

**Submission on Draft
Information Request and Process Update
for DPP Starting Price Adjustments**

From the Electricity Networks Association

28 February 2010

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Executive Summary

1. This submission responds to the Commerce Commission's draft section 53ZD Notice for information to inform starting price adjustments for EDBs under the DPP. The submission sets out a number of suggested amendments to the draft information request, and includes example templates in the Appendices which accompany the submission. We would be happy to work with the Commission to refine its templates before the final Notice is issued.
2. The key concerns of the ENA stem from the difficulties we believe EDBs, their auditors and independent engineers will have in compiling the information in the format in which it has been requested. There is limited time available for this task, it conflicts with financial year end and DPP compliance assessment preparation for EDBs and includes the challenge of implementing the new Input Methodologies for the first time.
3. Our suggested improvements are therefore targeted primarily at improving the information gathering process by changing the format of the information templates to:
 - better reflect the 2010 disclosure starting position;
 - transparently set out modifications to that starting position in order to implement the Input Methodologies;
 - provide more guidance in interpreting the Input Methodologies from an implementation point of view;
 - refine the manner in which modifications to the Initial Regulatory Asset Base are reported to facilitate information provision while retaining the level of assurance the Commission requires over any asset valuation adjustments made;
 - refine the scope of the independent engineers' review and the audit to better reflect their respective areas of expertise; and
 - refine the form of the independent assurance report to better reflect the scope and context for the audit.

1. Introduction

4. This submission is the Electricity Networks Association's (ENA) response to the Commerce Commission's (Commission) consultation paper of 14 February titled "*Starting Price Adjustments for Default Price-Quality Path for Non-*

Exempt Electricity Distribution Businesses, Consultation Paper on Draft Information Request and Process Update” (Consultation Paper).

5. The Consultation Paper sets out a revised timeline for making starting price adjustments for EDBs, and a draft Section 53ZD information request notice (Draft Notice) for the Commission to obtain information from EDBs in order to undertake analysis relevant to the starting price adjustment process.
6. In this submission we respond to the proposed process and the information request. The submission is structured as follows:
 - Section 2 addresses the context for the information request and the proposed time line;
 - Section 3 comments on the Commission’s proposed Section 53ZD information request and accompanying templates;
 - Section 4 addresses more specifically the proposed scope of the independent engineers report on the initial regulatory asset base (RAB); and
 - Section 5 provides suggested amendments to the auditors’ reports.

2. Context for Information Request

7. The ENA recognises that the Commission is seeking to make starting price adjustments based on “current and projected profitability” within nine months of publishing the input methodology (“IM”) determinations and that this information request is designed to support that process. The Commission has also indicated that it may make further information requests to support its process and calculations.
8. While we recognise that the Commission will subsequently provide information on how it intends to use the information to make any starting price adjustments, we do have strong concerns about how the information may be used, or the prejudice to EDBs from a failure at the start of the process to identify sufficient information to inform assessments of “current and projected profitability”:
 - The information request is narrowly based on the 2009/10 disclosure year. The Commission is obliged to assess “current and projected profitability” in making starting price adjustments. The Commission has not yet specified how it will make judgments on projected profitability. A key concern for EDBs is that potentially relevant information (e.g., trends in costs, capital expenditure) has not been considered and requested, making it difficult later in the process to report this information to enable it to be effectively incorporated in the Commission’s calculations;

- We presume that the Commission has developed an ROI calculation, which has been used to develop the Draft Notice. As discussed below, without the Commission's ROI model, it is unclear to ENA Members that sufficient and appropriate information is being collected to inform the ROI calculation. We therefore request that the Commission make the ROI model available to Members. In the alternative, if the Commission has not developed such a model, we seek the Commission's assurance that further information requests will not be made to cover any gaps that could reasonably have been identified, had the Commission properly sequenced the development of an ROI model and then the information needed to enable ROIs to be calculated; and
- As we note below, the requirements of the Input Methodology determinations are new to EDBs and their auditors. Naturally there will be matters of interpretation and/or ambiguity that will need to be resolved, which cannot readily be identified in the abstract. We request that the Commission to put in place resources and processes to respond in a timely basis to questions from EDBs on how to comply with the Notice, as well as make available templates to assist in the derivation of particular variables.

Timing

9. The proposal is for the information requested to have been compiled by EDBs, audited and submitted, with an accompanying engineer's report by 27 May 2011. This is challenging particularly as:
 - This will be the first time the IMs will be implemented. Little guidance has been provided within the draft information request to assist EDBs and their auditors to interpret the IMs in terms of applying them in practice given the absence of information disclosure requirements which reflect the IMs
 - The RAB IM requires EDBs to reach back to detailed 2004 asset information and reassess and reapply 2004 methodologies
 - At the time EDBs will be preparing the information requested they will also be preparing their 2011 year end statutory financial statements (with a few exceptions for EDBs with June or December balance dates), their first DPP compliance assessments and their 2011 year end regulatory information disclosures. EDBs do not have large finance or regulatory compliance teams, and this additional request will place considerable pressure on those teams at their busiest time of the year.
 - EDB auditors are involved in all of these processes and are not expected to have additional resources with experience in the sector available for this new task. It is not a simple exercise for auditors to audit against the IM determinations for the first time which makes the proposed timetable particularly challenging.

- The Christchurch earthquake may have an impact on the availability of engineering expertise to audit adjustments to ODVs. We are not in a position to confirm the impact at this point in time, but urge the Commission to take a pragmatic view on the timelines for independent certification.
10. Accordingly the ENA requests that the Commission reconsider its timetable so that EDBs are able to fully meet the information requirements in a timely manner. Alternative options include:
- Extending the DPP compliance assessment reporting period beyond the 50 working day deadline.
 - Deferring the information request deadline beyond 27 May.
 - Deferring the 2011 information disclosures until new IDRs have been developed to be consistent with the IMs. This latter option however does not greatly assist with the May bottleneck created by the Section 53ZD information deadline.
11. The ENA's recommendation is that the Commission is at the very least sympathetic to any requests from EDBs for their DPP compliance assessment reporting period be deferred to free up the resources necessary to meet the starting price adjustment timetable.

3. Comments on Draft Section 53ZD Information Request Notice

12. The Consultation Paper indicates that the information request has been designed to obtain information from non-exempt EDBs that is consistent with the type of financial information that would be made available via information disclosure requirements that utilise IMs, had those requirements been in place at the time the 2010-2015 DPP was set. The ENA supports the objective for the information request to replicate as closely as possible information disclosures that would be consistent with the IMs. We do not however believe that this has been adequately achieved in the draft information request. In addition we submit that the information request can be significantly improved in order to ensure it is more readily understood, and able to be complied with by non-exempt EDBs, auditors and independent engineers within the proposed time frames.
13. Our key concern is that the request appears to have been prepared primarily from the perspective of the Commission in order to provide inputs into the Commission's models. It does not sufficiently contemplate or acknowledge the perspective of EDBs or their auditors or independent engineers who are responsible for compiling the information and verifying it. Accordingly the manner in which the information request has been structured is less helpful

than it could be, and may lead to unintended non compliance and/or multiple sets of (unnecessary) data manipulations in order to present the information in the format requested.

Incomplete regulatory profit disclosures

14. The information request includes a number of the components required to establish regulatory profit and ROI for each non-exempt EDB in accordance with the IMs, it does not however include all of the components. The templates are not set out in a manner that can easily be reconciled to regulatory profit statements, regulatory investment values or ROI measures.
15. The ENA submits that as the starting price adjustment process is to be undertaken with reference to current and expected profitability then the data provided by EDBs to the Commission for this purpose must be an accurate representation of the regulatory profit measure, prepared on a basis consistent with the IMs. This is required to:
 - Ensure completeness and internal consistency between the various outputs sought by the Commission;
 - Help to avoid potential misinterpretation by the Commission when using the information to be provided; and
 - Achieve transparency over the application of ‘regulatory profit’ for the starting price adjustment method.
16. In this respect the ENA submits that the information templates should be specified to include the following:
 - A regulatory profit statement.
 - A regulatory investment value statement.
 - A regulatory tax statement.
 - An initial regulatory asset base (RAB) statement.
 - A ROI (vanilla and post tax) derivation statement.
17. These should be supported by:
 - Common cost (and asset) allocation templates.
 - Statement of adjustments to Initial RAB.
 - Debt information (where relevant).

Amendments required to facilitate completion and audit

18. One of the real concerns we have with the draft templates is that they are not set out in a form which most readily facilitates completion and audit because they do not draw adequately from the existing (and audited) 2010 information disclosures. These are already well understood by EDBs and their auditors and the 2010 information has been subject to detailed audit, and can therefore be relied upon as a reasonable starting position from which to develop the information required. Given the limited time available for EDBs to compile the information and have it audited, the templates should be designed in a manner which provides the most guidance to the process.
19. The ENA submits that this can be achieved by designing a template for each of the statements listed above which commences with the existing 2010 audited disclosures. These could set out transparently the adjustments required in order to implement the new IMs for each line item (where relevant) in order to derive a revised set of 2010 disclosures consistent with the IMs. We attach example templates for your consideration and would be happy to work with you to finalise these over the next few weeks.
20. We believe such templates would enable both EDBs and their auditors to reconcile the already audited statements to the modified data required by the Commission at this time, improving compliance, transparency and internal consistency of data. Improved templates will also assist in ensuring that EDBs and auditors are able to meet the challenging time constraints.
21. Providing more guidance for auditors is a key requirement. Auditors have not yet had any experience with the new IMs and they will be resource constrained due to the overlap of this request with the financial year end audits and the DPP compliance statement audits which both occur at this time.
22. Without the reconciliation back to audited 2010 disclosures there are too many potential ambiguities and possible misinterpretations which may arise from the requirement for businesses to interpret and apply the IM determinations themselves without access to a set of information disclosure guidelines. In addition references to clauses within the IMs are distracting when there is no change to the information to be provided from that disclosed under the existing information disclosure requirements.
23. We also note that the current level of guidance provided by the draft templates for each the new IMs is inconsistent. The cost allocation IM templates are reasonably detailed however the regulatory tax templates are too high level. Both IMs introduce significant changes to the methodologies compared to the current information disclosure methodologies, and arguably the regulatory tax IM is more complex.

Regulatory Tax

24. We are particularly concerned about the proposed Schedule A6 Regulatory Tax Information. In our submission on the draft determinations in August 2010 we provided a spreadsheet template of the tax expense with deferred tax method. This set out how the methodology would be implemented consistent with the draft at that time. The objective was to clarify how the method would be applied in practice for IDR and CPPs. The intended role of such a template was similar to the templates the Commission has developed for the cost allocation IM which represent a significant change to the current IDR cost allocation methodology.
25. The ENA submits that such assistance is also necessary for the Section 53ZD request, and that templates similar to those we provided in August 2010 should be included in the information request to enable EDBs and their auditors to implement and audit this new methodology correctly. Currently the draft Template A6 includes only the key outputs of that methodology, and does not show how each of these are to be derived. There are a number of calculations required to support each of the values the Commission is requesting and additional transparency (similar to the level of transparency requested for the cost allocation and initial RAB IMs) is necessary for this aspect of regulatory profit to be able to be derived efficiently and accurately.
26. In addition we submit this aspect of the request is deficient as it does not provide the Commission with the regulatory tax allowance for 2010 consistent with the new IMs. We would be happy to assist the Commission to test a revised template for regulatory tax before the final information request is finalised.

Asset valuation

27. Similarly we find the proposed asset valuation template confusing and not directly relevant to the 2010 disclosed starting position and the associated regulatory investment value. In addition, the proposed template does not adequately reflect the process each non exempt EDB will apply when modifying its initial RAB, and for this reason the structure of the template unnecessarily over complicates the reporting requirements for the initial RAB.
28. The initial RAB value will in practice be established using the process set out in Appendix A. The key steps in this process are as follows:
 - Adjust 2004 ODV valuations (2.2.1(2) (b), (c) and (d))
 - Adjust other components of the 2009 disclosure valuations (ie: for the 2005 – 2009 disclosure years) (2.2.1(2)(b))
 - Roll forward the modified 2004 ODV valuations and 2005 – 2009 valuation components to 2009 consistent with the 2008 IDR method (2.2.1 (4))

- Make Initial RAB adjustments consistent with 2.2.2 and 2.2.3 at 1 April 2009.
29. The first two steps in establishing the initial RAB are those which require engineering expertise and review. The roll forward and other adjustments do not, they require auditing. Auditors already have experience of auditing the roll forward consistent with the 2008 IDRs, whereas the engineers do not.
30. If the engineers report and Schedules A3 and A4 were able to be formatted to better reflect the process by which EDBs will create their initial RAB values they would greatly reduce the compliance workload and improve the review process. Specific issues in relation to the asset adjustment process are as follows:
- The format of the information required is inconsistent with the nature of EDBs' asset registers which contain information (at 2004) on an asset by asset basis, but which are rolled forward from 2005 – 2009 on a more aggregated basis, by asset category or class in most instances. We do not believe EDBs will be able to generate the information in the format requested in particular to extract the value of modified assets prior to modification at 2009. This is not required however, if sufficient review is undertaken over the modifications that are made at the appropriate step in the process
 - Further each of the amendments that may be made to the 2009 disclosed assets will not be unique to individual assets (ie: the same asset may have its value modified for more than one reason). It is therefore not possible to present the information in the format requested (ie: by category and modification as for some assets these will overlap).
31. The ENA therefore submits that a more logical format (and one with significantly lower compliance costs, and which will result in a more robust presentation of the modifications made to the Initial RAB) would be as follows:
- Modifications to the 2004 ODV asset register (by asset or category of similar asset) by:
 - Corrections (included and excluded assets).
 - Application of each amended multiplier.
 - Application of each revised multiplier.
 - Revised optimisation.
 - Revised Economic Value tests
 - The engineers report to include the value impact (original 2004 value and modified 2004 value), description, justification and quantification of the assets affected by the modifications (by asset category) with reconciliations

for assets which are affected by more than one modification. This is more achievable given the granularity in the 2004 asset registers and the direct impact on 2004 values than in 2009, which the impacts are complicated by subsequent depreciation, revaluations and disposal adjustments. The 2004 modifications should be reviewed and signed off by the independent engineer.

- Any corrections to other assets included in the 2009 disclosure value (being assets commissioned since 2005) – again to be verified by an engineer consistent with the IM.
 - Included load control relays at 2009 to be reviewed by the engineer.
32. The following information should be prepared by the EDB and reviewed by the auditor and not form part of the engineers report:
- Roll forward of the modified 2004 ODV to 2009 using the 2008 IDR methodology and a comparison of the disclosed value of these assets (in total) at 2009. This is a process the disclosure auditors have previously audited and they can verify that the roll forward of the modified 2004 value has been undertaken consistently with the IDR method.
 - Roll forward of other (non 2004) assets included in the 2009 value, to be undertaken consistent with the 2008 IDR methodology. Again this is most logically reviewed by the auditor consistent with their previous audits of the roll forward calculations.
 - Inclusion and exclusion of assets consistent with the IM and the cost allocation adjustment process. This is most relevant for the auditor, not the engineer given the auditor will have reviewed Schedule A5 (the allocation of not directly attributable assets) and the remaining values will be extracted from existing disclosures or financial reporting systems (such as finance leases, identifiable non monetary assets, easement land etc).
33. This suggested revised format is robust, in that it ensures all modifications made to the initial RAB are independently reviewed and appropriately justified, without requiring multiple interrogations of existing disclosures and revised registers. It also avoids having to determine the existing 2009 disclosure values of assets (ie: pre modification) which have had their values modified - by asset category and by modification type. It moves this reconciliation to 2004, where it is more readily calculated and more appropriately reviewed. Accordingly it will be less costly and quicker to compile and review/audit.

Further comments on the draft templates

34. In Appendix B we include a list of specific comments regarding the draft templates where we believe ambiguity needs to be addressed in the event that the Commission does not accept our suggestion to revise the templates to better reflect the transition from existing 2010 disclosures

4. Independent Engineers' Reports

Scope of Report

35. Consistent with the points raised above, we believe it is more appropriate for the engineers report to be limited to those aspects of the modified initial RAB value which are most consistent with the expertise of the engineer. We have included a marked up version consistent with this revised scope for your consideration. The content of the engineers report would therefore be as follows:
- Include load control relay (2.2.1(2)(a))
 - Correct asset register errors for 2004 ODV assets (2.2.1(2)(b))
 - Correct asset register errors for assets commissioned between 2005 and 2009 (2.2.1(2)(b))
 - Reapply an existing multiplier to 2004 ODV assets (2.2.1(2)(c))
 - Re-apply a modified multiplier to 2004 ODV assets (2.2.1(2)(d))
 - Re-apply optimisation or economic value test (2.2.1(2)(e)).
36. The important difference between our marked up version and the Commission's draft version is that the scope of the engineers review is limited to the direct impact of the modification on the relevant assets at the time they first enter the regulatory asset register, rather than at 1 April 2009. Any subsequent revaluation and depreciation is addressed by the auditor consistent with the previously audited IDR methodology.

Other issues requiring clarification

37. In our review of the draft templates we have also an issue in the drafting of the RAB IM which requires clarification. Schedule C (e)(i) refers to a signed statement from the engineer that 'the ODV rules have been properly applied for assets which had not had an ODV valuation calculated originally'. This requirement is repeated in Table 1 for included assets under the 2.2.1(2)(b) requirement. It ties into Clause 2.2.1(4)(a)(ii) in the IM Determination which sets out how included assets are to be valued. An included asset relevant for this clause is an asset omitted in error or an asset which may previously have been optimised out. It is appropriate for ODV rules to be applied to included assets where they relate to assets commissioned prior to 2004 and are covered by the ODV Handbook. Other assets would have been valued according to GAAP at 2004.

38. The confusion arises where included assets may be identified as post 2004 assets. Clause 2.2.1(4)(a)(ii) suggests they are to be included at a value consistent with the 2004 IDRs (which would be ODV value for system fixed assets or GAAP for non system fixed assets). This is inconsistent with the 2009 disclosure method which requires all assets commissioned post 2004 to be included at cost. We suggest that clause 2.2.1(4) (a)(ii) should in fact read:

Where an ODV valuation is not applicable in respect of that asset under the Electricity Information Disclosure Requirements 2004, its value that resulted, or for an omitted asset, would have resulted, from the application of the 2008 Information Disclosure Requirements as of the day the asset was first commissioned after the disclosure year 2004.

5. Auditors' Reports

39. We have also consulted with auditors which will be responsible for undertaking the audits of the Section 53ZD information. The following comments are relevant to the scope of audit and the opinions to be provided.

Scope of independent assurance procedures

40. The scope of the independent assurance procedures should comprise agreeing the information supplied to the EDB's previously published (and independently audited) 2010 disclosure information, and performing assurance procedures on changes or additions to the previously disclosed information sufficient to form an opinion on whether the information complies, in all material respects, with the Notice. This approach provides an appropriate level of assurance and is efficient as it leverages previous audit work.
41. The relevant assurance standard for this engagement is Standard on Assurance Engagements 3100 *Compliance Engagements* ("SAE (NZ) 3100"). This standard establishes mandatory requirements and provides explanatory guidance for assurance engagements which report on an entity's compliance with requirements established in legislation or regulations, agreements, contracts or similar. The standard supersedes ISAE (NZ) 3000 and is the standard auditors apply in performing independent assurance engagements for EDBs' Disclosure Information, and referred to in those independent assurance reports.

Criteria to evaluate compliance with the Notice

42. The criteria for auditors to use in evaluating whether the information supplied by the EDB has complied with the Notice are currently insufficiently specific and are not readily identifiable for EDBs to comply with the Notice, and for

auditors to perform their work and form an opinion. Without specific, readily identifiable criteria there is a risk the EDBs will not comply with the Notice and auditors will not be able to provide assurance on the information. The criteria applied must be specified in the independent assurance opinion.

43. We submit that the relevant guidance and criteria for EDBs and auditors to prepare and audit the information should be provided in the Notice similar to that provided in the Electricity Distribution (Information Disclosure) Requirements 2008.
44. The form and content of the independent assurance report should reflect this scope. This is discussed further below.

Form of independent assurance report

45. SAE (NZ) 3000 specifies the content of the audit report in paragraph 58. It also contains an example reasonable assurance opinion in its Appendix. We submit that the form of the opinion should comply with this guidance. Specific comments on each section of the draft opinion are set out below.

Addressee for the opinion

46. The independent assurance report should be addressed to the directors of the EDB. This is consistent with the addressee of independent assurance reports for 2010 Disclosure Information. Addressing the independent assurance reports to directors supports them in discharging their responsibility to prepare information in accordance with the Notice and obtain an independent assurance report on it. This is appropriate.

Basis of opinion

47. Paragraph (a) of the draft opinion requires the auditor to 'provide assurance that the underlying assumptions used by the EDB are reasonable'. This statement implicitly covers a range of assumptions including engineering judgments in the RAB restatement which auditors are not qualified to assess. This statement should therefore be removed.

Opinion paragraph

48. The opinion should reflect the scope of work performed by the auditor. As discussed above the scope should comprise agreeing the information to the published 2010 disclosure information and performing assurance procedures on changes or additions to that information. Accordingly the opinion paragraph in subsection (2) should include a statement 'Where relevant, the information has been derived from XX's published 31 March 2010 Disclosure Information'.
49. Subsection (3) refers to compliance with GAAP, which is not defined in the Notice or the IMs. Without definition GAAP could be interpreted by EDBs

and auditors as being either Financial Reporting Standards ('old NZ GAAP') or New Zealand Equivalents to Financial Reporting Standards (NZ IFRS). These two financial reporting frameworks are both NZ GAAP but contain different guidance for the recognition and measurement of items in financial statements. NZ IFRS has now largely superseded NZ FRS and is the framework which EDBs use to prepare their financial statements.

50. We submit that the term 'Generally Accepted Accounting Practice (GAAP)' should be clarified with reference to 'New Zealand Equivalents to Financial Reporting Standards (NZ IFRS)' as this is the relevant financial reporting framework currently used, understood and applied by EDBs and auditors.

Restriction of use of report

51. SAE (NZ) 3100 paragraph 58 (h) requires that 'when the report is intended for use by specified users only for the specified purpose of the compliance engagement, the member shall restrict use of the assurance report to the specified users for the purpose stated in the report'. As submitted above, the users of the report should be the directors of the EDB. Accordingly the opinion should contain a restriction of use paragraph consistent with the example in the Appendix to SAE (NZ) 3100, as follows:

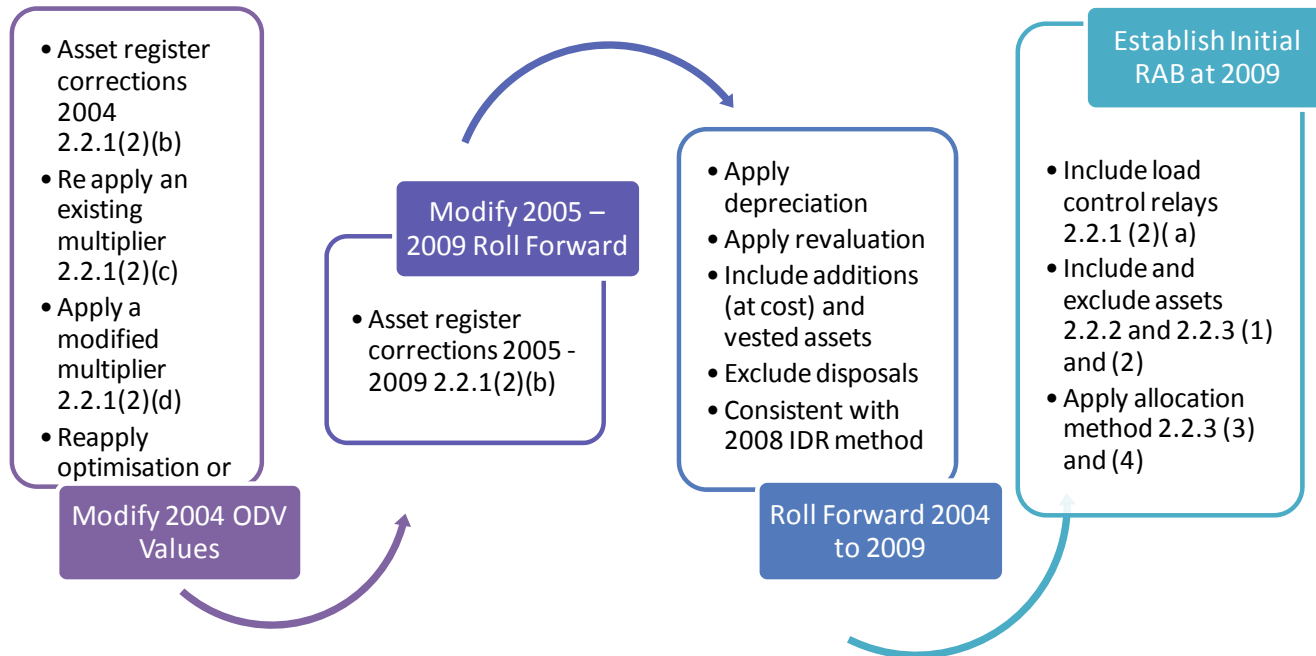
"Use of report

This report has been prepared for the Directors of XX in accordance with the Commerce Commission's notice in writing to XX under section 53ZD of the Commerce Act 1986 on [insert date]. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the Directors of XX, or for any other purpose other than that for which it was prepared."

Next Steps

52. We would welcome an opportunity to discuss our submission with you and assist with the finalisation of the templates which will accompany the Section 53ZD information request. In anticipation we are currently compiling spreadsheet templates for regulatory profit, regulatory tax and regulatory asset value which we would be happy to forward to you to assist with this process. Preliminary templates for these are set out in Appendix C.

Appendix A – Process for Establishing Initial RAB



Appendix B - Specific Comments on Draft Templates

Schedule A1

1. How should loss rental rebates be treated, these are not explicitly addressed in the IMs, but are explicitly presented in the 2010 disclosures?
2. How should Commerce Act levies incurred in 2010 be treated?
3. Reference to the CPP definition of other income is confusing as the existing information disclosure definition remains relevant. Guidance should be provided regarding 20101 disclosures of capital contributions and vested assets.
4. References to recoverable and pass through costs are also confusing, EDBs have already disclosed transmission and avoided transmission and other pass through costs for disclosure purposes. Guidance could be provided for the expectations regarding transmission, avoided transmission and pass through costs as disclosed in 2010.
5. What about other components of recoverable costs which were not permitted in 2010 disclosures?

Schedules A2 and A5

6. It is not necessary to disclose the value of directly attributable costs or assets to 'other regulated or unregulated services'. This is not relevant to the information required for the starting price process, nor the audit or verification process. In addition the allocator metrics are not required for these values. This applies to both the public and non public disclosures.
7. The allocation templates do not address asset disposals.

Schedule A3

8. The deductions required at rows 13-18 are only required where these amounts are included in the 2009 disclosed values.

9. The proposed deduction of the 2009 disclosed value of 'value modified' assets is not supported. It will be extremely difficult for EDBs to identify this value. It is more appropriate to apply a bottom up approach than a top down given the manner in which EDBs manage their asset register information. Our revised template implements this.
10. It is not clear why is there a requirement to calculate proportionate value of commissioned assets by date by asset. This is not part of the existing disclosure requirements (where half the value of additions in the year are added to the opening RAB to derive the RIV) and is inconsistent with the information required for the roll forward method which excludes partial year depreciation. This is excessive detail and not easy to calculate given the large number of individual assets commissioned in any one year, and the source of this data being financial systems (not regulatory databases). It is appropriate to calculate the proportionate value of commissioned assets acquired and disposals (because this refers to assets sold not decommissioned).

Schedule A4

11. It will be difficult, and potentially not possible to identify the modification impacts by category at 2009. This is much more straight forward to measure at the time the asset enters the asset register (2004 for all assets commissioned by 31 March 2004, or at commissioning date for all assets up to 31 March 2009). In addition, the range of modifications may not be limited to discrete assets or groups of assets (for example a cable segment may have a modified age, length, category, rocky ground multiplier and business district multiplier). Pulling the impact of these modifications apart for reporting purposes is much more straight forward at point of modification (ie: 2004) not after the cumulative impact of depreciation, indexation and disposal between 2004 and 2009.
12. The FDC allowance modifications should occur on Schedule A3 not A4, and be applied to all system fixed assets in total. The current proposal is confusing as it separates this allowance between two schedules.

Schedule A6

13. The information is incomplete as it does not derive a regulatory tax allowance. The templates do not adequately implement the regulatory tax IM, and as a minimum should set out the derivation of the following components of the regulatory tax IM including the regulatory tax allowance and the regulatory tax asset value:
 - Regulatory Tax Allowance (2.3.1)

- Tax Losses (2.3.2)
 - Permanent Differences (2.3.3)
 - Regulatory Tax Adjustments (2.3.4 (1))
 - Notional Deductible Interest (2.3.4 (2))
 - Amortisation of Initial Differences in Asset Values (2.3.5)
 - Amortisation of Revaluations (2.3.6)
 - Deferred Tax Asset/(Liability) (2.3.7)
 - Temporary Differences (2.3.8)
 - Regulatory Tax Asset value (2.3.9)
14. The proposal for EDBs to provide a description and values for each item in rows 18-28 is not helpful and will not lead to consistent data provision to the Commission. This is not a methodology which is able to be ‘described’ easily, as evidenced by the IM itself. It does however lend itself readily to a spreadsheet template.

Schedule B

15. This information should not be required to be made publicly available.
16. The information will necessarily be derived at group level not for the regulated business, clarification of this aspect is required.

Appendix C – Example Templates

FS1 – Regulatory Profit Statement

FS2 – Regulatory Asset Statement

FS3 – Regulatory Tax Allowance Calculation

AV1 – Annual Regulatory Valuation Roll Forward Report

MP2 – Performance Measures (ROI Measure)

Schedule A4 – Asset Register Adjustments

Schedule C – Form of Engineers Report

FS1. REGULATORY PROFIT STATEMENT	\$000	2010 (Disclosed)	Adjustments for IMs	2010 (Amended)	Explanation/Reference
Income					Regulatory profit statement to be consistent with electricity distribution services definition (1.1.4)
Net Line Charge Revenue Received		-		-	
Discretionary Discounts and Customer Rebates		-		-	
Gross Line Charge Income		-		-	
Capital Contributions		-	-	-	To be excluded from income (2.2.11(1)(h)(i))
Net Value of Vested Assets		-	-	-	To be excluded from income (2.2.11(1)(h)(i))
Total Capital Contributions and Vested Assets		-		-	
AC Loss Rental Rebates Received		-		-	
AC Loss Rental Rebates Passed On		-		-	
Net AC loss rental income (deficit)		-		-	
Other Income		-	-	-	Ensure consistent with electricity service definition (1.1.4)
Total Regulatory Income		-		-	
Expenses					
Transmission Charges - Payments to Transpower		-		-	Refer definitions of recoverable costs (3.1.3(1) (b)-(f))
Avoided Transmission Charges - payments to parties other than Transpower		-		-	Refer definitions of recoverable costs (3.1.3(1) (b)-(f))
Total Transmission Costs		-		-	
General Management, Administration and Overheads		-	-	-	Modifications required consistent with the cost allocation IM as derived on Schedule A2
System Management and Operations		-	-	-	Modifications required consistent with the cost allocation IM as derived on Schedule A2
Routine and Preventative Maintenance		-	-	-	Modifications required consistent with the cost allocation IM as derived on Schedule A2
Refurbishment and Renewal Maintenance		-	-	-	Modifications required consistent with the cost allocation IM as derived on Schedule A2
Fault and Emergency Maintenance		-	-	-	Modifications required consistent with the cost allocation IM as derived on Schedule A2
Pass-through Costs		-	-	-	Refer definition of pass through costs (3.1.2)
Other		-	-	-	Modifications required consistent with the cost allocation IM as derived on Schedule A2
Total Operational Expenditure		-		-	
Operational Earnings		-		-	
Regulatory Depreciation of System Fixed Assets (incl. value of assets decommissioned)		-	-	-	Not required
Depreciation of Non-System Fixed Assets (incl. value of assets decommissioned)		-	-	-	Not required
Total Regulatory Depreciation		-		-	From modified FS2 Schedule
Earnings Before Interest and Tax (EBIT)		-		-	
Regulatory Tax Allowance			-	-	From modified FS3 Schedule
Indexed Revaluation of System Fixed Assets		-	-	-	Total Revaluations from Modified FS2 Schedule
Revaluations of Non-System Fixed Assets		-	-	-	Not Required
Regulatory Profit / Loss (pre-financing and distributions)		-		-	

FS2: REGULATORY ASSET AND FINANCING STATEMENT	\$000				Replaced by Regulatory Asset Statement
FS2: REGULATORY ASSET STATEMENT				2010	
Adjusted 2009 Disclosed Assets				-	From Modified AV1
Adjustment to reinstate to unallocated amounts				-	Consistent with 2.2.3(3)
Unallocated 2009 Assets				-	From Schedule A5
Deduct (where included above):					
Assets not used to provide electricity distribution services				-	Ensure consistent with electricity service definition (1.1.4)
Non-qualifying intangible assets				-	Consistent with 2.2.2
Works under construction				-	Consistent with 2.2.2
Add (where not included above):					
Finance leases				-	Consistent with 2.2.2
Qualifying intangible assets				-	Consistent with 2.2.2
Load control relays				-	Consistent with 2.2.1(2)(a)
FDC allowance (SFA only)				-	Consistent with 2.2.3(1)(2)
Total Initial Unallocated RAB				-	
Total Initial Allocated RAB				-	From Schedule A5
Regulatory Asset Base					
Total Initial Allocated RAB				-	
Add value of commissioned assets					
- Acquired assets				-	Consistent with 2.2.11
- Other commissioned assets				-	Consistent with 2.2.11
Add value of found assets				-	Consistent with 2.2.12
Deduct					
- Depreciation				-	Consistent with 2.2.5
- Disposals				-	Consistent with 2.2.4
- Lost assets				-	Consistent with 2.2.4
Add Revaluation				-	Consistent with 2.2.9
Closing Allocated RAB				-	
Regulatory Asset Value	\$000				
Allocated Initial RAB				-	
Commissioned Assets (Acquisitions) (proportionate)				-	
Disposals (proportionate)				-	
Commissioned Assets (Other) / 2				-	
Regulatory Asset Base Investment in Current Financial Year - Average				-	
Adjustment for Opening Deferred Tax Asset/Liability				-	From revised FS3
Regulatory Investment Value				-	

FS2a: Revaluation					
Total Initial Allocated RAB				-	
Deduct					
- Assets with nil physical asset life at end of year				-	Consistent with 2.2.9(3)
- Disposals				-	Consistent with 2.2.9(3)
- Lost assets				-	Consistent with 2.2.9(3)
Opening value of assets to be revalued				-	
Revaluation Rate				0%	Consistent with 2.2.9(4)
Revaluation				-	
FS2b: Proportionate Disposals and Acquisitions					
- Acquired assets				-	
Proportion of year following acquisition				0%	
- Disposals				-	
Proportion of year following disposal				0%	

FS3: REGULATORY TAX ALLOWANCE CALCULATION	\$000			
FS3b: Financing Assumptions (for Deductible Interest and Interest Tax Shield calculation)				

Replaced by Regulatory Tax Allowance (2.3.1)

Replaced by Notional Deductible Interest (2.3.4(2))

REPORT FS3: REGULATORY TAX CALCULATIONS

ref	Electricity Distribution Business:	For Year Ended
7		
8	Temporary Differences (2.3.8)	
9	Adjusted Depreciation	-
10	less Tax Depreciation	-
11	Depreciation Temporary Differences	-
12		
13	and Positive Temporary Differences	-
14		
15	less Negative Temporary Differences	-
16		
17	Temporary Differences	-
18		
19	Statutory Tax Rate	0%
20		
21	Tax Effect of Temporary Differences	-

Reference Explanation

Adjusted depreciation means total depreciation for all assets calculated as if no amount of revaluation had been included in the calculation of any opening RAB value following the determination of the initial RAB:
 Tax Depreciation is the derived by applying tax depreciation rules to the regulatory tax asset value of each asset.
 Depreciation Temporary Differences = Adjusted Depreciation - Tax Depreciation\

Positive Temporary Differences means all amounts of income (and expenditure) included (excluded) from the calculation of taxation, but excluded (included) from the calculation of regulatory profit, less any amount that is a depreciation temporary difference (refer to the clause for specifics of this adjustment).

Negative Temporary Differences means all amounts of income (and expenditure) excluded (included) from the calculation of taxation, but included (excluded) from the calculation of regulatory profit, less any amount that is a depreciation temporary difference (refer to the clause for specifics of this adjustment).

Temporary Differences = Depreciation Temporary Difference + Positive Temporary Differences - Negative Temporary Differences

Corporate Tax Rate

Tax effect is to multiply by the corporate tax rate.

25	Amortisation of Initial Differences in Asset Values Calculation (2.3.5)	
26	Unamortised Initial Differences in Opening Asset Values	-
27		
28	add Unamortised Initial Differences in Acquired Asset Values	-
29	less Unamortised Initial Differences in Disposed Asset Values	-
30	Amortisation of Initial Difference in Asset Values	-
31	less (including Acquired and Disposed Assets)	-
32	Closing Balance	-
33		
34	Tax Effect of Amortisation of Initial Differences in Asset Values for Period	-

Opening Unamortised Initial Differences in Asset Value = Closing Unamortised Initial Differences in Asset Values from the preceding disclosure year or, if it is the 2010 disclosure year, the Initial Difference in Asset Values (= Initial RAB Values - Sum of Regulatory Tax Asset Values on the first day of the Disclosure Year 2010).

For the purposes of calculating the Amortisation of Initial Differences in Asset Values, account must be taken of unamortised initial differences in asset values of acquired assets from the date of acquisition.

For the purposes of calculating the Amortisation of Initial Differences in Asset Values, no account may be taken of unamortised initial differences in asset values of sold assets from the date of sale.
 Amortisation of Initial Differences in Asset Values = Opening Unamortised Initial Differences in Asset Values / Weighted Average Remaining Useful Life of Relevant Assets.

Closing Unamortised Initial Differences in Value = Opening Unamortised Initial Differences in Asset Value - Amortisation of Initial Differences in Asset Values

Tax effect is to multiply by the corporate tax rate.

38	Amortisation of Revaluation Calculation (2.3.6)	
39	Total Depreciation	-
40	Adjusted Depreciation	-
41		
42	Amortisation of Revaluations	-

2.3.6

Total depreciation means the sum of the depreciation for all assets, which is calculated in respect of an assets opening RAB (i.e. this regulatory depreciation). This should be entered as a positive number.
From Row 9

Amortisation of Revaluations = Total Depreciation - Adjusted Depreciation

46	Deferred Tax Asset/(Liability) (2.3.7)	
47	Opening Deferred Tax Asset /(Liability)	-
48		
49	<i>add</i> Tax Effect of Temporary Differences	-
	Tax Effect of Amortisation of Initial Differences in Asset	-
50	<i>less</i> Values	-
51	<i>add</i> Deferred Tax Balance Relating to Assets Acquired	-
52	<i>add</i> Cost Allocation Adjustment	-
53		
54	Closing deferred tax asset /(liability)	-

2.3.7 (1)

Opening Deferred Tax = Closing Deferred Tax for the preceding disclosure year, or, if it is the 2010 disclosure year, nil.

From Row 21

From Row 34

2.3.7 (3) (4)

Deferred Tax Balance Relating to Asset Acquired means the amount of deferred tax associated with the assets acquired by the EDB from another regulated supplier, excluding the reversal of temporary adjustments arising as a consequence of the sale and must include proportionate adjustments for both the tax effect of temporary differences and the amortisation of initial differences in asset values, up to the date the assets in question were acquired.

2.3.7 (5)

This will usually be zero when all inputs are consistent with the definitions of regulatory assets.

2.3.7 (2)

Closing Deferred Tax = Opening Deferred Tax + Tax Effect of Temporary Differences - Tax Effect of Amortisation of Initial Differences in Asset Values + Deferred Tax Balance Relating to Assets Acquired + Cost Allocation Adjustment

58	Regulatory Tax Allowance (2.3.1)	
59		(\$000)
60	Regulatory Profit / (Loss) before Tax	-
61		
62	<i>add</i> Permanent Differences	-
63	<i>add</i> Regulatory Tax Adjustments	-
64	Regulatory Taxable Income	-
65		
66	<i>less</i> Utilised Tax Losses	-
67	Regulatory Net Taxable Income	-
68		
69	Regulatory Tax Allowance	-

2.3.1 (4)

Regulatory profit / (loss) before tax means the amount of 'regulatory profit / (loss) before tax' as determined in accordance with an ID determination.

From Row 78

From Row 87

2.3.1 (3)

Regulatory Taxable Income = Regulatory Profit / (Loss) before Tax + Permanent Differences + Regulatory Tax Adjustments

2.3.1 (2)

From Row 110

Regulatory Net Taxable Income = Regulatory Taxable Income - Utilised Tax Losses

2.3.1 (1)

If Regulatory Net Taxable Income is a loss (-ve), then the Regulatory Tax Allowance is zero, otherwise it is the Regulatory Net Taxable Income multiplied by the corporate tax rate.

73	Permanent Differences (2.3.3)	
74		(\$000)
75	Positive Permanent Differences	-
76	less Discretionary Discounts and Customer Rebates	-
77	less Negative Permanent Differences	-
78	Permanent Differences	-

2.3.3 (2) (3) Positive Permanent Differences means all amounts of income (and expenditure) included (excluded) from the calculation of taxation, but excluded (included) from the calculation of regulatory profit, where these amounts are not a reversal (or partial reversal) of a difference for a prior disclosure year or a difference which is forecast to reserve in a subsequent disclosure year. Positive Permanent Differences exclude amortisation of initial differences in asset values or amortisation of revaluations.

2.3.3 (6) Discretionary discounts and customer rebates means the expenditure or loss allowed as a deduction under the tax rules in respect of the sum of all payments made and value of all credit amounts given, to persons by an EDB in respect of the supply of electricity distribution services owing to those persons' direct or indirect ownership interest in the EDB.

2.3.3 (4) (5) Positive Permanent Differences means all amounts of income (and expenditure) excluded (included) from the calculation of taxation, but included (excluded) from the calculation of regulatory profit, where these amounts are not a reversal (or partial reversal) of a difference for a prior disclosure year or a difference which is forecast to reserve in a subsequent disclosure year. Negative Permanent Differences exclude discretionary discounts and customer rebates, interest or forecast borrowing costs, tax losses or subvention payments made or received by an FDR.

2.3.3 (1) Permanent Differences = Positive Permanent Differences - Discretionary Discounts and Customer Rebates - Negative Permanent Differences

82	Regulatory Tax Adjustments (2.3.4 (1))	
83		
84	Amortisation of Initial Differences in Asset Values	-
85	add Amortisation of Revaluation	-
86	less Notional Deductible Interest	-
87	Regulatory Tax Adjustments	-

2.3.4 (1) From Row 30
From Row 42
From Row 101
Regulatory Tax Adjustments = Amortisation of Initial Differences in Asset Values + Amortisation of Revaluations - Notional Deductible Interest

91	Notional Deductible Interest (2.3.4 (2))	
92		
93	Leverage Assumption (debt capital / total capital)	0%
94		
95	Cost of Debt Assumption	0.00%
96		
97	Regulatory Investment Value	-
98		
99	Term Credit Spread Differential Allowance	-
100		
101	Notional Deductible Interest	-

2.3.4 (3) Regulatory Investment Value means the value for Regulatory Investment Value determined in accordance with the ID determination applicable to the disclosure year and the regulated good or service in question.

2.4.10,11 This is a adjustment to the cost of debt to compensate for the higher cost of longer term debt.

2.3.4 (2) Notional Deductible Interest = (Regulatory Investment Value x Leverage x Cost of Debt) + Term Credit Spread Differential Allowance

105	Tax Losses (2.3.2)	
106		
107	Opening Tax Losses	-
108		
109	<i>add</i> Current Period Tax Losses	-
110	<i>less</i> Utilised Tax Losses	-
111		
112	Closing Tax Losses	-

2.3.2 (3) Opening Tax Losses are equal to Closing Tax Losses of the previous disclosure year, unless that disclosure commenced in 2009, in which case opening tax losses are nil.

2.3.2 (5) Where Regulatory Taxable Income is negative, Current Period Tax Losses are equal to the negative of Regulatory Taxable Income, otherwise it is zero.

2.3.2 (1) (2) Utilised Tax Losses are the minimum of Opening Tax Losses or Regulatory Taxable Income

2.3.2 (4) Closing Tax Losses = Opening Tax Losses + Current Period Tax Losses - Utilised Tax Losses

116	Regulatory Tax Asset Value (2.3.9)	
117		
118	Opening Regulatory Tax Asset Value	-
119		
120	<i>add</i> Tax Asset Value of Additions	-
121		
122	<i>less</i> Tax Asset Value of Disposals	-
123		
124	<i>less</i> Regulatory Tax Depreciation	-
125		
126	Closing Regulatory Tax Asset Value	-

2.3.9 (2)(a) Opening Regulatory Tax Asset Value = the Closing Regulatory Tax Asset Value from the previous disclosure year.

2.3.9 (2)(a) Additions are included at RAB

Disposals are deducted at their Regulatory Tax Asset Value

From Row 10

Closing Regulatory Tax Asset Value = Opening Regulatory Tax Asset Value + Tax Asset Value of Additions - Tax Asset Value of Disposals - Regulatory Tax Depreciation

AV1: ANNUAL REGULATORY VALUATION ROLL-FORWARD REPORT (as disclosed)	\$000	2005	2006	2007	2008	2009
System Fixed Assets						
Regulatory Value of System Fixed Assets at End of Previous Year*		-	-	-	-	-
Assets Commissioned in Year		-	-	-	-	-
Gross Value of Vested Assets Transferred in year		-	-	-	-	-
Assets Acquired from (Sold to) a Non-ELB in Year		-	-	-	-	-
New Asset Additions		-	-	-	-	-
Indexed Revaluation		-	-	-	-	-
Depreciation of System Fixed Assets		-	-	-	-	-
Regulatory Value of Assets Decommissioned		-	-	-	-	-
Regulatory Depreciation (incl. value of assets decommissioned)		-	-	-	-	-
Acquisition of System Fixed Assets from Another EDB		-	-	-	-	-
Sale of System Fixed Assets to Another EDB		-	-	-	-	-
Net Acquisitions (Sales) of System Fixed Assets from (to) an ELB		-	-	-	-	-
Net Increase (Decrease) Due to Changes in Asset Register Information		-	-	-	-	-
Regulatory Value of System Fixed Assets at Year End		-	-	-	-	-
Non-System Fixed Assets						
Regulatory value at end of previous year		-	-	-	-	-
New Asset Additions		-	-	-	-	-
Revaluations		-	-	-	-	-
Depreciation (incl. value of assets decommissioned)		-	-	-	-	-
Net Acquisitions (Sales) of Non-System Fixed Assets from (to) an ELB		-	-	-	-	-
Regulatory Value of Non-System Fixed Assets at Year End		-	-	-	-	-
Total Regulatory Asset Base Value (excluding FDC)		-	-	-	-	-
AV1a: Calculation of Revaluation Rate and Indexed Revaluation of System Fixed Assets	\$000					
CPI as at date of ODV		928				
CPI at CPI reference date		953	985	1,010	1,044	1,075
Revaluation Rate		2.69%	3.36%	2.54%	3.37%	2.97%
System Fixed Assets: Regulatory Value at End of Previous Year		-	-	-	-	-
Indexed Revaluation of System Fixed Assets		-	-	-	-	-
AV1b: Input for Prior Year Acquisitions (Sales) of Assets to (from) another EDB	(\$000)					
Acquisition of System Fixed Assets from Another EDB		-	-	-	-	-
Sale of System Fixed Assets to Another EDB		-	-	-	-	-
Net Acquisitions (Sales) of Non-System Fixed Assets from (to) an EDB		-	-	-	-	-

AV1: ANNUAL REGULATORY VALUATION ROLL-FORWARD REPORT (adjusted)	\$000	2005	2006	2007	2008	2009	
System Fixed Assets							
Regulatory Value of System Fixed Assets at End of Previous Year*		-	-	-	-	-	2005 Opening adjusted regulatory SFA from Revised Schedule A4
Assets Commissioned in Year		-	-	-	-	-	Modified additions from Revised Schedule A4 (where relevant)
Gross Value of Vested Assets Transferred in year		-	-	-	-	-	Modified additions from Revised Schedule A4 (where relevant)
Assets Acquired from (Sold to) a Non-ELB in Year		-	-	-	-	-	Modified additions from Revised Schedule A4 (where relevant)
New Asset Additions		-	-	-	-	-	
Indexed Revaluation		-	-	-	-	-	Recalculated
Depreciation of System Fixed Assets		-	-	-	-	-	Recalculated
Regulatory Value of Assets Decommissioned		-	-	-	-	-	Modified disposals from Revised Schedule A4 (where relevant)
Regulatory Depreciation (incl. value of assets decommissioned)		-	-	-	-	-	
Acquisition of System Fixed Assets from Another EDB		-	-	-	-	-	Modified acquisitions/sales from Revised Schedule A4 (where relevant)
Sale of System Fixed Assets to Another EDB		-	-	-	-	-	Modified acquisitions/sales from Revised Schedule A4 (where relevant)
Net Acquisitions (Sales) of System Fixed Assets from (to) an ELB		-	-	-	-	-	
Net Increase (Decrease) Due to Changes in Asset Register Information		-	-	-	-	-	Modified corrections from Revised Schedule A4 (where relevant)
Regulatory Value of System Fixed Assets at Year End		-	-	-	-	-	
Non-System Fixed Assets							
Regulatory value at end of previous year		-	-	-	-	-	2005 Opening adjusted regulatory SFA from Schedule A\$ (where relevant)
New Asset Additions		-	-	-	-	-	Modifications from Revised Schedule A4 (where relevant)
Revaluations		-	-	-	-	-	Modifications from Revised Schedule A4 (where relevant)
Depreciation (incl. value of assets decommissioned)		-	-	-	-	-	Recalculated
Net Acquisitions (Sales) of Non-System Fixed Assets from (to) an ELB		-	-	-	-	-	Modifications from Revised Schedule A4 (where relevant)
Regulatory Value of Non-System Fixed Assets at Year End		-	-	-	-	-	
Total Regulatory Asset Base Value (excluding FDC)		-	-	-	-	-	
AV1a: Calculation of Revaluation Rate and Indexed Revaluation of System Fixed Assets	\$000						
CPI as at date of ODV		928					
CPI at CPI reference date		953	985	1,010	1,044	1,075	
Revaluation Rate		2.69%	3.36%	2.54%	3.37%	2.97%	
System Fixed Assets: Regulatory Value at End of Previous Year		-	-	-	-	-	
Indexed Revaluation of System Fixed Assets		-	-	-	-	-	
AV1b: Input for Prior Year Acquisitions (Sales) of Assets to (from) another EDB	(\$000)						
Acquisition of System Fixed Assets from Another EDB		-	-	-	-	-	Modifications from Revised Schedule A4 (where relevant)
Sale of System Fixed Assets to Another EDB		-	-	-	-	-	Modifications from Revised Schedule A4 (where relevant)
Net Acquisitions (Sales) of Non-System Fixed Assets from (to) an EDB		-	-	-	-	-	

AV1: ANNUAL REGULATORY VALUATION ROLL-FORWARD REPORT (adjustments)	\$000	2005	2006	2007	2008	2009
System Fixed Assets						
Regulatory Value of System Fixed Assets at End of Previous Year*		-	-	-	-	-
Assets Commissioned in Year		-	-	-	-	-
Gross Value of Vested Assets Transferred in year		-	-	-	-	-
Assets Acquired from (Sold to) a Non-ELB in Year		-	-	-	-	-
New Asset Additions		-	-	-	-	-
Indexed Revaluation		-	-	-	-	-
Depreciation of System Fixed Assets		-	-	-	-	-
Regulatory Value of Assets Decommissioned		-	-	-	-	-
Regulatory Depreciation (incl. value of assets decommissioned)		-	-	-	-	-
Acquisition of System Fixed Assets from Another EDB		-	-	-	-	-
Sale of System Fixed Assets to Another EDB		-	-	-	-	-
Net Acquisitions (Sales) of System Fixed Assets from (to) an ELB		-	-	-	-	-
Net Increase (Decrease) Due to Changes in Asset Register Information		-	-	-	-	-
Regulatory Value of System Fixed Assets at Year End		-	-	-	-	-
Non-System Fixed Assets						
Regulatory value at end of previous year		-	-	-	-	-
New Asset Additions		-	-	-	-	-
Revaluations		-	-	-	-	-
Depreciation (incl. value of assets decommissioned)		-	-	-	-	-
Net Acquisitions (Sales) of Non-System Fixed Assets from (to) an ELB		-	-	-	-	-
Regulatory Value of Non-System Fixed Assets at Year End		-	-	-	-	-
Total Regulatory Asset Base Value (excluding FDC)		-	-	-	-	-

MP2: PERFORMANCE MEASURES				2010	
Performance comparators					
Return on Investment (post-tax)					
Regulatory Profit / Loss (pre-financing and distributions)	\$m			-	from FS1
Interest Tax Shield Adjustment	\$m			-	from FS3
Adjusted Regulatory Profit	\$m			-	
Regulatory Investment Value	\$m			-	from FS2
ROI	%			-	
Return on Investment (vanilla)					
Regulatory Profit / Loss (pre-financing and distributions)	\$m			-	from FS1
Regulatory Investment Value	\$m			-	from FS2
ROI	%			-	

Schedule A4 - Asset Register Adjustments (at the time the asset enters the asset base)							
	2004	2005	2006	2007	2008	2009	
Include load control relays						-	2.2.1(2)(a)
Correct asset register errors for 2004 ODV assets							2.2.1(2)(b)
- by asset or groups of similar assets by type of error	-						
	-						
	-						
	-						
Correct asset register errors from 2005 - 2009 assets		-	-	-	-	-	2.2.1(2)(b)
- by asset or groups of similar assets by type of error		-	-	-	-	-	
		-	-	-	-	-	
		-	-	-	-	-	
		-	-	-	-	-	
Reapply an existing multiplier to 2004 ODV assets	-						2.2.1(2)(c)
- by asset or groups of similar assets by multiplier	-						
	-						
	-						
	-						
Reapply a modified multiplier to 2004 ODV assets	-						2.2.1(2)(d)
- by asset or groups of similar assets by multiplier	-						
	-						
	-						
	-						
Reapply optimisation or EV tests to 2004 ODV assets	-						2.2.1(2)(e)
- by asset or groups of similar assets by optimisation or EV test	-						
	-						
	-						
	-						
Total value of adjustments by year	-	-	-	-	-	-	

SCHEDULE C: INFORMATION REQUIREMENTS FOR ENGINEER'S REPORT

1. The report must be completed by an 'engineer' as defined in clause 1.1.4 of the *Commerce Act (Electricity Distribution Services Input Methodologies) Determination 2010* ('EDB IMs') in respect of the 'asset adjustment process' for setting the initial regulatory asset base for an EDB as set out in clause 2.2.1 of the EDB IMs.
2. The report must:
 - (a) be in writing and be accessible in electronic (PDF file-type) format;
 - (b) include a copy of the written instructions provided to the engineer by the EDB, including any subsequent variations or modifications;
 - (c) include a table corresponding to Schedule A4 of the Draft Information Disclosure Notice Templates summarising the asset adjustments;
 - (d) provide the minimum information for each category of asset adjustment outlined in Table 1 below, together with such additional information sufficient to allow a reader of the report:
 - (i) to understand the data, information, calculations and assumptions employed in respect of each category of asset adjustment;
 - (ii) to understand the extent to which professional judgement was exercised by the engineer and the effect of that judgement in deriving the resultant asset values; and
 - (iii) to verify the arithmetical accuracy of the asset adjustment calculations.
 - (e) include a signed statement by the engineer that:
 - (i) the ODV rules have been properly applied for assets which had not had an ODV valuation calculated originally where applicable;
 - (ii) where values under Generally Accepted Accounting Practice have been relied on, those values have been supplied or reviewed by an appropriately qualified party (e.g. accounting practitioner); and
 - (iii) the report meets the requirements of this Schedule C.

Table 1: Minimum Information Requirements for Adjustments to Assets

Category of adjustment	EDB IM cl. ref	Designated asset type	Minimum information requirements
Include load control relay	2.2.1(2)(a)	Included	<ul style="list-style-type: none"> Number and description of load control relays Relevant depreciated historic cost of each asset or where sufficient records do not exist to establish this cost, their depreciated carrying value in the general purpose financial statements of the EDB
Correct asset register errors	2.2.1(2)(b)	Included	<ul style="list-style-type: none"> Description of each asset (or asset type where assets are substantially similar) ODV value of the asset (or sum value of each similar asset type) as of the day the asset enters the regulatory asset register was first commissioned after the disclosure year 2004, or being the value that would have resulted from applying the Electricity Information Disclosure Requirements 2004 if an ODV value is not applicable for assets commissioned prior to 1 April 2004 and from applying the Electricity Distribution (Information Disclosure) Requirements 2008 for assets commissioned from 1 April 2004 – 31 March 2009. Unallocated depreciation amounts for each asset (or sum value of each similar asset type) to 31 March 2009 Revaluation amounts for each asset (or sum value of each similar asset type) applying changes in CPI to 31 March 2009, including the cumulative change in CPI to 31 March 2009 Resultant 'included value' for each asset (or sum value of each similar asset type)
		Excluded	<ul style="list-style-type: none"> Description of each asset (or asset type where assets are substantially similar) Value of each asset (or asset type where assets are substantially similar) in the 2009 Disclosure Reports at the date the asset entered the regulatory asset register had no allocation of asset value pursuant to regulatory disclosures been undertaken.

Comment [.1]: Assets enter the regulatory asset register at either:
 (i) 31 March 2004 in accordance with the 2004 IDRs ;or
 (ii) from 1 April 2004 – 31 March 2009 in accordance with the 2008 IDRs.

Comment [.2]: Modification necessary to clarify what appears to be a drafting error in 2.2.1(4)(a)(ii) which suggests the 2004 IDRs are to be applied to assets commissioned after 2004

Comment [.3]: Deleted from scope of engineers report, more appropriately reviewed by auditors

Category of adjustment	EDB IM cl. ref	Designated asset type	Minimum information requirements
		Value modified	<ul style="list-style-type: none"> ▪ Description of each asset (or asset type where assets are substantially similar) and type of error (incorrect asset category, incorrect estimation of quantity, age, category or location now known to be incorrect) ▪ Value of each asset (or asset type where assets are substantially similar) <u>in the 2009 Disclosure Reports at the date the asset entered the regulatory asset register</u> had no allocation of asset value pursuant to regulatory disclosures been undertaken ▪ Calculation of relevant adjustment to value in order to correct for the error ▪ Unallocated depreciation amounts for each asset (or sum value of each similar asset type) to 31 March 2009 ▪ Revaluation amounts for each asset (or sum value of each similar asset type) applying changes in CPI to 31 March 2009, including the cumulative change in CPI to 31 March 2009 ▪ Resultant 'modified value' for each asset (or sum value of each similar asset type) <u>at the date the asset entered the regulatory asset register.</u>

Category of adjustment	EDB IM cl. ref	Designated asset type	Minimum information requirements
Re-apply existing multiplier	2.2.1(2)(c)	Value modified	<ul style="list-style-type: none"> ▪ Description of each asset (or asset type where assets are substantially similar) and value in the 2009 Disclosure Reports had no allocation of asset value pursuant to regulatory disclosures been undertaken ▪ ODV valuation for each asset (or asset type where assets are substantially similar) and multiplier originally applied ▪ Description of the more accurate information relating to the application of a multiplier, including supporting facts, data, calculations and assumptions where relevant ▪ Calculation of relevant modification to ODV valuation in order to be consistent with the more accurate information ▪ Unallocated depreciation amounts for each asset (or sum value of each similar asset type) to 31 March 2009 ▪ Revaluation amounts for each asset (or sum value of each similar asset type) applying changes in CPI to 31 March 2009, including the cumulative change in CPI to 31 March 2009 ▪ Resultant 'modified <u>2004 ODV</u> value' for each asset (or sum value of each similar asset type)

Category of adjustment	EDB IM cl. ref	Designated asset type	Minimum information requirements
Re-apply a modified multiplier	2.2.1(2)(d)	Value modified	<ul style="list-style-type: none"> ▪ Description of each asset (or asset type where assets are substantially similar) and value in the 2009 Disclosure Reports had no allocation of asset value pursuant to regulatory disclosures been undertaken ▪ ODV valuation for each asset (or asset type where assets are substantially similar) and multiplier originally applied ▪ Specification of the alternative multiplier (rugged terrain, business district, rocky ground) and the reason for selecting the value of the multiplier within the range specified in clause 2.2.1(2)(d) of the EDB IMs ▪ Details of supporting facts, data, calculations and assumptions where relevant to support the reason ▪ Calculation of relevant modification to ODV valuation in order to be consistent with the modified multiplier ▪ Unallocated depreciation amounts for each asset (or sum value of each similar asset type) to 31 March 2009 ▪ Revaluation amounts for each asset (or sum value of each similar asset type) applying changes in CPI to 31 March 2009, including the cumulative change in CPI to 31 March 2009 ▪ Resultant 'modified <u>2004 ODV</u> value' for each asset (or sum value of each similar asset type)

Category of adjustment	EDB IM cl. ref	Designated asset type	Minimum information requirements
Re-apply optimisation or economic value test	2.2.1(2)(e)	Included	<ul style="list-style-type: none"> ▪ Description of each asset (or asset type where assets are substantially similar) ▪ 2004 ODV vValue of each asset (or asset type where assets are substantially similar) in the 2009 Disclosure Reports had no allocation of asset value pursuant to regulatory disclosures been undertaken ▪ Value of each asset (or asset type where assets are substantially similar) in the ODV Valuation had the assets not been- <ul style="list-style-type: none"> – optimised in accordance with paragraphs 2.18 – 2.47 and Appendix B of the ODV Handbook; or – subject to the economic value test in accordance with paragraphs 2.59 – 2.65 of the ODV Handbook ▪ Value of each asset (or asset type where assets are substantially similar) after reapplying the optimisation or economic value test in light of more up-to-date information that has subsequently become available ▪ Details of supporting facts, data, calculations and assumptions where relevant to support the reapplication of the optimisation or economic value test ▪ Unallocated depreciation amounts for each asset (or sum value of each similar asset type) to 31 March 2009 ▪ Revaluation amounts for each asset (or sum value of each similar asset type) applying changes in CPI to 31 March 2009, including the cumulative change in CPI to 31 March 2009 ▪ Resultant included 2004 ODV value for each asset (or sum value of each similar asset type)
		Excluded	<ul style="list-style-type: none"> ▪ Description of each asset (or asset type where assets are substantially similar) ▪ 2004 ODV vValue of each asset (or asset type where assets are substantially similar) in the 2009 Disclosure Reports had no allocation of asset value pursuant to regulatory disclosures been undertaken

Category of adjustment	EDB IM cl. ref	Designated asset type	Minimum information requirements
		Value modified	<ul style="list-style-type: none"> ▪ Description of each asset (or asset type where assets are substantially similar) ▪ Value of each asset (or asset type where assets are substantially similar) in the 2009 Disclosure Reports had no allocation of asset value pursuant to regulatory disclosures been undertaken ▪ Value of each asset (or asset type where assets are substantially similar) in the ODV valuation ▪ Value of each asset (or asset type where assets are substantially similar) had the assets not been- <ul style="list-style-type: none"> – optimised in accordance with paragraphs 2.18 – 2.47 and Appendix B of the ODV Handbook; or – subject to the economic value test in accordance with paragraphs 2.59 – 2.65 of the ODV Handbook ▪ Value of each asset (or asset type where assets are substantially similar) after reapplying the optimisation or economic value test in light of more up-to-date information that has subsequently become available ▪ Details of supporting facts, data, calculations and assumptions where relevant to support the reapplication of the optimisation or economic value test ▪ Unallocated depreciation amounts for each asset (or sum value of each similar asset type) to 31 March 2009 ▪ Revaluation amounts for each asset (or sum value of each similar asset type) applying changes in CPI to 31 March 2009, including the cumulative change in CPI to 31 March 2009 ▪ Resultant 'modified <u>2004 ODV value</u>' for each asset (or sum value of each similar asset type)

