

Guidance Material

Schedule A3 of the Notice to Supply Information to the Commerce Commission – 16 March 2011.

This guidance supplements the requirements which are provided in the Notice to Supply Information to the Commerce Commission – 16 March 2011, including references to the Commerce Act (Electricity Distribution Services Input Methodologies) Determination 2010 (EDB IM).

Guidance

The information required is disclosed under 2 headings 'Unallocated RAB' and 'RAB'.

The Unallocated RAB values represent the full value of assets that are either directly attributable to electricity distribution services or not directly attributable.

The RAB values represent the asset values that are allocated to electricity distribution services, being the value of assets directly attributable to electricity distribution services and the proportion of not directly attributable assets that are allocated to electricity distribution services.

Schedule A3 starts with the '2009 disclosed assets' being the value of the RAB (excluding FDC allowance) as of 31 March 2009 as disclosed pursuant to the Electricity Distribution (Information Disclosure) Requirements 2008 (EDIDR 2008). This is included under the heading RAB as the asset values disclosed pursuant to the EDIDR 2008 was the value of assets allocated to electricity distribution services.

Once the affect of the asset adjustment process has been included in the value of the RAB (2009 modified asset value – Row 11) Schedule A3 then adds back the value that had been allocated to the non-electricity distribution services (Row 12) so that the value of the assets then represents the Unallocated RAB value (Row 13). In effect, this reverses the allocation process for the year ended 31 March 2009 done pursuant to the EDIDR 2008.

Schedule A3 then subtracts value (Rows 15-20) to remove any assets that are no longer included in the Unallocated RAB value as defined in clause 2.2.3(1) of the EDB IM and adds on the FDC allowance (Row 22) as provided for in clause 2.2.3(1)(b)(i) of the EDB IM. The resultant value is the Unallocated RAB value (Row 24/Unallocated RAB). The difference between the Unallocated RAB value and the RAB value (Row 24) is not directly attributable asset values that are allocated to non-electricity distribution services. This difference should equal 'Total regulated service asset value not directly attributable'/'Non- electricity distribution services' (Schedule A5 – non-public/Row 36/Column K).

Guidance Material

Schedule A2 and A5 (public versions) of the Notice to Supply Information to the Commerce Commission – 16 March 2011.

Schedules A2 and A5 – public versions include a requirement to disclose the percentage of value allocated to electricity distribution services using different allocator types and/or methods (Columns E-H). The purpose of the disclosure is to provide interested persons with an understanding of the extent to which different allocator types or methods have been used. It is not the purpose to disclose the percentage of value allocated.

Outlined below is a worked example of how the disclosure should be interpreted.

Example:

Background - Company A has one asset that is shared between its EDB and non-EDB business. The shared asset has a regulatory value of \$1m and through the application of the accounting-based allocation approach (ABAA) it is determined that 75% of the shared asset should be allocated to the EDB.

Disclosure Percentage of value allocated to electricity distribution services using ABAA = 100%. I.e. *100% of the allocated value has been allocated using the ABAA model.*

Guidance Material

Schedule A of the Notice to Supply Information to the Commerce Commission – 15 June 2011.

Estimated Proportion of Distributed Revenue Recovered

Schedule A requires the disclosure of revenue weights information. The schedule requires the separate disclosure of estimated revenue from:

- Variable (throughput) unit charges
- Capacity or demand charges
- Fixed or other charges

This guidance provides further explanation of the above terms.

Variable (throughput) unit charges – should include revenue that is charged based on throughput (e.g. c/kwh)

Capacity or demand charges – should include revenue that is charged based on capacity or maximum demand (e.g. \$/kva/day or \$/MW). This may include fixed charges that are based on capacity or demand.

Fixed or other charges – should include revenue that is not variable (throughput) unit charges or capacity or demand charges. Fixed or other charges could include revenue earned through fixed pricing that is not capacity or demand based (e.g. \$/ICP, daily monthly or annual charges)

Pricing Year

Schedule A requires the disclosures for the years 2010 and 2011, being the pricing years beginning 1 April 2010 and 2011 respectively.

Guidance Material

Schedule B of the Notice to Supply Information to the Commerce Commission – 15 June 2011.

The Notice to Supply Information to the Commerce Commission – 15 June 2011 stipulates, amongst other things, that EDBs must provide the Commission with an engineer's report re-issued so as to include all of the matters specified in Schedule B. This guidance provides further explanation as to how that information can be provided.

The Commission preference is that the engineer's report be re-issued so as to include all of the matters specified in Schedule B and in all other respects satisfying the requirements of Schedule C of the Notice issued 16 March 2011.

If, however, the original report is not identified to contain incorrect information in any way, EDBs may satisfy the requirement relating to Schedule B by providing the Commission information supplementary to the original report. The supplementary information, where relevant, must satisfy the requirements of Schedule C of the Notice to Supply Information to the Commerce Commission – 16 March 2011 including a signed statement by the engineer as specified by clause 2(e).