAULT AND CUSTOMISED PRICE-QUALITY PATHS
	1. Specification of price
		* 1. Specification and definition of prices
				1. For the purpose of s 53M(1)(a) of the Act, the maximum-

price or prices that may be charged; or

revenues that may be recovered,

by a **GDB** will be specified in a s 52P determination as a weighted average price cap applying to that GDB for a regulatory period, defined in terms of a relationship between allowable notional revenue and notional revenue whereby-

notional revenue must not exceed allowable notional revenue;

the same quantities are used to determine notional revenue and allowable notional revenue;

the maximum weighted average price that may be charged during the regulatory period will not be affected by the actual prices charged by the GDB during that period; and

the sum of relevant **pass-through costs** and **recoverable costs** passed through to **prices** is separately demonstrated.

* + - * 1. Allowable notional revenue means, in respect of a 12 month period, a function of-

relevant CPIs;

the X factor applicable to the GDB; and

**distribution prices** in the preceding 12 month period multiplied by quantities.

* + - * 1. Notional revenue means, in respect of a 12 month period, **distribution** prices in that period multiplied by quantities.
				2. ‘Prices’ means-

individual tariffs, fees or charges; or

individual components thereof,

posted in nominal terms exclusive of GST for the supply of a gas distribution service, and must include any posted discount taken up by **consumers**.

* + - * 1. In this clause-,

 'quantities' means the amounts supplied (other than forecast) of gas distribution services corresponding to the extent practicable to prices, expressed in units of kWh, day or other unit applicable to such **supply**; and

'posted discount' means a discount to charges payable for the supply of **gas distribution services**-

that is offered by a **GDB** in a published tariff schedule; and

the take-up of which is determined by **consumers**.

* + - 1. Pass-through costs
				1. Subject to subclause (4), a pass-through cost is-

a cost listed in subclause (2); or

subject to subclause (3), a cost, other than one listed in subclause (2), specified by way of a s 52P determination.

* + - * 1. For the purpose of subclause (1)(a), the costs are-

rates on system fixed assets paid or payable by a GDB to a local authority under the Local Government (Rating) Act 2002; and

levies payable-

under regulations made under s 53ZE of the Act;

under regulations made under the Gas Act 1992;

the Commerce (Levy for Control of Natural Gas Services) Regulations 2005; or

by all members of the Electricity and Gas Complaints Commissioner Scheme by virtue of their membership.

* + - * 1. For the purpose of subclause (1)(b), the cost in question must-

be-

associated with the supply of gas distribution services;

outside the control of the GDB;

not a recoverable cost;

appropriate to be passed through to consumers; and

one in respect of which provision for its recovery is not made explicitly or implicitly in the DPP or, where applicable, CPP; and

come into effect during a DPP regulatory period or, where applicable, CPP regulatory period.

* + - * 1. For the purpose of subclause (1), where a cost relates to both gas distribution services and other services supplied by the GDB, only the proportion of the cost attributable to the supply of gas distribution services (as determined in accordance with clause 2.1.1), may be a pass-through cost.
			1. Recoverable costs
				1. A recoverable cost is a cost that is-

claw-back applied by the **Commission** under sections 55F(2), 55F(4) or 53ZB(3) of the Act;

a standard application fee for a CPP proposal under 53Q(2)(c), subject to the proviso specified in subclause (2);

a fee notified by the **Commission** as payable by the GDB 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);

a fee payable to a verifier, subject to the requirement specified in subclause (3);

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);

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);

claw-back applied by the **Commission** under sections 54K(3) or 53ZB(3) of the Act;

an urgent project allowance, as determined by the **Commission** under subclause (4);

the amount calculated for a **GDB** 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** under s 53P(3)(b)-

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-

* + - * 1. for a **GDB** with a **disclosure year** ending on 30 September or 31 December, the value 1; or
				2. for a **GDB** with a **disclosure year** ending on 31 March or 30 June, the value 2; or

a **catastrophic event allowance**, as specified in a **DPP determination** or **CPP determination**.

* + - * 1. For the purposes of subclauses (1)(b) and (1)(c), the proviso is that the CPP proposal is not discontinued by the **Commission** under s 53S of the Act.
				2. For the purposes of subclauses (1)(d) – (1)(f), the requirement is that the amount that may be recovered in respect of a particular GDB must be specified by the **Commission** in a CPP determination.
				3. ‘Urgent project allowance’ means the allowance determined by the Commission in a CPP determination in respect of additional net costs where these costs-

exceed those already provided for in a DPP determination or CPP determination;

will not be included in a value of commissioned asset; and

were prudently incurred by a GDB 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.

* + - * 1. For the purpose of clause 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 building block allowable revenues before tax for the **DPP regulatory period** in question from adopting–

the sum of **value of commissioned assets** for each **disclosure year** that follows the **base year** in the preceding **regulatory period**,

instead of–

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 s 53P(3)(b) of the **Act**.

* + - * 1. For the purpose of subclause (5)–

the present value must be determined by discounting the building block allowable revenues before tax to the end of the preceding **regulatory period** using a discount rate equal to the **WACC** applied by the **Commission** in setting prices for the **DPP regulatory period** in question;

the series of building block allowable revenues before tax for the **DPPregulatory period** are those used to reset starting prices based on the current and projected profitability of each **GDB** and must-

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

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

for the purpose of subparagraph (i), adopt the same values for all other inputs to the calculation of building block allowable revenues before tax;

where building block allowable revenues before tax from adopting the sum of **value of commissioned assets** exceed the building block allowable revenues before tax from using the **forecast aggregate value of commissioned assets** then the difference is a positive amount of capex wash-up adjustment;

where building block allowable revenues before tax from adopting the sum of **value of commissioned assets** is less than the building block allowable revenues before tax from using the **forecast aggregate value of commissioned assets** then the difference is a negative amount of capex wash-up adjustment; and

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**.

* 1. Amalgamations
		+ 1. Treatment of amalgamations
				1. The DPPs of GDBs 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 GDB formed from a **GDB** subject to a DPP and a **GDB** subject to a CPP applies at the end of the existing CPP.
				3. A DPP for an amalgamated GDB formed from 2 GDBs each subject to a CPP applies at the end of the existing CPPs.
				4. Nothing in subclauses (2) and (3)-

precludes a CPP applying to the amalgamated GDB at the end of the existing CPP or CPPs, as the case may be; nor

derogates from the application of a DPP to gas distribution services that are-

supplied by the amalgamated GDB; and

not the subject of a CPP,

pending expiry of any DPP or CPP applying to the specified services.

* + - * 1. A CPP for an amalgamated GDB may not apply before 3 disclosure years of each CPP applying to the GDBs from which it was formed have been completed.
				2. Upon the determination of a CPP for an amalgamated GDB, the termination date of any CPP to which the amalgamated GDB 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 GDB will apply.
				3. Following an amalgamation, the **Commission** may not reset starting prices for specified services to take effect during the remainder of the regulatory period applicable to the specified services except-

for the purpose of s 54K; or

when making, upon application and in accordance with this clause, a CPP determination for the amalgamated GDB.

* + - * 1. For the purposes of this clause, 'specified services' means regulated goods or services supplied by the amalgamated GDB that, at the time of amalgamation, were subject to a DPP or a CPP.
1. INPUT METHODOLOGIES FOR DEFAULT PRICE-QUALITY PATHS
	1. Cost allocation
		* 1. Allocation of operating costs and asset costs
				1. Operating expenditure forecast for a GDB must be determined by the Commission consistent with the allocation by the GDB of operating costs to gas distribution services for the base year in accordance with clause 2.1.1.
				2. Capital expenditure forecast to be the forecast aggregate value of commissioned assets will be included in the aggregate closing RAB for additional assets, but only to the extent that the forecast value of commissioned assets is consistent with the value found after application of clause 2.1.1.
	2. Asset Valuation
		* 1. RAB values and roll forward
				1. Total opening RAB value for a disclosure year means the sum of-

aggregate opening RAB value for existing assets calculated under subclause (2); and

aggregate opening RAB value for additional assets calculated under subclause (4) for those additional assets which have a forecast aggregate value of commissioned assets determined for a prior disclosure year occurring after the base year.

* + - * 1. Aggregate opening RAB value for existing assets means, for-

the base year, the sum of each 'opening RAB value' for all assets calculated in accordance with Part 2 for that disclosure year; and

each disclosure year thereafter, the aggregate closing RAB value for existing assets for the preceding disclosure year.

* + - * 1. Aggregate closing RAB value for existing assets means, for-

the base year, the sum of each 'closing RAB value' for all assets calculated in accordance with Part 2 for that disclosure year; and

each disclosure year thereafter, the value determined in accordance with the formula-

aggregate opening RAB value for existing assets − depreciation for existing assets + revaluation for existing assets − forecast aggregate value of disposed assets.

* + - * 1. Aggregate opening RAB value for additional assets means the aggregate closing RAB value for additional assets for the preceding disclosure year.
				2. Aggregate closing RAB value for additional assets means, for-

additional assets in respect of the disclosure year for which their forecast aggregate value of commissioned assets is determined, the forecast aggregate value of commissioned assets; and

additional assets for a disclosure year following that for which their forecast aggregate value of commissioned assets is determined, the value determined for those additional assets in accordance with the formula-

aggregate opening RAB value for additional assets − depreciation for additional assets + revaluation for additional assets.

* + - 1. Total depreciation
				1. Total depreciation means the sum of depreciation for existing assets and additional assets calculated under subclause (2).
				2. For the purpose of subclause (1), 'depreciation' means, subject to subclause (3), in the case of-

existing assets of the GDB, for-

the base year, the sum of all amounts of 'depreciation' determined in accordance with Part 2 for that disclosure year; and

each disclosure year thereafter, the value determined in accordance with the formula-

[1 ÷ remaining asset life for existing assets] × aggregate opening RAB value for existing assets; and

additional assets of the GDB, the value determined in accordance with the formula-

[1 ÷ remaining asset life for additional assets] × aggregate opening RAB value for additional assets.

* + - * 1. For the purpose of subclause (2)-

'remaining asset life for existing assets' for a disclosure year means the value determined in accordance with the formula-

aggregate opening RAB value for existing assets for the base year ÷ total depreciation for the base year,

less the number of disclosure years from the base year to the disclosure year in question; and

'remaining asset life for additional assets' for a disclosure year means 45 years less the number of disclosure years from the disclosure year for which the forecast aggregate value of commissioned assets for the relevant additional assets is determined to the disclosure year in question.

* + - 1. Total revaluation
				1. Total revaluation means the sum of revaluation for existing assets and additional assets calculated under subclause (2).
				2. For the purpose of subclause (1), 'revaluation' means, subject to subclause (3), in the case of-

existing assets, the value determined in accordance with the formula-

(aggregate opening RAB value for existing assets × 0.999 − forecast aggregate value of disposed assets) × revaluation rate; and

additional assets, the value determined in accordance with the formula-

aggregate opening RAB value for additional assets × revaluation rate.

* + - * 1. For the purpose of subclause (2), 'revaluation rate' means, in respect of a disclosure year, the amount determined in accordance with the formula-

(CPI4 ÷ CPI4-4) −1,

where-

CPI4 means forecast CPI for the quarter that coincides with the end of the disclosure year; and

 CPI4-4 means forecast CPI for the quarter that coincides with the end of the preceding disclosure year.

* + - 1. Revaluation treated as income

Total revaluation, for the purpose of determining profitability, must be treated as income.

* + - 1. Forecast aggregate value of commissioned assets

Forecast aggregate value of commissioned assets means the forecast cost of additional assets if GAAP were to be applied to determine the cost of the assets to the GDB in the disclosure year in question, and is equal to forecast capital expenditure for the relevant disclosure year as determined by the Commission.

* + - 1. Forecast aggregate value of disposed assets

Forecast aggregate value of disposed assets means the value of assets forecast to be disposed of by a GDB in the disclosure year in question, and is equal to the portion of the forecast aggregate opening RAB value for existing assets relating to assets forecast to be disposed of for the disclosure year in question as determined by the Commission.

* 1. Treatment of taxation
		+ 1. Regulatory tax allowance
				1. Regulatory tax allowance is, where regulatory net taxable income is-

nil or a positive number, the tax effect of regulatory net taxable income; and

a negative number, nil.

* + - * 1. For the purpose of subclause (1), 'regulatory net taxable income' means, subject to subclause (3), regulatory taxable income less utilised tax losses.
				2. For the purpose of subclause (2), 'regulatory taxable income' means, subject to subclause (4), the amount determined in accordance with the formula-

regulatory profit / (loss) before tax + regulatory tax adjustments.

* + - * 1. For the purpose of subclause (3), 'regulatory profit / (loss) before tax' is the amount determined in accordance with the following formula-

allowable revenue before tax + other regulated income − operating expenditure − total depreciation.

* + - 1. Tax losses
				1. Utilised tax losses means opening tax losses, subject to subclause (2).
				2. For the purpose of subclause (1), utilised tax losses may not exceed regulatory taxable income.
				3. In this clause-

'opening tax losses' for a disclosure year means closing tax losses for the preceding disclosure year; and

'closing tax losses' means, for-

the base year, the 'closing tax losses' determined in accordance with Part 2 for that disclosure year; and

each disclosure year thereafter, the amount determined in accordance with the formula, in which each term is an absolute value:

opening tax losses + current period tax losses − utilised tax losses.

* + - * 1. For the purpose of subclause (3)(b)(ii), 'current period tax losses' is, where regulatory taxable income is-

nil or a positive number, nil; and

a negative number, regulatory taxable income.

* + - 1. Regulatory tax adjustments
				1. Regulatory tax adjustments are determined, subject to subclauses (2) and (3), in accordance with the formula-

amortisation of initial differences in asset values + amortisation of revaluations − notional deductible interest.

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

((opening investment value × leverage × cost of debt) + term credit spread differential allowance)/.

* + - * 1. For the purpose of subclause 4.3.3(1), 'amortisation of initial differences in asset values' is determined in accordance with Part 2 as of the **base year**.
				2. For the purpose of subclause (2), 'opening investment value' means the amount obtained in accordance with the formula-

total opening RAB value + opening deferred tax.

* + - * 1. For the purpose of subclause (1), 'amortisation of revaluations' in relation to a GDB for a disclosure year is calculated in accordance with the formula-

total depreciation − adjusted depreciation.

* + - 1. Deferred tax
				1. Opening deferred tax means, for-

the base year, the 'opening deferred tax' determined in accordance with Part 2 for that disclosure year; and

each disclosure year thereafter, closing deferred tax for the preceding disclosure year.

* + - * 1. For the purpose of subclause (1)(b), 'closing deferred tax' is determined in accordance with the formula-

opening deferred tax + tax effect of depreciation temporary differences − tax effect of amortisation of initial differences in asset values.

* + - 1. Depreciation temporary differences
				1. Depreciation temporary differences means, subject to subclause (2), the amount determined in accordance with the formula-

adjusted depreciation − tax depreciation.

* + - * 1. For the purpose of subclause (1), 'tax depreciation' for a disclosure year means, for-

the base year, the 'tax depreciation' determined in accordance with Part 2 for that disclosure year; and

each disclosure year thereafter, subject to subclause (3), determined in accordance with the formula-

total opening regulatory tax asset value × average DV rate.

* + - * 1. For the purpose of subclause (2)-

'total opening regulatory tax asset value' for a disclosure year means, for-

the base year, the sum of each 'regulatory tax asset value' determined in accordance with Part 2 for that disclosure year; and

each disclosure year thereafter, the total closing regulatory tax asset value for the preceding disclosure year;

'average DV rate' is the amount determined in accordance with the formula-

tax depreciation for the base year ÷ total opening regulatory tax asset value for the base year; and

'total closing regulatory tax asset value' means the amount determined in accordance with the formula-

total opening regulatory tax asset value − tax depreciation + forecast aggregate value of commissioned assets.

* 1. Cost of capital
		+ 1. Methodology for estimating the weighted average cost of capital
				1. The Commission will determine a mid-point estimate of vanilla WACC-

as of the first business day of the month 7 months prior to the start of each DPP regulatory period;

in respect of a 5 year period;

no later than 6 months prior to the start of each DPP regulatory period; and

in accordance with the formula-

rd L + re(1 - L).

* + - * 1. The Commission will determine a mid-point estimate of post-tax WACC–

as of the first business day of the month 7 months prior to the start of each DPP regulatory period;

in respect of a 5 year period;

subject to subclause (3), no later than 6 months prior to the start of each DPP regulatory period; and

in accordance with the formula-

rd (1 - Tc)L + re (1 - L).

* + - * 1. In this clause-

L is leverage;

rd is the cost of debt and is estimated in accordance with the formula:

rf + p + d;

re is the cost of equity and is estimated in accordance with the formula:

rf(1 - Ti) + βeTAMRP;

Tc is the average corporate tax rate;

rf is the risk-free rate;

p is the debt premium;

d is the debt issuance costs;

Ti is the average investor tax rate;

βe is the equity beta; and

TAMRP is the tax-adjusted market risk premium.

* + - * 1. For the purpose of this clause-

the average investor tax rate, the average corporate tax rate, the equity beta, the debt issuance costs and the tax-adjusted market risk premium are the amounts specified in or determined in accordance with clause 4.4.2; and

the risk-free rate must be estimated in accordance with clause 4.4.3.

* + - 1. Fixed WACC parameters
				1. Leverage is 41%.
				2. ‘Average investor tax rate’ is the average of the investor tax rates that, as at the date the estimation is made, will apply to each of the disclosure years in the 5 year period commencing on the first day of the DPP regulatory period in question.
				3. For the purpose of subclause (2), 'investor tax rate' is, for each **disclosure year**, the maximum prescribed investor rate applicable at the start of the regulatory period to anindividual who is-

resident in New Zealand; and

an investor in a **multi-rate PIE**.

* + - * 1. The average corporate tax rate is the average of the corporate tax rates that, as at the date that the estimation is made, will apply during the 5 year period commencing on the first day of the DPP regulatory period in question.
				2. ’Equity beta’ is 0.58.
				3. ‘Debt issuance costs’ are 0.2%.
				4. ‘Tax-adjusted market risk premium’ is, for a 5 year period commencing on the first day of the **DPP regulatory period**, 7.0%.
			1. Methodology for estimating risk-free rate

The Commission will estimate a risk-free rate-

as of the first business day of the month 7 months prior to the start of each DPP regulatory period;

in respect of a 5 year period; and

no later than 6 months prior to the start of each DPP regulatory period,

by-

obtaining, for notional benchmark New Zealand government New Zealand dollar denominated nominal bonds, the wholesale market linearly interpolated bid yield to maturity for a residual period to maturity equal to 5 years on each business day in the 3 month period of 8 to 10 months prior to the start of the DPP regulatory period;

calculating the annualised interpolated bid yield to maturity for each business day; and

calculating the unweighted arithmetic average of the daily annualised interpolated bid yields to maturity.

* + - 1. Methodology for estimating debt premium
				1. Debt premium means the spread between-

the bid yield to maturity on vanilla NZ$ denominated bonds that-

are issued by a GPB or an EDB;

are publicly traded;

have a qualifying rating of grade BBB+; and

have a remaining term to maturity of 5 years; and

the contemporaneous interpolated bid yield to maturity of benchmark New Zealand government New Zealand dollar denominated nominal bonds having a remaining term to maturity of 5 years.

* + - * 1. The Commission will, in accordance with subclause (3), determine an estimate of an amount for the debt premium no later than 6 months prior to the start of each DPP regulatory period.
				2. The amount of the debt premium will be estimated as of the first business day of the month 7 months prior to the start of each DPP regulatory period by-

identifying publicly traded vanilla NZ$ denominated bonds issued by a qualifying issuer that are-

investment grade credit rated; and

of a type described in the paragraphs of subclause (4);

in respect of each bond identified in accordance with paragraph (a)-

obtaining its wholesale market annualised bid yield to maturity; and

calculating by linear interpolation with respect to maturity, the contemporaneous wholesale market annualised bid yield to maturity for a notional benchmark New Zealand government New Zealand dollar denominated nominal bond with the same remaining term to maturity; and

calculating its contemporaneous interpolated bid to bid spread over notional benchmark New Zealand government New Zealand dollar denominated nominal bonds with the same remaining term to maturity, by deducting the yield calculated in accordance with sub-paragraph (ii) from the yield obtained in accordance with sub-paragraph (i),

for each business day in the 3 month period 8 to 10 months prior to the start of the DPP regulatory period;

calculating, for each bond identified in accordance with paragraph (a), the un-weighted average of the spreads identified in accordance with paragraph (b)(iii); and

subject to subclause (4), estimating, by taking account of the average spreads identified in accordance with paragraph (c), and having regard to the debt premium estimated from applying the **Nelson-Siegel-Svensson approach**, the average spread that would reasonably be expected to apply to a vanilla NZ$ denominated bond that-

is issued by a **GDB**;

is publicly traded;

has a qualifying rating of grade BBB+; and

has a remaining term to maturity of 5 years.

* + - * 1. For the purpose of subclause (3)(d), the Commission will have regard, subject to subclause (5), to the spreads observed on the following types of vanilla NZ$ denominated bonds issued by a qualifying issuer:

those that-

have a qualifying rating of grade BBB+; and

are issued by a GPB or an EDB;

those that-

have a qualifying rating of grade BBB+; and

are issued by an entity other than a GPB or an EDB;

those that-

have a qualifying rating of a grade different to BBB+; and

are issued by a GPB or an EDB; and

those that-

have a qualifying rating of a grade different to BBB+; and

are issued by an entity, other than a GPB or an EDB.

* + - * 1. For the purpose of subclause (4)-

progressively lesser regard will ordinarily be given to the spreads observed on the bond types in accordance with the order in which the bond types are described in subclause (4).

the spread on any bond of the type described in subclause (4) that has a remaining term to maturity of less than 5 years will ordinarily be considered to be the minimum spread that would reasonably be expected to apply on an equivalently credit-rated bond issued by the same entity with a remaining term to maturity of 5 years; and

the Commission will adjust spreads observed on bonds described under subclauses (4)(b) to (4)(d), to approximate spreads to approximate the spread that is likely to have been observed had the bonds in question been of the type described in subclause (4)(a).

* + - 1. Methodology for estimating the 67th percentile of the WACC
				1. The Commission will determine a 67th percentile estimate of vanilla WACC-

for each DPP regulatory period; and

no later than 6 months prior to the start of each DPP regulatory period.

* + - * 1. The **Commission** will estimate a 67th percentile estimate of post-tax **WACC**-

for each DPP regulatory period; and

no later than 6 months prior to the start of each DPP regulatory period.

* + - * 1. For the purposes of subclause (1)() or (2)-

the 67th percentile must be determined in accordance with the formula-

mid-point estimate of WACC + 0.440× standard error,

where the standard error of the mid-point estimate of WACC is 0.0113; and

the relevant mid-point estimate of WACC in accordance with clause 4.4.1(1) and (2) must be treated as the 50th percentile.

* + - 1. Publication of estimates

The Commission will publish all determinations and estimates that it is required to make by this subpart-

on its website; and

no later than 1 month after having made them.

* + - 1. Application of cost of capital methodology
				1. Where the Commission takes into account the cost of capital in making a DPP determination, the **Commission** will use the **67th percentile** estimate of WACC estimated in accordance with clause 4.4.5(1) and most recently published in accordance with clause 4.4.6.
				2. Term credit spread differential allowance for a disclosure year and a GDB is the maximum of nil and the amount determined in accordance with the formula-

a × b ÷ c,

where-

a means the 'term credit spread differential allowance' calculated in accordance with Part 2 for the base year;

b means the total opening RAB value for the disclosure year in question; and

c means the aggregate opening RAB value for existing assets for the base year.

* + - * 1. Where a qualifying supplier discloses a term credit spread differential allowance pursuant to an ID determination, the Commission, for the purpose of assessing the qualifying supplier's profitability pursuant to its powers relating to default price-quality regulation in s 53P of the Act, will treat such an allowance as an expense in the disclosure year in respect of which that allowance was disclosed.
	1. Reconsideration of the default price-quality path
		+ 1. Catastrophic Event

Catastrophic event means an event-

beyond the reasonable control of the **GDB**;

in relation to which expenditure is not explicitly or implicitly provided for in the **DPP**;

that could not have been reasonably foreseen at the time the **DPP** was determined; and

in respect of which-

action required to rectify its adverse consequences cannot be delayed until a future **regulatory period** without quality standards being breached;

remediation requires either or both of **capital expenditure** or **operating expenditure** during the **regulatory period**;

the full remediation costs are not provided for in the **DPP**; and

in respect of a **GDB** subject to a **DPP**, the cost of remediation net of any insurance or compensatory entitlements would have an impact on the price path over the **disclosure years** of the **DPP** remaining on and after the first date at which a remediation cost is proposed to be or has been incurred, by an amount equivalent to at least 1% of the aggregated **allowable notional revenue** for the **disclosure years** of the **DPP** in which the cost was or will be incurred.

* + - 1. Change event

Change event means–

change in a; or

a new,

legislative or regulatory requirement applying to a **GDB** subject to a **DPP** the effect of which–

must take place during the current **regulatory period**;

is not explicitly or implicitly provided for in the **DPP**; and

will necessitate incursion of costs in response, which costs, over the **disclosure years** of the **DPP** remaining on and after the date at which they are reasonably incurred, have an impact on the price path by an amount equivalent to at least 1% of the aggregated **allowable notional revenue** for the **disclosure years** of the **DPP** in which the cost was or will be incurred.

* + - 1. Error event
				1. ‘Error event’ means, subject to subclause (2), a clearly unintended circumstance identified by the **Commission** where the **DPP** was determined or amended based on an error, including where:

incorrect data was used in setting the price path or the quality standard; or

data was incorrectly applied in setting the price path or quality standards.

* + - * 1. For the purposes of subclause (1), an error relating to-

the price path will not constitute an **error event** unless the error has an impact on the price path of an amount equivalent to at least 1% of the aggregate **forecast allowable revenue** for the affected **disclosure years** of the **DPP**; and

the quality standards is to the value of a metric by which such quality standards are specified in the **DPP**, but not to the metric itself.

* + - 1. Major transaction

‘Major transaction’ means a transaction, whether contingent or not, where **consumers** are transferred between suppliers of the same type of **regulated service** and-

the acquisition of, or an agreement to acquire, assets with a value which is equivalent to more than 10% of the **GDB’s opening RAB value** in the **disclosure year** of acquisition;

the disposal of, or an agreement to dispose of, assets of the **GDB** with a value of more than 10% of the **opening RAB value** in the **disclosure year** of disposal;

has, or is likely to have, the effect of the **GDB** acquiring rights or interests with a value which is equivalent to more than 10% of the **opening RAB value** in the **disclosure year** of acquisition; or

has, or is likely to have, the effect of the **GDB** incurring obligations or liabilities or contingent liabilities, excluding loans or borrowing costs in respect of assets, with a value which is equivalent to more than 10% of the **opening RAB value** in the **disclosure year** of incurring the obligation.

* + - 1. When price-quality paths may be reconsidered
				1. A DPP may be reconsidered by the Commission if-

the Commission considers; or

the GDB in question satisfies it, upon application,

that-

subject to subclause (2), a **catastrophic event** has occurred;

a **change event** has occurred;

there has been an error event;

a **major transaction** has occurred; or

false or misleading information has been provided, in accordance with subclause (3),

 or

the **Commission** applies a next closest alternative approach in accordance with clause 1.1.5(1) which has a non-equivalent effect; or

a requirement in a s 52P determination is considered by the **Commission** to be unworkable and the application of s 52Q results in a non-equivalent effect on the price-quality path.

* + - * 1. For the purpose of subclause (1)(c), where the costs to rectify the adverse consequences of the **catastrophic event** are fully covered by –

the **DPP** (*e.g.* through an **operational expenditure** allowance for self-insurance); or

commercial insurance held by the **GDB**,

the **Commission** will only reconsider the quality standards of the **DPP**.

* + - * 1. This subclause applies if-

false or misleading information relating to the making or amending of a DPP determination has been knowingly-

provided by a **GDB** or its agents to the Commission; or

disclosed pursuant to the Gas (Information Disclosure) Regulations 1997 or an ID determination; and

the Commission relied on that information in making or amending a DPP determination.

* + - 1. Amending price-quality path after reconsideration
				1. Where, after reconsidering a DPP, the Commission determines that the DPP should be amended, the Commission may amend either or both of the price path or the quality standards specified in the DPP determination, subject to the rest of this clause.
				2. The Commission will not amend the-

price path more than is reasonably necessary to mitigate the effect of-

the catastrophic event;

thechange event;

the error event;

the major transaction; or

the provision of false or misleading information,

on price;

quality standards more than are reasonably necessary to mitigate the effect of-

the catastrophic event;

thechange event;

the error event;

the major transaction; or

the provision of false or misleading information,

on quality;

price path for the application of a next closest alternative approach more than is necessary to adopt the effect of that next closest alternative approach in the price-quality path; or

price-quality path for the application of s 52Q in respect of an unworkable s 52P determination more than is necessary to adopt the effect of that s 52Q amendment in the price-quality path.

* 1. Treatment of periods that are not 12 month periods
		+ 1. Treatment of periods that are not 12 month periods

Where the start or end date of any disclosure year is not aligned with the start or end date of a DPP regulatory period, the Commission may apply the input methodologies modified to the extent necessary to allow any allowance, amount, cost, sum or value for that disclosure year to be calculated or determined in a way commensurate with the change in the length of the disclosure year to a period other than 12 months.

* 1. Availability of Information
		+ 1. Availability of information
				1. Where a GDB has not disclosed the information necessary to calculate any allowance, amount, cost, sum or value referred to in this Part in accordance with Part 2 for a base year or a later disclosure year, then the information may instead be determined by the Commission using information disclosed by the GDB in accordance with an ID determination, prior information disclosure requirements or a request for information by the Commission under s 53ZD of the Act.
				2. Any information determined in accordance with subclause (1) must be determined in accordance with Part 2 using such assumptions or modifications to the information that are reasonably necessary in light of the nature of the calculation or determination to be made and the information available.
	2. Transitional Provision for Powerco
		+ 1. Specification of disclosure year and base year for first DPP regulatory period

For the purpose of a DPP determined by the Commission for Powerco Limited for the first DPP regulatory period, each reference to ‘disclosure year’ and ‘base year’ in this Part, including to references to those terms as used in Part 2 for the purposes of this Part, shall be construed as meaning a 12 month period ending on 30 June.

1. INPUT METHODOLOGIES FOR CUSTOMISED PRICE-QUALITY PATHS
	1. Contents of a CPP application
		* 1. Applying for a CPP
				1. A **GDB** seeking a CPP in accordance with s 53Q of the Act must provide the Commission with a CPP application.
				2. **CPP application** means an application containing, in all material respects, the information specified in-

this subpart; and

Subpart 5.

* + - 1. Evidence of consumer consultation

For the purpose of clause 5.1.1(2)(a), in respect of consumer consultation, the specified information is-

a description as to how the requirements of clause 5.6.1 were met;

a list of respondents to the consultation required by that clause;

a description of all issues raised by consumers in response to the CPP applicant's intended CPP proposal;

a summary of the arguments raised in respect of each issue described in accordance with paragraph (c); and

in respect of the issues described in accordance with paragraph (c), an explanation as to whether its CPP proposal accommodates the arguments referred to in (d); and

if so, how; and

if not, why not.

* + - 1. Verification-related material
				1. For the purpose of clause 5.1.1(2)(a), in respect of verification, the specified information is-

a verification report;

any information relating to the CPP proposal, other than information required to be included in a CPP proposal by Subpart 5, provided to the verifier by or on behalf of the CPP applicant, pursuant to clause 5.6.2(3);

Examples: instructions as to how to interpret information provided to the verifier; details as to the source of the information; and

subject to subclause (2), a certificate signed by the verifier stating that the-

relevant parts of the CPP proposal were verified; and

verification report was prepared in accordance with Schedule G.

* + - * 1. For the purpose of subclause (1)(c), the CPP applicant must ensure that the certificate required by that subclause relates to verification of the relevant parts of the CPP proposal as submitted to the Commission.
			1. Audit and assurance reports
				1. For the purpose of clause 5.1.1(2)(a), in respect of audit or assurance, the specified information is a report written by an auditor and signed by that auditor (either in an individual’s name or that of a firm) in respect of an audit or assurance engagement undertaken of the matters specified in clause 5.6.3, stating-

the work done by the auditor;

the scope and limitations of the audit or assurance engagement;

the existence of any relationships (other than that of auditor) which the auditor has with, or any interests which the auditor has in, the CPP applicant or any of its subsidiaries;

whether the auditor obtained all information and explanations that he or she required to undertake the audit or assurance engagement, and, if not-

details of the information and explanations not obtained; and

any reasons provided by the CPP applicant for its or their non-provision;

the auditor's opinion of the matters in respect of which the audit or assurance engagement was undertaken.

* + - * 1. A report in respect of an audit or assurance engagement undertaken other than expressly to meet the requirements of clause 5.6.3 may be considered to comply with subclause (1) to the extent that the report in respect of that other audit or assurance engagement fully or partially meets the requirements of clause 5.6.3.
				2. The CPP applicant must ensure that reports required by this clause relate to the CPP proposal as submitted to the Commission.
				3. For the avoidance of doubt, the reports required by this clause need not be-

prepared in advance of the verifier undertaking verification of the CPP proposal; nor

provided to the verifier.

* + - * 1. If, notwithstanding subclause (4), a report prepared in accordance with this clause is provided to the verifier, subclause (3) continues to apply.
			1. Certification
				1. For the purpose of clause 5.1.1(2)(a), in respect of certification, the specified information is the certificates recording the certifications specified in clause 5.6.4.
				2. For the avoidance of doubt, one physical document may contain more than one of the certifications specified in clause 5.6.4.
			2. Modification or exemption of CPP application requirements
				1. The **Commission** may approve a modification to, or exemption from, any requirement set out in—

this subpart;

Subpart 5;

Subpart 6; or

schedules relating to subparts identified in paragraphs (a) to (c) above.

* + - * 1. A modification or exemption may be approved where, in the **Commission**’s opinion, the modification or exemption will not detract, to an extent that is more than minor, from—

the **Commission**’s evaluation of the **CPP proposal**;

the **Commission**’s determination of a **CPP**; and

the ability of interested persons to consider and provide their views on the **CPP proposal**.

* + - * 1. When considering whether a modification or exemption is likely to detract, to an extent that is more than minor, from the processes listed in subclauses (2)(a)-(c), the **Commission** may have regard to the size of the supplier’s business.
				2. A modification or exemption will only apply for the purposes of assessing compliance of a **CPP application** under s 53S(1) of the **Act**—

if the **Commission** has previously approved a request by a **CPP applicant** for the modification or exemption in accordance with clause 5.1.7;

in respect of the **CPP applicant** and the **CPP application** identified in the **Commission**’s approval; and

if the **CPP applicant** elects to apply the modification or exemption by:

meeting all conditions and requirements specified in the approval that relates to the modification or exemption; and

providing the relevant information specified in clause 5.1.8 as part of its **CPP application**.

* + - 1. Process for obtaining a modification or exemption
				1. At any time prior to providing the **Commission** with a **CPP application**, a **CPP applicant** may request modifications or exemptions to the requirements listed in clause 5.1.6(1) as alternatives to those requirements.
				2. A request by a **CPP applicant** must—

be in writing;

include the following information:

the **CPP applicant’s** name and contact details;

a brief description of the key features of its intended **CPP proposal**;

the date that the **CPP applicant** intends to submit the **CPP application** for which a modification or exemption is sought;

a list of the specific modifications or exemptions sought;

an explanation of why the **CPP applicant** considers the requirements in clause 5.1.6(2) are met;

evidence in support of the explanation provided under subparagraph (v); and

identification of any information that is commercially sensitive.

* + - * 1. Subparagraph (2)(b)(vi) may be satisfied by submitting a certificate, signed by a senior manager of the **CPP applicant**, setting out the factual basis on which he or she believes the requirements in subclause 5.1.6(2) are met.
				2. In considering whether to approve a request for modification or exemptions, the **Commission** may seek, and have regard to—

views of interested persons within any time frames and processes set by the **Commission**; and

views of any person the **Commission** considers has expertise on a relevant matter.

* + - * 1. As soon as reasonably practicable after receipt of a request for modifications or exemptions the **Commission** will, by notice in writing, advise the **CPP applicant** as to whether:

any of the modifications or exemptions are approved; and

the approval of any modification or exemption is subject to conditions or requirements that must be met by the **CPP applicant**.

* + - 1. Information on modification or exemption of information requirements

Where a **CPP applicant** elects to apply a modification or exemption approved by the **Commission** in accordance with clause 5.1.7, it must include as part of its **CPP application**—

a copy of the **Commission**’s approval;

a list of the approved modifications or exemptions which the **CPP applicant** has elected to apply in its **CPP application**;

evidence that any conditions or requirements of the approval have been met; and

an indication, at the relevant locations within the document or documents comprising the **CPP application**, as to where the modifications or exemptions have been applied.

* 1. Commission assessment of a customised price-quality path proposal
		+ 1. Evaluation criteria

The **Commission** will use the following evaluation criteria to assess each CPP proposal:

whether the CPP proposal is consistent with the input methodologies specified in Part 5;

the extent to which a CPP in accordance with the CPP proposal would promote the purpose of Part 4 of the Act;

whether data, analysis, and assumptions underpinning the CPP proposal are fit for the purpose of the **Commission** determining a CPP under s 53V, including consideration as to the accuracy and reliability of data and the reasonableness of assumptions and other matters of judgement;

whether proposed capital expenditure and operating expenditure meet the expenditure objective; and

the extent to which-

the CPP applicant has consulted with consumers on its CPP proposal; and

the CPP proposal is supported by consumers, where relevant.

* 1. Determination of customised price-quality paths
		1. Determination of annual allowable revenues
			1. Annual allowable revenues
				1. Amounts for-

controllable opex for the CPP regulatory period;

building blocks allowable revenue before tax for the next period;

building blocks allowable revenue after tax for the next period;

maximum allowable revenue before tax for the CPP regulatory period; and

maximum allowable revenue after tax for the CPP regulatory period,

will be determined.

* + - 1. Building blocksallowable revenue before tax
				1. Building blocks allowable revenue before tax for each disclosure year of the next period is determined in accordance with the formula-

(**regulatory investment value** × *cost of capital* + *total value of commissioned assets* × (*TFVCA* - 1) + **term credit spread differential allowance** × *TF*- **total revaluation**)÷ (*TFrev* - **corporate tax rate** × *TF*)

+ (**total depreciation** × (1 – **corporate tax rate** × *TF*)

+ **forecast operating expenditure** × *TF* × (1 – **corporate tax rate**)

- **other regulated income** × *TF* × (1 – **corporate tax rate)**

+ (**closing deferred tax** – **opening deferred tax**) × (*TF* – 1)

+ (**permanent differences** + **regulatory tax adjustments** - **utilised tax losses**) × **corporate tax rate** × *TF*) ÷ (*TFrev* - **corporate tax rate** × *TF*).

* + - * 1. ‘Regulatory investment value’ means the amount obtained in accordance with the formula-

**total opening RAB value** + **opening deferred tax**.

* + - * 1. For the purpose of subclause (1), ‘total value of commissioned assets’ means, in relation to a **disclosure year**, the sum of **closing RAB values** for all **commissioned** assets calculated in accordance with clause 5.3.6(3)(b).
				2. For the purpose of subclause (1) –

‘TF’is determined in accordance with the formula-

(1 + *cost of capital*)182/365;

‘TFrev’is determined in accordance with the formula-

(1 + *cost of capital*)148/365;

‘TFVCA’is determined in accordance with the formula-

*PVVCA*× (1 + *cost of capital*) ÷ *total value of commissioned assets*; and

‘PVVCA’ means the sum of the present value of **closing RAB values** for **commissioned** assets calculated in accordance with clause 5.3.6(3)(b), where each present value is determined by discounting each **closing RAB value** by the *cost of capital* from the relevant **commissioning date** to the commencement of the relevant **disclosure year.**

* + - * 1. For the purpose of this clause, 'cost of capital' means the **67th percentile** estimate of WACC published most recently prior to submission of the CPP proposal, in respect of the term that the Commission has determined is the appropriate duration of the CPP.
				2. ‘Forecast operating expenditure’ means, in relation to a CPP proposal-

that has not been assessed by the Commission, the amount of operating expenditure for the relevant disclosure year included by the CPP applicant in its opex forecast; or

undergoing assessment by the Commission, the amount of operating expenditure determined for the relevant disclosure year by the Commission after assessment of the amount in paragraph (a) against the expenditure objective.

* + - * 1. ‘Other regulated income’ means income associated with the supply of gas distribution services other than-

through prices;

investment-related income;

capital contributions; or

vested assets.

* + - * 1. For the purpose of this clause, all values and amounts are expressed in nominal terms unless otherwise specified.
			1. Building blocksallowable revenue after tax
				1. ‘Building blocks allowable revenue after tax’ is building blocks allowable revenue before tax less forecast regulatory tax allowance.
				2. For the purpose of this clause, all values and amounts are expressed in nominal terms.
			2. Price path
				1. The present value of the series of values of maximum allowable revenues after tax must equal the present value of the series of building blocks allowable revenues after tax adjusted for the present value of any claw-back for the CPP regulatory period, where present values are determined in accordance with subclause (3).
				2. In subclause (1)-

the reference to claw-back is a reference to claw-back determined by the Commission pursuant to s 53V(2)(b), in the case of a **CPP determination** made-

in response to a CPP proposal made in accordance with provisions in a DPP determination relating to the submission of CPP proposals in response to a catastrophic event; or

as a result of a reconsideration of the price-quality path in accordance with clause 5.7.7(1) and an amendment made to the price-quality path after reconsideration under clause 5.7.8(1); and

each reference to a series of values is a reference to the value determined in respect of each disclosure year of the CPP regulatory period.

* + - * 1. For the purpose of subclause (1), the present value of each series must be determined using a discount rate equal to the **67th percentile** estimate of WACC published most recently prior to submission of the CPP proposal in respect of the term that the Commission has determined is the appropriate duration of the CPP.
				2. For the avoidance of doubt, claw-back in subclause (1) refers to the amount determined in respect of the period between the date of the catastrophic event and the date the CPP determination will come into effect.
				3. The maximum allowable revenue before tax for the first disclosure year of the CPP regulatory period is the amount of maximum allowable revenue before tax in the first disclosure year of the CPP regulatory period required for subclause (1) to be satisfied.
				4. The maximum allowable revenue before tax for each disclosure year of the CPP regulatory period except the first must equal-

MARy-1 × (1 + ΔCPI) × (1 - X) × (1+ ΔQ),

where-

MARy-1 is the maximum allowable revenue before tax in the preceding disclosure year;

ΔCPI is the inflation rate;

X is the X factor for the GDB, being the same value in each year of the CPP regulatory period; and

ΔQ is the forecast weighted average growth in quantities (in percentage terms) from the preceding disclosure year to the current disclosure year.

* + - * 1. The forecast weighted average growth in quantities (in percentage terms) for each disclosure year must be weighted by taking into account-

the relative growth in demand for each demand group; and

the relative proportion of fixed and variable components in prices charged to either or both of-

retailers; and

consumers.

* + - * 1. Maximum allowable revenue after tax is maximum allowable revenue before tax less forecast regulatory tax allowance.
				2. For the purpose of subclause (8), 'forecast regulatory tax allowance' means-

where opening tax losses are nil in every disclosure year of the next period, forecast regulatory tax allowance; and

in all other cases, the amount calculated in accordance with clause 5.3.13 with the modification that the reference in clause 5.3.13(4) to 'building blocks allowable revenue before tax' is substituted with 'maximum allowable revenue before tax'.

* + - * 1. Inflation rate means the amount determined in accordance with the formula-

[(CPI1 + CPI2 + CPI3 + CPI4) ÷ (CPI1-4 + CPI2-4 + CPI3-4 + CPI4-4)] -1,

where-

CPIn means forecast CPI for the nth quarter of the disclosure year in question; and

CPIn-4 means forecast CPI for the equivalent quarter in the preceding disclosure year.

* + 1. Cost allocation and asset valuation
			1. Allocating forecast values of operating costs not directly attributable
				1. Forecasts of operating costs forecast in each disclosure year of the next period must, in the case of an operating cost for which disclosure pursuant to an ID determination has-

been made for the last disclosure year of the current period, be consistent with the operating cost allocated to gas distribution services in that disclosure; and

not been so made, be consistent with an allocation of operating costs to gas disribution services carried out in respect of the last disclosure year of the current period in accordance with clause 2.1.1.

* + - * 1. Where a sale of the assets used to supply gas distribution services and either or both-

an other regulated service; and

an unregulated service,

 is

completed between the start of the assessment period and the time the CPP application is made; or

highly probable,

operating costs attributable to gas distribution services, in respect of each operating cost not directly attributable affected by the sale, is determined as the value allocated to gas distribution services as a result of applying clause 2.1.1 in respect of the last disclosure year of the assessment period.

* + - 1. RAB roll forward
				1. The opening RAB value of an asset in relation to-

the disclosure year 2010, is the initial RAB value; and

a disclosure year thereafter, is, where the disclosure year-

follows a disclosure year in respect of which disclosure pursuant to an ID determination relating to that asset has been made, that asset's disclosed closing RAB value;

is the first disclosure year of the next period for which disclosure pursuant to an ID determination relating to that asset for the preceding disclosure year has not been made, determined in accordance with subclause (2); or

is any other disclosure year, the closing RAB value for the preceding disclosure year.

* + - * 1. For the purpose of subclause (1)(b)(ii), the opening RAB value of an asset to which this subclause applies is determined as the value allocated to gas distribution services as a result of applying clause 2.1.1 to its unallocated closing RAB value for the preceding disclosure year.
				2. Closing RAB value means, subject to subclause (4), for an asset-

with an opening RAB value, the value determined in accordance with the formula-

opening RAB value - depreciation + revaluation; and

having or forecast to have a commissioning date in that disclosure year, where the asset-

has been commissioned by the date the CPP application is made, its value of commissioned asset; or

has not been commissioned by the date the CPP application is made, its forecast value of commissioned asset,

but only to the extent that the value would be included in the closing RAB value consistent with application of clause 2.1.1; or

that is or is forecast to be a disposed asset, nil.

* + - * 1. For the purpose of subclause (3), where a sale of the assets used to supply gas distribution services and either or both-

an other regulated service; and

an unregulated service,

 is-

completed between the start of the assessment period and the time the CPP application is made; or

highly probable,

closing RAB value in respect of each asset not directly attributable affected by the sale is determined as the value allocated to gas distribution services as a result of applying clause 2.1.1 in respect of its unallocated closing RAB value of the last disclosure year of the assessment period.

* + - * 1. The unallocated opening RAB value of any asset in relation to-

the disclosure year 2010, is the unallocated initial RAB value;

a disclosure year thereafter, is, where the disclosure year-

follows a disclosure year in respect of which disclosure pursuant to an ID determination relating to that asset has been made, that asset's disclosed unallocated closing RAB value; and

is any other disclosure year, its unallocated closing RAB value in the preceding disclosure year.

* + - * 1. Unallocated closing RAB value means, in relation to-

an asset that is or is forecast to be a disposed asset, nil;

any other asset with an unallocated opening RAB value, the value determined in accordance with the formula-

unallocated opening RAB value - unallocated depreciation + unallocated revaluation; and

any other asset-

that has a commissioning date between the commencement of the disclosure year in which the CPP application is made and the application's submission, its value of commissioned asset; or

forecast to have a commissioning date thereafter, its forecast value of commissioned asset.

* + - * 1. The total opening RAB value in relation to-

the disclosure year 2010, is the sum of all initial RAB values; and

any disclosure year thereafter, is the total closing RAB value in the preceding disclosure year.

* + - * 1. For the purpose of clause (7), 'total closing RAB value' means, in relation to a disclosure year, the sum of closing RAB values for all assets.
			1. Depreciation
				1. Unallocated depreciation, in the case of an asset with an unallocated opening RAB value, is determined, subject to subclause (3) and clauses 5.3.8 and 5.3.9, in accordance with the formula-

[1 ÷ remaining asset life] × unallocated opening RAB value.

* + - * 1. Depreciation, in the case of an an asset with an opening RAB value, is determined, subject to subclause (3) and clause 5.3.8, in accordance with the formula-

[1 ÷ remaining asset life] × opening RAB value.

* + - * 1. For the purpose of subclauses (1) and (2)-

unallocated depreciation and depreciation are nil in the case of-

land; and

an easement other than a fixed life easement; and

network spare in respect of the period before which depreciation for the network spare in question commences under GAAP; and

in all other cases, where the asset's physical asset life at the end of the disclosure year is nil-

unallocated depreciation is the asset's unallocated opening RAB value; and

depreciation is the asset's opening RAB value.

* + - 1. Depreciation - alternative depreciation method
				1. Depreciation and, subject to clause 5.3.9, unallocated depreciation may be determined in respect of a CPP regulatory period using an **alternative depreciation method**, provided the **Commission** is satisfied that the result of applying the **alternative depreciation method** would better promote the purpose of Part 4 than the result of applying the standard depreciation method.
				2. For the avoidance of doubt, subclause (1) does not apply to the determination of depreciation or unallocated depreciation in the assessment period.
			2. Unallocated depreciation constraint

For the purpose of clauses 5.3.7 and 5.3.8, the sum of unallocated depreciation of an asset calculated over its asset life may not exceed the sum of-

all unallocated revaluations applying to that asset in all disclosure years; and

in the case of an asset-

in the initial RAB, its unallocated initial RAB value; and

not in the initial RAB, its value of commissioned asset or forecast value of commissioned asset, as the case may be.

* + - 1. Revaluation
				1. Unallocated revaluation, subject to subclause (3), is determined in accordance with the formula-

unallocated opening RAB value × revaluation rate.

* + - * 1. Revaluation, subject to subclause (3), is determined in accordance with the formula-

opening RAB value × revaluation rate.

* + - * 1. For the purposes of subclauses (1) and (2), where-

the asset's physical asset life at the end of the disclosure year in question is nil; or

the asset is a-

disposed asset; or

lost asset,

unallocated revaluation and revaluation are nil.

* + - * 1. Revaluation rate means, in respect of a disclosure year, the amount determined in accordance with the formula-

(CPI4 ÷ CPI4-4) -1,

where-

CPI4 means forecast CPI for the quarter that coincides with the end of the disclosure year; and

 CPI4-4 means forecast CPI for the quarter that coincides with the end of the preceding disclosure year.

* + - 1. Forecast value of commissioned assets
				1. Forecast value of commissioned asset, in relation to an asset for which capital expenditure is included in forecast capital expenditure (including an asset in respect of which capital contributions are or are forecast to be received, or a vested asset), means the forecast cost of the asset to a **GDB** determined by applying GAAP to the asset as on its forecast commissioning date, except that, subject to subclauses (2) and (3), the cost of-

an intangible asset, unless it is-

a finance lease; or

an identifiable non-monetary asset,

is nil;

an easement, is limited to its forecast market value as on its forecast commissioning date as determined by a valuer;

easement land is nil;

a network spare-

which is not required, in light of the historical reliability and number of the assets it is held to replace; or

whose cost is not treated as the cost of an asset under GAAP, whether wholly or in part,

is nil;

an asset-

to be acquired from another regulated supplier; and

used by that regulated supplier in the supply of regulated goods or services,

is limited to its value determined in accordance with input methodologies applicable to the services supplied by that other regulated supplier as on the forecast commissioning date;

an asset that was previously used by a **GDB** in its supply of other regulated services is limited to its value determined in accordance with input methodologies applicable to those other regulated services as on the day before the forecast commissioning date;

an asset or assets, or components of assets, forecast to be acquired from a related party, and forecast to be **commissioned** during any **disclosure year** of the **CPP regulatory period** other than assets to which paragraphs (e) or (f) apply, are the forecast values as determined by the **GDB**, supported by a written certification by no fewer than 2 **directors** of the **GDB** that they are reasonably satisfied that the asset values are consistent with values determined in accordance with with subclause (6);

an asset in respect of which capital contributions are or are forecast to be received where such contributions are not taken into account when applying GAAP, is the cost of the asset by applying GAAP reduced by the amount of the capital contributions; and

a vested asset in respect of which its fair value is or would be treated as its cost under GAAP, must exclude any amount of the fair value of the asset determined under GAAP that exceeds the amount of consideration provided or forecast to be provided by the GDB.

* + - * 1. For the purpose of subclause (1), where an asset forecast to be commissioned is forecast to be used to supply either or both an other regulated service and an unregulated service, its regulated service asset value borne by regulated services, in aggregate-

may not exceed the total value of the asset that would be allocated to regulated services, in aggregate, using ACAM; and

must be based only on forecast changes in the GDB's business of supplyinggas distribution services.

* + - * 1. When applying GAAP for the purposes of subclause (1), the cost of financing is-

applicable only in respect of the period commencing on the date the asset becomes or is forecast to become a works under construction and terminating on its commissioning date or forecast commissioning date, as the case may be; and

calculated using, subject to subclause (4), a rate no greater than the 67th percentile estimate of post-tax WACC-

published pursuant to clause 2.4.6 applicable in respect of the relevant date for its calculation under GAAP; or

where no estimate has been published in respect of that date, the most recently published estimate.

* + - * 1. For the avoidance of doubt-

revenue derived or forecast to be derived in relation to works under construction that is not included in regulatory income under an ID determination reduces the cost of an asset by the amount of the revenue where such reduction is not otherwise made under GAAP; and

where expenditure on an asset which forms or is forecast to form part of the cost of that asset under GAAP is incurred or forecast to be incurred by an GDB after that asset is commissioned or forecast to be commissioned, such expenditure is treated as relating to a separate asset.

* + - * 1. In this clause, 'forecast capital expenditure' means, in relation to a CPP proposal-

that has not been assessed by the Commission, the amount of capital expenditure for the relevant disclosure year of the next period included by the CPP applicant in its capex forecast; and

undergoing assessment by the Commission, the amount of capital expenditure determined for the relevant disclosure year of the next period by the Commission after assessment of the amount in paragraph (a) against the expenditure objective.

* + - * 1. For the purpose of paragraph 5.3.11(1)(g), the forecast value of any assets, or components of assets, must be consistent with values determined in accordance with one of the following –

the forecast price to be paid by the **GDB** for the asset, where the forecast cost of all assets to be acquired from the **related party** and first **commissioned** in any **disclosure year** of the **CPP regulatory period**  will be less than –

one percent of the sum of **opening RAB values** for the **GDB** for that **disclosure year**, or

20% of the cost of all assets to be first **commissioned** by the **GDB** in that **disclosure year**;

the forecast price to be paid by the **GDB** for the asset, where–

it is reasonably expected that at least 50% of the **related party**’s sales of assets will be to third parties in the **disclosure year** in which the asset is first **commissioned**, and third parties may purchase the same or substantially similar assets from the **related party** on substantially the same terms and conditions, including price; or

that forecast price is substantially the same as the price paid for substantially similar assets (including any adjustments for inflation using CPI or an appropriate input price index) in the preceding 3 **disclosure year**s from a party other than a **related party**;

the price to be paid by the **GDB** to the **related party** for an asset to be **commissioned** in a **disclosure year** in the **CPP regulatory period** has been determined following a completed competitive tender process, provided that–

the price is no more than 5% higher than the price of the lowest conforming tender received;

all relevant information material to consideration of the proposal was provided to third parties, or made available upon request;

at least one other qualifying proposal was received; and

the **GDB** retains for a period of 7 years following the closing date of tender proposals a record of the tender and tender process, including request for information and/or proposal, the criteria used for the assessment of proposals, reasons for acceptance or rejection of proposals, and all proposals and requests for information on the tender for the purposes of making proposals;

its forecast depreciated historic cost on the day before the forecast acquisition by the GDB determinedin accordance with GAAP;

its forecast inventory value on the day before the forecast acquisition by the **GDB** determined in accordance with **GAAP**;

its forecast market value as at its commissioning date as determined by a valuer;

its forecast directly attributable cost as would be incurred by the group to which the **GDB** and **related party** are a part, determined in accordance with **GAAP**, as if the consolidated group was the **GDB**;

the forecast price to be paid by the **GDB** for the asset reflects the price or prices that would be paid in an arm’s-length transaction, provided the price cannot otherwise be determined under paragraphs (a) – (g).

* + - 1. Works under construction
				1. Opening works under construction means, in respect of-

the first disclosure year of the next period where that year is consecutive to a disclosure year in respect of which disclosure pursuant to an ID determination-

has not been made, initial works under construction; and

has been made, the value of works under construction last disclosed in accordance with the ID determination to the extent that it is intended to be included in a closing RAB value; and

any year other than the first disclosure year of the next period, closing works under construction of the preceding disclosure year.

* + - * 1. For the purpose of subclause (1)(a)(i), 'initial works under construction' means expenditure incurred on works under construction as of the first day of the disclosure year in question, calculated in accordance with clause 5.3.11, modified in that references in that clause to "forecast commissioning date" are substituted with "forecast date that expenditure is incurred".
				2. Closing works under construction is the amount determined in accordance with the formula-

opening works under construction + sum of capital expenditure - (sum of value of commissioned assets + sum of forecast value of commissioned assets),

where-

the sum of value of commissioned assets only includes values to the extent that they are included in closing RAB values disclosed pursuant to an ID determination; and

the sum of forecast value of commissioned assets only includes values to the extent that they are included in the sum of closing RAB values provided pursuant to clause 5.5.9(d)(ii).

* + 1. Treatment of taxation
			1. Forecast regulatory tax allowance
				1. Forecast regulatory tax allowance is, where forecast regulatory net taxable income is-

nil or a positive number, the tax effect of forecast regulatory net taxable income; and

a negative number, nil.

* + - * 1. Regulatory net taxable income means forecast regulatory taxable income less utilised tax losses.
				2. Regulatory taxable income is determined in accordance with the formula-

regulatory profit / (loss) before tax + permanent differences + regulatory tax adjustments.

* + - * 1. Regulatory profit / (loss) before tax means the value determined in accordance with the formula-

building blocks allowable revenue before tax + other regulated income - operating expenditure - total depreciation.

* + - 1. Tax losses
				1. Utilised tax losses means opening tax losses, subject to subclause (2).
				2. For the purpose of subclause (1), utilised tax losses may not exceed regulatory taxable income.
				3. Opening tax losses in relation to-

the first disclosure year of the next period, is nil, subject to subclause (3); and

subsequent disclosure years of the next period, is closing tax losses for the preceding disclosure year.

* + - * 1. For the purpose of subclause (3)(a), if the Commission is satisfied that a **GDB** will incur forecast tax losses, opening tax losses is the amount of losses in respect of which the Commission is satisfied.
				2. For the purpose of subclause (3)(b), 'closing tax losses' means the amount determined in accordance with the following formula, in which each term is an absolute value:

opening tax losses + current period tax losses - utilised tax losses.

* + - * 1. In this clause, 'current period tax losses' is where regulatory taxable income is-

nil or a positive number, nil; and

a negative number, regulatory taxable income.

* + - 1. Permanent differences
				1. Permanent differences is the amount determined in accordance with the formula-

positive permanent differences - negative permanent differences.

* + - * 1. For the purpose of subclause (1), 'positive permanent differences' means, subject to subclause (3), the sum of-

all amounts of income-

treated as taxable were the tax rules applied to determine income tax payable in respect of the GDB's supply of gas distribution services; and

not included as amounts of income in determining regulatory profit / (loss) before tax; and

all amounts of expenditure or loss-

included as amounts of expenditure or loss in determining regulatory profit / (loss) before tax; and

not treated as deductions were the tax rules applied to determine income tax payable in respect of the GDB's supply of gas distribution services,

if the difference in treatment of amounts of-

income under paragraph (a)(i) and paragraph (a)(ii); or

expenditure or loss under paragraph (b)(i) and paragraph (b)(ii),

is a difference that is not-

a **reversal** or partial **reversal** of a difference for a prior disclosure year; and

forecast to **reverse** in a subsequent disclosure year.

* + - * 1. For the purpose of subclause (2), positive permanent differences excludes amounts that are-

amortisation of initial differences in asset values; or

amortisation of revaluations.

* + - * 1. For the purpose of subclause (1), 'negative permanent differences' means, subject to subclause (5), the sum of-

all amounts of income-

included as amounts of income in determining regulatory profit / (loss) before tax; and

not treated as taxable were the tax rules applied to determine income tax payable in respect of the GDB's supply of gas distribution services; and

all amounts of expenditure or loss-

treated as deductions were the tax rules applied to determine income tax payable in respect of the GDB's supply of gas distribution services; and

not included as amounts of expenditure or loss in determining regulatory profit / (loss) before tax,

if there are differences between the values in-

paragraph (a)(i) and paragraph (a)(ii); and

paragraph (b)(i) and paragraph (b)(ii),

and such differences are not-

the **reversal** of a difference in a prior disclosure year; and

forecast to **reverse** in a subsequent disclosure year.

* + - * 1. For the purpose of subclause (4), negative permanent differences excludes any amounts that are-

expenditure or loss determined in accordance with the tax rules that is-

interest; or

forecast to be incurred in borrowing money; and

any-

tax losses; and

subvention payment made or received by a **GDB**.

* + - 1. Regulatory tax adjustments
				1. Regulatory tax adjustments are determined in accordance with the formula-

amortisation of initial differences in asset values + amortisation of revaluations - notional deductible interest.

* + - * 1. 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. For the purpose of subclause (2), ‘RAB proportionate investment’ means the sum of the *proportionate value* of each asset forecast to be **commissioned** less the sum of the *proportionate value* of each **disposed** **asset**.
				2. For the purpose of subclause (3), ‘proportionate value’ means for-

an asset forecast to be **commissioned**, its **forecast value of commissioned asset** multiplied by the proportion of that **disclosure year** in question from the forecast **commissioning date** to the end of that **disclosure year** out of the whole **disclosure year**; and

a **disposed asset**, its **opening RAB value** multiplied by the proportion of that **disclosure year** from the date of sale or transfer to the end of that **disclosure year** out of the whole **disclosure year**.

* + - 1. Amortisation of initial differences in asset values
				1. Amortisation of initial differences in asset values is, subject to subclause (4), determined in accordance with the formula-

opening unamortised initial differences in asset values ÷ weighted average remaining useful life of relevant assets.

* + - * 1. For the purpose of this clause, 'opening unamortised initial differences in asset values' means, in respect of-

the disclosure year 2010, initial differences in asset values; and

each disclosure year thereafter, subject to subclause (4), closing unamortised initial difference in asset values for the preceding disclosure year.

* + - * 1. For the purpose of subclause (2)(a), 'initial differences in asset values' means, subject to subclause (4), the sum of initial RAB values less the sum of regulatory tax asset values on the first day of the disclosure year 2010.
				2. For the purpose of subclauses (1) and (2)-

no account may be taken of unamortised initial differences in asset values of sold assets from the date of sale; and

account must be taken of unamortised initial differences in asset values of acquired assets from the date of acquisition.

* + - * 1. For the purpose of subclause (2)(b), 'closing unamortised initial difference in asset values' is determined in accordance with the formula-

Opening unamortised initial differences in asset values - amortisation of initial difference in asset values

* + - 1. Amortisation of revaluations

Amortisation of revaluations is calculated in accordance with the formula-

total depreciation - adjusted depreciation.

* + - 1. Deferred tax
				1. Opening deferred tax means, in respect of-

the disclosure year 2010, nil; and

each disclosure year thereafter, closing deferred tax for the preceding disclosure year.

* + - * 1. For the purpose of subclause (1)(b), 'closing deferred tax' is determined in accordance with the formula-

opening deferred tax + tax effect of temporary differences - tax effect of amortisation of initial difference in asset values + deferred tax balance relating to assets acquired in the disclosure year in question *– deferred tax balance relating to assets disposed of in the* ***disclosure year*** *in question* + cost allocation adjustment.

* + - * 1. For the purpose of subclause (2), 'deferred tax balance relating to assets acquired in the disclosure year in question' means the amount of deferred tax associated with the assets acquired by the GDB from another regulated supplier, excluding the **reversal** of temporary adjustments arising as a consequence of the sale, as determined in accordance with input methodologies applicable to the regulated services that the assets in question were used to supply.
				2. For the avoidance of doubt, the amount referred to in subclause (3) must include proportionate adjustments for-

the tax effect of temporary differences; and

the amortisation of initial differences in asset values,

 up to the date the assets in question were acquired.

* + - * 1. For the purpose of subclause (2), 'cost allocation adjustment' means the tax effect of the dollar value difference between the change in the sum of regulatory tax asset values on the last day of the disclosure year and the change in the sum of closing RAB values as a result only of applying-

the result of asset allocation ratios to the tax asset value in accordance with clause 5.3.21(1); and

clause 2.1.1 to the unallocated closing RAB value, where either or both clauses 5.3.6(1)(b)(ii) and 5.3.6(3) apply.

* + - * 1. For the purpose of subclause (2), ‘deferred tax balance relating to assets disposed of in the **disclosure year** in question’ means the amount of deferred tax associated with the assets disposed of by the **GDB** and, where that deferred tax balance is a deferred tax liability, it must have a negative value.
			1. Temporary differences
				1. Temporary differences is the amount determined in accordance with the formula-

depreciation temporary differences + positive temporary differences - negative temporary differences.

* + - * 1. For the purpose of this clause, 'depreciation temporary differences' is adjusted depreciation less tax depreciation.
				2. For the purpose of subclause (2) 'tax depreciation' is the sum of the amounts determined for all assets by application of the tax depreciation rules to the regulatory tax asset value of each asset.
				3. For the purpose of subclause (1), 'positive temporary differences' means the sum of-

all amounts of income-

treated as taxable if the tax rules were applied to determine income tax payable in respect of the GDB's supply of gas distribution services; and

not included as amounts of income in determining regulatory profit / (loss) before tax; and

all amounts of expenditure or loss-

included as amounts of expenditure or loss in determining regulatory profit / (loss) before tax; and

not treated as deductions were the tax rules applied to determine income tax payable in respect of the GDB's supply of gas distribution services,

less any amount that is depreciation temporary differences, if there are differences between the values in-

paragraph (a)(i) and paragraph (a)(ii); and

paragraph (b)(i) and paragraph (b)(ii),

and such differences-

are the **reversal** of a difference in a prior disclosure year; or

are forecast to **reverse** in a subsequent disclosure year.

* + - * 1. For the purpose of subclause (1), 'negative temporary differences' means the sum of-

all amounts of income-

included as amounts of income in determining regulatory profit / (loss) before tax; and

not treated as taxable were the tax rules applied to determine income tax payable in respect of the GDB's supply of gas distribution services; and

all amounts of expenditure or loss-

treated as deductions were the tax rules applied to determine income tax payable in respect of the GDB's supply of gas distribution services; and

not included as amounts of expenditure or loss in determining regulatory profit / (loss) before tax,

less any amount that is depreciation temporary differences, if there are differences between the values in-

paragraph (a)(i) and paragraph (a)(ii); and

paragraph (b)(i) and paragraph (b)(ii),

and such differences-

are the **reversal** of a difference in a prior disclosure year; or

are forecast to **reverse** in a subsequent disclosure year.

* + - 1. Regulatory tax asset value
				1. ‘Regulatory tax asset value’, in relation to an asset, means the value determined in accordance with the formula-

tax asset value × result of asset allocation ratio.

* + - * 1. ‘Tax asset value’ means, in respect of

an asset-

in the initial RAB where, in the disclosure year 2010, the sum of unallocated initial RAB values is less than the sum of the adjusted tax values of all assets in the initial RAB;

acquired from a regulated supplier who used it to supply regulated goods or services; or

acquired or transferred from a related party,

the value of the asset determined by applying the tax depreciation rules to its notional tax asset value; and

any other asset, its forecast adjusted tax value.

* + - * 1. 'Notional tax asset value' means, for the purpose of-

subclause (2)(a)(i), adjusted tax value of the asset in the disclosure year 2010 adjusted to account proportionately for the difference between the-

sum of the unallocated initial RAB values; and

sum of the adjusted tax values,

of all assets in the initial RAB;

subclause (2)(a)(ii), value after applying the tax depreciation rules to the tax asset value (as 'tax asset value' is defined in the input methodologies applying to the regulated goods or services in question) in respect of the disclosure year in which the asset was acquired; and

subclause (2)(a)(iii), value in respect of the disclosure year in which the asset was acquired or transferred that is-

consistent with the tax rules; and

limited to its value of commissioned asset or, if relevant capital contributions are treated for tax purposes in accordance with section CG 8 of the Income Tax Act 2007 (or subsequent equivalent provisions), limited to the value of commissioned asset plus any capital contributions applicable to the asset.

* + - * 1. For the purpose of subclause (1), 'result of asset allocation ratio' means, where an asset or group of assets maintained under the tax rules-

has a matching asset or group of assets maintained for the purpose of Part 2 Subpart 2, the value obtained in accordance with the formula-

opening RAB value or sum of opening RAB values, as the case may be

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unallocated opening RAB value or sum of unallocated opening RAB values, as the case may be,

applying the formula in respect of the asset or smallest group of assets maintained for the purpose of Part 2 Subpart 2 that has a matching asset or group of assets maintained under the tax rules; and

does not have a matching asset or group of assets maintained for the purpose of Part 2 Subpart 2, the value of the asset allocated to the supply of gas distribution services were clause 2.1.1 to apply to the asset or group of assets.

* + 1. **Cost of capital**
			1. Methodology for estimating the weighted average cost of capital
				1. The cost of capital for a **CPP** is the cost of capital determined in accordance with the methodology identified in clause 4.4.1 for the **DPP** applying at the start of the **CPP regulatory period.**
				2. Where there has been a **WACC change**,the cost of capital for the **CPP** is the **DPP** **WACC** referenced in clause 5.7.7(4)(a), which has effect in the remaining years of the **CPP regulatory period**.

* + 1. Alternative methodologies with equivalent effect
			1. Alternative methodologies with equivalent effect
				1. A **CPP applicant**, in making a **CPP application**, may apply an alternative methodology to that specified for—

cost allocation and asset valuation in Section 2;

treatment of taxation in Section 3;

the estimation of **term credit spread differentials** in Section 4; or

pricing methodologies in Subpart 4.

* + - * 1. The **Commission**, in evaluating a **CPP proposal** and in determining a **CPP** for a **GDB**, may apply the alternative methodology elected by the **CPP applicant**.
				2. An alternative methodology applied by either a **GDB** or the **Commission** in accordance with this clause must:

produce an equivalent effect within the **CPP regulatory period** to the methodology that would otherwise apply; and

not detract from the promotion of the purpose of Part 4 of the **Act**.

* 1. Pricing methodologies
		+ 1. Determination of pricing methodology
				1. The **Commission** will determine a pricing methodology for a GDB in a CPP determination if the Commission, in its most recent summary and analysis made pursuant to s 53B(2)(b) of the Act prior to submission of the CPP application, has identified that the GDB in question would be required to submit its pricing methodology for approval were it to apply for a CPP.
				2. Any pricing methodology so determined-

must be-

consistent with the pricing principles; or

a transitional pricing methodology; and

must be specified in a CPP determination.

* + - * 1. Transitional pricing methodology means-

a pricing methodology inconsistent with the pricing principles for a term no longer than the CPP regulatory period; and

a plan providing for the **GDB** to transition to a pricing methodology consistent with the pricing principles in a reasonable period.

* + - 1. Pricing methodology information during the CPP regulatory period
				1. This clause applies to GDBs in respect of whom a pricing methodology has been specified in a CPP determination.
				2. In each disclosure year of a CPP regulatory period save the last, a GDB must, by the date specified in the applicable CPP determination-

provide the Commission with the same type of information as is required by clause 5.5.31, modified in that the relevant period to which the information relates is the start of the next disclosure year of the CPP regulatory period to the end of the CPP regulatory period; and

state whether or not the information so provided reveals the proposed use of a pricing methodology different to the pricing methodology specified in its CPP determination;

describe and give reasons for any such differences; and

explain whether, and if so how, the proposed changes better meet the purpose of Part 4.

* + - 1. Amendments to a pricing methodology
				1. Subject to subclause (2), after considering the most recent information provided in accordance with clause 5.4.2, the Commission may only-

amend the pricing methodology specified in the relevant CPP determination; or

substitute a new pricing methodology for that specified in the relevant CPP determination,

otherwise than in accordance with the information provided by the GDB where the **Commission** considers that the information reveals the proposed use of a pricing methodology materially different to that specified in the relevant CPP determination.

* + - * 1. For the purpose of subclause (1), any amended or substituted pricing methodology must be-

consistent with the pricing principles; or

a transitional pricing methodology.

* + - * 1. The Commission will not make any amendment or substitution permitted by this clause more than once in any disclosure year of the CPP regulatory period.
	1. Information required in a CPP proposal
		1. General matters
			1. Application of this Subpart
				1. Subject to subclause (2), a **CPP proposal** must contain, in all material respects, the information specified in this subpart.
				2. For the purpose of subclause (1), Section 9 only applies to a GDB if the Commission, in its most recent summary and analysis made pursuant to s 53B(2)(b) of the Act prior to submission of the CPP application, has identified that the GDB in question would be required to submit a pricing methodology for approval were it to apply for a CPP.
			2. Reasons for the proposal

A CPP proposal must contain a-

detailed description of the CPP applicant's rationale for seeking a CPP; and

summary of the key evidence in the proposal supporting that rationale.

* + - 1. Duration of regulatory period

Where a CPP applicant seeks a CPP of 3 years' or 4 years' duration-

the duration of the CPP sought must be stated in the CPP proposal; and

the CPP proposal must contain an explanation as to why that duration better meets the purpose of Part 4 of the Act than 5 years.

* + 1. Price path information
			1. Interpretation
				1. In this section, the meanings of defined terms that are values or amounts to be determined by the Commission when making a CPP determination are modified to mean the values or amounts proposed by the CPP applicant, subject to any other provision to the contrary.
				2. Any values and amounts used by a CPP applicant to determine the quantum of allowances, amounts, sums or values required by this section must be consistent with other information provided in accordance with this part.
			2. Proposed building blocks allowable revenue
				1. A CPP proposal must contain amounts for-

building blocks allowable revenue before tax for each disclosure year of the next period; and

building blocks allowable revenue after tax for each disclosure year of the next period.

* + - * 1. A CPP proposal must contain all data, information, calculations and assumptions used to determine the amounts required by subclause (1), including but not limited to-

forecasts of-

regulatory investment value;

*total value of commissioned assets* determined in accordance with clause 5.3.2(3);

total depreciation;

total revaluation;

regulatory tax allowance; and

other regulated income;

all data, information, calculations and assumptions used to derive amounts or forecasts of *TFVCA*, *PVVCA*, *TF*, and *TFrev*determined in accordance with clause 5.3.2(4);

all data, information, calculations and assumptions used to derive the forecasts of other regulated income provided pursuant to paragraph (a);

forecast operating expenditure; and

any proposed term credit spread differential allowance.

* + - * 1. A CPP proposal must contain the following information:

actual other regulated income for each disclosure year of the current period; and

data, calculations and assumptions demonstrating how the forecast of other regulated income provided pursuant to subclause (2)(a)(vi) is consistent with information provided in accordance with paragraph (a).

* + - * 1. All calculations, values and amounts required by this clause must be presented in a spreadsheet format which -

clearly demonstrates how building blocks allowable revenue before tax and building blocks allowable revenue after tax for each disclosure year of the next period have been derived using the formulae specified in clauses 5.3.2 and 5.3.3; and

where data has been computed or derived from other values on the spreadsheet through the use of formulae, makes the underlying formulae accessible.

* + - 1. Maximum Allowable Revenues
				1. A CPP proposal must contain amounts for-

maximum allowable revenue before tax for each disclosure year of the CPP regulatory period; and

maximum allowable revenue after tax for each disclosure year of the CPP regulatory period.

* + - * 1. For the purpose of subclauses (1)(a) and (1)(b), the CPP applicant must-

apply an X factor; and

state the value of the X factor.

* + - * 1. For the purpose of subclause (2) the X factor is that defined in the CPP applicant's DPP determination, subject to subclause (4).
				2. For the purpose of subclause (3), a different X factor or factors may be used, provided that the CPP proposal contains an explanation and supporting evidence as to why that would better meet the purpose of Part 4 of the Act.
				3. A CPP proposal must contain all data, calculations and assumptions used to derive the forecast weighted average growth in quantities in accordance with clause 5.3.4(7), including-

a description of each demand group;

the rationale for the selection of demand groups;

the forecast growth in demand for each demand group;

the basis for the forecast growth in demand for each demand group;

evidence that the forecast growth in demand for each demand group is consistent with all other relevant demand forecasts included in the CPP proposal;

the basis for the assumptions used concerning the relative proportion of fixed and variable components in the prices charged to each demand group selected in paragraph (a);

reconciliation between the assumptions referred to in paragraph (f) and the calculation of notional revenue made pursuant to any requirement pursuant to s 53N of the Act (whether that requirement is contained in a s 52P determination or otherwise) relating to compliance with the price-quality path; and

the basis for each weighting term.

* + - * 1. For the purpose of this clause, 'DPP annual compliance statement' means the most recent annual compliance statement made by the supplier in accordance with a DPP determination.
				2. All calculations and values required by this clause must be presented in a spreadsheet format which clearly demonstrates how maximum allowable revenue before tax and maximum allowable revenue after tax for each disclosure year of the CPP regulatory period have been derived from building blocks allowable revenue after tax and the variables in clause 5.5.5.
				3. For the purpose of subclause (7), the spreadsheet must be provided in a format that-

shows clearly how the values required by subclause (1) were derived in accordance with the formulae specified in clauses 5.3.2 to 5.3.4; and

where data has been computed or derived from other values on the spreadsheet through the use of formulae, makes the underlying formulae accessible.

* + 1. Cost allocation information
			1. Cost allocation information
				1. Where a CPP applicant-

makes allocations of operating costs not directly attributable pursuant to clause 5.3.5(1); or

determines opening RAB values pursuant to clause 5.3.6(1)(b)(ii),

the CPP proposal must contain the information specified in subclause (2).

* + - * 1. For the purpose of subclause (1), the information is-

that specified in the applicable tables in Schedule B, subject to subclause (4) which tables comprise-

Table 1, relating to allocation of the unallocated initial RAB value;

Table 2, relating to allocation of the unallocated closing RAB value;

Table 3, relating to allocation of operating costs not directly applicable;

Table 4, relating to arm's-length deductions from regulated service asset values for assets with an unallocated closing RAB value in the last disclosure year of the current period; and

Table 5, relating to arm's-length deductions from operating costs.

* + - * 1. In respect of-

operating costs not directly attributable allocated to gas distribution services in accordance with clause 5.3.5(2); or

closing RAB values determined in accordance with clause 5.3.6(4),

the CPP proposal must contain the information specified in Schedule C, subject to subclause (4), which tables comprise-

Table 1, relating to allocation of the unallocated closing RAB value;

Table 2 relating to allocation of operating costs not directly applicable;

Table 3, relating to arm's-length deductions from regulated service asset values for assets with an unallocated closing RAB value at the end of the last disclosure year of the assessment period; and

Table 4, relating to arm's-length deductions from operating costs.

* + - * 1. For the purpose of this clause-

the information specified in the tables of the schedules referred to must be provided on spreadsheets; and

where data has been computed or derived from other values on the spreadsheet through the use of formulae, all underlying formulae must be accessible.

* + - * 1. Where the **CPP applicant** has used a **proxy cost allocator** to provide the information specified in subclauses (2) or (3), the **CPP applicant** must explain in the **CPP proposal**, for each **proxy cost allocator** used-

why a **causal relationship** cannot be established; and

the rationale for using the selected quantifiable measure for that **proxy cost allocator**.

* + - * 1. Where the **CPP applicant** has used a **proxy asset allocator** to provide the information specified in subclauses (2) or (3), the **CPP applicant** must explain in the **CPP proposal**, for each **proxy asset allocator** used-

why a **causal relationship** cannot be established; and

the rationale for using the selected quantifiable measure for that **proxy asset allocator**.

* + - 1. Certification requirements
				1. Where any arm's-length deduction was applied for the purpose of this Section, the CPP proposal must contain certification by no fewer than 2 of the GDB's directors in the following terms, where words in bold bear the meanings specified in this determination:

"I, [insert name], director of [insert name of Supplier of services regulated under Part 4 of the Commerce Act] certify that, having made all reasonable enquiry, my belief is that having had regard to the attached information [information required by clause 5.5.7(2)] for the purpose of the supplier's CPP proposal, it was appropriate to make the arm's-length deductions the amount and nature of which are detailed in the tables below, namely:

Table 4 of Schedule B / Table 5 of Schedule B / Table 3 of Schedule C / Table 4 of Schedule C [delete as appropriate]."

* + - * 1. Where, in relation to regulated service asset values, OVABAA was applied for the purpose of this clause in accordance with Subpart 3 Section 2, the CPP proposal must contain certification by no fewer than 2 of the GDB's directors in respect of its application in the following terms, where words in bold bear the meanings specified in this determination:

"I, [insert name], director of [insert name of Supplier of services regulated under Part 4 of the Commerce Act] certify that, having made all reasonable enquiry, my belief is that having had regard to the attached information (being information required by clause 5.5.7(2)) for the purpose of the supplier's CPP proposal-

the attached information is accurate;

the OVABAA was applicable in accordance with clause 2.1.2; and

the following unregulated services would be unduly deterred had adjustments to allocations of regulated service asset values ( in accordance with clause 2.1.5) not been made: [list relevant unregulated services]."

* + - * 1. Where, in relation to operating costs provided in a CPP proposal in accordance with subclause 5.5.6(1) and Schedule C, the OVABAA was applied, the CPP proposal must contain certification by no fewer than 2 of the GDB's directors in respect of application of the OVABAA in the following terms:

"I, [insert name], director of [insert name of Supplier of services regulated under Part 4 of the Commerce Act] certify that, having made all reasonable enquiry, my belief is that having had regard to the attached information (being information required by clause 5.5.7(2)) for the purpose of the supplier's CPP proposal-

the attached information is accurate;

the OVABAA was applicable in accordance with clause 2.1.2; and

the following unregulated services would be unduly deterred had adjustments to allocations of operating costs ( in accordance with clause 2.1.5) not been made: [list relevant unregulated services]."

* + 1. Asset valuation information
			1. RAB roll forward information

In respect of each disclosure year commencing after-

where disclosure has been made pursuant to an ID determination, the last disclosure so made; or

where disclosure has not been made pursuant to an ID determination, the disclosure year 2009,

to the last disclosure year of the next period, provide values, in accordance with Subpart 3 Section 2, for the-

total opening RAB value; and

sum of each of the following things:

forecast value of commissioned assets; and

closing RAB values.

* + - 1. Depreciation information
				1. In respect of each disclosure year of the CPP regulatory period, provide the information specified in this clause.
				2. The sum of depreciation for each type of asset-

for which the proposed method of determining depreciation is the standard depreciation method; and

for which the proposed method of determining depreciation is something other than the standard depreciation method.

* + - * 1. For each asset or type of asset to which subclause (2)(b) applies-

a description of the type of asset;

a description of the proposed depreciation method;

where the proposed asset life is different to the physical asset life, the proposed asset or type of asset life;

where the proposed asset life for the type of asset is different to the physical asset life, the proposed remaining asset life for the type of asset;

forecast depreciation over the asset life for the type of asset, including details of all assumptions made;

forecast depreciation over the asset life for the type of asset determined in accordance with the standard depreciation method;

evidence to demonstrate that the proposed depreciation method including, where applicable, any proposed asset life different to the physical asset life, better meets the purpose of Part 4 of the Act than the standard depreciation method; and

a description of any consultation undertaken with consumers on the proposed depreciation method, including-

the extent of any consumer disagreement; and

the GDB's view in response.

* + - * 1. For each asset or type of asset for which a different physical asset life to the standard physical asset life is proposed-

a description of the assets or types of asset;

to which clauses 2.2.8(1)(c) and 2.2.8(1)(h)(v) apply, an engineer's report addressing the suitability of the proposed physical asset life; and

any other evidence to demonstrate that the requirements of clause 2.2.8 in respect of the particular type of asset are met.

* + - 1. Revaluation information
				1. In respect of each disclosure year commencing after-

where disclosure has been made pursuant to an ID determination, the last disclosure so made; or

where disclosure has not been made pursuant to an ID determination, the disclosure year 2009,

to the last disclosure year of the next period provide the following things:

sum of opening RAB values;

forecast CPI for the last quarter of the disclosure year;

forecast CPI for the last quarter of the preceding disclosure year; and

revaluation rate.

* + - 1. Commissioned assets information
				1. In respect of each disclosure year commencing after-

where disclosure has been made pursuant to an ID determination, the last disclosure so made; or

where disclosure has not been made pursuant to an ID determination, the disclosure year 2009,

to the last disclosure year of the next period, provide the-

sum of value of commissioned assets; and

sum of forecast value of commissioned assets,

in respect of each of the following groups of assets:

assets-

acquired or intended to be acquired from a related party; or

transferred from a part of the GDB that supplies unregulated services;

assets-

acquired or intended to be acquired from another regulated supplier and used by that regulated supplier in the supply of regulated services; or

transferred or intended to be transferred from a part of the GDB that supplies other regulated services;

network spares; and

all other assets having a commissioning date or forecast to have a commissioning date in that period.

* + - * 1. In respect of each value provided in accordance with subclause (1), provide-

all data, information, calculations and assumptions used to derive it from relevant data provided in the capex forecast; and

where capital contributions are taken into account in any value disclosed pursuant to subclause (1)-

the amount of such capital contributions, with respect to asset types and quantities; and

policies relevant to such capital contributions.

* + - * 1. In respect of each asset to which subclause (1)(e) applies, provide-

the name of the relevant person or other part of the GDB, as the case may be; and

where the acquisition was or is intended to be from a related party, a description of the relationship between the GDB and that person.

* + - * 1. In respect of the likely vendor of each asset to which subclause (1)(f) applies, provide-

the name of the vendor;

a description of each asset likely to be acquired from that vendor; and

the forecast closing RAB value of each asset in the vendor's regulatory asset base for the disclosure year in which the acquisition is intended.

* + - 1. Asset disposals information
				1. In respect of each disclosure year from-

where disclosure has been made pursuant to an ID determination, the last disclosure so made; or

where disclosure has not been made pursuant to an ID determination, the disclosure year 2009,

to the last disclosure year of the next period, in respect of each of the following groups of assets:

assets likely to be-

sold to a related party; or

transferred to another part of the GDB; and

all other disposed assets,

provide the-

sum of unallocated opening RAB values; and

sum of opening RAB values.

* + - * 1. In respect of each asset to which the values provided pursuant to subclause (1) relate, provide-

the name of the relevant person or other part of the GDB, as the case may be; and

where the disposal is proposed to be to a related party, a description of the relationship between the GDB and that person.

* + - 1. Works under construction information

In respect of each disclosure year commencing after-

where disclosure has been made pursuant to an ID determination, the last disclosure so made; or

where disclosure has not been made pursuant to an ID determination, the disclosure year 2009,

to the last disclosure year of the next period, provide-

opening works under construction;

sum of capital expenditure;

sum of value of commissioned assets but only to the extent that values are included in closing RAB values disclosed pursuant to an ID determination;

sum of forecast value of commissioned assets but only to the extent that values are included in the sum of closing RAB values provided pursuant to clause 5.5.9(d)(ii); and

sum of closing works under construction.

* + 1. Tax information
			1. Interpretation

In this section, a term that is not emboldened but is defined for the purpose of a specific clause in Subpart 3 Section 3 bears the same meaning as it does in the clause of Subpart 3 Section 3 in which it is defined.

* + - 1. Period in respect of which information to be provided

A CPP proposal must contain, the information specified in this section in respect of each disclosure year commencing after-

where disclosure has been made pursuant to an ID determination, the last disclosure so made; or

where disclosure has not been made pursuant to an ID determination, the disclosure year 2009,

to the last disclosure year of the next period, in accordance with Subpart 3 Section 3.

* + - 1. Regulatory tax allowance information
				1. forecast regulatory tax allowance and particulars of how it was calculated
				2. other regulated income
				3. notional deductible interest and the cost of debt assumptions relied upon in its calculation
			2. Tax losses information
				1. amount of opening tax losses (if any) and particulars of how it was calculated
				2. information describing the nature and amounts of significant items giving rise to any opening tax losses
				3. information demonstrating that any opening tax losses arose from the supply of gas distribution services
			3. Permanent differences information
				1. sum of positive permanent differences
				2. sum of negative permanent differences
				3. amounts and nature of items used to determine-

positive permanent differences; and

negative permanent differences

* + - 1. Amortisation of initial differences in asset values information
				1. opening unamortised balance of the initial differences in asset values by asset category
				2. amortisation in respect of the disclosure year
				3. average weighted remaining useful life of the assets relevant to calculation of the initial regulatory tax asset value
			2. Amortisation of revaluations information
				1. unamortised balance of revaluations to date
				2. adjusted depreciation
				3. average weighted remaining useful life of the assets used to determine the amortisation of revaluations
				4. particulars of how the average weighted remaining useful life was calculated
			3. Deferred tax information
				1. opening deferred tax
				2. analysis of temporary differences and other adjustments by nature that give rise to opening deferred tax value
				3. closing deferred tax
				4. reconciliation of opening deferred tax to closing deferred tax by nature of temporary differences and other adjustments
			4. Temporary differences information
				1. description of the methodology and depreciation rates by asset category used to determine the forecast tax depreciation
				2. amounts and nature of other forecast temporary differences
				3. particulars of the calculation of the tax effect of temporary differences showing tax rates used
			5. Regulatory tax asset value information
				1. sum of tax asset values at the start of the disclosure year
				2. sum of tax asset values by asset category at the start of the disclosure year
				3. sum of regulatory tax asset values at the start of the disclosure year
				4. sum of regulatory tax asset values by asset category at the start of the disclosure year
				5. weighted average remaining tax life of assets and tax depreciation methodology employed, by asset category
				6. particulars of the calculation used to derive the regulatory tax asset values at the start of the disclosure year from the tax asset values at the start of the disclosure year
				7. sum of regulatory tax asset values at the end of the disclosure year
				8. reconciliation between the sum of regulatory tax asset values at the start of the disclosure year and the sum of regulatory tax asset values at the end of the disclosure year, by asset category, showing the values of capital additions, disposals, tax depreciation and other asset adjustments including cost allocation adjustments
		1. Cost of capital information
			1. Information regarding WACC and TCSD allowance
				1. A CPP proposal must identify the **67th percentile** estimate of WACC used for the purpose of clause 5.5.5(1).
				2. For the purpose of subclause (1), the identified **67th percentile** estimate of WACC is the applicable cost of capital specified in clause 5.3.22.
				3. Where a term credit spread differential allowance is proposed, a CPP proposal must contain all data, information, calculations, and assumptions used to determine any proposed term credit spread differential.
		2. Expenditure information
			1. Capex, opex, demand and network qualitative information

The information specified in Schedule D must be-

contained in a CPP proposal; and

provided in accordance with the requirements of that schedule.

* + - 1. Capex, opex, demand and network quantitative information
				1. A CPP proposal must contain the information specified in the regulatory templates and that information must be-

in spreadsheet format whereby each item of data is linked between all cells to which it is relevant, irrespective of whether such cells are on the same or different tabs; and

provided in accordance with the instructions specified in clause 5.5.28.

* + - * 1. Regulatory templates means the tables included in Schedule E named-

*Table 1: Top 5*;

*Table 2: Capex Summary*;

*Table 3: Opex Summary*;

*Table 4: Capex Project Programme*;

*Table 5: Opex Project Programme*;

*Table 6: Overheads*;

*Table 7: Unit rate escalators*;

*Table 8: Cost allocation A*; and

*Table 9: Cost allocation B*.

* + - * 1. Where data provided in accordance with subclause (1) has been computed or derived from other amounts or values on the spreadsheet through the use of formulae, the underlying formulae for the cells containing the data must be accessible.
				2. For the purpose of subclause (1), terms used in the regulatory templates must be interpreted in the same way as those terms are defined for the purpose of Schedule D.
			1. Instructions for completion of the regulatory templates
				1. Provide the information specified in *Table 4: Capex Project Programm*e and *Table 5: Opex Project Programme* of the regulatory templates for each project and for each programme.
				2. For the purpose of specifying the relevant capex category or opex category in accordance with subclause (1), where expenditure within each project or programme is relevant to more than one capex category or opex category-

select the capex category or opex category that is most relevant based on the nature of the expenditure; or

redefine the project or programme into two or more new projects or programmes and reallocate the expenditure so as to resolve the overlap.

* + - * 1. For the purpose of specifying the relevant service category in accordance with subclause (1), where expenditure within each project or programme is relevant to more than one service category-

select the service category that is most relevant based on the nature of the expenditure; or

redefine the project or programme into two or more new projects or programmes and reallocate the expenditure so as to resolve the overlap.

* + - * 1. For the purpose of subclause (1), the total Project/Programme amounts provided in the Asset Category sub-table must reconcile to the total Project/Programme amounts provided in the Project Costs by Source sub-table.
				2. Provide the information specified in *Table 6: Overheads* of the regulatory templates in respect of general management, administration and overheads opex.
				3. Provide the information specified in *Table 7:* *Unit rate escalators* of the regulatory templates for each unit rate for which an escalator has been applied.
				4. Provide the information in the format specified in *Table 1: Top 5* of the regulatory templates, by extending the table as necessary,

for all projects or programmes that form part of the **CPP proposal**; and

by using the information provided in accordance with subclause (1).

* + - * 1. Provide the information specified in *Table 2: Capex Summary* and *Table 3: Opex Summary* of the regulatory templates using the information provided in accordance with subclause (1).
				2. Where clause 5.3.5(2) applies, provide the information specified in *Table 9*: *Cost allocation B* of the regulatory templates.
		1. Information relevant to prices
			1. Information on proposed new pass-through costs

A CPP proposal must contain details of any cost not specified in clause 3.1.2(2) that is sought to be specified as a new pass-through cost in accordance with clause 3.1.2(1)(b), including information on-

how the cost is likely to arise;

who the cost would be payable to;

how the cost would be calculated;

any good or service the GDB would receive in exchange; and

how the cost meets the criteria specified in clause 3.1.2(3).

* + - 1. Information on proposed recoverable costs relating to costs of making CPP application

Where a CPP applicant seeks specification in the CPP determination of a recoverable cost to which clause 3.1.3(1)(d), 3.1.3(1)(e), or 3.1.3(1)(f) applies, it must provide, in relation to each auditor, verifier or engineer who was engaged to provide an opinion on some aspect of the CPP proposal in accordance with a requirement of this Part-

any document making a public or limited circulation request for proposals to carry out the work;

the terms of reference for the work;

invoices for services undertaken in respect of the work; and

receipts for payment by the CPP applicant.

* + 1. Pricing methodology information
			1. What pricing methodology information must be submitted
				1. The CPP proposal must contain the same type of information as is required under an ID determination in respect of pricing methodologies, subject to subclauses (2) and (3).
				2. For the purpose of subclause (1), information in respect of pricing methodologies of the type sought by the ID determination is required in respect of the CPP regulatory period only.
				3. Where, pursuant to subclause (1), a CPP applicant proposes a transitional pricing methodology, the CPP applicant must also provide-

justification for proposing a transitional pricing methodology rather than a pricing methodology consistent with the pricing principles;

the duration of the intended transitional period;

an explanation as to why the proposed duration of the transitional period is reasonable;

a plan demonstrating how the **GDB** intends to transition to a pricing methodology consistent with the pricing principles by the end of the transitional period; and

an explanation as to why that plan is reasonable.

* + 1. Information relevant to alternative methodologies
			1. Demonstration that alternative methodologies have equivalent effect
				1. Where a **CPP applicant** applies alternative methodologies in accordance with clause 5.3.23, it must provide:

a list and description of each alternative methodology applied;

an indication, at the relevant locations within the **CPP application**, as to where the alternative methodologies have been applied;

reasons why each of the alternative methodologies have been applied; and

evidence demonstrating that each alternative methodology complies with clause 5.3.23(3).

* + - * 1. Paragraph (1)(d) may be satisfied by submitting a certificate signed by an senior manager of the **CPP applicant** setting out the factual basis on which he or she believes each alternative methodology complies with clause 5.3.23(3).
	1. Consumer consultation, verification, audit and certification
		+ 1. Consumer consultation
				1. By no later than 40 working days prior to submission of the CPP proposal, the CPP applicant must have adequately notified its consumers-

that it intends to make a CPP proposal;

of the expected effect on the revenue and quality of its gas distribution services were the Commission to determine a CPP entirely in accordance with the intended CPP proposal;

of the price versus quality trade-offs made in the expenditure alternatives considered in the intended **CPP proposal**;

where clause 5.5.31 applies, of the expected effect of the CPP on each pipeline charge, were the Commission to determine a CPP entirely in accordance with the intended CPP proposal;

where and how further information in respect of the intended CPP proposal may be obtained;

of the process for making submissions to the GDB in respect of the intended CPP proposal; and

of their opportunity to participate in the consultation process required of the Commission by s 53T of the Act after any CPP proposal is received and considered compliant by the Commission.

* + - * 1. For the purpose of subclause (1)(e), where further information is available in hard copy only, the applicant must have ensured that any further information was readily available for inspection at the stated location.
				2. For the purpose of subclause (1), the CPP applicant must-

provide all relevant information;

provide information in a manner that promotes consumer engagement;

make best endeavours to express information clearly, including by use of plain language and the avoidance of jargon; and

provide consumers with (or notified them where to obtain) the information through a medium or media appropriate to the natures of the consumer base.

Examples:

by placing the information on the GDB's website;

by providing the information to groups or organisations that represent the consumers’ relevant interests;

by including the information in consumers' or gas retailers’ bills; and/or

by placing advertisements in local newspapers.

* + - 1. Verification
				1. A CPP proposal must be verified by a verifier**.**
				2. The verifier must be engaged in accordance with Schedule F**.**
				3. The CPP applicant must provide the verifier with-

the materials-

required by the verifier to verify the CPP proposal in accordance with the terms of his, her or its engagement and Schedule G; and

that it intends to submit to the Commission as a CPP proposal;

subject to paragraph (c), the materials referred to in paragraph (a) prior to the verifier commencing verification in accordance with Schedule G;

the information required by Schedule D pertaining to **identified programmes** after the verifier has notified the CPP applicant of its selection of **identified programmes**;

any information requested by the verifier pursuant to the verifier's right to ask for such information pursuant to his, her or its deed of engagement, as specified in clause F6(2)(d).

* + - 1. Audit and assurance

A CPP proposal must include a report by an auditor that states whether or not:

as far as appears from an examination of them, proper records to enable the compilation of information required by Subpart 5 have been kept by the CPP applicant;

in the case of actual financial information relating to the current period, that information has been prepared in all material respects in accordance with the input methodologies set out in this determination, and that it has been audited in accordance with applicable auditing standards issued under the Financial Reporting Act 2013 or any equivalent standards that replace these standards;

in the case of forecast financial information relating to the next period, that information has been compiled in all material respects in accordance with the input methodologies set out in this determination, and that it has been examined in accordance with applicable assurance engagement standards issued under the Financial Reporting Act 2013, or any equivalent standards that replace these standards or other appropriate standards;

in the case of quantitative historical information provided in spreadsheets, the information is properly compiled on the basis of the relevant underlying source information; and

in the case of quantitiative forecast information provided in spreadsheets, the information is properly compiled on the basis of relevant and reasonable disclosed assumptions.

* + - 1. Certification
				1. In the case of all information of a quantitative nature, other than forecast information, provided in accordance with this Part, no fewer than 2 directors of the CPP applicant must certify in writing his or her belief that-

the information was derived and is provided in accordance with the relevant requirements; and

it properly represents the results of financial or non-financial operations as the case may be.

* + - * 1. In the case of all information of a qualitative nature, other than forecast information, provided in accordance with this Part, no fewer than 2 directors of the CPP applicant must certify in writing his or her belief that-

the information is provided in accordance with the relevant requirements; and

it properly represents the events that occurred during the current period.

* + - * 1. In the case of all forecast information provided in accordance with this Part, no fewer than 2 directors of the CPP applicant must certify in writing his or her belief that-

the information was derived and is provided in accordance with the relevant requirements; and

the assumptions made are reasonable.

* + - * 1. No fewer than 2 directors of the CPP applicant must certify in writing-

that, to the best of his or her knowledge, the verifier was engaged by the CPP applicant in accordance with Schedule F;

that, to the best of his or her knowledge, the CPP applicant provided the verifier with all the information specified in Part 5, including its schedules, relevant to Schedule F;

that, to the best of his or her knowledge, the information described in clause F5(f) was provided to the verifier in advance of the verifier's selection of **identified** programmes;

a description of any information not provided to the verifier following the verifier's request;

reasons, which, in his or her opinion, justified any non-provision of such information;

that, to the best of his or her knowledge, the-

matters the auditor was engaged to audit included the matters specified in clause 5.6.3; and

auditor was instructed to report on at least the matters described in clause 5.1.4; and

that the-

audit report provided pursuant to clause 5.1.4;

verification report; and

other certifications required by this clause,

all relate to the same CPP proposal.

* + - * 1. Where-

a director has certified a matter of opinion in accordance with this clause; and

his or her opinion has changed before the Commission's determination of the CPP in question,

that director must notify the Commission as soon as reasonably practicable.

* + - * 1. Where-

a director has certified a matter of fact in accordance with this clause; and

before the Commission's determination of the CPP in question he or she-

becomes aware that the fact is untrue; or

has significant cause to doubt the accuracy of that fact,

that director must notify the Commission as soon as reasonably practicable.

* + - * 1. For the avoidance of doubt, the certifications required by the different subclauses of this clause may be made by the same or different directors.
	1. Catastrophic events and reconsideration of a customised price-quality path
		+ 1. Catastrophic event

Catastrophic event means an event-

beyond the reasonable control of the GDB;

in relation to which expenditure-

was neither sought in a CPP proposal; nor

is explicitly or implicitly provided for in the DPP or CPP,

as the case may be;

that could not have been reasonably foreseen at the time the CPP or DPP was determined; and

in respect of which-

action required to rectify its adverse consequences cannot be delayed until a future regulatory period without quality standards being breached;

remediation requires either or both of capital expenditure or operating expenditure during the regulatory period;

the full remediation costs are not provided for in the DPP or CPP; and

in respect of a **GDB** subject to a CPP, the cost of remediation net of any insurance or compensatory entitlements would have an impact on the price path over the disclosure years of the CPP remaining on and after the first date at which a remediation cost is proposed to be or has been incurred by an amount equivalent to at least 1% of the aggregated allowable notional revenue for the disclosure years of the CPP in which the cost was or will be incurred.

* + - 1. Change event

Change event means-

change in a; or

a new,

legislative or regulatory requirement applying to a **GDB** subject to a CPP the effect of which-

must take place during the current regulatory period;

is not explicitly or implicitly provided for in the CPP; and

will necessitate incursion of costs in response, which costs, over the disclosure years of the CPP remaining on and after the date at which they are reasonably incurred, have an impact on the price path by an amount equivalent to at least 1% of the aggregated allowable notional revenue for the disclosure years of the CPP in which the cost was or will be incurred.

* + - 1. Error event
				1. ‘Error event’ means, subject to subclause (2), a clearly unintended circumstance identified by the **Commission** where the **CPP** was determined or amended based on an error, including where:

incorrect data was used in setting the price path or the quality standard; or

data was incorrectly applied in setting the price path or quality standards.

* + - * 1. For the purposes of subclause (1), an error relating to-

the price path will not constitute an **error event** unless the error has an impact on the price path of an amount equivalent to at least 1% of the aggregate **forecast allowable revenue** for the affected **disclosure years** of the **CPP**; and

the quality standards is to the value of a metric by which such quality standards are specified in the **CPP**, but not to the metric itself.

* + - 1. Major transaction

‘Major transaction’ means a transaction, whether contingent or not, where **consumers** are transferred between suppliers of the same type of **regulated service** and-

the acquisition of, or an agreement to acquire, assets with a value which is equivalent to more than 10% of the **GDB’s opening RAB value** in the **disclosure year** of acquisition;

the disposal of, or an agreement to dispose of, assets of the **GDB** with a value of more than 10% of the **opening RAB value** in the **disclosure year** of disposal;

has, or is likely to have, the effect of the **GDB** acquiring rights or interests with a value which is equivalent to more than 10% of the **opening RAB value** in the **disclosure year** of acquisition; or

has, or is likely to have, the effect of the **GDB** incurring obligations or liabilities or contingent liabilities, excluding loans or borrowing costs in respect of assets, with a value which is equivalent to more than 10% of the **opening RAB value** in the **disclosure year** of incurring the obligation.

* + - 1. Contingent projects
				1. A contingent project is a project that has been listed as a 'contingent project' with an associated trigger event in a CPP determination.
				2. For the purpose of subclause (1), a project may only be so listed if it is a project-

that the Commission considers-

is reasonably required of a GDB; and

is one whose associated assets are likely to be commissioned,

during the CPP regulatory period;

for which a commencement date cannot be forecast with an appropriate degree of specificity by comparison with other proposed projects; and

in respect of which the Commission considers that its required capex and opex-

as disclosed in a CPP proposal exceeds 10% of the value of the GDB's annual revenue in the most recently completed disclosure year in respect of an ID determination; and

would be likely, when forecast with reasonable certainty, to meet the expenditure objective.

* + - * 1. ‘Trigger event’ means, subject to subclause (4), a condition or event that would reasonably cause a GDB to incur forecast **opex** or forecast **capex** of the nature and extent required by an associated contingent project.
				2. For the purpose of subclause (3), the condition or event must-

not be within the control of the GDB;

be capable of being-

specifically defined; and

objectively verified as having occurred; and

be something the occurrence of which the Commission considers is probable during the CPP regulatory period.

* + - * 1. For the avoidance of doubt, the Commission has discretion as to-

whether to list a project that satisfies subclause (2) as a contingent project in a CPP determination; and

the selection and description of trigger events.

* + - 1. Unforeseen projects
				1. ‘Unforeseen project’ means a project or programme, subject to subclause (2), that, in respect of the services supplied by the GDB in question at the time that GDB submitted its CPP proposal, would have been unforeseeable to a prudent GDB.
				2. For the purpose of subclause (1), the total capex forecast and opex forecast of the **projects** or **programmes** proposed to the Commission pursuant to clause 5.7.7(8) must exceed 10% of the value of the GDB’s annual revenue in the most recently completed disclosure year in respect of an ID determination.
			2. When price-quality paths may be reconsidered
				1. A CPP may be reconsidered if-

the Commission considers; or

the GDB in question satisfies the Commission, upon application,

that subclauses (2), (5), (9) or (10) applies.

* + - * 1. This subclause applies if-

subject to subclause (3), a catastrophic event has occurred;

a **change event** has occurred;

there has been an error event;

a **major transaction** has occurred; or

there has been a **WACC change**.

* + - * 1. For the purpose of subclause (2)(a), where the costs to rectify the adverse consequences of the catastrophic event are fully covered by-

the CPP (e.g. through an operational expenditure allowance for self-insurance); or

commercial insurance held by the GDB,

the Commission will only reconsider the quality standards of the CPP.

* + - * 1. For the purpose of subclause (2)(e), a ‘WACC change’ occurs when-

a **67th percentile estimate of WACC** has been determined for a new **DPP regulatory period**; and

the new **DPP regulatory period** commences within the current **CPP regulatory period**.

* + - * 1. This subclause applies if-

false or misleading information relating to the making or amending of a CPP determination has been knowingly-

provided by a **GDB**, any of its agents or a verifier to the Commission; or

disclosed pursuant to the Gas (Information Disclosure) Regulations 1997 or an ID determination, as the case may be; and

the Commission relied on that information in making or amending a CPP determination.

* + - * 1. The price-quality path may be reconsidered by the Commission if a GDB satisfies it, upon application, that-

a trigger event has occurred and the information set out in clause 5.7.7(7) has been provided to the **Commission**; or

an unforeseen project-

has commenced and the information set out in clause 5.7.7(8) has been provided to the Commission; or

is committed during the current CPP regulatory period and the information set out in clause 5.7.7(8) has been provided to the Commission.

* + - * 1. The Commission need not consider an application under subclause (6)(a) unless the GDB has provided it with-

a written statement from no fewer than 2 of the GDB's directors certifying-

that the trigger event has occurred;

full particulars of the occurrence; and

the date on which it occurred;

detailed cost information relating to proposed expenditure on the contingent project for its duration; and

any other information required by the Commission.

* + - * 1. The Commission need not consider an application under subclause (6)(b) unless the GDB has provided it with-

information demonstrating that the project or programme is an unforeseen project;

detailed cost information relating to proposed expenditure on the unforeseen project for its duration; and

any other information required by the Commission.

* + - * 1. The price path may be reconsidered by the **Commission** if it applies a next closest alternative approach in accordance with clause 1.1.5(1) which has a non equivalent effect.
				2. The price-quality path may be reconsidered by the **Commission** if a requirement in a s 52P determination is considered by the **Commission** to be unworkable and the application of s 52Q results in a non-equivalent effect on the price-quality path.
			1. Amending price-quality path after reconsideration
				1. Where, after reconsidering a CPP in accordance with clause 5.7.7, the Commission determines that it should be amended, the Commission may amend either or both of the price path or the quality standards specified in the CPP determination, subject to the rest of this clause and clause 5.7.7(3).
				2. In determining the extent of any amendment to the price path, the Commission must take into account the expenditure objective.
				3. The Commission must not amend the-

price path more than is reasonably necessary to take account of the change in costs net of any insurance or compensatory entitlements; and

quality standards more than are reasonably necessary to take into account any necessary change in quality,

arising from-

the catastrophic event;

the change event;

the error event;

the major transaction;

the provision of false or misleading information;

the contingent project;

the unforeseen project; or

the **WACC change**,

as the case may be.

* + - * 1. The **Commission** will not amend the price path for the application of a next closest alternative approach more than is necessary to adopt the effect of that next closest alternative approach in the price-quality path.
				2. The **Commission** will not amend the price-quality path for the application of s 52Q in respect of an unworkable requirement in a s 52P determination more than is necessary to adopt the effect of that s 52Q amendment in the price-quality path.
				3. Where the Commission's reconsideration of the price-quality path was-

triggered by a catastrophic event, in determining the extent of the amendment to the price-quality path, the Commission will consider the extent to which a **GDB** has demonstrated that it has reviewed its capital expenditure and operating expenditure plans for the remainder of the regulatory period and made such substitutions as is possible without adversely affecting its ability to meet its quality standards;

pursuant to the occurrence of an unforeseen project-

the Commission need not amend the CPP unless the amount of required capex and opex determined by the Commission exceeds 10% of the value of the GDB’s annual revenue in the relevant disclosure year for the purpose of clause 5.7.6(2);

any such amendment may not take effect until the disclosure year in which assets constructed as part of the relevant unforeseen project are forecast to be commissioned; and

pursuant to the occurrence of a trigger event, any amendment to the CPP may not take effect until the disclosure year in which assets constructed as part of the relevant contingent project are forecast to be commissioned.

* + - * 1. Where the **Commission's** reconsideration of the price-quality path was triggered by a **WACC change**, the **Commission** will for the remaining years of the **CPP regulatory period** after the **WACC change**:

determine the series of **maximum allowable revenue after tax** in accordance with clause 5.3.4(1); and

for the purpose of (a), use-

the **building blocks allowable revenue before tax** calculated in accordance with clause 5.3.2(1);

the revised **WACC** in clause 5.3.22(2), including where the **WACC** is used for present value calculations, and for timing factors in clause 5.3.2(4);

the **forecast CPI** for the **DPP regulatory period** referred to in clause 5.7.7(4)(a), to calculate a revised **revaluation rate** in accordance with the method in clause 5.3.10(4);

the same input values as applied by the **Commission** in initially determining the **CPP** for all other input values in the calculation of **building blocks allowable** **revenue before tax**; and

a revised forecast **regulatory taxable income** to apply the changes in **building blocks allowable revenue before tax** resulting from (i) to (iii) in a revised **forecast regulatory tax allowance**.

1. STANDARD PHYSICAL ASSET LIVES

Standard Physical Asset Lives for GDBs

|  |  |  |  |
| --- | --- | --- | --- |
| 1. ASSET DESCRIPTIONS
 | 1. UNIT
 | 1. NOTES
 | 1. STANDARD PHYSICAL ASSET LIFE (YEARS)
 |
| 1. HP PIPELINES – various diameters
 | 1. m
 | 1. (a)
 | 1. 80
 |
| 1. IP PIPELINES (suburban, standard ground conditions, trenched construction) – 50mm to 300mm
 | 1. m
 | 1. (b)
 | 1. 70
 |
| 1. MP PIPELINES (suburban, standard ground conditions) – 32mm to 200 mm
 | 1. m
 | 1. (c), (d)
 | 1. 60
 |
| 1. IP SERVICES
 |  |  |  |
| 1. 32 mm (suburban, standard ground conditions)
 | 1. m
 |  | 1. 70
 |
| 1. Mains connection, riser and valve
 | 1. No.
 |  | 1. 70
 |
| 1. MP SERVICES
 |  |  |  |
| 1. 20 mm (suburban, standard ground conditions)
 | 1. m
 |  | 1. 60
 |
| 1. Mains connection, riser and valve
 | 1. No.
 |  | 1. 60
 |
| 1. STATIONS
 |  |  |  |
| 1. Site Development and Buildings
 |  |  | 1. 50
 |
| 1. METERS (cubic metres / hour)
 |  |  |  |
| 1. 0 to 25
 | 1. No.
 |  | 1. 25
 |
| 1. 25 to 60
 | 1. No.
 |  | 1. 15
 |
| 1. Other station equipment: regulators; valves, pipework and fittings; instrumentation and RTUs; electrical fittings
 | 1. No.
 |  | 1. 35
 |
| 1. VALVES
 |  | 1. (e)
 |  |
| 1. HP Pipeline Valves (includes Pits and Covers)
 | 1. No.
 |  | 1. 80
 |
| 1. IP Pipeline Valves (includes Pits and Covers)
 | 1. No.
 |  | 1. 70
 |
| 1. MP Pipeline Valves (includes Pits and Covers)
 | 1. No.
 |  | 1. 60
 |
| 1. SCADA / CONTROL SYSTEMS
 |  |  |  |
| 1. SCADA Master Station; telecommunications systems
 | 1. No.
 |  | 1. 10
 |
| 1. SPECIAL CROSSINGS
 | 1. No
 | 1. (f)
 |  |
| 1. SPARES
 |  | 1. (g)
 |  |
| 1. Notes:
2. (a) ‘HP’ means high pressure pipelines with operating pressures above 20 barg.
3. (b) ‘IP’ means intermediate pressure pipelines with operating pressures between 7 and 20
4. barg.
5. (c) ‘MP’ means medium pressure pipelines with operating pressures up to 7 barg.
6. (d) For MP pipelines of PE construction installed prior to 1985, the maximum asset life should be 50 years.
7. (e) Asset lives for valves should correspond to the associated pipeline.
8. (f) Asset lives for special crossings should correspond to the type of pipeline for which the crossing is constructed. Where more than one type uses a single crossing, the asset type with the longest standard life should be used as reference.
9. (g) Spares should be given the same asset lives as the network assets they support.
 |

1.
2. TRANSITIONAL TABLES FOR COST ALLOCATION INFORMATION

Table 1: Allocation of the Unallocated Initial RAB Value

Table 1(a):

Table 1(b):

Table 1(c):

Table 2: Allocation of the Unallocated Closing RAB Value

Table 2(a):

Table 2(b):

Table 2(c):

Table 3: Allocation of Operating Costs Not Directly Attributable

Table 3(a):

Table 3(b):

Table 3(c):

Table 4: Arm’s-length Deductions from Regulated Service Asset Values

Table 5: Arm’s-length Deductions from Operating Costs

1. COST ALLOCATION INFORMATION RELATING TO FORECAST ASSET DIVESTMENTS

Table 1: Allocation of the Unallocated Closing RAB Value

Table 2: Allocation of Operating Costs Not Directly Attributable

Table 3: Arm’s-length Deductions from Regulated Service Asset Values

Table 4: Arm’s-length Deductions from Operating Costs

1.
2. CAPITAL AND OPERATING EXPENDITURE INFORMATION
	* + 1. Interpretation

In this Subpart, words in bold type bear the following meanings:

actual capex means the capex incurred during the current period;

actual opex means the opex incurred during the current period;

asset category means one of the following asset types:

distribution pipelines, including

mains operating at intermediate, medium and low pressure; and

services;

stations, including:

gate stations;

pressure reducing stations;

and in respect of each station:

land;

site development and buildings;

regulators;

valves, pipework and fittings;

instrumentation and RTUs; and

electrical fittings;

valves, meaning valves other than those located at stations;

SCADA / Control systems, including:

master stations;

telecommunications systems;

network spares; and

other;

asset management plan means any asset management plan required by an ID determination;

asset relocations capex means capex principally incurred in relocating assets where the relocation does not result in the assets having service potentials materially different to their service potentials in their original location;

asset replacement and renewal capex means capex predominantly associated with-

the progressive physical deterioration of the condition of network assets or their immediate surrounds; or

expenditure arising as a result of the obsolescence of network assets;

base year means historical 12 month period;

base year approach means forecasting data regarding the supply of gas distribution services in the future based on data obtained in a base year;

capex category means one of the categories in the following list which comprises, for the purpose of a CPP proposal, a classification of the types of capex that GDBs make when providing gas distribution services to consumers and capex categories means all of the following categories:

customer connection capex;

system growth capex;

reliability, safety and environment capex;

asset replacement and renewal capex;

asset relocations capex; and

non-system fixed assets capex;

committed means, in respect of a project or programme, one that has received all approvals internal and external to the GDB that are required in order for work on the project to commence;

connection point means a physical connection point on the network with another pipeline or consumer, at which gas is imported into or exported from the network;

customer connection capex means capex predominantly associated with the establishment of new connection points of consumers to the network, or alterations to existing connection points where the expenditure relates to connection assets and/or parts of the network for which the expenditure is recoverable in total, or in part, by a capital contribution;

deliverability means the extent to which the activities to which the capex forecast and opex forecast relate are likely to be undertaken by the GDB during the next period with reference to the GDB’s ability to-

source and secure physical resources (such as appropriately skilled personnel and materials) and planning consents from external authorities; and

prioritise, manage and undertake the work involved, including the ability to implement any planned step change from historical levels of investment and workload;

document means correspondence, notices, circulars, memoranda, minutes, reports, policies, contracts or agreements in the possession or control of the GDB, whether in electronic or paper format;

fault and emergency maintenance opex means opex principally incurred in responding (by way of undertaking remedial work) to an unplanned instantaneous event that impairs the normal operation of network assets but does not include expenditure on work to prevent or mitigate the impact such an event would have should it occur;

general management, administration and overheads opex means opex that is principally incurred on administration or which is not directly incurred in the physical operation and maintenance of the network, including expenditure on-

accounting;

corporate management;

finance;

human resources;

information technology;

insurance paid to an insurer;

legal;

occupational health and safety;

procurement;

property; and

regulation;

key assumptions means-

any significant assumption made by a **GDB** in the preparation of its proposal, clearly identified in a manner that makes its significance to the proposal understandable to the Commission, including-

forecasts of peak demand;

forecasts of weighted average remaining life of assets;

forecasts of gas consumption;

forecasts of material movements in gas consumption within the network;

forecasts of consumer numbers;

forecasts of pipeline length;

labour unit rates applied to key items of plant and equipment;

materials unit rates applied to key items of plant and equipment;

labour escalators as required by clause D18(2); and

materials escalators as required by clause D18(2); and

a description of the-

basis on which those assumptions were prepared; and

the principal sources of information from which those assumptions were derived;

non-system fixed assets capex means capex incurred in relation to assets not directly related to the network used in the supply of gas distribution services, including in relation to-

information and technology systems;

asset management systems;

office buildings, depots and workshops;

office furniture and equipment;

motor vehicles; and

tools, plant, and machinery;

obligation means a legally enforceable duty owed by a **GDB**, whether arising under legislation, at common law or in contract, but excludes a contractual obligation commencing after this determination takes effect;

opex means operating expenditure;

opex category means one of the categories in the following list which comprises, for the purpose of a CPP proposal, a classification of the types of opex that GDBs make when providing gas distribution services to consumers, and opex categories means all of the following categories:

general management, administration and overheads opex;

system management and operations opex;

routine and preventative maintenance opex;

refurbishment and renewal maintenance opex;

fault and emergency maintenance opex; and

other opex;

other opex means opex that is not captured by the other opex categories;

planning standards means policies adopted by the GDB which relate to the planning of the network and the forecasting of capex and opex for that purpose, including in relation to-

long term network development;

network maintenance; and

system operations;

policies means documented and director or management-approved short-term and long-term policies, procedures, strategies, guidelines, plans and approaches including those relating to-

asset management;

asset security;

augmentation and planning;

business cases, including cost-benefit analyses;

capex (e.g. capex approval and replacement);

condition monitoring and replacement;

corporate governance;

disaster recovery;

energy supply and consumer growth forecasting;

gas odorisation;

information technology;

internal reviews;

investment decision making and evaluation;

land and easement acquisition;

network spares;

prioritisation and options analysis;

procurement;

project management;

regulatory compliance;

risk management and assessment; or

self insurance;

refurbishment and renewal maintenance opex means opex that is predominantly associated with the replacement, refurbishment or renewal of items that are asset components ;

reliability, safety and environment capex means capex predominantly associated with-

the improvement of reliability or service standards;

maintaining or improving the safety of the network for consumers, employees and the public; or

activities to-

meet new or enhanced legislative requirements; or

achieve enhancements,

relating to the environment;

routine and preventative maintenance opex means opex that is predominantly associated with planned work and-

includes-

fault rectification work that is undertaken at a time or date subsequent to any initial fault response and restoration activities;

routine inspection;

testing; and

easement inspection; and

excludes expenditure on initial fault or emergency maintenance;

service category means one of the categories in the following list which comprises, for the purpose of a CPP proposal, a classification of the services that the CPP applicant provides to its consumers, and service categories means all of the following categories:

provide and operate network infrastructure between connection points and deliver gas through the network;

provide connection services, including changes of connection point capacity and/or reliability;

provide for rearrangement of network assets at third party request; and

provide an additional service (or services if necessary) to those listed in paragraphs (a) to (c), specified by the CPP applicant;

service level means the magnitude of a service measure;

service measure means an objectively measurable characteristic or feature of a service category;

system fixed assets means all fixed assets owned, provided, maintained, or operated by a **GDB** that are directly related to the network and used, or intended to be used, for the supply of gas distribution services;

system growth capex means capex principally incurred in implementing a change in demand on the network assets, and includes expenditure that is not recoverable (in total or in part) from the consumer supplied at the point of connection to the network who is the source of the change in demand; and

system management and operations opex means opex that is predominantly associated with the management and operation of the network including-

system operations;

system studies and planning;

design;

gas odorisation testing;

network record keeping; and

standards and manuals.

* + - 1. Instructions relating to provision of information
				1. A CPP proposal must-

assemble all information that this Schedule requires in a section of the CPP proposal entitled “Capex/Opex/Demand Qualitative Information”; and

contain a table that, in respect of each clause of this schedule-

provides a reference to the place where, in the Capex/Opex/Demand Qualitative Information section of the CPP proposal, a response is provided; and

gives the title and page reference to any separate document identified in response, including in the case where the document in question is provided in the CPP proposal.

* + - * 1. Where information provided in accordance with these requirements differs from the most recent information provided by the GDB to the Commission in accordance with any obligation under Part 4 of the Act, a CPP proposal must-

identify the differences; and

give reasons for such differences.

* + - * 1. Where information required by this Schedule is omitted from a CPP proposal, the CPP proposal must contain an explanation for each such omission.
				2. A CPP applicant may, without provision of additional information, reproduce information from its most recently published asset management plan in response to a requirement of this Schedule, subject to subclause (5).
				3. For the purpose of subclause (4), reproduction of such material is only permitted where the relevant section of the asset management plan clearly and succinctly provides the required information, without the need for analysis or interpretation on the part of the verifier or the Commission.
				4. For the avoidance of doubt-

the ‘Summary of intended CPP proposal’ provided to the **Commission** in accordance with clause F5 will not include detailed information described in clauses D7(2), D7(5), D12(2) and D12(3**)** in relation to **identified programmes**; and

such information-

need only be provided to the verifier upon the verifier's request; and

is required to be included in the CPP proposal as provided to the Commission.

* + - 1. Qualitative Information
				1. Provide-

all policies relied upon in whole or in part in preparing the response to-

this schedule and

any other requirement of Subpart 5 Section 7 of Part 5; and

where the rationale is not already included in the policies themselves, the rationale for the policies provided in accordance with paragraph (a), including any consultants’ reports relied upon in preparing the policies.

* + - * 1. Identify all consultants’ reports commissioned for the purpose of preparing the capex forecast or opex forecast.
				2. Where information from the CPP applicant’s most recently published asset management plan has been included in the CPP proposal in response to a requirement of this clause, provide an index of explicit references to the sections and paragraphs of the asset management plan relied upon.
			1. Categorisation of services

For each service category relevant to the gas distribution services provided by the GDB, provide-

a description of the GDB’s services that fall within it, including-

its key service features and specifications;

the identity of the intended consumers of the services;

the processes used to determine the features and specifications of each service; and

any material changes to the services proposed for the next period;

the service measures, including a description as to how these have been defined, relating to-

categories of consumers;

asset performance, asset efficiency and effectiveness;

 efficiency of the GDB’s business activities; and

the GDB’s obligations;

a corresponding target service level for each service measure;

a description as to how each target service level-

was determined, including a description of any consumer consultation used to specify it; and

relates to the GDB’s relevant policies;

a comparison and evaluation of each actual service level achieved for each disclosure year in the current period against each relevant target service level for each relevant service measure, including explanations for all significant variances and, for each significant variance, an explanation of the action being taken or proposed to improve performance; and

details of all proposed changes to the target service levels for each service measure, including-

the rationale for all proposed changes with reference to relevant consumer demands and the GDB’s obligations; and

a description of how the proposed changes were taken into account in preparing the CPP proposal.

* + - 1. Network asset information
				1. Provide details of the GDB’s existing network assets including-

a high-level description of the distribution area that includes-

identification of the distribution area(s) covered;

identification of large consumers that have a significant impact on network operations or asset management priorities;

a description of the demand characteristics for different parts of the network; and

the peak demand and total quantity of gas delivered in each disclosure year of the current period, broken down by geographically non-contiguous network, if any;

a description of the existing network configuration, including-

identification of gate stations;

existing supply capacity and current peak demand of each gate station;

a description of the network fed from the gate stations, including identification and capacity of pressure reducing stations and operating pressure of the individual sections of the network; and

an overview of secondary assets such as SCADA and telecommunications systems;

a description of the existing network assets by asset category, including-

pressure levels;

a description and quantity of assets;

age profiles;

a discussion of the condition of the assets, further broken down as appropriate, including historic failure rates; and

identification of any relevant systemic issues that may lead to the need to prematurely replace assets or parts of assets;

the sum of regulated service asset values by asset category consistent with those most disclosed by the GDB prior to making the CPP application in respect of the most recently completed disclosure year pursuant to the Gas (Information Disclosure) Regulations 1997 or an ID determination; and

at the **GDB**'s option, a sum of regulated service asset values by any asset category sub-category (as 'sub-category' is defined by the GDB);

* + - * 1. For the purpose of subclause (1)-

where information is based on estimates, this must be explicitly stated; and

quantities of assets must be presented in a way that clearly describes the size of the regulatory asset base, but need not include detailed lists or schedules as would be included in a complete asset register or inventory.

* + - 1. Demand and consumer number forecasts
				1. For each key assumption relating to maximum demand, gas supplied or consumer numbers-

explain how it was relied upon in the CPP proposal;

provide-

an outline of the treatment of any consumer demands directly connected to the network, uncertain demands and significant demands transferred, or expected to be transferred, between different parts of the network.

assumptions of consumer numbers in total and by the consumer categories used by the GDB;

assumptions of energy volumes supplied to consumers by each category referred to in sub-paragraph (ii); and

assumptions relating to average consumer energy usage by each category referred to in sub-paragraph (ii).

* + - * 1. For each key assumption that is a demand forecast-

describe the methodology used to prepare it (to at least gas station level), including-

any sensitivity analysis undertaken; and

the models used (including each model’s key inputs and assumptions);

describe and explain it in respect of each disclosure year in the next period by reference to each demand group; and

explain the extent to which the forecasting methodology used is consistent with-

and has taken into account historical observations; and

the methodology used to derive the forecast quantities as required by clause 5.3.4(7).

* + - 1. Capital expenditure
				1. For each capex category included in the capex forecast-

provide an overall description including the aims and objectives of the capex category;

provide an explanation as to its deliverability, with reference to factors likely to affect the capex category as a whole; and

identify all relevant documents, policies and consultant's reports that were taken into account in preparing the capex forecast.

* + - * 1. For each identified programme included in the capex forecast-

provide an overall description including the aims and objectives of the identified programme;

provide an explanation as to its deliverability, with reference to factors likely to specifically affect that identified programme;

provide details of all contingency factors provided for, including how they were calculated and what uncertainties they account for;

state-

each relevant key assumption;

each relevant obligation; and

anystep change and its effect on the capex forecast for the identified programme;

explain all departures from any conclusions and recommendations contained in each consultant’s report identified in accordance with subclause (1)(c); and

explain the methodology used to generate the capex forecast for the identified programme, including but not limited to details regarding-

any cost benchmarking undertaken by or for the GDB;

internal historical cost trends (for specific asset categories) relied upon;

material changes to work backlogs;

all network alternative projects and/or programmes considered;

all cost-benefit analyses undertaken;

all contingency factors provided for, including how they were calculated and what uncertainties they account for; and

anystep changefrom historical costs in any cost component included in the identified programme and its effect on the capex forecast.

* + - * 1. For each policy identified in response to subclause subclause (1)(c), explain-

how it was taken into account and complied with; and

how relevant planning standards have been incorporated.

* + - * 1. For each key assumption identified in accordance with subclause (2)(d)(i)-

provide the method and information used to develop the assumption; and

explain how the assumption has been applied and its effect on the capex forecast.

* + - * 1. Where any identified programme, other than a project or programme to be undertaken for the foreseeable future, is forecast to terminate after the end of the next period, in addition to the information required by subclause (2), provide any additional information relevant to capex forecast to the end of the identified programme.
				2. For each project and programme (other than identified programmes) included in the capex forecast-

explain-

how each relevant policy identified in response to subclause (1)(c) was taken into account and complied with; and

how the relevant planning standards have been incorporated; and

provide details of all contingency factors provided for, including how they were calculated and what uncertainties they account for.

* + - 1. System growth capital expenditure information

For system growth capex, provide-

a description of the relevant planning standards and relevant key assumptions;

a description of the prioritisation methodology adopted for system growth projects and programmes;

details of the specific network locations where constraints are expected due to forecast demand increases;

relevant policies for purchasing land and easements for future use;

where rationale is not already included in the policy documents, rationale for the policies provided in accordance with paragraphs (a) and (d);

an analysis of the network development options available;

details of the planning decisions made to meet each relevant target service level; and

a description and identification of the system growth programme including-

actions to be taken, including clear linkages to the forecast expenditures in each of the associated projects and programmes;

a detailed description of each project in the capex forecast that has commenced or is committed; and

a description of each project that is not committed but is planned to commence in the next period, the information being provided to be commensurate with the project's current status in the planning process.

* + - 1. Asset replacement and renewal capital expenditure information
				1. For asset replacement and renewal capex provide-

a description of the relevant policies and key assumptions relating to the circumstances in which capex should be incurred based on-

the age or reliability profile of an asset by comparison with the condition of an asset and vice versa; and

replacement of an asset rather than renewing it and vice versa;

where rationale is not already included in the policy documents, the rationale for the policies and key assumptions provided in accordance with paragraph (a);

any asset replacement models developed by or for the GDB to determine asset replacement and renewal capex, including-

all supporting documentation for the models used; and

any other relevant considerations; and

a description and identification of replacement and renewal programmes or actions to be taken for each asset category.

* + - * 1. Explain whether and how the matters provided and identified in accordance with subclause (1)-

were taken into account in the capex forecast; and

affected forecast asset replacement and renewal capex by comparison with the equivalent actual capex incurred.

* + - * 1. Explain how any proposed system growth associated with the replacement of assets before the end of their asset life has been taken into account in the asset replacement and renewal capex for the next period.
			1. Reliability, safety and environment capital expenditure information

For reliability, safety and environment capex-

describe the implications (including timing) of complying with any-

new obligation; or

substantive amendment to any current such obligation that is reasonably anticipated to occur during the next period,

concerned with safety or environmental protection relevant to the supply of gas distribution services by the GDB;

explain how these new obligations or substantive amendments to obligations have been taken into account in the CPP proposal;

describe-

the relevant risk management policies;

risk assessments and risk mitigation or risk prevention measures employed during the current period, including those pursuant to or in response to an obligation or a step change to an obligation; and

all risk mitigation measures identified and proposed to be deployed in the next period, including methods, details and conclusions of risk assessments and details of emergency response and contingency plans; and

where rationale is not already included in the policy documents provide the rationale for the policies provided in accordance with paragraph (c).

* + - 1. Non-system fixed assets capital expenditure information

For non-system fixed assets capex in the capex forecast provide the rationale for the expenditure in the largest two of the following expenditure categories by dollar value:

asset management systems;

information and technology systems;

motor vehicles;

office buildings, depots and workshops;

office furniture and equipment; and

tools, plant and machinery.

* + - 1. Operating and maintenance expenditure
				1. For each opex category included in the opex forecast-

provide an overall description including the aims and objectives of the opex category;

provide an explanation as to its deliverability, with reference to factors likely to affect the opex category as a whole; and

identify all relevant documents, policies and consultants' reports that were taken into account in preparing the opex forecast.

* + - * 1. For each identified programme included in the opex forecast-

provide-

an overall description including the aims and objectives of the identified programme;

an explanation as to its deliverability, with reference to factors likely to affect that identified programme specifically; and

details of all contingency factors provided for, including how they were calculated and what uncertainties they account for;

identify-

each relevant key assumption;

each relevant obligation; and

any step changeand its effect on the opex forecast for the identified programme; and

explain-

whether a base year approach was used in forecasting, and if so, identify the base year used and, if it is not a year in the current period (for which data will have been provided), provide the relevant data from that base year;

all departures from any conclusions and recommendations contained in each consultant’s report identified in accordance with subclause (1)(c); and

the methodology used to generate the opex forecast for the identified programme.

* + - * 1. For the purpose of subclause (2)(c)(iii), such methodology must include, as a minimum, details regarding-

any cost benchmarking undertaken by or for the GDB;

internal historical cost trends (for specific asset categories) relied upon;

descriptions of inspections, tests and condition monitoring carried out and the intervals at which they were done;

material changes to work backlogs;

alternative programmes considered;

all cost-benefit analyses undertaken;

all contingency factors provided for, including how they were calculated and the uncertainties they account for;

any step change from historical costs in any cost component included in the identified programme and its effect on the opex forecast; and

how the service measures identified in accordance with clause D4(b) were taken into account.

* + - * 1. For each relevant policy identified in response to subclause (1)(c), explain-

how it was taken into account and complied with; and

how the relevant planning standards were incorporated in it.

* + - * 1. For each key assumption identified in accordance with subclause (2)(b)(i), explain-

the method and information used to develop the assumption; and

how the assumption has been applied and its effect on the opex forecast.

* + - 1. General management, administration and overheads operating expenditure category
				1. For the general management, administration and overheads opex category-

identify-

each relevant key assumption;

each relevant obligation; and

any step change and its effect on the opex forecast for this category; and

explain-

whether a base year approach was used in forecasting, and if so, identify the base year used and, if it is not a year in the current period (for which data is required to be provided in a CPP proposal), provide the relevant data from that base year;

all departures from any conclusions and recommendations contained in each consultant’s report identified in accordance with clause D12(1)(c); and

the methodology used to generate the opex forecast for this category.

* + - * 1. For the purpose of subclause (1)(b)(iii), such methodology must include, as a minimum, details regarding-

any cost benchmarking undertaken by or for the GDB;

internal historical cost trends relied upon;

all contingency factors provided for, including how they were calculated and the uncertainties they account for; and

the effect of any step change on the costs in the general management, administration and overheads opex category.

* + - * 1. For each relevant policy identified in the response to clause D12(1)(c) explain how it was taken into account and complied with.
				2. For each key assumption identified in accordance with subclause (1)(a)(i), explain-

the method and information used to develop the assumption; and

how the assumption has been applied and its effect on the opex forecast for this opex category.

* + - 1. Operating expenditure projects and programmes

For each project and programme (other than identified programmes) included in the opex forecast-

explain how each of the relevant policies identified in the response to clause D12(1)(c) was taken into account and complied with;

explain how the relevant planning standards have been incorporated; and

provide details of all contingency factors provided for, including how they were calculated and what uncertainties they account for.

* + - 1. Self-insurance
				1. For any proposed self-insurance allowance-

provide-

a description of the uncertainties covered by the allowance;

the methodology used to calculate the self-insurance risk premium (e.g. probability multiplied by consequence);

a report on the calculation of each self-insurance risk premium from an actuary who is qualified to provide such advice; and

any quotes obtained from external insurers; and

explain why compensation should be provided for the uncertainty.

* + - * 1. In respect of each quote provided in accordance with subclause (1)(a)(iv)-

state-

the amount insured for which the quote related (if not included in the quote itself);

the annual premium payable or paid by the GDB;

the size of any deductible;

the terms and conditions of the insurance; and

why it is not considered suitable.

* + - * 1. Explain whether and, if so, how the costs of remediating the effects of each uncertainty for which the allowance is sought may be recovered through any other mechanism.
			1. Controllable opex

For each disclosure year of the next period provide-

a description of the types of opex comprised in the forecast for controllable opex; and

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.

* + - 1. Related parties
				1. Identify and describe all related parties in respect of whom costs are disclosed in accordance with the regulatory templates.
				2. For each person to whom subclause (1) applies identify each project or programme with which he, she or it is associated.
				3. For each person to whom subclause (1) applies, describe, in respect of each relevant project and programme the-

nature of the services undertaken by that person; and

the date and term of the contract in respect of that service.

* + - * 1. For each service identified in accordance with subclause (3)(a)-

provide a description of the tendering process used to procure the service;

identify all relevant documents used to tender for its provision, including but not limited to requests for tender and tender submissions; and

explain-

why that service is outsourced instead of being undertaken by the GDB itself;

whether the services procured are provided under a discrete contract or provided as part of a broader operational contract (or similar);

whether the service was procured on a genuinely competitive basis and if not, why not; and

whether the service (or any component thereof) was sub-contracted to another provider.

* + - * 1. For each contract identified in accordance with subclause (3)(b), identify methodologies, consultants’ reports, or assumptions used to determine components of the costs included in the contract price.
			1. Unit costs and expenditure escalators
				1. For each key assumption that is a unit rate-

identify-

source material from which it was derived;

the date it was developed; and

the historical unit rates adopted for key items of plant and equipment for the capex forecast and the opex forecast; and

explain-

how it was developed with reference to the responses to paragraph (a); and

whether, and if so an explanation as to why, its quantum is reasonable.

* + - * 1. For each key assumption that is a labour or materials escalator-

provide the class of labour and materials to which each escalator relates;

provide-

the base year and the labour and materials unit rates for that year;

the escalator used in percentage terms for each year from the base year to the end of the next period;

the quantum of the labour costs in the capex forecast and the opex forecast which is the result of application of the labour escalator;

the quantum of the materials costs in the capex forecast and the opex forecast which is the result of application of the materials escalator; and

confirmation of whether the escalator used is expressed in real or nominal terms and, if real, the indexation assumptions used; and

explain-

the methodology underlying the calculation of each escalator, including sources, data conversions and the use of any assumptions, including lags;

the weightings given to each escalator and how these weightings were developed, including any assumptions;

whether the same expenditure escalators have been used in the capex forecast and opex forecast;

where the response to sub-paragraph (iii) is no, why different expenditure escalators were applied, using supporting evidence; and

whether, in applying the relevant labour or material escalator, additional contingency factors have been applied and, if so, what uncertainties they account for and how they were calculated.

* + - 1. Contingent project information
				1. For each proposed contingent project-

provide-

an overall description including the aims and objectives of the project;

a completed regulatory template for capex forecast and opex forecast using the best available information to hand; and

information as to how the project satisfies the criteria specified in clause 5.7.5(2);

propose a trigger event and explain how the event meets the requirements of clause 5.7.5(3);

provide-

all relevant documents (including policies and consultants’ reports) that were taken into account in preparing the capex forecast and opex forecast for the contingent project, including those that relate to its deliverability;

each relevant key assumption; and

each relevant obligation;

explain-

all departures from any conclusions and recommendations contained in each consultant’s report identified in accordance with paragraph (c)(i); and

the methodology used to generate the capex forecast and **opex forecast** for the proposed contingent project;

explain for each policy identified in response to paragraph (c)(i)-

how it was taken into account and complied with; and

how the relevant planning standards were incorporated; and

describe for each key assumption identified in accordance with paragraph (c)(ii)-

the method and information used to develop the assumption; and

how it has been applied and its effect on the capex and opex.

* + - * 1. Where any proposed contingent project is likely to terminate after the end of the next period, in addition to the information required by subclause (1), provide any additional information relevant to forecast capex and forecast **opex** to the end of the contingent project.
1. CAPITAL AND OPERATING EXPENDITURE - REGULATORY TEMPLATES

Table 1: Top 5

Table 2: Capex Summary

Table 3: Opex Summary

Table 3(a):

Table 3(b):

Table 3(c):

Table 4: Capex Project Programme

Table 5: Opex Project Programme

Table 6: Overheads

Table 7: Unit Rate Escalators

Table 8: Cost Allocation

1. ENGAGEMENT OF A VERIFIER
	* + 1. Proposing a verifier

Before submitting a CPP proposal, a CPP applicant must, by notice in writing to the Commission-

propose a person (or a selection of persons for the Commission to choose from) to act as a verifier; and

provide the information specified in clauses F2 and F3 in respect of each proposed verifier.

* + - 1. Independence
				1. Reasons why the CPP applicant considers that each proposed verifier is independent.
				2. A written statement signed by the proposed verifier-

confirming that-

his, her or its involvement in the formulation of the CPP proposal has not extended nor will not extend beyond acting in accordance with Schedule G;

he, she or it has not acted nor will not act as an auditor pursuant to clause 5.6.1 in respect of the CPP proposal; and

he, she or it has no direct or indirect pecuniary or other interest in the success or failure of the CPP proposal, including any entitlement to a success fee, contingency fee, or remuneration other than a fee for providing a verification report; and

explaining the extent of any-

ongoing role he, she or it has as auditor of, or advisor to, the CPP applicant, (on matters unrelated to the CPP proposal) including any advisory activities which the verifier may expect to undertake for the CPP applicant during the next period in relation to the CPP applicant’s capex and opex and the existing or expected basis of remuneration for such activities; and

prior or existing relationship (whether professional or otherwise) that he, she or it has had with the CPP applicant during the current period in relation to the CPP applicant’s capex and opex and the basis of remuneration for such activities.

* + - 1. Qualifications and experience
				1. Reasons why the CPP applicant considers that each proposed verifier is sufficiently qualified and experienced to assess and report on the CPP proposal in accordance with the tasks and duties specified in Schedule G.
				2. A written statement signed by each proposed verifier explaining the nature and extent of his, her or its qualifications and experience relevant to assessing and reporting on the CPP proposal in accordance with the tasks and duties specified in Schedule G.
			2. Commission's assessment
				1. The Commission must notify the CPP applicant no later than 10 working days after receiving a notification in accordance with clause F1 as to whether it approves the proposed verifier.
				2. If the Commission does not approve a proposed verifier-

it must provide reasons for this decision; and

the CPP applicant may propose an alternative verifier in accordance with clause F1.

* + - * 1. If the Commission approves a proposed verifier, the CPP applicant may engage that person, as soon as practicable, in accordance with clause F6.
				2. The Commission’s approval of a proposed verifier remains valid until the Commission has completed its assessment of the CPP proposal.
			1. Summary of intended CPP proposal

Before the **verifier** enters into a deed with the **Commission** as described in clause F6, the **CPP applicant** must provide the **Commission** with a summary setting out-

its rationale for seeking a **CPP**;

when it proposes the intended **CPP proposal** take effect as a **CPP**;

its estimated **capex** forecast and estimated **opex** forecast for the intended **CPP proposal**;

the indicative impact on **prices** and quality standards of the intended **CPP proposal**;

by **capex category** and **opex category**, summary information on the forecast **projects** and **programmes** that comprise the estimated **capex** and estimated **opex** under paragraph (c), in the format specified in *Table 1: Top 5* of the **regulatory templates**;

how it intends to consult **consumers** on the intended **CPP proposal**; and

any other information it considers would assist the **Commission’s** planning for the **Commission’s** assessment of the intended **CPP proposal**.

* + - 1. Engaging the verifier
				1. If the Commission approves a proposed verifier, the approved person may not undertake any service in relation to the CPP applicant's CPP proposal unless it has entered into a deed with the Commission.
				2. For the purpose of subclause (1), terms of the deed must-

require the CPP applicant to-

provide the verifier with the information specified in and in accordance with clause 5.6.2(3); and

pay any fee charged by the verifier for verifying the relevant parts of the CPP proposal in accordance with his, her or its engagement and Schedule G;

impose an overriding duty on the verifier to assist the Commission as an independent expert on relevant matters within the verifier’s area of technical expertise, with particular reference to aspects of capex, opex and service quality of the CPP applicant’s business;

require the verifier to-

verify the relevant parts of the CPP proposal in accordance with the terms of his, her or its engagement and Schedule G;

notify the CPP applicant of the verifier's selection of **identified programmes**;

prepare a draft verification report in accordance with Schedule G and provide it to the CPP applicant;

prepare a verification report in accordance with Schedule G that takes account of any modifications to the information originally provided to the verifier in light of the CPP applicant's consideration of the draft verification report;

provide, upon request by the CPP applicant, a certificate as described in clause 5.1.3(1)(c); and

be available to answer any questions posed by the Commission on the verification report, in person, by telephone or in writing, as reasonably required by the Commission;

enable the verifier to request, for the purpose of carrying out his, her or its duties specified in paragraph (c), provision by the CPP applicant of-

information required by Schedule D to be identified (but not provided) in a CPP proposal;

the information specified in subclause (3); and

include a communication protocol in accordance with subclause (5).

* + - * 1. The information specified for the purpose of subclause (2)(d)(ii) is any other information relevant-

for the purpose of subclause (2)(c)(i);

to gas distribution services;

to any other regulated service relevant to the CPP proposal; and

to any unregulated service relevant to the CPP proposal,

that the verifier considers is relevant to verification.

* + - * 1. For the avoidance of doubt-

the deed may contain such other terms that-

the parties agree are necessary for business efficacy; and

are not inconsistent with Schedule F or this Schedule; and

a CPP applicant is not required to submit its CPP proposal to the Commission following completion or its receipt of the verification report.

* + - * 1. For the purpose of subclause (2)(e), the communication protocol must, as a minimum, require that-

the **Commission** will not view any material that forms part of or supports an intended **CPP proposal** unless the **CPP applicant**-

makes the material available to **consumers**; or

provides the material to the **Commission**,including an updated ‘Summary of intended CPP proposal’ as required under subclause (5)(c);

the **verifier** must keep records of all communication between it and the **CPP applicant** where the records include substantive information relied on by the **verifier** in its **verification report**; and

after entering into the deed, but not later than when the **verifier** provides a draft verification report to the **CPP applicant**, the **CPP applicant** must provide the **Commission** with an updated ‘Summary of intended CPP Proposal’ as described in clause F5 if it has-

changed its rationale for seeking a **CPP** as described in clause F5(a);

changed its proposed time for taking effect as described in clause F5(b); or

materially changed the nature, number or value of any **projects** or **programmes** specified in accordance with clause F5(e), other than those **identified programmes** for which information has been provided to the **verifier** in accordance with clauses D7(2), D7(5), D12(2) and D12(3**)**.

* + - * 1. When completing an updated ‘Summary of intended CPP Proposal’ as described in subclause (5)(c), the **CPP applicant** must clearly identify any changes from its previously provided ‘Summary of intended CPP Proposal’.
1. TERMS OF REFERENCE FOR VERIFIERS
	* + 1. Interpretation
				1. Words in bold in this schedule that are defined in another schedule bear the same meanings as specified in that other schedule.
				2. Any requirement to provide an opinion, report on or consider a particular matter must be construed as-

requiring consideration only of the material identified by the requirement in question; and

a requirement to provide the opinion or report on the matter in the verification report.

* + - 1. Verifier’s role, purpose and obligations
				1. The **verifier’s** role, purpose and obligations include-

engaging with the **CPP applicant** in an **independent** manner in accordance with this Terms of Reference;

assessing the extent to which the **CPP applicant’s** **policies** allow the **GDB** to provide services on an efficient basis and that meet the general needs and expectations of **consumers**;

assessing the extent to which the **CPP applicant’s** **policies** have been implemented;

prior to the **Commission’s** assessment of the **CPP proposal**, assessing whether the **CPP applicant** has provided complete and sufficient information in its intended **CPP proposal**;

prior to the **Commission’s** assessment of the **CPP proposal**, providing an opinion to the **CPP applicant** on whether the **CPP applicant’s** **capex** forecasts and **opex** forecasts meet the **expenditure objective**;

providing an opinion to the **CPP applicant** on the reasonableness of the **CPP applicant’s** **key assumptions** and **policies** for its forecast information as described in subclause (3) supporting the **CPP proposa**l;

prior to the **Commission’s** assessment of the **CPP proposal**, providing an opinion on the extent and effectiveness of the **CPP applicant’s** consultation with its **consumers**; and

providing a list of the key issues which it considers the **Commission** should focus on when assessing the **CPP proposal**.

* + - * 1. For the purpose of subclause (1)(d), ‘information’ means the material as described in clause 5.6.2(3) and the relevant requirements in Part 5, Subpart 5.
				2. For the purpose of subclause (1)(f), ‘forecast information’ means-

**capex** as described in clause G6; and

**opex** as described in clause G7.

* + - 1. Service categories, measures and levels

The verifier must review, assess and report on-

whether the CPP applicant’s service category definitions appropriately describe all activities undertaken for the purpose of supplying the regulated services as demanded by and provided to consumers;

whether the reason for any new service category is explained;

whether the CPP applicant has proposed service measures relevant to a complete range of key service attributes that are meaningful and important to consumers;

whether the CPP applicant has undertaken an appropriate process to determine the service measures and service levels, such as consultation with relevant consumers;

whether any step change in any service level is explained and justified; and

the extent and effectiveness of a **CPP applicant’s** consultation with its **consumers**, as specified in clause 5.6.1.

* + - 1. Selection of identified programmes
				1. For the purposes of the reviews required under clauses G6(1)(d) and G7(1)(g), the verifier must select no more than 20 **projects** or **programmes** to be ‘identified programmes’.
				2. In determining which, and how many, **projects** or **programmes** to select as **identified programmes**,the **verifier** must consider–

the best interests of **consumers** over the long term;

the **Commission’s** ability to effectively review the **CPP applicant’s** **expenditure objective**;

whether the **CPP applicant’s** rationale for seeking a **CPP** is sufficiently represented in the intended **CPP proposal**;

the extent to which the number of **projects** or **programmes** in the intended **CPP proposal** is consistent with the number of **projects** or **programmes** described in the **CPP applicant’s** previous **asset management plans**, where the previous **asset management plans** are relevant to the intended **CPP proposal**;

its abilityto provide an opinion on whether the **capex forecast** information in the intended **CPP proposal** has been prepared in accordance with the **policies** and **planning standards** at the-

 aggregate system level; and

 for each of the **capex categories**;

Its ability to provide an opinion on whether the **opex forecast** information in the intended **CPP proposal** has been prepared in accordance with the **policies** and **planning standards** at the-

aggregate system level; and

for each of the **opex categories;** and

the materiality of the **programmes** or **projects** to the **CPP proposal**, theestimated **capex** forecast and the estimated **opex** forecast.

* + - * 1. The **identified programmes** selected in accordance with subclause (1) must address-

a key risk that the CPP applicant is exposed to;

a key driver of the need to submit a CPP proposal;

an obligation that has a significant impact in the context of the CPP applicant’s overall business; or

a new service category or a step change in a service level within an existing service category;

* + - * 1. The verifier must-

notify the CPP applicant of its selected projects or programmes; and

not change its selection after such notification.

* + - 1. Cost allocation
				1. In respect of regulated service assets values not directly attributable and operating costs not directly attributable the verifier must provide an opinion as to whether-

the opex forecast has been provided in accordance with clause 5.3.5; and

forecast values of commissioned assets provided in accordance with clause 5.5.12 have been determined in accordance with clause 5.3.11(2(b).

* + - 1. Capex forecast
				1. The verifier must-

provide an opinion as to whether the-

policies;

planning standards; and

key assumptions,

relied upon by the CPP applicant in determining the capex forecast are of the nature and quality required for that capex forecast to meet the expenditure objective;

provide an opinion as to whether the capex forecast has been prepared in accordance with the policies and planning standards at both the aggregate system level and for each of the capex categories;

provide an opinion on the reasonableness of the key assumptions relevant to capex relied upon the CPP applicant including-

the method and information used to develop them;

how they were applied; and

their effect or impact on the capex forecast by comparison to their effect or impact on actual capex;

report conclusions of a detailed review of identified programmes that are **capex projects** or **capex** **programmes** including, but not limited to assessment of-

whether relevant policies and planning standards were applied appropriately;

whether policies regarding the need for, and prioritisation of, the project or programme are reasonable and have been applied appropriately;

the process undertaken by the CPP applicant to determine the reasonableness and cost-effectiveness of the chosen solution, including the use of cost-benefit analyses to target efficient solutions;

the approach used to prioritise capex projects over time including the application of that approach for the next period;

the project capital costing methodology and formulation, including unit rate sources, the method used to test the efficiency of unit rates and the level of contingencies included for projects;

the impact on other cost categories including the relationship with opex;

links with other projects;

cost control and delivery performance for actual capex;

the efficiency of the proposed approach to procurement; and

whether it should be included as a contingent project or part of a contingent project;

provide an opinion as to overall deliverability of work covered by the capex categories in the next period; and

provide an opinion as to the reasonableness and adequacy of any asset replacement models used to prepare the capex forecast including an assessment of-

the inputs used within the model; and

the methods the CPP applicant used to check the reasonableness of the forecasts and related expenditure.

* + - * 1. Based on its analysis under this clause the verifier must provide its opinion on whether the applicant’s forecast of total capex meets the expenditure objective and, if not identify-

whether the provision of further information is required to enable assessment against the expenditure objective to be undertaken and, if so, the type of information required;

which of the CPP applicant’s forecast capex programmes for each capex category might warrant further assessment by the Commission; and

what type of assessment would be the most effective.

* + - 1. Opex forecast
				1. The verifier must-

provide an opinion as to whether the-

policies,

planning standards; and

key assumptions,

relied upon by the CPP applicant in determining the opex forecast are of the nature and quality required for that opex forecast to meet the expenditure objective;

provide an opinion as to whether the opex forecast has been prepared in accordance with the policies and planning standards, at both the aggregate system level and for each of the opex categories;

provide an opinion on the reasonableness of the key assumptions relevant to opex relied upon by the CPP applicant including-

the method and information used to develop them;

how they have been applied; and

their effect or impact on the opex forecast by comparison to their effect or impact on actual opex;

review, assess and report on any other opex drivers not covered by the key assumptions that have led to an increase in the opex forecast including whether the quantum of such an increase is required to meet the expenditure objective;

provide an opinion as to the reasonableness of the methodology used in forecasting opex (such as cost benchmarking or internal historic cost trending), including the relationship between the opex forecast and capex forecast;

provide an opinion as to the reasonableness of any opex reduction initiatives undertaken or planned during the current period or the next period;

report conclusions of a detailed review of identified programmes that are **opex projects** or **opex** **programmes** including, but not limited to, an assessment of-

whether relevant policies and planning standards were applied appropriately;

whether policies regarding the need for, and prioritisation of, the project or programme are reasonable and have been applied appropriately;

the process undertaken by the CPP applicant to determine the reasonableness and cost-effectiveness of the chosen solution, including the use of cost-benefit analyses to target efficient solutions;

the approach used to prioritise opex projects over time including the application of that approach for the next period;

the project operating cost methodology and formulation, including unit rate sources, the method used to test the efficiency of unit rates and the level of contingencies included for projects;

the impact on other cost categories including the relationship with capex;

links with other projects;

cost control and delivery performance for actual opex;

the efficiency of the proposed approach to procurement; and

whether it should be included as a **contingent project** or part of a **contingent project**;

provide an opinion as to overall deliverability of work covered by the opex categories in the next period; and

provide an opinion as to the reasonableness and adequacy of any opex models used to prepare the opex forecast including an assessment of-

the inputs used within the model; and

any methods the CPP applicant used to check the reasonableness of the forecasts and related expenditure.

* + - * 1. Based on analysis in accordance with this clause, the verifier must provide an opinion on whether the CPP applicant’s forecast of total opex meets the expenditure objective and, if not, identify-

whether the provision of further information is required to enable assessment against the expenditure objective to be undertaken and, if so, the type of information required;

which of the CPP applicant’s forecast opex programmes for each opex category might warrant further assessment by the Commission; and

what type of assessment would be the most effective.

* + - 1. Capital contributions

The verifier must provide an opinion as to whether the forecast of capital contributions-

is reasonable; and

consistent with other aspects of the CPP proposal, in particular-

the capex forecast; and

forecast demand data provided in accordance with clause D6.

* + - 1. Demand forecasts
				1. The verifier must provide an opinion as to whether-

the key assumptions, key input data and forecasting methods used in determining demand forecasts were reasonable; and

it was appropriate to use the demand forecasts resulting from these methods and assumptions to determine the-

capex forecast; and

opex forecast.

* + - * 1. In respect of data, calculations and assumptions used to derive the forecast weighted average growth in quantities (as required by clause 5.3.4), the verifier must provide an opinion as to whether, in relation to each demand group-

the-

rationale for its selection;

basis for the forecast growth in demand;

basis for the assumptions used concerning the relative proportion of fixed and variable components in the prices charged; and

basis for each weighting term,

is reasonable;

the forecast growth in demand is consistent with all other demand forecasts included in the CPP proposal; and

the assumptions referred to in paragraph (a)(iii) are consistent with the calculation of notional revenue in the most recent annual compliance statement made by the supplier in accordance with a DPP determination.

* + - 1. Assessment techniques
				1. When-

undertaking analysis and reviews of information; and

considering the matters,

required by this Schedule, the verifier must use some or all of the following assessment techniques:

process benchmarking;

process or functional modelling;

unit rate benchmarking;

trending or time-series analysis;

high level governance and process reviews;

internal benchmarking of forecast costs against costs in the current period;

capex category and opex category benchmarking;

project and programme sampling; and

critiques or independent development of-

demand forecasts;

labour unit cost forecasts;

materials forecasts;

plant forecasts; and

equipment unit cost forecasts.

* + - * 1. The verifier must explain why particular techniques listed in subclause (1) were applied and others were not applied.
				2. Where, for the purpose of applying any of the techniques listed in subclause (1), the verifier uses information that is not provided to it by the CPP applicant, the verifier must, in respect of that information-

describe in the draft verification report its nature and source and the reason for wishing to rely on it;

subject to subclause (4), provide it to the CPP applicant;

when finalising the verification report, take into account any comments made about it by the CPP applicant in response to the draft verification report; and

where, notwithstanding paragraph (c), the verifier continues to rely on it, describe in the verification report-

the nature and source of the information relied upon and the reason for relying on it; and

the CPP applicant's concerns in respect thereof.

* + - * 1. Subclause (3)(b) does not apply if the verifier's terms of use of the information prevent such disclosure.
			1. Contingent projects
				1. For each proposed contingent project, the verifier must provide an opinion as to whether that project satisfies the following criteria:

it is-

reasonably required of a GDB; and

one that associated assets are likely to be commissioned,

during the CPP regulatory period;

a commencement date cannot be forecast with an appropriate degree of specificity by comparison with other proposed projects;

the total of capex forecast and opex forecast in relation to the project-

as disclosed in the CPP proposal exceeds 10% of the value of the CPP applicant’s annual revenue in the most recently completed disclosure year in respect of an ID determination;

is reasonable in dollar terms; and

would be likely, when forecast with reasonable certainty, to meet the expenditure objective.

* + - * 1. For each proposed **trigger event**, the verifier must provide an opinion as to whether it meets the requirements of clause 5.7.5(3).
			1. Completeness of CPP proposal

A verification report must-

list the information in and relating to the CPP proposal provided by the CPP applicant to the verifier;

state each type of information in respect of which this schedule requires the verifier's consideration or opinion that the verifier considers has been omitted from the CPP proposal, including information that is incomplete or insufficient, and the relevant requirement in Part 5, Subpart 5 to provide the information in question;

where information is identified as insufficient in accordance with paragraph (b), state the nature of additional information the verifier considers that the CPP proposal requires to fulfil the information requirement in question;

state the extent to which the omission, incompleteness or insufficiency of information has impaired the verifier's judgement as to whether the capex forecast and opex forecast for the next period meets the expenditure objective; and

explain why the **verifier** has selected the identified programmes in accordance with clause G4(1).

* + - 1. Overview of key issues and additional information requirements

Based on its assessment, the verifier must, in the verification report-

provide a list of the key issues that it considers the Commission should focus on when undertaking its own assessment of the information to which the assessment related;

specify information identified in the CPP proposal that, were it to be provided, would assist the Commission’s assessment of the CPP proposal; and

identify any other information it reasonably believes would-

be held by the CPP applicant; and

assist the Commission’s assessment of the CPP proposal.