



28 July 2017

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Dear Rhianne,

Amendments to information disclosure determinations

BARNZ welcomes the opportunity to respond to the Commission’s consultation paper *Proposed amendments to information disclosure determinations for airport services, electricity distribution services and gas pipeline services*, dated 30 June 2017.

BARNZ’s responses to the proposals made in the consultation paper are in the table.

Proposal	BARNZ view	Comment
<p>To exempt AIAL and CIAL from ID ROI requirements for 2018 and 2019, provided they disclose an annual return on RAB that is consistent with their disclosed pricing methodology</p>	<p>Partly agree</p>	<p>BARNZ agrees that the post-tax ROI formula in Schedule 1 of the ID determination are inconsistent with the forecast post-tax IRR formulae in Schedules 18 and 19 of the ID determination.</p> <p>The Commission’s proposed solution to this issue is workable, although we think a better approach would be to make the necessary amendment to Schedule 1 now and then provide WIAL with an exemption for the remaining years of its current pricing period, in which WIAL continues to disclose on the basis of the previous Schedule 1, while AIAL and CIAL disclose using a new Schedule 1. This way, the current set of published disclosures would be consistent with each other and only one airport would need an exemption.</p> <p>If the Commission proceeds with the exemption proposed in paragraph 2.20 of the consultation paper, BARNZ considers that sub-paragraph (d) should be clarified to read (changes underlined):</p> <p><i>“a description of how its annual return is consistent with <u>the forecast return in its pricing methodology</u>, identifying all material differences with its approach to <u>from the forecasts in its pricing methodology</u>”.</i></p>

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		This clarification would make sure that the information being disclosed in accordance with the exemption is consistent with the airports' pricing disclosures and is useful for interested parties to review.
To require disclosure of information used to calculate the initial RAB value as at calendar year 2010	Agree with the intent, but there is an error in the template	<p>In principle, the changes give effect to the new Airport Services asset valuation IM determination.</p> <p>However, the formula in cell J17 of Schedule 25 seems incorrect as it does not divide the 2009 land asset valuation by 2. To be consistent with clause 3.2(3) of the IM determination, the formula in cell J17 should be (the moved bracket is highlighted in red):</p> $=(J10+(J13-(J11+J14)-(J12+J15)))/2+(J11+J12)$
To require airports to: a) justify the use of any proxy allocators, and b) explain the rationale for selecting a particular quantifiable measure as a proxy allocator	Agree	These changes give effect to the new Airport Services cost allocation IM determination.
To make the following changes in relation to WACC: a) change the leverage input to 19% b) refer to the 'average debt premium' c) add 'debt issuance costs' in the formula for the 'cost of debt assumption'.	Agree	These changes give effect to the new Airport Services WACC IM determination.
To change cross-references in the ID determination so that they refer to IM Parts rather than IM clauses.	Disagree	<p>The Commission is trying to reduce inconsistencies between the ID determination and the IM determination after the IMs are amended.</p> <p>However, the effect of only referencing Parts rather than clauses in the IMs will make it much harder for readers of the determinations to identify the correct definition. This is likely to create more confusion and errors than the problem the Commission is seeking to solve.</p> <p>As an example, the Airport Services ID definition of 'assets acquired from a related party' now refers to Part 3 of the Airport Services IM determination. Part 3 is 10 pages long, which will make it difficult to find the definition (in clause 3.9(1)(e)) and make the</p>

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		<p>user less confident they have found the correct definition.</p> <p>A better approach is to retain the clause references and amend the ID determination at the same time as, or as quickly as possible after, the IM determination is changed.</p>

The Commission has deferred several outstanding issues with the Airport Services ID determination to a future round of ID amendments. BARNZ considers that the issues identified in Attachment A of the consultation paper should be considered, but these items should be given a lower priority than the Commission’s reviews of the recent AIAL and CIAL price setting decisions.

If you have any questions about this submission, please contact me on 09 358 0696 or at ian@barnz.org.nz.

Yours sincerely,



Ian Ferguson
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