

Electricity Lines Services and Gas Pipeline Services Input Methodologies Determination Amendment (WACC percentile for price-quality regulation) 2014

Decision No. [2014] NZCC 27

Amendments made under s 52X and 52V(2) of the Commerce Act 1986 to the input methodologies for electricity lines services, including Transpower, and gas pipeline services.

The Commission:	Transpower Division	Energy Division
	S Begg	S Begg
	P Duignan	P Duignan
	Dr S Gale	Dr S Gale
	E Welson	Dr M Berry

Date of Decision: 29 October 2014

Electricity Lines Services and Gas Pipeline Services Input Methodologies Determination Amendment (WACC percentile for price-quality regulation) 2014

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

1. DETERMINATIONS AMENDED

This determination amends the following determinations, as previously amended:

- 1.1 *Electricity Distribution Services Input Methodologies Determination 2012, [2012] NZCC 26 (the **EDB IM Determination**);*
- 1.2 *Transpower Input Methodologies Determination 2012, [2012] NZCC 17 (the **Transpower IM Determination**);*
- 1.3 *Gas Distribution Services Input Methodologies Determination 2012, [2012] NZCC 27 (the **GDB IM Determination**); and*
- 1.4 *Gas Transmission Services Input Methodologies Determination 2012, [2012] NZCC 28 (the **GTB IM Determination**).*

2. COMMENCEMENT

This determination comes into force on the day notice is given in the New Zealand Gazette.

3. INTERPRETATION

- 3.1 Terms in bold type have the meaning given to those terms in this determination. Terms used in this determination that are defined in the Act, but not this determination, have the same meaning as in the Act.
- 3.2 Nothing in this determination limits the Commission's authority to amend the EDB IM Determination, Transpower IM Determination, GDB IM Determination or GTB IM Determination in accordance with the Act.

4. EDB IM AMENDMENTS

- 4.1 Clause 1.1.4(2) of the **EDB IM Determination** is amended by replacing the definition of "75th percentile estimate of WACC" with the following:

"75th percentile estimate of WACC means, estimate, made in accordance with, for the purpose of Part 2, clause 2.4.7(3)(b)(i), of the 75th percentile for the post-tax mid-point estimate of WACC;"

- 4.2 Clause 1.1.4(2) of the **EDB IM Determination** is amended by inserting the following definition in its appropriate alphabetical order:

"67th percentile estimate of WACC means, estimate, made in accordance with, for the purpose of-

- “(a) Part 4, clause 4.4.7(2), of the 67th percentile for the **mid-point estimate of WACC**; and
- “(b) Part 5, clause 5.3.28, of the 67th percentile for the **mid-point estimate of WACC**.”.

- 4.3 Clauses 4.4.7, 4.4.7(1), 4.4.7(2)(b), 4.4.9(1), 5.3.2(5), 5.3.4(3), 5.3.28, 5.3.28(1), 5.3.28(2)(b), 5.4.27(1) and 5.4.27(2) of the **EDB IM Determination** are amended by replacing all references to "75th percentile" with "67th percentile".

- 4.4 Clauses 4.4.7(2)(b) and 5.3.28(2)(b) of the **EDB IM Determination** are amended by replacing "0.674" with "0.440".

5. TRANSPOWER IM AMENDMENTS

- 5.1 Clause 1.1.4(2) of the **Transpower IM Determination** is amended by inserting the following definition in its appropriate alphabetical order:

"67th percentile estimate of WACC means, estimate, made in accordance with, for the purpose of Part 3, clause 3.5.7(2), of the 67th percentile for the **mid-point estimate of WACC**.”.

- 5.2 Clauses 3.5.7, 3.5.7(1) and 3.5.7(2)(b) of the **Transpower IM Determination** are amended by replacing all references to "75th percentile" with "67th percentile".
- 5.3 Clause 3.5.7(2)(b) of the **Transpower IM Determination** is amended by replacing "0.674" with "0.440".

6. GDB IM AMENDMENTS

- 6.1 Clause 1.1.4(2) of the **GDB IM Determination** is amended by replacing the definition of "75th percentile estimate of WACC" with:

"75th percentile estimate of WACC means, estimate, made in accordance with, for the purpose of Part 2, clause 2.4.7(3)(b)(i), of the 75th percentile for the post-tax **mid-point estimate of WACC**.”.

- 6.2 Clause 1.1.4(2) of the GDB IM Determination is amended by inserting the following definition in its appropriate alphabetical order:

"67th percentile estimate of WACC means, estimate, made in accordance with, for the purpose of-

- “(a) Part 4, clause 4.4.7(2), of the 67th percentile for the **mid-point estimate of WACC**; and
- “(b) Part 5, clause 5.3.28, of the 67th percentile for the **mid-point estimate of WACC**.”.

- 6.3 Clauses 4.4.7, 4.4.7(1), 4.4.7(2)(b), 4.4.9(1), 5.3.2(5), 5.3.4(3), 5.3.28, 5.3.28(1), 5.3.28(2)(b), 5.5.25(1), and 5.5.25(2) of the **GDB IM Determination** are amended by replacing "75th percentile" with "67th percentile".

- 6.4 Clauses 4.4.7(2)(b) and 5.3.28(2)(b) of the **GDB IM Determination** are amended by replacing "0.674" with "0.440".

7. GTB IM AMENDMENTS

- 7.1 Clause 1.1.4(2) of the GTB IM Determination is amended by replacing the definition of "75th percentile estimate of WACC" with:

"75th percentile estimate of WACC means, estimate, made in accordance with, for the purpose of Part 2, clause 2.4.7(3)(b)(i), of the 75th percentile for the post-tax **mid-point estimate of WACC**.”.

- 7.2 Clause 1.1.4(2) of the GTB IM Determination is amended by inserting the following definition in its appropriate alphabetical order:

"67th percentile estimate of WACC means, estimate, made in accordance with, for the purpose of-

- “(a) Part 4, clause 4.4.7(2), of the 67th percentile for the **mid-point estimate of WACC**; and
- “(b) Part 5, clause 5.3.24, of the 67th percentile for the **mid-point estimate of WACC**.”.

- 7.3 Clauses 4.4.7, 4.4.7(1), 4.4.7(2)(b), 4.4.9(1), 5.3.2(6), 5.3.4(3), 5.3.24, 5.3.24(1), 5.3.24(2)(b), 5.5.22(1) and 5.5.22(2) of the **GTB IM Determination** are amended by replacing all references to "75th percentile" with "67th percentile".

- 7.4 Clauses 4.4.7(2)(b) and 5.3.24(2)(b) of the **GTB IM Determination** are amended by replacing "0.674" with "0.440".

A handwritten signature in cursive script, appearing to read 'Sue Begg'.

Sue Begg, *Deputy Chair*

Dated at Wellington this 29th day of October 2014.

COMMERCE COMMISSION

Explanatory Note

This amendment gives effect to the Commission's decision to move from using the 75th percentile estimate of WACC to the 67th percentile estimate of WACC for the purposes of price-quality regulation for electricity lines services and gas pipeline services.

This decision does amend the WACC percentile range used for information disclosure regulation.