

ELECTRICITY AND GAS INFORMATION DISCLOSURE SEMINAR

JAMES COOK HOTEL GRAND CHANCELLOR, WELLINGTON
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What I will cover:

- Part 4 of the Commerce Act
 - purpose
 - what is regulated under Part 4
- Forms of regulation under Part 4
- Role of the input methodologies (IMs)
 - which IMs apply to ID requirements
- Purpose of ID requirements

Purpose of Part 4 (Commerce Act s 52A(1)):

- To promote the long term benefit of consumers ... by promoting outcomes consistent with outcomes in competitive markets such that suppliers of regulated goods and services:
 - Have incentives to innovate and invest
 - Have incentives to improve efficiency and provide services at a quality that reflects consumers demands
 - Share with consumers the benefits of efficiency gains in the supply of regulated services, including through lower prices; and
 - Are limited in their ability to extract excessive profits.

What is regulated under Part 4?

- Part 4 applies to the provision of certain goods and services, currently:
 - Electricity lines services
 - Gas pipeline services
 - Specified airport services
- The Act provides for other services to be brought within Part 4 if certain criteria are met

Part 4 provides for several inter-related regulatory mechanisms

Mechanism	Sectors to which it applies
Information Disclosure	All regulated services
Default/Customised Price-Quality Paths (‘DPPs’ and ‘CPPs’)	Certain electricity distribution businesses (broadly those that are not consumer owned) Gas pipeline businesses
Individual Price-Quality Path	Transpower
Input Methodologies	All regulated services

The role of Input Methodologies (IMs):

- IMs set out rules, requirements, and processes applying to regulation under Part 4
- Suppliers of regulated services must apply IMs in complying with regulatory instruments (s52P determinations)

The role of Input Methodologies (IMs):

- We have set IMs for
 - Asset Valuation
 - Cost Allocation
 - Treatment of Tax
 - Cost of Capital
 - Pricing Methodologies
 - Rules and Processes
 - CPP Proposal Requirements and Evaluation Criteria

The role of Input Methodologies (IMs):

- The following IMs apply to ID
 - Asset Valuation, Cost Allocation, and Treatment of Tax (EDBs)
 - Asset Valuation, Cost Allocation, Treatment of Tax, and Pricing Methodologies (GPBs)

The purpose of information disclosure is:

To ensure that sufficient information is readily available to interested persons to assess whether the purpose of this Part is being met

- Interested persons are a diverse group
- The purpose of Part 4 covers a number of different dimensions of performance

Requirement for summary and analysis:

- The legislation requires us to publish a summary and analysis of disclosed information
 - ... for the purpose of promoting greater understanding of the performance of individual regulated suppliers, their relative performance, and the changes in performance over time (s 53B(2)(b))*

What I will cover:

- Types of information covered by the ID requirements
- Timing of disclosures
- The role of the explanatory notes
- What we are covering in this seminar

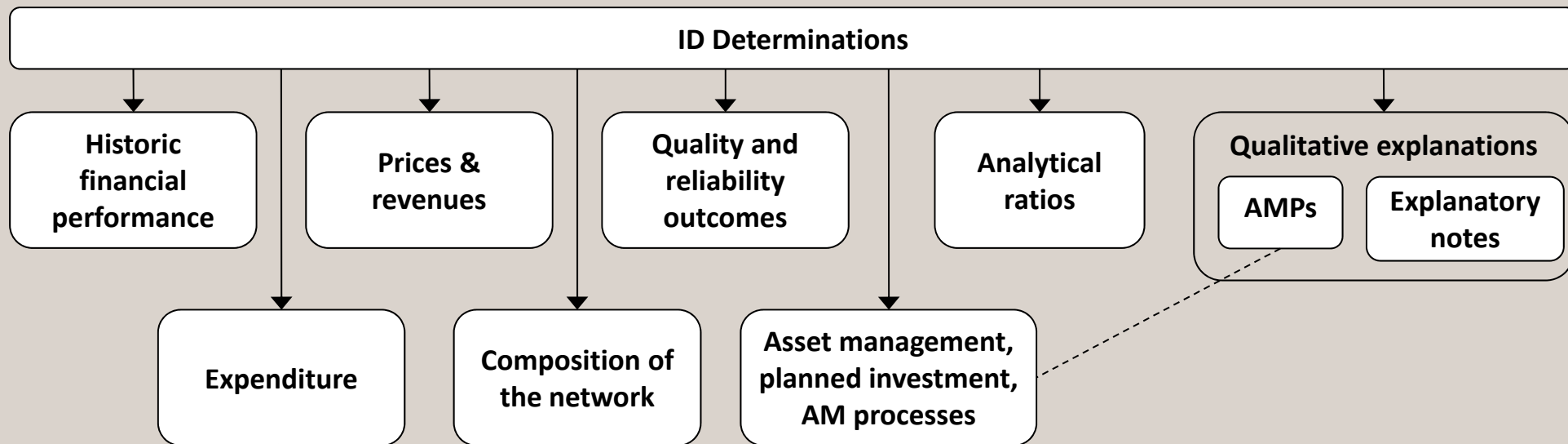
The Determinations cover the following types of information:

- Historic financial performance
- Expenditure, by category
- Pricing
- Composition of the network
- Quality and reliability outcomes

The Determinations cover the following types of information:

- Asset management and planned investment
 - Quantitative information
 - Qualitative explanation in AMPs
- Analytical ratios
- Explanatory notes
 - Supporting information, including qualitative explanations

OVERVIEW OF ID REQUIREMENTS



OVERVIEW OF ID REQUIREMENTS

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ID Determinations

Historic
financial
performance

- Schedules 2 to 5.x
- Due after the end of the disclosure year
 - 5 months for EDBs
 - 6 months for GPBs
- Supporting information on cost and asset allocation (schedules 5f and 5g) disclosed to the Commission only

ID Determinations

Expenditure

- Schedules 6a, 6b, and 7 due after the end of the disclosure year
 - 5 months for EDBs
 - 6 months for GPBs
- Schedules 11a and 11b (forecast expenditure) :
 - Information must be included in the AMP or AMP Update at the start of the disclosure year
 - Disclose schedules no later than schedules 1–10 (i.e. no later than 5 / 6 months after the end of the disclosure year)

ID Determinations

Prices &
revenues

- Pricing methodology due before the start of the disclosure year (or pricing year for GPBs)
- Schedule 8, due after the end of the disclosure year
 - 5 months for EDBs
 - 6 months for GPBs
- Other information on prices, terms and conditions to be disclosed at various times as provided for in section 2.4 of the ID determinations

ID Determinations

Composition of
the network

- Schedules 9.x due after the end of the disclosure year
 - 5 months for EDBs
 - 6 months for GPBs

ID Determinations

Quality and
reliability
outcomes

- Schedule 10 for EDBs, Schedules 10a and 10b for GPBs
- Due after the end of the disclosure year
 - 5 months for EDBs
 - 6 months for GPBs

ID Determinations

- Schedules 12.x
 - Information must be included in the AMP or AMP Update at the start of the disclosure year
 - Disclose schedules no later than schedules 1–10

Asset management,
planned investment,
AM processes

- Schedule 13 AMMAT report
 - Include in AMP or AMP Update at the start of the disclosure year
 - We encourage you to include the AMMAT report with the schedule 11a, 11b and 12.x disclosures

ID Determinations

- Schedule 1 due after the end of the disclosure year
 - 5 months for EDBs
 - 6 months for GPBs
- In the Commission's MS Excel templates, these ratios calculate automatically

Analytical ratios

OVERVIEW OF ID REQUIREMENTS

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ID Determinations

- Asset Management Plan (AMP), or AMP Update, due at the start of the disclosure year
- Explanatory notes
 - Schedules 14, 14a, 14b, and 15
 - Support and accompany other disclosures

Qualitative explanations

AMPs

Explanatory
notes

Timing of disclosures: Summary:

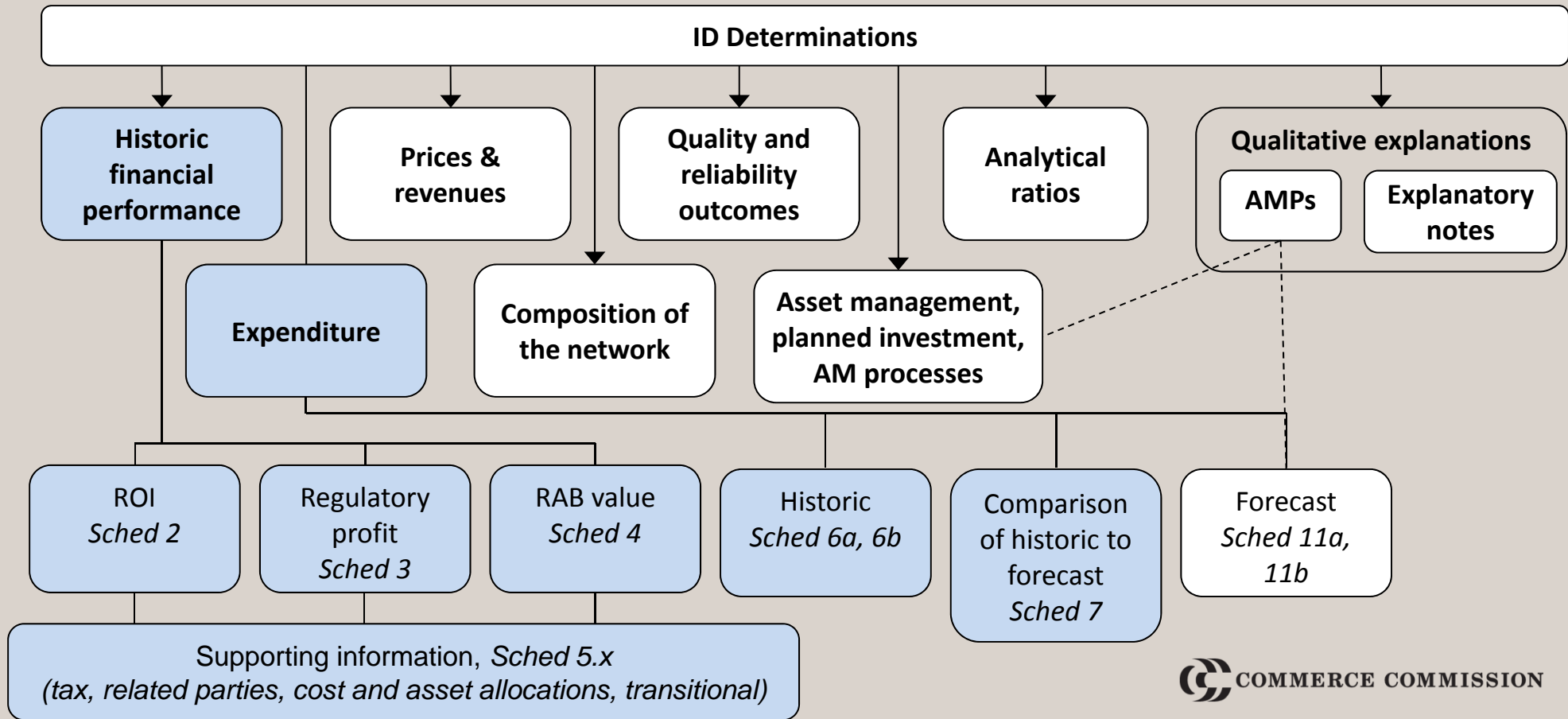
- After the end of each disclosure year, you need to disclose a package of information including:
 - Schedules 1 to 10.x, and AMP schedules if not already disclosed
 - Explanatory notes
 - Directors certificate
 - Audit certificate
- Before the start of each disclosure year, you need to disclose
 - AMP or AMP Update (incorporating the information in schedules 11.x to 12.x, and AMMAT report in schedule 13)
 - Directors certificate

Timing of disclosures continued ...

- Before the start of each disclosure year / pricing year, you need to disclose
 - Pricing methodology
 - Directors certificate
- You need to disclose other information on pricing, terms, and conditions at various times (see section 2.4 of the ID Determinations)

WHAT WE ARE COVERING IN THIS SEMINAR

ID Determinations



THE ROLE OF THE EXPLANATORY NOTES

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- After the end of each disclosure year, you must disclose mandatory explanatory notes, with additional information supporting:
 - Historic information contained in the disclosures (schedule 14)
 - Forecast information in schedules 11a and 11b (schedule 14a)
- You must disclose explanatory notes to support the transitional disclosures (schedule 14b)
 - This must be disclosed once only after the end of the first disclosure year

THE ROLE OF THE EXPLANATORY NOTES

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- The Determinations also provide for voluntary explanatory notes (schedule 15)
 - This is for you to provide additional explanation of information contained in your disclosure, where needed for interested persons to understand your business

These slides formed the basis of the seminar presented to suppliers and auditors by Commission staff in March 2013. They are intended to be used as general guidance only, and do not replace or summarise the information disclosure determinations themselves. In order to comply fully with the requirements of the determinations, suppliers and auditors should read the EDB, GDB and GTB determinations published on 1 October 2012. These documents can be found at:

- <http://www.comcom.govt.nz/current-electricity-information-disclosure-requirements/> for EDBs; and
- <http://www.comcom.govt.nz/gas-information-disclosure/> for GPBs.

www.comcom.govt.nz

CONTACT

To contact the Commission with information about false or misleading trading practices, or anti-competitive behavior by businesses:

CALL the Contact Centre on 0800 943 600

WRITE to Contact Centre, PO Box 2351, Wellington

EMAIL contact@comcom.govt.nz