



Maui Development Limited
PO Box 23039
Wellington 6140

Telephone: (04) 460 2535
commercial.operator@mauipipeline.co.nz

5 May 2014

Mr. Brett Woods
Senior Analyst
Regulation Branch
Commerce Commission
PO Box 2351
Wellington 6140

Dear Brett,

Please regard this letter as our submission on the "Process update and invitation to provide evidence on the WACC percentile" dated 31 March 2014. In this letter we will use the terms "MDL", "we", "us" or "our" to refer to the Gas Transmission Business (GTB) of Maui Development Limited.

This submission follows our earlier submission of 13 March 2014 on the "Invitation to have your say on whether the Commerce Commission should review or amend the cost of capital input methodologies". Considering the 20 working days the Commission originally allowed for preparing this current submission, running concurrently with the 26 working days the Commission allowed for the simultaneous consultation on process and issues for setting DPPs for EDBs, we have not obtained any further evidence or expert reports. As a result, we have little new to add.

We do appreciate the Commission's statements in its current consultation document that:

"The notice of intention we have issued covers further work on the: appropriate WACC percentile for default/customised price-quality path regulation, individual price-quality path regulation, and information disclosure regulation ..."

"... During the process we will gather further evidence (and conduct additional analysis) to form our view on the appropriate percentile. As a result of this process, the WACC percentile could increase, decrease, or remain at the 75th percentile."

We also note the Commission's statements that:

"... we retain the ability to bring forward the wider review of the cost of capital IMs (instead of considering an amendment to the WACC percentile only) if:

it becomes clear that the WACC percentile cannot be satisfactorily addressed separately to other aspects of the IMs; or

the complexity of the analysis required means that the further work on the WACC percentile cannot be satisfactorily completed before the end of November 2014."

In light of those statements we now expect the wider review of the cost of capital IMs should indeed be brought forward.

- a) It is already clear to us that the WACC percentile should not be addressed separately to other aspects of the IMs. We provided our reasons for that in our earlier submission, as did other submitters. With those reasons on the table already, we do not know what more it will take to convince the Commission.

- b) Even if the Commission remains unconvinced on the first point, we expect any robust analysis to determine an appropriate WACC percentile is unlikely to be satisfactorily completed by November 2014. For example, if a "loss function" is to be derived this would probably require a major effort. The percentile adjustment arising from the resulting analysis could be 90%, 67%, 42 or any other number. Particularly when considered in isolation from other aspects of the WACC determination, we do not expect that any specific percentile adjustment can be determined as appropriate with some fast analysis.

Finally we would like to note that we have viewed the letter sent by the Electricity Networks Association to the Commission Chair on 22 April 2014 in relation to this consultation. We support the views expressed by the ENA in that letter.

We have appreciated the opportunity to provide this submission. For any additional questions or clarifications please do not hesitate to contact us.

Yours sincerely,



Jelle Sjoerdsma
Commercial Operator, Maui Pipeline
for Maui Development Limited