



COMMERCE COMMISSION

**Electricity Lines Regulation:
Review of the Information Disclosure Regime and Implementing
Valuation Choice for System Fixed Assets Conference**

Information to be Provided Post-Conference (Days 3 and 4)

In relation to its work under Part 4A of the Commerce Act 1986, the Commerce Commission (Commission) has recently completed its conference on the review of the information disclosure regime and implementing valuation choice for system fixed assets for electricity lines businesses (Conference). The Conference was held over four days on 17 and 18 March 2005 (Days 1 and 2) and 7 and 11 April 2005 (Days 3 and 4).

During the Conference several presenters agreed to provide further information to the Commission. A list of further information following Days 1 and 2 of the Conference was issued by the Commission on 6 April 2005, and, together with the Conference transcripts, is published on the Commission's website (www.comcom.govt.nz).

The further information to be provided in relation to Days 3 and 4 of the Conference is recorded below. Affected parties should check the list below and advise the Commission if there are any matters that have been omitted or inadvertently stated.

The Commission requests that this further information be provided to it by **Monday 18 April 2005**, which is also the deadline for receiving any cross-submissions. Where possible, the information below should be provided in electronic form. Emails containing the information should be sent to electricity@comcom.govt.nz.

Parties providing further information should indicate which items of information, if any, are commercially sensitive, and give reasons why it should not be made publicly available. Where material is only partially confidential, both confidential and public versions should be provided to the Commission. Confidential information may be omitted from the public version, with square brackets indicating where such information has been omitted.

Powerco

- 1 Please provide the model showing the assumptions underlying the graph in the presentation slide headed "The Wall of Wire". (Day 3 Transcript, p 336).

- 2 Please explain the relevance of the Australian electricity regulatory experience and evidence presented vis-à-vis the regulatory regime that has been put in place for lines businesses in New Zealand. (Day 3 Transcript, pp 347 and 350).
- 3 Please provide in detail the information that Powerco considers should be required through broader information disclosure covering the cost drivers for lines businesses. (Day 3 Transcript, pp 350-351).
- 4 Please supply a copy of costs/capex in relation to the South Australian example referred to. (Day 3 Transcript, p 355).
- 5 With respect to the quote in Powerco's written submission taken from the advice in relation to cost allocation provided by NERA to the UK Rail Regulator: (a) what did the Regulator do, and (b) did the Regulator accept NERA's advice? (Day 3 Transcript, p 377).
- 6 Powerco states in its written submission that the Return on Investment calculation should exclude the effect of revaluation gains. Please provide an economic elaboration of that view. (Day 3 Transcript, p 389).
- 7 Please provide views on the cost and benefits of the optimisation process under the ODV methodology versus some sort of prudence or efficiency process (whether ex ante or ex post, or both) under the indexed historic cost approach, including with reference to the economics advice previously supplied to the ACCC. (Day 3 Transcript, pp 397-398).
- 8 Please provide a view on whether or not section 57U(1)(b) of the Commerce Act gives the Commission the ability to obtain a wide range of further information for the purpose of monitoring compliance with the information disclosure requirements, including further information that is related to businesses other than the regulated business. If Powerco's conclusion is that section 57U(1)(b) does not give the Commission the power to obtain information beyond the regulated business, then how might the Commission carry out its monitoring role? (Day 3 Transcript, pp 419-420).
- 9 Please state the current position on the natural justice implications of the Commission publishing a summary and analysis of disclosed information where there is the possibility of adverse inferences. (Day 3 Transcript, pp 423-424).

Marlborough Lines

- 10 Please provide a view on whether or not the Commission should in principle continue down the path of offering a choice of methods for the valuation of system fixed assets. If the Commission were to mandate a single valuation method, rather than offer lines businesses a choice of valuation methods, which valuation method would Marlborough Lines prefer to be mandated, and why? (Day 4 Transcript, pp 450-453).

Orion New Zealand

- 11 In light of the Electricity Networks Association's submission on the matter (see Day 1 Transcript, pp 163-164), please indicate whether Orion would have any concerns if the Commission were to allow Transpower to use a system fixed assets valuation methodology that was different from a valuation methodology mandated for distribution businesses, particularly in respect of assets at the margin. (Day 4 Transcript, pp 464-465).
- 12 Please provide views on the extent to which the Commission might seek further information under section 57U of the Commerce Act for the purpose of monitoring information disclosure requirements vis-à-vis the Commission's ability to place reliance on the auditing process. (Day 4 Transcript, pp 500-501).
- 13 Please provide any empirical evidence in relation to the 'smoothing' effect of adopting a real WACC plus CPI indexation compared to maintaining a nominal WACC and using capital cost indexation. (Day 4 Transcript, pp 505-508).
- 14 Please provide views on the notion that efficiency benefits that are achieved through economies of scope as a result of synergies between a lines business and one or more other businesses (which may be regulated or unregulated) should be shared with the lines business consumers. (Day 4 Transcript, pp 508-509).
- 15 Please provide views on the way and extent to which various types of information could practically and usefully be disaggregated for disclosure purposes. (Day 4 Transcript, pp 509-511).
- 16 Please comment on options for enhancing the disclosure of lines business forecast information. (Day 4 Transcript, pp 517-519).