

**Gas Transmission Services Input Methodologies Amendment Determination
(No.2) 2022**

[2022] NZCC [16]

The Commission: Vhari McWha
 Sue Begg
 Elisabeth Welson

Date of decision: 30 May 2022



Sue Begg
Deputy Chairperson

Dated at Wellington this 30th of May 2022

COMMERCE COMMISSION

Wellington, New Zealand

Determination history		
Determination date	Decision number	Determination name
28 September 2012	[2012] NZCC 28	Gas Transmission Services Input Methodologies Determination 2012 ('principal determination')*
25 October 2012	n/a	n/a – updated consolidated version to reflect error corrected by Decision 744
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
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
20 December 2016	[2016] NZCC 26	Gas Transmission Services Input Methodologies Amendments Determination 2016
21 December 2017	[2017] NZCC 32	Gas Transmission Services Input Methodologies Amendments Determination 2017
25 March 2022	[2022] NZCC 6	Gas Transmission Services Input Methodologies Amendment Determination (No.1) 2022
30 May 2022	[2022] NZCC 16	Gas Transmission Services Input Methodologies Amendment Determination (No.2) 2022

Drafting notes:

- This determination amends the Gas Transmission Input Methodologies Determination 2012, as previously amended, (“principal determination”).
- The included amendments which are secondary legislation are made under the Legislation Act 2019 and Part 4 of the Commerce Act 1986.
- The amendments to the principal determination are tracked in red in Attachment A.
- Attachment A only shows the clauses that have been amended.
- The clauses of the principal determination that have been amended by this determination are listed below.

Clause heading	Clause reference
Interpretation	1.1.4(2)
Physical asset life	2.2.8(1), 2.2.8(3), 2.2.8(4), 2.2.8(5), 2.2.8(6)
Total depreciation	4.2.2(3), 4.2.2(4)
Capacity Event	4.5.4A
Risk Event	4.5.4B
When price-quality paths may be reconsidered	4.5.5(1), 4.5.5(4), 4.5.5(5), 4.5.5(6), 4.5.5(7), 4.5.5(8)
Amending price-quality path after reconsideration	4.5.6(2)

Under Part 4 of the Commerce Act 1986 (**Act**) the Commerce Commission makes the following determination:

TITLE

1. This determination is the Gas Transmission Services Input Methodologies Amendment Determination (No.2) 2022.

INTERPRETATION

2. In this determination (excluding Attachment A), the words or phrases in bold type bear the following meanings:
 - 2.1 **Act** has the same meaning as in the **principal determination**;
 - 2.2 disclosure year has the same meaning as in the principal determination; and
 - 2.3 **principal determination** means the Gas Transmission Services Input Methodologies Determination 2012 [2012] NZCC 28.

DETERMINATION AMENDED

3. This determination amends the **principal determination**.

COMMENCEMENT AND APPLICATION

4. This determination comes into force on the date after which notice of it is given in the New Zealand Gazette under the Legislation Act 2019 in accordance with section 52W of the **Act**.
5. The amendments to Part 2 of the **principal determination** take effect from the start of the first **disclosure year** after this determination comes into force.
6. All other amendments take effect as soon as this determination comes into force.

PRINCIPAL DETERMINATION AMENDMENTS

7. The amendments to the **principal determination** are the deletions, substitutions and additions to the attached copy of the clauses from the **principal determination** that are tracked in red in Attachment A.

ATTACHMENT A

PART 1 GENERAL PROVISIONS

1.1.4 Interpretation

(1) In this determination-

(a) unless otherwise stated, references to-

(i) 'Sections' are to sections within the same subpart; and

(ii) 'Subparts' are to subparts within the same part,

in which the reference is made;

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

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

(d) 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 **GTB** in respect of a **disclosure year**; and

(e) materials incorporated by reference into this determination, including standards promulgated by other bodies, are incorporated under the terms of Schedule 5 of the **Act**.

(2) In this determination, including in the schedules, the words or phrases in bold type bear the following meanings:

67th percentile estimate of WACC

means, for the purpose of-

(a) Part 2, the 67th percentile estimate of post-tax **WACC**, determined in accordance with clause 2.4.5(4);

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

(c) Part 4 and Part 5, the 67th percentile estimate of vanilla **WACC**, determined in accordance with clause 4.4.5(1);

2009 disclosed assets	means, in relation to- <ul style="list-style-type: none"> (a) Maui Development Limited, assets relating to the calculation of the 'Accounting Return on Total Assets' measured in the 2009 disclosure financial statements; and (b) any other GTB, assets included by the GTB in question in the 'Non-Current Assets' category in the 2009 disclosure financial statements;
2009 disclosure financial statements	means, the financial statements disclosed by the GTB in question in accordance with the Gas (Information Disclosure) Regulations 1997 for the disclosure year 2009 ;
ABAA	A means accounting-based allocation approach, as described in, in the case of- <ul style="list-style-type: none"> (a) operating costs, clause 2.1.3(1); and (b) regulated service asset values, clause 2.1.3(2);
ACAM	means avoidable cost allocation methodology, as described in clause 2.1.5;
Act	means the Commerce Act 1986;
actual allowable revenue	has the meaning specified in clause 3.1.3(8)(d);
actual net allowable revenue	has the meaning specified in clause 3.1.3(8)(g) or 3.1.3(8)(h), as applicable;
actual revenue	has the meaning specified in clause 3.1.3(8)(e);
additional assets	means assets of a GTB which are not existing assets and are forecast to be commissioned ;

adjusted tax value	has the same meaning as in the tax depreciation rules ;
adjustment process	has the meaning specified in clause 2.2.1(1);
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- <ul style="list-style-type: none"> (a) gas transmission services, (b) where applicable, each other regulated service; and (c) 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 transmission services and other regulated services , <i>viz.</i> ' directly attributable ', ' causal ' or ' proxy ';
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;
arm's-length deduction	<p>means in respect of-</p> <ul style="list-style-type: none"> (a) operating costs not directly attributable, an amount of operating costs incurred by a GTB in the supply of unregulated services that have been recouped in an arm's-length transaction; and (b) regulated service asset values not directly attributable, the amount of regulated service asset values in respect of assets used by a GTB in the supply of unregulated services for which a recoupment of capital costs has been made by the GTB in an arm's-length transaction, <p>in respect of which the GTB wishes account to be taken for cost allocation purposes;</p>
arm's-length transaction	means a transaction conducted on such terms and conditions as between a willing buyer and a willing seller who are unrelated and are acting independently of each other and pursuing their own best interests;
assessment period	<p>means the period between the end of the most recent disclosure year prior to submission of the CPP application in question and the GTB's anticipated commencement date of the CPP, assuming that-</p> <ul style="list-style-type: none"> (a) the CPP application is neither discontinued in accordance with s 53S of the Act nor deferred in

	<p>accordance with s 53Z of the Act; and</p> <p>(b) 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;</p>
asset adjustment process	has the meaning specified in clause 2.2.1;
asset allocator	<p>means a proportion of a quantifiable measure used to allocate regulated service asset values that are not directly attributable and whose quantum is-</p> <p>(a) based on a causal relationship; or</p> <p>(b) equal to a proxy asset allocator;</p>
asset category	has the meaning specified in Schedule D;
asset life	<p>means a finite period in respect of an asset, being-</p> <p>(a) its physical asset life; or</p> <p>(b) where an alternative asset life to the physical asset life is sought for the purpose of a CPP pursuant to clause 5.5.10(3)(d), the alternative asset life determined pursuant to clause 5.3.8;</p>
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, and excludes any capital contribution ;
asset replacement and renewal capex	means capex predominantly associated with-

- (a) the progressive physical deterioration of the condition of **network** assets or their immediate surrounds; or
- (b) expenditure arising as a result of the obsolescence of **network** assets, and excludes any **capital contributions**;

auditor

means-

- (a) where the **GTB** is a public entity (as defined in s 4 of the Public Audit Act 2001), the Auditor-General; or
- (b) in all other cases, a **person** who-
 - (i) is qualified for appointment as auditor of a company under the Companies Act 1993;
 - (ii) is **independent**; and

where the **GTB** is a **CPP applicant**-

- (iii) is not a **verifier** of the **GTB's CPP proposal**;
- (iv) has not assisted with the compilation of the information in that proposal;
- (v) 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
- (vi) is neither professionally associated with nor directed by any **person** who has provided such assistance, opinions or advice;

average debt premium	has the meaning specified in, and is the amount determined in accordance with- (a) Part 2, clause 2.4.4(2); and (b) Part 4, clause 4.4.4(2);
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	
capacity event	has the meaning specified in clause 4.5.4A;
capex	means capital expenditure ;
capex forecast	means the part of the CPP proposal , provided pursuant to clause 5.5.24, 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 or CPP 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(5);

capital contributions

means, for the purpose of-

- (a) 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;
- (b) 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
- (c) 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-

- (a) Part 2-
 - (i) incurred in the acquisition or development of an asset that is, or is intended to be, **commissioned**; and
 - (ii) that are or are intended to be included in the **value of commissioned asset**;
- (b) Part 4-

- (i) forecast to be incurred in the acquisition or development of an **additional asset**; and
- (ii) 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

(c) Part 5-

- (i) incurred or forecast to be incurred in the acquisition or development of an asset that is, or is intended to be, **commissioned**; and
- (ii) that are included or are 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 –

- (a) Part 4, clause 4.5.1; and
- (b) Part 5, clause 5.7.1;

catastrophic event allowance

means the amount determined by the **Commission** for–

- (a) additional net costs (over and above those provided for in a **DPP**

determination or CPP determination) prudently incurred by a **GTB** in responding to a **catastrophic event**, other than costs that are foregone revenue; and

- (b) **pass-through costs and recoverable costs** the **GTB** 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 4.5.4(1)(i) or clause 5.7.7(2)(a);

means, in relation to-

- (a) **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
- (b) **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;

causal relationship

change event	has the meaning specified in, for the purposes of – (a) Part 4, clause 4.5.2; and (b) Part 5, clause 5.7.2;
closing RAB value	means the value determined in accordance with, for the purpose of- (a) Part 2, clause 2.2.4(4); and (b) Part 5, clause 5.3.6(3);
closing tax losses	means the amount determined in accordance with, for the purpose of- (a) Part 2, clause 2.3.2(4); (b) Part 4, clause 4.3.2(3)(b); and (c) 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 GTB to provide gas transmission 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;
committed	means, in respect of a project or programme , one that has received all approvals internal and external to the GTB that are required in order for work on the project or programme 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 ;

consumer	has the same meaning as defined in s 2(1) of the Gas Act 1992;
contingent project	has the meaning specified in clause 5.7.3(1);
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- <ul style="list-style-type: none"> (a) based on a causal relationship; or (b) equal to a proxy cost allocator;
cost of debt	means the amount specified for r_d in, for the purpose of- <ul style="list-style-type: none"> (a) Part 2, clause 2.4.1(3); and (b) Part 4 and Part 5, clause 4.4.1(3);
CPI	means- <ul style="list-style-type: none"> (a) subject to paragraph (b), the consumer price index stipulated for each quarter in the 'All Groups Index SE9A' as published by Statistics New Zealand; and (b) 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 GTB who- <ul style="list-style-type: none"> (a) is preparing a CPP proposal; or

	(b) 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 transmission services made by the Commission under s 52P of the Act ;
CPP inflation rate	has the meaning specified in clause 5.3.4(9);
CPP proposal	means a proposal made by a GTB to the Commission for a CPP comprising the information specified in Part 5 Subpart 5;
CPP regulatory period	means- <ul style="list-style-type: none"> (a) in relation to a CPP proposal, the 5 disclosure years following the assessment period; and (b) 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;
customer connection capex	means capex predominantly associated with the establishment of new connection points of consumers to the network and alterations to existing connection points where the expenditure relates to connection assets or parts of the network , and excludes any capital contributions ;
debt issuance costs	D means costs associated with the issuance of debt by a supplier (including, but not limited to, arrangement fees, legal fees,

	brokerage, advertising, credit rating fees, registry costs, listing fees, syndicate fees, trustee fees, facility fees, line fees, roadshow and marketing costs, paying agency fees and any fee or premium incurred in entering into an interest rate or cross-currency derivative);
debt premium	for the purpose of Part 2 or Part 4, has the meaning specified in, and is the amount determined in accordance with, clause 2.4.4(5);
debt premium reference year	means a 12 month period ending on 28 February; <i>Example: 'debt premium reference year 2016' means the twelve month period ending 28 February 2016;</i>
demand group	means a pricing category (irrespective of the pricing methodology used) that- <ul style="list-style-type: none"> (a) has a discrete rate of growth in the demand for gas transmission services over the CPP regulatory period; or (b) is applicable to shippers of gas on the network;
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- <ul style="list-style-type: none"> (a) Part 2, clause 2.2.5(2);

	(b) Part 4, clause 4.2.2(2); and (c) Part 5, clause 5.3.7(2);
depreciation temporary differences	has the meaning specified, for the purpose of-
	(a) Part 2, clause 2.3.5(2); (b) Part 4, clause 4.3.3; and (c) Part 5, clause 5.3.16(2);
designated individual	means an individual who is-
	(a) independent ; and (b) 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-
	(a) operating costs , wholly and solely incurred by the GTB in or in relation to its supply of one regulated service ; and (b) regulated service asset values , wholly and solely related to an asset used by the GTB in or in relation to its supply of one regulated service ;
director	means, in the case of a GTB that is-
	(a) a company (as 'company' is defined in s 2 of the Companies Act 1993), an individual occupying the position of director of the GTB , by whatever name that position is called; (b) a partnership (other than a special partnership), a partner; (c) a special partnership, a general partner; and

disclosure year	<p>(d) 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;</p> <p>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;</p> <p><i>Example: where an ID determination provides that disclosure is required by a GTB in respect of the annual period ending 31 March, then 'disclosure year', in respect of the GTB, means the 12 month period ending on 31 March, and 'disclosure year 2017' means the 12 month period ending on 31 March 2017;</i></p>
disposed asset	<p>means, for the purpose of-</p> <p>(a) Part 2, an asset that, in the disclosure year in question, has been sold or transferred, or has been irrecoverably removed from the GTB's possession without consent but is not a lost asset; and</p> <p>(b) Part 5, an asset that, in relation to a disclosure year, is-</p> <p style="margin-left: 40px;">(i) sold or transferred but is not a lost asset; or</p> <p style="margin-left: 40px;">(ii) forecast to be sold or transferred;</p>
distribution network	<p>has the same meaning as 'network' is defined in the Gas Distribution Services Input Methodologies Determination 2012;</p>
document	<p>has the same meaning as defined in s 2 of the Act;</p>

DPP	means default price-quality path;
DPP determination	means DPP determination in relation to gas transmission 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- <ul style="list-style-type: none"> (a) creating an easement in respect of it; and (b) 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- <ul style="list-style-type: none"> (a) a chartered professional engineer as defined in s 6 of the Chartered Professional Engineers of New Zealand Act 2002; (b) acting in that professional capacity; and (c) independent;
error event	has the meaning specified in, for the purpose of- <ul style="list-style-type: none"> (a) Part 4, clause 4.5.3(1); and (b) Part 5, clause 5.7.5(1);
excluded asset	means an asset that is-

	<ul style="list-style-type: none"> (a) not used to supply gas transmission services as on the last day of the disclosure year 2009; (b) designated as 'excluded' type as a result of the asset adjustment process; or (c) easement land;
existing assets	means assets of a GTB for which an aggregate closing RAB value for existing assets is calculated for the base year ;
expenditure objective	means the objective that capital expenditure and operating expenditure reflects the efficient costs that a prudent non-exempt GTB would require to- <ul style="list-style-type: none"> (a) meet or manage the expected demand for gas transmission services, at appropriate service standards, during the DPP regulatory period or CPP regulatory period and over the longer term; and (b) comply with applicable regulatory obligations associated with those services;
	F
false or misleading information	has the meaning specified in clause 4.5.5(3);
finance lease	has the same meaning as under GAAP ;
fixed life easement	means an easement that- <ul style="list-style-type: none"> (a) is of fixed duration; or (b) 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 allowable revenue	means an amount specified in clause 3.1.1(4);
forecast allowable revenue as a function of demand	means a value specified in clause 3.1.1(5);
forecast CPI	means the amount specified in, for the purpose of Part 3 and Part 5, clause 3.1.1(8);
forecast CPI for CPP revaluation	means the amount specified in accordance with clause 5.3.10(5);
forecast CPI for DPP revaluation	means the amount specified in accordance with clause 4.2.3(4);
forecast depreciation for existing assets	means the values specified in a DPP determination in respect of GTBs ;
forecast net allowable revenue	means a value specified in accordance with clause 3.1.1(6) or 3.1.1(7), as applicable;
forecast operating expenditure	has the meaning specified in clause 5.3.2(7);
forecast regulatory tax allowance	has the meaning specified in clause 5.3.13;
forecast revenue from prices	means an amount specified in clause 3.1.1(3);
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
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	insofar as an election may be made between the cost model of recognition and the fair value model of recognition;
gas transmission services	means any gas pipeline services (as defined in s 55A of the Act) supplied across a network ;
GPB	means GDB (as 'GDB' is defined in the Gas Distribution Input Methodologies Determination 2012) or GTB ;
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;
GTB	means supplier of gas transmission services ;

H

highly probable	means one in respect of which the following conditions have been met at the time the CPP application is made: <ul style="list-style-type: none"> (a) the directors have approved a plan to sell either or both the other regulated service or unregulated service, as the case may be; (b) the GTB is taking active steps to- <ul style="list-style-type: none"> (i) locate a buyer for the assets; and (ii) complete the plan, referred to in paragraph (a); (c) the GTB is actively marketing the assets for sale at a price that is reasonable;
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- (d) the **directors** expect the sale to complete within 12 months of the **CPP application** being made; and
- (e) 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 GTB made by the Commission under s 52P of the Act ;
identifiable non-monetary asset	has the same meaning as under GAAP (which, for the avoidance of doubt, includes right-of use assets and excludes goodwill) save that goodwill is excluded ;
identified programme	means a project or programme that the GTB 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 GTB in question that is likely to involve him her or it in a conflict of interest between his, her or its duties to the GTB and his, her or its duties to the Commission ;
initial RAB	has the meaning specified in clause 2.2.2;
initial RAB value	means value of of an asset in the initial RAB determined in accordance with clause 2.2.3(3);

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- <ul style="list-style-type: none"> (a) Part 2, clause 2.4.2(1); and (b) Part 4, clause 4.4.2(1);
levy	means a tax, charge or fee directly imposed by or under legislation- <ul style="list-style-type: none"> (a) on- <ul style="list-style-type: none"> (i) GTBs alone; or (ii) a class of persons (other than the general public or businesses in general) that includes GTBs; or (b) in relation to gas transmission services;
line item	means, in respect of- <ul style="list-style-type: none"> (a) 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 (b) costs, a group of operating costs within an opex category for which

	the same cost allocator is used to allocate them,
	to gas transmission 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- <ul style="list-style-type: none"> (a) not included in the initial RAB; and (b) having, in relation to the disclosure year in question, an unallocated opening RAB value, but determined by the GTB in that disclosure year never to have been used to provide gas transmission services ;
M	
major transaction	has the meaning specified in, for the purpose of- <ul style="list-style-type: none"> (a) Part 4, clause 4.5.4; and (b) Part 5, clause 5.7.6;
maximum allowable revenue after tax	means the amount determined in accordance with clause 5.3.4;
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- <ul style="list-style-type: none"> (a) Part 2, the mid-point estimate of- <ul style="list-style-type: none"> (i) vanilla WACC as estimated in accordance with clause 2.4.1(1); or (ii) post-tax WACC as estimated in accordance with clause 2.4.1(2),

as the case may be;

- (b) Part 3, the mid-point estimate of post-tax **WACC**, as estimated in accordance with clause 4.4.1(2);
- (c) Part 4, the mid-point estimate of-
 - (i) vanilla **WACC**, as estimated in accordance with clause 4.4.1(1);
 - (ii) 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(9);

negative temporary differences

means the amount determined in accordance with clause 5.3.16(5);

network

means the high pressure transmission pipeline systems under the control of one **person** between the place where gas enters those transmission pipeline systems (commonly referred to as a 'receipt point') and the place where gas exits them, provided that where the place of exit is a delivery point to a **distribution network** owned by the same **person** who owns the transmission pipeline system in question, the delivery point is the place specified by that **person**;

network spare

means an asset that is held by a **GTB** 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 deductible interest	means, for the purpose of- <ul style="list-style-type: none"> (a) Part 4, the amount specified in clause 4.3.4; and (b) Part 5, the amount determined in accordance with clause 5.3.13(5);
NZ IAS 24	means <i>New Zealand Equivalent to International Accounting Standard 24, Related Party Disclosures (NZ IAS 24)</i> , issued by the New Zealand Accounting Standards Board of the External Reporting Board in November 2009, incorporating amendments to 31 December 2015, under s 24(1)(a) of the Financial Reporting Act 1993;
O	
opening RAB value	means the value determined in accordance with, for the purpose of- <ul style="list-style-type: none"> (a) Part 2, clause 2.2.4(3); and (b) Part 5, clause 5.3.6(1);
opening tax losses	means the amount determined in accordance with, for the purpose of – <ul style="list-style-type: none"> (a) Part 2, clause 2.3.2(3); (b) Part 4, clause 4.3.2(3)(a) and (c) 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 **GTB** in question relating to the **supply** of-

- (a) **regulated services** alone; or
- (b) **regulated services** and one or more **unregulated service**,

and excludes-

- (c) a cost that is treated as a cost of an asset by **GAAP**;
- (d) amounts that are depreciation, tax, subvention payments, revaluations or an interest expense, in accordance with their meanings under **GAAP**;
- (e) **debt issuance costs**;
- (f) **pass-through costs**;
- (g) **recoverable costs**; and
- (h) distribution of profits to **consumers**;

operating expenditure

for the purpose of-

- (a) Part 4, means the value of **operating costs** attributable to **gas transmission services** supplied by a **GTB** which are forecast to be incurred in the **disclosure year** in question as determined by the **Commission**; and
- (b) 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 5.5.24 that forecasts **operating expenditure** for the **next period**;

other regulated income

for the purpose of –

- (a) Part 3, means income associated with the supply of **gas transmission services** other than-
 - (i) through **prices**;
 - (ii) investment-related income;
 - (iii) **capital contributions**; or
 - (iv) **vested assets**; and
- (b) Part 4, means forecast income associated with the supply of **gas transmission services** other than-
 - (i) through **prices**;
 - (ii) investment-related income;
 - (iii) **capital contributions**; or
 - (iv) **vested assets**,

as determined by the **Commission**;

other regulated service

means a **regulated service**, other than **gas transmission services**, supplied by the **GTB** in question;

OVABAA

means the optional variation to accounting-based allocation approach, as described in clause 2.1.4;

OVABAA allocation increase

means, in respect of either or both-

- (a) **operating costs**; and
- (b) **regulated service asset values**,

not **directly attributable**, as the case may be, allocated to **gas transmission services**, the dollar difference between the amount determined pursuant to the last application of clause 2.1.4(7)(c) and the application of clause 2.1.4(2)(a) or 2.1.4(3)(a), as the case may be;

P

pass-through cost

has the meaning specified in clause 3.1.2(1);

permanent differences	means the amount determined in accordance with, for the purpose of- (a) Part 2, clause 2.3.3; and (b) 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;
positive temporary differences	means the amount determined in accordance with clause 5.3.16(4);
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(9);
pricing principles	means the principles specified in clause 2.5.2;
pricing year	means a 12 month period ending on 30 September in the DPP regulatory period or CPP regulatory period for which a GTB sets its prices ;
probabilistic risk assessment	means the assessment of a risk associated with a GTB's network, based on the severity of the adverse consequence(s) and the probability of each consequence occurring, if the risk eventuates;
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-

- (a) used to allocate **regulated service asset values** for which a **causal relationship** cannot be established; and
- (b) 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-

- (a) used to allocate **operating costs** for which a **causal relationship** cannot be established; and
- (b) 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-

- (a) Part 2, clause 2.4.7(1); and
- (b) Part 4, clause 4.4.10(1);

qualifying issuer

means a New Zealand resident limited liability company-

- (a) that-
 - (i) undertakes the majority of its business activities in Australia and New Zealand; or

	(ii) is part of a corporate group that undertakes the majority of its business activities in Australia and New Zealand;
	(b) that-
	(i) does not operate predominantly in the banking or finance industries; or
	(ii) is part of a corporate group that does not operate predominantly in the banking or finance industries; and
	(c) that issues vanilla NZ\$ denominated bonds that are publicly traded;
qualifying rating	means-
	(a) a Standard and Poor's long term credit rating of the specified grade; or
	(b) an equivalent long term credit rating of another internationally recognised rating agency;
qualifying supplier	has the meaning specified in, for the purpose of-
	(a) Part 2, clause 2.4.7(2); and
	(b) Part 4, clause 4.4.10(2);
quantity	has the meaning, for the purpose of Part 3, specified in clause 3.1.1(10);
	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 **GTB** pursuant to the **supply** of a **regulated good or service**, which, for the avoidance of doubt, includes the following types of **services**:

- (a) **gas transmission services**;
- (b) gas distribution services, as defined in the Gas Distribution Services Input Methodologies Determination 2012; and
- (c) electricity distribution services, as defined in the Electricity Distribution Services Input Methodologies Determination 2012);

regulated service asset value

means, in respect of an asset-

- (a) used by a **GTB** in the **supply** of-
 - (i) one or more **regulated service**; or
 - (ii) one or more **regulated service** and one or more **unregulated service**;

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

- (iii) in the **disclosure year** 2009, its **unallocated initial RAB value**; and
 - (iv) in all other **disclosure years**, its **unallocated closing RAB value**; and
- (b) used by a **GTB** only in the **supply** of-

	<ul style="list-style-type: none"> (i) one or more other regulated service; or (ii) one or more other regulated service and one or more unregulated service;
	in-
	<ul style="list-style-type: none"> (iii) the disclosure year 2009, its unallocated initial RAB value; and (iv) 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(3);
regulatory net taxable income	has the meaning specified in, for the purpose of- <ul style="list-style-type: none"> (a) Part 2, clause 2.3.1(2); (b) Part 4, clause 4.3.1(2); and (c) Part 5, clause 5.3.13(2);
regulatory period	means the regulatory period for default/customised price-quality regulation applicable to a GTB as specified in a determination made under s 52P of the Act ;
regulatory period term	means, the length in years of the relevant regulatory period , but which may commence at a different time to the regulatory period
regulatory profit / (loss) before tax	has the meaning specified in, for the purpose of- <ul style="list-style-type: none"> (a) Part 2, clause 2.3.1(4);

	(b) Part 4, clause 4.3.1(4); and (c) Part 5, clause 5.3.13(4);
regulatory tax allowance	has the meaning specified, for the purpose of-
	(a) Part 2, clause 2.3.1; and (b) Part 4, clause 4.3.1;
regulatory taxable income	means the amount determined in accordance with, for the purpose of-
	(a) Part 2, clause 2.3.1(3); (b) Part 4, clause 4.3.1(3); and (c) Part 5, clause 5.3.13(3);
regulatory tax asset value	has the meaning specified in, for the purpose of-
	(a) Part 2, clause 2.3.6; and (b) Part 5, clause 5.3.17;
regulatory templates	has the meaning specified in clause 5.5.24(2);
related party	means-
	(a) a person that is related to the GTB , where the GTB would be considered as the 'reporting entity', as specified in the definition of 'related party' in NZ IAS 24 ; or (b) any part of the GTB that does not supply gas transmission services ;
related party transaction	means-
	(a) the procurement of an asset or good or service from a related party by the part of the GTB that supplies the gas transmission service ; or (b) the sale or supply of an asset or good or service to a related party

by the part of the **GTB** that supplies the **gas transmission service**;

remaining asset life	means the term remaining of an asset's asset life at the commencement of the disclosure year in question, after applying any adjustment factor extending or reducing an asset life (as the case may be) in accordance with clause 2.2.8(5) ;
remaining asset life for additional assets	has the meaning specified in clause 1.1.1(12)(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- <ul style="list-style-type: none">(a) Part 2, clause 2.2.9(2);(b) Part 4, clause 4.2.3(2); and(c) Part 5, clause 5.3.10(2); which, for the avoidance of doubt, may be a negative number;
revaluation rate	has the meaning specified in, for the purpose of- <ul style="list-style-type: none">(a) Part 2, clause 2.2.9(4);(b) Part 4, clause 4.2.3(3); and(c) Part 5, clause 5.3.10(4);
revenue foregone	has the meaning specified in clause 3.1.3(8)(f);
revenue reduction percentage	has the meaning specified in clause 3.1.3(8)(i);
revenue wash-up draw down amount	has the meaning specified in clause 3.1.3(8)(j);
reversal and reverse	have the same meanings as under GAAP ;
right-of-use asset	has the same meaning as under GAAP ;

risk event	has the meaning specified in clause 4.5.4B;
safety	means the quality of averting or not causing injury, danger, or loss;
selection rationale	<p>means a description of either or both of the-</p> <ul style="list-style-type: none"> (a) criteria applied; and (b) fundamental reasons used, <p>for, either or both-</p> <ul style="list-style-type: none"> (c) determining; and (d) selecting, <p>each-</p> <ul style="list-style-type: none"> (e) asset allocator and associated allocator metric; and (f) 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;
system growth capex	means capex , other than customer connection capex , where the primary

reason is the requirement for additional capacity at a particular location, and excludes any **capital contributions**;

supply

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

T

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 **GTB** 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);

temporary differences

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

- (a) Part 2, clause 2.3.5; and
- (b) Part 2, clause 5.3.16;

term credit spread difference

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

- (a) Part 2 and Part 5, clause 2.4.8(1); and
- (b) Part 4, clause 4.4.9(1);

term credit spread differential

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

- (a) Part 2 and Part 5, clause 2.4.9(3);
and
- (b) Part 4, clause 4.4.8(1);

term credit spread differential allowance

for the purpose of-

	(a) Part 2 and Part 5, means the sum of term credit spread differentials ; and
	(b) Part 4, means the amount determined in accordance with clause 4.4.7(2);
total depreciation	means, for the purpose of- (a) Part 2 and Part 5, the sum of depreciation for all assets; and (b) Part 4, the value determined in accordance with clause 4.2.2;
total opening RAB value	for the purpose of- (a) Part 4, the amount determined in accordance with clause 4.2.1(1); and (b) Part 5, has the meaning specified in clause 5.3.6(7);
total revaluation	means, for the purpose of- (a) Part 2 and Part 5, the sum of revaluation for all assets; and (b) Part 4, the value determined in accordance with clause 4.2.3;
transitional adjusted asset life for existing assets	means the values specified in a DPP Determination in respect of GTBs ;
transitional disclosure year	means a disclosure year that includes the commencement date of a DPP regulatory period ;
transitional pricing methodology	has the meaning specified in clause 5.4.1(3);
trigger event	has the meaning specified in clause 5.7.3(3);

U

unallocated closing RAB value	means value determined in accordance with, for the purpose of- <ul style="list-style-type: none">(a) Part 2, clause 2.2.4(2); and(b) Part 5, clause 5.3.6(6);
unallocated depreciation	means, in relation to a disclosure year , 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- <ul style="list-style-type: none">(a) Part 2, clause 2.2.5(1); and(b) 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- <ul style="list-style-type: none">(a) Part 2, clause 2.2.4(1); and(b) Part 5, clause 5.3.6(5);
unallocated revaluation	means amount determined in accordance with, for the purpose of- <ul style="list-style-type: none">(a) Part 2, clause 2.2.9(1); and(b) 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- <ul style="list-style-type: none">(a) operating costs not directly attributable; and

	(b) 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-
	(c) discontinued; or
	(d) not provided,
	and ' unduly deter ' must be construed accordingly;
unforeseen project	has the meaning specified in clause 5.7.4;
unregulated service	means any good or service supplied by the GTB that is not a regulated service ;
utilised tax losses	means the amount determined in accordance with, for the purpose of-
	(a) Part 2, clause 2.3.2;
	(b) Part 4, clause 4.3.2(1); and
	(c) 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-

	<ul style="list-style-type: none"> (a) is registered as a valuer under the Valuers Act 1948; (b) holds a current practising certificate issued by- <ul style="list-style-type: none"> (i) the Property Institute of New Zealand; or (ii) the New Zealand Institute of Valuers; (c) has been engaged to act in his or her professional capacity as a valuer; and (d) 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- <ul style="list-style-type: none"> (a) a person who- <ul style="list-style-type: none"> (i) is independent; and (ii) has been engaged to verify the CPP applicant's CPP proposal in accordance with Schedule G; or (b) a designated individual of a person described in paragraph (a);
vested asset	means an asset associated with the supply of gas transmission services received by a GTB - <ul style="list-style-type: none"> (a) without provision of consideration; or

- (b) 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);
wash-up account	means a memorandum account maintained by a GTB to record each item specified in clauses 3.1.3(7)(b)-(d);
wash-up amount	has the meaning specified in clause 3.1.3(8)(a);
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- <ul style="list-style-type: none">(a) has been or is being or is forecast to be constructed by, or on behalf of, a GTB;(b) has not been commissioned; and(c) the GTB intends to commission.

PART 2 INPUT METHODOLOGIES FOR INFORMATION DISCLOSURE

SUBPART 2 Asset valuation

2.2.8 Physical asset life

- (1) Physical asset life means, subject to subclauses (2) and (5), in the case of-
- (a) a **fixed life easement**, the fixed duration or fixed period (as the case may be) referred to in the definition of **fixed life easement**;
 - (b) an extended life asset or a refurbished asset, its physical service life potential as determined by the **GTB**;
 - (c) ~~a reduced life asset~~ an asset determined by the **GTB** to have a service life potential shorter than its **standard physical asset life**, its physical service life potential as determined by an **engineer**, subject to subclause (3);
 - (d) 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;
 - (e) a non-**network** asset, **or right-of-use asset**, its asset life as determined under **GAAP**;
 - (f) 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;
 - (g) an asset acquired or transferred from an entity other than a **regulated supplier**:
 - (i) where a similar asset exists, the **asset life** assigned to the similar asset; or
 - (ii) where a similar asset does not exist, the physical service life potential determined by an **engineer**, subject to subclause (3);
 - (h) an asset not referred to in paragraphs (a)-(g)-
 - (i) in the **initial RAB** and an **included asset**; or
 - (ii) not in the **initial RAB**,and-
 - (iii) having a **standard physical asset life**, its **standard physical asset life**;
 - (iv) 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

- (v) in all other cases, its physical service life potential determined by an **engineer**, subject to subclause (3);
 - (i) an asset (other than a composite asset) not referred to in paragraphs (a)-(h), its remaining physical service life potential as on the last day of the **disclosure year** 2009 as determined in accordance with the method used to determine an allowance for depreciation, in the case of-
 - (i) Maui Development Limited, for the calculation of the 'Accounting Return on Total Assets' measured in the **2009 disclosure financial statements**; and
 - (ii) all other **GTBs**, for the purpose of the **2009 disclosure financial statements**;
 - (j) 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 **GTB**.
- (2) 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 **GTB** to provide **gas transmission services** beyond the term of the fixed term agreement relating to the asset between the **GTB** and the **consumer**, at the **GTB's** election, the term of that agreement instead of the physical asset life that would otherwise apply under that subclause.
- (3) For the purpose of subclauses (1)(~~bc~~), 1(g)(ii) and (1)(h)(v), a determination made in accordance with this clause by an **engineer** of physical service life potential-
- (a) 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
 - (b) 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 **GTB** pursuant to an **ID determination**.
- (4) In this clause-
- (a) 'dedicated asset' means an asset operated for the benefit of a particular **consumer** pursuant to a fixed term agreement for the **supply of gas transmission services** between the **GTB** in question and that **consumer**;

- (b) 'extended life asset' means an asset whose physical service life potential is greater than its **standard physical asset life**;
 - (c) '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;
 - ~~(d) 'reduced life asset' means an asset determined by the GTB to have a physical service life potential shorter than its **standard physical asset life**;~~
~~and~~
 - (d) 'composite asset' means a configuration of two or more assets that is not capable of operation in the absence of any of those assets.
- (5) If the **Commission** has applied an adjustment factor under clause 4.2.2(3) and (4) for a **DPP Regulatory Period**, a **GTB** must-
- (a) in respect of the first **transitional disclosure year** for which an adjustment factor is applied by the **Commission** for that **DPP regulatory period**, reduce or extend (as the case may be) the asset life of some or all assets that have an **unallocated opening RAB value**, such that:
 - (i) the forecast **depreciation** in respect of **existing assets** for the first **transitional disclosure year** and each subsequent **disclosure year** that ends in the **DPP regulatory period**, in aggregate, is equivalent to the value of the **forecast depreciation for existing assets** in the applicable **DPP determination** for that **GTB**; and
 - (ii) subject to subclause (5)(a)(i), the remaining average asset life for existing assets in the first **transitional disclosure year** calculated in accordance with subclause (6) approximates the value of the **transitional adjusted asset life for existing assets** in the applicable **DPP determination** for that **GTB**; and
 - (b) for assets **commissioned** during that **DPP regulatory period**, apply a percentage reduction or extension (as the case may be) to the applicable **asset life** for those assets equal to the percentage reduction or extension to the **asset life** of the **existing assets** of a similar asset type as made under subclause (5)(a).
- (6) For the purposes of subclause (5)(a), the 'remaining average asset life for existing assets' for the first **transitional disclosure year** means the value determined in accordance with the formula-

“sum of opening RAB value for all assets ÷ sum of depreciation for all assets.”

PART 4 INPUT METHODOLOGIES FOR DEFAULT PRICE-QUALITY PATHS

SUBPART 2 Asset valuation

4.2.2 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-
 - (a) **existing assets** of the **GTB**, for-
 - (i) the **base year**, the sum of all amounts of 'depreciation' determined in accordance with Part 2 for that **disclosure year**; and
 - (ii) each **disclosure year** thereafter, the value determined in accordance with the formula-
 $[1 \div \textit{remaining asset life for existing assets}] \times \textit{aggregate opening RAB value for existing assets}$; and
 - (b) **additional assets** of the **GTB**, the value determined in accordance with the formula-
 $[1 \div \textit{remaining asset life for additional assets}] \times \textit{aggregate opening RAB value for additional assets}$.
- (3) For the purpose of subclause (2)-
 - (a) 'remaining asset life for existing assets' for a **disclosure year** means-
 - (i) **unless subclause (3)(a)(ii) applies**, the value determined in accordance with the formula-
 $\textit{aggregate opening RAB value for existing assets for the base year} \div \textit{total depreciation for the base year}$,
less the number of **disclosure years** from the **base year** to the **disclosure year** in question; ~~and or~~
 - (ii) **if the Commission applies an adjustment factor for the relevant DPP regulatory period** under subclause (4), the value determined in accordance with the formula-

adjustment factor × (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

(b) 'remaining asset life for additional assets' for a **disclosure year** means-

(i) *unless subclause (3)(b)(ii) applies*, 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; or

(ii) if the **Commission** applies an adjustment factor for the relevant **DPP regulatory period** under subclause (4), the value determined in accordance with the formula-

adjustment factor × 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.

(4) The **Commission** may apply an adjustment factor in respect of a **DPP regulatory period** for the purpose of determining the **remaining asset life for existing assets** and the **remaining asset life for additional assets**, provided the **Commission** is satisfied that applying an adjustment factor would better reflect economic asset lives and doing so would better promote the purpose of Part 4 of the **Act**.

SUBPART 5 Reconsideration of the default price-quality path

4.5.4A Capacity Event

'Capacity event' means an event for which a **GTB** demonstrates that –

- (a) the **GTB's network** needs additional capacity to provide **gas transmission services**;
- (b) the primary reason for the need for additional capacity is to meet established or reasonably anticipated demand for –
 - (i) **customer connection capex**;
 - (ii) **system growth capex**;

- (iii) **asset relocations capex;**
 - (iv) **asset replacement and renewal capex;** or
 - (v) a combination of **customer connection capex** and **system growth capex;**
- (c) when the **DPP** was determined, the need for the additional capacity –
- (i) was not sufficiently certain as to timing and was therefore not provided for in the **DPP**; or
 - (ii) could not reasonably have been foreseen by a prudent **GTB**;
- (d) addressing the need for additional capacity –
- (i) would require First Gas Limited, to incur costs of at least two million dollars of **capex** during the **DPP regulatory period**, above any **capital contributions** to be received by the **GTB** and any allowance provided for in the **DPP**, in respect of the **capacity event**;
 - (ii) would not require First Gas to Limited to incur costs greater than fifteen million dollars of **capex**, above any **capital contributions** to be received by the **GTB**, or any amounts included in the **GTB's capex** forecasts and provided for in the **DPP**, in respect of the **capacity event**;
and
 - (iii) meets the **expenditure objective**.

4.5.4B Risk event

'Risk event' means the deterioration of one or more assets that has occurred, that will have the effect in (a)(i) or (a)(ii), or both effects, and meets the criteria in (b) and (c); or an event for which a **GTB** demonstrates that-

- (a) based on a **probabilistic risk assessment**, one or more of the assets in the **GTB's network** will deteriorate to such an extent that failing to take steps in the **DPP regulatory period** to remedy the deterioration would –
 - (i) have a materially adverse effect on the **GTB's** ability to meet its quality standards; or
 - (ii) compromise **safety** for –
 - (A) any **person**;
 - (B) any equipment; or
 - (C) the **network**;

- (b) when the **DPP** was determined, the need to remedy the deterioration –
 - (i) was not sufficiently certain as to timing and was therefore not provided for in the **DPP**; or
 - (ii) could not reasonably have been foreseen by a prudent **GTB**; and
- (c) taking steps to remedy the deterioration –
 - (i) would require First Gas Limited to incur costs of at least two million dollars of **opex** or **capex**, or both, during the **DPP regulatory period** above any **capital contributions** to be received by the **GTB** and any allowance provided for in the **DPP**, in respect of the **risk event**;
 - (ii) would not require First Gas Limited to incur costs greater than fifteen million dollars of **capex** or **opex**, or both, above any **capital contributions** to be received by the **GTB**, or any amounts included in the **GTB's capex** or **opex** forecasts and provided for in the **DPP**, in respect of the **risk event**;
 - (iii) cannot be delayed until a future **DPP regulatory period** without having a materially adverse effect on the **GTB's** ability to meet its quality standards or compromise **safety** as referred to in paragraph (a)(ii); and
 - (iv) meets the **expenditure objective**.

4.5.5 When price-quality paths may be reconsidered

- (1) A **DPP** may be reconsidered by the **Commission** if-
 - (a) the **Commission** considers, or the **GTB** applies to the **Commission** and satisfies the **Commission**, that-
 - (i) subject to subclause (2), a **catastrophic event** has occurred;
 - (ii) a **change event** has occurred;
 - (iii) there has been an **error event**;
 - (iv) a **major transaction** has occurred; or
 - (v) false or misleading information has been provided.; or
 - (b) the **GTB** applies to the **Commission** and satisfies the **Commission**, that-
 - (i) a **capacity event** has occurred; or
 - (ii) a **risk event** has occurred.
- (2) For the purpose of subclause (1)(b)(i), where the costs to rectify the adverse consequences of the **catastrophic event** are fully covered by –

- (a) the **DPP** (e.g. through an **operational expenditure** allowance for self-insurance); or
 - (b) commercial insurance held by the **GTB**,

the **Commission** will only reconsider the quality standards of the **DPP**.
- (3) For the purpose of subclause (1)(a)(v), ‘false or misleading information’ means-
 - (a) false or misleading information relating to the making or amending of a **DPP determination** has been knowingly-
 - (i) provided by a **GTB** or its agents to the **Commission**; or
 - (ii) disclosed pursuant to the Gas (Information Disclosure) Regulations 1997 or an **ID determination**; and
 - (b) the **Commission** relied on that information in making or amending a **DPP determination**.
- (4) The **Commission** will not reconsider a **DPP** in respect of a **capacity event** or **risk event**, if -
 - (a) the need for the expenditure to address the **capacity event** or **risk event** was already considered when setting the **DPP** and there was no new event that changed the circumstances that existed at the time the **DPP** was set; or
 - (b) the **capacity event** or **risk event** has already been the subject of a reconsideration of the **DPP** by the **Commission**.
- (5) In the case of a **capacity event** the **Commission** may only reconsider the **capex** included in the price path and may not reconsider the quality standards.
- (6) In the case of a **risk event** the **Commission** may only reconsider the **opex** and **capex** included in the price path and may not reconsider the quality standards.
- (7) In the case of a **risk event** the **Commission** may only reconsider the **opex** included in the price path where **opex** is demonstrably more cost effective than **capex** in addressing the **risk event**.
- (8) In the case of a **capacity event** the **Commission** will only consider an application for additional **capex** in respect of expenditure that is to be incurred after the date the application for reconsideration of the **DPP** is submitted to the **Commission**.

4.5.6 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-

- (a) price path more than is reasonably necessary to mitigate the effect of-
 - (i) the **catastrophic event**;
 - (ii) the **change event**;
 - (iii) the **error event**;
 - (iv) the **major transaction**; ~~or~~
 - (v) the provision of **false or misleading information**;
 - (vi) the **capacity event**; or
 - (vii) the **risk event**,on **price**; or
- (b) quality standards more than are reasonably necessary to mitigate the effect of-
 - (i) the **catastrophic event**;
 - (ii) the **change event**;
 - (iii) the **error event**;
 - (iv) the **major transaction**; or
 - (v) the provision of **false or misleading information**,on **quality**.