



ISBN 978-1-869455-65-1

Project no. 16275

**Public** version

## **Proposed fast track amendments to information disclosure determinations for First Gas gas pipeline services 2017**

**Draft companion paper**

**Date of publication:** 26 April 2017

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**Associated documents**

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<b>Publication date</b>	<b>Reference</b>	<b>Title</b>
26 April 2017	ISBN 978-1-869455-66-8	[DRAFT FAST TRACK] Gas Distribution Information Disclosure Amendments Determination (No.1) 2017
26 April 2017	ISBN 978-1-869455-67-5	[DRAFT FAST TRACK] Gas Transmission Information Disclosure Amendments Determination (No.1) 2017
24 March 2015	NZCC 7	<a href="#">2015 Amendment to the Gas Distribution Information Disclosure Determination 2012</a>
24 March 2015	NZCC 8	<a href="#">2015 Amendment to the Gas Transmission Information Disclosure Determination 2012</a>
24 March 2015	ISBN 978-1-869454-40-1	<a href="#">Gas Distribution Information Disclosure Determination 2012 – (consolidated in 2015)</a>
24 March 2015	ISBN 978-1-869454-41-8	<a href="#">Gas Transmission Information Disclosure Determination 2012 – (consolidated in 2015)</a>
1 October 2012	ISBN 978-1-869452-09-4	<a href="#">Information Disclosure for Electricity Distribution Businesses and Gas Pipeline Businesses: Final Reasons Paper</a>
1 October 2012	NZCC 23	<a href="#">Gas Distribution Information Disclosure Determination 2012</a>
1 October 2012	NZCC 24	<a href="#">Gas Transmission Information Disclosure Determination 2012</a>

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Regulation Branch, Commerce Commission  
Wellington, NEW ZEALAND

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## Contents

1. INTRODUCTION .....	2
2. DISCLOSURE YEAR ALIGNMENT .....	4
3. HOW YOU CAN PROVIDE YOUR VIEWS .....	10

# 1. Introduction

## Purpose of this paper

- 1.1 This paper proposes amendments to the information disclosure (ID) requirements applying to a certain supplier of gas transmission and gas distribution services.
- 1.2 We invite your views on the proposed amendments. Submissions are due by 5pm, 9 May 2017.<sup>1</sup>
- 1.3 By providing your views on this paper and the attached draft amendments determinations, you will help inform our final decision on the fast track amendments to the gas distribution business (GDB) and gas transmission business (GTB) ID determinations that will apply from 1 July 2017.

## ID amendments across sectors we regulate

- 1.4 This is the second in an on-going series of amendments for gas pipeline businesses (GPBs).<sup>2</sup> This round of proposed amendments is focused on addressing workability issues with the disclosure year dates applicable to gas pipeline businesses following First Gas' purchase of the GDB and GTB previously owned by Vector Group and the GTB previously owned by Maui Development Ltd (MDL). This is not a full review of the ID requirements.
- 1.5 Future rounds of proposed amendments may address other matters relating to airports, electricity distribution businesses (EDBs), GDBs, GTBs and Transpower. In particular, we intend to consult by the end of July 2017 on further proposed amendments across those sectors with a focus on the consequential amendments arising out of the 2016 input methodologies review.
- 1.6 The current ID requirements for EDBs, GDBs and GTBs were determined in October 2012.<sup>3</sup> This followed the determination of the input methodologies in December

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<sup>1</sup> Chapter 3 provides details on how you can provide your views.

<sup>2</sup> Our first round of proposed amendments was described in Commerce Commission "Amendments to information disclosure determinations for electricity distribution and gas pipeline services 2015: Final reasons paper" (24 March 2015).

<sup>3</sup> Commerce Commission "Electricity Distribution Information Disclosure Determination 2012" (1 October 2012); Commerce Commission "Gas Distribution Information Disclosure Determination 2012" (1 October 2012); and Commerce Commission "Gas Transmission Information Disclosure Determination 2012" (1 October 2012).

2010.<sup>4</sup> The first round of the amendments to the ID requirements for EDBs, GDBs and GTBs was completed in 2015.<sup>5</sup>

1.7 The current ID requirements for Transpower were determined in February 2014.<sup>6</sup>

1.8 The current ID requirements for airports were determined in 2010.<sup>7</sup> Amendments to the ID requirements for airports were completed in 2012<sup>8</sup> and further updated concurrently with the Input Methodologies Review in 2016.<sup>9</sup>

#### **Draft amendments determinations released alongside this paper**

1.9 We have also published draft amendments determinations for the proposed amendments to the ID requirements for consultation. Amendments are identified as Microsoft Word track changes.

1.10 Chapter 3 provides full details on how you can provide your views on both this paper and the draft amendments determinations.

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<sup>4</sup> Commerce Commission “Electricity Distribution Services Input Methodologies Determination 2010” (22 December 2010); Commerce Commission “Gas Distribution Services Input Methodologies Determination 2010” (22 December 2010); and Commerce Commission “Gas Transmission Services Input Methodologies Determination 2010” (22 December 2010).

<sup>5</sup> Commerce Commission “2015 Amendment to the Electricity Distribution Information Disclosure Determination 2012” (24 March 2015); Commerce Commission “2015 Amendment to the Gas Distribution Information Disclosure Determination 2012” (24 March 2015); Commerce Commission “2015 Amendment to the Gas Transmission Information Disclosure Determination 2012” (24 March 2015).

<sup>6</sup> Commerce Commission “Transpower Information Disclosure Determination 2014” (28 February 2014).

<sup>7</sup> Commerce Commission “Commerce Act (Specified Airport Services Information Disclosure) Determination 2010” (22 December 2010).

<sup>8</sup> Commerce Commission “Airport Information Disclosure Determination Omnibus Amendment No. 1” (27 February 2012).

<sup>9</sup> Commerce Commission “Airport Services Information Disclosure Amendments Determination 2016” (20 December 2016).

## 2. Disclosure year alignment

### Purpose of this chapter

- 2.1 This chapter describes issues with our current disclosure year requirements for GPBs, outlines our proposed changes and explains our reasons for the proposed changes as part of this round of amendments.
- 2.2 Table 1 summarises our proposed amendments to the GDB and GTB ID requirements.

**Table 1: Amendments to the disclosure year requirements**

Area of change	Amendments to the ID determinations	Affected clauses and schedules
First Gas GDB disclosure year change and removal of redundant reference to Vector GDB sub-network	<ul style="list-style-type: none"> <li>Propose including reference to 'First Gas' in the definition for 'disclosure year' and First Gas' GDB disclosure year being the 12 month period ending on 30 September.</li> <li>Propose clarifying that the 'disclosure year 2017' in the case of First Gas is to be the 15 month period from 1 July 2016 to 30 September 2017.</li> <li>Propose removing the paragraph describing Vector's sub-network in the definition for 'sub-network'.</li> </ul>	GDB clause 1.4.3 definitions

Area of change	Amendments to the ID determinations	Affected clauses and schedules
First Gas GTB disclosure year change and removal of redundant references to Vector and MDL GTBs	<ul style="list-style-type: none"> <li>• Propose including reference to 'First Gas' in the definition for 'disclosure year' and First Gas' GTB disclosure year being the 12 month period ending on 30 September.</li> <li>• Propose clarifying that the 'disclosure year 2017' in the case of ex-Vector assets now owned by First Gas is to be the 15 month period from 1 July 2016 to 30 September 2017.</li> <li>• Propose clarifying that the 'disclosure year 2017' in the case of ex-MDL assets now owned by First Gas is to be the 9 month period from 1 January 2017 to 30 September 2017.</li> <li>• Propose removing references to 'Vector' and 'MDL' including- <ul style="list-style-type: none"> <li>○ the paragraphs describing Vector's and MDL's disclosure year in the definition for 'disclosure year';</li> <li>○ the defined terms 'MDL', 'routine transaction', 'transitional AMP' and 'Vector'; and</li> <li>○ uses of the terms 'Vector' and 'MDL' in the definition for 'transmission system'.</li> </ul> </li> </ul>	GTB Clause 1.4.3 definitions GTB clause 2.3.4
GTB transitional provisions	<ul style="list-style-type: none"> <li>• Propose removing transitional provisions that no longer apply.</li> <li>• Propose references to 'Vector only' and 'MDL only' billed quantities and line charge revenues be read as 'First Gas ex-Vector Group assets' and 'First Gas ex-Maui Development Limited assets' for disclosure year 2017 and 2018.</li> </ul>	GTB Clause 1.4.3 definitions GTB clauses 2.1.1, 2.6.1, 2.6.3, 2.6.6, 2.7.2, 2.9.1, 2.12.1, 2.12.2, 2.13 and Schedule 17

## First Gas GDB disclosure year changes

### *Current GDB disclosure year requirements*

- 2.3 Currently the GDB ID requirements do not include references to ‘First Gas’ in the definition of ‘disclosure year’.<sup>10</sup> Without reference to ‘First Gas’ in the definition of ‘disclosure year’, it is unclear what the applicable ID disclosure year for First Gas is.
- 2.4 Following First Gas’ purchase of Vector’s non-Auckland GDB, First Gas’ GDB has used Vector Group’s disclosure year for its year-beginning disclosure due 1 July 2016 and its 30 June 2016 year-end disclosure.
- 2.5 Currently the GDB ID requirements specify geographic sub-networks for Vector which include either the ‘assets located in the Auckland geographic region or the assets located outside that region’.<sup>11</sup> In 2016, First Gas purchased Vector’s GDB non-Auckland assets.
- 2.6 We have provided various exemptions to overcome issues with the application of the GDB ID requirements to First Gas and we now propose to make permanent fixes to the determination to standardise the ID disclosure years for First Gas’ GDB operations based on the standard First Gas financial balance date of 30 September.

### *Proposed GDB First Gas disclosure year amendments*

- 2.7 We propose including a reference to ‘First Gas’ in the definition of ‘disclosure year’. Rather than continue to use Vector’s year-end disclosure of 30 June, we propose using 30 September as the standard First Gas disclosure year-end date. Using 30 September will align First Gas’ disclosure year-end date with its financial balance date and our proposed default price-quality path (DPP) assessment period, which is also separately the subject of consultation.<sup>12</sup>
- 2.8 No changes are proposed for other GDBs’ disclosure year-end dates.<sup>13</sup>

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<sup>10</sup> Commerce Commission “Gas Distribution Information Disclosure Determination 2012 (consolidated in 2015)” (24 March 2015), definition of ‘disclosure year’ in clause 1.4.3.

<sup>11</sup> Commerce Commission “Gas Distribution Information Disclosure Determination 2012 (consolidated in 2015)” (24 March 2015), definition of ‘sub-network’ in clause 1.4.3.

<sup>12</sup> Commerce Commission “Draft Gas Distribution Services Default Price-Quality Path Determination 2017” (10 February 2017), clause 4.2.

<sup>13</sup> For GasNet and Vector, 30 June, and for Powerco, 30 September (see definition of ‘disclosure year’ in Commerce Commission “Gas Distribution Information Disclosure Determination 2012 (consolidated in 2015)” (24 March 2015)).



- 2.9 We propose removing the paragraph describing Vector’s sub-network in the definition for ‘sub-network’, as following First Gas’ purchase of Vector’s GDB non-Auckland assets, there is no longer a need to split information into sub-networks for Vector.

### **GTB changes**

#### *Current GTB disclosure year requirements*

- 2.10 Currently the GTB ID requirements do not include references to ‘First Gas’ in the definition for ‘disclosure year’.<sup>14</sup> Without reference to ‘First Gas’ in the definition of ‘disclosure year’, it is unclear what the applicable ID disclosure year for First Gas is.
- 2.11 Following First Gas’ purchase of Vector’s GTB, First Gas has used Vector’s disclosure year for its assets, previously owned by the Vector Group, with a 30 June 2016 year-end disclosure.
- 2.12 Following First Gas’ purchase of MDL’s GTB, First Gas has used MDL’s disclosure year for its assets, previously owned by MDL, with a 31 December 2015 year-end.
- 2.13 The GTB ID requirements currently include references to ‘MDL’ and ‘Vector’. Since First Gas purchased MDL and Vector’s GTB, these references are no longer applicable.
- 2.14 We have provided various exemptions to overcome issues with application of the GTB ID requirements to First Gas and we now propose to make permanent fixes to the determination to standardise the ID disclosure years for all of the First Gas GTB operations based on the standard First Gas financial balance date of 30 September.

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<sup>14</sup> Commerce Commission “Gas Transmission Information Disclosure Determination 2012 (consolidated in 2015)” (24 March 2015), definition of ‘disclosure year’ in clause 1.4.3.

*Proposed GTB First Gas disclosure year amendments*

- 2.15 We propose including a reference to ‘First Gas’ in the definition of ‘disclosure year’. Rather than continue to use Vector’s year-end disclosure of 30 June or MDL’s year-end disclosure of 31 December, we propose using 30 September as the standard First Gas disclosure year-end date. Using 30 September will align First Gas’ disclosure year-end date with its financial balance date and with our proposed DPP assessment period, which is also separately the subject of consultation.<sup>15</sup>
- 2.16 We propose removing references to ‘MDL’ and ‘Vector’ in the GTB ID requirements. These references are no longer applicable and may cause confusion. In particular, we propose removing-
- 2.16.1 references to ‘MDL’ and ‘Vector’ in the paragraphs describing MDL’s and Vector’s disclosure years in the definition for ‘disclosure year’;<sup>16</sup>
  - 2.16.2 the defined terms ‘MDL’, ‘routine transaction’ and ‘Vector’;<sup>17</sup> and
  - 2.16.3 references to the terms ‘MDL’ and ‘Vector’ in the definition for ‘transmission system’.<sup>18</sup>
- 2.17 MDL was previously exempt from disclosing the effect of any tax permanent differences or temporary differences. This exemption ceases to apply in respect of ex-MDL transmission assets now owned by First Gas.<sup>19</sup>

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<sup>15</sup> Commerce Commission “Draft Gas Transmission Services Default Price-Quality Path Determination 2017” (10 February 2017), clause 4.2.

<sup>16</sup> Commerce Commission “Gas Transmission Information Disclosure Determination 2012 (consolidated in 2015)” (24 March 2015), definition of ‘disclosure year’ in clause 1.4.3.

<sup>17</sup> Commerce Commission “Gas Transmission Information Disclosure Determination 2012 (consolidated in 2015)” (24 March 2015), definition of ‘MDL’ and ‘Vector’ in clause 1.4.3.

<sup>18</sup> Commerce Commission “Gas Transmission Information Disclosure Determination 2012 (consolidated in 2015)” (24 March 2015), definition of ‘transmission system’ in clause 1.4.3.

<sup>19</sup> Commerce Commission “Gas Distribution Information Disclosure Determination 2012 (consolidated in 2015)” (24 March 2015), clause 2.3.4.

### *Removal of GTB ID transitional requirements*

2.18 We propose removing transitional provisions in the GTB ID requirements which no longer apply.<sup>20</sup> These provisions allowed suppliers to transition into the 2012 determinations<sup>21</sup> and the 2015 amendment determination.<sup>22</sup> These requirements no longer apply because their applicable time period has passed. We have removed the expired requirements to reduce the length of the ID determination and improve its readability. We also propose removing the relevant references and terms that apply only to the transitional requirements.<sup>23</sup>

### *New GTB ID transitional requirements*

2.19 Currently the GTB ID requirements reference ‘Vector only’ and ‘MDL only’ for disclosures of billed quantities by contract type and line charge revenues by contract type.<sup>24</sup>

2.20 To allow First Gas to continue to make disclosure of billed quantities by contract type and line charge revenues by contract type, we propose including a transitional provision for disclosure year 2017 and disclosure year 2018, requiring ‘Vector only’ to be read as ‘First Gas ex-Vector Group assets’ and ‘MDL only’ to be read as ‘First Gas ex-Maui Development Limited assets’.

2.21 We propose including this transitional requirement for disclosure year 2017 and disclosure year 2018 to allow continued compliance until a new gas transmission access code is introduced. On this basis, we expect that disclosure requirements based on the new access code would apply from disclosure year 2019.<sup>25</sup>

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<sup>20</sup> Commerce Commission “Gas Transmission Information Disclosure Determination 2012 (consolidated in 2015)” (24 March 2015), clause 2.13.

<sup>21</sup> Commerce Commission “Information Disclosure for Electricity Distribution Businesses and Gas Pipeline Businesses: Final Reasons Paper” (1 October 2012), p. 109.

<sup>22</sup> Commerce Commission “Amendments to information disclosure determinations for electricity distribution and gas pipeline services 2015: Final reasons paper” (24 March 2015), chapter 9.

<sup>23</sup> Commerce Commission “Gas Transmission Information Disclosure Determination 2012 (consolidated in 2015)” (24 March 2015), definition of ‘transitional AMP’ and cross-references in clauses 2.1.1, 2.6.1, 2.6.3, 2.6.6, 2.7.2, 2.9.1, 2.12.1, 2.12.2 and Schedule 17.

<sup>24</sup> Commerce Commission “Gas Transmission Information Disclosure Determination 2012 (consolidated in 2015)” (24 March 2015), Schedule 8.

<sup>25</sup> First Gas currently uses the Maui Pipeline Operating Code (MPOC). Any party wishing to carry gas on the Maui pipeline or wishing to connect to it may do so on standard terms and conditions set out in the MPOC. First Gas aims to implement a new gas transmission access code (replacing the MPOC and the equivalent code for former Vector gas transmission assets) by 1 October 2018. The MPOC can be found on the First Gas website at <http://firstgas.co.nz/wp-content/uploads/MPOC-working-version-14-May-2016.pdf>.

## 3. How you can provide your views

### Purpose of this chapter

- 3.1 This chapter sets out how you can provide your views on this round of proposed amendments to the ID requirements.

### Timeframe for submissions

- 3.2 We welcome your views on the amendments proposed in this paper. Submissions are due by 5pm, 9 May 2017.
- 3.3 We do not intend to take into account any material that is submitted outside of the timeframes provided. Any party that is concerned about the time to engage with the material should contact us with a request for an extension outlining their specific concerns.

### Address for submissions

- 3.4 Submissions should be addressed to:

Rhianne Ogilvie (Senior Analyst, Regulation Branch)  
c/o [regulation.branch@comcom.govt.nz](mailto:regulation.branch@comcom.govt.nz)

### Format for submissions

- 3.5 We prefer submissions in both MS Word and PDF file formats.
- 3.6 Please include "Submission on fast track proposed changes to ID determinations for gas pipeline services, [DD Month] 2017" in the subject line of your email.
- 3.7 Where submitters propose an alternative to the draft decision, we encourage submitters to outline their reasoning and proposed change. We prefer proposed changes be identified as track changes to extracts of the principal determination or draft amendments determination.
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**Requests for confidentiality**

- 3.8 We encourage full disclosure of submissions so that all information can be tested in an open and transparent manner, but we offer the following guidance:
- 3.8.1 If it is necessary to include confidential material in a submission, both confidential and public versions of the submission should be provided.
  - 3.8.2 The responsibility for ensuring that confidential information is not included in a public version of a submission rests entirely with the party making the submission.
- 3.9 We request that you provide multiple versions of your submission if it contains confidential information or if you wish for the published electronic copies to be 'locked'. This is because we intend to publish all submissions on our website. Where relevant, please provide both an 'unlocked' electronic copy of your submission, and a clearly labelled 'public version'.

**Next steps in our process**

- 3.10 We intend to make final decisions on the proposed amendments by 30 June 2017 in time for the amended ID determinations to apply to First Gas' next GPB year-beginning and year-end disclosures for its GDB and GTB previously owned by Vector Group and its GTB previously owned by MDL.
- 3.11 At this stage, we do not intend to hold a technical consultation prior to our final decisions. We will review this position after considering submissions and notify parties if there is any change to this.