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Gas Distribution Services Input Methodologies (Common Cost of Capital) Amendment Determination 2026

[2026] NZCC 50

The Commission:

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Date of decision: 25 November 2026

[redacted]

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Dated at Wellington this 25th day of November 2026

COMMERCE COMMISSION

Wellington, New Zealand

Determination history		
Determination date	**Decision number**	**Determination name**
28 September 2012	[2012] NZCC 27	Gas Distribution Services Input Methodologies Determination 2012 ('principal determination')*
15 November 2012	[2012] NZCC 34	Electricity and Gas Input Methodologies Determination Amendments (No. 2) 2012
25 February 2013	[2013] NZCC 3	Gas Pipeline Services Input Methodologies Determination Amendment (No. 1) 2013
3 December 2013	[2013] NZCC 23	Gas Distribution Services Input Methodologies Determination Amendment 2013
16 December 2013	n/a	Updated consolidated determination for typographical errors in transcribing the amendments made by amendment [2013] NZCC 23
29 October 2014	[2014] NZCC 27	Electricity Lines Services and Gas Pipeline Services Input Methodologies Determination Amendment (WACC percentile for price-quality regulation) 2014
14 November 2014	n/a	Determination of Input Methodologies by the High Court in *Wellington International Airports Ltd and others v Commerce Commission* [2013] NZHC 3289 (11 December 2013)
11 December 2014	[2014] NZCC 38	Electricity Lines Services and Gas Pipeline Services Input Methodologies Determination Amendment (WACC percentile for information disclosure regulation) 2014
12 November 2015	[2015] NZCC 28	Electricity and Gas (Customised Paths) Input Methodology Amendments Determination 2015
20 December 2016	[2016] NZCC 25	Gas Distribution Services Input Methodologies Amendments Determination 2016
21 December 2017	[2017] NZCC 31	Gas Distribution Services Input Methodologies Amendments Determination 2017
25 March 2022	[2022] NZCC 5	Gas Distribution Services Input Methodologies Amendment Determination (No.1) 2022
30 May 2022	[2022] NZCC 15	Gas Distribution Services Input Methodologies Amendment Determination (No.2) 2022
13 December 2023	[2023] NZCC 37	Gas Distribution Services Input Methodologies (IM Review 2023) Amendment Determination 2023
11 December 2024	[2024] NZCC 37	Gas Distribution Services Input Methodologies (treatment of insurance entitlements) Amendment Determination 2024
26 May 2026	[2026] NZCC 17	Gas Distribution Services Input Methodologies Amendment Determination (No.1) 2026
20 August 2026	n/a	Determination of Input Methodologies by the High Court in *First Gas Limited v Commerce Commission* [2026] NZHC 2462 (20 August 2026)
1 September 2026	[2026] NZCC 33	Gas Distribution Services Input Methodologies (Government Grants Related to Income) Amendment Determination 2026

25 November 2026	2026 NZCC 50	Gas Distribution Services Input Methodologies (Common Cost of Capital) Amendment Determination 2026

* The principal determination re-determined the input methodologies contained in *Commerce Act (Gas Distribution Services Input Methodologies) Determination 2010* (Commerce Commission Decision No. 711, 22 December 2010), as amended by the *Electricity and Gas Input Methodologies Determination Amendments (No. 1) 2012* [2012] NZCC 18 (29 June 2012). A complete history of determinations relevant to the input methodologies applicable to gas distribution services is available on the Commission's website.

[Drafting notes:

- This determination amends the Gas Distribution Services Input Methodologies Determination 2012, as previously amended, ('principal determination').
- The included amendments which are secondary legislation are made under the Legislation Act 2019 and Part 4 of the Commerce Act 1986.
- The amendments to the body of the principal determination are marked as track changes in red in Attachment B.]

Electricity Distribution Services Input Methodologies (Common Cost of Capital) Amendment Determination 2026

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1. TITLE
2. DETERMINATION AMENDED
3. COMMENCEMENT AND APPLICATION
4. PRINCIPAL DETERMINATION AMENDMENTS

Under Part 4 of the Commerce Act 1986, the Commerce Commission makes the following determination:

1. TITLE
    a) This determination is the Gas Distribution Services Input Methodologies (Cost of Capital) Amendment Determination 2026.

2. DETERMINATION AMENDED
    a) This determination amends the Gas Distribution Services Input Methodologies Determination 2012 [2012] NZCC 27 (the **principal determination**).

3. COMMENCEMENT AND APPLICATION
    a) This determination comes into force on 1 February 2031.

4. PRINCIPAL DETERMINATION AMENDMENTS
    a) Replace the contents page of the **principal determination** with the contents page in Attachment A.
    b) The amendments to the body of the **principal determination** are the deletions, substitutions and additions shown in red in Attachment B.

Attachment A:

GAS DISTRIBUTION SERVICES INPUT METHODOLOGIES (COMMON COST OF CAPITAL) AMENDMENT DETERMINATION 2026

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Attachment B:

PART 1 GENERAL PROVISIONS

1.1.1 Title

This determination is the Gas Distribution Services Input Methodologies Determination 2012.

1.1.2 Application

(1) The **input methodologies** in this determination apply to **gas distribution services**.

(2) The **input methodologies** relating to cost allocation in Part 2 Subpart 1, Part 5 Subpart 3 Section 2 and Part 5 Subpart 5 Section 3 also apply to any **other regulated service supplied** by a **GDB**, as provided by the provision in question.

(3) The **input methodologies** in this determination in-

(a) Part 2 of this determination apply in relation to information disclosure regulation under Part 4 Subpart 4 of the **Act**;

(b) Part 3 of this determination apply to default/customised price-quality regulation under Part 4 Subpart 6 of the **Act**;

(c) Part 4 of this determination apply in relation to default price-quality paths under sections 53O and 53P of Part 4 Subpart 6 of the **Act**; and

(d) Part 5 of this determination apply in relation to customised price-quality paths under sections 53Q to 53ZA of Part 4 Subpart 4 of the **Act**.

1.1.3 Commencement

This determination comes into force on the day after the date on which notice of it is given in the New Zealand Gazette under s 52W of the **Act**.

1.1.4 Interpretation

(1) In this determination-

(a) unless otherwise stated, references to-

(i) 'Sections' are to sections within the same subpart; and

(ii) 'Subparts' are to subparts within the same part,

in which the reference is made;

(b) unless stated otherwise, references to Parts, Subparts and Sections are to named and numbered parts, subparts and sections of the determination;

(c) unless the context otherwise requires, a word which denotes the singular also denotes the plural and vice versa;

(d) unless stated otherwise, any reference to an allowance, amount, cost, sum or value is a reference to an allowance, amount, cost, sum or value calculated in relation to a **GDB** in respect of a **disclosure year**;

(e) unless stated otherwise, any reference to “includes” means “includes, but is not limited to”;

(f) examples in this determination are for guidance purposes only and do not form part of this determination; and

(g) materials incorporated by reference into this determination, including standards promulgated by other bodies, are incorporated under the terms of Schedule 5 of the **Act**.

(2) In this determination, including in the schedules, the words or phrases in bold type bear the following meanings:

65th percentile estimate of WACC means, for the purpose of-

(a) Part 2, the 65th percentile estimate of post-tax WACC, determined in accordance with clause 2.4.5(4);

(b) Part 3, the 65th percentile estimate of post-tax WACC, determined in accordance with clause 4.4.5(2); and

(c) Part 4 and Part 5, the 65th percentile estimate of vanilla WACC determined in accordance with clause 4.4.5(1);

2005 authorisation valuation means the valuation of assets adopted as of 30 June 2005 by the **Commission** in authorising the supply of **controlled services**, being, in respect of-

(a) Powerco Limited-

(i) system fixed assets of $257,722,084;
(ii) metering assets of $8,544,348; and
(iii) non-system fixed assets of $2,927,760; and

(b) Vector Limited-

(i) system fixed assets of $216,353,334; and
(ii) non-system fixed assets of $9,564,140;

2009 authorisation assets means-

(d) assets included in the **2005 authorisation valuation** for the **GDB** in question; and
(e) other assets **commissioned** by the **GDB** in question between 1 July 2005 to 30 June 2009 inclusive in relation to the supply of **controlled services** by the **GDB**;

2009 disclosed assets means assets-

(a) included by the **GDB** in question in the 'Non-Current Assets' category in the **2009 disclosure financial statements**; and
(b) that are not **2009 authorisation assets**;

2009 disclosure financial statements	means the financial statements disclosed by the **GDB** in question in accordance with the Gas (Information Disclosure) Regulations 1997 for the financial year ending in 2009;

A

ABAA	means accounting-based allocation approach, as described in, in the case of- (a) **operating costs**, clause 2.1.3(1); and (b) **regulated service asset values**, clause 2.1.3(2);
ACAM	means avoidable cost allocation methodology, as described in clause 2.1.5;
Act	means the Commerce Act 1986;
additional assets	means assets of a **GDB** which are not **existing assets** and are forecast to be **commissioned**;
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**;
adjusted tax value	has the same meaning as defined in the **tax rules**;
aggregate closing RAB value for additional assets	means the amount determined in accordance with clause 4.2.1(5);
aggregate closing RAB value for existing assets	means the amount determined in accordance with clause 4.2.1(3);
aggregate opening RAB value for additional assets	means the amount determined in accordance with clause 4.2.1(4);
aggregate opening RAB value for existing assets	means the amount determined in accordance with clause 4.2.1(2);
allocation methodology type	means one of **ACAM**, **ABAA** or **OVABAA**;
allocator metric	means the value in units (e.g., number of employees or kilometres of pipeline) for each **cost allocator** or **asset allocator** used to calculate the proportion of **operating costs** or **regulated service asset values** to be allocated to each of- (a) **gas distribution services**, (b) where applicable, each **other regulated service**; and

	(c) where applicable, each **unregulated service**;
allocator type	means the basis for the attribution or allocation of an **operating cost** or **regulated service asset value** to **gas distribution services** and **other regulated services**, namely, '**directly attributable**', '**causal**' or '**proxy**';
allowable notional revenue	has the meaning specified in clause 3.1.1(2);
allowable revenue before tax	means allowable revenue before tax as determined by the **Commission**;
alternative depreciation method	means a depreciation method which is not the **standard depreciation method**;
amalgamate	means amalgamate in accordance with Part 13 of the Companies Act 1993 and **amalgamation** is to be construed accordingly;
amortisation of initial differences in asset values	means the amount determined in accordance with, for the purpose of- (a) Part 2, clause 2.3.5; (b) Part 4, clause 4.3.3(3); and (c) Part 5, clause 5.3.17;
amortisation of revaluations	means the amount determined in accordance with, for the purpose of- (a) Part 2, clause 2.3.6; (b) Part 4, clause 4.3.3(5); and (c) Part 5, clause 5.3.18;
arm's-length deduction	means in respect of- (a) **operating costs** not **directly attributable**, an amount of **operating costs** incurred by a **GDB** in the supply of **unregulated services** that have been recouped in an **arm's-length transaction**; and (b) **regulated service asset values** not **directly attributable**, the amount of **regulated service asset values** in respect of assets used by a **GDB** in the supply of **unregulated services** for which a recoupment of **capital costs** has been made by the **GDB** in an **arm's-length transaction**, in respect of which the **GDB** wishes account to be taken for cost allocation purposes;
arm's-length transaction	means a transaction conducted on such terms and conditions as between a willing buyer and a

	willing seller who are unrelated and are acting independently of each other and pursuing their own best interests;
assessment period	means the period between the end of the most recent **disclosure year** prior to submission of the **CPP application** in question and the **GDB's** anticipated commencement date of the **CPP**, assuming that- (a) the **CPP application** is neither discontinued in accordance with s 53S of the **Act** nor deferred in accordance with s 53Z of the **Act**; and (b) reasonable time is allotted for the **Commission** to undertake its assessment of the **CPP application** in accordance with ss 53S, 53T and 53U of the **Act**;
asset adjustment process	has the meaning specified in clause 2.2.1;
asset allocator	means a ratio used to allocate **regulated service asset values** that are not **directly attributable** and whose quantum is- (a) based on a **causal relationship**; or (b) equal to a **proxy asset allocator**;
asset category	has the meaning specified in Schedule D;
asset life	means a finite period in respect of an asset, being- (a) its **physical asset life**; or (b) where an alternative asset life to the **physical asset life** is sought for the purpose of a **CPP** pursuant to clause 5.5.10(3)(d), the alternative asset life determined pursuant to clause 5.3.8;
asset relocations capex	means **capex** principally incurred in relocating assets where the relocation does not result in the assets having service potentials materially different to their service potentials in their original location, and excludes any **capital contributions**;
asset replacement and renewal capex	means **capex** predominantly associated with- (a) the progressive physical deterioration of the condition of **network** assets or their immediate surrounds; or (b) expenditure arising as a result of the obsolescence of **network** assets, and excludes any **capital contributions**;

auditor means-

(a) where the **GDB** is a public entity (as defined in s 4 of the Public Audit Act 2001), the Auditor-General; or

(b) in all other cases, a **person** who-

(i) is qualified for appointment as auditor of a company under the Companies Act 1993;

(ii) is **independent**; and

where the **GDB** is a **CPP applicant**-

(iii) is not a **verifier** of the **GDB's CPP proposal**;

(iv) has not assisted with the compilation of the information in that proposal;

(v) has not provided opinions or advice (other than in relation to audit reports) on the methodologies or processes used or to be used in compiling the information in the proposal; and

(vi) is neither professionally associated with nor directed by any **person** who has provided such assistance, opinions or advice;

average debt premium has the meaning specified in, and is the amount determined in accordance with-

(a) Part 2, clause 2.4.4(2); and

(b) Part 4, clause 4.4.4(2);

B

base year means the **disclosure year** selected by the **Commission**;

building blocks allowable revenue after tax means the amount determined in accordance with clause 5.3.3;

building blocks allowable revenue before tax means the amount determined in accordance with clause 5.3.2;

business has the same meaning as defined in s 2 of the **Act**;

business day means any day on which statistics relating to trading in New Zealand government bonds are published by a financial information service such as Bloomberg or Reuters;

C

capacity event has the meaning specified in clause 4.5.9;

capex means **capital expenditure**;

capex forecast means the part of the **CPP proposal**, provided pursuant to clause 5.5.27, that forecasts **capex** for the **next period**;

capex wash-up adjustment means the amount that is the difference between the revenues for a **DPP regulatory period** or **CPP regulatory period** using the actual values of **commissioned** assets for a prior **regulatory period** and the revenues using forecast **commissioned** assets applied by the **Commission** when setting **prices**, and is calculated in accordance with clause 3.1.3(5);

capital contributions means, for the purpose of-

(a) Part 2, money or the monetary value of other consideration charged to or received from **consumers** or other parties for the purposes of asset construction, acquisition or enhancement;

(b) Part 4, money or the monetary value of other consideration to be charged to or received from **consumers** or other parties for the purposes of asset construction, acquisition or enhancement; and

(c) Part 5, money or the monetary value of other consideration forecast to be charged to or received from **consumers** or other parties for the purposes of asset construction, acquisition or enhancement;

capital costs means either or both the return on or return of **regulated service asset values**;

capital expenditure means costs, for the purposes of-

(a) Part 2-

(i) incurred in the acquisition or development of an asset that is, or is intended to be, **commissioned**; and

(ii) that are or are or are intended to be included in the **value of commissioned asset**;

(b) Part 4-

(i) forecast to be incurred in the acquisition or development of an **additional asset**; and
(ii) that are included in the **forecast aggregate value of commissioned asset**, but only to the extent that the costs are forecast to be included in an **aggregate closing RAB value for additional assets**; and

(c) Part 5-
(i) incurred or forecast to be incurred in the acquisition or development of an asset that is, or is intended to be, **commissioned**; and
(ii) that are included or intended to be included in the **value of commissioned asset** or **forecast value of commissioned asset**, as the case may be, but only to the extent that the costs are included or are intended to be included in a **closing RAB value**;

catastrophic event has,–
(a) for the purposes of Part 4, the meaning specified in clause 4.5.4; and
(b) for the purposes of Part 5, clause 5.7.4;

causal relationship means, in relation to-
(a) **operating costs**, a circumstance in which a cost driver leads to an **operating cost** being incurred during the 18-month period terminating on the last day of the **disclosure year** in respect of which the cost allocation is carried out; and
(b) **regulated service asset values**, a circumstance in which a factor influences the utilisation of an asset during the 18-month period terminating on the last day of the **disclosure year** in respect of which the asset allocation is carried out;

change event has,–
(a) for the purposes of Part 4, the meaning specified in clause 4.5.5; and
(b) for the purposes of Part 5, the meaning specified in clause 5.7.5;

closing RAB value	means the value determined in accordance with, for the purpose of- (a) Part 2, clause 2.2.4(4); and (b) Part 5, clause 5.3.6(3);
closing tax losses	means the amount determined in accordance with, for the purpose of- (a) Part 2, clause 2.3.2(4); (b) Part 4, clause 4.3.2(3)(b); and (c) Part 5, clause 5.3.14(5);
closing works under construction	means the amount determined in accordance with clause 5.3.12(3);
Commission	has the same meaning as defined in s 2 of the **Act**;
commissioned	means used by a **GDB** to provide **gas distribution services** and **commission** shall be construed accordingly;
commissioning date	means the date that an asset is or is forecast to be first **commissioned**, as the case may be;
committed	in respect of a **project** or **programme**, means all approvals internal and external to the **GDB** that are required in order for work on the **project** to commence have been received;
compensatory entitlement	means, for the purposes of– (a) Part 2, money or the monetary value of other consideration relating to an event, other than an **insurance entitlement** or **capital contribution**, that is received or receivable from **consumers** or other parties, for any of the following purposes: (i) restoring damaged assets to the same operating condition and location as prior to the event; (ii) relocating assets if required; and (iii) compensating for damaged or destroyed assets; (b) Parts 4 and 5, money or the monetary value of other consideration relating to an event, other than an **insurance entitlement** or **capital**

	contribution, that is received or receivable from, or forecast to be received or receivable from, **consumers** or other parties, for any of the following purposes: (i) restoring damaged assets to the same operating condition and location as prior to the event; (ii) relocating assets if required; and (iii) compensating for damaged or destroyed assets;
connection point	means a physical connection point on the **network** with another pipeline or **consumer**, at which gas is imported into or exported from the **network**;
consequential capex	means **capex** that is incurred in connection with an **opex project** or **programme** and would not otherwise be incurred but for that **project** or **programme**;
consequential opex	means **opex** that is incurred in connection with a **capex project** or **programme** and would not otherwise be incurred but for that **project** or **programme**;
consumer	has the same meaning as defined in s 2(1) of the Gas Act 1992;
contingent project	has the meaning specified in clause 5.7.10;
controlled services	means the services to which clause 5 of the Commerce (Control of Natural Gas Services) Order 2005 applies;
corporate tax rate	means the rate of income taxation applying to companies as specified in the **tax rules**;
cost allocator	means a ratio used to allocate **operating costs** that are not **directly attributable**, and whose quantum is- (a) based on a **causal relationship**; or (b) equal to a **proxy cost allocator**;
cost of debt	means the amount specified for r_d in, for the purpose of- (a) Part 2, clause 2.4.1(3); and (b) Part 4 and Part 5, clause 4.4.1(3);
CPI	means-

	(a) subject to paragraph (b), the consumer price index stipulated for each quarter in the 'All Groups Index SE9A' as published by Statistics New Zealand; and (b) in respect of quarters prior to any quarter in which the rate of **GST** is amended after this determination comes into force, the same index as described in paragraph (a), multiplied by the Reserve Bank of New Zealand's forecast change in that index (expressed as a decimal) arising from the amendment;
CPP	means customised price-quality path;
CPP applicant	means a **GDB** who- (a) is preparing a **CPP proposal**; or (b) has made a **CPP proposal** that has not been determined;
CPP application	has the meaning specified in clause 5.1.1(2);
CPP determination	means a determination of a **CPP** in relation to **gas distribution services** made by the **Commission** under s 52P of the **Act**;
CPP inflation rate	has the meaning specified in clause 5.3.4(10);
CPP proposal	means a proposal made by a **GDB** to the **Commission** for a **CPP** comprising the information specified in Part 5 Subpart 5;
CPP regulatory period	means- (a) in relation to a **CPP proposal**, the 5 **disclosure years** following the **assessment period**; and (b) in relation to a particular **CPP**, the period to which the relevant **CPP determination** relates;
current period	means the 5 **disclosure years** preceding the **disclosure year** in which the **CPP application** is submitted;
customer connection capex	means **capex** predominantly associated with the establishment of new **connection points** of **consumers** to the **network**, and alterations to existing **connection points** where the expenditure relates to connection assets or parts of the **network**, and excludes any **capital contributions**;

cybersecurity	means the application of technologies, processes, and controls to protect systems, networks, programmes, devices, and data;

D

debt issuance costs	means costs associated with the issuance of debt by a supplier (including, but not limited to, arrangement fees, legal fees, brokerage, advertising, credit rating fees, registry costs, listing fees, syndicate fees, trustee fees, facility fees, line fees, roadshow and marketing costs, paying agency fees and any fee or premium incurred in entering into an interest rate or cross-currency derivative);
debt premium	for the purpose of Part 2 or Part 4, has the meaning specified in, and is the amount determined in accordance with, clause 2.4.4(4);
debt premium reference year	means a 12-month period ending on 28 February; *Example: 'debt premium reference year 2016' means the 12-month period ending 28 February 2016;*
demand group	means a pricing category (irrespective of the pricing methodology used) that has a discrete rate of growth in the demand for **gas distribution services** over the **CPP regulatory period**; *Examples: industrial* **consumers***, commercial* **consumers***, residential* **consumers***, non-standard* **consumer** *groups, large capacity connections, or a combination or sub-group of each of these;*
demand variation revenue adjustment	means an amount that shares the demand risk resulting from a significant demand shock between **GDBs** and **consumers**, and is calculated in accordance with a **DPP determination** or **CPP determination**;
depreciation	means an allowance to account for the diminution in an asset's remaining service life potential in the **disclosure year** in question with respect to its **opening RAB value**, or, for the purpose of Part 4, its **aggregate opening RAB value for existing assets** and **aggregate opening RAB value for additional assets**, and

	the amount of such allowance is determined in accordance with, for the purpose of- (a) Part 2, clause 2.2.5(2); (b) Part 4, clause 4.2.2(2); and (c) Part 5, clause 5.3.7(2);
depreciation temporary differences	has the meaning specified, for the purpose of- (a) Part 2, clause 2.3.8(2); (b) Part 4, clause 4.3.5; and (c) Part 5, clause 5.3.20(2);
designated individual	means an individual who is- (a) **independent**; and (b) engaged or instructed by a **person** falling within paragraph (a) of the definition of verifier to verify (in accordance with Schedule G) part or all of the **CPP proposal** which that **person** is engaged to verify;
directly attributable	means, in relation to- (a) **operating costs**, wholly and solely incurred by the **GDB** in or in relation to its **supply** of one **regulated service**; and (b) **regulated service asset values**, wholly and solely related to an asset used by the **GDB** in or in relation to its **supply** of one **regulated service**;
director	means, in the case of a **GDB** that is- (a) a company (as 'company' is defined in s 2 of the Companies Act 1993), an individual occupying the position of director of the **GDB**, by whatever name that position is called; (b) a partnership (other than a special partnership), a partner; (c) a special partnership, a general partner; and (d) any other body corporate or unincorporated body, an individual occupying a position in the body that is comparable with that of director of a company;
disclosure year	means a 12-month period ending on the date specified in an **ID determination** as the last

date in the period to which annual disclosure relates;

*Example: where the **ID determination** provides that disclosure is required by a **GDB** in respect of the annual period ending on 30 June, then 'disclosure year', in respect of the **GDB**, means the 12-month period ending on 30 June, and 'disclosure year 2010' means the 12-month period ending on 30 June 2010;*

disposed asset means, for the purpose of-

(a) Part 2, an asset that, in the **disclosure year** or other period in question, has been sold or transferred, or has been irrecoverably removed from the **GDB's** possession without consent but is not a **lost asset**; and

(b) Part 5, an asset that, in relation to a **disclosure year**, is-

(i) sold or transferred but is not a lost asset; or

(ii) forecast to be sold or transferred;

document has the same meaning as defined in s 2 of the **Act**;

DPP means default price-quality path;

DPP determination means a **DPP** determination in relation to **gas distribution services** made by the **Commission** under s 52P of the **Act**;

DPP regulatory period means the period to which the relevant **DPP determination** relates;

E

easement means a right to use but not possess **land** belonging to another **person** or a right to prevent certain uses of another **person's land**;

easement land means **land** acquired with the intention of-

(a) creating an **easement** in respect of it; and

(b) disposing of the **land** thereafter;

EDB has the same meaning as in the Electricity Distribution Input Methodologies Determination 2012;

engineer means an individual who is-

(a) a chartered professional engineer as defined in s 6 of the Chartered

Professional Engineers of New Zealand Act 2002;
(b) acting in that professional capacity; and
(c) **independent**;

error event has,-
(a) for the purposes of Part 4, the meaning specified in clause 4.5.6; and
(b) for the purposes of Part 5, the meaning specified in clause 5.7.7;

excluded asset means an asset that is-
(a) not used to **supply gas distribution services** as of 30 June 2009;
(b) designated as 'excluded' type as a result of the **asset adjustment process**; or
(c) **easement land**;

existing assets means assets of a **GDB** for which an aggregate closing RAB value for existing assets is calculated for the **base year**;

expenditure objective means the objective that **capex** and **opex** reflect the efficient costs that a prudent **GDB** would require to-
(a) meet or manage the expected demand for **gas distribution services**, at appropriate service standards, during the **DPP regulatory period** or **CPP regulatory period** and over the longer term; and
(b) comply with applicable regulatory obligations associated with those **services**;

F

false or misleading information has,-
(a) for the purposes of Part 4, the meaning specified in clause 4.5.7; and
(b) for the purposes of Part 5, the meaning specified in clause 5.7.8;

finance lease has the same meaning as under **GAAP**;

fittings has the same meaning as defined in s 2(1) of the Gas Act 1992;

fixed life easement means an **easement** that-
(a) is of fixed duration; or
(b) whilst of indefinite duration, is to be held for a fixed period;

flexibility	means the ability to modify energy injection or consumption patterns (or both);
forecast aggregate value of commissioned assets	means the amount determined in accordance with clause 4.2.5;
forecast aggregate value of disposed assets	means the amount determined in accordance with clause 4.2.6;
forecast CPI	means the amount specified in, for the purpose of Part 5, clause 5.3.4(11);
forecast CPI for CPP revaluation	means the amount specified in accordance with clause 5.3.10(5);
forecast CPI for DPP revaluation	means the amount specified in accordance with clause 4.2.3(4);
forecast depreciation for existing assets	means the values specified in a **DPP determination** in respect of **GDBs**;
forecast operating expenditure	has the meaning specified in clause 5.3.2(6);
forecast regulatory tax allowance	has the meaning specified in clause 5.3.13;
forecast value of commissioned asset	means the value determined in accordance with clause 5.3.11;
found asset	has the meaning specified in clause 2.2.12(1);

G

GAAP	means generally accepted accounting practice in New Zealand, save that, where the cost of an asset is being determined in accordance with this determination, only the cost model of recognition is applied insofar as an election may be made between the cost model of recognition and the fair value model of recognition;
gas distribution services	means any **gas pipeline services** (as defined in s 55A of the **Act**) supplied across a **network**;
GDB	means supplier of **gas distribution services**;
government grant related to income	has the same meaning as ‘grants related to income’ under **GAAP**, except to the extent such a grant relates to expenditure that has been explicitly or implicitly provided for in a **DPP** or **CPP**;
GPB	means **GDB** or GTB (as 'GTB' is defined in the Commerce **Commission** (Gas Transmission Input Methodologies) Determination 2012);

GST has the same meaning as defined in s YA 1 of the Income Tax Act 2007;

H

highly probable means one in respect of which the following conditions have been met at the time the **CPP application** is made:

(a) the **directors** have approved a plan to sell either or both the **other regulated service** or **unregulated service**, as the case may be;
(b) the **GDB** is taking active steps to-
  (i) locate a buyer for the assets; and
  (ii) complete the plan,
  referred to in paragraph (a);
(c) the **GDB** is actively marketing the assets for sale at a price that is reasonable;
(d) the **directors** expect the sale to complete within 12 months of the **CPP application** being made; and
(e) actions to date do not contemplate that significant amendment to the plan may be made or that it will be withdrawn;

I

ID determination means an information disclosure determination in relation to a **GDB** made by the **Commission** under s 52P of the **Act**;

identifiable non-monetary asset has the same meaning as under **GAAP** (which, for the avoidance of doubt, includes **right-of-use assets** and excludes goodwill);

identified programme means a **project** or **programme** that a **GDB** intends to undertake during the **next period** and which is selected by the **verifier** for detailed assessment in accordance with clause G4(1);

included asset means an asset which, as a result of the **asset adjustment process**, is designated as 'included';

included value means value assigned to an **included asset**;

independent means neither in a relationship with, nor having an interest in, the **GDB** in question that is likely to involve him her or it in a conflict of interest between his, her or its duties to the **GDB** and his, her or its duties to the **Commission**;

initial differences in asset values	has the meaning specified in, for the purpose of- (a) Part 2, clause 2.3.5(3); and (b) Part 5, clause 5.3.17(3);
initial RAB	has the meaning specified in clause 2.2.2;
initial RAB value	means value of an asset in the **initial RAB** determined in accordance with clause 2.2.3(4);
input methodology	has the same meaning as defined in s 52C of the **Act**;
insurance entitlement	means, for the purposes of– (a) Part 2, money or the monetary value of other consideration relating to an event, that is received or receivable from a 'licensed insurer' as that term is defined in the Insurance (Prudential Supervision) Act 2010, in respect of a contract of insurance that insures against damaged or destroyed assets or **operating costs** arising from damaged or destroyed assets, excluding business interruption insurance or **third-party liability entitlements**; and (b) Parts 4 and 5, money or the monetary value of other consideration relating to an event that is received or receivable from, or forecast to be received or receivable from, a 'licensed insurer' as that term is defined in the Insurance (Prudential Supervision) Act 2010, in respect of a contract of insurance that insures against damaged or destroyed assets or **operating costs** arising from damaged or destroyed assets, excluding business interruption insurance or **third-party liability entitlements**;
investment grade credit rated	means endorsed with a credit rating by an established credit rating agency (such as Standard and Poor's) of "investment grade" on that agency's credit rating scale applicable to long-term investments;

L

land	excludes **easements**;

leverage means the ratio of debt capital to total capital and is the amount specified in, for the purpose of-

(a) Part 2, clause 2.4.2(1); and
(b) Part 4, clause 4.4.2(1);

levy means a tax, charge or fee directly imposed by or under legislation-

(a) on-
  (i) **GDB**s alone; or
  (ii) a class of persons (other than the general public or **businesses** in general) that includes **GDB**s; or
(b) in relation to **gas distribution services**;

lifetime solution costs means, in relation to a **project** or **programme** that includes the purchase or **supply** of **flexibility**, an amount that is the sum of-

(a) the forecast **opex** to be incurred in the purchase or **supply** of **flexibility**; and
(b) if it is anticipated that **capex** related to the **project** or **programme** will not be able to be delayed beyond the end of the next **regulatory period**, the forecast total **value of commissioned assets** for the **project** or **programme**, less any **capital contributions**,

on the basis that any expenditure included in that sum that is forecast to be incurred in a **disclosure year** after the **disclosure year** in which the **reopener event** is nominated is included at its net present value calculated using a discount rate that is the mid-point estimate of vanilla **WACC** (as estimated in accordance with clause 2.4.1);

line item means, in respect of-

(a) assets, a group of assets within an **asset category** for which the same **asset allocator** is used to allocate their **regulated service asset values**; and
(b) costs, a group of **operating costs** within an **opex category** for which the same **cost allocator** is used to allocate them,

to **gas distribution services** and **other regulated services**;

local authority has the same meaning as defined in s 5(1) of the Local Government Act 2002;

lost asset	means an asset- (a) not included in the **initial RAB**; and (b) having, in relation to the **disclosure year** in question, an **unallocated opening RAB value**, but determined by the **GDB** in that **disclosure year** never to have been used to provide **gas distribution services**;
	M
major transaction event	has,- (a) for the purposes of Part 4, the meaning specified in clause 4.5.8; and (b) for the purposes of Part 5, the meaning specified in clause 5.7.9;
maximum allowable revenue after tax	means the amount determined in accordance with clause 5.3.4(8);
maximum allowable revenue before tax	means the amount determined in accordance with clause 5.3.4;
mid-point estimate of WACC	means, for the purpose of- (a) Part 2, the mid-point estimate of- (i) vanilla **WACC** as estimated in accordance with clause 2.4.1(1); or (ii) post-tax **WACC** as estimated in accordance with clause 2.4.1(2), as the case may be; (b) Part 3, the mid-point estimate of post-tax **WACC**, as estimated in accordance with clause 4.4.1(2); and (c) Part 4, the mid-point estimate of- (i) vanilla **WACC** as estimated in accordance with clause 4.4.1(1); (ii) post-tax WACC as estimated in accordance with clause 4.4.1(2), as the case may be;
modified value	means the value of a **value modified asset** assigned in accordance with clause 2.2.1;
multi-rate PIE	has the same meaning as defined in s YA 1 of the Income Tax Act 2007;
	N
Nelson-Siegel-Svensson approach	has the meaning specified in clause 2.4.4(8);

network	means the system used to distribute gas to a **consumer**, comprising pipelines and associated **fittings** between- (a) a delivery point from a **transmission network**; and (b) the **point of supply**, provided that where the pipelines and associated **fittings** are owned by the same **person** who owns the relevant **transmission network**, the delivery point is the place specified by that **person**;
network spare	means an asset that is held by a **GDB** to replace any other asset it holds should that other asset be withdrawn from use owing to failure or damage**;**
next period	means the period commencing on the first day of the **disclosure year** during which the **CPP application** is submitted and terminating on the last day of the 5 **disclosure years** following the **assessment period**;
notional revenue	has the meaning specified in clause 3.1.1(3);
NZ IAS 24	means *New Zealand Equivalent to International Accounting Standard 24, Related Party Disclosures (NZ IAS 24)*, issued by the New Zealand Accounting Standards Board of the External Reporting Board in November 2009, or any equivalent standard that replaces that standard;
	O
opening deferred tax	has the meaning specified in, for the purpose of- (a) Part 2, clause 2.3.7; (b) Part 4, clause 4.3.4(1); and (c) Part 5, clause 5.3.19;
opening RAB value	means the value determined in accordance with- (a) for the purpose of Part 2, clause 2.2.4(3); and (b) for the purpose of Part 5, clause 5.3.6(1);
opening tax losses	means the amount determined in accordance with, for the purpose of- (a) Part 2, clause 2.3.2(3); (b) Part 4, clause 4.3.2(3)(a); and

(c) Part 5, clause 5.3.14(3);

opening works under construction	has the meaning specified in clause 5.3.12(1);
operating cost	means a cost incurred by the **GDB** in question relating to the **supply** of- (a) **regulated services** alone; or (b) **regulated services** and one or more **unregulated service**, net of any **insurance entitlement**, **compensatory entitlement**, **third-party liability entitlement**, or **government grant related to income** for the same cost, up to the amount of that cost, which the **GDB** chooses to net off in calculating that cost, and excludes- (c) a cost that is treated as a cost of an asset by **GAAP**; (d) amounts that are depreciation, tax, subvention payments, revaluations or an interest expense, in accordance with their meanings under **GAAP**; (e) **debt issuance costs**; (f) **pass-through costs**; (g) **recoverable costs**; (h) distribution of profits to **consumers**; and (i) **pecuniary penalties**;”
operating expenditure	for the purpose of- (a) Part 4, means the value of **operating costs** attributable to **gas distribution services** supplied by a **GDB** which are forecast to be incurred in the **disclosure year** in question as determined by the **Commission**; and (b) Part 5, means **operating costs** after application of clause 5.3.5;
opex	means **operating expenditure**;
opex category	has the meaning specified in Schedule D;
opex forecast	means the part of a **CPP proposal**, provided pursuant to clause 5.5.27, that forecasts **operating expenditure** for the **next period**;
other regulated income	for the purpose of-

(a) Part 4, means forecast income associated with the supply of **gas distribution services** other than-
  (i) through **prices**;
  (ii) investment-related income;
  (iii) **capital contributions**;
  (iv) **vested assets**;
  (v) any **insurance entitlement** that has been applied to reduce the value of a **commissioned** asset under clause 2.2.11(1)(j);
  (vi) any **compensatory entitlement** that has been applied to reduce the value of a **commissioned** asset under clause 2.2.11(1)(j);
  (vii) any **insurance entitlement** that has been netted off in calculating an **operating cost**;
  (viii) any **third-party liability entitlement** that has been netted off in calculating an **operating cost**; and
  (ix) any **government grant related to income** that has been netted off in calculating an **operating cost**,
as determined by the **Commission**; and
(b) Part 5, has the meaning specified in clause 5.3.2(7);"

other regulated service means a **regulated service**, other than **gas distribution services**, **supplied** by the **GDB** in question;

OVABAA means the optional variation to accounting-based allocation approach, as described in clause 2.1.4;

OVABAA allocation increase means, in respect of either or both-
(a) **operating costs**; and
(b) **regulated service asset values**,
not **directly attributable**, as the case may be, allocated to **gas distribution services**, the dollar difference between the amount determined pursuant to the last application of clause 2.1.4(7)(c) and the application of clause 2.1.4(2)(a) or 2.1.4(3)(a), as the case may be;

P

pass-through cost	has the meaning specified in clause 3.1.2(1);
pecuniary penalties	means fines or penalties imposed by- (a) a court; or (b) any other body with a statutory power to impose fines or penalties;
permanent differences	means the amount determined in accordance with, for the purpose of- (a) Part 2, clause 2.3.3; and (b) Part 5, clause 5.3.15;
person	has the same meaning as defined in s 2 of the **Act**;
physical asset life	has the meaning specified in clause 2.2.8;
point of supply	has the same meaning as specified in regulation 5 of the Gas (Safety and Measurement) Regulations 2010;
prescribed investor rate	has the same meaning as defined in the Income Tax Act 2007 or any subsequent legislation that supplements or replaces the provisions relating to prescribed investor rate in the Income Tax Act 2007;
prices	has the meaning specified in clause 3.1.1(4);
pricing period	has the same meaning as specified in the **DPP determination**;
pricing principles	means the principles specified in clause 2.5.2;
primary driver	means the primary reason for a decision to incur a cost in the year the cost was incurred or forecast to be incurred;
probabilistic risk assessment	means the assessment of a risk associated with a **GDB's network** based on the severity of 1 or more adverse consequences, and the probability of each consequence occurring, if the risk eventuates;
programme	means a group of related **projects** with a common purpose;
project	means a temporary endeavour requiring concerted effort, undertaken to create a defined outcome;
proxy asset allocator	means a ratio- (a) used to allocate **regulated service asset values** for which a **causal relationship** cannot be established;

(b) whose quantum is based on factors in existence during the 18-month period terminating on the last day of the most recent **disclosure year** in respect of which the asset allocation is carried out;
(c) that is consistent with similar ratios (both within a **disclosure year** and from year to year); and
(d) that is reasonable;

proxy cost allocator means a ratio-

(a) used to allocate **operating costs** for which a **causal relationship** cannot be established;
(b) whose quantum is based on factors in existence during the 18-month period terminating on the last day of the most recent **disclosure year** in respect of which the cost allocation is carried out;
(c) that is consistent with similar ratios (both within a **disclosure year** and from year to year); and
(d) that is reasonable;

Q

qualifying debt has the meaning specified in, for the purpose of-

(a) Part 2, clause 2.4.7(1); and
(b) Part 4, clause 4.4.9(1);

qualifying issuer means a New Zealand resident limited liability company -

(a) that-
    (i) undertakes the majority of its business activities in Australia and New Zealand; or
    (ii) is part of a corporate group that undertakes the majority of its business activities in Australia and New Zealand;
(b) that-
    (i) does not operate predominantly in the banking or finance industries; or
    (ii) is part of a corporate group that does not operate predominantly in

the banking or finance industries; and

(c) that issues **vanilla NZ$ denominated bonds** that are publicly traded;

qualifying rating means-

(a) a Standard and Poor's long term credit rating of the specified grade; or

(b) an equivalent long term credit rating of another internationally recognised rating agency;

qualifying supplier has the meaning specified in, for the purpose of-

(a) Part 2, clause 2.4.7(2); and

(b) Part 4, clause 4.4.9(2);

quantity has the meaning specified in clause 3.1.1(5);

R

recoverable cost has the meaning specified in clause 3.1.3;

regulated goods or services has the same meaning as defined in s 52C of the **Act**;

regulated service means a type of service **supplied** by a **GDB** pursuant to the **supply** of a **regulated good or service**, which, for the avoidance of doubt, includes the following types of services:

(a) **gas distribution services**;

(b) gas transmission services, as defined in the Gas Transmission Services Input Methodologies Determination 2012; and

(c) electricity distribution services, as defined in the Electricity Distribution Services Input Methodologies Determination 2012;

regulated service asset value means, in respect of an asset-

(a) used by a **GDB** in the **supply** of-

(i) one or more **regulated service**; or

(ii) one or more **regulated service** and one or more **unregulated service**;

where at least one of those **regulated services** is a **gas distribution service**-

(iii) in the **disclosure year** 2009, its **unallocated initial RAB value**; and

(iv) in all other **disclosure years**, its **unallocated closing RAB value**; and

(b) used by a **GDB** only in the **supply** of-
(i) one or more **other regulated service**; or
(ii) one or more **other regulated service** and one or more **unregulated service**;
in-
(iii) the **disclosure year** 2009, its unallocated initial RAB value; and
(iv) all other **disclosure years**, its unallocated closing RAB value,
determined in accordance with the **input methodologies** applicable to the **other regulated service**.

regulated supplier	means a supplier of **regulated goods or services**;
regulatory investment value	has the meaning specified in clause 5.3.2(2);
regulatory net taxable income	has the meaning specified in, for the purpose of- (a) Part 2, clause 2.3.1(2); (b) Part 4, clause 4.3.1(2); and (c) Part 5, clause 5.3.13(2);
regulatory period	means the regulatory period for default/customised price-quality regulation applicable to a **GDB** as specified in a determination made under s 52P of the **Act**;
regulatory period term	means the number of years equal to the number of years in the relevant **regulatory period**;
regulatory profit / (loss) before tax	has the meaning specified in, for the purpose of- (a) Part 2, clause 2.3.1(4); (b) Part 4, clause 4.3.1(4); and (c) Part 5, clause 5.3.13(4);
regulatory tax adjustments	means the amount determined in accordance with, for the purpose of- (a) Part 2, clause 2.3.4; (b) Part 4, clause 4.3.3; and (c) Part 5, clause 5.3.16;
regulatory tax allowance	has the meaning specified, for the purpose of- (a) Part 2, clause 2.3.1; and (b) Part 4, clause 4.3.1;

regulatory taxable income	means the amount determined in accordance with, for the purpose of- (a) Part 2, clause 2.3.1(3); (b) Part 4, clause 4.3.1(3); and (c) Part 5, clause 5.3.13(3);
regulatory tax asset value	has the meaning specified in, for the purpose of- (a) Part 2, clause 2.3.9; and (b) Part 5, clause 5.3.21;
regulatory templates	has the meaning specified in clause 5.5.27(2);
regulatory year	means: (a) a 12-month period ending on 31 September; and (b) when followed by a year, the 12-month period ending on 30 September of that year (for example, "**regulatory year** 2027" means the 12-month period ending on 31 September 2027);
related party	means- (a) a person that is related to the **GDB**, where the **GDB** would be considered as the 'reporting entity', as specified in the definition of 'related party' in **NZ IAS 24**; or (b) any part of the **GDB** that does not **supply gas distribution services**;
related party transaction	means- (a) the procurement of an asset or good or service from a **related party** by the part of the **GDB** that **supplies** the **gas distribution service**; or (b) the sale or supply of an asset or good or service to a **related party** by the part of the **GDB** that **supplies** the **gas distribution service**;
relocation party	means a party that has requested the relocation of assets that would require **asset relocations capex** to be incurred;
remaining asset life	means the term remaining of an asset's **asset life** at the commencement of the **disclosure year** in question, after applying any adjustment factor extending or reducing an **asset life** (as

	the case may be) in accordance with clause 2.2.8(5);
remaining asset life for additional assets	has the meaning specified in clause 4.2.2(3)(b);
remaining asset life for existing assets	has the meaning specified in clause 4.2.2(3)(a);
reopener event	has,- (a) for the purposes of Part 4, the meaning specified in clause 4.5.1; and (b) for the purposes of Part 5, the meaning specified in clause 5.7.1;
reopener event allowance	means an amount, determined by the **Commission**, that reflects the following: (a) any additional net costs (over and above those provided for in a **DPP determination** or **CPP determination**) prudently incurred by the **GDB** as a result of a **reopener event** (other than costs that are foregone revenue); (b) any **recoverable costs** and **pass-through costs** the **GDB** was permitted to recover under a **DPP determination** or **CPP determination** through **prices**, but did not recover due to a **reopener event**; (c) in the case of an **error event** or the discovery of **false or misleading information**, any amounts to mitigate the effect of the event or information on the **DPP** or **CPP**; and (d) any gains resulting from a **reopener event**, that are, in each case, incurred in or relating to the period before the effective date of an amendment to the **DPP determination** or **CPP determination** under clause 4.5.14 or 5.7.13;
resilience capex	means **capex** for the purpose of preparing to mitigate or respond to 1 or more high-impact, low-probability events that, if the preparation is not done promptly, may have a significant impact on the **GDB's** ability to maintain current security or quality of **supply** standards; but does not include any regular: (a) **asset replacement and renewal capex** that is consistent with appropriate lifecycle and asset management planning; or

	(b) expenditure for **cybersecurity**;
resilience or asset relocation event	has the meaning specified in clause 4.5.11;
revaluation	means the amount determined in accordance with, for the purpose of- (a) Part 2, clause 2.2.9(2); and (b) Part 4, clause 4.2.3(2); and (c) Part 5, clause 5.3.10(2);
revaluation rate	has the meaning specified in, for the purpose of- (a) Part 2, clause 2.2.9(4); (b) Part 4, clause 4.2.3(3); and (c) Part 5, clause 5.3.10(4);
'**reversal**' and '**reverse**'	have the same meanings as under **GAAP**;
right-of-use asset	has the same meaning as under **GAAP**;
risk event	has the meaning specified in clause 4.5.10;
	S
safety	means the quality of averting or not causing injury, danger, or loss;
selection rationale	means a description of either or both of the- (a) criteria applied; and (b) fundamental reasons used, for, either or both- (c) determining; and (d) selecting, each- (e) **asset allocator** and associated **allocator metric**; and (f) **cost allocator** and associated **allocator metric**;
services	has the same meaning as defined in s 2 of the **Act**;
standard depreciation method	means, in respect of an asset whose **remaining asset life** is the term remaining of its **physical asset life** at the commencement of the **disclosure year** in question, method specified in clause 5.3.7 excluding any method referred to in the whole clauses to which clause 5.3.7 is subject;
standard error	means estimated standard deviation;

standard physical asset life	means life for an asset as specified in Schedule A;
supply	has the same meaning as defined in s 2 of the **Act**, and **supplied** must be construed accordingly;
system growth capex	means **capex**, other than **customer connection capex**, where the primary reason is the requirement for additional capacity at a particular location, and excludes any **capital contributions**;
system growth expenditure	means: (a) **system growth capex**; or (b) **opex** for which the **primary driver** is a requirement for additional capacity at a particular location (including, for example, **opex** that is incurred to acquire **flexibility** to respond to that driver);

T

tax asset value	means the value determined in accordance with, for the purpose of- (a) Part 2, clause 2.3.9(2); and (b) Part 5, clause 5.3.21(2);
tax depreciation rules	means the **tax rules** that relate to the determination of depreciation allowances for tax purposes;
tax effect	means the product of multiplication by the **corporate tax rate**;
tax rules	means the rules applicable to a **GDB** for determining income tax payable in the Income Tax Act 2007 (as amended from time to time, and any equivalent preceding legislation, or any subsequent legislation that supplements or replaces that Act);
temporary differences	means the amount determined in accordance with, for the purpose of- (a) Part 2, clause 2.3.8; and (b) Part 5, clause 5.3.20;
term credit spread difference	means the amount determined in accordance with, for the purpose of- (a) Part 2 and Part 5, clause 2.4.8(1); and (b) Part 4, clause 4.4.8(1);

term credit spread differential	is the amount determined in accordance with, for the purpose of- (a) Part 2 and Part 5, clause 2.4.9(3); and (b) Part 4, clause 4.4.7(1);
term credit spread differential allowance	for the purpose of- (a) Part 2 and Part 5, means the sum of **term credit spread differentials**; and (b) Part 4, means the amount determined in accordance with clause 4.4.6(2);
third-party liability entitlement	means, for the purposes of- (a) Part 2, money or the monetary value of other consideration relating to an event, that is received or receivable from a 'licensed insurer' as that term is defined in the Insurance (Prudential Supervision) Act 2010, in respect of a contract of insurance that insures against third-party liability; and (b) Parts 4 and 5, money or the monetary value of other consideration relating to an event, that is received or receivable from, or forecast to be received or receivable from, a 'licensed insurer' as that term is defined in the Insurance (Prudential Supervision) Act 2010, in respect of a contract of insurance that insures against third-party liability;
total depreciation	means, for the purpose of- (a) Part 2 and Part 5, the sum of **depreciation** for all assets; and (b) Part 4, the value determined in accordance with clause 4.2.2;
total opening RAB value	means, for the purpose of – (a) Part 4**,** the amount determined in accordance with clause 4.2.1(1); (b) Part 5, the meaning specified in clause 5.3.6(7);
total revaluation	means, for the purpose of- (a) Part 2 and Part 5, the sum of **revaluation** for all assets; and (b) Part 4, the value determined in accordance with clause 4.2.3;
transitional adjusted asset life for existing assets	means the values specified in a **DPP determination** in respect of **GDBs**;

transitional disclosure year	means a **disclosure year** that includes the commencement date of a **DPP regulatory period**;
transitional pricing methodology	has the meaning specified in clause 5.4.1(3);
transmission network	has the same meaning as is defined for 'network' in the Gas Transmission Services Input Methodologies Determination 2012;
trigger event	has the meaning specified in clause 5.7.10(2)(a);

U

unallocated closing RAB value	means the value determined in accordance with, for the purpose of- (a) Part 2, clause 2.2.4(2); and (b) Part 5, clause 5.3.6(6);
unallocated depreciation	means an allowance to account for the diminution in an asset's remaining service life potential in the **disclosure year** in question with respect to its **unallocated opening RAB value** and the amount of such allowance is determined in accordance with, for the purpose of- (a) Part 2, clause 2.2.5(1); and (b) Part 5, clause 5.3.7(1);
unallocated initial RAB value	means value of an asset in the **initial RAB** determined in accordance with clause 2.2.3(1);
unallocated opening RAB value	means value determined in accordance with, for the purpose of- (a) Part 2, clause 2.2.4(1); and (b) Part 5, clause 5.3.6(5);
unallocated revaluation	means amount determined in accordance with, for the purpose of- (a) Part 2, clause 2.2.9(1); and (b) Part 5, clause 5.3.10(1);
unduly deterred	means, solely as a result of an allocation to the **unregulated service** in question of either or both of- (a) **operating costs** not **directly attributable**; and (b) **regulated service asset values** not **directly attributable**, the **operating costs** not **directly attributable** or **capital costs** associated with the **regulated service asset values** not **directly attributable**

	(as the case may be) to be borne by that **unregulated service** would cause that **unregulated service** to be- (c) discontinued; or (d) not provided, and '**unduly deter**' must be construed accordingly;
unforeseen project	has the meaning specified in clause 5.7.11;
unregulated service	means any good or service **supplied** by the **GDB** that is not a **regulated service**;
utilised tax losses	means the amount determined in accordance with, for the purpose of- (a) Part 2, clause 2.3.2; (b) Part 4, clause 4.3.2(1); and (c) Part 5, clause 5.3.14;
	V
value modified asset	means an asset which, as a result of the **asset adjustment process** is designated as 'value modified' type;
value of commissioned asset	means the value determined in accordance with clause 2.2.11;
value of found asset	means the value of a **found asset** determined in accordance with clause 2.2.12(2);
valuer	means an individual who- (a) is registered as a valuer under the Valuers Act 1948; (b) holds a current practising certificate issued by- (i) the Property Institute of New Zealand; or (ii) the New Zealand Institute of Valuers; (c) has been engaged to act in his or her professional capacity as a valuer; and (d) is **independent**;
vanilla NZ$ denominated bonds	means senior unsecured nominal debt obligations denominated in New Zealand dollars without callable, puttable, conversion, profit participation, credit enhancement or collateral features;
verification report	means a report prepared by a **verifier** in accordance with Schedule G;

verifier	means- (a) a **person** who- (i) is **independent**; and (ii) has been engaged to verify the **CPP applicant's CPP proposal** in accordance with Schedule G; or (b) a **designated individual** a **person** described in paragraph (a);
vested asset	means an asset associated with the **supply** of **gas distribution services** received by a **GDB**- (a) without provision of consideration; or (b) with provision of nominal consideration;

W

WACC	means weighted average cost of capital;
WACC change event	has the meaning specified in clause 5.7.6;
working day	has the same meaning as defined in s 2 of the **Act**; and
works under construction	means an asset, or a collection of assets that- (a) has been or is being or is forecast to be constructed by, or on behalf of, a **GDB**; (b) has not been **commissioned**; and (c) the **GDB** intends to **commission**.

PART 2 INPUT METHODOLOGIES FOR INFORMATION DISCLOSURE

SUBPART 1 **Cost allocation**

2.1.1 Cost allocation process

(1) Any-

(a) **operating costs**; and
(b) **regulated service asset values**,

that are **directly attributable** to **gas distribution services supplied** by the **GDB** must be allocated to **gas distribution services**.

(2) Any-

(a) **operating costs**; and
(b) **regulated service asset values**,

that are **directly attributable** to any **other regulated service supplied** by the **GDB** must be allocated to the **other regulated service** to which they are **directly attributable**.

(3) Any **operating costs** and **regulated service asset values** that are not allocated in accordance with subclauses (1) and (2) must be allocated to **gas distribution services** and **other regulated services** using, at the supplier's election-

(a) **ABAA**; or
(b) **OVABAA**.

(4) Notwithstanding anything else in this Subpart, the maximum value of-

(a) **operating costs** that may be allocated to **gas distribution services** and **other regulated services**, in aggregate, must not exceed the total value of **operating costs**; and
(b) **regulated service asset values** that may be allocated to **gas distribution services** and **other regulated services**, in aggregate, must not exceed the total **regulated service asset values**,

that would be allocated to **gas distribution services** and **other regulated services,** in aggregate, using **ACAM** in accordance with clause 2.1.5.

2.1.2 Allocation constraints

(1) For the avoidance of doubt, all allocations of-

(a) **operating costs**; and
(b) **regulated service asset values**,

not **directly attributable** to **other regulated services supplied** by the **GDB** must be consistent with allocations made in accordance with **input methodologies** relating to cost allocation applying to those **other regulated services**.

(2) Where the **OVABAA** is applied to both **operating costs** not **directly attributable** and **regulated service asset values** not **directly attributable**, the combined amount of

such costs and values that is re-allocated in accordance with clause 2.1.4(5) must not exceed the amount required to ensure that the **unregulated service** is not **unduly deterred**.

(3) For the avoidance of doubt, after application of this Subpart, notwithstanding anything else that may suggest otherwise, each **unregulated service** must bear at least the total-

(a) **operating costs**; and
(b) value of assets,

directly attributable to that **unregulated service**.

2.1.3 Accounting-based allocation approach (ABAA)

(1) **Cost allocators** must be used to proportionally allocate **operating costs** not **directly attributable**, less any **arm's-length deduction**, to-

(a) **gas distribution services**; and
(b) **other regulated services**.

(2) **Asset allocators** must be used to proportionally allocate **regulated service asset values** not **directly attributable**, less any **arm's-length deduction**, to-

(a) **gas distribution services**; and
(b) **other regulated services**.

(3) Where a **GDB** uses a **proxy cost allocator** for the purposes of subclause (1) or a **proxy asset allocator** for the purposes of subclause (2), the **GDB** must, in accordance with the requirements in the relevant **ID determination**, explain why a **causal relationship** cannot be established.

(4) Where a **GDB** uses a **proxy cost allocator** for the purposes of subclause (1), the **GDB** must, in accordance with the requirements in the relevant **ID determination**, explain the rationale for using that **proxy cost allocator**.

(5) Where a **GDB** uses a **proxy asset allocator** for the purposes of subclause (2), the **GDB** must, in accordance with the requirements in the relevant **ID determination**, explain the rationale for using that **proxy asset allocator**.

2.1.4 Optional variation to accounting-based allocation approach (OVABAA)

(1) This clause applies to the allocation of-

(a) only **operating costs** not **directly attributable**;
(b) only **regulated service asset values** not **directly attributable**; or
(c) **operating costs** not **directly attributable** and **regulated service asset values** not **directly attributable**.

(2) **Operating costs** not **directly attributable** less any **arm's-length deduction** must be initally allocated to-

(a) **gas distribution services**;
(b) **other regulated services**; and
(c) each **unregulated service**,

using **cost allocators**.

(3) **Regulated service asset values** not **directly attributable** less any **arm's-length deduction** must be initially allocated to-

(a) **gas distribution services**;
(b) **other regulated services**; and
(c) each **unregulated service**,

using **asset allocators**.

(4) Where, after application of subclauses (2)(c), (3)(c) or both, an **unregulated service** would-

(a) be **unduly deterred**, subclause (5) applies; and
(b) not be **unduly deterred,** the allocation of either or both of-

(i) **operating costs** not **directly attributable**; and
(ii) **regulated service asset values** not **directly attributable**

must remain as carried out in accordance with either or both of subclauses (2)(c) and (3)(c).

(5) Where this subclause applies, any-

(a) **operating costs**; and
(b) **regulated service asset values**,

not **directly attributable** that were allocated to an **unregulated service** in accordance with either or both of subclauses (2)(c) and (3)(c) may be reduced to the amount at which the **unregulated service** would no longer be **unduly deterred**.

(6) For the avoidance of doubt, the adjusted amounts determined in accordance with subclause (5) must be treated as the share of either or both of-

(a) **operating costs**; and
(b) **regulated service asset values**,

not **directly attributable** to be borne by the **unregulated service** in question.

(7) The adjusted amounts determined in accordance with subclause (5) must be deducted from either or both the-

(a) **operating costs** not **directly attributable**; and
(b) **regulated service asset values** not **directly attributable**,

to which subclause (2) or (3) applied after any **arm's-length deduction** was made, and the remaining costs or values reallocated between-

(c) **gas distribution services**;
(d) **other regulated services**; and
(e) each remaining **unregulated service**,

in accordance with subclauses (2) and (3).

(8) Where, after application of subclause (7), the-

(a) **operating costs**; and
(b) **regulated service asset values**,

not **directly attributable** allocated to another **unregulated service unduly deter** that **unregulated service**, the process in subclauses (5) and (7) may be repeated subject to the modifications specified in subclause (9).

(9) When re-applying-

(a) subclause (5) to another **unregulated service**, the starting values of-

(i) **operating costs**; and
(ii) **regulated service asset values**,

not **directly attributable** allocated to that **unregulated service** must be the values obtained in relation to that **unregulated service** as a result of the previous application of subclause (7); and

(b) subclause (7), for "to which subclause (2) or (3) applied after any **arm's-length deduction** was made", substitute "to which this subclause previously applied".

(10) Subclauses (5) and (7) may be re-applied sequentially in respect of each **unregulated service** which is **unduly deterred** until any remaining **regulated service asset values** or **operating costs** or both are of such quantum that their allocation to the remaining **unregulated services** does not result in any of those **services** being **unduly deterred**.

(11) For the avoidance of doubt, the reallocation undertaken in accordance with subclause (7) is carried out by grossing up allocation percentages used to make allocations to **gas distribution services**, **other regulated services** and each remaining **unregulated service** based on the same **cost allocators** or **asset allocators**, as the case may be, used under subclauses (2) and (3), to take into account the omission of the allocation percentages for the **unregulated service** to which allocation has already been made under subclause (5).

2.1.5 Avoidable cost allocation methodology (ACAM)

(1) In respect of-

(a) **operating costs**; and
(b) **regulated service asset values**,

not **directly attributable**, less any **arm's-length deduction**, an assessment must be made as to the proportion of each that would be non-avoidable were the **GDB** not to **supply unregulated services**.

(2) The amounts of non-avoidable-

(a) **operating costs**; or
(b) **regulated service asset values**,

not **directly attributable**, determined in accordance with subclause (1), must be allocated to **regulated services** in aggregate.

(3) Where the **GDB** supplies **other regulated services**, the amounts allocated in accordance with subclause (2) must be allocated to each **regulated service supplied** by the **GDB** using the **ABAA**.

SUBPART 2 **Asset valuation**

2.2.1 Asset adjustment process for setting initial RAB

(1) Asset adjustment process means the process of assets-

(a) being designated as one of the following asset types:

(i) 'excluded';
(ii) 'included'; or
(iii) 'value modified';

(b) of 'value modified' type being assigned a **modified value**; and
(c) of 'included' type being assigned an **included value**.

(2) Subject to subclauses (3) to (6), under the asset adjustment process, a **GDB** may elect to undertake none, some or all of the following things:

(a) modify the value of an asset owned by NGC Holdings Limited or a subsidiary company thereof, which asset is treated as of 'value modified' type;
(b) designate an asset, except one of those described in subclause (4)**,** used by a **GDB** to **supply gas distribution services**, as of 'included' type**;** and
(c) correct the following types of errors found in a **GDB's** asset register, where the error relates to **2009 disclosed assets**:

(i) assets omitted in error, which assets are designated as of 'included' type;
(ii) assets included in error, which assets are designated as of 'excluded' type; and
(iii) assets allocated to the incorrect asset category, or given an estimation of quantity, age, category or location now known to be incorrect, which assets are designated as of 'value modified' type;

(3) The modified value of an asset to which subclause (2)(a) is applied is determined by adjusting its value-

(a) in respect of an asset to which subclause (2)(b) or (2)(c) was applied and valued pursuant to subclause (5) or (6), as the case may be; or
(b) where neither subclause (2)(b) nor (2)(c) was applied, included in 'Non-Current Assets' in the **2009 disclosure financial statements,**

to the value it would have had as of 30 June 2009 had it been revalued to take account of changes in the consumer price index since 1 July 2005 consistent with the method used by the **Commission** in its 'Gas Control Model' for the purpose of authorising the supply of **controlled services**.

(4) For the purpose of subclause (2)(b), the assets are-

(a) **2009 authorisation assets;**
(b) assets that were eligible to be **2009 authorisation assets;**
(c) **2009 disclosed assets;**
(d) assets that were eligible to be **2009 disclosed assets**;
(e) **easement land**; and
(f) intangible assets, unless they are-

(i) **finance leases;** or
(ii) **identifiable non-monetary assets**.

(5) The included value of an asset to which subclause (2)(b) is applied is-

(a) its depreciated historic cost determined by applying **GAAP** as of 30 June 2009; or
(b) where sufficient records do not exist to establish this cost, its depreciated carrying value in the general purpose financial statements of the **GDB**.

(6) The included value or modified value, as the case may be, of an asset to which subclause (2)(c) is applied is determined by-

(a) taking its value, subject to subclause (7), that resulted, or for an omitted asset, would have resulted, from application of the Gas (Information Disclosure) Regulations 1997, as of the date-

(i) the asset was first **commissioned**; or
(ii) that fixed assets were most recently revalued, other than for the sole purpose of accounting for inflation, under the Gas (Information Disclosure) Regulations 1997,

whichever is the later;

(b) implementing the corrections or modifications required to account for the matters specified in subclause (2)(c) as the case may be; and
(c) adjusting that value to the value as of 30 June 2009 by taking account of-

(i) **unallocated depreciation** in accordance with the **standard depreciation method**, where the total asset life used for the purpose of that method is the total asset life used for the purpose of the **2009 disclosure financial statements**; and
(ii) revaluation to account for consumer price index changes using a method consistent with that used to account for such revaluation in the **2009 disclosure financial statements**.

(7) Where subclause 6(a)(ii) applies, the value must be obtained using the revaluation methodology that was applied, or would have been applied, in respect of that asset as of the date in question.

2.2.2 Composition of initial RAB

Initial RAB means-

(a) **2009 authorisation assets**;
(b) **2009 disclosed assets**;
(c) **included assets**; and
(d) in respect of Powerco Limited, assets first **commissioned** in the period beginning on 1 July 2009 and ending on 30 September 2009,

less-

(e) **excluded assets**;
(f) intangible assets, unless they are-

(i) **finance leases**; or

(ii) **identifiable non-monetary assets**;

(g) **works under construction;** and

(h) in respect of Powerco Limited, **disposed assets** for the period beginning on 1 July 2009 and ending on 30 September 2009.

2.2.3 Initial RAB values for assets

(1) Subject to subclauses (2) and (3), the unallocated initial RAB value of-

(a) an **included asset** or **value modified asset**, is its **included value** or **modified value**, as the case may be; and

(b) any other asset included in **2009 authorisation assets** and described in-

(i) paragraph (a) of the definition of 2009 authorisation assets, is its value specified in the **2005 authorisation valuation**; and

(ii) paragraph (b) of the definition of 2009 authorisation assets, is its cost determined by applying **GAAP** to the asset as on its **commissioning date**,

adjusted as of 30 June 2009 by taking account of-

(iii) depreciation; and

(iv) changes in the consumer price index;

since 1 July 2005 consistent with the method used by the **Commission** in its 'Gas Control Model' for the purpose of authorising the supply of **controlled services**;

(c) any other asset included in **2009 disclosed assets**, is its value included in the 'Non-Current Assets' category in the **2009 disclosure financial statements**; and

(d) in respect of Powerco Limited, an asset first **commissioned** in the period beginning on 1 July 2009 and ending on 30 September 2009, is its **value of commissioned asset**.

(2) For the purpose of subclause (1), where an asset is used by a **GDB** in the **supply** of-

(a) one or more **regulated service**; or

(b) one or more **regulated service** and one or more **unregulated service**,

where at least one of those **regulated services** is a **gas distribution service**, the unallocated initial RAB value is the value of the asset had no allocation of asset value relevant to regulatory disclosures been undertaken.

(3) For the purpose of subclause (1), the value established as the unallocated initial RAB value in respect of Powerco Limited must include an adjustment for the 3-month period beginning on 1 July 2009 and ending on 30 September 2009 by taking account of-

(a) **unallocated depreciation** applicable to that period in accordance with the **standard depreciation method**, using a remaining asset life consistent with the **2009 disclosure financial statements** or the **Commission's** 'Gas Control Model' for the purpose of authorising the supply of **controlled services** as the case may be; and

(b) revaluation applicable to that period to account for consumer price index changes using a method consistent with that used in the **2009 disclosure financial statements** or by the **Commission** in its 'Gas Control Model' for the purpose of authorising the supply of **controlled services** as the case may be.

(4) The initial RAB value of an asset is determined as the value allocated to **gas distribution services** as a result of-

(a) adopting its **unallocated initial RAB value**; and
(b) applying clause 2.1.1 to it as of–

(i) in respect of Powerco Limited, 30 September 2009; and
(ii) in respect of other **GDBs**, 30 June 2009.

2.2.4 RAB roll forward

(1) Unallocated opening RAB value in respect of an asset in relation to-

(a) the **disclosure year** 2010, is its **unallocated initial RAB value**; and
(b) a **disclosure year** thereafter is its **unallocated closing RAB value** in the preceding **disclosure year**.

(2) Unallocated closing RAB value means, in the case of-

(a) a **found asset**, its **value of found asset**;
(b) a **disposed asset**, nil;
(c) a **lost asset**, nil;
(d) any other asset with an **unallocated opening RAB value**, the value determined in accordance with the formula-

unallocated opening RAB value - **unallocated depreciation** + **unallocated revaluation**; and

(e) any other asset having a **commissioning date** in the **disclosure year** in question, its **value of commissioned asset**.

(3) Opening RAB value, in respect of an asset, is, for-

(a) the **disclosure year** 2010, its **initial RAB value**; and
(b) a **disclosure year** thereafter, its **closing RAB value** in the preceding **disclosure year**.

(4) Closing RAB value, in respect of an asset is determined as the value allocated to **gas distribution services** as a result of-

(a) adopting its **unallocated closing RAB value**; and
(b) applying clause 2.1.1 to it.

2.2.5 Depreciation

(1) Unallocated depreciation, in the case of an asset with an **unallocated opening RAB value**, is determined, subject to subclause (3) and clauses 2.2.6 and 2.2.7, in accordance with the formula-

[1 ÷ **remaining asset life**] × **unallocated opening RAB value**.

(2) Depreciation, in the case of an asset with an **opening RAB value**, is determined, subject to subclause (3) and clause 2.2.6, in accordance with the formula-

[1 ÷ **remaining asset life**] × **opening RAB value**.

(3) For the purposes of subclauses (1) and (2)-

(a) unallocated depreciation and depreciation are nil in the case of-

(i) **land**;
(ii) an **easement** other than a **fixed life easement**; and
(iii) a **network spare** in respect of the period before which depreciation for the **network spare** in question commences under **GAAP**; and

(b) in all other cases, where the asset's **physical asset life** at the end of the **disclosure year** is nil-

(i) unallocated depreciation is the asset's **unallocated opening RAB value**; and
(ii) depreciation is the asset's **opening RAB value**.

2.2.6 Depreciation - alternative depreciation method

Where, under a **CPP**, in accordance with clause 5.3.8, an **alternative depreciation method** is applied to an asset, unallocated depreciation and depreciation for that asset, in respect of each **disclosure year** of the **CPP regulatory period**, are determined in accordance with that **alternative depreciation method**, subject to, in the case of unallocated depreciation, clause 2.2.7.

2.2.7 Unallocated depreciation constraint

For the purpose of clause 2.2.5, the sum of **unallocated depreciation** of an asset calculated over its **asset life** may not exceed the sum of-

(a) all **unallocated revaluations** applying to that asset in all **disclosure years**; and
(b) in the case of an asset-

(i) in the **initial RAB**, its **unallocated initial RAB value**; or
(ii) not in the **initial RAB**, its **value of commissioned asset** or **value of found asset**.

2.2.8 Physical asset life

(1) Physical asset life means, subject to subclauses (2) and (5), in the case of-

(a) a **fixed life easement**, the fixed duration or fixed period (as the case may be) referred to in the definition of **fixed life easement**;
(b) an extended life asset or a refurbished asset, its physical service life potential as determined by the **GDB**;
(c) an asset determined by the **GDB** to have a service life potential shorter than its **standard physical asset life**, its physical service life potential determined by an **engineer**, subject to subclause (3);
(d) a **found asset** for which a similar asset exists as described in subclause 2.2.12(2)(b)(i), the **asset life** applying to the similar asset;

(e) a non-**network** asset, or **right-of-use asset**, its asset life as determined under **GAAP**;

(f) an asset acquired or transferred from a **regulated supplier**, the asset life that the vendor would have assigned to the asset at the end of its **disclosure year** had the asset not been transferred;

(g) an asset acquired or transferred from an entity other than a **regulated supplier**:

(i) where a similar asset exists, the **asset life** assigned to the similar asset; or

(ii) where a similar asset does not exist, the physical service life potential determined by an **engineer**, subject to subclause (3).

(h) an asset not referred to in paragraphs (a) – (g)-

(i) in the **initial RAB** and an **included asset**; or

(ii) not in the **initial RAB**,

and-

(iii) having a **standard physical asset life**, its **standard physical asset life**;

(iv) not having a **standard physical asset life**, the asset life applying to an asset with an **unallocated opening RAB value** that is similar in terms of asset type; or

(v) in all other cases, its physical service life potential determined by an **engineer**, subject to subclause (3);

(i) an asset (other than a composite asset) not referred to in paragraphs (a) – (h), its remaining physical service life potential as on 30 June 2009 as determined in accordance with the method used to determine an allowance for depreciation, in the case of a-

(i) **2009 authorisation asset**, in the 'Gas Control Model' used by the **Commission** for the purpose of authorising the supply of **controlled services**; and

(ii) **2009 disclosed asset**, for the purpose of the **2009 disclosure financial statements**;

(j) a composite asset, the average asset life of the assets comprising it determined in accordance with paragraphs (a)–(i), with the modification that each such asset life must be weighted with respect to the proportion of its respective **opening RAB value** to the sum of the **opening RAB values** of the components in the earliest **disclosure year** in which all component assets were held by the **GDB**.

(2) For the purpose of subclause (1), physical asset life means, in the case of a dedicated asset which is not expected to be used by the **GDB** to provide **gas distribution services** beyond the term of the fixed term agreement relating to the asset between the **GDB** and the **consumer**, at the **GDB's** election, the term of that agreement instead of the physical asset life that would otherwise apply under that subclause.

(3) For the purpose of subclauses (1)(c), (1)(g)(ii) and (1)(h)(v), a determination made in accordance with this clause by an **engineer** of physical service life potential-

(a) in relation to an asset with an **unallocated opening RAB value** is deemed applicable to all assets of similar asset type for which there is a requirement in this clause for an **engineer's** determination of physical service life potential; and

(b) must be evidenced by a report written by the **engineer** in question that includes an acknowledgement by the **engineer** that the report may be publicly disclosed by a **GDB** pursuant to an **ID determination**.

(4) In this clause-

(a) 'dedicated asset' means an asset operated for the benefit of a particular **consumer** pursuant to a fixed term agreement for the **supply** of **gas distribution services** between the **GDB** in question and that **consumer**;

(b) 'extended life asset' means an asset whose physical service life potential is greater than its **standard physical asset life**;

(c) 'refurbished asset' means an asset on which work (other than maintenance) has been carried out resulting in an extension to its physical service life potential; and

(d) 'composite asset' means a configuration of two or more assets that is not capable of operation in the absence of any of those assets.

(5) If the **Commission** has applied an adjustment factor under clause 4.2.2(3) and (4) for a **DPP regulatory period**, a **GDB** must-

(a) in respect of the first **transitional disclosure year** for which an adjustment factor is applied by the **Commission** for that **DPP regulatory period**, reduce or extend (as the case may be) the asset life of some or all assets that have an **unallocated opening RAB value**, such that:

(i) the forecast **depreciation** in respect of **existing assets** for the first **transitional disclosure year** and each subsequent **disclosure year** that ends in the **DPP regulatory period**, in aggregate, is equivalent to the value of the **forecast depreciation for existing assets** in the applicable **DPP determination** for that **GDB**; and

(ii) subject to subclause (i), the remaining average asset life for existing assets in the first **transitional disclosure year** calculated in accordance with subclause (6) approximates the value of the **transitional adjusted asset life for existing assets** in the applicable **DPP determination** for that **GDB**; and

(b) for assets **commissioned** during that **DPP regulatory period**, apply a percentage reduction or extension (as the case may be) to the applicable **asset life** for those assets equal to the percentage reduction or extension to the **asset life** of the **existing assets** of a similar asset type as made under subclause (5)(a).

(6) For the purposes of subclause (5)(a), the 'remaining average asset life for existing assets' for the first **transitional disclosure year** means the value determined in accordance with the formula-

sum of **opening RAB value** *for all assets ÷ sum of* **depreciation** *for all assets*.

2.2.9 Revaluation

(1) Unallocated revaluation is the amount determined, subject to subclause (3), in accordance with the formula-

unallocated opening RAB value × **revaluation rate**.

(2) Revaluation is the amount determined, subject to subclause (3), in accordance with the formula-

opening RAB value × **revaluation rate**.

(3) For the purposes of subclauses (1) and (2), where-

(a) the asset's **physical asset life** at the end of the **disclosure year** is nil; or
(b) the asset is a-

(i) **disposed asset**; or
(ii) **lost asset**,

unallocated revaluation and revaluation are nil.

(4) 'Revaluation rate' means, in respect of a **disclosure year**, the amount determined in accordance with the formula-

$(CPI_4 \div CPI_4^{-4}) - 1$,

where-

CPI_4 means **CPI** for the quarter that coincides with the end of the **disclosure year**; and

CPI_4^{-4} means **CPI** for the quarter that coincides with the end of the preceding **disclosure year**.

2.2.10 Revaluation treated as income

Revaluation, for the purpose of determining profitability, must be treated as income.

2.2.11 Value of commissioned assets

(1) Value of commissioned asset, in relation to an asset (including an asset in respect of which **capital contributions** were received or a **vested asset**), means the cost of the asset to a **GDB** determined by applying **GAAP** to the asset as on its **commissioning date**, except that, subject to subclause (2), the cost of-

(a) an intangible asset, unless it is-

(i) a **finance lease**; or
(ii) an **identifiable non-monetary asset**,

is nil;

(b) an **easement**, is limited to its market value as on its **commissioning date** as determined by a **valuer**;
(c) **easement land** is nil;
(d) a **network spare**-

(i) which is not required, in light of the historical reliability and number of the assets it is held to replace; or
(ii) whose cost is not treated wholly as or part of the cost of an asset under **GAAP**,

is nil;

(e) an asset-

(i) acquired from another **regulated supplier**; and
(ii) used by that **regulated supplier** in the **supply** of **regulated goods or services**,

is the unallocated closing RAB value of the asset that would have applied for the other **regulated supplier**, had the asset not been acquired by the **GDB** in the **disclosure year** of the **regulated supplier** when the asset was transferred (as 'unallocated closing RAB value' is defined in the **input methodologies** applying to the **supply** of **regulated goods or services** by the **regulated supplier**);

(f) an asset that was previously used by a **GDB** in its **supply** of **other regulated services** is limited to the unallocated opening RAB value of the asset in relation to those **other regulated services** as on the day before the **commissioning date** (as 'unallocated opening RAB value' is defined in the **input methodologies** applying to the **regulated goods or services supplied** by the **GDB**);

(g) an asset or a component of a **commissioned** asset acquired in a **related party transaction**, other than an asset to which paragraphs (e) or (f) apply, is the cost specified in subclause 2.2.11(5);

(h) an asset in respect of which **capital contributions** were received where such contributions do not reduce the cost of the asset when applying **GAAP**, is the cost of the asset by applying **GAAP** reduced by the amount of the **capital contributions**;

(i) a **vested asset** in respect of which its fair value is treated as its cost under **GAAP**; and must exclude any amount of the fair value of the asset determined under **GAAP** that exceeds the amount of consideration provided by the **GDB**; and

(j) an asset in respect of which;

(i) an **insurance entitlement** or **compensatory entitlement** was received or is receivable; and
(ii) such an **insurance entitlement** or **compensatory entitlement** does not reduce the cost of the asset when applying **GAAP**,

is the cost of the asset by applying **GAAP** reduced (at the **GDB's** choice) by the amount of the **insurance entitlement** or **compensatory entitlement** that was received or is receivable.

(2) When applying **GAAP** for the purpose of subclause (1),-

(a) the cost of financing is-

(i) applicable only in respect of the period commencing on the date the asset becomes a **works under construction** and terminating on its **commissioning date**; and

(ii) calculated using a rate not greater than the **GDB's** weighted average of borrowing costs for each applicable **disclosure year**; and

(b) the value of a **commissioned** asset that, before its **commissioning date**, the **GDB** acquired from another **regulated supplier** as **works under construction**, is limited to the sum of:

(i) the cost incurred by the other **regulated supplier** in constructing those works; and

(ii) any additional costs of the **GDB** in completing the construction of those works (excluding any amount paid to the other **regulated supplier**).

(3) For the purposes of subclause (2)(a)(ii), the 'weighted average of borrowing costs' is calculated for a **disclosure year** using principles set out in **GAAP**, where:

(a) the cost of financing rate is the weighted average of the costs applicable to borrowings in respect of **capex** that are outstanding during the **disclosure year**;

(b) the total costs applicable to borrowings outstanding, as used in calculating the weighted average, must include costs of borrowings made specifically for the purpose of any particular –

(i) **capex projects**; or

(ii) **capex programmes**; and

(c) the amount of borrowing costs capitalised during the **disclosure year** must not exceed the amount of borrowing costs incurred during the **disclosure year**;

(d) if a **capital contribution** is received by an **GDB**, the relevant asset becomes **works under construction** for the purposes of calculating the cost of financing;

(e) subject to paragraph (i), a **capital contribution** will reduce the cost of **works under construction** for the purpose of the calculation of the finance cost, even if the resulting value of **works under construction** is negative;

(f) subject to paragraph (g), if the value of **works under construction** is negative in accordance with paragraph (e), the cost of financing for the period ending on the **commissioning date** will be negative;

(g) if the cost of financing an asset which is **works under construction** is negative under paragraph (f), it will reduce the value of the relevant asset or assets by that negative amount where such a reduction is not otherwise made under **GAAP**;

(h) for the purpose of paragraph (d), **works under construction** includes assets that are forecast to be enhanced or acquired; and

(i) if the cost of financing is derived as income in relation to **works under construction** and is both-

(i) negative; and

(ii) included in regulatory income under an **ID determination**,

it will not reduce the value of the relevant asset or assets where such reduction is not otherwise made under **GAAP**.

(4) For the avoidance of doubt-

(a) revenue derived in relation to **works under construction** that is not included in regulatory income under an **ID determination** or preceding regulatory information disclosure requirements reduces the cost of an asset by the amount of the revenue where such reduction is not otherwise made under **GAAP**;

(b) where expenditure on an asset which forms part of the cost of that asset under **GAAP** is incurred by a **GDB** after that asset was **commissioned**, such expenditure is treated as relating to a separate asset; and

(c) where an **insurance entitlement** is applied to reduce the cost of an asset under subclause (1)(j), any subsequent adjustment to the amount of that **insurance entitlement**, to reflect the full and final settlement of the associated insurance contract, is treated as expenditure or negative expenditure relating to a separate asset or negative asset, adjusted by the amount of *b* - *a*, where-

a is the is the nominal amount of the expenditure or negative expenditure referred to in this paragraph expressed at the date the **insurance entitlement** was first applied to reduce the cost of the asset under subclause (1)(j); and

b is the present value of *a* at the date the separate asset or negative asset referred to in this paragraph is recognised, calculated using the **WACC** for each **disclosure year** applied by the **Commission** in setting prices for the relevant **DPP** or **CPP.**

(5) For the purpose of subclause (1)(g), the cost of a **commissioned** asset, or a component of a **commissioned** asset, acquired in a **related party transaction**, must be set on the basis that–

(a) the cost is not greater than either of the following amounts determined under **GAAP**:

(i) the value that would have applied if that transaction had been an **arm's-length transaction**; or

(ii) the actual amount charged to the **GDB** by the **related party**; and

(b) for the purpose of paragraph (a)(i), an objective and independent measure must be used in determining the terms of an **arm's-length transaction**.

(6) For the purpose of subclause (5)(a), a **related party transaction** will be treated as if it had the terms of an **arm's-length transaction** if the **commissioned** asset, or the component of the **commissioned** asset, acquired from a **related party** is valued at the cost incurred by the **related party**, provided that this is-

(a) fair and reasonable to the **GDB**; and
(b) substantially the same as the cost that has been incurred or would be incurred by the **related party** in providing the same type of asset to third parties.

2.2.12 Value of found assets

(1) Found asset means, in relation to a **disclosure year**, an asset-

(a) other than **easement land**;
(b) other than an intangible asset, unless it is-

(i) a **finance lease**; or
(ii) an **identifiable non-monetary asset**;

(c) not having a **commissioning date** in the **disclosure year** in question;
(d) the value of which-

(i) is not included as an **unallocated opening RAB value** in the **disclosure year** in question nor was so included in any prior **disclosure year** pursuant to clause 2.2.4(1); and
(ii) was not included in an **unallocated closing RAB value** in any prior **disclosure year** in accordance with clause 2.2.4(2); and

(e) first determined by the **GDB** in the **disclosure year** in question to have a **commissioning date** after the **disclosure year** 2009.

(2) The value of found asset is-

(a) the **found asset's** cost calculated consistently with **GAAP**; or
(b) where sufficient records do not exist to establish the **found asset's** cost for the purposes of **GAAP**-

(i) where an asset with an **unallocated opening RAB value** for that **disclosure year** is similar (in terms of asset type and age) to the **found asset**, the **unallocated opening RAB value** of the similar asset; and
(ii) in all other cases, its market value as determined by a **valuer** as at the date that the asset was first determined to have been **commissioned** in a prior **disclosure year** after the **disclosure year** 2009.

SUBPART 3 **Treatment of taxation**

2.3.1 Regulatory tax allowance

(1) Regulatory tax allowance is, where **regulatory net taxable income** is-

(a) nil or a positive number, the **tax effect** of **regulatory net taxable income**; and

(b) a negative number, nil.

(2) Regulatory net taxable income is **regulatory taxable income** less **utilised tax losses**.

(3) Regulatory taxable income is determined in accordance with the formula-

regulatory profit / (loss) before tax + **permanent differences** + **regulatory tax adjustments**.

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

2.3.2 Tax losses

(1) Utilised tax losses means opening tax losses**,** subject to subclause (2).

(2) For the purpose of subclause (1), utilised tax losses may not exceed **regulatory taxable income**.

(3) In this clause, 'opening tax losses' in relation to a **disclosure year** that commenced-

(a) in 2009, is nil; and

(b) after 2009, is closing tax losses for the preceding **disclosure year**.

(4) For the purpose of subclause (3)(b), 'closing tax losses' means the amount determined in accordance with the following formula, in which each term is an absolute value:

opening tax losses + *current period tax losses* – **utilised tax losses**.

(5) For the purpose of subclause (4), 'current period tax losses' is where **regulatory taxable income** is-

(a) nil or a positive number, nil; and

(b) a negative number, **regulatory taxable income**.

2.3.3 Permanent differences

(1) Permanent differences is the amount determined in accordance with the formula-

positive permanent differences - negative permanent differences.

(2) For the purpose of subclause (1), 'positive permanent differences' means, subject to subclause (3) the sum of-

(a) all amounts of income-

(i) treated as taxable were the **tax rules** applied to determine income tax payable in respect of the **GDB's supply** of **gas distribution services**; and

(ii) not included as amounts of income in determining **regulatory profit / (loss) before tax**; and

(b) all amounts of expenditure or loss-

(i) included as amounts of expenditure or loss in determining **regulatory profit / (loss) before tax**; and

(ii) not treated as deductions were the **tax rules** applied to determine income tax payable in respect of the **GDB's supply** of **gas distribution services**,

if the difference in treatment of amounts of-

(c) income under paragraphs (a)(i) and paragraph (a)(ii); or
(d) expenditure or loss under paragraph (b)(i) and paragraph (b)(ii),

is a difference that-

(e) is not a **reversal** or partial **reversal** of a difference for a prior **disclosure year**; and
(f) will not **reverse** in a subsequent **disclosure year**.

(3) For the purpose of subclause (2), positive permanent differences excludes any amounts that are-

(a) **amortisation of initial differences in asset values**; or
(b) **amortisation of revaluations**.

(4) For the purpose of subclause (1), 'negative permanent differences' means, subject to subclause (5), the sum of-

(a) all amounts of income-

(i) included as amounts of income in determining **regulatory profit / (loss) before tax**; and
(ii) not treated as taxable were the **tax rules** applied to determine income tax payable in respect of the **GDB's supply** of **gas distribution services**; and

(b) all amounts of expenditure or loss-

(i) treated as deductions were the **tax rules** applied to determine income tax payable in respect of the **GDB's supply** of **gas distribution services**; and
(ii) not included as amounts of expenditure or loss in determining **regulatory profit / (loss) before tax**,

if there are differences between the values in-

(c) paragraphs (a)(i) and paragraph (a)(ii); and
(d) paragraphs (b)(i) and paragraph (b)(ii),

and such differences-

(e) are not the **reversal** of a difference in a prior **disclosure year**; and
(f) will not **reverse** in a subsequent **disclosure year**.

(5) For the purpose of subclause (4), negative permanent differences excludes any amounts that are-

(a) expenditure or loss determined in accordance with the **tax rules** that is-

(i) interest; or
(ii) incurred in borrowing money; and

(b) any-

(i) tax losses; or
(ii) subvention payment made or received by a **GDB**.

2.3.4 Regulatory tax adjustments

(1) Regulatory tax adjustments are determined in accordance with the formula-

> **amortisation of initial differences in asset values** + **amortisation of revaluations** - *notional deductible interest*.

(2) For the purpose of subclause (1), 'notional deductible interest' means the amount determined in accordance with the formula-

> ((*regulatory investment value* × **leverage** × **cost of debt**) + **term credit spread differential allowance**)/$\sqrt{1 + \text{cost of debt}}$.

(3) For the purpose of subclause (2), '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.

2.3.5 Amortisation of initial differences in asset values

(1) Amortisation of initial differences in asset values is, subject to subclause (5), determined in accordance with the formula-

> *opening unamortised initial differences in asset values ÷ opening weighted average remaining useful life of relevant assets.*

(2) For the purpose of this clause, 'opening unamortised initial differences in asset values' means, in respect of-

> (a) the **disclosure year** 2010, initial differences in asset values; and
> (b) each **disclosure year** thereafter, subject to subclause (5), closing unamortised initial difference in asset values for the preceding **disclosure year**.

(3) For the purpose of subclause (2)(a), 'initial differences in asset values' means, subject to subclause (5), the sum of **initial RAB values** less the sum of **regulatory tax asset values** on the first day of the **disclosure year** 2010.

(4) For the purpose of subclause (1), 'opening weighted average remaining useful life of relevant assets' means-

$q = a - b$

where:

a = the 2010 weighted average **remaining asset life** of assets included in the initial RAB calculated by using **initial RAB values** as weightings

b = **disclosure year** less 2010.

(5) For the purpose of subclauses (1) and (2)-

> (a) no account may be taken of unamortised initial differences in asset values of sold assets from the date of sale; and
> (b) account must be taken of unamortised initial differences in asset values of acquired assets from the date of acquisition.

(6) For the purpose of subclause (2)(b), 'closing unamortised initial difference in asset values' is determined in accordance with the formula-

> *Opening unamortised initial differences in asset values* - **amortisation of initial difference in asset values**

2.3.6 Amortisation of revaluations

Amortisation of revaluations is calculated in accordance with the formula-

total depreciation - **adjusted depreciation**.

2.3.7 Deferred tax

(1) Opening deferred tax means, in respect of-

(a) the **disclosure year** 2010, nil; and
(b) subject to paragraph (c), in respect of each **disclosure year** thereafter, closing deferred tax for the preceding **disclosure year**; and
(c) in respect of each **disclosure year** after the **disclosure year** 2010, for assets for which there is no **regulatory tax asset value**, the opening deferred tax balance under **GAAP** for those assets at the date when those assets were first **commissioned**.

(2) For the purpose of subclause (1)(b), 'closing deferred tax' is determined in accordance with the formula-

opening deferred tax + **tax effect** *of* **temporary differences** - **tax effect** *of* **amortisation of initial difference in asset values** + *deferred tax balance relating to assets acquired in the* **disclosure year** *in question – deferred tax balance relating to assets disposed of in the* ***disclosure year*** *in question + cost allocation adjustment*.

(3) For the purpose of subclause (2), 'deferred tax balance relating to assets acquired in the **disclosure year** in question' means the amount of deferred tax associated with the assets acquired by the **GDB** from another **regulated supplier** excluding the **reversal** of temporary adjustments arising as a consequence of the sale, as determined in accordance with **input methodologies** applicable to the **regulated services** that the assets in question were used to **supply**.

(4) For the avoidance of doubt, the amount referred to in subclause (3) must include proportionate adjustments for-

(a) the **tax effect** of **temporary differences**; and
(b) the **amortisation of initial differences in asset values**,

up to the date the assets in question were acquired.

(5) For the purpose of subclause (2), 'cost allocation adjustment' means the **tax effect** of the dollar value difference between the change in the sum of **regulatory tax asset values** on the last day of the **disclosure year** and the change in the sum of **closing RAB values** as a result only of applying-

(a) the result of asset allocation ratios to the **tax asset value** in accordance with clause 2.3.9(1); and
(b) clause 2.1.1 to the **unallocated closing RAB value**.

(6) For the purpose of subclause (2), ‘deferred tax balance relating to assets disposed of in the **disclosure year** in question’ means the amount of deferred tax associated with the assets disposed of by the **GDB** and, where that deferred tax balance is a deferred tax liability, it must have a negative value.

2.3.8 Temporary differences

(1) Temporary differences is the amount determined in accordance with the formula-

depreciation temporary differences + positive temporary differences - negative temporary differences.

(2) For the purpose of this clause, 'depreciation temporary differences' means **adjusted depreciation** less tax depreciation.

(3) For the purpose of subclause (2) 'tax depreciation' means the sum of the amounts determined for all assets of a **GDB** by application of the **tax depreciation rules** to the **regulatory tax asset value** of each asset.

(4) For the purpose of subclause (1), 'positive temporary differences' means the sum of-

(a) all amounts of income-

(i) treated as taxable if the **tax rules** were applied to determine income tax payable in respect of the **GDB's supply** of **gas distribution services**; and

(ii) not included as amounts of income in determining **regulatory profit / (loss) before tax**; and

(b) all amounts of expenditure or loss-

(i) included as amounts of expenditure or loss in determining **regulatory profit / (loss) before tax**; and

(ii) not treated as deductions were the **tax rules** applied to determine income tax payable in respect of the **GDB's supply** of **gas distribution services**,

less any amount that are depreciation temporary differences, if there are differences between the values in-

(c) paragraphs (a)(i) and (a)(ii); and

(d) paragraphs (b)(i) and (b)(ii),

and such differences-

(e) are the **reversal** of a difference in a prior **disclosure year**; or

(f) will **reverse** in a subsequent **disclosure year**.

(5) For the purpose of subclause (1), 'negative temporary differences' means the sum of-

(a) all amounts of income-

(i) included as amounts of income in determining **regulatory profit / (loss) before tax**; and

(ii) not treated as taxable were the **tax rules** applied to determine income tax payable in respect of the **GDB's supply** of **gas distribution services**; and

(b) all amounts of expenditure or loss-

(i) treated as deductions were the **tax rules** applied to determine income tax payable in respect of the **GDB's supply** of **gas distribution services**; and

(ii) not included as amounts of expenditure or loss in determining **regulatory profit / (loss) before tax**,

less any amount that are depreciation temporary differences, if there are differences between the values in-

(c) paragraphs (a)(i) and (a)(ii); and
(d) paragraphs (b)(i) and (b)(ii),

and such differences-

(e) are the **reversal** of a difference in a prior **disclosure year**; or
(f) will **reverse** in a subsequent **disclosure year**.

2.3.9 Regulatory tax asset value

(1) Regulatory tax asset value, in relation to an asset, means the value determined in accordance with the formula-

tax asset value ´ *result of asset allocation ratio*.

(2) Tax asset value means, in respect of-

(a) an asset,

(i) in the **initial RAB** where, in the **disclosure year** 2010, the sum of **unallocated initial RAB values** is less than the sum of the **adjusted tax values** of all assets in the **initial RAB**;
(ii) acquired from a **regulated supplier** who used it to **supply regulated goods or services**; or
(iii) acquired or transferred from a **related party**,

the value of the asset determined by applying the **tax depreciation rules** to its notional tax asset value; and

(b) any other asset, its **adjusted tax value**.

(3) 'Notional tax asset value' means, for the purpose of-

(a) subclause (2)(a)(i), **adjusted tax value** of the asset in the **disclosure year** 2010 adjusted to account proportionately for the difference between the-

(i) sum of the **unallocated initial RAB values**; and
(ii) sum of the **adjusted tax values**,

of all assets in the **initial RAB**;

(b) subclause (2)(a)(ii), value after applying the **tax depreciation rules** to the tax asset value (as 'tax asset value' is defined in the **input methodologies** applying to the **regulated goods or services** in question) in respect of the **disclosure year** in which the asset was acquired; and
(c) subclause (2)(a)(iii), value in respect of the **disclosure year** in which the asset was acquired or transferred that is-

(i) consistent with the **tax rules**; and
(ii) limited to its **value of commissioned asset** plus the sum of any **insurance entitlements** and **compensatory entitlements** applied to reduce the value of a **commissioned** asset under clause 2.2.11(1)(j),

or, if relevant **capital contributions** are treated for tax purposes in accordance with section CG 8 of the Income Tax Act 2007 (or subsequent equivalent provisions), limited to the **value of commissioned asset** plus any taxed **capital contributions** applicable to the asset plus the sum of any **insurance entitlements** and **compensatory entitlements** applied to reduce the value of a **commissioned** asset under clause 2.2.11(1)(j).

(4) For the purpose of subclause (1), 'result of asset allocation ratio' means, where an asset or group of assets maintained under the **tax rules**-

(a) has a matching asset or group of assets maintained for the purpose of Subpart 2, the value obtained in accordance with the formula-

opening RAB value *or sum of* **opening RAB values***, as the case may be*

÷

unallocated opening RAB value *or sum of* **unallocated opening RAB values***, as the case may be,*

applying the formula in respect of the asset or smallest group of assets maintained for the purpose of Subpart 2 that has a matching asset or group of assets maintained under the **tax rules**; and

(b) does not have a matching asset or group of assets maintained for the purpose of Subpart 2, the value of the asset allocated to the **supply** of **gas distribution services** were clause 2.1.1 to apply to the asset or group of assets.

SUBPART 4 **Cost of capital**

2.4.1 Methodology for estimating the weighted average cost of capital

(1) The **Commission** will determine a mid-point estimate of vanilla **WACC** for each **disclosure year**-

~~(a) in respect of the **regulatory period term** commencing on the first day of the **disclosure year** in question;~~

~~(b)~~(a) within 1 month of the start of the **disclosure year** in question; and

~~(c)~~(b) in accordance with the formula-

$r_d\, L + r_e(1 - L)$.

(2) The **Commission** will determine a mid-point estimate of post-tax **WACC** for each **disclosure year**-

~~(a) in respect of the **regulatory period term** commencing on the first day of the **disclosure year** in question;~~

~~(b)~~(a) within 1 month of the start of the **disclosure year** in question; and

~~(c)~~(b) in accordance with the formula-

$r_d\,(1 - T_c)L + r_e\,(1 - L)$.

(3) In this clause-

L is **leverage**;

r_d is the cost of debt and is estimated in accordance with the formula:

$r_{fd} + p + d$;

r_e is the cost of equity and is estimated in accordance with the formula:

$r_{fe}(1 - T_i) + \beta_e TAMRP$;

T_c is the average corporate tax rate;

r_{fd} is the average risk-free rate for the cost of debt;

r_{fe} is the risk-free rate for the cost of equity;

p is the **average debt premium**;

d is the debt issuance costs;

T_i is the average investor tax rate;

β_e is the equity beta; and

TAMRP is the tax-adjusted market risk premium.

(4) For the purpose of this clause-

(a) the fixed WACC parameters comprising leverage, average investor tax rate, the equity beta, the debt issuance costs, and the average corporate tax rate applicable to companies ~~and the tax-adjusted market risk premium~~ are the amounts specified in or determined in accordance with clause 2.4.2; ~~and~~

(b) the risk-free rate for the cost of equity must be estimated in accordance with clause 2.4.3;

(c) the average risk-free rate for the cost of debt must be estimated in accordance with clause 2.4.3A; and

~~(b)~~(d) the 'tax-adjusted market risk premium' is the tax-adjusted market risk premium most recently determined in accordance with the methodology specified in an input methodology determined by the **Commission** (whether under Part 4 of the **Act** or under Part 6 of the Telecommunications Act 2001).

2.4.2 Fixed WACC parameters

(1) Leverage is 41%.

(2) 'Average investor tax rate' is the average of the investor tax rates that, as at the date that the estimation is made, will apply to each of the **disclosure years** in the **regulatory period term** commencing on the first day of the **disclosure year** in question.

(3) For the purpose of subclause (2), ' investor tax rate' is, for each **disclosure year**, the maximum **prescribed investor rate** applicable at the start of the **disclosure year** to an individual who is-

(a) resident in New Zealand; and

(b) an investor in a **multi-rate PIE**.

(4) 'Average corporate tax rate' is the average of the **corporate tax rates** that, as at the date that the estimation is made, will apply during the **regulatory period term** commencing on the first day of the **disclosure year** in question.

(5) 'Equity beta' is 0.69.

(6) 'Debt issuance costs' are ~~0.2%~~0.16% where the **regulatory period term** is five years and 0.25% where the **regulatory period term** is four years.

~~(44) 'Tax-adjusted market risk premium' is 7.0%.~~

2.4.3 Methodology for estimating risk-free rate for the cost of equity

The **Commission** will estimate a risk-free rate for the cost of equity-

(a) for each **disclosure year**; and

(b) within 1 month of the start of the **disclosure year** in question,

by-

(c) obtaining, for notional benchmark New Zealand government New Zealand dollar denominated nominal bonds, the wholesale market linearly-interpolated bid yield to maturity for a residual period to maturity equal to the **regulatory period term** on each **business day** in the 3 months preceding the start of the **disclosure year**;

(d) calculating the annualised interpolated bid yield to maturity for each **business day**; and

(e) calculating the unweighted arithmetic average of the daily annualised interpolated bid yields to maturity.

2.4.3A Methodology for estimating the average risk-free rate for the cost of debt

(1) The **Commission** will determine an estimate of an amount for the average risk-free rate for the cost of debt-

(a) for each **disclosure year**; and

(b) within 1 month of the start of the **disclosure year** in question.

(2) For the purposes of subclause (1), 'average risk-free rate for the cost of debt' means the unweighted arithmetic average of the values of the risk-free rate for the cost of debt estimated in accordance with subclause (3) for each of-

(a) the current **disclosure year**; and

(b) the four **disclosure years** preceding the current **disclosure year**.

(3) For the purpose of subclause (2), the risk-free rate for the cost of debt for a **disclosure year** will be estimated by-

(a) obtaining, for notional benchmark New Zealand government New Zealand dollar denominated nominal bonds, the wholesale market linearly-interpolated bid yield to maturity for a residual period to maturity equal to five years on each **business day** in the 3 months preceding the start of the **disclosure year**;

(b) calculating the annualised interpolated bid yield to maturity for each **business day**; and

(c) calculating the unweighted arithmetic average of the daily annualised interpolated bid yield to maturity.

2.4.4 Methodology for estimating average debt premium

(1) The **Commission** will determine an estimate of an amount for the **average debt premium**-

(a) for each **disclosure year**; and
(b) within 1 month of each **disclosure year**.

(2) For the purpose of subclause (1), 'average debt premium' means the unweighted arithmetic average of the five **debt premium** values estimated in accordance with subclauses (4) and (5) for:

(a) the current **debt premium reference year**; and
(b) the four previous **debt premium reference years**.

(3) For the purpose of subclause (2)(a), 'current debt premium reference year' refers to the **debt premium reference year** that contains the start of the **disclosure year**.

(4) Debt premium means the spread between-

(a) the bid yield to maturity on **vanilla NZ$ denominated bonds** that-

(i) are issued by a **GPB** or an **EDB**;
(ii) are publicly traded;
(iii) have a **qualifying rating** of grade BBB+; and
(iv) have a remaining term to maturity of 5 years; and

(b) the contemporaneous interpolated bid yield to maturity of notional benchmark New Zealand government New Zealand dollar denominated nominal bonds having a remaining term to maturity of 5 years.

(5) For the purposes of subclause (2), the amount of the debt premium will be estimated by-

(a) identifying publicly traded **vanilla NZ$ denominated bonds** issued by a **qualifying issuer** that are-

(i) **investment grade credit rated**; and
(ii) of a type described in the paragraphs of subclause (6);

(b) in respect of each bond identified in accordance with paragraph (a)-

(i) obtaining its wholesale annualised market bid yield to maturity; and
(ii) calculating by linear interpolation with respect to maturity, the contemporaneous wholesale market annualised bid yield to maturity for a notional benchmark New Zealand government New Zealand dollar denominated nominal bond with the same remaining term to maturity; and
(iii) calculating its contemporaneous interpolated bid to bid spread over notional benchmark New Zealand government New Zealand dollar denominated nominal bonds with the same remaining term to maturity, by deducting the yield calculated in accordance with

sub-paragraph (ii) from the yield obtained in accordance with sub-paragraph (i),

for each **business day** in the 12 months preceding the start of the **debt premium reference year**;

(c) calculating, for each bond identified in accordance with paragraph (a), the unweighted arithmetic average of the daily spreads identified in accordance with paragraph (b)(iii); and

(d) subject to subclause (6), estimating, by taking account of the average spreads identified in accordance with paragraph (c), and having regard to the debt premium estimated from applying the **Nelson-Siegel-Svensson approach**, the average spread that would reasonably be expected to apply to a **vanilla NZ$ denominated bonds** that-

(i) is issued by a **GPB** or an **EDB** that is neither 100% owned by the Crown nor a **local authority**;
(ii) is publicly traded;
(iii) has **a qualifying rating** of grade BBB+; and
(iv) has a remaining term to maturity of 5 years.

(6) For the purpose of subclauses (5)(a) and (5)(d), the **Commission** will have regard, subject to subclause (7), to the spreads observed on the following types of **vanilla NZ$ denominated bonds** issued by a **qualifying issuer**:

(a) those that-

(i) have a **qualifying rating** of grade BBB+; and
(ii) are issued by a **GPB** or an **EDB** that is neither 100% owned by the Crown nor a **local authority**;

(b) those that-

(i) have a **qualifying rating** of grade BBB+; and
(ii) are issued by an entity other than a **GPB** or an **EDB** that is neither 100% owned by the Crown nor a **local authority**;

(c) those that-

(i) have a **qualifying rating** of a grade different to BBB+; and
(ii) are issued by a **GPB** or an **EDB** that is neither 100% owned by the Crown nor a **local authority**;

(d) those that-

(i) have a **qualifying rating** of a grade different to BBB+; and
(ii) are issued by an entity other than a **GPB** or an **EDB** that is neither 100% owned by the Crown nor a **local authority**; and

(e) those that are-

(i) **investment grade credit rated**; and
(ii) issued by an entity that is 100% owned by the Crown or a **local authority**.

(7) For the purpose of subclause (6)-

(a) progressively lesser regard will ordinarily be given to the spreads observed on the bond types in accordance with the order in which the bond types are described in subclause (6);
(b) the spread on any bond of the type described in subclause (6) that has a remaining term to maturity of less than 5 years will ordinarily be considered to be the minimum spread that would reasonably be expected to apply on an equivalently credit-rated bond issued by the same entity with a remaining term to maturity of 5 years; and
(c) the **Commission** will adjust spreads observed on bonds described under subclauses (6)(b) to (6)(e) to approximate the spread that is likely to have been observed had the bonds in question been of the type described in subclause (6)(a).

(8) For the purpose of subclause (5)(d), 'Nelson-Siegel-Svensson approach' means a method for modelling yield curves and term structures of interest rates which establishes a relationship between terms to maturity and the **debt premium**, where a curve is generated by changing the parameters of a yield curve's functional form to minimise the squared deviation between estimated and observed values.

2.4.5 Methodology for estimating the WACC range and the 65th percentile of WACC

(1) The **Commission** will determine a WACC range for each **mid-point estimate of WACC**-

(a) for each **disclosure year**; and
(b) within 1 month of the start of the **disclosure year** in question.

(2) For the purpose of subclause (1), 'WACC range' means the values falling between the 25th percentile and 75th percentile, inclusive, of the **mid-point estimate of WACC**.

(3) For the purpose of subclause (2)-

(a) the **mid-point estimate of WACC** must be treated as the 50th percentile; and
(b) the-

(i) 75th percentile must be determined in accordance with the formula-

mid-point estimate of WACC + *0.674 ´ standard error*; and

(ii) 25th percentile must be determined in accordance with the formula-

mid-point estimate of WACC - *0.674 ´ standard error,*

where the **standard error** of the relevant **mid-point estimate of WACC** is 0.0112.

(4) The **Commission** will, commencing with **disclosure year** 2026, determine a 65th percentile estimate of vanilla **WACC** and a 65th percentile estimate of post-tax **WACC**–

(a) for each **disclosure year**; and
(b) within 1 month of the start of the **disclosure year** in question.

(5) For the purpose of subclause (4)–

(a) the **mid-point estimate of WACC** must be treated as the 50th percentile; and

(b) the 65th percentile must be determined in accordance with the formula-

mid-point estimate of WACC + *0.385 ´ standard error*,

where the **standard error** of the relevant **mid-point estimate of WACC** is 0.0112.

2.4.6 Publication of estimates

The **Commission** will publish all determinations and estimates that it is required to make by this subpart-

(a) on its website; and

(b) no later than 1 month after having made them.

2.4.7 Interpretation of terms relating to term credit spread differential

(1) Qualifying debt means a line of debt-

(a) with an original tenor greater than 5 years; and

(b) issued by a **qualifying supplier**.

(2) Qualifying supplier means a **regulated supplier** whose debt portfolio, as at the date of that supplier's most recently published audited financial statements, has a weighted average original tenor greater than 5 years.

2.4.8 Term credit spread difference

(1) 'Term credit spread difference' is determined in accordance with the formula-

$T \times U,$

where-

(a) 'T' is the amount determined in accordance with the formula-

0.00085 x (original tenor of the **qualifying debt** – 5);

(b) 'U' is the book value in New Zealand dollars of the **qualifying debt** at its date of issue.

(2) For the purpose of this clause, where the **qualifying debt** is issued to a **related party**, 'original tenor of the **qualifying debt**' means the-

(a) tenor of the **qualifying debt**; or

(b) period from the **qualifying debt's** date of issue to the earliest date on which its repayment is or may be required,

whichever is the shorter.

2.4.9 Methodology for estimating term credit spread differential

(1) This clause applies to the determination of the amount of any **term credit spread differential** in respect of a **qualifying debt** for the purpose of disclosure pursuant to an **ID determination** of a-

(a) **term credit spread differential allowance**; or

(b) **term credit spread differential**.

(2) Disclosure to which this clause applies may only be made by a **qualifying supplier**.

(3) Term credit spread differential is the amount determined in accordance with the formula-

(A ÷ B) × C ×D,

where-

(a) 'A' is the sum of the **term credit spread difference** ~~and~~, the debt issuance cost re-adjustment, and the interest rate swap cost allowance**;**

(b) 'B' is the book value of the **qualifying supplier's** total interest-bearing debt as at the balance date of the supplier's financial statements audited and published in the **disclosure year** in question relate;

(c) 'C' is **leverage**; and

(d) 'D' is, in relation to the **qualifying supplier**, the average of-

(i) the sum of **opening RAB values**; and

(ii) the sum of **closing RAB values**.

(4) For the purpose of subclause (3)(a), 'debt issuance cost re-adjustment' is the amount determined in accordance with the formula-

(~~0.01~~0.008 ÷ *original tenor of the* **qualifying debt** - ~~0.002~~0.0016) × *book value in New Zealand dollars of the* **qualifying debt** *at its date of issue*,

which amount, for the avoidance of doubt, will be a negative number.

(5) For the purpose of subclause (3)(a), 'interest rate swap cost allowance' is the amount determined in accordance with the formula-

0.0004 x book value in New Zealand dollars of the **qualifying debt** *at its date of issue*

SUBPART 5 **Pricing methodologies**

2.5.1 Disclosure of pricing methodologies

In accordance with the requirements in an **ID determination**, a **GDB** must provide-

(a) an explanation of the extent of consistency of a **GDB's** pricing methodology with the **pricing principles**; or

(b) reasons for any inconsistency between a **GDB's** pricing methodology with the **pricing principles**.

2.5.2 Pricing principles

(1) Prices are to signal the economic costs of service provision, by-

(a) being subsidy free, that is, equal to or greater than incremental costs and less than or equal to standalone costs, except where subsidies arise from compliance with legislation and/or other regulation;

(b) having regard, to the extent practicable, to the level of available service capacity; and

(c) signalling, to the extent practicable, the effect of additional usage on future investment costs.

(2) Where prices based on 'efficient' incremental costs would under-recover allowed revenues, the shortfall is made up by prices being set in a manner that has regard to **consumers'** demand responsiveness, to the extent practicable.

(3) Provided that prices satisfy subclause (1), prices are responsive to the requirements and circumstances of **consumers** in order to-

  (a) discourage uneconomic bypass; and
  (b) allow negotiation to better reflect the economic value of services and enable **consumers** to make price/quality trade-offs or non-standard arrangements for services.

(4) Development of prices is transparent, promotes price stability and certainty for **consumers**, and changes to prices have regard to the effect on **consumers**.

PART 3 INPUT METHODOLOGIES FOR BOTH DEFAULT AND CUSTOMISED PRICE-QUALITY PATHS

SUBPART 1 **Specification of price**

3.1.1 Specification and definition of prices

(1) For the purpose of s 53M(1)(a) of the **Act**, the maximum-

(a) **price** or **prices** that may be charged; or
(b) revenues that may be recovered,

by a **GDB** will be specified in a **DPP determination** or **CPP determination** as a weighted average price cap applying to that **GDB** for a **regulatory period**, defined in terms of a relationship between **allowable notional revenue** and **notional revenue** whereby-

(c) **notional revenue** must not exceed **allowable notional revenue**;
(d) the same **quantities** are used to determine **notional revenue** and **allowable notional revenue**; and
(e) the maximum weighted average price that may be charged during the **regulatory period** will not be affected by the actual **prices** charged by the **GDB** during that period.

(2) 'Allowable notional revenue' means-

(a) in respect of the first 12 months of a **regulatory period**, a function of a starting price specified in a **DPP determination** or **CPP determination**; and
(b) for each subsequent period of 12 months, a function of-

(i) **CPI**;
(ii) the X factor applicable to the **GDB**; and
(iii) **prices** in the preceding 12-month period multiplied by **quantities** net of the sum of **pass-through costs** and **recoverable costs**.

(3) 'Notional revenue' means, in respect of a 12-month period, **prices** in that period multiplied by quantities net of-

(a) the sum of **pass-through costs**; and
(b) the sum of **recoverable costs**.

(4) 'Prices' means-

(a) individual tariffs, fees or charges; or
(b) individual components thereof,

in nominal terms exclusive of **GST** for the **supply** of a **gas distribution service**.

(5) In this clause, 'quantities' means the amounts **supplied** (other than forecast) of **gas distribution services** corresponding to the extent practicable to **prices**, expressed in units of GJ, day or other unit applicable to such **supply**.

3.1.2 Pass-through costs

(1) Subject to subclause (4), a pass-through cost is-

(a) a cost listed in subclause (2); or
(b) subject to subclause (3), a cost, other than one listed in subclause (2), specified by way of a **DPP determination** or **CPP determination**.

(2) For the purpose of subclause (1)(a), the costs are-

(a) rates on system fixed assets paid or payable by a **GDB** to a **local authority** under the Local Government (Rating) Act 2002; and
(b) **levies** payable-

(i) under regulations made under s 53ZE of the **Act**;
(ii) under regulations made under the Gas Act 1992; or
(iii) by all members of a dispute resolution scheme (within the meaning of section 43E of the Gas Act 1992) by virtue of their membership.

(3) For the purpose of subclause (1)(b), the cost in question must-

(a) be-

(i) associated with the **supply** of **gas distribution services**;
(ii) outside the control of the **GDB**;
(iii) not a **recoverable cost**;
(iv) appropriate to be passed through to **consumers**; and
(v) one in respect of which provision for its recovery is not made explicitly or implicitly in the **DPP** or, where applicable, **CPP**; and

(b) come into effect during a **DPP regulatory period** or, where applicable, **CPP regulatory period**.

(4) For the purpose of subclause (1), where a cost relates to both **gas distribution services** and other services **supplied** by the **GDB**, only the proportion of the cost attributable to the **supply** of **gas distribution services** (as determined in accordance with clause 2.1.1), may be a pass-through cost.

3.1.3 Recoverable costs

(1) Subject to subclause (7), a recoverable cost is a cost that is-

(a) claw-back applied by the **Commission** under sections 55F(2), 55F(4) or 53ZB(3) of the **Act**;
(b) a standard application fee for a **CPP proposal** under section 53Q(2)(c) of the **Act**, subject to the proviso specified in subclause (2);
(c) a fee notified by the **Commission** as payable by the **GDB** in respect of the **Commission** assessing a **CPP proposal** and determining a **CPP** in accordance with s 53Y of the **Act**, subject to the proviso specified in subclause (2);
(d) a fee payable to a **verifier**, subject to the requirement specified in subclause (3);
(e) any **auditor's** cost incurred for the purpose of meeting clauses 5.1.4 or 5.6.3, subject to the requirement specified in subclause (3);
(f) a fee payable to an **engineer** for the purpose of meeting a requirement of clause 5.5.10(4)(b), subject to the requirement specified in subclause (3);
(g) an urgent project allowance, as determined by the **Commission** under subclause (4);

(h) the amount calculated for a **GDB** in accordance with the following formula for each **disclosure year** other than the first 'm' years in a **regulatory period** for which the starting prices were determined by the **Commission** in a **DPP determination** or **CPP determination**-

$$\left(\frac{\text{capex wash-up adjustment}}{l-m}\right) \times (1+r)^{y+0.5}$$

where–

l is the number of **disclosure years** in the **regulatory period**;

r is the **mid-point estimate of WACC** applying to the price-quality path for the **regulatory period**;

y is the number of **disclosure years** preceding the **disclosure year** in question in the **regulatory period**; and

m is-

(i) for a **GDB** with a **disclosure year** ending on 30 September or 31 December, the value 1; or

(ii) for a **GDB** with a **disclosure year** ending on 31 March or 30 June, the value 2;

(i) a **reopener event allowance**, as specified in a **DPP determination** or **CPP determination**;

(j) a levy payable to Fire and Emergency New Zealand under the Fire and Emergency New Zealand Act 2017; or

(k) a **demand variation revenue adjustment**.

(2) For the purposes of subclauses (1)(b) and (1)(c), the proviso is that the **CPP proposal** is not discontinued by the **Commission** under s 53S of the **Act**.

(3) For the purposes of subclauses (1)(d) – (1)(f), the requirement is that the amount that may be recovered in respect of a particular **GDB** must be specified by the **Commission** in a **CPP determination**.

(4) 'Urgent project allowance' means the allowance determined by the **Commission** in a **CPP determination** in respect of additional net costs where these costs-

(a) exceed those already provided for in a **DPP determination** or **CPP determination**;

(b) will not otherwise be recovered by the **GDB**; and

(c) will be prudently incurred by the **GDB** before commencement of the resulting **CPP regulatory period** in responding to an urgent **project** that occurred in the time between the submission of a **CPP proposal** and determination of the resulting **CPP determination** by the **Commission**.

(5) For the purpose of clause 3.1.3(1)(h), the 'capex wash-up adjustment' is an amount equal to the present value of the difference in the series of building blocks allowable revenue before tax for the **DPP regulatory period** or **CPP regulatory period** in question, subject to subclause (6), from adopting–

(a) the sum of **value of commissioned assets** for each **disclosure year** that follows the **base year** in the preceding **DPP regulatory period** or **CPP regulatory period**,

instead of–

(b) the **forecast aggregate value of commissioned assets** determined by the **Commission** in respect of each of those **disclosure years** when determining prices in accordance with a **DPP determination** or **CPP determination**, or an amendment thereof.

(6) For the purpose of subclause (5)–

(a) the present value must be determined by discounting the series of building blocks allowable revenue before tax, using a discount rate equal to the **WACC** applied by the **Commission** in setting prices for the **DPP regulatory period** or **CPP regulatory period** in question, to-

(i) where the **capex wash-up adjustment** is applied for a **DPP regulatory period**, the end of the preceding **DPP regulatory period**;
(ii) where the **capex wash-up adjustment** is applied for a **CPP regulatory period**, the point in the preceding **DPP regulatory period** where the **CPP regulatory period** began;

(b) the series of building blocks allowable revenue before tax for the **DPP regulatory period** are those used to reset starting prices based on the current and projected profitability of each **GDB** and must-

(i) be calculated using the same methodology that was applied by the **Commission** in setting starting prices for the **GDB** for the **DPP**, subject to subparagraphs (ii) and (iii);
(ii) for the purpose of subparagraph (i), adopt the sum of **depreciation** calculated under Part 2 in respect of each **disclosure year** that follows the **base year** in the preceding **regulatory period** for assets having a **commissioning date** in any of those **disclosure years**; and
(iii) for the purpose of subparagraph (i), adopt the same values for all other inputs to the calculation of building blocks allowable revenue before tax;

(c) the series of **building blocks allowable revenue before tax** for the **CPP regulatory period** are those used in setting the series of **maximum allowable revenue after tax** in accordance with clause 5.3.4(1) and must-

(i) be calculated using the same methodology that was applied by the **Commission** in setting starting prices for the **GDB** for the **CPP**, subject to subparagraphs (ii) and (iii);
(ii) for the purpose of subparagraph (i), adopt the sum of **depreciation** calculated under Part 2 in respect of each **disclosure year** that follows the **base year** in the preceding **DPP regulatory period** for assets having a **commissioning date** in any of those **disclosure years**; and

(iii) for the purpose of subparagraph (i), adopt the same values for all other inputs to the calculation of **building blocks allowable revenue before tax**;

(d) where the series of building blocks allowable revenue before tax from adopting the sum of **value of commissioned assets** exceed the series of building blocks allowable revenue before tax from using the **forecast aggregate value of commissioned assets**, then the difference is a positive amount of capex wash-up adjustment;

(e) where the series pf building blocks allowable revenue before tax from adopting the sum of **value of commissioned assets** is less than the series of building blocks allowable revenue before tax from using the **forecast aggregate value of commissioned assets**, then the difference is a negative amount of capex wash-up adjustment; and

(f) where a **CPP** applies in respect of a **disclosure year** during the **DPP regulatory period**, then the amount of capex wash-up adjustment for that **disclosure year** and each subsequent **disclosure year** of the **DPP regulatory period** will be specified by the **Commission** in the relevant **CPP determination**, taking account the partial recovery of the capex wash-up adjustment in prior **disclosure years** of that **DPP regulatory period**.

(7) For the purpose of subclause (1), where a cost relates to both **gas distribution services** and to other services **supplied** by the **GDB**, only the proportion of the cost attributable to the **supply** of **gas distribution services** (as determined in accordance with clause 2.1.1) may be a recoverable cost.

(8) For the purposes of subclause (1)(k):

(a) the Commission must specify the method of calculation for the **demand variation revenue adjustment** in a **DPP determination** or **CPP determination**. The method must include (through the use of formulae or otherwise):

(i) the threshold at which the **demand variation revenue adjustment** must be calculated, which must be based on the difference between actual and forecast revenue; and

(ii) the proportion of the difference between actual and forecast revenue, exceeding the above threshold, that will be calculated as the **demand variation revenue adjustment** amount;

(b) for all **assessment periods**, a **GDB** must calculate whether the threshold in subclause (8)(a)(i) has been met; and

(c) if the threshold is met for any **assessment period**, a **GDB** must calculate the **demand variation revenue adjustment** and include this amount in the sum of all **recoverable costs** for the relevant **assessment period**.

SUBPART 2 **Amalgamations**

3.2.1 Treatment of amalgamations

(1) The **DPPs** of **GDBs** subject to **DPPs** that have **amalgamated** must be aggregated from the start of the **disclosure year** following the **amalgamation**.

(2) A **DPP** for an amalgamated **GDB** formed from a **GDB** subject to a **DPP** and a **GDB** subject to a **CPP** applies at the end of the existing **CPP**.

(3) A **DPP** for an amalgamated **GDB** formed from 2 **GDBs** each subject to a **CPP** applies at the end of the existing **CPPs**.

(4) Nothing in subclauses (2) and (3)-

(a) precludes a **CPP** applying to the amalgamated **GDB** at the end of the existing **CPP** or **CPPs**, as the case may be; nor

(b) derogates from the application of a **DPP** to **gas distribution services** that are-

(i) **supplied** by the amalgamated **GDB**; and

(ii) not the subject of a **CPP,**

pending expiry of any **DPP** or **CPP** applying to the specified services.

(5) A **CPP** for an amalgamated **GDB** may not apply before 3 **disclosure years** of each **CPP** applying to the **GDBs** from which it was formed have been completed.

(6) Upon the determination of a **CPP** for an amalgamated **GDB**, the termination date of any **CPP** to which the amalgamated **GDB** is subject, pursuant to subclauses (2) and (3), is treated as amended to the day before the day on which the **CPP** for the amalgamated **GDB** will apply.

(7) The **Commission** may not, in response to an **amalgamation**, reset starting prices for specified services to take effect during the remainder of the **regulatory period** applicable to the specified services except-

(a) for the purpose of s 54K; or

(b) when making, upon application and in accordance with this clause, a **CPP determination** for the amalgamated **GDB**.

(8) For the purposes of this clause, 'specified services' means **regulated goods or services supplied** by the amalgamated **GDB** that, at the time of amalgamation, were subject to a **DPP** or a **CPP**.

PART 4 INPUT METHODOLOGIES FOR DEFAULT PRICE-QUALITY PATHS

SUBPART 1 **Cost allocation**

4.1.1 Allocation of operating costs and asset costs

(1) **Operating expenditure** forecast for a **GDB** must be determined by the **Commission** consistent with the allocation by the **GDB** of **operating costs** to **gas distribution services** for the **base year** in accordance with clause 2.1.1.

(2) **Capital expenditure** forecast to be the **forecast aggregate value of commissioned assets** will be included in the **aggregate closing RAB for additional assets**, but only to the extent that the **forecast value of commissioned assets** is consistent with the value found after application of clause 2.1.1.

SUBPART 2 **Asset Valuation**

4.2.1 RAB values and roll forward

(1) Total opening RAB value for a **disclosure year** means the sum of-

(a) **aggregate opening RAB value for existing assets** calculated under subclause (2); and

(b) **aggregate opening RAB value for additional assets** calculated under subclause (4) for those **additional assets** which have a **forecast aggregate value of commissioned assets** determined for a prior **disclosure year** occurring after the **base year**.

(2) Aggregate opening RAB value for existing assets means, for-

(a) the **base year**, the sum of each 'opening RAB value' for all assets calculated in accordance with Part 2 for that **disclosure year**; and

(b) each **disclosure year** thereafter, the **aggregate closing RAB value for existing assets** for the preceding **disclosure year**.

(3) Aggregate closing RAB value for existing assets means, for-

(a) the **base year**, the sum of each 'closing RAB value' for all assets calculated in accordance with Part 2 for that **disclosure year**; and

(b) each **disclosure year** thereafter, the value determined in accordance with the formula-

aggregate opening RAB value for existing assets - **depreciation** *for* **existing assets** + **revaluation** *for* **existing assets** - **forecast aggregate value of disposed assets**.

(4) Aggregate opening RAB value for additional assets means the **aggregate closing RAB value for additional assets** for the preceding **disclosure year**.

(5) Aggregate closing RAB value for additional assets means, for-

(a) **additional assets** in respect of the **disclosure year** for which their **forecast aggregate value of commissioned assets** is determined, the **forecast aggregate value of commissioned assets**; and

(b) **additional assets** for a **disclosure year** following that for which their **forecast aggregate value of commissioned assets** is determined, the value determined for those **additional assets** in accordance with the formula-

aggregate opening RAB value for additional assets - **depreciation** *for* **additional assets** + **revaluation** *for* **additional assets**.

4.2.2 Total depreciation

(1) Total depreciation means the sum of depreciation for **existing assets** and **additional assets** calculated under subclause (2).

(2) For the purpose of subclause (1), 'depreciation' means, in the case of-

(a) **existing assets** of the **GDB**, for-

(i) the **base year**, the sum of all amounts of 'depreciation' determined in accordance with Part 2 for that **disclosure year**; and

(ii) each **disclosure year** thereafter, the value determined in accordance with the formula-

[1 ÷ *remaining asset life for existing assets*] × **aggregate opening RAB value for existing assets**; and

(b) **additional assets** of the **GDB**, the value determined in accordance with the formula-

[1 ÷ *remaining asset life for additional assets*] × **aggregate opening RAB value for additional assets**.

(3) For the purpose of-

(a) subclause (2)(a), 'remaining asset life for existing assets' for a **disclosure year** means-

(i) unless subparagraph (ii) applies, the value determined in accordance with the formula-

aggregate opening RAB value for existing assets *for the* **disclosure year** ÷ *the sum of depreciation for* **existing assets** *for the* **disclosure year**; or

(ii) if the **Commission** applies an adjustment factor under subclause (4), the value determined in accordance with the formula-

adjustment factor * (**aggregate opening RAB value for existing assets** *for the* **disclosure year** ÷ *the sum of depreciation for* **existing assets** *for the* **disclosure year**); and

(b) subclause (2)(b), 'remaining asset life for additional assets' for a **disclosure year** means-

(i) unless subparagraph (ii) applies, 45 years less the number of **disclosure years** from the **disclosure year** for which the **forecast aggregate value of commissioned assets** for the relevant

additional assets is determined to the **disclosure year** in question; or

(ii) if the **Commission** applies an adjustment factor under subclause (4), the value determined in accordance with the formula-

adjustment factor × 45

less the number of **disclosure years** *from the* **disclosure year** *for which the* **forecast aggregate value of commissioned assets** *for the relevant* **additional assets** *is determined to the* **disclosure year** *in question*.

(4) The **Commission** may, for the purpose of subclause (3)(a)(ii) and (b)(ii), apply an adjustment factor in respect of a **DPP regulatory period** for the purpose of determining the **remaining asset life for existing assets** and the **remaining asset life for additional assets**, only if satisfied that applying an adjustment factor would-

(a) better reflect economic asset lives; and
(b) better promote the purpose of Part 4 of the **Act**.

4.2.3 Total revaluation

(1) Total revaluation means the sum of revaluation for **existing assets** and **additional assets** calculated under subclause (2).

(2) For the purpose of subclause (1), 'revaluation' means, subject to subclause (3), in the case of-

(a) **existing assets**, the value determined in accordance with the formula-

(**aggregate opening RAB value for existing assets** × 0.999 - **forecast aggregate value of disposed assets**) × *revaluation rate*; and

(b) **additional assets**, the value determined in accordance with the formula-

aggregate opening RAB value for additional assets × *revaluation rate*.

(3) For the purpose of subclause (2), 'revaluation rate' means, in respect of a **disclosure year**, the amount determined in accordance with the formula-

$(CPI_4 \div CPI_4^{-4}) - 1$,

where-

CPI_4 means **forecast CPI for DPP revaluation** for the quarter that coincides with the end of the **disclosure year**; and

CPI_4^{-4} means **forecast CPI for DPP revaluation** for the quarter that coincides with the end of the preceding **disclosure year**.

(4) For the purpose of subclause (3), 'forecast CPI for DPP revaluation' means-

(a) for a quarter prior to the quarter for which the vanilla **WACC** applicable to the relevant **DPP regulatory period** was determined, **CPI** as per

paragraph (a) of the 'CPI' definition and excluding any adjustments made under paragraph (b) of the **CPI** definition arising as a result of an event that occurs after the issue of the Monetary Policy Statement referred to in paragraph (b) below;

(b) for each later quarter for which a forecast of the change in headline **CPI** has been included in the Monetary Policy Statement last issued by the Reserve Bank of New Zealand prior to the date for which the vanilla **WACC** applicable to the relevant **DPP regulatory period** was determined, the **CPI** last applying under paragraph (a) extended by the forecast change; and

(c) in respect of later quarters, the forecast last applying under paragraph (b) adjusted such that an equal increment or decrement made to that forecast for each of the following three years results in the forecast for the last of those years being equal to the target midpoint for the change in headline **CPI** set out in the Monetary Policy Statement referred to in paragraph (b).

4.2.4 Revaluation treated as income

Total revaluation, for the purpose of determining profitability, must be treated as income.

4.2.5 Forecast aggregate value of commissioned assets

Forecast aggregate value of commissioned assets means the forecast cost of **additional assets** if **GAAP** were to be applied to determine the cost of the assets to the **GDB** in the **disclosure year** in question, less any **insurance entitlements** and **compensatory entitlements** forecast to be received or receivable in respect of those assets and forecast to be applied to reduce the value of those assets, and is equal to forecast **capital expenditure** for the relevant **disclosure year** as determined by the **Commission**.

4.2.6 Forecast aggregate value of disposed assets

Forecast aggregate value of disposed assets means the value of assets forecast to be **disposed** of by a **GDB** in the **disclosure year** in question, and is equal to the portion of the forecast **aggregate opening RAB value for existing assets** relating to assets forecast to be **disposed** of for the **disclosure year** in question as determined by the **Commission**.

SUBPART 3 **Treatment of taxation**

4.3.1 Regulatory tax allowance

(1) Regulatory tax allowance is, where **regulatory net taxable income** is-

(a) nil or a positive number, the **tax effect** of **regulatory net taxable income**; and

(b) a negative number, nil.

(2) For the purpose of subclause (1), 'regulatory net taxable income' means, subject to subclause (3), regulatory taxable income less utilised tax losses.

(3) For the purpose of subclause (2), 'regulatory taxable income' means, subject to subclause (4), the amount determined in accordance with the formula-

regulatory profit / (loss) before tax + **regulatory tax adjustments**.

(4) For the purpose of subclause (3), 'regulatory profit / (loss) before tax' is the amount determined in accordance with the following formula-

allowable revenue before tax + **other regulated income** - **operating expenditure** - **total depreciation**.

4.3.2 Tax losses

(1) Utilised tax losses means opening tax losses, subject to subclause (2).

(2) For the purpose of subclause (1), utilised tax losses may not exceed **regulatory taxable income**.

(3) In this clause-

(a) 'opening tax losses' for a **disclosure year** means closing tax losses for the preceding **disclosure year**; and

(b) 'closing tax losses' means, for-

(i) the **base year**, the 'closing tax losses' determined in accordance with Part 2 for that **disclosure year**; and

(ii) each **disclosure year** thereafter, the amount determined in accordance with the formula, in which each term is an absolute value:

opening tax losses + *current period tax losses* - **utilised tax losses**.

(4) For the purpose of subclause (3)(b)(ii), 'current period tax losses' is, where **regulatory taxable income** is-

(a) nil or a positive number, nil; and

(b) a negative number, **regulatory taxable income**.

4.3.3 Regulatory tax adjustments

(1) Regulatory tax adjustments are determined, subject to subclauses (2) and (3), in accordance with the formula-

amortisation of initial differences in asset values + **amortisation of revaluations** - *notional deductible interest*.

(2) For the purpose of subclause (1), 'notional deductible interest' means the amount determined in accordance with the formula-

((*opening investment value* × **leverage** × **cost of debt**) + **term credit spread differential allowance**)/$\sqrt{1 + \mathbf{cost\ of\ debt}}$.

(3) For the purpose of subclause 4.3.3(1), 'amortisation of initial differences in asset values' is determined in accordance with Part 2 as of the **base year**.

(4) For the purpose of subclause (2), 'opening investment value' means the amount obtained in accordance with the formula-

total opening RAB value + **opening deferred tax**.

(5) For the purpose of subclause (1), 'amortisation of revaluations' in relation to a **GDB** for a **disclosure year** is calculated in accordance with the formula-

total depreciation - **adjusted depreciation**.

4.3.4 Deferred tax

(1) Opening deferred tax means, for-

(a) the **base year**, the 'opening deferred tax' determined in accordance with Part 2 for that **disclosure year**; and
(b) subject to paragraph (c), each **disclosure year** thereafter, closing deferred tax for the preceding **disclosure year**; and
(c) each **disclosure year** after the **base year** referred to in paragraph (a), for assets for which there is no **regulatory tax asset value**, the opening deferred tax balance under **GAAP** for those assets at the date when those assets are forecast to be **commissioned**.

(2) For the purpose of subclause (1)(b), 'closing deferred tax' is determined in accordance with the formula-

opening deferred tax + **tax effect** *of* **depreciation temporary differences** - **tax effect** *of* **amortisation of initial differences in asset values**.

4.3.5 Depreciation temporary differences

(1) Depreciation temporary differences means, subject to subclause (2), the amount determined in accordance with the formula-

adjusted depreciation - *tax depreciation*.

(2) For the purpose of subclause (1), 'tax depreciation' for a **disclosure year** means, for-

(a) the **base year**, the 'tax depreciation' determined in accordance with Part 2 for that **disclosure year**; and
(b) each **disclosure year** thereafter, subject to subclause (3), determined in accordance with the formula-

total opening regulatory tax asset value × average DV rate.

(3) For the purpose of subclause (2)-

(a) 'total opening regulatory tax asset value' for a **disclosure year** means, for-

(i) the **base year**, the sum of each 'regulatory tax asset value' determined in accordance with Part 2 for that **disclosure year**; and
(ii) each **disclosure year** thereafter, the total closing regulatory tax asset value for the preceding **disclosure year**;

(b) 'average DV rate' is the amount determined in accordance with the formula-

tax depreciation for the **base year** ÷ *total opening regulatory tax asset value for the* **base year**; and

(c) 'total closing regulatory tax asset value' means the amount determined in accordance with the formula-

(i) *total opening regulatory tax asset value - tax depreciation* **+ forecast aggregate value of commissioned assets**.

SUBPART 4 **Cost of capital**

4.4.1 Methodology for estimating the weighted average cost of capital

(1) The **Commission** will determine a mid-point estimate of vanilla **WACC**-

(a) as of the first **business day** of the month 7 months prior to the start of each ~~**DPP regulatory period**~~ **regulatory year**;

~~(b) in respect of the **regulatory period term** for that **DPP regulatory period**;~~

~~(c)~~(b) no later than 6 months prior to the start of each ~~**DPP regulatory period**~~ **regulatory year**; and

~~(d)~~(c) in accordance with the formula-

$r_d\, L + r_e(1 - L)$.

(2) The **Commission** will determine a mid-point estimate of post-tax **WACC**–

(a) as of the first **business day** of the month 7 months prior to the start of each ~~**DPP regulatory period**~~ **regulatory year**;

~~(b) in respect of the **regulatory period term** for that **DPP regulatory period**;~~

~~(c)~~(b) no later than 6 months prior to the start of each ~~**DPP regulatory period**~~ **regulatory year**; and

~~(d)~~(c) in accordance with the formula-

$r_d\,(1 - T_c)L + r_e\,(1 - L)$.

(3) In this clause-

L is **leverage**;

r_d is the cost of debt and is estimated in accordance with the formula:

$r_{fd} + p + d$;

r_e is the cost of equity and is estimated in accordance with the formula:

$r_{fe}(1 - T_i) + \beta_e TAMRP$;

T_c is the average corporate tax rate;

r_{fd} is the average risk-free rate for the cost of debt;

r_{fe} is the risk-free rate for the cost of equity;

p is the **average debt premium**;

d is the debt issuance costs;

T_i is the average investor tax rate;

β_e is the equity beta; and

TAMRP is the tax-adjusted market risk premium.

(4) For the purpose of this clause-

(a) the fixed WACC parameters comprising leverage, average investor tax rate, the average corporate tax rate, the equity beta, ~~the debt issuance costs and the tax-adjusted market risk premium~~ and the debt issuance costs are the amounts specified in or determined in accordance with clause 4.4.2; ~~and~~

(b) the risk-free rate for the cost of equity must be estimated in accordance with clause 4.4.3;

(e) the tax-adjusted market risk premium must be estimated in accordance with clause 4.4.3A; and

~~(a)~~(f) the average risk-free rate for the cost of debt must be estimated in accordance with clause 4.4.3B.

4.4.2 Fixed WACC parameters

(1) Leverage is 41%.

(2) 'Average investor tax rate' is the average of the investor tax rates that, as at the date the estimation is made, will apply to each of the ~~**disclosure years**~~ **regulatory years** in the **DPP regulatory period**.

(3) For the purpose of subclause (2), 'investor tax rate' is, for each ~~**disclosure year**~~ **regulatory years**, the maximum **prescribed investor rate** applicable at the start of the **DPP regulatory period** to an individual who is-

(a) resident in New Zealand; and

(b) an investor in a **multi-rate PIE**.

(4) The 'average corporate tax rate' is the average of the **corporate tax rates** that, as at the date that the estimation is made, will apply during the **DPP regulatory period** commencing on the first day of the **DPP regulatory period** in question.

(5) 'Equity beta' is 0.69.

(6) 'Debt issuance costs' are ~~0.2%~~0.16% where the **regulatory period term** is five years and 0.25% where the **regulatory period term** is four years.

~~(7) 'Tax-adjusted market risk premium' is 7.0%.~~

4.4.3 Methodology for estimating risk-free rate for the cost of equity

The **Commission** will estimate a risk-free rate for the cost of equity-

(a) as of the first **business day** of the month 7 months prior to the start of each **DPP regulatory period**;

(b) in respect of the **regulatory period term** for that **DPP regulatory period**; and

(c) no later than 6 months prior to the start of each **DPP regulatory period**,

by-

(d) obtaining, for notional benchmark New Zealand government New Zealand dollar denominated nominal bonds, the wholesale market linearly-

interpolated bid yield to maturity for a residual period to maturity equal to the **regulatory period term** on each **business day** in the 3-month period of 8 to 10 months prior to the start of the **DPP regulatory period**;

(e) calculating the annualised interpolated bid yield to maturity for each **business day**; and

(f) calculating the unweighted arithmetic average of the daily annualised interpolated bid yields to maturity.

4.4.3A Methodology for estimating tax-adjusted market risk premium

(1) The **Commission** will determine the TAMRP-

(a) as of the first **business day** of the month 7 months prior to the start of each **DPP regulatory period**;

(b) in respect of the **regulatory period term** for that **DPP regulatory period**; and

(c) no later than 6 months prior to the start of each **DPP regulatory period**.

(2) Subject to subclause 8, the **Commission** will determine the TAMRP by:

(a) determining the following TAMRP values in accordance with Schedule H:
(i) the Ibbotson TAMRP; and
(ii) the Siegel 2 TAMRP;

(b) making adjustments to the TAMRP values determined under subclause (2)(a), where:
(i) if subclause (3)(a) applies, adding 25 basis points to the Ibbotson TAMRP if the foreign Ibbotson TAMRP is greater than the Ibbotson TAMRP, or subtracting 25 basis points if it is lower; and
(ii) if subclause (3)(b) applies, adding 25 basis points to the Siegel 2 TAMRP if the foreign Siegel 2 TAMRP is greater than the Siegel 2 TAMRP, or subtracting 25 basis points if it is lower;

(c) calculating the average of the TAMRP values determined under:
(i) paragraph (a) if subclause (3) does not apply; or
(ii) paragraph (a), with the adjustments set out in paragraph (b), if subclause (3) applies;
and then rounding that average to the nearest 25 basis points, to determine a hybrid TAMRP; and

(d) if subclause (4) applies, adding 25 basis points if the dividend growth model TAMRP is greater than the hybrid TAMRP or subtracting 25 basis points if the dividend growth model TAMRP is less than the hybrid TAMRP.

(3) This subclause applies if:

(a) the Ibbotson TAMRP produced using foreign data differs from the Ibbotson TAMRP determined under subclause (2)(a) by more than one percentage point; or

(b) the Siegel 2 TAMRP produced using foreign data differs from the Siegel 2 TAMRP determined under subclause (2)(a) by more than one percentage point.

(4) This subclause applies if the TAMRP estimate produced by the dividend growth model differs from the hybrid TAMRP determined under (2)(c) by more than two percentage points.

(5) For the purpose of subclause (3), the foreign Ibbotson and foreign Siegel 2 TAMRP estimates are those specified by the **Commission** for use in determining the hybrid TAMRP.

(6) For the purpose of subclause (4), the dividend growth model is the three-stage dividend growth model specified by the **Commission** for use in determining the hybrid TAMRP.

(7) If the final TAMRP estimate produced by subclause (2) is:

(a) less than 5%; or

(b) greater than 9%,

the TAMRP will be determined in accordance with subclause (8).

(8) If subclause (7) applies the **Commission**:

(a) will determine whether to adopt the estimate produced by subclause (2), set TAMRP at either 5% or 9%, or estimate TAMRP by applying a different methodology that the **Commission** considers reflects the best estimate of the hybrid TAMRP; and

(b) will consult with interested persons before determining TAMRP under this subclause.

4.4.3B Methodology for estimating the average risk-free rate for the cost of debt

(1) The **Commission** will determine an estimate of an amount for the average risk-free rate for the cost of debt-

(a) as of the first **business day** of the month 7 months prior to the start of each **regulatory year**;

(b) no later than 6 months prior to the start of each **regulatory year**.

(2) For the purpose of subclause (1), 'average risk-free rate for the cost of debt' means the unweighted arithmetic average of the values of the risk-free rate for the cost of debt estimated in accordance with subclause (3) for each of-

(a) the current **regulatory year**; and

(b) the four **regulatory years** preceding the current **regulatory year**.

(3) For the purpose of subclause (2), the risk-free rate for the cost of debt for a **regulatory year** will be estimated by-

(a) obtaining, for notional benchmark New Zealand government New Zealand dollar denominated notional bonds, the wholesale market linearly-interpolated bid yield to maturity for a residual period to maturity equal to the five years on each **business day** in the 3-month period of the 8 to 10 months prior to the start of the **regulatory year**;

(b) calculating the annualised interpolated bid yield to maturity for each **business day**; and

(c) calculating the unweighted arithmetic average of the daily annualised interpolated bid yields to maturity.

4.4.4 Methodology for estimating average debt premium

(1) The **Commission** will determine an estimate of an amount for the **average debt premium**-

(a) for each **DPP regulatory period**; and
(b) no later than 6 months prior to the start of each **DPP regulatory period**.

(2) For the purpose of subclause (1), 'average debt premium' means the unweighted arithmetic average of the five **debt premium** values estimated in accordance with clause 2.4.4(5) for-

(a) the current **debt premium reference year**; and
(b) the four previous **debt premium reference years**.

4.4.5 Methodology for estimating the 65th percentile of the WACC

(1) The **Commission** will determine a 65th percentile estimate of vanilla **WACC**-

(a) for each ~~DPP regulatory period~~regulatory year; and

(b) no later than 6 months prior to the start of each ~~DPP regulatory period~~ regulatory year**.**

(2) The **Commission** will determine a 65th percentile estimate of post-tax **WACC**-

(a) for each ~~DPP regulatory period~~ regulatory year; and

(b) no later than 6 months prior to the start of each ~~DPP regulatory period~~regulatory year.

(3) For the purposes of subclause (1) or (2)-

(a) the 65th percentile must be determined in accordance with the formula-

mid-point estimate of WACC + *0.385 ´ standard error*,

where the **standard error** of the **mid-point estimate of WACC** is 0.0112; and

(b) the relevant **mid-point estimate of WACC** in accordance with clause 4.4.1(1) and (2) must be treated as the 50th percentile.

4.4.6 Publication of estimates

The **Commission** will publish all determinations and estimates that it is required to make by this subpart-

(a) on its website; and
(b) no later than 1 month after having made them.

4.4.7 Application of cost of capital methodology

(1) Where the **Commission** takes into account the cost of capital in making a **DPP determination**, the **Commission** will use the **65th percentile estimate of WACC** determined in accordance with clause 4.4.5(1) and most recently published in accordance with clause 4.4.6.

(2) **Term credit spread differential allowance** for a **disclosure year** and a **GDB** is the maximum of nil and the amount determined in accordance with the formula-

a × *b* ÷ *c*,

where-

a means the 'term credit spread differential allowance' calculated in accordance with clauses 4.4.8-4.4.10 for the **base year**;

b means the **total opening RAB value** for the **disclosure year** in question; and

c means the **aggregate opening RAB value for existing assets** for the **base year**.

(3) Where a **qualifying supplier** discloses a **term credit spread differential allowance** pursuant to an **ID determination**, the **Commission**, for the purpose of assessing the **qualifying supplier's** profitability pursuant to its powers relating to default price-quality regulation in s 53P of the **Act**, will treat such an allowance as an expense in the **disclosure year** in respect of which that allowance was disclosed.

4.4.8 Methodology for estimating term credit spread differential

(1) Term credit spread differential is the amount determined for a **qualifying supplier** in accordance with the formula-

(A ÷ B) × *C* ×*D*,

where-

(a) 'A' is the sum of the **term credit spread difference**, ~~and~~ debt issuance cost re-adjustment, and the interest rate swap cost allowance;
(b) 'B' is the book value of the **qualifying supplier's** total interest-bearing debt as at the balance date of the supplier's financial statements audited and published in the **disclosure year** in question relate;
(c) 'C' is **leverage**; and
(d) 'D' is, in relation to the **qualifying supplier**, the average of-

(i) the sum of **opening RAB values**; and
(ii) the sum of **closing RAB values**.

(2) For the purpose of subclause (1)(a), 'debt issuance cost re-adjustment' is the amount determined in accordance with the formula-

(~~0.01~~0.008 ÷ *original tenor of the* **qualifying debt** - ~~0.002~~0.0016) × *book value in New Zealand dollars of the* **qualifying debt** *at its date of issue*,

which amount, for the avoidance of doubt, will be a negative number.

(3) For the purpose of subclause (1)(a), 'interest rate swap cost allowance' is the amount determined in accordance with the formula-

0.0004 x book value in New Zealand dollars of the **qualifying debt** *at its date of issue*

4.4.9 Term credit spread difference

(1) 'Term credit spread difference' is determined in accordance with the formula-

$T \times U$,

where-

(a) 'T' is the amount determined in accordance with the formula-

0.00085 x (original tenor of the **qualifying debt** – 5);

(b) 'U' is the book value in New Zealand dollars of the **qualifying debt** at its date of issue.

(2) For the purpose of this clause, where the **qualifying debt** is issued to a **related party**, 'original tenor of the **qualifying debt**' means the-

(a) tenor of the **qualifying debt**; or
(b) period from the **qualifying debt's** date of issue to the earliest date on which its repayment is or may be required,

whichever is the shorter.

4.4.10 Interpretation of terms relating to term credit spread differential

(1) 'Qualifying debt' means a line of debt-

(a) with an original tenor greater than 5 years; and
(b) issued by a **qualifying supplier**.

(2) 'Qualifying supplier' means a **regulated supplier** whose debt portfolio, as at the date of that supplier's most recently published audited financial statements, has a weighted average original tenor greater than 5 years.

SUBPART 5 **Reconsideration of the default price-quality path**

SECTION 1 When Commission can reconsider the DPP

4.5.1 When a DPP may be amended

(1) The **Commission** may amend a **GDB's DPP** if the **Commission** is satisfied that-

(a) a **reopener event** has occurred;
(b) the **DPP** should be amended, after having regard to at least the matters in clause 4.5.12(1); and
(c) the amendment to the **DPP** is consistent with clause 4.5.14.

(2) A 'reopener event' is an event, or a series of related events, of a type described in subclause (3) that occurs in the period that:

(a) begins on the date that is 12 months before the start of the **DPP regulatory period**; and
(b) ends at the end of the **DPP regulatory period**.

(3) For the purpose of subclause (2), the types of events are:

(a) a **catastrophic event**;
(b) a **change event**;
(c) an **error event**;
(d) the discovery of **false or misleading information**;
(e) a **major transaction event**;

(f) a **capacity event**;
(g) a **risk event**; or
(h) a **resilience or asset relocation event**.

4.5.2 Process for the reconsideration of the DPP

(1) A **reopener event** can be nominated by either:

(a) the **Commission**; or
(b) a **GDB**, by notifying the **Commission**.

(2) The **Commission** or a **GDB** may nominate more than one **reopener event** at the same time.

(3) A **GDB** that nominates a **reopener event** must provide sufficient information to enable the **Commission** to assess:

(a) whether a **reopener event** has occurred;
(b) having regard to at least the matters in clause 4.5.12(1), whether and how the **DPP** should be amended; and
(c) whether any proposed amendment to the **DPP** is consistent with clause 4.5.14 and the **Act**.

(4) However, a **GDB** is only required to provide information in relation to the matters described in clauses 4.5.12(1)(d) and 4.5.13 if requested to do so by the **Commission**.

(5) The **Commission** must publish a notice on its website of each of the following matters as soon as practicable after they occur:

(a) a **reopener event** is nominated; and
(b) the **Commission** decides whether or not-
(i) it is satisfied that a **reopener event** has occurred;
(ii) to reconsider the **DPP**; and
(iii) to amend the **DPP**.

4.5.3 Confidential information

(1) Where a **GDB** considers that it has a right to confidentiality in any information that it provides to the **Commission** in relation to this subpart and it does not waive the right, it must-

(a) include that information in an appendix; and
(b) clearly mark the information as confidential.

(2) Subclause (1) does not prevent the **Commission** from publishing information identified in accordance with that subclause if it considers the **GDB** does not have a right to confidentiality in respect of that information.

(3) Subclause (2) does not affect any of the **GDB's** rights or remedies for breach of any right to confidentiality.

SECTION 2 Events that may be reopener events

4.5.4 Catastrophic event

(1) A 'catastrophic event' is an event-

(a) beyond the reasonable control of the **GDB**;

(b) in relation to which expenditure is not explicitly or implicitly provided for in the **DPP**;
(c) that could not have been reasonably foreseen at the time the **DPP** was determined; and
(d) for which-

(i) action required to rectify its adverse consequences cannot be delayed until a future **regulatory period** without quality standards under the **DPP** being breached;
(ii) remediation requires **capex**, **opex**, or both;
(iii) the full remediation costs are not provided for in the **DPP**; and
(iv) the costs of remediation net of any **insurance entitlements**, **third-party liability entitlements**, and **compensatory entitlements** exceeds the relevant threshold specified in subclause (2).

(2) For the purposes of subclause (1)(d)(iv), the thresholds are-

(a) $100,000 for GasNet Limited; and
(b) $2 million for any other **GDB**.

4.5.5 Change event

(1) A 'change event' occurs where there is a change of the type described in subclause (2) or (4), the effect of which is not explicitly or implicitly provided for in the **DPP**.
(2) The first type is a change in a regulatory or legislative requirement that applies to a **GDB** as a result of new or amended legislation, or judicial clarification of the interpretation of legislation, that-

(a) results in additional reasonable costs (whether **capex**, **opex**, or both) to respond to the changed requirement that exceed the relevant threshold specified in subclause (3); or
(b) causes an **input methodology** to become incapable of being applied.

(3) For the purposes of subclause (2)(a), the thresholds are-

(a) $100,000 for GasNet Limited; and
(b) $2 million for any other **GDB**.

(4) The second type is a change in a requirement that applies to a **GDB** under **GAAP**, that-

(a) results in a change in the recognition or measurement (including timing) of 1 or more of the following:

(i) **opex**;
(ii) **capex**;
(iii) assets;
(iv) liabilities;
(v) **allowable notional revenue**; or
(vi) taxation, including deferred tax; and

(b) if in effect at the time the **DPP** was determined, would have caused the aggregate amount of the **allowable notional revenue** for all **disclosure**

years of the **DPP regulatory period** to have differed by an amount that exceeds the relevant threshold specified in subclause (5).

(5) For the purposes of subclause (4)(b), the thresholds are-

(a) $100,000 for GasNet Limited; and
(b) $2 million for any other **GDB**.

4.5.6 Error event

(1) An 'error event' is an unintended circumstance where the **DPP** was determined or amended based on an error, including where:

(a) incorrect data were used in determining the price path or the quality standards; or
(b) data were incorrectly applied in determining the price path or quality standards.

(2) For the purposes of subclause (1),-

(a) an error relating to the **DPP** does not constitute an **error event** unless the error has an impact on the aggregate amount of the **allowable notional revenue** for all **disclosure years** of the **regulatory period** that exceeds $100,000;
(b) an error relating to the metrics by which quality standards are specified in the **DPP** does not constitute an **error event** unless it is an error in the value of the metric; and
(c) a discrepancy between forecast values and actual values does not constitute an **error event**.

4.5.7 False or misleading information

(1) This subpart applies to 'false or misleading information'-

(a) relating to the making or amending of a **DPP determination** that has been-

(i) provided by a **GDB** or its agents to the **Commission**; or

(ii) disclosed pursuant to the Gas (Information Disclosure) Regulations 1997 or an **ID determination**; and

(b) that the **Commission** relied on in making or amending the **DPP determination**.

4.5.8 Major transaction event

(1) A 'major transaction event' is a transaction, whether contingent or not, where **consumers** are acquired or no longer **supplied** by the **GDB** and the transaction-

(a) has resulted in, or will result in, the acquisition of, or an agreement to acquire, assets with a value which is equivalent to more than 10% of the **GDB's total opening RAB value** in the **disclosure year** of acquisition;

(b) has resulted in, or will result in, the disposal of, or an agreement to dispose of, assets of the **GDB** with a value of more than 10% of the **GDB's total opening RAB value** in the **disclosure year** of disposal;

(c) has, or is likely to have, the effect of the **GDB** acquiring rights or interests with a value which is equivalent to more than 10% of the **GDB's total opening RAB value** in the **disclosure year** of acquisition; or

(d) has, or is likely to have, the effect of the **GDB** incurring obligations or liabilities or contingent liabilities, excluding loans or borrowing costs in respect of assets, with a value which is equivalent to more than 10% of the **GDB's total opening RAB value** in the **disclosure year** of incurring the obligations, liabilities, or contingent liabilities.

4.5.9 Capacity event

(1) A 'capacity event' is a need for additional capacity for the **GDB's network** to provide **gas distribution services** to which the following apply:

(a) the primary reason for the need for additional capacity is to meet established or reasonably anticipated demand for –

(i) **customer connection capex**;

(ii) **system growth expenditure**;

(iii) **asset replacement and renewal capex**; or

(iv) a combination of **customer connection capex** and **system growth expenditure**;

(b) when the **DPP** was determined, the need for additional capacity-

(i) was considered and the **Commission** decided not to provide for it in the **DPP** because it was not sufficiently certain as to timing;

(ii) was considered and the **Commission** decided not to provide for it in the **DPP**, but a new event has changed the circumstances that existed at that time; or

(iii) could not reasonably have been foreseen by a prudent **GDB**;

(c) the relevant expenditure specified in subclause (2) for a **project** or **programme** to address the need for additional capacity-

(i) meets the **expenditure objective**;

(ii) exceeds the relevant threshold specified in subclause (3)(a); and

(iii) does not exceed the relevant threshold specified in subclause (3)(b); and

(d) the need for additional capacity has not already been the subject of a reconsideration of the **DPP** by the **Commission**.

(2) For the purposes of subclause (1)(c), the relevant expenditure for a **project** or **programme** is-

(a) in the case of **system growth expenditure** that includes an **opex** solution, the forecast total **lifetime solution costs** plus any **consequential capex**; or

(b) in any other case,-

(i) the forecast total **value of commissioned assets** for the **project** or **programme**;

(ii) less-

(A) any **capital contributions**;

(B) any amounts included in the **GDB's capex** forecast and provided for by the **Commission** in setting the **DPP** to which the **reopener event** relates;

(iii) plus any forecast **consequential opex** for the **DPP regulatory period**.

(3) For the purposes of subclause (1)(c),-

(a) the lower threshold is-

(i) $100,000 for GasNet Limited; and

(ii) $2 million for any other **GDB**; and

(b) the upper threshold is-

(i) $350,000 for GasNet Limited; and

(ii) $10 million for any other **GDB**.

4.5.10 Risk event

(1) A 'risk event' is a deterioration of one or more of the **GDB's network** assets or their immediate surrounds, to which the following apply:

(a) the deterioration has occurred, or the **GDB** has demonstrated, based on a **probabilistic risk assessment**, that the deterioration is likely to occur;

(b) the deterioration has (or will have) one or both of the following effects:

(i) a materially adverse effect on the **GDB's** ability to meet its quality standards under the **DPP**;

(ii) an effect that compromises **safety** for any **person**, any equipment, or the **network**;

(c) when the **DPP** was determined, the need to remedy the deterioration-

(i) was considered and the **Commission** decided not to provide for it in the **DPP** because it was not sufficiently certain as to timing;

(ii) was considered and the **Commission** decided not to provide for it in the **DPP**, but a new event has changed the circumstances that existed at that time; or

(iii) could not reasonably have been foreseen by a prudent **GDB**;

(d) taking steps to remedy the deterioration cannot be delayed until a future **DPP regulatory period** without one or both of the effects described in paragraph (b);

(e) taking steps to remedy the deterioration requires the **GDB** to incur costs (whether **opex**, **capex**, or both), excluding any **capital contributions** and any amounts provided for in the **DPP**, that-

(i) meet the **expenditure objective**;

(ii) exceed the relevant threshold specified in subclause (2)(a); and

(iii) do not exceed the relevant threshold specified in subclause (2)(b); and

(f) the deterioration has not already been the subject of a reconsideration of the **DPP** by the **Commission**.

(2) For the purposes of subclause (1)(e),-

(a) the lower threshold is-

(i) $100,000 for GasNet Limited; and

(ii) $2 million for any other **GDB**; and

(b) the upper threshold is-

(i) $350,000 for GasNet Limited; and

(ii) $10 million for any other **GDB**.

4.5.11 Resilience or asset relocation event

(1) A 'resilience or asset relocation event' is a **project** or **programme** to which the following apply:

(a) the **primary driver** for the **project** or **programme** requires-

(i) **resilience capex**; or

(ii) **asset relocations capex**;

(b) where the **DPP** was determined, the demand for the **project** or **programme**-

(i) was considered and the **Commission** decided not to provide for it in the **DPP** because it was not sufficiently certain as to timing;

(ii) was considered and the **Commission** decided not to provide for it in the **DPP**, but a new event has changed the circumstances that existed at that time; or

(iii) could not reasonably have been foreseen by a prudent **GDB**;

(c) the relevant expenditure specified in subclause (2) for a **project** or **programme** to address the need for increased resilience or asset relocation-

(i) meets the **expenditure objective**;

(ii) exceeds the relevant threshold specified in subclause (3)(a); and

(iii) does not exceed the relevant threshold specified in subclause (3)(b);

(d) the amount of **capital contributions** to be received by the **GDB** for the **project** or **programme** is sufficient in the circumstances, and is in accordance with the **GDB's** usual policy on **capital contributions**;

(e) the **project** or **programme** requested under this reopener has not already been the subject of a reconsideration of a **DPP** by the **Commission**; and

(f) in respect of paragraph (a)(ii), an authorised officer of a **relocation party** has confirmed in writing to the **Commission** that it is committed to the **project** or **programme**.

(2) For the purposes of subclause (1)(c), the relevant expenditure for a **project** or **programme** is-

(a) the forecast total **value of commissioned assets** for the **project** or **programme**;

(b) less-

(i) any **capital contributions**;

(ii) any amounts included in the **GDB's capex** forecast and provided for by the **Commission** in setting the **DPP** to which the **reopener event** relates;

(c) plus any forecast **consequential opex** for the **DPP regulatory period**.

(3) For the purposes of subclause (1)(c),-

(a) the lower threshold is-

(i) $100,000 for GasNet Limited; and

(ii) $2 million for any other **GDB**; and

(b) the upper threshold is-

(i) $350,000 for GasNet Limited; and

(ii) $10 million for any other **GDB**.

SECTION 3 Commission consideration of whether and how to amend the DPP

4.5.12 Commission consideration of whether to amend the DPP

(1) If the **Commission** is satisfied that a **reopener event** has occurred, then the **Commission** must have regard to at least the following matters when deciding whether to amend the **DPP**:

(a) the impact of the **reopener event** given the relevant circumstances, including both positive and negative effects, on the **GDB's** costs, revenues, and quality outcomes;

(b) the extent to which the **DPP** provides explicitly or implicitly for the **reopener event**;

(c) if a **GDB** nominated the **reopener event**:

(i) whether the action required to respond to the **reopener event's** adverse consequences can be delayed until a future **regulatory period**;

(ii) the extent to which the **GDB**:

(A) contributed to the adverse consequences of the **reopener event** by its action or omission; and

(B) could have prevented or overcome the adverse consequences of the **reopener event** by exercising reasonable diligence at reasonable cost; and

(iii) whether the **GDB's** planned **capex** and **opex** for the remainder of the **regulatory period** have been appropriately reviewed and reprioritised; and

(d) whether a **CPP proposal** is more appropriate that an amendment to the **DPP** under this subpart.

(2) Subclause (1)(d) does not apply in the case of an **error event**, a **major transaction event**, or the discovery of **false or misleading information**.

4.5.13 Commission may determine CPP proposal more appropriate

(1) For the purposes of clause 4.5.12(1)(d), the **Commission** may consider a **CPP proposal** is more appropriate than amending the **DPP** if the **reopener event** has an impact on a wide range of costs specific to the **GDB** that were used explicitly or implicitly to set the **DPP** and, in particular, may have regard to any of the following matters:

(a) whether the **project** or **programme** to which the **reopener event** relates is, or should be, part of a wider **project** or **programme** requiring wide engagement with **consumers** and other interested persons;

(b) the materiality of the likely price or quality of service effects on **consumers** of the amendment to the price path to mitigate the effect of the **reopener event** on the **DPP**;

(c) the extent to which a large number or proportion of **consumers** are likely to be affected by the amendment to the price path to mitigate the effect of the **reopener event** on the **DPP**; and

(d) whether the amendment to the price path to mitigate the effect of the **reopener event** on the **DPP** is likely to have any upstream or downstream effects on the **network**.

4.5.14 Amending DPP after reconsideration

(1) If the **Commission** decides that the **DPP** should be amended, the **Commission** may amend the price path or the quality standards (or both) that are specified in the **DPP determination**.

(2) The **Commission** will not amend-

(a) the price path more than is reasonably necessary to mitigate the effect of the **reopener event** on the **DPP**; and

(b) the price path more than is reasonably necessary to take account of the change resulting from the **reopener event**.

(3) In determining the extent of any amendment to the price path, the **Commission** must take into account the **expenditure objective**.

(4) In the case of a **risk event**, the **Commission** will only amend the **opex** included in the price path where **opex** is more cost effective than **capex** in addressing the **risk event**.

(5) The **Commission** may amend the quality standards in respect of any type of **reopener event** other than a **capacity event**, a **risk event**, or a **resilience or asset relocation event**.

(6) The **Commission** will not amend the quality standards more than is reasonably necessary to mitigate the effect of the **reopener event** on quality.

SUBPART 6 **Treatment of periods that are not 12-month periods**

4.6.1 Treatment of periods that are not 12-month periods

Where the start or end date of any **disclosure year** is not aligned with the start or end date of a **DPP regulatory period**, the **Commission** may apply the **input methodologies** modified to the extent necessary to allow any allowance, amount, cost, sum or value for that **disclosure year** to be calculated or determined in a way commensurate with the change in the length of the **disclosure year** to a period other than 12 months.

SUBPART 7 **Availability of Information**

4.7.1 Availability of information

(1) Where a **GDB** has not disclosed the information necessary to calculate any allowance, amount, cost, sum or value referred to in this Part in accordance with Part 2 for a **base year** or a later **disclosure year**, then the information may instead be determined by the **Commission** using information disclosed by the **GDB** in accordance with an **ID determination**, prior information disclosure requirements or a request for information by the **Commission** under s 53ZD of the **Act**.

(2) Any information determined in accordance with subclause (1) must be determined in accordance with Part 2 using such assumptions or modifications to the information that are reasonably necessary in light of the nature of the calculation or determination to be made and the information available.

SUBPART 8 **Transitional Provision for Powerco**

4.8.1 Specification of disclosure year and base year for first DPP regulatory period

For the purpose of a **DPP** determined by the **Commission** for Powerco Limited for the first **DPP regulatory period**, each reference to 'disclosure year' and 'base year' in this Part, including to references to those terms as used in Part 2 for the purposes of this Part, shall be construed as meaning a 12-month period ending on 30 June.

PART 5 INPUT METHODOLOGIES FOR CUSTOMISED PRICE-QUALITY PATHS

SUBPART 1 **Contents of a CPP application**

5.1.1 Applying for a CPP

(1) A **GDB** seeking a **CPP** in accordance with s 53Q of the **Act** must provide the **Commission** with a **CPP application**.

(2) **CPP application** means an application containing, in all material respects, the information specified in-

(a) this subpart; and
(b) Subpart 5.

5.1.2 Evidence of consumer consultation

For the purpose of clause 5.1.1(2)(a), in respect of **consumer** consultation, the specified information is-

(a) a description as to how the requirements of clause 5.6.1 were met;
(b) a list of respondents to the consultation required by that clause;
(c) a description of all issues raised by **consumers** in response to the **CPP applicant's** intended CPP proposal;
(d) a summary of the arguments raised in respect of each issue described in accordance with paragraph (c); and
(e) in respect of the issues described in accordance with paragraph (c), an explanation as to whether its **CPP proposal** accommodates the arguments referred to in paragraph (d); and

(i) if so, how; and
(ii) if not, why not.

5.1.3 Verification-related material

(1) For the purpose of clause 5.1.1(2)(a), in respect of verification, the specified information is-

(a) a **verification report**;
(b) any information relating to the **CPP proposal**, other than information required to be included in a **CPP proposal** by Subpart 5, provided to the **verifier** by or on behalf of the **CPP applicant**, pursuant to clauses 5.6.2(3)(a)-(c) and 5.6.2(3)(e);

Examples: instructions as to how to interpret information provided to the **verifier***; details as to the source of the information*;

(c) any other information relied upon by the **verifier** relating to the **CPP proposal** pursuant to clause 5.6.2(3)(d); and
(d) subject to subclause (2), a certificate signed by the **verifier** stating that the-

(i) relevant parts of the **CPP proposal** were verified; and
(ii) **verification report** was prepared in accordance with Schedule G.

(2) For the purpose of subclause (1)(d), the **CPP applicant** must ensure that the certificate required by that subclause relates to verification of the relevant parts of the **CPP proposal** as submitted to the **Commission**.

5.1.4 Audit and assurance reports

(1) For the purpose of clause 5.1.1(2)(a), in respect of audit or assurance, the specified information is a report written by an **auditor** and signed by that **auditor** (either in an individual's name or that of a firm) in respect of an audit or assurance engagement undertaken of the matters specified in clause 5.6.3, stating-

(a) the work done by the **auditor**;
(b) the scope and limitations of the audit or assurance engagement;
(c) the existence of any relationships (other than that of **auditor**) which the **auditor** has with, or any interests which the **auditor** has in, the **CPP applicant** or any of its subsidiaries;
(d) whether the **auditor** obtained all information and explanations that he or she required to undertake the audit or assurance engagement, and, if not-

(i) details of the information and explanations not obtained; and
(ii) any reasons provided by the **CPP applicant** for its or their non-provision;

(e) the **auditor's** opinion of the matters in respect of which the audit or assurance engagement was undertaken.

(2) A report in respect of an audit or assurance engagement undertaken other than expressly to meet the requirements of clause 5.6.3 may be considered to comply with subclause (1) to the extent that the report in respect of that other audit or assurance engagement fully or partially meets the requirements of clause 5.6.3.

(3) The **CPP applicant** must ensure that reports required by this clause relate to the **CPP proposal** as submitted to the **Commission**.

(4) For the avoidance of doubt, the reports required by this clause need not be-

(a) prepared in advance of the **verifier** undertaking verification of the **CPP proposal**; nor
(b) provided to the **verifier**.

(5) If, notwithstanding subclause (4), a report prepared in accordance with this clause is provided to the **verifier**, subclause (3) continues to apply.

5.1.5 Certification

(1) For the purpose of clause 5.1.1(2)(a), in respect of certification, the specified information is the certificates recording the certifications specified in clause 5.6.4.

(2) For the avoidance of doubt, one physical **document** may contain more than one of the certifications specified in clause 5.6.4.

5.1.6 Modification or exemption of CPP application requirements

(1) The **Commission** may approve a modification to, or exemption from, any requirement set out in—

(a) this subpart;
(b) Subpart 5;

(c) Subpart 6; or
(d) schedules relating to subparts identified in paragraphs (a) to (c) above.

(2) A modification or exemption may be approved where, in the **Commission**'s opinion, the modification or exemption will not detract, to an extent that is more than minor, from—

(a) the **Commission**'s evaluation of the **CPP proposal**;
(b) the **Commission**'s determination of a **CPP**; and
(c) the ability of interested persons to consider and provide their views on the **CPP proposal**.

(3) When considering whether a modification or exemption is likely to detract, to an extent that is more than minor, from the processes listed in subclauses (2)(a)-(c), the **Commission** may have regard to the size of the supplier's business.

(4) A modification or exemption will only apply for the purposes of assessing compliance of a **CPP application** under s 53S(1) of the **Act**—

(a) if the **Commission** has previously approved a request by a **CPP applicant** for the modification or exemption in accordance with clause 5.1.7;
(b) in respect of the **CPP applicant** and the **CPP application** identified in the **Commission**'s approval; and
(c) if the **CPP applicant** elects to apply the modification or exemption by:

(i) meeting all conditions and requirements specified in the approval that relates to the modification or exemption; and
(ii) providing the relevant information specified in clause 5.1.8 as part of its **CPP application**.

5.1.7 Process for obtaining a modification or exemption

(1) At any time prior to providing the **Commission** with a **CPP application**, a **CPP applicant** may request modifications or exemptions to the requirements listed in clause 5.1.6(1) as alternatives to those requirements.

(2) A request by a **CPP applicant** must—

(a) be in writing;
(b) include the following information:

(i) the **CPP applicant's** name and contact details;
(ii) a brief description of the key features of its intended **CPP proposal**;
(iii) the date that the **CPP applicant** intends to submit the **CPP application** for which a modification or exemption is sought;
(iv) a list of the specific modifications or exemptions sought;
(v) an explanation of why the **CPP applicant** considers the requirements in clause 5.1.6(2) are met;
(vi) evidence in support of the explanation provided under subparagraph (v); and
(vii) identification of any information that is commercially sensitive.

(3) Subparagraph (2)(b)(vi) may be satisfied by submitting a certificate, signed by a senior manager of the **CPP applicant**, setting out the factual basis on which he or she believes the requirements in subclause 5.1.6(2) are met.

(4) In considering whether to approve a request for modification or exemptions, the **Commission** may seek, and have regard to—

(a) views of interested persons within any time frames and processes set by the **Commission**; and
(b) views of any person the **Commission** considers has expertise on a relevant matter.

(5) As soon as reasonably practicable after receipt of a request for modifications or exemptions the **Commission** will, by notice in writing, advise the **CPP applicant** as to whether:

(a) any of the modifications or exemptions are approved; and
(b) the approval of any modification or exemption is subject to conditions or requirements that must be met by the **CPP applicant**.

5.1.8 Information on modification or exemption of information requirements

Where a **CPP applicant** elects to apply a modification or exemption approved by the **Commission** in accordance with clause 5.1.7, it must include as part of its **CPP application**—

(a) a copy of the **Commission**'s approval;
(b) a list of the approved modifications or exemptions which the **CPP applicant** has elected to apply in its **CPP application**;
(c) evidence that any conditions or requirements of the approval have been met; and
(d) an indication, at the relevant locations within the document or documents comprising the **CPP application**, as to where the modifications or exemptions have been applied.

SUBPART 2 **Commission assessment of a customised price-quality path proposal**

5.2.1 Evaluation criteria

The **Commission** will use the following evaluation criteria to assess each **CPP proposal**:

(a) whether the **CPP proposal** is consistent with the **input methodologies** specified in Part 5;
(b) the extent to which a **CPP** in accordance with the **CPP proposal** would promote the purpose of Part 4 of the **Act**;
(c) whether data, analysis, and assumptions underpinning the **CPP proposal** are fit for the purpose of the **Commission** determining a **CPP** under s 53V, including consideration as to the accuracy and reliability of data and the reasonableness of assumptions and other matters of judgement;
(d) whether proposed **capital expenditure** and **operating expenditure** meet the **expenditure objective**; and
(e) the extent to which-

(i) the **CPP applicant** has consulted with **consumers** on its **CPP proposal**; and
(ii) the **CPP proposal** is supported by **consumers**, where relevant.

SUBPART 3 **Determination of customised price-quality paths**

SECTION 1 Determination of annual allowable revenues

5.3.1 Annual allowable revenues

(1) Amounts for-

(a) controllable opex for the **CPP regulatory period**;
(b) **building blocks allowable revenue before tax** for the **next period**;
(c) **building blocks allowable revenue after tax** for the **next period**;
(d) **maximum allowable revenue before tax** for the **CPP regulatory period**; and
(e) **maximum allowable revenue after tax** for the **CPP regulatory period**,

will be determined.

5.3.2 Building blocks allowable revenue before tax

(1) Building blocks allowable revenue before tax for each **disclosure year** of the **next period** is determined in accordance with the formula-

(**regulatory investment value** × *cost of capital* + *total value of commissioned assets* × (TF_{VCA} - 1) + **term credit spread differential allowance** × *TF* - **total revaluation**) ÷ (TF_{rev} - **corporate tax rate** × *TF*)

+ (**total depreciation** × (1 – **corporate tax rate** × *TF*)

+ **forecast operating expenditure** × *TF* × (1 – **corporate tax rate**)

- **other regulated income** × *TF* × (1 – **corporate tax rate)**

+ (**closing deferred tax** – **opening deferred tax**) × (*TF* – 1)

+ (**permanent differences** + **regulatory tax adjustments** - **utilised tax losses**) × **corporate tax rate** × *TF*) ÷ (TF_{rev} - **corporate tax rate** × *TF*).

(2) 'Regulatory investment value' means the amount obtained in accordance with the formula-

total opening RAB value + **opening deferred tax**.

(3) For the purpose of subclause (1), 'total value of commissioned assets' means, in relation to a **disclosure year**, the sum of **closing RAB values** for all **commissioned** assets calculated in accordance with clause 5.3.6(3)(b).

(4) For the purpose of subclause (1)–

(a) 'TF' is determined in accordance with the formula-

$(1 + \textit{cost of capital})^{182/365}$;

(b) 'TF_{rev}' is determined in accordance with the formula-

$(1 + \textit{cost of capital})^{148/365}$;

(c) 'TF_{VCA}' is determined in accordance with the formula-

$$PV_{VCA} \times (1 + \textit{cost of capital}) \div \textit{total value of commissioned assets}$$; and

(d) 'PV_{VCA}' means the sum of the present value of **closing RAB values** for **commissioned** assets calculated in accordance with clause 5.3.6(3)(b), where each present value is determined by discounting each **closing RAB value** by the *cost of capital* from the relevant **commissioning date** to the commencement of the relevant **disclosure year.**

(5) For the purpose of this clause, 'cost of capital' has the meaning specified in clause 5.3.22.

(6) 'Forecast operating expenditure' means, in relation to a **CPP proposal**-

(a) that has not been assessed by the **Commission**, the amount of **operating expenditure** for the relevant **disclosure year** included by the **CPP applicant** in its **opex forecast**; or

(b) undergoing assessment by the **Commission,** the amount of **operating expenditure** determined for the relevant **disclosure year** by the **Commission** after assessment of the amount in paragraph (a) against the **expenditure objective**.

(7) 'Other regulated income' means income associated with the **supply** of **gas distribution services** other than-

(a) through **prices**;
(b) investment-related income;
(c) **capital contributions**;
(d) **vested assets;**
(e) any **insurance entitlement** that has been applied to reduce the forecast value of a **commissioned** asset under clause 5.3.11(1)(j);
(f) any **compensatory entitlement** that has been applied to reduce the forecast value of a **commissioned** asset under clause 5.3.11(1)(j);
(g) any **insurance entitlement** that has been netted off in calculating an **operating cost**;
(h) any **third-party liability entitlement** that has been netted off in calculating an **operating cost**; and
(i) any **government grant related to income** that has been netted off in calculating an **operating cost**."

(8) For the purpose of this clause, all values and amounts are expressed in nominal terms unless otherwise specified.

5.3.3 Building blocks allowable revenue after tax

(1) 'Building blocks allowable revenue after tax' is **building blocks allowable revenue before tax** less **forecast regulatory tax allowance**.

(2) For the purpose of this clause, all values and amounts are expressed in nominal terms.

5.3.4 Price path

(1) The present value of the series of values of maximum allowable revenues after tax must equal the present value of the series of **building blocks allowable revenue after**

tax adjusted for the present value of any claw-back for the **CPP regulatory period**, where present values are determined in accordance with subclause (3).

(2) In subclause (1)-

(a) the reference to claw-back is a reference to claw-back determined by the **Commission** pursuant to s 53V(2)(b), in the case of a **CPP determination** made-

(i) in response to a **CPP proposal** made in accordance with provisions in a **DPP determination** relating to the submission of **CPP proposals** in response to a **reopener event**; or

(ii) as a result of an amendment of the price-quality path in accordance with clause 5.7.13; and

(b) each reference to a series of values is a reference to the value determined in respect of each **disclosure year** of the **CPP regulatory period**.

(3) For the purpose of subclause (1), the present value of each series must be determined using the cost of capital as specified in clause 5.3.22.

(4) For the avoidance of doubt, claw-back in subclause (1) refers to the amount determined in respect of the period between the date of the **reopener event** and the date the **CPP determination** will come into effect.

(5) The maximum allowable revenue before tax for the first **disclosure year** of the **CPP regulatory period** is the amount of maximum allowable revenue before tax in the first **disclosure year** of the **CPP regulatory period** required for subclause (1) to be satisfied.

(6) The maximum allowable revenue before tax for each **disclosure year** of the **CPP regulatory period** except the first must equal-

$MAR_{y-1} \times (1 + DCPI) \times (1 - X) \times (1 + DQ)$,

where-

MAR_{y-1} is the **maximum allowable revenue before tax** in the preceding **disclosure year**;

DCPI is the **CPP inflation rate**;

X is the X factor for the **GDB**, being the same value in each year of the **CPP regulatory period**; and

DQ is the forecast weighted average growth in quantities (in percentage terms) from the preceding **disclosure year** to the current **disclosure year**.

(7) The forecast weighted average growth in quantities (in percentage terms) for each **disclosure year** must be weighted by taking into account-

(a) the relative growth in demand for each **demand group**; and

(b) the relative proportion of fixed and variable components in **prices** charged to either or both of-

(i) retailers; and

(ii) **consumers**.

(8) Maximum allowable revenue after tax is **maximum allowable revenue before tax** less forecast regulatory tax allowance.

(9) For the purpose of subclause (8), 'forecast regulatory tax allowance' means-

(a) where **opening tax losses** are nil in every **disclosure year** of the **next period**, **forecast regulatory tax allowance**; and

(b) in all other cases, the amount calculated in accordance with clause 5.3.13 with the modification that the reference in clause 5.3.13(4) to 'building blocks allowable revenue before tax' is substituted with '**maximum allowable revenue before tax**'.

(10) 'CPP inflation rate' means the amount determined in accordance with the formula-

$$[(CPI_1 + CPI_2 + CPI_3 + CPI_4) \div (CPI_1^{-4} + CPI_2^{-4} + CPI_3^{-4} + CPI_4^{-4})] - 1,$$

where-

CPI_n means **forecast CPI** for the nth quarter of the **disclosure year** in question; and

CPI_n^{-4} means **forecast CPI** for the equivalent quarter in the preceding **disclosure year**.

(11) For the purpose of this subpart, 'forecast CPI' means,-

(a) for a quarter prior to the quarter for which the vanilla **WACC** applicable to the relevant **DPP** or **CPP regulatory period** was determined, **CPI** as per paragraph (a) of the 'CPI' definition and excluding any adjustments made under paragraph (b) of that definition arising as a result of an event that occurs after the issue of the Monetary Policy Statement referred to in paragraph (b) below;

(b) for each later quarter for which a forecast of the change in headline **CPI** has been included in the Monetary Policy Statement last issued by the Reserve Bank of New Zealand prior to the date for which the vanilla **WACC** applicable to the relevant **DPP** or **CPP regulatory period** was determined, the **CPI** last applying under paragraph (a) extended by the forecast change; and

(c) in respect of later quarters, the forecast last applying under paragraph (b) adjusted such that an equal increment or decrement made to that forecast for each of the following three years results in the forecast for the last of those years being equal to the target midpoint for the change in headline **CPI** set out in the Monetary Policy Statement referred to in paragraph (b).

SECTION 2 Cost allocation and asset valuation

5.3.5 Allocating forecast values of operating costs not directly attributable

(1) Forecasts of **operating costs** forecast in each **disclosure year** of the **next period** must, in the case of an **operating cost** for which disclosure pursuant to an **ID determination** has-

(a) been made for the last **disclosure year** of the **current period**, be consistent with the **operating cost** allocated to **gas distribution services** in that disclosure; and

(b) not been so made, be consistent with an allocation of **operating costs** to **gas distribution services** carried out in respect of the most recent disclosure made for the **current period** in accordance with clause 2.1.1.

(2) Where a sale of the assets used to **supply gas distribution services** and either or both-

(a) an **other regulated service**; and

(b) an **unregulated service**,

is

(c) completed between the start of the **assessment period** and the time the **CPP application** is made; or

(d) **highly probable**,

operating costs attributable to **gas distribution services**, in respect of each **operating cost** not **directly attributable** affected by the sale, is determined as the value allocated to **gas distribution services** as a result of applying clause 2.1.1 in respect of the last **disclosure year** of the **assessment period**.

5.3.6 RAB roll forward

(1) The opening RAB value of an asset in relation to-

(a) the **disclosure year** 2010, is the **initial RAB value**; and

(b) a **disclosure year** thereafter, is, where the **disclosure year**-

(i) follows a **disclosure year** in respect of which disclosure pursuant to an **ID determination** relating to that asset has been made, that asset's disclosed **closing RAB value**;

(ii) is the first **disclosure year** of the **next period** for which disclosure pursuant to an **ID determination** relating to that asset for the preceding **disclosure year** has not been made, determined in accordance with subclause (2); or

(iii) is any other **disclosure year**, the **closing RAB value** for the preceding **disclosure year**.

(2) For the purpose of subclause (1)(b)(ii), the opening RAB value of an asset to which this subclause applies is determined as the value allocated to **gas distribution services** as a result of applying clause 2.1.1 to its **unallocated closing RAB value** for the preceding **disclosure year**.

(3) Closing RAB value means, subject to subclause (4), for an asset-

(a) with an **opening RAB value**, the value determined in accordance with the formula-

opening RAB value - **depreciation** + **revaluation**; and

(b) having or forecast to have a **commissioning date** in that **disclosure year**, where the asset-

(i) has been **commissioned** by the date the **CPP application** is made, its **value of commissioned asset**; or

(ii) has not been **commissioned** by the date the **CPP application** is made, its **forecast value of commissioned asset**,

but only to the extent that the value would be included in the closing RAB value consistent with application of clause 2.1.1; or

(c) that is or is forecast to be a **disposed asset**, nil.

(4) For the purpose of subclause (3), where a sale of the assets used to **supply gas distribution services** and either or both-

(a) an **other regulated service**; and

(b) an **unregulated service**,

is-

(c) completed between the start of the **assessment period** and the time the **CPP application** is made; or

(d) **highly probable**,

closing RAB value in respect of each asset not **directly attributable** affected by the sale is determined as the value allocated to **gas distribution services** as a result of applying clause 2.1.1 in respect of its **unallocated closing RAB value** of the last **disclosure year** of the **assessment period**.

(5) The unallocated opening RAB value of any asset in relation to-

(a) the **disclosure year** 2010, is the **unallocated initial RAB value**;

(b) a **disclosure year** thereafter, is, where the **disclosure year**-

(i) follows a **disclosure year** in respect of which disclosure pursuant to an **ID determination** relating to that asset has been made, that asset's disclosed **unallocated closing RAB value**; and

(ii) is any other **disclosure year**, its **unallocated closing RAB value** in the preceding **disclosure year**.

(6) Unallocated closing RAB value means, in relation to-

(a) an asset that is or is forecast to be a **disposed asset**, nil;

(b) any other asset with an **unallocated opening RAB value**, the value determined in accordance with the formula-

unallocated opening RAB value - **unallocated depreciation** + **unallocated revaluation**; and

(c) any other asset-

(i) that has a **commissioning date** between the commencement of the **disclosure year** in which the **CPP application** is made and the application's submission, its **value of commissioned asset**; or

(ii) forecast to have a **commissioning date** thereafter, its **forecast value of commissioned asset**.

(7) The total opening RAB value in relation to-

(a) the **disclosure year** 2010, is the sum of all **initial RAB values**; and
(b) any **disclosure year** thereafter, is the total closing RAB value in the preceding **disclosure year**.

(8) For the purpose of clause (7), 'total closing RAB value' means, in relation to a **disclosure year**, the sum of **closing RAB values** for all assets.

5.3.7 Depreciation

(1) Unallocated depreciation, in the case of an asset with an **unallocated opening RAB value**, is determined, subject to subclause (3) and clauses 5.3.8 and 5.3.9, in accordance with the formula-

[1 ÷ **remaining asset life**] × **unallocated opening RAB value**.

(2) Depreciation, in the case of an asset with an **opening RAB value**, is determined, subject to subclause (3) and clause 5.3.8, in accordance with the formula-

[1 ÷ **remaining asset life**] × **opening RAB value**.

(3) For the purpose of subclauses (1) and (2)-

(a) unallocated depreciation and depreciation are nil in the case of-

(i) **land**; and
(ii) an **easement** other than a **fixed life easement**; and
(iii) **network spare** in respect of the period before which depreciation for the **network spare** in question commences under **GAAP**; and

(b) in all other cases, where the asset's **physical asset life** at the end of the **disclosure year** is nil-

(i) unallocated depreciation is the asset's **unallocated opening RAB value**; and
(ii) depreciation is the asset's **opening RAB value**.

5.3.8 Depreciation - alternative depreciation method

(1) Depreciation and, subject to clause 5.3.9, unallocated depreciation may be determined in respect of a **CPP regulatory period** using an **alternative depreciation method**, provided the **Commission** is satisfied that the result of applying the **alternative depreciation method** would better promote the purpose of Part 4 than the result of applying the **standard depreciation method**.

(2) For the avoidance of doubt, subclause (1) does not apply to the determination of depreciation or unallocated depreciation in the **assessment period**.

5.3.9 Unallocated depreciation constraint

For the purpose of clauses 5.3.7 and 5.3.8, the sum of **unallocated depreciation** of an asset calculated over its **asset life** may not exceed the sum of-

(a) all **unallocated revaluations** applying to that asset in all **disclosure years**; and
(b) in the case of an asset-

(i) in the **initial RAB**, its **unallocated initial RAB value**; and

(ii) not in the **initial RAB**, its **value of commissioned asset** or **forecast value of commissioned asset**, as the case may be.

5.3.10 Revaluation

(1) Unallocated revaluation, subject to subclause (3), is determined in accordance with the formula-

unallocated opening RAB value × **revaluation rate**.

(2) Revaluation, subject to subclause (3), is determined in accordance with the formula-

opening RAB value × **revaluation rate**.

(3) For the purposes of subclauses (1) and (2), where-

(a) the asset's **physical asset life** at the end of the **disclosure year** in question is nil; or

(b) the asset is a-

(i) **disposed asset**; or

(ii) **lost asset**,

unallocated revaluation and revaluation are nil.

(4) Revaluation rate means, in respect of a **disclosure year**, the amount determined in accordance with the formula-

$(CPI_4 \div CPI_4^{-4}) - 1$,

where-

CPI_4 means **forecast CPI for CPP revaluation** for the quarter that coincides with the end of the **disclosure year**; and

CPI_4^{-4} means **forecast CPI for CPP revaluation** for the quarter that coincides with the end of the preceding **disclosure year**.

(5) Forecast CPI for CPP revaluation means, for the purpose of subclause (4), when calculating the **revaluation rate**-

(a) in the **CPP regulatory period** and up to the end of the **DPP regulatory period**, as for **forecast CPI for DPP revaluation** in accordance with clause 4.2.3(4)(a); and

(b) for each later quarter for which a forecast of the change in headline **CPI** has been included in the Monetary Policy Statement last issued by the Reserve Bank of New Zealand prior to the date for which the vanilla **WACC** applicable to the relevant **DPP regulatory period** was determined, the **CPI** last applying under paragraph (a) extended by the forecast change; and

(c) in respect of later quarters, the forecast last applying under paragraph (b), adjusted such that an equal increment or decrement made to that forecast for each of the following three years results in the forecast for the last of those years being equal to the target midpoint for the change

in headline **CPI** set out in the Monetary Policy Statement referred to in paragraph (b).

5.3.11 Forecast value of commissioned assets

(1) 'Forecast value of commissioned asset', in relation to an asset for which **capital expenditure** is included in forecast capital expenditure (including an asset in respect of which **capital contributions** are or are forecast to be received, or a **vested asset**), means the forecast cost of the asset to a **GDB** determined by applying **GAAP** to the asset as on its forecast **commissioning date**, except that, subject to subclauses (2) and (3), the cost of-

(a) an intangible asset, unless it is-

(i) a **finance lease**; or
(ii) an **identifiable non-monetary asset**,

is nil;

(b) an **easement**, is limited to its forecast market value as on its forecast **commissioning date** as determined by a **valuer**;

(c) **easement land** is nil;

(d) a **network spare**-

(i) which is not required, in light of the historical reliability and number of the assets it is held to replace; or
(ii) whose cost is not treated as the cost of an asset under **GAAP**, whether wholly or in part,

is nil;

(e) an asset-

(i) to be acquired from another **regulated supplier**; and
(ii) used by that **regulated supplier** in the **supply** of **regulated goods or services**,

is its value determined in accordance with **input methodologies** applicable to the **services supplied** by that other **regulated supplier** as on the forecast **commissioning date**;

(f) an asset that was previously used by a **GDB** in its **supply** of **other regulated services** is limited to its value determined in accordance with **input methodologies** applicable to those **other regulated services** as on the day before the forecast **commissioning date**;

(g) an asset or assets, or components of assets, forecast to be acquired in a **related party transaction**, and forecast to be **commissioned** during any **disclosure year** of the **CPP regulatory period** other than assets to which paragraphs (e) or (f) apply, is the forecast cost specified in subclause (7);

(h) an asset in respect of which **capital contributions** are or are forecast to be received where such contributions are not taken into account when applying **GAAP**, is the cost of the asset by applying **GAAP** reduced by the amount of the **capital contributions**;

(i) a **vested asset** in respect of which its fair value is or would be treated as its cost under **GAAP**, must exclude any amount of the fair value of the asset determined under **GAAP** that exceeds the amount of consideration provided or forecast to be provided by the **GDB**; and

(j) an asset in respect of which-

(i) an **insurance entitlement** or **compensatory entitlement** is forecast to be received or receivable; and

(ii) such an **insurance entitlement** or **compensatory entitlement** does not reduce the cost of the asset when applying **GAAP**,

is the cost the cost of the asset by applying **GAAP** reduced (at the **GDB's** choice) by the amount of the **insurance entitlement** or **compensatory entitlement** that is forecast to be received or receivable.

(2) For the purpose of subclause (1), where an **asset** forecast to be **commissioned** is forecast to be used to **supply** either or both an **other regulated service** and an **unregulated service**, its **regulated service asset value** borne by **regulated services**, in aggregate-

(a) may not exceed the total value of the asset that would be allocated to **regulated services**, in aggregate, using **ACAM**; and

(b) must be based only on forecast changes in the **GDB's business** of supplying **gas distribution services**.

(3) When applying **GAAP** for the purposes of subclause (1),-

(a) the cost of financing is-

(i) applicable only in respect of the period commencing on the date the asset becomes or is forecast to become a **works under construction** and terminating on its **commissioning date** or forecast **commissioning date**, as the case may be; and

(ii) calculated using a rate not greater than the **GDB's** forecast weighted average of borrowing costs for each applicable **disclosure year**; and

(b) the value of a **commissioned** asset that, before its forecast **commissioning date**, the **GDB** is forecast to acquire from another **regulated supplier** as **works under construction**, is limited to the sum of:

(i) the cost incurred (or forecast to be incurred) by the other **regulated supplier** in constructing those works; and

(ii) any additional costs of the **GDB** forecast to be incurred in completing the construction of those works (excluding any amount forecast to be paid to the other **regulated supplier**).

(4) For the purposes of subclause (3)(a)(ii), the 'forecast weighted average of borrowing costs' is calculated for a **disclosure year** using principles set out in **GAAP**, taking into account:

(a) the cost of financing rate is the forecast weighted average of the costs applicable to borrowings in respect of **capex** that are forecast to be outstanding during the **disclosure year**;

(b) the total costs applicable to borrowings outstanding as used in calculating the weighted average must include costs of borrowings made or forecast to be made specifically for the purpose of any particular –

(i) **capex projects**; or

(ii) **capex programmes**; and

(c) the amount of borrowing costs forecast to be capitalised during the **disclosure year** must not exceed the amount of borrowing costs forecast to be incurred during the **disclosure year**;

(d) where a **capital contribution** is received by a **GDB**, the relevant asset will become **works under construction** for the purposes of calculating the cost of financing;

(e) subject to paragraph (i), a **capital contribution** will reduce the cost of **works under construction** for the purpose of the calculation of the finance cost, even if the resulting value of **works under construction** is negative;

(f) subject to paragraph (g), where the value of **works under construction** will be negative in accordance with paragraph (e), the cost of financing for the period ending on the forecast **commissioning date** will be negative;

(g) where the cost of financing an asset which is **works under construction** is negative under paragraph (f), it will reduce the forecast value of the relevant asset or assets by that negative amount where such a reduction is not otherwise made under **GAAP**;

(h) for the purpose of paragraph (d), **works under construction** includes assets that are forecast to be enhanced or acquired; and

(i) where the cost of financing is forecast to be derived as income in relation to **works under construction** and is-

(i) negative; and

(ii) included in regulatory income under an **ID determination**,

it will not reduce the forecast value of the relevant asset or assets where such reduction would not otherwise be made under **GAAP**.

(5) For the avoidance of doubt-

(a) revenue derived or forecast to be derived in relation to **works under construction** that is not included in regulatory income under an **ID determination** reduces the cost of an asset by the amount of the revenue where such reduction is not otherwise made under **GAAP**; and

(b) where expenditure on an asset which forms or is forecast to form part of the cost of that asset under **GAAP** is incurred or forecast to be incurred by an **GDB** after that asset is **commissioned** or forecast to be **commissioned**, such expenditure is treated as relating to a separate asset.

(6) In this clause, 'forecast capital expenditure' means, in relation to a **CPP proposal**-

(a) that has not been assessed by the **Commission**, the amount of **capital expenditure** for the relevant **disclosure year** of the **next period** included by the **CPP applicant** in its **capex forecast**; and

(b) undergoing assessment by the **Commission**, the amount of **capital expenditure** determined for the relevant **disclosure year** of the **next period** by the **Commission** after assessment of the amount in paragraph (a) against the **expenditure objective**.

(7) For the purpose of subclause (1)(g), the forecast cost of any **commissioned** assets, or components of assets, forecast to be acquired in a **related party transaction**, must be set on the basis that–

(a) the forecast cost is not greater than either of the following amounts determined under **GAAP**:

(i) the value that would apply if that transaction were an **arm's-length transaction**; or

(ii) the amount forecast to be charged to the **GDB** by the **related party**; and

(b) for the purpose of paragraph (a)(i), an objective and independent measure must be used in determining the terms of an **arm's-length transaction**.

(8) For the purpose of subclause (7)(a), a **related party transaction** will be treated as if it had the terms of an **arm's-length transaction** if the **commissioned** asset, or the component of the **commissioned** asset, forecast to be acquired from a **related party** is valued at the forecast cost expected to be incurred by the **related party**, provided that this would-

(a) be fair and reasonable to the **GDB**; and

(b) be substantially the same as any such forecast cost expected to be incurred by the **related party** in providing the same type of asset to third parties.

5.3.12 Works under construction

(1) Opening works under construction means, in respect of-

(a) the first **disclosure year** of the **next period** where that year is consecutive to a **disclosure year** in respect of which disclosure pursuant to an **ID determination**-

(i) has not been made, initial works under construction; and

(ii) has been made, the value of works under construction last disclosed in accordance with the **ID determination** to the extent that it is intended to be included in a **closing RAB value**; and

(b) any year other than the first **disclosure year** of the **next period**, **closing works under construction** of the preceding **disclosure year**.

(2) For the purpose of subclause (1)(a)(i), 'initial works under construction' means expenditure incurred on **works under construction** as of the first day of the **disclosure year** in question, calculated in accordance with clause 5.3.11, modified in

that references in that clause to "forecast **commissioning date**" are substituted with "forecast date that expenditure is incurred".

(3) Closing works under construction is the amount determined in accordance with the formula-

opening works under construction + *sum of* **capital expenditure** - (*sum of* **value of commissioned assets** + *sum of* **forecast value of commissioned assets**),

where-

(a) the sum of **value of commissioned assets** only includes values to the extent that they are included in **closing RAB values** disclosed pursuant to an **ID determination**; and

(b) the sum of **forecast value of commissioned assets** only includes values to the extent that they are included in the sum of **closing RAB values** provided pursuant to clause 5.5.9(b)(ii).

SECTION 3 Treatment of taxation

5.3.13 Forecast regulatory tax allowance

(1) Forecast regulatory tax allowance is, where forecast **regulatory net taxable income** is-

(a) nil or a positive number, the **tax effect** of forecast **regulatory net taxable income**; and

(b) a negative number, nil.

(2) Regulatory net taxable income means forecast **regulatory taxable income** less **utilised tax losses**.

(3) Regulatory taxable income is determined in accordance with the formula-

regulatory profit / (loss) before tax + **permanent differences** + **regulatory tax adjustments**.

(4) Regulatory profit / (loss) before tax means the value determined in accordance with the formula-

building blocks allowable revenue before tax + **other regulated income** - **operating expenditure** - **total depreciation**.

5.3.14 Tax losses

(1) Utilised tax losses means **opening tax losses**, subject to subclause (2).

(2) For the purpose of subclause (1), **utilised tax losses** may not exceed **regulatory taxable income**.

(3) Opening tax losses in relation to-

(a) the first **disclosure year** of the **next period**, is nil, subject to subclause (3); and

(b) subsequent **disclosure years** of the **next period**, is closing tax losses for the preceding **disclosure year**.

(4) For the purpose of subclause (3)(a), if the **Commission** is satisfied that a **GDB** will incur forecast tax losses, opening tax losses is the amount of losses in respect of which the **Commission** is satisfied.

(5) For the purpose of subclause (3)(b), 'closing tax losses' means the amount determined in accordance with the following formula, in which each term is an absolute value:

opening tax losses + *current period tax losses* - **utilised tax losses**.

(6) In this clause, 'current period tax losses' is where **regulatory taxable income** is-

(a) nil or a positive number, nil; and
(b) a negative number, **regulatory taxable income**.

5.3.15 Permanent differences

(1) Permanent differences is the amount determined in accordance with the formula-

positive permanent differences - negative permanent differences.

(2) For the purpose of subclause (1), 'positive permanent differences' means, subject to subclause (3), the sum of-

(a) all amounts of income-

(i) treated as taxable were the **tax rules** applied to determine income tax payable in respect of the **GDB's supply** of **gas distribution services**; and
(ii) not included as amounts of income in determining **regulatory profit / (loss) before tax**; and

(b) all amounts of expenditure or loss-

(i) included as amounts of expenditure or loss in determining **regulatory profit / (loss) before tax**; and
(ii) not treated as deductions were the **tax rules** applied to determine income tax payable in respect of the **GDB's supply** of **gas distribution services**,

if the difference in treatment of amounts of-

(c) income under paragraph (a)(i) and paragraph (a)(ii); or
(d) expenditure or loss under paragraph (b)(i) and paragraph (b)(ii),

is a difference that is not-

(e) a **reversal** or partial **reversal** of a difference for a prior **disclosure year**; and
(f) forecast to **reverse** in a subsequent **disclosure year**.

(3) For the purpose of subclause (2), positive permanent differences excludes amounts that are-

(a) **amortisation of initial differences in asset values**; or
(b) **amortisation of revaluations**.

(4) For the purpose of subclause (1), 'negative permanent differences' means, subject to subclause (5), the sum of-

(a) all amounts of income-

(i) included as amounts of income in determining **regulatory profit / (loss) before tax**; and
(ii) not treated as taxable were the **tax rules** applied to determine income tax payable in respect of the **GDB's** supply of **gas distribution services**; and

(b) all amounts of expenditure or loss-

(i) treated as deductions were the **tax rules** applied to determine income tax payable in respect of the **GDB's** supply of **gas distribution services**; and
(ii) not included as amounts of expenditure or loss in determining **regulatory profit / (loss) before tax**,

if there are differences between the values in-

(c) paragraph (a)(i) and paragraph (a)(ii); and
(d) paragraph (b)(i) and paragraph (b)(ii),

and such differences are not-

(e) the **reversal** of a difference in a prior **disclosure year**; and
(f) forecast to **reverse** in a subsequent **disclosure year**.

(5) For the purpose of subclause (4), negative permanent differences excludes any amounts that are-

(a) expenditure or loss determined in accordance with the **tax rules** that is-

(i) interest; or
(ii) forecast to be incurred in borrowing money; and

(b) any-

(i) tax losses; and
(ii) subvention payment made or received by a **GDB**.

5.3.16 Regulatory tax adjustments

(1) Regulatory tax adjustments are determined in accordance with the formula-

amortisation of initial differences in asset values + **amortisation of revaluations** - *notional deductible interest*.

(2) For the purpose of subclause (1), 'notional deductible interest' means the amount determined in accordance with the formula-

(((**regulatory investment value** + *RAB proportionate investment*) x **leverage** x **cost of debt**) + **term credit spread differential allowance**)/$\sqrt{1 + \text{cost of debt}}$.

(3) For the purpose of subclause (2), 'RAB proportionate investment' means the sum of the *proportionate value* of each asset forecast to be **commissioned** less the sum of the *proportionate value* of each **disposed asset**.

(4) For the purpose of subclause (3), 'proportionate value' means for-

(a) an asset forecast to be **commissioned**, its **forecast value of commissioned asset** multiplied by the proportion of that **disclosure year** in question

from the forecast **commissioning date** to the end of that **disclosure year** out of the whole **disclosure year**; and

(b) a **disposed asset**, its **opening RAB value** multiplied by the proportion of that **disclosure year** from the date of sale or transfer to the end of that **disclosure year** out of the whole **disclosure year**.

5.3.17 Amortisation of initial differences in asset values

(1) Amortisation of initial differences in asset values is, subject to subclause (5), determined in accordance with the formula-

opening unamortised initial differences in asset values ÷ opening weighted average remaining useful life of relevant assets.

(2) For the purpose of this clause, 'opening unamortised initial differences in asset values' means, in respect of-

(a) the **disclosure year** 2010, initial differences in asset values; and

(b) each **disclosure year** thereafter, subject to subclause (5), closing unamortised initial difference in asset values for the preceding **disclosure year**.

(3) For the purpose of subclause (2)(a), 'initial differences in asset values' means, subject to subclause (5), the sum of **initial RAB values** less the sum of **regulatory tax asset values** on the first day of the **disclosure year** 2010.

(4) For the purpose of subclause (1), 'opening weighted average remaining useful life of relevant assets' means-

$q = a - b$

where:

a = the 2010 weighted average **remaining asset life** of assets included in the initial RAB calculated by using **initial RAB values** as weightings

b = **disclosure year** less 2010.

(5) For the purpose of subclauses (1) and (2)-

(a) no account may be taken of unamortised initial differences in asset values of sold assets from the date of sale; and

(b) account must be taken of unamortised initial differences in asset values of acquired assets from the date of acquisition.

(6) For the purpose of subclause (2)(b), 'closing unamortised initial difference in asset values' is determined in accordance with the formula-

Opening unamortised initial differences in asset values - **amortisation of initial difference in asset values**

5.3.18 Amortisation of revaluations

Amortisation of revaluations is calculated in accordance with the formula-

total depreciation - **adjusted depreciation**.

5.3.19 Deferred tax

(1) Opening deferred tax means, in respect of-

(a) the **disclosure year** 2010, nil; and

(b) subject to paragraph (c), in respect of each **disclosure year** thereafter, closing deferred tax for the preceding **disclosure year**; and

(c) in respect of each **disclosure year** after the **disclosure year** 2010, for assets for which there is no **regulatory tax asset value**, the opening deferred tax balance under **GAAP** for those assets at the date when those assets are forecast to be **commissioned.**

(2) For the purpose of subclause (1)(b), 'closing deferred tax' is determined in accordance with the formula-

opening deferred tax + **tax effect** *of* **temporary differences** - **tax effect** *of* **amortisation of initial difference in asset values** + *deferred tax balance relating to assets acquired in the* **disclosure year** *in question – deferred tax balance relating to assets disposed of in the* ***disclosure year*** *in question + cost allocation adjustment*.

(3) For the purpose of subclause (2), 'deferred tax balance relating to assets acquired in the **disclosure year** in question' means the amount of deferred tax associated with the assets acquired by the **GDB** from another **regulated supplier**, excluding the **reversal** of temporary adjustments arising as a consequence of the sale, as determined in accordance with **input methodologies** applicable to the **regulated services** that the assets in question were used to **supply**.

(4) For the avoidance of doubt, the amount referred to in subclause (3) must include proportionate adjustments for-

(a) the **tax effect** of **temporary differences**; and

(b) the **amortisation of initial differences in asset values**,

up to the date the assets in question were acquired.

(5) For the purpose of subclause (2), 'cost allocation adjustment' means the **tax effect** of the dollar value difference between the change in the sum of **regulatory tax asset values** on the last day of the **disclosure year** and the change in the sum of **closing RAB values** as a result only of applying-

(a) the result of asset allocation ratios to the **tax asset value** in accordance with clause 5.3.21(1); and

(b) clause 2.1.1 to the **unallocated closing RAB value**, where either or both clauses 5.3.6(1)(b)(ii) and 5.3.6(3) apply.

(6) For the purpose of subclause (2), 'deferred tax balance relating to assets disposed of in the **disclosure year** in question' means the amount of deferred tax associated with the assets disposed of by the **GDB** and, where that deferred tax balance is a deferred tax liability, it must have a negative value.

5.3.20 Temporary differences

(1) Temporary differences is the amount determined in accordance with the formula-

depreciation temporary differences + positive temporary differences - negative temporary differences.

(2) For the purpose of this clause, 'depreciation temporary differences' is **adjusted depreciation** less tax depreciation.

(3) For the purpose of subclause (2) 'tax depreciation' is the sum of the amounts determined for all assets by application of the **tax depreciation rules** to the **regulatory tax asset value** of each asset.

(4) For the purpose of subclause (1), 'positive temporary differences' means the sum of-

(a) all amounts of income-

(i) treated as taxable if the **tax rules** were applied to determine income tax payable in respect of the **GDB's supply** of **gas distribution services**; and

(ii) not included as amounts of income in determining **regulatory profit / (loss) before tax**; and

(b) all amounts of expenditure or loss-

(i) included as amounts of expenditure or loss in determining **regulatory profit / (loss) before tax**; and

(ii) not treated as deductions were the **tax rules** applied to determine income tax payable in respect of the **GDB's supply** of **gas distribution services**,

less any amount that is depreciation temporary differences, if there are differences between the values in-

(c) paragraph (a)(i) and paragraph (a)(ii); and

(d) paragraph (b)(i) and paragraph (b)(ii),

and such differences-

(e) are the **reversal** of a difference in a prior **disclosure year**; or

(f) are forecast to **reverse** in a subsequent **disclosure year**.

(5) For the purpose of subclause (1), 'negative temporary differences' means the sum of-

(a) all amounts of income-

(i) included as amounts of income in determining **regulatory profit / (loss) before tax**; and

(ii) not treated as taxable were the **tax rules** applied to determine income tax payable in respect of the **GDB's supply** of **gas distribution services**; and

(b) all amounts of expenditure or loss-

(i) treated as deductions were the **tax rules** applied to determine income tax payable in respect of the **GDB's supply** of **gas distribution services**; and

(ii) not included as amounts of expenditure or loss in determining **regulatory profit / (loss) before tax**,

less any amount that is depreciation temporary differences, if there are differences between the values in-

(c) paragraph (a)(i) and paragraph (a)(ii); and

(d) paragraph (b)(i) and paragraph (b)(ii),

and such differences-

(e) are the **reversal** of a difference in a prior **disclosure year**; or
(f) are forecast to **reverse** in a subsequent **disclosure year**.

5.3.21 Regulatory tax asset value

(1) 'Regulatory tax asset value', in relation to an asset, means the value determined in accordance with the formula-

tax asset value ´ *result of asset allocation ratio*.

(2) 'Tax asset value' means, in respect of

(a) an asset-

(i) in the **initial RAB** where, in the **disclosure year** 2010, the sum of **unallocated initial RAB values** is less than the sum of the **adjusted tax values** of all assets in the **initial RAB**;
(ii) acquired from a **regulated supplier** who used it to **supply regulated goods or services**; or
(iii) acquired or transferred from a **related party**,

the value of the asset determined by applying the **tax depreciation rules** to its notional tax asset value; and

(b) any other asset, its forecast **adjusted tax value**.

(3) 'Notional tax asset value' means, for the purpose of-

(a) subclause (2)(a)(i), **adjusted tax value** of the asset in the **disclosure year** 2010 adjusted to account proportionately for the difference between the-

(i) sum of the **unallocated initial RAB values**; and
(ii) sum of the **adjusted tax values**,

of all assets in the **initial RAB**;

(b) subclause (2)(a)(ii), value after applying the **tax depreciation rules** to the tax asset value (as 'tax asset value' is defined in the **input methodologies** applying to the **regulated goods or services** in question) in respect of the **disclosure year** in which the asset was acquired; and

(c) subclause (2)(a)(iii), value in respect of the **disclosure year** in which the asset was acquired or transferred that is-

(i) consistent with the **tax rules**; and
(ii) limited to its **value of commissioned asset** plus the sum of any **insurance entitlements** and **compensatory entitlements** applied to reduce the value of a **commissioned** asset under clause 5.3.11(1)(j), or, if relevant **capital contributions** are treated for tax purposes in accordance with section CG 8 of the Income Tax Act 2007 (or subsequent equivalent provisions), limited to the **value of commissioned asset** plus any taxed **capital contributions** applicable to the asset plus the sum of any **insurance entitlements** and **compensatory entitlements** applied to reduce the value of a **commissioned** asset under clause 5.3.11(1)(j).

(4) For the purpose of subclause (1), 'result of asset allocation ratio' means, where an asset or group of assets maintained under the **tax rules**-

(a) has a matching asset or group of assets maintained for the purpose of Part 2 Subpart 2, the value obtained in accordance with the formula-

opening RAB value *or sum of* **opening RAB values***,* as the case may be

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unallocated opening RAB value *or sum of* **unallocated opening RAB values***,* as the case may be,

applying the formula in respect of the asset or smallest group of assets maintained for the purpose of Part 2 Subpart 2 that has a matching asset or group of assets maintained under the **tax rules**; and

(b) does not have a matching asset or group of assets maintained for the purpose of Part 2 Subpart 2, the value of the asset allocated to the **supply** of **gas distribution services** were clause 2.1.1 to apply to the asset or group of assets.

SECTION 4 Cost of capital

5.3.22 Methodology for estimating the weighted average cost of capital

(1) Where the **Commission** takes into account the cost of capital in making a **CPP determination**, the **Commission** will use the **65th percentile estimate of WACC** that was used for the **DPP** applying at the start of the **CPP regulatory period** in accordance with clause 4.4.7(1).

(2) Where there has been a **WACC change event**, the cost of capital for the **CPP** is the **DPP WACC** referenced in clause 5.7.6(1)(a), which has effect in the remaining years of the **CPP regulatory period**.

SECTION 5 Alternative methodologies with equivalent effect

5.3.23 Alternative methodologies with equivalent effect

(1) A **CPP applicant**, in making a **CPP application**, may apply an alternative methodology to that specified for—

(a) cost allocation and asset valuation in Section 2;
(b) treatment of taxation in Section 3;
(c) the estimation of **term credit spread differentials**; or
(d) pricing methodologies in Subpart 4.

(2) The **Commission**, in evaluating a **CPP proposal** and in determining a **CPP** for a **GDB**, may apply the alternative methodology elected by the **CPP applicant**.

(3) An alternative methodology applied by either a **GDB** or the **Commission** in accordance with this clause must:

(a) produce an equivalent effect within the **CPP regulatory period** to the methodology that would otherwise apply; and

(b) not detract from the promotion of the purpose of Part 4 of the **Act**.

SUBPART 4 **Pricing methodologies**

5.4.1 Determination of pricing methodology

(1) The **Commission** will determine a pricing methodology for a **GDB** in a **CPP determination** if the **Commission**, in its most recent summary and analysis made pursuant to s 53B(2)(b) of the **Act** prior to submission of the **CPP application**, has identified that the **GDB** in question would be required to submit its pricing methodology for approval were it to apply for a **CPP**.

(2) Any pricing methodology so determined-

(a) must be-

(i) consistent with the **pricing principles**; or
(ii) a **transitional pricing methodology**; and

(b) must be specified in a **CPP determination**.

(3) Transitional pricing methodology means-

(a) a pricing methodology inconsistent with the **pricing principles** for a term no longer than the **CPP regulatory period**; and
(b) a plan providing for the **GDB** to transition to a pricing methodology consistent with the **pricing principles** in a reasonable period.

5.4.2 Pricing methodology information during the CPP regulatory period

(1) This clause applies to **GDBs** in respect of whom a pricing methodology has been specified in a **CPP determination**.

(2) In each **disclosure year** of a **CPP regulatory period** save the last, a **GDB** must, by the date specified in the applicable **CPP determination**-

(a) provide the **Commission** with the same type of information as is required by clause 5.5.31, modified in that the relevant period to which the information relates is the start of the next **disclosure year** of the **CPP regulatory period** to the end of the **CPP regulatory period**; and
(b) state whether or not the information so provided reveals the proposed use of a pricing methodology different to the pricing methodology specified in its **CPP determination**;
(c) describe and give reasons for any such differences; and
(d) explain whether, and if so how, the proposed changes better meet the purpose of Part 4.

5.4.3 Amendments to a pricing methodology

(1) Subject to subclause (2), after considering the most recent information provided in accordance with clause 5.4.2, the **Commission** may only-

(a) amend the pricing methodology specified in the relevant **CPP determination**; or
(b) substitute a new pricing methodology for that specified in the relevant **CPP determination**,

otherwise than in accordance with the information provided by the **GDB** where the **Commission** considers that the information reveals the proposed use of a pricing methodology materially different to that specified in the relevant **CPP determination**.

(2) For the purpose of subclause (1), any amended or substituted pricing methodology must be-

(a) consistent with the **pricing principles**; or
(b) a **transitional pricing methodology**.

(3) The **Commission** will not make any amendment or substitution permitted by this clause more than once in any **disclosure year** of the **CPP regulatory period**.

SUBPART 5 **Information required in a CPP proposal**

SECTION 1 General matters

5.5.1 Application of this Subpart

(1) Subject to subclause (2), a **CPP proposal** must contain, in all material respects, the information specified in this subpart.

(2) For the purpose of subclause (1), Section 9 only applies to a **GDB** if the **Commission**, in its most recent summary and analysis made pursuant to s 53B(2)(b) of the **Act** prior to submission of the **CPP application**, has identified that the **GDB** in question would be required to submit a pricing methodology for approval were it to apply for a **CPP**.

5.5.2 Reasons for the proposal

A **CPP proposal** must contain a-

(a) detailed description of the **CPP applicant's** rationale for seeking a **CPP**; and
(b) summary of the key evidence in the proposal supporting that rationale.

5.5.3 Duration of regulatory period

Where a **CPP applicant** seeks a **CPP** of 3 years' or 4 years' duration-

(a) the duration of the **CPP** sought must be stated in the **CPP proposal**; and
(b) the **CPP proposal** must contain an explanation as to why that duration better meets the purpose of Part 4 of the **Act** than 5 years.

SECTION 2 Price path information

5.5.4 Interpretation

(1) In this section, the meanings of defined terms that are values or amounts to be determined by the **Commission** when making a **CPP determination** are modified to mean the values or amounts proposed by the **CPP applicant**, subject to any other provision to the contrary.

(2) Any values and amounts used by a **CPP applicant** to determine the quantum of allowances, amounts, sums or values required by this section must be consistent with other information provided in accordance with this part.

5.5.5 Proposed building blocks allowable revenue

(1) A **CPP proposal** must contain amounts for-

(a) **building blocks allowable revenue before tax** for each **disclosure year** of the **next period**; and
(b) **building blocks allowable revenue after tax** for each **disclosure year** of the **next period**.

(2) Subject to subclause (5), a **CPP proposal** must contain all data, information, calculations and assumptions used to determine the amounts required by subclause (1), including but not limited to-

(a) forecasts of-

(i) **regulatory investment value**;
(ii) *total value of commissioned assets* determined in accordance with clause 5.3.2(3);
(iii) **total depreciation**;
(iv) **total revaluation**;
(v) **regulatory tax allowance**; and
(vi) **other regulated income**;

(b) all data, information, calculations and assumptions used to derive amounts or forecasts of $TF_{VCA,}$ $PV_{VCA,}$ TF, and TF_{rev} determined in accordance with clause 5.3.2(4);
(c) all data, information, calculations and assumptions used to derive the forecasts of **other regulated income** provided pursuant to paragraph (a);
(d) **forecast operating expenditure**; and
(e) any proposed **term credit spread differential allowance**.

(3) A **CPP proposal** must contain the following information:

(a) actual **other regulated income** for each **disclosure year** of the **current period**; and
(b) data, calculations and assumptions demonstrating how the forecast of **other regulated income** provided pursuant to subclause (2)(a)(vi) is consistent with information provided in accordance with paragraph (a).

(4) All calculations, values and amounts required by this clause must be presented in a spreadsheet format which -

(a) clearly demonstrates how **building blocks allowable revenue before tax** and **building blocks allowable revenue after tax** for each **disclosure year** of the **next period** have been derived using the formulae specified in clauses 5.3.2 and 5.3.3; and
(b) where data has been computed or derived from other values on the spreadsheet through the use of formulae, makes the underlying formulae accessible.

(5) Where the information specified in subclause (2) is included in a **CPP proposal** in a spreadsheet format-

(a) the information must be cross-referenced in the text of the **CPP proposal** document; and
(b) the spreadsheet(s) must-

(i) provide cross-references to any **CPP** information requirement **input methodology** that the spreadsheet satisfies;
(ii) use terms and labels, consistent with the terminology in the **input methodologies**;
(iii) identify and explain the source inputs, and outputs, of each spreadsheet;
(iv) produce all of the intermediate outputs, as set out in Part 5, Subpart 3 and Part 5, Subpart 5; and
(v) demonstrate links and interdependencies between source inputs, intermediate calculations and outputs.

5.5.6 Maximum Allowable Revenues

(1) A **CPP proposal** must contain amounts for-

(a) **maximum allowable revenue before tax** for each **disclosure year** of the **CPP regulatory period**; and
(b) **maximum allowable revenue after tax** for each **disclosure year** of the **CPP regulatory period**.

(2) For the purpose of subclauses (1)(a) and (1)(b), the **CPP applicant** must-

(a) apply an X factor; and
(b) state the value of the X factor.

(3) For the purpose of subclause (2) the X factor is that defined in the **CPP applicant's DPP determination,** subject to subclause (4).

(4) For the purpose of subclause (3), a different X factor or factors may be used, provided that the **CPP proposal** contains an explanation and supporting evidence as to why that would better meet the purpose of Part 4 of the **Act**.

(5) A **CPP proposal** must contain all data, calculations and assumptions used to derive the forecast weighted average growth in quantities in accordance with clause 5.3.4(7), including-

(a) a description of each **demand group**;
(b) the rationale for the selection of **demand groups**;
(c) the forecast growth in demand for each **demand group**;
(d) the basis for the forecast growth in demand for each **demand group**;
(e) evidence that the forecast growth in demand for each **demand group** is consistent with all other relevant demand forecasts included in the **CPP proposal**;
(f) the basis for the assumptions used concerning the relative proportion of fixed and variable components in the **prices** charged to each **demand group** selected in paragraph (a);
(g) reconciliation between the assumptions referred to in paragraph (f) and the calculation of **notional revenue** made pursuant to any requirement pursuant to s 53N of the Act (whether that requirement is contained in a **DPP determination** or **CPP determination** or otherwise) relating to compliance with the price-quality path; and
(h) the basis for each weighting term.

(6) All calculations and values required by this clause must be presented in a spreadsheet format which clearly demonstrates how **maximum allowable revenue before tax** and **maximum allowable revenue after tax** for each **disclosure year** of the **CPP regulatory period** have been derived from **building blocks allowable revenue after tax** and the variables in clause 5.5.5.

(7) For the purpose of subclause (6), the spreadsheet must be provided in a format that-

(a) shows clearly how the values required by subclause (1) were derived in accordance with the formulae specified in clauses 5.3.2 to 5.3.4; and

(b) where data has been computed or derived from other values on the spreadsheet through the use of formulae, makes the underlying formulae accessible.

SECTION 3 Cost allocation information

5.5.7 Cost allocation information

(1) Where a **CPP applicant**-

(a) makes allocations of **operating costs** not **directly attributable** pursuant to clause 5.3.5(1); or

(b) determines **opening RAB values** pursuant to clause 5.3.6(1)(b)(ii),

the **CPP proposal** must contain the information specified in subclause (2).

(2) For the purpose of subclause (1), the information is-

(a) that specified in the applicable tables in Schedule B, subject to subclause (4) which tables comprise-

(i) *Table 1: Allocation of asset values*;

(ii) *Table 2: Report supporting allocations of asset values (non-public)*;

(iii) *Table 3*: *Allocation of operating costs*;

(iv) *Table 4: Report supporting allocation of operating costs (non-public)*; and

(v) *Table 5: Rationale for selecting proxy allocator*.

(3) Subject to subclause (7), in respect of-

(a) **operating costs** not **directly attributable** allocated to **gas distribution services** in accordance with clause 5.3.5(2); or

(b) **closing RAB values** determined in accordance with clause 5.3.6(4),

the **CPP proposal** must contain the information specified in Schedule C, subject to subclause (4), which tables comprise-

(c) *Table 1: Revised allocation of regulated asset values*;;

(d) *Table 2: Report supporting revised allocations of asset values (non-public)*;

(e) *Table 3: Revised allocation of operating costs*;

(f) *Table 4: Report supporting revised allocation of operating costs (non-public); and*

(g) *Table 5: Rationale for selecting proxy allocator*.

(4) For the purpose of this clause-

(a) the information specified in the tables of the schedules referred to must be provided on spreadsheets;
(b) where data has been computed or derived from other values on the spreadsheet through the use of formulae, all underlying formulae must be accessible
(c) the information specified in Table 2 and Table 4 of Schedule B and Table 2 and Table 4 of Schedule C may be provided by way of non-public disclosure to the **Commission**; and
(d) the information in Schedule B must be provided-

(i) for the **disclosure year** prior to submitting the **CPP proposal** if it has not been disclosed in accordance with an **ID determination**; and
(ii) for the **next period** where a value in units in an **allocator metric** has been changed by at least 5% from the value used in the **disclosure year** referred to in subparagraph (i).

(5) Where the **CPP applicant** has used a **proxy cost allocator** to provide the information specified in subclauses (2) or (3), the **CPP applicant** must explain in the **CPP proposal**, for each **proxy cost allocator** used-

(a) why a **causal relationship** cannot be established; and
(b) the rationale for using that **proxy cost allocator**.

(6) Where the **CPP applicant** has used a **proxy asset allocator** to provide the information specified in subclauses (2) or (3), the **CPP applicant** must explain in the **CPP proposal**, for each **proxy asset allocator** used-

(a) why a **causal relationship** cannot be established; and
(b) the rationale for using that **proxy asset allocator**.

(7) The information in Schedule C is not required where the value of the assets to be sold as specified in clause 5.3.6(4) is less than 5% of the **unallocated closing RAB value** for the last **disclosure year** of the **assessment period**.

5.5.8 Certification requirements

(1) Where any **arm's-length deduction** was applied for the purpose of this Section, the **CPP proposal** must contain certification by no fewer than 2 of the **GDB's directors** in the following terms, where words in bold bear the meanings specified in this determination:

"I, [insert name], **director** of [*insert name of Supplier of* **services** *regulated under Part 4 of the Commerce Act*] certify that, having made all reasonable enquiry, my belief is that having had regard to the attached information [*information required by clause 5.5.7(2)*] for the purpose of the supplier's **CPP proposal**, it was appropriate to make the **arm's-length deductions** the amount and nature of which are detailed in the tables below, **namely:**

Table 4 of Schedule B / Table 5 of Schedule B / Table 3 of Schedule C / Table 4 of Schedule C *[delete as appropriate].*"

(2) Where, in relation to **regulated service asset values**, **OVABAA** was applied for the purpose of this clause in accordance with Subpart 3 Section 2, the **CPP proposal** must contain certification by no fewer than 2 of the **GDB's directors** in respect of its application in the following terms, where words in bold bear the meanings specified in this determination:

"I, [*insert name*], **director** of [*insert name of Supplier of* **services** *regulated under Part 4 of the Commerce Act*] certify that, having made all reasonable enquiry, my belief is that having had regard to the attached information (being information required by clause 5.5.7(2)) for the purpose of the supplier's **CPP proposal**-

(a) the attached information is accurate;
(b) the **OVABAA** was applicable in accordance with clause 2.1.2; and
(c) the following **unregulated services** would be **unduly deterred** had adjustments to allocations of **regulated service asset values** (in accordance with clause 2.1.4) not been made: *[list relevant* **unregulated services***]."*

(3) Where, in relation to **operating costs** provided in a **CPP proposal** in accordance with subclause 5.5.6(1) and Schedule C, the **OVABAA** was applied, the **CPP proposal** must contain certification by no fewer than 2 of the **GDB's directors** in respect of application of the **OVABAA** in the following terms:

"I, [*insert name*], **director** of [*insert name of Supplier of* **services** *regulated under Part 4 of the Commerce Act*] certify that, having made all reasonable enquiry, my belief is that having had regard to the attached information (being information required by clause 5.5.7(2)) for the purpose of the supplier's **CPP proposal**-

(a) the attached information is accurate;
(b) the **OVABAA** was applicable in accordance with clause 2.1.2; and
(c) the following **unregulated services** would be **unduly deterred** had adjustments to allocations of **operating costs** (in accordance with clause 2.1.4) not been made: *[list relevant* **unregulated services***]."*

SECTION 4 Asset valuation information

5.5.9 RAB roll forward information

For each **disclosure year**, after the last disclosure made under an **ID determination**, until the last **disclosure year** of the **next period,** provide values, in accordance with Subpart 3 Section 2, for the-

(a) **total opening RAB value**; and
(b) sum of each of the following things:
    (i) **forecast value of commissioned assets**; and
    (ii) **closing RAB values**.

5.5.10 Depreciation information

(1) In respect of each **disclosure year** of the **CPP regulatory period**, the **CPP applicant** must provide the information specified in this clause.
(2) The sum of **depreciation** for each type of asset-

(a) for which the proposed method of determining depreciation is the **standard depreciation method**; and
(b) for which the proposed method of determining depreciation is something other than the **standard depreciation method**.

(3) For each asset or type of asset to which subclause (2)(b) applies-

(a) a description of the type of asset;
(b) a description of the proposed depreciation method;
(c) where the proposed **asset life** is different to the **physical asset life**, the proposed **asset life** for the type of asset;
(d) where the proposed **asset life** for the type of asset is different to the **physical asset life**, the proposed **remaining asset life** for the type of asset;
(e) forecast **depreciation** over the **asset life** for the type of asset, including details of all assumptions made;
(f) forecast **depreciation** over the **asset life** for the type of asset determined in accordance with the **standard depreciation method**;
(g) evidence to demonstrate that the proposed depreciation method including, where applicable, any proposed **asset life** different to the **physical asset life**, better meets the purpose of Part 4 of the **Act** than the **standard depreciation method**; and
(h) a description of any consultation undertaken with **consumers** on the proposed depreciation method, including-

(i) the extent of any **consumer** disagreement; and
(ii) the **GDB's** view in response.

(4) For each asset or type of asset for which a different **physical asset life** to the **standard physical asset life** is proposed-

(a) a description of the assets or types of asset;
(b) to which clauses 2.2.8(1)(c) and 2.2.8(1)(h)(v) apply, an **engineer's** report addressing the suitability of the proposed **physical asset life**; and
(c) any other evidence to demonstrate that the requirements of clause 2.2.8 in respect of the particular type of asset are met.

5.5.11 Revaluation information

(1) For each **disclosure year**, after the last disclosure made under an **ID determination**, until the last **disclosure year** of the **next period**, provide the following:

(a) sum of **opening RAB values**;
(b) **forecast CPI for CPP revaluation** for the last quarter of the **disclosure year**;
(c) **forecast CPI for CPP revaluation** for the last quarter of the preceding **disclosure year**; and
(d) **revaluation rate**.

5.5.12 Commissioned assets information

(1) For each **disclosure year**, after the last disclosure made under an **ID determination**, until the last **disclosure year** of the **next period**, provide the-

(a) sum of **value of commissioned assets**; and

(b) sum of **forecast value of commissioned assets**,

in respect of each of the following groups of assets:

(c) assets-

(i) acquired or intended to be acquired from a **related party**; or
(ii) transferred from a part of the **GDB** that supplies **unregulated services**;

(d) assets-

(i) acquired or intended to be acquired from another **regulated supplier** and used by that **regulated supplier** in the **supply** of **regulated services;** or
(ii) transferred or intended to be transferred from a part of the **GDB** that supplies **other regulated services**;

(e) **network spares**; and
(f) all other assets having a **commissioning date** or forecast to have a **commissioning date** in that period.

(2) In respect of each value provided in accordance with subclause (1), provide-

(a) all data, information, calculations and assumptions used to derive it from relevant data provided in the **capex forecast**;
(b) where **capital contributions** are taken into account in any value disclosed pursuant to subclause (1)-

(i) the amount of such **capital contributions**, with respect to asset types and quantities; and
(ii) policies relevant to such **capital contributions**; and

(c) where **insurance entitlements** or **compensatory entitlements** are taken into account in any value disclosed pursuant to subclause (1)-

(i) the the amount of such **insurance entitlements**, with respect to asset types and quantities;
(ii) a description of the insurance contracts relevant to such **insurance entitlements**; and
(iii) a description of the nature and amounts, with respect to asset types and quantities, of **compensatory entitlements**.

(3) In respect of each asset to which subclause (1)(c) applies, provide-

(a) the name of the relevant **person** or other part of the **GDB**, as the case may be; and
(b) where the acquisition was or is intended to be from a **related party**, a description of the relationship between the **GDB** and that **person**.

(4) In respect of the likely vendor of each asset to which subclause (1)(d) applies, provide-

(a) the name of the vendor;
(b) a description of each asset likely to be acquired from that vendor; and
(c) the forecast **closing RAB value** of each asset in the vendor's regulatory asset base for the **disclosure year** in which the acquisition is intended.

5.5.13 Asset disposals information

(1) For each **disclosure year**, after the last disclosure made under an **ID determination**, until the last **disclosure year** of the **next period**, in respect of each of the following groups of assets:

(a) assets likely to be-

(i) sold to a **related party**; or
(ii) transferred to another part of the **GDB**; and

(b) all other **disposed assets**,

provide the-

(c) sum of **unallocated opening RAB values**; and
(d) sum of **opening RAB values**.

(2) In respect of each asset to which the values provided pursuant to subclause (1) relate, provide-

(a) the name of the relevant **person** or other part of the **GDB**, as the case may be; and
(b) where the disposal is proposed to be to a **related party**, a description of the relationship between the **GDB** and that **person**.

5.5.14 Works under construction information

For each **disclosure year**, after the last disclosure made under an **ID determination**, until the last **disclosure year** of the **next period**, provide-

(a) **opening works under construction**;
(b) sum of **capital expenditure**;
(c) sum of **value of commissioned assets** but only to the extent that values are included in **closing RAB values** disclosed pursuant to an **ID determination**;
(d) sum of **forecast value of commissioned assets** but only to the extent that values are included in the sum of **closing RAB values** provided pursuant to clause 5.5.9(b)(ii); and
(e) sum of **closing works under construction**.

SECTION 5 Tax information

5.5.15 Interpretation

In this section, a term that is not emboldened but is defined for the purpose of a specific clause in Subpart 3 Section 3 bears the same meaning as it does in the clause of Subpart 3 Section 3 in which it is defined.

5.5.16 Period in respect of which information to be provided

A **CPP proposal** must contain, the information specified in this section for each **disclosure year**, after the last disclosure made under an **ID determination**, until the last **disclosure year** of the **next period**, in accordance with Subpart 3 Section 3.

5.5.17 Regulatory tax allowance information

(1) **forecast regulatory tax allowance** and particulars of how it was calculated

(2) **other regulated income**
(3) notional deductible interest and the **cost of debt** assumptions relied upon in its calculation

5.5.18 Tax losses information

(1) amount of **opening tax losses** (if any) and particulars of how it was calculated
(2) information describing the nature and amounts of significant items giving rise to any **opening tax losses**
(3) information demonstrating that any **opening tax losses** arose from the **supply** of **gas distribution services**

5.5.19 Permanent differences information

(1) sum of *positive permanent differences*
(2) sum of *negative permanent differences*
(3) amounts and nature of items used to determine-

(a) *positive permanent differences*; and
(b) *negative permanent differences*

5.5.20 Amortisation of initial differences in asset values information

(1) opening unamortised balance of the initial differences in asset values by **asset category**
(2) amortisation in respect of the **disclosure year**
(3) average weighted remaining useful life of the assets relevant to calculation of the initial **regulatory tax asset value**

5.5.21 Amortisation of revaluations information

(1) unamortised balance of **revaluations** to date
(2) **adjusted depreciation**
(3) average weighted remaining useful life of the assets used to determine the **amortisation of revaluations**
(4) particulars of how the average weighted remaining useful life was calculated

5.5.22 Deferred tax information

(1) **opening deferred tax**
(2) analysis of **temporary differences** and other adjustments by nature that give rise to **opening deferred tax** value
(3) closing deferred tax
(4) reconciliation of **opening deferred tax** to closing deferred tax by nature of temporary differences and other adjustments

5.5.23 Temporary differences information

(1) description of the methodology and depreciation rates by **asset category** used to determine the forecast tax depreciation
(2) amounts and nature of other forecast **temporary differences**
(3) particulars of the calculation of the **tax effect** of **temporary differences** showing tax rates used

5.5.24 Regulatory tax asset value information

(1) sum of **tax asset values** at the start of the **disclosure year**
(2) sum of **tax asset values** by **asset category** at the start of the **disclosure year**
(3) sum of **regulatory tax asset values** at the start of the **disclosure year**
(4) sum of **regulatory tax asset values** by **asset category** at the start of the **disclosure year**
(5) weighted average remaining tax life of assets and tax depreciation methodology employed, by **asset category**
(6) particulars of the calculation used to derive the **regulatory tax asset values** at the start of the **disclosure year** from the tax asset values at the start of the **disclosure year**
(7) sum of **regulatory tax asset values** at the end of the **disclosure year**
(8) reconciliation between the sum of **regulatory tax asset values** at the start of the **disclosure year** and the sum of **regulatory tax asset values** at the end of the **disclosure year**, by **asset category**, showing the values of capital additions, disposals, tax depreciation and other asset adjustments including cost allocation adjustments

SECTION 6 Cost of capital information

5.5.25 Information regarding WACC and TCSD allowance

(1) A **CPP proposal** must identify the **65th percentile estimate of WACC** used for the purpose of clause 5.5.5(1).
(2) For the purpose of subclause (1), the identified **65th percentile estimate of WACC** is the applicable cost of capital specified in clause 5.3.22.
(3) Where a **term credit spread differential allowance** is proposed, a **CPP proposal** must contain all data, information, calculations, and assumptions used to determine any proposed **term credit spread differential**.

SECTION 7 Expenditure information

5.5.26 Capex, opex, demand and network qualitative information

The information specified in Schedule D must be-

(a) contained in a **CPP proposal**; and
(b) provided in accordance with the requirements of that schedule.

5.5.27 Capex, opex, demand and network quantitative information

(1) A **CPP proposal** must contain the information specified in the **regulatory templates** and that information must be-

(a) in spreadsheet format whereby each item of data is linked between all cells to which it is relevant, irrespective of whether such cells are on the same or different tabs; and
(b) provided in accordance with the instructions specified in clause 5.5.28.

(2) 'Regulatory templates' means the tables included in Schedule E named-

(a) *Table 1: Top 5*;
(b) *Table 2: Capex Summary*;
(c) *Table 3: Opex Summary*;
(d) *Table 4: Capex Project Programme*;

(e) *Table 5: Opex Project Programme*;
(f) *Table 6: Overheads*; and
(g) *Table 7: Unit rate escalators*.

(3) Where data provided in accordance with subclause (1) has been computed or derived from other amounts or values on the spreadsheet through the use of formulae, the underlying formulae for the cells containing the data must be accessible.

(4) For the purpose of subclause (1), terms used in the **regulatory templates** must be interpreted in the same way as those terms are defined for the purpose of Schedule D.

5.5.28 Instructions for completion of the regulatory templates

(1) Provide the information specified in *Table 4: Capex Project Programm*e and *Table 5: Opex Project Programme* of the **regulatory templates** for each **project** and for each **programme**.

(2) For the purpose of specifying the relevant **capex category** or **opex category** in accordance with subclause (1), where expenditure within each **project** or **programme** is relevant to more than one **capex category** or **opex category**-

(a) select the **capex category** or **opex category** that is most relevant based on the nature of the expenditure; or
(b) redefine the **project** or **programme** into two or more new **projects** or **programmes** and reallocate the expenditure so as to resolve the overlap.

(3) For the purpose of specifying the relevant **service category** in accordance with subclause (1), where expenditure within each **project** or **programme** is relevant to more than one **service category**-

(a) select the **service category** that is most relevant based on the nature of the expenditure; or
(b) redefine the **project** or **programme** into two or more new **projects** or **programmes** and reallocate the expenditure so as to resolve the overlap.

(4) For the purpose of subclause (1), the total Project/Programme amounts provided in the Asset Category sub-table must reconcile to the total Project/Programme amounts provided in the Project Costs by Source sub-table.

(5) Provide the information specified in *Table 6: Overheads* of the **regulatory templates** in respect of **general management, administration and overheads opex**.

(6) Provide the information specified in *Table 7: Unit rate escalators* of the **regulatory templates** for each unit rate for which an escalator has been applied.

(7) Provide the information in the format specified in *Table 1: Top 5* of the **regulatory templates**, by extending the table as necessary,

(a) for all **projects** or **programmes** that form part of the **CPP proposal**; and
(b) by using the information provided in accordance with subclause (1).

(8) Provide the information specified in *Table 2: Capex Summary* and *Table 3: Opex Summary* of the **regulatory templates** using the information provided in accordance with subclause (1).

SECTION 8 Information relevant to prices

5.5.29 Information on proposed new pass-through costs

A **CPP proposal** must contain details of any cost not specified in clause 3.1.2(2) that is sought to be specified as a new pass-through cost in accordance with clause 3.1.2(1)(b), including information on-

(a) how the cost is likely to arise;
(b) who the cost would be payable to;
(c) how the cost would be calculated;
(d) any good or service the **GDB** would receive in exchange; and
(e) how the cost meets the criteria specified in clause 3.1.2(3).

5.5.30 Information on proposed recoverable costs relating to costs of making CPP application

Where a **CPP applicant** seeks specification in the **CPP determination** of a **recoverable cost** to which clause 3.1.3(1)(d), (1)(e), or (1)(f) applies, it must provide, in relation to each **auditor**, **verifier** or **engineer** who was engaged to provide an opinion on some aspect of the **CPP proposal** in accordance with a requirement of this Part-

(a) any **document** making a public or limited circulation request for proposals to carry out the work;
(b) the terms of reference for the work;
(c) invoices for services undertaken in respect of the work; and
(d) receipts for payment by the **CPP applicant**.

SECTION 9 Pricing methodology information

5.5.31 What pricing methodology information must be submitted

(1) The **CPP proposal** must contain the same type of information as is required under an **ID determination** in respect of pricing methodologies, subject to subclauses (2) and (3).
(2) For the purpose of subclause (1), information in respect of pricing methodologies of the type sought by the **ID determination** is required in respect of the **CPP regulatory period** only.
(3) Where, pursuant to subclause (1), a **CPP applicant** proposes a **transitional pricing methodology**, the **CPP applicant** must also provide-

(a) justification for proposing a **transitional pricing methodology** rather than a pricing methodology consistent with the **pricing principles**;
(b) the duration of the intended transitional period;
(c) an explanation as to why the proposed duration of the transitional period is reasonable;
(d) a plan demonstrating how the **GDB** intends to transition to a pricing methodology consistent with the **pricing principles** by the end of the transitional period; and
(e) an explanation as to why that plan is reasonable.

SECTION 10 Information relevant to alternative methodologies

5.5.32 Demonstration that alternative methodologies have equivalent effect

(1) Where a **CPP applicant** applies alternative methodologies in accordance with clause 5.3.23, it must provide:

(a) a list and description of each alternative methodology applied;
(b) an indication, at the relevant locations within the **CPP application**, as to where the alternative methodologies have been applied;
(c) reasons why each of the alternative methodologies have been applied; and
(d) evidence demonstrating that each alternative methodology complies with clause 5.3.23(3).

(2) Paragraph (1)(d) may be satisfied by submitting a certificate signed by an senior manager of the **CPP applicant** setting out the factual basis on which he or she believes each alternative methodology complies with clause 5.3.23(3).

SUBPART 6 **Consumer consultation, verification, audit and certification**

5.6.1 Consumer consultation

(1) By no later than 40 **working days** prior to submission of the **CPP proposal**, the **CPP applicant** must have adequately notified its **consumers**-

(a) that it intends to make a **CPP proposal**;
(b) of the expected effect on the revenue and quality of its **gas distribution services** were the **Commission** to determine a **CPP** entirely in accordance with the intended **CPP proposal**;
(c) of the price versus quality trade-offs made in the expenditure alternatives considered in the intended **CPP proposal**, where these are directly associated with the rationale for seeking the **CPP proposal**, which are required to be disclosed under clause 5.5.2;
(d) where clause 5.5.31 applies, of the expected effect of the **CPP** on each pipeline charge, were the **Commission** to determine a **CPP** entirely in accordance with the intended **CPP proposal**;
(e) where and how further information in respect of the intended **CPP proposal** may be obtained;
(f) of the process for making submissions to the **GDB** in respect of the intended **CPP proposal**; and
(g) of their opportunity to participate in the consultation process required of the **Commission** by s 53T of the **Act** after any **CPP proposal** is received and considered compliant by the **Commission**.

(2) For the purpose of subclause (1)(e), where further information is available in hard copy only, the applicant must have ensured that any further information was readily available for inspection at the stated location.

(3) For the purpose of subclause (1), the **CPP applicant** must-

(a) provide all relevant information;

(b) provide information in a manner that promotes **consumer** engagement;
(c) make best endeavours to express information clearly, including by use of plain language and the avoidance of jargon; and
(d) provide **consumers** with (or notified them where to obtain) the information through a medium or media appropriate to the natures of the **consumer** base.

Examples:

(i) by placing the information on the **GDB's** *website;*
(ii) by providing the information to groups or organisations that represent the **consumers'** *relevant interests;*
(iii) by including the information in **consumers'** *or gas retailers' bills; and/or*
(iv) by placing advertisements in local newspapers.

5.6.2 Verification

(1) A **CPP proposal** must be verified by a **verifier.**
(2) The **verifier** must be engaged in accordance with Schedule F.
(3) The **CPP applicant** must provide the **verifier** with-

(a) the materials-

(i) required by the **verifier** to verify the **CPP proposal** in accordance with the terms of his, her or its engagement and Schedule G; and
(ii) that it intends to submit to the **Commission** as a **CPP proposal**;

(b) subject to paragraph (c), the materials referred to in paragraph (a) prior to the **verifier** commencing verification in accordance with Schedule G;
(c) upon the **verifier's** request, the information described in clause D7(2), D7(5), D12(2) and D12(3) pertaining to **identified programmes** after the **verifier** has notified the **CPP applicant** of its selection of **identified programmes**;
(d) any information requested by the **verifier** pursuant to the **verifier's** right to ask for such information pursuant to his, her or its deed of engagement, as specified in clause F6(2)(d); and
(e) in advance of the **verifier's** selection of **identified programmes**, summary information on the forecast **projects** and **programmes**, in the format specified in *Table 1: Top 5* of the **regulatory templates**.

5.6.3 Audit and assurance

(1) A **CPP application** must include a report by an **auditor** that states whether or not:

(a) as far as appears from an examination of them, proper records to enable the compilation of information required by Subpart 5 have been kept by the **CPP applicant**;
(b) in the case of actual financial information relating to the **current period**, that information has been prepared in all material respects in accordance with the input methodologies set out in this determination, and that it has been audited in accordance with applicable auditing standards issued by

the External Reporting Board in accordance with its functions under the Financial Reporting Act 2013 or any equivalent standards that replace these standards;

(c) in the case of forecast financial information relating to the **next period**, that information has been compiled in all material respects in accordance with the input methodologies set out in this determination, and that it has been examined in accordance with applicable assurance engagement standards issued by the External Reporting Board in accordance with its functions under the Financial Reporting Act 2013, or any equivalent standards that replace these standards or other appropriate standards;

(d) in the case of quantitative historical information provided in spreadsheets, the information is properly compiled on the basis of the relevant underlying source information; and

(e) in the case of quantitative forecast information provided in spreadsheets, the information is properly compiled on the basis of relevant and reasonable disclosed assumptions.

(2) For the avoidance of doubt, the **auditor** must provide an opinion as to whether-

(a) in respect of **operating costs** not **directly attributable**, the **opex forecast** was provided by the **CPP applicant** as specified in clause 5.3.5; and

(b) in respect of **regulated service asset values** not **directly attributable**, the **forecast value of commissioned assets** were provided by the **CPP applicant** in accordance with clause 5.3.6(3)(b) and as specified in clause 5.3.11(2)(b).

5.6.4 Certification

(1) In the case of all information of a quantitative nature, other than forecast information, provided in accordance with this Part, no fewer than 2 **directors** of the **CPP applicant** must certify in writing his or her belief that-

(a) the information was derived and is provided in accordance with the relevant requirements; and

(b) it properly represents the results of financial or non-financial operations as the case may be.

(2) In the case of all information of a qualitative nature, other than forecast information, provided in accordance with this Part**,** no fewer than 2 **directors** of the **CPP applicant** must certify in writing his or her belief that-

(a) the information is provided in accordance with the relevant requirements; and

(b) it properly represents the events that occurred during the **current period**.

(3) In the case of all forecast information provided in accordance with this Part**,** no fewer than 2 **directors** of the **CPP applicant** must certify in writing his or her belief that-

(a) the information was derived and is provided in accordance with the relevant requirements; and

(b) the assumptions made are reasonable.

(4) No fewer than 2 **directors** of the **CPP applicant** must certify in writing-

(a) that, to the best of his or her knowledge, the **verifier** was engaged by the **CPP applicant** in accordance with Schedule F;
(b) that, to the best of his or her knowledge, the **CPP applicant** provided the **verifier** with all the information specified in Part 5, including its schedules, relevant to Schedule F;
(c) that, to the best of his or her knowledge, the information described in clause 5.6.2(3)(e) was provided to the **verifier** in advance of the **verifier's** selection of **identified programmes**;
(d) a description of any information not provided to the **verifier** following the **verifier's** request;
(e) reasons, which, in his or her opinion, justified any non-provision of such information;
(f) that, to the best of his or her knowledge, the-
    (i) matters the **auditor** was engaged to audit included the matters specified in clause 5.6.3; and
    (ii) **auditor** was instructed to report on at least the matters described in clause 5.1.4; and
(g) that the-
    (i) audit report provided pursuant to clause 5.1.4;
    (ii) **verification report**; and
    (iii) other certifications required by this clause,

all relate to the same **CPP proposal**.

(5) Where-
(a) a **director** has certified a matter of opinion in accordance with this clause; and
(b) his or her opinion has changed before the **Commission's** determination of the **CPP** in question,

that **director** must notify the **Commission** as soon as reasonably practicable.

(6) Where-
(a) a **director** has certified a matter of fact in accordance with this clause; and
(b) before the **Commission's** determination of the **CPP** in question he or she-
    (i) becomes aware that the fact is untrue; or
    (ii) has significant cause to doubt the accuracy of that fact,

that **director** must notify the **Commission** as soon as reasonably practicable.

(7) For the avoidance of doubt, the certifications required by the different subclauses of this clause may be made by the same or different **directors**.

SUBPART 7 **Reconsideration of the customised price-quality path**

SECTION 1 When Commission can reconsider the CPP

5.7.1 When a CPP may be amended

(1) The **Commission** may amend a **GDB's CPP** if the **Commission** is satisfied that-

(a) a **reopener event** has occurred;
(b) the **CPP** should be amended, after having regard to at least the matters in clause 5.7.12(1); and
(c) the amendment to the **CPP** is consistent with clause 5.7.13.

(2) A 'reopener event' is an event, or a series of related events, of a type described in subclause (3) that occurs in the period that:

(a) begins on the date that is 12 months before the start of the **CPP regulatory period**; and
(b) ends at the end of the **CPP regulatory period**.

(3) For the purpose of subclause (2), the types of events are:

(a) a **catastrophic event**;
(b) a **change event**;
(c) a **WACC change event**;
(d) an **error event**;
(e) the discovery of **false or misleading information**;
(f) a **major transaction event**;
(g) a **trigger event** occurs in respect of a **contingent project**; or
(h) an **unforeseen project**.

5.7.2 Process for the reconsideration of the CPP

(1) A **reopener event** can be nominated by either:
(a) the **Commission**; or
(b) a **GDB**, by notifying the **Commission**.

(2) The **Commission** or a **GDB** may nominate more than one **reopener event** at the same time.

(3) A **GDB** that nominates a **reopener event** must provide sufficient information to enable the **Commission** to assess:

(a) whether a **reopener event** has occurred;
(b) having regard to at least the matters in clause 5.7.12(1), whether and how the **CPP** should be amended; and
(c) whether any proposed amendment to the **CPP** is consistent with clause 5.7.13 and the **Act**.

(4) The **Commission** must publish a notice on its website of each of the following matters as soon as practicable after they occur:

(a) a **reopener event** is nominated; and
(b) the **Commission** decides whether or not-
(i) it is satisfied that a **reopener event** has occurred;
(ii) to reconsider the **CPP**; and
(iii) to amend the **CPP**.

5.7.3 Confidential information

(1) Where a **GDB** considers that it has a right to confidentiality in any information that it provides to the **Commission** in relation to this subpart and it does not waive the right, it must-

(a) include that information in an appendix; and
(b) clearly mark the information as confidential.

(2) Subclause (1) does not prevent the **Commission** from publishing information identified in accordance with that subclause if it considers the **GDB** does not have a right to confidentiality in respect of that information.

(3) Subclause (2) does not affect any of the **GDB's** rights or remedies for breach of any right to confidentiality.

SECTION 2 Events that may be reopener events

5.7.4 Catastrophic event

(1) A 'catastrophic event' is an event-

(a) beyond the reasonable control of the **GDB**;
(b) in relation to which expenditure-

(i) was not sought in a **CPP proposal**; and
(ii) is not explicitly or implicitly provided for in the **CPP**;

(c) that could not have been reasonably foreseen at the time the **CPP** was determined; and
(d) for which-

(i) action required to rectify its adverse consequences cannot be delayed until a future **regulatory period** without quality standards under the **CPP** being breached;
(ii) remediation requires **capex**, **opex**, or both;
(iii) the full remediation costs are not provided for in the **CPP**; and
(iv) the costs of remediation net of any **insurance entitlements**, **third-party liability entitlements**, and **compensatory entitlements** exceeds the relevant threshold specified in subclause (2).

(2) For the purposes of subclause (1)(d)(iv), the thresholds are-

(a) $100,000 for GasNet Limited; and
(b) $2 million for any other **GDB**.

5.7.5 Change event

(1) A 'change event' occurs where there is a change of the type described in subclause (2) or (4), the effect of which is not explicitly or implicitly provided for in the **CPP**.

(2) The first type is a change in a regulatory or legislative requirement that applies to a **GDB** as a result of new or amended legislation, or judicial clarification of the interpretation of legislation, that-

(a) results in additional reasonable costs (whether **capex**, **opex**, or both) to respond to the change or new requirement that exceed the relevant threshold in subclause (3); or
(b) causes an **input methodology** to become incapable of being applied.

(3) For the purposes of subclause (2)(a), the thresholds are-

(a) $100,000 for GasNet Limited; and

(b) $2 million for any other **GDB**.

(4) The second type is a change in a requirement that applies to a **GDB** under **GAAP**, that-

(a) results in a change in the recognition or measurement (including timing) of 1 or more of the following:

(i) **opex**;
(ii) **capex**;
(iii) assets;
(iv) liabilities;
(v) **maximum allowable revenue after tax**; or
(vi) taxation, including deferred tax; and

(b) if in effect at the time the **CPP** was determined, would have caused the aggregate amount of the **maximum allowable revenue after tax** for **disclosure years** of the **CPP regulatory period** to have differed by an amount that exceeds the relevant threshold specified in subclause (5).

(5) For the purposes of subclause (4)(b), the thresholds are-

(a) $100,000 for GasNet Limited; and
(b) $2 million for any other **GDB**.

5.7.6 WACC change event

(1) A 'WACC change event' occurs when-

(a) a revised **DPP WACC** has been determined for a new **DPP regulatory period**; and

(b) the new **DPP regulatory period** commences within the current **CPP regulatory period**.

5.7.7 Error event

(1) An 'error event' is an unintended circumstance where the **CPP** was determined or amended based on an error, including where:

(a) incorrect data were used in determining the price path or the quality standards; or
(b) data were incorrectly applied in determining the price path or quality standards.

(2) For the purposes of subclause (1),-

(a) an error relating to the **CPP** does not constitute an **error event** unless the error has an impact on the aggregate amount of the **maximum allowable revenue after tax** for all **disclosure years** of the **regulatory period** that exceeds $100,000;

(b) an error relating to the metrics by which quality standards are specified in the **CPP** does not constitute an **error event** unless it is an error in the value of the metric; and

(c) a discrepancy between forecast values and actual values does not constitute an **error event**.

5.7.8 False or misleading information

(1) This subpart applies to 'false or misleading information'-

(a) relating to the making or amending of a **CPP determination** that has been-

(i) provided by a **GDB**, its agents, or a **verifier** to the **Commission**; or

(ii) disclosed pursuant to the Gas (Information Disclosure) Regulations 1997 or an **ID determination**; and

(b) that the **Commission** relied on in making or amending a **CPP determination**.

5.7.9 Major transaction event

(1) A 'major transaction event' is a transaction, whether contingent or not, where **consumers** are acquired or no longer **supplied** by the **GDB** and that transaction-

(a) has resulted in, or will result in, the acquisition of, or an agreement to acquire, assets with a value which is equivalent to more than 10% of the **GDB's total opening RAB value** in the **disclosure year** of acquisition;

(b) has resulted in, or will result in, the disposal of, or an agreement to dispose of, assets of the **GDB** with a value of more than 10% of the **GDB's total opening RAB value** in the **disclosure year** of disposal;

(c) has, or is likely to have, the effect of the **GDB** acquiring rights or interests with a value which is equivalent to more than 10% of the **GDB's total opening RAB value** in the **disclosure year** of acquisition; or

(d) has, or is likely to have, the effect of the **GDB** incurring obligations or liabilities or contingent liabilities, excluding loans or borrowing costs in respect of assets, with a value which is equivalent to more than 10% of the **GDB's total opening RAB value** in the **disclosure year** of incurring the obligations, liabilities, or contingent liabilities.

5.7.10 Contingent project

(1) A 'contingent project' is a **project** or **programme** that has been listed as a 'contingent project' with an associated **trigger event** in a **CPP determination**.

(2) A **project** or **programme** may be listed as a contingent project only if-

(a) the **Commission** considers that it is probable that a condition or event (a 'trigger event') will occur during the **CPP regulatory period** and that, if the **trigger event** occurs,-

(i) the **GDB** will be reasonably required to undertake the **project** or **programme** during the **CPP regulatory period**; and
(ii) the assets associated with the **project** or **programme** are likely to be **commissioned** during the **CPP regulatory period**;

(b) the commencement date for the **project** or **programme** cannot be forecast with an appropriate degree of specificity by comparison with other proposed **projects** or **programmes**; and
(c) the expenditure required for the **project** or **programme** would be likely,-
(i) to exceed 10% of the value of the **GDB's** annual revenue in the most recently completed **disclosure year**; and
(ii) when forecast with reasonable certainty, to meet the **expenditure objective**.

(3) For the purpose of subclause (2)(a), the **trigger event** must be-
(a) not within the control of the **GDB**; and
(b) capable of being-
(i) specifically defined; and
(ii) objectively verified as having occurred.

(4) Without limiting subclause (2), the **Commission** may-
(a) decline to list a **project** or **programme** as a **contingent project** even where the requirements of subclause (2) are satisfied; or
(b) specify a different **trigger event**, or a different description for a **trigger event**, for a **contingent project** than that proposed by the **GDB**.

5.7.11 Unforeseen project

(1) An 'unforeseen project' is a **project** or **programme** to which the following apply-
(a) in respect of the services supplied by the **GDB** at the time it submitted its **CPP proposal**, the **project** or **programme** would have been unforeseeable to a prudent **GDB**; and
(b) the total **capex forecast** and **opex forecast** for the **project** or **programme** exceeds 10% of the value of the **GDB's** annual revenue in the most recently completed **disclosure year** to have ended before the **project** or **programme** was nominated as a **reopener event**.

SECTION 3 Commission consideration of whether and how to amend the CPP

5.7.12 Commission consideration of whether to amend the CPP

(1) If the **Commission** is satisfied that a **reopener event** has occurred, then the **Commission** must have regard to at least the following matters when deciding whether to amend the **CPP**:

(a) the impact of the **reopener event** given the relevant circumstances, including both positive and negative effects, on the **GDB's** costs, revenues, and quality outcomes;
(b) the extent to which the **CPP** provides for the **reopener event**; and
(c) if a **GDB** nominated the **reopener event**:

(i) whether the action required to respond to the **reopener event's** adverse consequences can be delayed under a future **regulatory period**;

(ii) the extent to which the **GDB**:

Figure 1 contributed to the adverse consequences of the **reopener event** by its action or omission; or

Figure 2 could have prevented or overcome the adverse consequences of the **reopener event** by exercising reasonable diligence at reasonable cost; and

(iii) whether the **GDB's** planned **capex** and **opex** for the remainder of the **regulatory period** have been appropriately reviewed and reprioritised.

5.7.13 Amending CPP after reconsideration

(1) If the **Commission** decides that the **CPP** should be amended, the **Commission** may, in respect of any type of **reopener event**, amend the price path or the quality standards (or both) that are specified in the **CPP determination**.

(2) The **Commission** will not amend-

(a) the **CPP** more than is reasonably necessary to mitigate the effect of the **reopener event** on the **CPP**;

(b) the price path more than is reasonably necessary to take account of the change in costs; and

(c) quality standards more than is reasonably necessary to mitigate the effect of the **reopener event**.

(3) In determining the extent of any amendment to the price path, the **Commission** must take into account the **expenditure objective**.

(4) In the case of a **contingent project** or an **unforeseen project**, the **Commission** will not amend the price path for any **disclosure year** before the **disclosure year** in which assets constructed as part of the **contingent project** or the **unforeseen project** are forecast to be **commissioned**.

(5) In the case of a **WACC change event**, the **Commission** will for the remaining complete **disclosure years** of the **CPP regulatory period** after the **WACC change event**:

(a) determine the series of **maximum allowable revenue after tax** in accordance with clause 5.3.4(1) for those years; and

(b) for the purpose of paragraph (a), use-

(i) the **building blocks allowable revenue before tax** calculated in accordance with clause 5.3.2(1);

(ii) the revised **WACC** in clause 5.3.22(2), including where the **WACC** is used for present value calculations, and for timing factors in clause 5.3.2(4);

(iii) the **forecast CPI for DPP revaluation** for the new **DPP regulatory period** referred to in clause 5.7.6(1)(b), to calculate a revised **revaluation rate** in accordance with the method in clause 5.3.10(4);

(iv) the **cost of debt** for the new **DPP regulatory period** referred to in clause 5.7.6(1)(b), to calculate a revised notional deductible interest as specified in clause 5.3.16(2);

(v) subject to subparagraphs (ii) to (iv), the same input values as applied by the **Commission** in initially determining the **CPP** for all other input values in the calculation of **building blocks allowable revenue before tax**; and

(vi) a revised forecast **regulatory taxable income** to apply the changes in **building blocks allowable revenue before tax** resulting from subparagraphs (i) to (iii) in a revised **forecast regulatory tax allowance**; and

(c) for the purpose of calculating the present value of the difference in the series of building blocks allowable revenue comprising the **capex wash-up adjustment** under clause 3.1.3(6)(a) for those years, apply the **WACC** determined for the new **DPP regulatory period** under clause 4.4.1(1).

SCHEDULE A STANDARD PHYSICAL ASSET LIVES

Standard Physical Asset Lives for GDBs

ASSET DESCRIPTIONS	UNIT	NOTES	STANDARD PHYSICAL ASSET LIFE (YEARS)
HP PIPELINES – various diameters	m	(a)	80
IP PIPELINES (suburban, standard ground conditions, trenched construction) – 50mm to 300mm	m	(b)	70
MP PIPELINES (suburban, standard ground conditions) – 32mm to 200 mm	m	(c), (d)	60
IP SERVICES			
32 mm (suburban, standard ground conditions)	m		70
Mains connection, riser and valve	No.		70
MP SERVICES			
20 mm (suburban, standard ground conditions)	m		60
Mains connection, riser and valve	No.		60
STATIONS			
Site Development and Buildings			50
METERS (cubic metres / hour)			
0 to 25	No.		25
25 to 60	No.		15
Instrumentation and RTUs	No.		15
Other station equipment: regulators; valves, pipework and fittings; electrical fittings	No.		35
VALVES		(e)	
HP Pipeline Valves (includes Pits and Covers)	No.		80
IP Pipeline Valves (includes Pits and Covers)	No.		70
MP Pipeline Valves (includes Pits and Covers)	No.		60
SCADA / CONTROL SYSTEMS			
SCADA Master Station; telecommunications systems	No.		10
SPECIAL CROSSINGS	No	(f)	
SPARES		(g)	

Notes:
(a) 'HP' means high pressure pipelines with operating pressures above 20 barg.
(b) 'IP' means intermediate pressure pipelines with operating pressures between 7 and 20 barg.
(c) 'MP' means medium pressure pipelines with operating pressures up to 7 barg.
(d) For MP pipelines of PE construction installed prior to 1985, the maximum asset life should be 50 years.
(e) Asset lives for valves should correspond to the associated pipeline.

(f) Asset lives for special crossings should correspond to the type of pipeline for which the crossing is constructed. Where more than one type uses a single crossing, the asset type with the longest standard life should be used as reference.
(g) Spares should be given the same asset lives as the network assets they support.

SCHEDULE B COST ALLOCATION INFORMATION

Table 1: Allocation of asset values

Table 1: Allocation of asset values

	Value allocated ($000s) Gas distribution services
Main pipe	
Directly attributable	
Not directly attributable	
Total attributable to regulated service	–
Service pipe	
Directly attributable	
Not directly attributable	
Total attributable to regulated service	–
Stations	
Directly attributable	
Not directly attributable	
Total attributable to regulated service	–
Line valve	
Directly attributable	
Not directly attributable	
Total attributable to regulated service	–
Special crossings	
Directly attributable	
Not directly attributable	
Total attributable to regulated service	–
Other network assets	
Directly attributable	
Not directly attributable	
Total attributable to regulated service	–
Non-network assets	
Directly attributable	
Not directly attributable	
Total attributable to regulated service	–
Regulated service asset value directly attributable	–
Regulated service asset value not directly attributable	–
Total closing RAB value	–

Table 2: Report supporting allocations of asset values (non-public)

Table 2: Report supporting allocations of asset values (non-public)

	Line Item*	Allocation methodology type	Allocator	Allocator type	Allocator Metric (%)		Value allocated ($000)				OVABAA allocation increase ($000)
					Gas distribution services	Non-gas distribution services	Arm's length deduction	Gas distribution services	Non-gas distribution services	Total	
Main pipe											
	Insert asset description	e.g. ABAA	Allocator 1	[Select one]						-	
	Insert asset description	e.g. ABAA	Allocator 2	[Select one]						-	
	Insert asset description	e.g. ABAA	Allocator 3	[Select one]						-	
	Insert asset description	e.g. ABAA	Allocator 4	[Select one]						-	
	Subtotal not directly attributable						-	-	-	-	-
Service pipe											
	Insert asset description	e.g. ABAA	Allocator 1	[Select one]						-	
	Insert asset description	e.g. ABAA	Allocator 2	[Select one]						-	
	Insert asset description	e.g. ABAA	Allocator 3	[Select one]						-	
	Insert asset description	e.g. ABAA	Allocator 4	[Select one]						-	
	Subtotal not directly attributable						-	-	-	-	-
Stations											
	Insert asset description	e.g. ABAA	Allocator 1	[Select one]						-	
	Insert asset description	e.g. ABAA	Allocator 2	[Select one]						-	
	Insert asset description	e.g. ABAA	Allocator 3	[Select one]						-	
	Insert asset description	e.g. ABAA	Allocator 4	[Select one]						-	
	Subtotal not directly attributable						-	-	-	-	-
Line valve											
	Insert asset description	e.g. ABAA	Allocator 1	[Select one]						-	
	Insert asset description	e.g. ABAA	Allocator 2	[Select one]						-	
	Insert asset description	e.g. ABAA	Allocator 3	[Select one]						-	
	Insert asset description	e.g. ABAA	Allocator 4	[Select one]						-	
	Subtotal not directly attributable						-	-	-	-	-
Special crossings											
	Insert asset description	e.g. ABAA	Allocator 1	[Select one]						-	
	Insert asset description	e.g. ABAA	Allocator 2	[Select one]						-	
	Insert asset description	e.g. ABAA	Allocator 3	[Select one]						-	
	Insert asset description	e.g. ABAA	Allocator 4	[Select one]						-	
	Subtotal not directly attributable						-	-	-	-	-
Other network assets											
	Insert asset description	e.g. ABAA	Allocator 1	[Select one]						-	
	Insert asset description	e.g. ABAA	Allocator 2	[Select one]						-	
	Insert asset description	e.g. ABAA	Allocator 3	[Select one]						-	
	Insert asset description	e.g. ABAA	Allocator 4	[Select one]						-	
	Subtotal not directly attributable						-	-	-	-	-
Non-network assets											
	Insert asset description	e.g. ABAA	Allocator 1	[Select one]						-	
	Insert asset description	e.g. ABAA	Allocator 2	[Select one]						-	
	Insert asset description	e.g. ABAA	Allocator 3	[Select one]						-	
	Insert asset description	e.g. ABAA	Allocator 4	[Select one]						-	
	Subtotal not directly attributable						-	-	-	-	-
	Total regulated service asset value not directory attributable						-	-	-	-	-

** include additional rows if needed*

Table 3: Allocation of operating costs

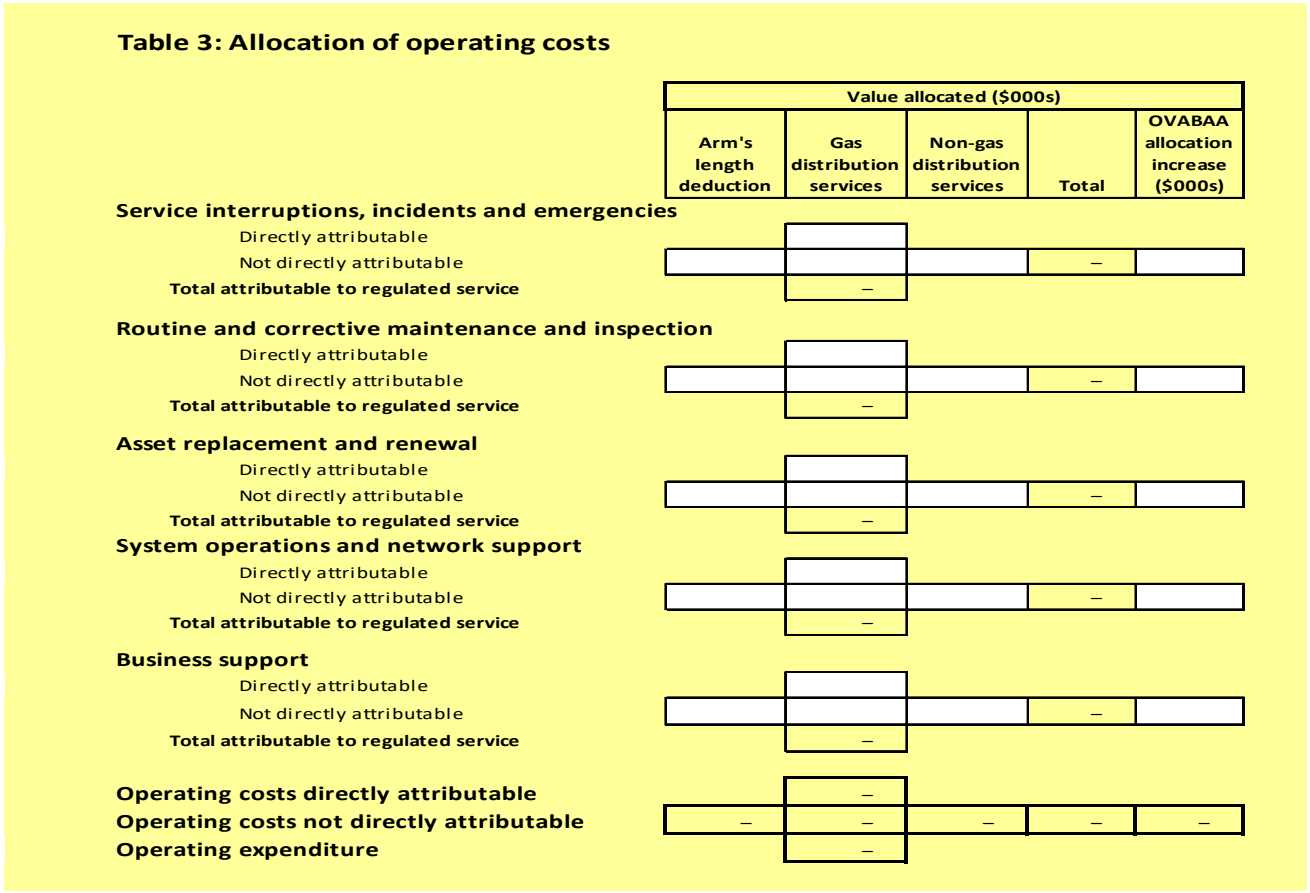


Table 3: Allocation of operating costs

	Value allocated ($000s)				
	Arm's length deduction	Gas distribution services	Non-gas distribution services	Total	OVABAA allocation increase ($000s)
Service interruptions, incidents and emergencies					
Directly attributable					
Not directly attributable				–	
Total attributable to regulated service		–			
Routine and corrective maintenance and inspection					
Directly attributable					
Not directly attributable				–	
Total attributable to regulated service		–			
Asset replacement and renewal					
Directly attributable					
Not directly attributable				–	
Total attributable to regulated service		–			
System operations and network support					
Directly attributable					
Not directly attributable				–	
Total attributable to regulated service		–			
Business support					
Directly attributable					
Not directly attributable				–	
Total attributable to regulated service		–			
Operating costs directly attributable		–			
Operating costs not directly attributable	–	–	–	–	–
Operating expenditure		–			

Table 4: Report supporting allocation of operating costs (non-public)

Table 4: Report supporting allocation of operating costs (non-public)

	Allocation methodology type	Cost allocator	Allocator type	Allocator Metric (%)		Value allocated ($000)				OVABAA allocation increase ($000)
				Gas distribution services	Non-gas distribution services	Arm's length deduction	Gas distribution services	Non-gas distribution services	Total	
Service interruptions, incidents and emergencies										
Insert cost description	e.g. ABAA	Allocator 1	[Select one]						-	
Insert cost description	e.g. ABAA	Allocator 2	[Select one]						-	
Insert cost description	e.g. ABAA	Allocator 3	[Select one]						-	
Insert cost description	e.g. ABAA	Allocator 4	[Select one]						-	
Not directly attributable						-	-	-	-	-
Routine and corrective maintenance and inspection										
Insert cost description	e.g. ABAA	Allocator 1	[Select one]						-	
Insert cost description	e.g. ABAA	Allocator 2	[Select one]						-	
Insert cost description	e.g. ABAA	Allocator 3	[Select one]						-	
Insert cost description	e.g. ABAA	Allocator 4	[Select one]						-	
Not directly attributable						-	-	-	-	-
Asset replacement and renewal										
Insert cost description	e.g. ABAA	Allocator 1	[Select one]						-	
Insert cost description	e.g. ABAA	Allocator 2	[Select one]						-	
Insert cost description	e.g. ABAA	Allocator 3	[Select one]						-	
Insert cost description	e.g. ABAA	Allocator 4	[Select one]						-	
Not directly attributable						-	-	-	-	-
System operations and network support										
Insert cost description	e.g. ABAA	Allocator 1	[Select one]						-	
Insert cost description	e.g. ABAA	Allocator 2	[Select one]						-	
Insert cost description	e.g. ABAA	Allocator 3	[Select one]						-	
Insert cost description	e.g. ABAA	Allocator 4	[Select one]						-	
Not directly attributable						-	-	-	-	-
Business support										
Insert cost description	e.g. ABAA	Allocator 1	[Select one]						-	
Insert cost description	e.g. ABAA	Allocator 2	[Select one]						-	
Insert cost description	e.g. ABAA	Allocator 3	[Select one]						-	
Insert cost description	e.g. ABAA	Allocator 4	[Select one]						-	
Not directly attributable						-	-	-	-	-
Operating costs not directly attributable						-	-	-	-	-

Table 5: Rationale for selecting proxy allocator

Table 5: Rationale for selecting proxy allocator

Tables 5a and 5b must be completed for each line item where proxy allocated is used

Table 5a: Rationale for selecting proxy allocator for asset values

	Asset description	Allocation methodology type	Allocator	Allocator type	Rationale for selecting proxy allocator
Pipes					
	Insert asset description	e.g. ABAA	Allocator 1	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
	Insert asset description	e.g. ABAA	Allocator 2	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
	Insert asset description	e.g. ABAA	Allocator 3	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
	Insert asset description	e.g. ABAA	Allocator 4	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
Service pipe					
	Insert asset description	e.g. ABAA	Allocator 1	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
	Insert asset description	e.g. ABAA	Allocator 2	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
	Insert asset description	e.g. ABAA	Allocator 3	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
	Insert asset description	e.g. ABAA	Allocator 4	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
Stations					
	Insert asset description	e.g. ABAA	Allocator 1	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
	Insert asset description	e.g. ABAA	Allocator 2	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
	Insert asset description	e.g. ABAA	Allocator 3	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
	Insert asset description	e.g. ABAA	Allocator 4	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
Line valve					
	Insert asset description	e.g. ABAA	Allocator 1	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
	Insert asset description	e.g. ABAA	Allocator 2	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
	Insert asset description	e.g. ABAA	Allocator 3	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
	Insert asset description	e.g. ABAA	Allocator 4	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
Special crossings					
	Insert asset description	e.g. ABAA	Allocator 1	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
	Insert asset description	e.g. ABAA	Allocator 2	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
	Insert asset description	e.g. ABAA	Allocator 3	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
	Insert asset description	e.g. ABAA	Allocator 4	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
Other network assets					
	Insert asset description	e.g. ABAA	Allocator 1	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
	Insert asset description	e.g. ABAA	Allocator 2	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
	Insert asset description	e.g. ABAA	Allocator 3	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
	Insert asset description	e.g. ABAA	Allocator 4	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
Non-network assets					
	Insert asset description	e.g. ABAA	Allocator 1	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
	Insert asset description	e.g. ABAA	Allocator 2	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
	Insert asset description	e.g. ABAA	Allocator 3	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
	Insert asset description	e.g. ABAA	Allocator 4	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.

Table 5b: Rationale for selecting proxy allocator for operating expenses

	Cost description	Allocation methodology type	Cost allocator	Allocator type	Rationale for selecting proxy allocator
Service interruptions, incidents and emergencies					
	Insert cost description	e.g. ABAA	Allocator 1	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
	Insert cost description	e.g. ABAA	Allocator 2	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
	Insert cost description	e.g. ABAA	Allocator 3	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
	Insert cost description	e.g. ABAA	Allocator 4	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
Routine and corrective maintenance and inspection					
	Insert cost description	e.g. ABAA	Allocator 1	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
	Insert cost description	e.g. ABAA	Allocator 2	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
	Insert cost description	e.g. ABAA	Allocator 3	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
	Insert cost description	e.g. ABAA	Allocator 4	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
Asset replacement and renewal					
	Insert cost description	e.g. ABAA	Allocator 1	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
	Insert cost description	e.g. ABAA	Allocator 2	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
	Insert cost description	e.g. ABAA	Allocator 3	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
	Insert cost description	e.g. ABAA	Allocator 4	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
System operations and network support					
	Insert cost description	e.g. ABAA	Allocator 1	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
	Insert cost description	e.g. ABAA	Allocator 2	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
	Insert cost description	e.g. ABAA	Allocator 3	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
	Insert cost description	e.g. ABAA	Allocator 4	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
Business support					
	Insert cost description	e.g. ABAA	Allocator 1	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
	Insert cost description	e.g. ABAA	Allocator 2	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
	Insert cost description	e.g. ABAA	Allocator 3	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
	Insert cost description	e.g. ABAA	Allocator 4	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.

SCHEDULE C COST ALLOCATION INFORMATION

Table 1: Revised allocation of regulated asset values

Table 1: Revised allocation of regulated asset values

	Value allocated ($000s) Gas distribution services	Revised value allocated ($000s) Gas distribution services
Main pipe		
Directly attributable		
Not directly attributable		
Total attributable to regulated service	–	–
Service pipe		
Directly attributable		
Not directly attributable		
Total attributable to regulated service	–	–
Stations		
Directly attributable		
Not directly attributable		
Total attributable to regulated service	–	–
Line valve		
Directly attributable		
Not directly attributable		
Total attributable to regulated service	–	–
Special crossings		
Directly attributable		
Not directly attributable		
Total attributable to regulated service	–	–
Other network assets		
Directly attributable		
Not directly attributable		
Total attributable to regulated service	–	–
Non-network assets		
Directly attributable		
Not directly attributable		
Total attributable to regulated service	–	–
Regulated service asset value directly attributable	–	–
Regulated service asset value not directly attributable	–	–
Total closing RAB value	–	–

Table 2: Report supporting revised allocations of asset values (non-public)

Table 2: Report supporting revised allocations of asset values (non-public)

		Previous allocation					Revised allocation				
					Allocator Metric (%)					Allocator Metric (%)	
		Allocation methodology type	Allocator	Allocator type	Gas distribution services	Non-gas distribution services	Allocation methodology type	Allocator	Allocator type	Gas distribution services	Non-gas distribution services
Main pipe											
	Insert asset description	e.g. ABAA	Allocator 1	[Select one]							
	Insert asset description	e.g. ABAA	Allocator 2	[Select one]							
	Insert asset description	e.g. ABAA	Allocator 3	[Select one]							
	Insert asset description	e.g. ABAA	Allocator 4	[Select one]							
	Subtotal not directly attributable				-	-				-	-
Service pipe											
	Insert asset description	e.g. ABAA	Allocator 1	[Select one]							
	Insert asset description	e.g. ABAA	Allocator 2	[Select one]							
	Insert asset description	e.g. ABAA	Allocator 3	[Select one]							
	Insert asset description	e.g. ABAA	Allocator 4	[Select one]							
	Subtotal not directly attributable				-	-				-	-
Stations											
	Insert asset description	e.g. ABAA	Allocator 1	[Select one]							
	Insert asset description	e.g. ABAA	Allocator 2	[Select one]							
	Insert asset description	e.g. ABAA	Allocator 3	[Select one]							
	Insert asset description	e.g. ABAA	Allocator 4	[Select one]							
	Subtotal not directly attributable				-	-				-	-
Line valve											
	Insert asset description	e.g. ABAA	Allocator 1	[Select one]							
	Insert asset description	e.g. ABAA	Allocator 2	[Select one]							
	Insert asset description	e.g. ABAA	Allocator 3	[Select one]							
	Insert asset description	e.g. ABAA	Allocator 4	[Select one]							
	Subtotal not directly attributable				-	-				-	-
Special crossings											
	Insert asset description	e.g. ABAA	Allocator 1	[Select one]							
	Insert asset description	e.g. ABAA	Allocator 2	[Select one]							
	Insert asset description	e.g. ABAA	Allocator 3	[Select one]							
	Insert asset description	e.g. ABAA	Allocator 4	[Select one]							
	Subtotal not directly attributable				-	-				-	-
Other network assets											
	Insert asset description	e.g. ABAA	Allocator 1	[Select one]							
	Insert asset description	e.g. ABAA	Allocator 2	[Select one]							
	Insert asset description	e.g. ABAA	Allocator 3	[Select one]							
	Insert asset description	e.g. ABAA	Allocator 4	[Select one]							
	Subtotal not directly attributable				-	-				-	-
Non-network assets											
	Insert asset description	e.g. ABAA	Allocator 1	[Select one]							
	Insert asset description	e.g. ABAA	Allocator 2	[Select one]							
	Insert asset description	e.g. ABAA	Allocator 3	[Select one]							
	Insert asset description	e.g. ABAA	Allocator 4	[Select one]							
	Subtotal not directly attributable				-	-				-	-
	Total regulated service asset value not directory attributable									-	-

** include additional rows if needed*

Table 3: Revised allocation of operating costs

Table 3: Revised allocation of operating costs

	Value allocated ($000s)					Revised value allocated ($000s)				
	Arm's length deduction	Gas distribution services	Non-gas distribution services	Total	OVABAA allocation increase ($000s)	Arm's length deduction	Gas distribution services	Non-gas distribution services	Total	OVABAA allocation increase ($000s)
Service interruptions, incidents and emergencies										
Directly attributable										
Not directly attributable										
Total attributable to regulated service		–					–			
Routine and corrective maintenance and inspection										
Directly attributable										
Not directly attributable										
Total attributable to regulated service		–					–			
Asset replacement and renewal										
Directly attributable										
Not directly attributable										
Total attributable to regulated service		–					–			
System operations and network support										
Directly attributable										
Not directly attributable										
Total attributable to regulated service		–					–			
Business support										
Directly attributable										
Not directly attributable										
Total attributable to regulated service		–					–			
Operating costs directly attributable		–					–			
Operating costs not directly attributable	–	–	–	–	–	–	–	–	–	–
Operating expenditure		–					–			

Table 4: Report supporting revised allocation of operating costs (non-public)

Table 4: Report supporting revised allocation of operating costs (non-public)

	Previous allocation					Revised allocation				
				Allocator Metric (%)					Allocator Metric (%)	
	Allocation methodology type	Cost allocator	Allocator type	Gas distribution services	Non-gas distribution services	Allocation methodology type	Cost allocator	Allocator type	Gas distribution services	Non-gas distribution services
Service interruptions, incidents and emergencies										
Insert cost description	e.g. ABAA	Allocator 1				e.g. ABAA	Allocator 1			
Insert cost description	e.g. ABAA	Allocator 2				e.g. ABAA	Allocator 2			
Insert cost description	e.g. ABAA	Allocator 3				e.g. ABAA	Allocator 3			
Insert cost description	e.g. ABAA	Allocator 4				e.g. ABAA	Allocator 4			
Not directly attributable				-	-				-	-
Routine and corrective maintenance and inspection										
Insert cost description	e.g. ABAA	Allocator 1				e.g. ABAA	Allocator 1			
Insert cost description	e.g. ABAA	Allocator 2				e.g. ABAA	Allocator 2			
Insert cost description	e.g. ABAA	Allocator 3				e.g. ABAA	Allocator 3			
Insert cost description	e.g. ABAA	Allocator 4				e.g. ABAA	Allocator 4			
Not directly attributable				-	-				-	-
Asset replacement and renewal										
Insert cost description	e.g. ABAA	Allocator 1				e.g. ABAA	Allocator 1			
Insert cost description	e.g. ABAA	Allocator 2				e.g. ABAA	Allocator 2			
Insert cost description	e.g. ABAA	Allocator 3				e.g. ABAA	Allocator 3			
Insert cost description	e.g. ABAA	Allocator 4				e.g. ABAA	Allocator 4			
Not directly attributable				-	-				-	-
System operations and network support										
Insert cost description	e.g. ABAA	Allocator 1				e.g. ABAA	Allocator 1			
Insert cost description	e.g. ABAA	Allocator 2				e.g. ABAA	Allocator 2			
Insert cost description	e.g. ABAA	Allocator 3				e.g. ABAA	Allocator 3			
Insert cost description	e.g. ABAA	Allocator 4				e.g. ABAA	Allocator 4			
Not directly attributable				-	-				-	-
Business support										
Insert cost description	e.g. ABAA	Allocator 1				e.g. ABAA	Allocator 1			
Insert cost description	e.g. ABAA	Allocator 2				e.g. ABAA	Allocator 2			
Insert cost description	e.g. ABAA	Allocator 3				e.g. ABAA	Allocator 3			
Insert cost description	e.g. ABAA	Allocator 4				e.g. ABAA	Allocator 4			
Not directly attributable				-	-				-	-
Operating costs not directly attributable				-	-				-	-

Table 5: Rationale for selecting proxy allocator

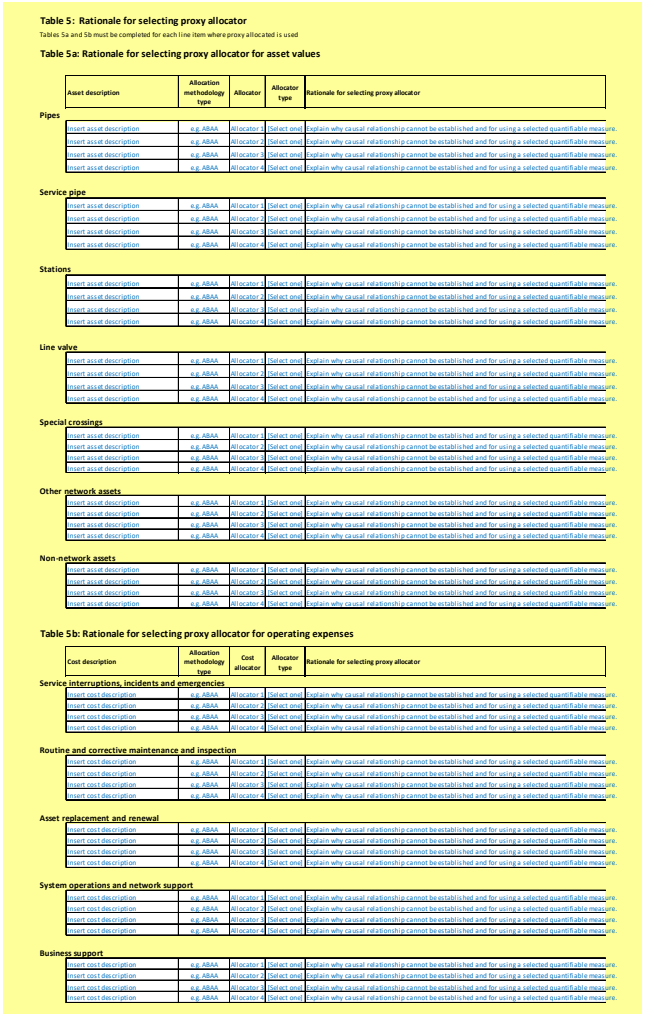


Table 5: Rationale for selecting proxy allocator

Tables 5a and 5b must be completed for each line item where proxy allocated is used

Table 5a: Rationale for selecting proxy allocator for asset values

Asset description	Allocation methodology type	Allocator	Allocator type	Rationale for selecting proxy allocator
Pipes				
Insert asset description	e.g. ABAA	Allocator 1	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
Insert asset description	e.g. ABAA	Allocator 2	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
Insert asset description	e.g. ABAA	Allocator 3	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
Insert asset description	e.g. ABAA	Allocator 4	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
Service pipe				
Insert asset description	e.g. ABAA	Allocator 1	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
Insert asset description	e.g. ABAA	Allocator 2	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
Insert asset description	e.g. ABAA	Allocator 3	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
Insert asset description	e.g. ABAA	Allocator 4	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
Stations				
Insert asset description	e.g. ABAA	Allocator 1	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
Insert asset description	e.g. ABAA	Allocator 2	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
Insert asset description	e.g. ABAA	Allocator 3	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
Insert asset description	e.g. ABAA	Allocator 4	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
Line valve				
Insert asset description	e.g. ABAA	Allocator 1	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
Insert asset description	e.g. ABAA	Allocator 2	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
Insert asset description	e.g. ABAA	Allocator 3	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
Insert asset description	e.g. ABAA	Allocator 4	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
Special crossings				
Insert asset description	e.g. ABAA	Allocator 1	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
Insert asset description	e.g. ABAA	Allocator 2	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
Insert asset description	e.g. ABAA	Allocator 3	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
Insert asset description	e.g. ABAA	Allocator 4	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
Other network assets				
Insert asset description	e.g. ABAA	Allocator 1	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
Insert asset description	e.g. ABAA	Allocator 2	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
Insert asset description	e.g. ABAA	Allocator 3	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
Insert asset description	e.g. ABAA	Allocator 4	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
Non-network assets				
Insert asset description	e.g. ABAA	Allocator 1	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
Insert asset description	e.g. ABAA	Allocator 2	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
Insert asset description	e.g. ABAA	Allocator 3	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
Insert asset description	e.g. ABAA	Allocator 4	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.

Table 5b: Rationale for selecting proxy allocator for operating expenses

Cost description	Allocation methodology type	Cost allocator	Allocator type	Rationale for selecting proxy allocator
Service interruptions, incidents and emergencies				
Insert cost description	e.g. ABAA	Allocator 1	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
Insert cost description	e.g. ABAA	Allocator 2	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
Insert cost description	e.g. ABAA	Allocator 3	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
Insert cost description	e.g. ABAA	Allocator 4	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
Routine and corrective maintenance and inspection				
Insert cost description	e.g. ABAA	Allocator 1	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
Insert cost description	e.g. ABAA	Allocator 2	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
Insert cost description	e.g. ABAA	Allocator 3	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
Insert cost description	e.g. ABAA	Allocator 4	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
Asset replacement and renewal				
Insert cost description	e.g. ABAA	Allocator 1	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
Insert cost description	e.g. ABAA	Allocator 2	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
Insert cost description	e.g. ABAA	Allocator 3	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
Insert cost description	e.g. ABAA	Allocator 4	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
System operations and network support				
Insert cost description	e.g. ABAA	Allocator 1	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
Insert cost description	e.g. ABAA	Allocator 2	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
Insert cost description	e.g. ABAA	Allocator 3	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
Insert cost description	e.g. ABAA	Allocator 4	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
Business support				
Insert cost description	e.g. ABAA	Allocator 1	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
Insert cost description	e.g. ABAA	Allocator 2	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
Insert cost description	e.g. ABAA	Allocator 3	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.
Insert cost description	e.g. ABAA	Allocator 4	[Select one]	Explain why causal relationship cannot be established and for using a selected quantifiable measure.

SCHEDULE D CAPITAL AND OPERATING EXPENDITURE INFORMATION

D1 Interpretation

In this Subpart, words in bold type bear the following meanings:

actual capex means the **capex** incurred during the **current period**;

actual opex means the **opex** incurred during the **current period**;

asset category means one of the following asset types:

(a) distribution pipelines, including

(i) mains operating at intermediate, medium and low pressure; and
(ii) services;

(b) stations, including:

(i) gate stations;
(ii) pressure reducing stations;

and in respect of each station:

(iii) **land**;
(iv) site development and buildings;
(v) regulators;
(vi) valves, pipework and **fittings**;
(vii) instrumentation and RTUs; and
(viii) electrical **fittings**;

(c) valves, meaning valves other than those located at stations;
(d) SCADA / Control systems, including:
(e) master stations;
(f) telecommunications systems;
(g) **network spares**; and
(h) other;

asset management plan means any asset management plan required by an **ID determination**;

asset relocations capex means **capex** principally incurred in relocating assets where the relocation does not result in the assets having service potentials materially different to their service potentials in their original location;

asset replacement and renewal capex means **capex** predominantly associated with-

(a) the progressive physical deterioration of the condition of **network** assets or their immediate surrounds; or

(b) expenditure arising as a result of the obsolescence of **network** assets;

base year means historical 12-month period;

base year approach means forecasting data regarding the **supply** of **gas distribution services** in the future based on data obtained in a **base year**;

capex category means one of the categories in the following list which comprises, for the purpose of a **CPP proposal,** a classification of the types of **capex** that **GDBs** make when providing **gas distribution services** to **consumers** and **capex categories** means all of the following categories:

(a) **customer connection capex**;
(b) **system growth capex**;
(c) **reliability, safety and environment capex**;
(d) **asset replacement and renewal capex**;
(e) **asset relocations capex**; and
(f) **non-system fixed assets capex**;

connection point means a physical connection point on the **network** with another pipeline or **consumer**, at which gas is imported into or exported from the **network**;

customer connection capex means **capex** predominantly associated with the establishment of new **connection points** of **consumers** to the **network**, or alterations to existing **connection points** where the expenditure relates to connection assets and/or parts of the **network** for which the expenditure is recoverable in total, or in part, by a **capital contribution**;

deliverability means the extent to which the activities to which the **capex forecast** and **opex forecast** relate are likely to be undertaken by the **GDB** during the **next period** with reference to the **GDB's** ability to-

(a) source and secure physical resources (such as appropriately skilled personnel and materials) and planning consents from external authorities; and

(b) prioritise, manage and undertake the work involved, including the ability to implement any planned step change from historical levels of investment and workload;

document means correspondence, notices, circulars, memoranda, minutes, reports, **policies**, contracts or agreements in the possession or control of the **GDB**, whether in electronic or paper format;

fault and emergency maintenance opex means **opex** principally incurred in responding (by way of undertaking remedial work) to an unplanned instantaneous event that impairs the normal operation of **network** assets but does not include expenditure on work to prevent or mitigate the impact such an event would have should it occur;

general management, administration and overheads opex means **opex** that is principally incurred on administration or which is not directly incurred in the physical operation and maintenance of the **network**, including expenditure on-

(a) accounting;

(b) corporate management;

(c) finance;

(d) human resources;

(e) information technology;

(f) insurance paid to an insurer;

(g) legal;

(h) occupational health and safety;

(i) procurement;

(j) property; and

(k) regulation;

key assumptions means-

(a) any significant assumption made by a **GDB** in the preparation of its proposal, clearly identified in a manner that makes its significance to the proposal understandable to the **Commission**, including-

(i) forecasts of peak demand;

(ii) forecasts of weighted average remaining life of assets;

(iii) forecasts of gas consumption;

(iv) forecasts of material movements in gas consumption within the **network**;

(v) forecasts of **consumer** numbers;

(vi) forecasts of pipeline length;

(vii) labour unit rates applied to key items of plant and equipment;

(viii) materials unit rates applied to key items of plant and equipment;

(ix) labour escalators as required by clause D18(2); and

(x) materials escalators as required by clause D18(2); and

(b) a description of the-

(i) basis on which those assumptions were prepared; and

(ii) the principal sources of information from which those assumptions were derived;

non-system fixed assets capex means **capex** incurred in relation to assets not directly related to the **network** used in the **supply** of **gas distribution services**, including in relation to-

(a) information and technology systems;

(b) asset management systems;

(c) office buildings, depots and workshops;

(d) office furniture and equipment;

(e) motor vehicles; and

(f) tools, plant, and machinery;

obligation means a legally enforceable duty owed by a **GDB**, whether arising under legislation, at common law or in contract, but excludes a contractual obligation commencing after this determination takes effect;

opex means **operating expenditure**;

opex category means one of the categories in the following list which comprises, for the purpose of a **CPP proposal**, a classification of the types of **opex** that **GDBs** make when providing **gas distribution services** to **consumers**, and **opex categories** means all of the following categories:

(a) **general management, administration and overheads opex**;
(b) **system management and operations opex**;
(c) **routine and preventative maintenance opex**;
(d) **refurbishment and renewal maintenance opex**;
(e) **fault and emergency maintenance opex**; and
(f) **other opex**;

other opex means **opex** that is not captured by the other **opex categories**;

planning standards means **policies** adopted by the **GDB** which relate to the planning of the **network** and the forecasting of **capex** and **opex** for that purpose, including in relation to-

(a) long term **network** development;
(b) **network** maintenance; and
(c) system operations;

policies means documented and **director** or management-approved short-term and long-term policies, procedures, strategies, guidelines, plans and approaches including those relating to-

(a) (a) asset management;
(b) asset security;
(c) augmentation and planning;
(d) business cases, including cost-benefit analyses;
(e) **capex** (e.g. **capex** approval and replacement);
(f) condition monitoring and replacement;
(g) corporate governance;
(h) disaster recovery;
(i) energy supply and **consumer** growth forecasting;
(j) gas odorisation;
(k) information technology;
(l) internal reviews;
(m) investment decision making and evaluation;
(n) **land** and **easement** acquisition;
(o) **network spares**;
(p) prioritisation and options analysis;
(q) procurement;
(r) project management;
(s) regulatory compliance;
(t) risk management and assessment; or
(u) self insurance;

refurbishment and renewal maintenance opex means **opex** that is predominantly associated with the replacement, refurbishment or renewal of items that are asset components ;

reliability, safety and environment capex means **capex** predominantly associated with-

(a) the improvement of reliability or service standards;
(b) maintaining or improving the safety of the **network** for **consumers**, employees and the public; or
(c) activities to-

(i) meet new or enhanced legislative requirements; or
(ii) achieve enhancements,

relating to the environment;

routine and preventative maintenance opex means **opex** that is predominantly associated with planned work and-

(a) includes-

(i) fault rectification work that is undertaken at a time or date subsequent to any initial fault response and restoration activities;
(ii) routine inspection;
(iii) testing; and
(iv) **easement** inspection; and

(b) excludes expenditure on initial fault or emergency maintenance;

service category means one of the categories in the following list which comprises, for the purpose of a **CPP proposal**, a classification of the **services** that the **CPP applicant** provides to its **consumers**, and **service categories** means all of the following categories:

(a) provide and operate **network** infrastructure between **connection points** and deliver gas through the **network**;

(b) provide connection **services**, including changes of **connection point** capacity and/or reliability;

(c) provide for rearrangement of **network** assets at third party request; and

(d) provide an additional service (or services if necessary) to those listed in paragraphs (a) to (c), specified by the **CPP applicant**;

service level means the magnitude of a **service measure**;

service measure means an objectively measurable characteristic or feature of a **service category**;

system fixed assets means all fixed assets owned, provided, maintained, or operated by a **GDB** that are directly related to the **network** and used, or intended to be used, for the **supply** of **gas distribution services**;

system growth capex means **capex** principally incurred in implementing a change in demand on the **network** assets, and includes expenditure that is not recoverable (in total or in part) from the **consumer supplied** at the point of connection to the **network** who is the source of the change in demand; and

system management and operations opex means **opex** that is predominantly associated with the management and operation of the **network** including-

(a) system operations;
(b) system studies and planning;
(c) design;
(d) gas odorisation testing;
(e) **network** record keeping; and
(f) standards and manuals.

D2 Instructions relating to provision of information

(1) A **CPP proposal** must-

(a) assemble all information that this Schedule requires in a section of the **CPP proposal** entitled "Capex/Opex/Demand Qualitative Information"; and
(b) contain a table that, in respect of each clause of this schedule-

(i) provides a reference to the place where, in the Capex/Opex/Demand Qualitative Information section of the **CPP proposal**, a response is provided; and
(ii) gives the title and page reference to any separate **document** identified in response, including in the case where the **document** in question is provided in the **CPP proposal**.

(2) Where information provided in accordance with these requirements differs from the most recent information provided by the **GDB** to the **Commission** in accordance with any obligation under Part 4 of the **Act,** a **CPP proposal** must-

(i) identify the differences; and
(ii) give reasons for such differences.

(3) Where information required by this Schedule is omitted from a **CPP proposal**, the **CPP proposal** must contain an explanation for each such omission.
(4) A **CPP applicant** may, without provision of additional information, reproduce information from its most recently published **asset management plan** in response to a requirement of this Schedule, subject to subclause (5).
(5) For the purpose of subclause (4), reproduction of such material is only permitted where the relevant section of the **asset management plan** clearly and succinctly provides the required information, without the need for analysis or interpretation on the part of the **verifier** or the **Commission**.
(6) For the avoidance of doubt-

(a) the 'Summary of intended CPP proposal' provided to the **Commission** in accordance with clause F5 will not include detailed information described in clauses D7(2), D7(5), D12(2) and D12(3**)** in relation to **identified programmes**; and

(b) such information-

(i) need only be provided to the **verifier** upon the **verifier's** request; and

(ii) where provided under (i), must be included in the **CPP proposal** as provided to the **Commission** in the **CPP application**.

D3 Qualitative Information

(1) Provide-

(a) all **policies** relied upon in whole or in part in preparing the response to-

(i) this schedule and

(ii) any other requirement of Subpart 5 Section 7 of Part 5; and

(b) where the rationale is not already included in the **policies** themselves, the rationale for the **policies** provided in accordance with paragraph (a), including any consultants' reports relied upon in preparing the **policies**.

(2) Identify all consultants' reports commissioned for the purpose of preparing the **capex forecast** or **opex forecast**.

(3) Where information from the **CPP applicant's** most recently published **asset management plan** has been included in the **CPP proposal** in response to a requirement of this clause, provide an index of explicit references to the sections and paragraphs of the **asset management plan** relied upon.

D4 Categorisation of services

For each **service category** relevant to the **gas distribution services** provided by the **GDB**, provide-

(a) a description of the **GDB's** services that fall within it, including-

(i) its key service features and specifications;

(ii) the identity of the intended **consumers** of the services;

(iii) the processes used to determine the features and specifications of each service; and

(iv) any material changes to the services proposed for the **next period**;

(b) the **service measures**, including a description as to how these have been defined, relating to-

(i) categories of **consumers**;

(ii) asset performance, asset efficiency and effectiveness;

(iii) efficiency of the **GDB's business** activities; and

(iv) the **GDB's** obligations;

(c) a corresponding target **service level** for each **service measure**;
(d) a description as to how each target **service level**-

(i) was determined, including a description of any **consumer** consultation used to specify it; and
(ii) relates to the **GDB's** relevant **policies**;

(e) a comparison and evaluation of each actual service level achieved for each **disclosure year** in the **current period** against each relevant target service level for each relevant **service measure**, including explanations for all significant variances and, for each significant variance, an explanation of the action being taken or proposed to improve performance; and
(f) details of all proposed changes to the target **service levels** for each **service measure**, including-

(i) the rationale for all proposed changes with reference to relevant **consumer** demands and the **GDB's obligations**; and
(ii) a description of how the proposed changes were taken into account in preparing the **CPP proposal**.

D5 Network asset information

(1) Provide details of the **GDB's** existing **network** assets including-

(a) a high-level description of the distribution area that includes-

(i) identification of the distribution area(s) covered;
(ii) identification of large **consumers** that have a significant impact on **network** operations or asset management priorities;
(iii) a description of the demand characteristics for different parts of the **network**; and
(iv) the peak demand and total quantity of gas delivered in each **disclosure year** of the **current period**, broken down by geographically non-contiguous network, if any;

(b) a description of the existing **network** configuration, including-

(i) identification of gate stations;
(ii) existing **supply** capacity and current peak demand of each gate station;
(iii) a description of the **network** fed from the gate stations, including identification and capacity of pressure reducing stations and operating pressure of the individual sections of the **network**; and
(iv) an overview of secondary assets such as SCADA and telecommunications systems;

(c) a description of the existing **network** assets by **asset category**, including-

(i) pressure levels;
(ii) a description and quantity of assets;
(iii) age profiles;

(iv) a discussion of the condition of the assets, further broken down as appropriate, including historic failure rates; and
(v) identification of any relevant systemic issues that may lead to the need to prematurely replace assets or parts of assets;

(d) the sum of **regulated service asset values** by **asset category** consistent with those most disclosed by the **GDB** prior to making the **CPP application** in respect of the most recently completed **disclosure year** pursuant to the Gas (Information Disclosure) Regulations 1997 or an **ID determination**; and
(e) at the **GDB**'s option, a sum of **regulated service asset values** by any **asset category** sub-category (as 'sub-category' is defined by the **GDB**).

(2) For the purpose of subclause (1)-

(a) where information is based on estimates, this must be explicitly stated; and
(b) quantities of assets must be presented in a way that clearly describes the size of the regulatory asset base, but need not include detailed lists or schedules as would be included in a complete asset register or inventory.

D6 Demand and consumer number forecasts

(1) For each **key assumption** relating to maximum demand, gas **supplied** or **consumer** numbers-

(a) explain how it was relied upon in the **CPP proposal**;
(b) provide-

(i) an outline of the treatment of any **consumer** demands directly connected to the **network**, uncertain demands and significant demands transferred, or expected to be transferred, between different parts of the **network**.
(ii) assumptions of **consumer** numbers in total and by the **consumer** categories used by the **GDB**;
(iii) assumptions of energy volumes **supplied** to **consumers** by each category referred to in sub-paragraph (ii); and
(iv) assumptions relating to average **consumer** energy usage by each category referred to in sub-paragraph (ii).

(2) For each **key assumption** that is a demand forecast-

(a) describe the methodology used to prepare it (to at least gas station level), including-

(i) any sensitivity analysis undertaken; and
(ii) the models used (including each model's key inputs and assumptions);

(b) describe and explain it in respect of each **disclosure year** in the **next period** by reference to each **demand group**; and
(c) explain the extent to which the forecasting methodology used is consistent with-

(i) and has taken into account historical observations; and
(ii) the methodology used to derive the forecast quantities as required by clause 5.3.4(7).

D7 Capital expenditure

(1) For each **capex category** included in the **capex forecast**-

(a) provide an overall description including the aims and objectives of the **capex category**;
(b) provide an explanation as to its **deliverability**, with reference to factors likely to affect the **capex category** as a whole; and
(c) identify all relevant documents, **policies** and consultant's reports that were taken into account in preparing the **capex forecast**.

(2) For each **identified programme** included in the **capex forecast**-

(a) provide an overall description including the aims and objectives of the **identified programme**;
(b) provide an explanation as to its **deliverability**, with reference to factors likely to specifically affect that **identified programme**;
(c) provide details of all contingency factors provided for, including how they were calculated and what uncertainties they account for;
(d) state-

(i) each relevant **key assumption**;
(ii) each relevant **obligation**; and
(iii) any step change and its effect on the **capex forecast** for the **identified programme**;

(e) explain all departures from any conclusions and recommendations contained in each consultant's report identified in accordance with subclause (1)(c); and
(f) explain the methodology used to generate the **capex forecast** for the **identified programme**, including but not limited to details regarding-

(i) any cost benchmarking undertaken by or for the **GDB**;
(ii) internal historical cost trends (for specific **asset categories**) relied upon;
(iii) material changes to work backlogs;
(iv) all **network** alternative projects and/or programmes considered;
(v) all cost-benefit analyses undertaken;
(vi) all contingency factors provided for, including how they were calculated and what uncertainties they account for; and
(vii) any step change from historical costs in any cost component included in the **identified programme** and its effect on the **capex forecast**.

(3) For each **policy** identified in response to subclause (1)(c), explain-

(a) how it was taken into account and complied with; and
(b) how relevant **planning standards** have been incorporated.

(4) For each **key assumption** identified in accordance with subclause (2)(d)(i)-

(a) provide the method and information used to develop the assumption; and
(b) explain how the assumption has been applied and its effect on the **capex forecast**.

(5) Where any **identified programme**, other than a **project** or **programme** to be undertaken for the foreseeable future, is forecast to terminate after the end of the **next period**, in addition to the information required by subclause (2), provide any additional information relevant to **capex forecast** to the end of the **identified programme**.

(6) For each **project** and **programme** (other than **identified programmes**) included in the **capex forecast**-

(a) explain-

(i) how each relevant **policy** identified in response to subclause (1)(c) was taken into account and complied with; and
(ii) how the relevant **planning standards** have been incorporated; and

(b) provide details of all contingency factors provided for, including how they were calculated and what uncertainties they account for.

D8 System growth capital expenditure information

For **system growth capex**, provide-

(a) a description of the relevant **planning standards** and relevant **key assumptions**;
(b) a description of the prioritisation methodology adopted for system growth **projects** and **programmes**;
(c) details of the specific **network** locations where constraints are expected due to forecast demand increases;
(d) relevant **policies** for purchasing **land** and **easements** for future use;
(e) where rationale is not already included in the **policy** documents, rationale for the **policies** provided in accordance with paragraphs (a) and (d);
(f) an analysis of the **network** development options available;
(g) details of the planning decisions made to meet each relevant target **service level**; and
(h) a description and identification of the system growth **programme** including-

(i) actions to be taken, including clear linkages to the forecast expenditures in each of the associated **projects** and **programmes**;
(ii) a detailed description of each **project** in the **capex forecast** that has commenced or is **committed**; and
(iii) a description of each **project** that is not **committed** but is planned to commence in the **next period**, the information being provided to be commensurate with the **project's** current status in the planning process.

D9 Asset replacement and renewal capital expenditure information

(1) For **asset replacement and renewal capex** provide-

(a) a description of the relevant **policies** and **key assumptions** relating to the circumstances in which **capex** should be incurred based on-

(i) the age or reliability profile of an asset by comparison with the condition of an asset and vice versa; and

(ii) replacement of an asset rather than renewing it and vice versa;

(b) where rationale is not already included in the **policy** documents, the rationale for the **policies** and **key assumptions** provided in accordance with paragraph (a);

(c) any asset replacement models developed by or for the **GDB** to determine **asset replacement and renewal capex**, including-

(i) all supporting documentation for the models used; and

(ii) any other relevant considerations; and

(d) a description and identification of replacement and renewal **programmes** or actions to be taken for each **asset category**.

(2) Explain whether and how the matters provided and identified in accordance with subclause (1)-

(a) were taken into account in the **capex forecast**; and

(b) affected forecast **asset replacement and renewal capex** by comparison with the equivalent **actual capex** incurred.

(3) Explain how any proposed system growth associated with the replacement of assets before the end of their **asset life** has been taken into account in the **asset replacement and renewal capex** for the **next period**.

D10 Reliability, safety and environment capital expenditure information

For **reliability, safety and environment capex**-

(a) describe the implications (including timing) of complying with any-

(i) new **obligation**; or

(ii) substantive amendment to any current such **obligation** that is reasonably anticipated to occur during the **next period**,

concerned with safety or environmental protection relevant to the **supply** of **gas distribution services** by the **GDB**;

(b) explain how these new obligations or substantive amendments to **obligations** have been taken into account in the **CPP proposal**;

(c) describe-

(i) the relevant risk management **policies**;

(ii) risk assessments and risk mitigation or risk prevention measures employed during the **current period**, including those pursuant to or in response to an **obligation** or a step change to an **obligation**; and

(iii) all risk mitigation measures identified and proposed to be deployed in the **next period**, including methods, details and conclusions of risk assessments and details of emergency response and contingency plans; and

(d) where rationale is not already included in the **policy** documents provide the rationale for the **policies** provided in accordance with paragraph (c).

D11 Non-system fixed assets capital expenditure information

For **non-system fixed assets capex** in the **capex forecast** provide the rationale for the expenditure in the largest two of the following expenditure categories by dollar value:

(a) asset management systems;
(b) information and technology systems;
(c) motor vehicles;
(d) office buildings, depots and workshops;
(e) office furniture and equipment; and
(f) tools, plant and machinery.

D12 Operating and maintenance expenditure

(1) For each **opex category** included in the **opex forecast**-

(a) provide an overall description including the aims and objectives of the **opex category**;

(b) provide an explanation as to its **deliverability**, with reference to factors likely to affect the **opex category** as a whole; and

(c) identify all relevant documents, **policies** and consultants' reports that were taken into account in preparing the **opex forecast**.

(2) For each **identified programme** included in the **opex forecast**-

(a) provide-

(i) an overall description including the aims and objectives of the **identified programme**;

(ii) an explanation as to its **deliverability**, with reference to factors likely to affect that **identified programme** specifically; and

(iii) details of all contingency factors provided for, including how they were calculated and what uncertainties they account for;

(b) identify-

(i) each relevant **key assumption**;

(ii) each relevant **obligation**; and

(iii) any step change and its effect on the **opex forecast** for the **identified programme**; and

(c) explain-

(i) whether a **base year approach** was used in forecasting, and if so, identify the **base year** used and, if it is not a year in the **current period** (for which data will have been provided), provide the relevant data from that **base year**;

(ii) all departures from any conclusions and recommendations contained in each consultant's report identified in accordance with subclause (1)(c); and

(iii) the methodology used to generate the **opex forecast** for the **identified programme**.

(3) For the purpose of subclause (2)(c)(iii), such methodology must include, as a minimum, details regarding-

(a) any cost benchmarking undertaken by or for the **GDB**;
(b) internal historical cost trends (for specific asset categories) relied upon;
(c) descriptions of inspections, tests and condition monitoring carried out and the intervals at which they were done;
(d) material changes to work backlogs;
(e) alternative **programmes** considered;
(f) all cost-benefit analyses undertaken;
(g) all contingency factors provided for, including how they were calculated and the uncertainties they account for;
(h) any step change from historical costs in any cost component included in the **identified programme** and its effect on the **opex forecast**; and
(i) how the **service measures** identified in accordance with clause D4(b) were taken into account.

(4) For each relevant **policy** identified in response to subclause (1)(c), explain-

(a) how it was taken into account and complied with; and
(b) how the relevant **planning standards** were incorporated in it.

(5) For each **key assumption** identified in accordance with subclause (2)(b)(i), explain-

(a) the method and information used to develop the assumption; and
(b) how the assumption has been applied and its effect on the **opex forecast**.

D13 General management, administration and overheads operating expenditure category

(1) For the **general management, administration and overheads opex category**-

(a) identify-

(i) each relevant **key assumption**;
(ii) each relevant **obligation**; and

(iii) any step change and its effect on the **opex forecast** for this category; and

(b) explain-

(i) whether a **base year approach** was used in forecasting, and if so, identify the **base year** used and, if it is not a year in the **current period** (for which data is required to be provided in a **CPP proposal**), provide the relevant data from that **base year**;

(ii) all departures from any conclusions and recommendations contained in each consultant's report identified in accordance with clause D12(1)(c); and

(iii) the methodology used to generate the **opex forecast** for this category.

(2) For the purpose of subclause (1)(b)(iii), such methodology must include, as a minimum, details regarding-

(a) any cost benchmarking undertaken by or for the **GDB**;

(b) internal historical cost trends relied upon;

(c) all contingency factors provided for, including how they were calculated and the uncertainties they account for; and

(d) the effect of any step change on the costs in the **general management, administration and overheads opex category**.

(3) For each relevant **policy** identified in the response to clause D12(1)(c) explain how it was taken into account and complied with.

(4) For each **key assumption** identified in accordance with subclause (1)(a)(i), explain-

(a) the method and information used to develop the assumption; and

(b) how the assumption has been applied and its effect on the **opex forecast** for this **opex category**.

D14 Operating expenditure projects and programmes

For each **project** and **programme** (other than **identified programmes**) included in the **opex forecast**-

(a) explain how each of the relevant **policies** identified in the response to clause D12(1)(c) was taken into account and complied with;

(b) explain how the relevant **planning standards** have been incorporated; and

(c) provide details of all contingency factors provided for, including how they were calculated and what uncertainties they account for.

D15 Self-insurance

(1) For any proposed self-insurance allowance-

(a) provide-

(i) a description of the uncertainties covered by the allowance;

(ii) the methodology used to calculate the self-insurance risk premium (e.g. probability multiplied by consequence);
(iii) a report on the calculation of each self-insurance risk premium from an actuary who is qualified to provide such advice; and
(iv) any quotes obtained from external insurers; and

(b) explain why compensation should be provided for the uncertainty.

(2) In respect of each quote provided in accordance with subclause (1)(a)(iv)-

(a) state-

(i) the amount insured for which the quote related (if not included in the quote itself);
(ii) the annual premium payable or paid by the **GDB**;
(iii) the size of any deductible;
(iv) the terms and conditions of the insurance; and
(v) why it is not considered suitable.

(3) Explain whether and, if so, how the costs of remediating the effects of each uncertainty for which the allowance is sought may be recovered through any other mechanism.

D16 Controllable opex

For each **disclosure year** of the **next period** provide-

(a) a description of the types of **opex** comprised in the forecast for controllable opex; and
(b) justification for why the **opex** referred to in paragraph (a) should be determined as controllable opex, including a description of how the **GDB** is able to control the amount of **opex** over the **CPP regulatory period**.

D17 Related parties

(1) Identify and describe all **related parties** in respect of whom costs are disclosed in accordance with the **regulatory templates**.
(2) For each **person** to whom subclause (1) applies identify each **project** or **programme** with which he, she or it is associated.
(3) For each **person** to whom subclause (1) applies, describe, in respect of each relevant **project** and **programme** the-

(a) nature of the **services** undertaken by that **person**; and
(b) the date and term of the contract in respect of that **service**.

(4) For each **service** identified in accordance with subclause (3)(a)-

(a) provide a description of the tendering process used to procure the **service**;
(b) identify all relevant documents used to tender for its provision, including but not limited to requests for tender and tender submissions; and
(c) explain-

(i) why that **service** is outsourced instead of being undertaken by the **GDB** itself;
(ii) whether the **services** procured are provided under a discrete contract or provided as part of a broader operational contract (or similar);
(iii) whether the **service** was procured on a genuinely competitive basis and if not, why not; and
(iv) whether the **service** (or any component thereof) was sub-contracted to another provider.

(5) For each contract identified in accordance with subclause (3)(b), identify methodologies, consultants' reports, or assumptions used to determine components of the costs included in the contract price.

D18 Unit costs and expenditure escalators

(1) For each **key assumption** that is a unit rate-

(a) identify-

(i) source material from which it was derived;
(ii) the date it was developed; and
(iii) the historical unit rates adopted for key items of plant and equipment for the **capex forecast** and the **opex forecast**; and

(b) explain-

(i) how it was developed with reference to the responses to paragraph (a); and
(ii) whether, and if so an explanation as to why, its quantum is reasonable.

(2) For each **key assumption** that is a labour or materials escalator-

(a) provide the class of labour and materials to which each escalator relates;
(b) provide-

(i) the **base year** and the labour and materials unit rates for that year;
(ii) the escalator used in percentage terms for each year from the **base year** to the end of the **next period**;
(iii) the quantum of the labour costs in the **capex forecast** and the **opex forecast** which is the result of application of the labour escalator;
(iv) the quantum of the materials costs in the **capex forecast** and the **opex forecast** which is the result of application of the materials escalator; and
(v) confirmation of whether the escalator used is expressed in real or nominal terms and, if real, the indexation assumptions used; and

(c) explain-

(i) the methodology underlying the calculation of each escalator, including sources, data conversions and the use of any assumptions, including lags;

(ii) the weightings given to each escalator and how these weightings were developed, including any assumptions;
(iii) whether the same expenditure escalators have been used in the **capex forecast** and **opex forecast**;
(iv) where the response to sub-paragraph (iii) is no, why different expenditure escalators were applied, using supporting evidence; and
(v) whether, in applying the relevant labour or material escalator, additional contingency factors have been applied and, if so, what uncertainties they account for and how they were calculated.

D19 Contingent project information

(1) For each proposed **contingent project**-

(a) provide-

(i) an overall description including the aims and objectives of the **project**;
(ii) a completed **regulatory template** for **capex forecast** and **opex forecast** using the best available information to hand; and
(iii) information as to how the **project** satisfies the criteria specified in clause 5.7.10(2);

(b) propose a **trigger event** and explain how the event meets the requirements of clause 5.7.10(3);

(c) provide-

(i) all relevant documents (including **policies** and consultants' reports) that were taken into account in preparing the **capex forecast** and **opex forecast** for the **contingent project**, including those that relate to its **deliverability**;
(ii) each relevant **key assumption**; and
(iii) each relevant **obligation**;

(d) explain-

(i) all departures from any conclusions and recommendations contained in each consultant's report identified in accordance with paragraph (c)(i); and
(ii) the methodology used to generate the **capex forecast** and **opex forecast** for the proposed **contingent project**;

(e) explain for each **policy** identified in response to paragraph (c)(i)-

(i) how it was taken into account and complied with; and
(ii) how the relevant planning standards were incorporated; and

(f) describe for each **key assumption** identified in accordance with paragraph (c)(ii)-

(i) the method and information used to develop the assumption; and

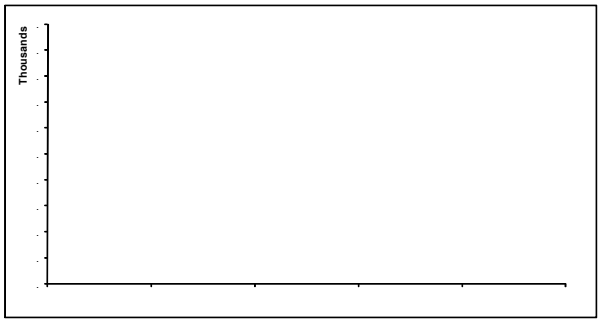
(ii) how it has been applied and its effect on the **capex** and **opex**.

(2) Where any proposed **contingent project** is likely to terminate after the end of the **next period**, in addition to the information required by subclause (1), provide any additional information relevant to forecast **capex** and forecast **opex** to the end of the **contingent project**.

SCHEDULE E CAPITAL AND OPERATING EXPENDITURE - REGULATORY TEMPLATES

Table 1: Top 5

Top Five Capex Projects		
Rank	Project name	$000
1		
2		
3		
4		
5		



Top Five Opex Projects		
Rank	Project name	$000
1		
2		
3		
4		
5		

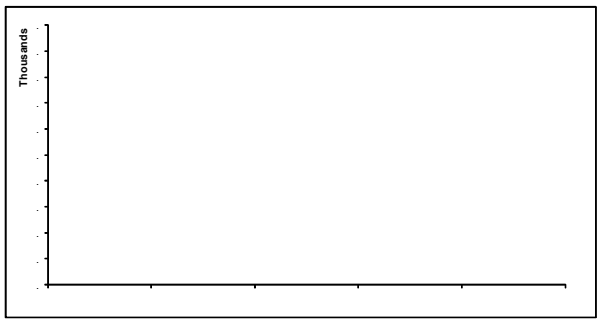


Table 2: Capex Summary

Service Categories	Related Capex Categories	Assessment Period		Regulatory Period					Total
		Year 1	Year 2	Year 1	Year 2	Year 3	Year 4	Year 5	
(a) Provide and operate network infrastructure between connection points and deliver gas through the network	Customer Connection	-	-	-	-	-	-	-	-
	System Growth	-	-	-	-	-	-	-	-
	Reliability, Safety and Environment	-	-	-	-	-	-	-	-
	Asset Replacement and Renewal	-	-	-	-	-	-	-	-
	Asset Relocations	-	-	-	-	-	-	-	-
	Non-System Fixed Assets	-	-	-	-	-	-	-	-
	Subtotal	-	-	-	-	-	-	-	-
(b) Provide connection services, including changes of connection point capacity and/or reliability	Customer Connection	-	-	-	-	-	-	-	-
	System Growth	-	-	-	-	-	-	-	-
	Reliability, Safety and Environment	-	-	-	-	-	-	-	-
	Asset Replacement and Renewal	-	-	-	-	-	-	-	-
	Asset Relocations	-	-	-	-	-	-	-	-
	Non-System Fixed Assets	-	-	-	-	-	-	-	-
	Subtotal	-	-	-	-	-	-	-	-
(c) Provide for rearrangement of network assets at 3rd party request	Customer Connection	-	-	-	-	-	-	-	-
	System Growth	-	-	-	-	-	-	-	-
	Reliability, Safety and Environment	-	-	-	-	-	-	-	-
	Asset Replacement and Renewal	-	-	-	-	-	-	-	-
	Asset Relocations	-	-	-	-	-	-	-	-
	Non-System Fixed Assets	-	-	-	-	-	-	-	-
	Subtotal	-	-	-	-	-	-	-	-
(d) Optionally, provide an additional service (or services if necessary) to those listed in (a) – (c), specified by the CPP applicant	Customer Connection	-	-	-	-	-	-	-	-
	System Growth	-	-	-	-	-	-	-	-
	Reliability, Safety and Environment	-	-	-	-	-	-	-	-
	Asset Replacement and Renewal	-	-	-	-	-	-	-	-
	Asset Relocations	-	-	-	-	-	-	-	-
	Non-System Fixed Assets	-	-	-	-	-	-	-	-
	Subtotal	-	-	-	-	-	-	-	-
	Total Capex	-	-	-	-	-	-	-	-

Table 3: Opex Summary

Table 3(a):

Total Opex									
Service Categories	Related Opex Categories	Assessment Period		Regulatory Period					
		Year 1	Year 2	Year 1	Year 2	Year 3	Year 4	Year 5	Total
(a) Provide and operate network infrastructure between connection points and deliver gas through the network	System Management and Operations	-	-	-	-	-	-	-	-
	Routine and Preventative Maintenance	-	-	-	-	-	-	-	-
	Refurbishment and Renewal Maintenance	-	-	-	-	-	-	-	-
	Fault and Emergency Maintenance	-	-	-	-	-	-	-	-
	Other	-	-	-	-	-	-	-	-
	Subtotal	-	-	-	-	-	-	-	-
(b) Provide connection services, including changes of connection point capacity and/or reliability	System Management and Operations	-	-	-	-	-	-	-	-
	Routine and Preventative Maintenance	-	-	-	-	-	-	-	-
	Refurbishment and Renewal Maintenance	-	-	-	-	-	-	-	-
	Fault and Emergency Maintenance	-	-	-	-	-	-	-	-
	Other	-	-	-	-	-	-	-	-
	Subtotal	-	-	-	-	-	-	-	-
(c) Provide for rearrangement of network assets at 3rd party request	System Management and Operations	-	-	-	-	-	-	-	-
	Routine and Preventative Maintenance	-	-	-	-	-	-	-	-
	Refurbishment and Renewal Maintenance	-	-	-	-	-	-	-	-
	Fault and Emergency Maintenance	-	-	-	-	-	-	-	-
	Other	-	-	-	-	-	-	-	-
	Subtotal	-	-	-	-	-	-	-	-
(d) Optionally, provide an additional service (or services if necessary) to those listed in (a) – (c), specified by the CPP applicant	System Management and Operations	-	-	-	-	-	-	-	-
	Routine and Preventative Maintenance	-	-	-	-	-	-	-	-
	Refurbishment and Renewal Maintenance	-	-	-	-	-	-	-	-
	Fault and Emergency Maintenance	-	-	-	-	-	-	-	-
	Other	-	-	-	-	-	-	-	-
	Subtotal	-	-	-	-	-	-	-	-
	General Management, Administration and Overheads	-	-	-	-	-	-	-	-
	Total Opex	-	-	-	-	-	-	-	-

Table 3(b):

Controllable Opex									
Service Categories	Related Opex Categories	Assessment Period		Regulatory Period					Total
		Year 1	Year 2	Year 1	Year 2	Year 3	Year 4	Year 5	
(a) Provide and operate network infrastructure between connection points and deliver gas through the network	System Management and Operations	-	-	-	-	-	-	-	-
	Routine and Preventative Maintenance	-	-	-	-	-	-	-	-
	Refurbishment and Renewal Maintenance	-	-	-	-	-	-	-	-
	Fault and Emergency Maintenance	-	-	-	-	-	-	-	-
	Other	-	-	-	-	-	-	-	-
	Subtotal	-	-	-	-	-	-	-	-
(b) Provide connection services, including changes of connection point capacity and/or reliability	System Management and Operations	-	-	-	-	-	-	-	-
	Routine and Preventative Maintenance	-	-	-	-	-	-	-	-
	Refurbishment and Renewal Maintenance	-	-	-	-	-	-	-	-
	Fault and Emergency Maintenance	-	-	-	-	-	-	-	-
	Other	-	-	-	-	-	-	-	-
	Subtotal	-	-	-	-	-	-	-	-
(c) Provide for rearrangement of network assets at 3rd party request	System Management and Operations	-	-	-	-	-	-	-	-
	Routine and Preventative Maintenance	-	-	-	-	-	-	-	-
	Refurbishment and Renewal Maintenance	-	-	-	-	-	-	-	-
	Fault and Emergency Maintenance	-	-	-	-	-	-	-	-
	Other	-	-	-	-	-	-	-	-
	Subtotal	-	-	-	-	-	-	-	-
(d) Optionally, provide an additional service (or services if necessary) to those listed in (a) – (c), specified by the CPP applicant	System Management and Operations	-	-	-	-	-	-	-	-
	Routine and Preventative Maintenance	-	-	-	-	-	-	-	-
	Refurbishment and Renewal Maintenance	-	-	-	-	-	-	-	-
	Fault and Emergency Maintenance	-	-	-	-	-	-	-	-
	Other	-	-	-	-	-	-	-	-
	Subtotal	-	-	-	-	-	-	-	-
	General Management, Administration and Overheads	-	-	-	-	-	-	-	-
	Total - Controllable Opex	-	-	-	-	-	-	-	-

Table 3(c):

All other Opex									
Service Categories	Related Opex Categories	Assessment Period		Regulatory Period					Total
		Year 1	Year 2	Year 1	Year 2	Year 3	Year 4	Year 5	
(a) Provide and operate network infrastructure between connection points and deliver gas through the network	System Management and Operations	-	-	-	-	-	-	-	-
	Routine and Preventative Maintenance	-	-	-	-	-	-	-	-
	Refurbishment and Renewal Maintenance	-	-	-	-	-	-	-	-
	Fault and Emergency Maintenance	-	-	-	-	-	-	-	-
	Other	-	-	-	-	-	-	-	-
	Subtotal	-	-	-	-	-	-	-	-
(b) Provide connection services, including changes of connection point capacity and/or reliability	System Management and Operations	-	-	-	-	-	-	-	-
	Routine and Preventative Maintenance	-	-	-	-	-	-	-	-
	Refurbishment and Renewal Maintenance	-	-	-	-	-	-	-	-
	Fault and Emergency Maintenance	-	-	-	-	-	-	-	-
	Other	-	-	-	-	-	-	-	-
	Subtotal	-	-	-	-	-	-	-	-
(c) Provide for rearrangement of network assets at 3rd party request	System Management and Operations	-	-	-	-	-	-	-	-
	Routine and Preventative Maintenance	-	-	-	-	-	-	-	-
	Refurbishment and Renewal Maintenance	-	-	-	-	-	-	-	-
	Fault and Emergency Maintenance	-	-	-	-	-	-	-	-
	Other	-	-	-	-	-	-	-	-
	Subtotal	-	-	-	-	-	-	-	-
(d) Optionally, provide an additional service (or services if necessary) to those listed in (a) – (c), specified by the CPP applicant	System Management and Operations	-	-	-	-	-	-	-	-
	Routine and Preventative Maintenance	-	-	-	-	-	-	-	-
	Refurbishment and Renewal Maintenance	-	-	-	-	-	-	-	-
	Fault and Emergency Maintenance	-	-	-	-	-	-	-	-
	Other	-	-	-	-	-	-	-	-
	Subtotal	-	-	-	-	-	-	-	-
	General Management, Administration and Overheads	-	-	-	-	-	-	-	-
	Total - All Other Opex	-	-	-	-	-	-	-	-

Table 4: Capex Project Programme

INPUT METHODOLOGIES QUANTITATIVE INFORMATION TEMPLATE - GAS DISTRIBUTION	
Project/Programme Name[1]	
Project/Programme Description	
Policy reference	
Service Category	Select one
Capex Category	Select one

Denotes a user input cell

Asset Category	Asset Type[2]	Current Period					Assessment Period		Regulatory Period					Total
		Year – 4	Year – 3	Year – 2	Year – 1	Year 0	Year 1	Year 2	Year 1	Year 2	Year 3	Year 4	Year 5	
Distribution pipelines	Mains - Intermediate Pressure													$ -
	Mains - Medium Pressure													$ -
	Mains - Low Pressure													$ -
	Services													$ -
	Subtotal	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Stations	Gate Stations													$ -
	Pressure Reducing Stations													$ -
														$ -
	Subtotal	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Valves														$ -
														$ -
														$ -
	Subtotal	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
SCADA / Control Systems	Master Stations													$ -
	Telecommunications systems													$ -
														$ -
	Subtotal	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Network spares														$ -
														$ -
														$ -
	Subtotal	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Other														$ -
														$ -
														$ -
	Subtotal	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Project/Programme		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

[1] A copy of this form must be completed for each additional project/programme
[2] Breakdown may be replaced with asset types in use by the applicant and expanded to include other asset types

Denotes a user input cell

Project costs by source	Current Period					Assessment Period		Regulatory Period				
	Year – 4	Year – 3	Year – 2	Year – 1	Year 0	Year 1	Year 2	Year 1	Year 2	Year 3	Year 4	Year 5
GDB												
Related party												
Other sources												
Total Project/Programme	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Table 5: Opex Project Programme

INPUT METHODOLOGIES QUANTITATIVE INFORMATION TEMPLATE - GAS DISTRIBUTION	
Project/Programme Name[1]	
Project/Programme Description	
Policy reference	
Service Category	Select one
Opex Category	Select one

Denotes a user input cell

Asset Category	Asset Type[2]	Current Period					Assessment Period		Regulatory Period					Total
		Year – 4	Year – 3	Year – 2	Year – 1	Year 0	Year 1	Year 2	Year 1	Year 2	Year 3	Year 4	Year 5	
Distribution pipelines	Mains - Intermediate Pressure													$ -
	Mains - Medium Pressure													$ -
	Mains - Low Pressure													$ -
	Services													$ -
	Subtotal: Controllable opex													$ -
	Subtotal: All other opex													$ -
	Subtotal	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Stations	Gate Stations													$ -
	Pressure Reducing Stations													$ -
														$ -
	Subtotal: Controllable opex													$ -
	Subtotal: All other opex													$ -
	Subtotal	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Valves														$ -
														$ -
														$ -
	Subtotal: Controllable opex													$ -
	Subtotal: All other opex													$ -
	Subtotal	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
SCADA / Control Systems	Master Stations													$ -
	Telecommunications systems													$ -
														$ -
	Subtotal: Controllable opex													$ -
	Subtotal: All other opex													$ -
	Subtotal	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Network spares														$ -
														$ -
														$ -
	Subtotal: Controllable opex													$ -
	Subtotal: All other opex													$ -
	Subtotal	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Other														$ -
														$ -
														$ -
	Subtotal: Controllable opex													$ -
	Subtotal: All other opex													$ -
	Subtotal	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	Subtotal: Controllable opex	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	Subtotal: All other opex	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	Total Project/Programme	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

[1] A copy of this form must be completed for each additional project/programme
[2] Breakdown may be replaced with asset types in use by the applicant and expanded to include other asset types

Denotes a user input cell

Project costs by source	Current Period					Assessment Period		Regulatory Period				
	Year – 4	Year – 3	Year – 2	Year – 1	Year 0	Year 1	Year 2	Year 1	Year 2	Year 3	Year 4	Year 5
GDB												
Related party												
Other sources												
Total Project/Programme	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Table 6: Overheads

INPUT METHODOLOGIES
QUANTITATIVE INFORMATION TEMPLATE

Opex Category	General Management, Administration and Overheads

Denotes a user input cell

Expenditure Type[1]		Current Period					Assessment Period		Regulatory Period					Total
		Year – 4	Year – 3	Year – 2	Year – 1	Year 0	Year 1	Year 2	Year 1	Year 2	Year 3	Year 4	Year 5	
Corporate management	Controllable opex													$ -
	All other opex													$ -
	Total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Human resources	Controllable opex													$ -
	All other opex													$ -
	Total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Accounting	Controllable opex													$ -
	All other opex													$ -
	Total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Finance	Controllable opex													$ -
	All other opex													$ -
	Total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Information technology	Controllable opex													$ -
	All other opex													$ -
	Total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Procurement	Controllable opex													$ -
	All other opex													$ -
	Total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Property	Controllable opex													$ -
	All other opex													$ -
	Total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Legal	Controllable opex													$ -
	All other opex													$ -
	Total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Regulation	Controllable opex													$ -
	All other opex													$ -
	Total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Occupational health and safety	Controllable opex													$ -
	All other opex													$ -
	Total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Insurance paid to an insurer	Controllable opex													$ -
	All other opex													$ -
	Total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total: Controllable opex		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total: All other opex		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Opex Category		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

[1] Breakdown may be replaced with expenditure types in use by the applicant but within the definition of the opex category for general management, administration and overheads

Table 7: Unit Rate Escalators

INPUT METHODOLOGIES UNIT COST ESCALATOR TEMPLATE	
Escalator Name	[Name]
Escalator Description[1]	[Description]
Key Assumption Reference	[Reference]
Assessment Period Year 1	[Year ended]
Base Year	[Year ended]
Unit Rate in Base Year	
No. Years Applicable (after base year)	

Denotes a user input cell

Unit Cost Item	Current Period				Assessment Period		Regulatory Period				
	Year – 4	Year – 3	Year – 2	Year – 1	Year 1	Year 2	Year 1	Year 2	Year 3	Year 4	Year 5
[Name]											
Yearly escalators (% over previous year)											
Unit Rate											
Volume											
Quantum of costs											

[1] A copy of this form must be completed for each additional escalator applied

SCHEDULE F ENGAGEMENT OF A VERIFIER

F1 Proposing a verifier

Before submitting a **CPP proposal**, a **CPP applicant** must, by notice in writing to the **Commission**-

(a) propose a **person** (or a selection of **persons** for the **Commission** to choose from) to act as a **verifier**; and

(b) provide the information specified in clauses F2 and F3 in respect of each proposed verifier.

F2 Independence

(1) Reasons why the **CPP applicant** considers that each proposed verifier is **independent**.

(2) A written statement signed by the proposed verifier-

(a) confirming that-

(i) his, her or its involvement in the formulation of the **CPP proposal** has not extended and will not extend beyond acting in accordance with Schedule G;

(ii) he, she or it has not acted and will not act as an **auditor** pursuant to clause 5.6.3 in respect of the **CPP proposal**; and

(iii) he, she or it has no direct or indirect pecuniary or other interest in the success or failure of the **CPP proposal**, including any entitlement to a success fee, contingency fee, or remuneration other than a fee for providing a **verification report**; and

(b) explaining the extent of any-

(i) ongoing role he, she or it has as **auditor** of, or advisor to, the **CPP applicant**, (on matters unrelated to the **CPP proposal**) including any advisory activities which the **verifier** may expect to undertake for the **CPP applicant** during the **next period** in relation to the **CPP applicant's capex** and **opex** and the existing or expected basis of remuneration for such activities; and

(ii) prior or existing relationship (whether professional or otherwise) that he, she or it has had with the **CPP applicant** during the **current period** in relation to the **CPP applicant's capex** and **opex** and the basis of remuneration for such activities.

F3 Qualifications and experience

(1) Reasons why the **CPP applicant** considers that each proposed verifier is sufficiently qualified and experienced to assess and report on the **CPP proposal** in accordance with the tasks and duties specified in Schedule G.

(2) A written statement signed by each proposed verifier explaining the nature and extent of his, her or its qualifications and experience relevant to assessing and reporting on the **CPP proposal** in accordance with the tasks and duties specified in Schedule G.

F4 Commission's assessment

(1) The **Commission** must notify the **CPP applicant** no later than 10 **working days** after receiving a notification in accordance with clause F1 as to whether it approves the proposed verifier.

(2) If the **Commission** does not approve a proposed verifier-

(a) it must provide reasons for this decision; and

(b) the **CPP applicant** may propose an alternative verifier in accordance with clause F1.

(3) If the **Commission** approves a proposed verifier, the **CPP applicant** may engage that person, as soon as practicable, in accordance with clause F6.

(4) The **Commission's** approval of a proposed verifier remains valid until the **Commission** has completed its assessment of the **CPP proposal**.

F5 Summary of intended CPP proposal

(1) Before the **verifier** enters into a deed with the **Commission** as described in clause F6, the **CPP applicant** must provide the **Commission** with a high-level summary of the intended **CPP proposal** ('Summary of intended CPP proposal'), including-

(a) a high-level description of its rationale for seeking a **CPP** and a brief explanation of the key **projects** or **programmes** that are linked to this rationale;

(b) when it proposes the intended **CPP proposal** to take effect as a **CPP**;

(c) its estimated **capex** forecast and estimated **opex** forecast for the intended **CPP proposal**;

(d) the indicative impact on **prices** and quality standards of the intended **CPP proposal**;

(e) how it intends to consult **consumers** on the intended **CPP proposal**; and

(f) any other information it considers would assist the **Commission's** planning for the **Commission's** assessment of the intended **CPP proposal**.

(2) With the agreement of the **Commission**, the requirements in subclause (1) may be satisfied by way of the record of a workshop with the **Commission**.

F6 Engaging the verifier

(1) If the **Commission** approves a proposed verifier, the approved **person** may not undertake any service in relation to the **CPP applicant's CPP proposal** unless it has entered into a deed with the **Commission**.

(2) For the purpose of subclause (1), terms of the deed must-

(a) require the **CPP applicant** to-

(i) provide the **verifier** with the information specified in and in accordance with clause 5.6.2(3); and

(ii) pay any fee charged by the **verifier** for verifying the relevant parts of the **CPP proposal** in accordance with his, her or its engagement and F1;

(b) impose an overriding duty on the **verifier** to assist the **Commission** as an **independent** expert on relevant matters within the **verifier's** area of technical expertise, with particular reference to aspects of **capex**, **opex** and service quality of the **CPP applicant's** business;

(c) require the **verifier** to-

(i) verify the relevant parts of the **CPP proposal** in accordance with the terms of his, her or its engagement and F1;

(ii) notify the **CPP applicant** of the **verifier's** selection of **identified programmes**;

(iii) prepare a draft verification report in accordance with F1 and provide it to the **CPP applicant**;

(iv) prepare a **verification report** in accordance with F1 that takes account of any modifications to the information originally provided to the **verifier** in light of the **CPP applicant's** consideration of the draft verification report;

(v) provide, upon request by the **CPP applicant**, a certificate as described in clause 5.1.3(1)(d); and

(vi) be available to answer any questions posed by the **Commission** on the **verification report**, in person, by telephone or in writing, as reasonably required by the **Commission**;

(d) enable the **verifier** to request, for the purpose of carrying out his, her or its duties specified in paragraph (c), provision by the **CPP applicant** of-

(i) information required by Schedule D to be identified (but not provided) in a **CPP proposal**;

(ii) the information specified in subclause (3); and

(e) include a communication protocol in accordance with subclause (5).

(3) The information specified for the purpose of subclause (2)(d)(ii) is any other information relevant-

(i) for the purpose of subclause (2)(c)(i);

(ii) to **gas distribution services;**

(iii) to any other **regulated service** relevant to the **CPP proposal**; and

(iv) to any **unregulated service** relevant to the **CPP proposal,**

that the **verifier** considers is relevant to verification.

(4) For the avoidance of doubt-

(a) the deed may contain such other terms that-

(i) the parties agree are necessary for **business** efficacy; and
(ii) are not inconsistent with Schedule F or this Schedule; and

(b) a **CPP applicant** is not required to submit its **CPP proposal** to the **Commission** following completion or its receipt of the **verification report**.

(5) For the purpose of subclause (2)(e), the communication protocol must, as a minimum, require that-

(a) the **Commission** will not, prior to the submission of a **CPP proposal**, view any material that forms part of or supports an intended **CPP proposal** unless the **CPP applicant**-

(i) makes the material available to **consumers**; or
(ii) provides the material to the **Commission**, including an updated 'Summary of intended CPP proposal' as required under subclause (5)(c);

(b) the **verifier** must keep records of all communication between it and the **CPP applicant** where the records include substantive information relied on by the **verifier** in its **verification report**; and

(c) after entering into the deed, but not later than when the **verifier** provides a draft verification report to the **CPP applicant**, the **CPP applicant** must provide the **Commission** with an updated 'Summary of intended CPP Proposal' as described in clause F5 if it has-

(i) changed its rationale for seeking a **CPP** as described in clause F5(1)(a); or
(ii) changed its proposed time for taking effect as described in clause F5(1)(b).

(6) When completing an updated 'Summary of intended CPP Proposal' as described in subclause (5)(c), the **CPP applicant** must clearly identify any changes from its previously provided 'Summary of intended CPP Proposal'.

SCHEDULE G **TERMS OF REFERENCE FOR VERIFIERS**

G1 Interpretation

(1) Words in bold in this schedule that are defined in another schedule bear the same meanings as specified in that other schedule.

(2) Any requirement to provide an opinion, report on or consider a particular matter must be construed as-

(a) requiring consideration only of the material identified by the requirement in question; and

(b) a requirement to provide the opinion or report on the matter in the **verification report**.

G2 Verifier's role, purpose and obligations

The **verifier's** role, purpose and obligations include-

(a) engaging with the **CPP applicant** in an **independent** manner in accordance with this Terms of Reference;

(b) assessing the extent to which the **CPP applicant's policies** allow the **CPP applicant** to meet the **expenditure objective**;

(c) assessing the extent to which the **CPP applicant's policies** have been implemented;

(d) prior to the **Commission's** assessment of the **CPP proposal**, assessing whether the **CPP applicant** has provided the **verifier** with the information specified in clause 5.6.2(3);

(e) prior to the **Commission's** assessment of the **CPP proposal**, providing an opinion to the **CPP applicant** on whether the **CPP applicant's capex forecasts**, **opex forecasts** and **key assumptions** meet the **expenditure objective**;

(f) prior to the **Commission's** assessment of the **CPP proposal**, assessing the extent to which the **CPP applicant** is able to deliver its **capex forecast** and **opex forecast** during the **CPP regulatory period**;

(g) prior to the **Commission's** assessment of the **CPP proposal**, providing an opinion on the extent and effectiveness of the **CPP applicant's** consultation with its **consumers**; and

(h) providing a list of the key issues which it considers the **Commission** should focus on when assessing the **CPP proposal**.

G3 Service categories, measures and levels

The **verifier** must review, assess and report on-

(a) whether the **CPP applicant's service category** definitions appropriately describe all activities undertaken for the purpose of supplying the **regulated services** as demanded by and provided to **consumers**;

(b) whether the reason for any new **service category** is explained;

(c) whether the **CPP applicant** has proposed **service measures** relevant to a complete range of key service attributes that are meaningful and important to **consumers**;
(d) whether the **CPP applicant** has undertaken an appropriate process to determine the **service measures** and **service levels**, such as consultation with relevant **consumers**;
(e) whether any step change in any **service level** is explained and justified; and
(f) the extent and effectiveness of a **CPP applicant's** consultation with its **consumers**, as specified in clause 5.6.1.

G4 Selection of identified programmes

(1) For the purposes of the reviews required under clauses G5(1)(d) and G6(1)(g), the **verifier** must select no more than 20 **projects** or **programmes** to be 'identified programmes'.
(2) In determining which, and how many, **projects** or **programmes** to select as **identified programmes**, the **verifier** must consider–

(a) the long term interests of **consumers**;
(b) the **Commission's** ability to effectively review whether the **CPP applicant's capex forecast** and **opex forecast** are consistent with the **expenditure objective**;
(c) the **CPP applicant's** rationale for seeking a **CPP**;
(d) its ability to provide an opinion on whether the **capex forecast** information in the intended **CPP proposal** has been prepared in accordance with the **policies** and **planning standards**-

(i) in aggregate; and
(ii) for each of the **capex categories**;

(e) its ability to provide an opinion on whether the **opex forecast** information in the intended **CPP proposal** has been prepared in accordance with the **policies** and **planning standards**-

(i) in aggregate; and
(ii) for each of the **opex categories;** and

(f) the materiality of the **programmes** or **projects** to the **CPP proposal**, the **capex forecast** and the **opex forecast**.

(3) The **identified programmes** selected in accordance with subclause (1) must address-

(a) a key risk that the **CPP applicant** is exposed to;
(b) a key driver of the need to submit a **CPP proposal**;
(c) an **obligation** that has a significant impact in the context of the **CPP applicant's** overall **business**; or
(d) a new **service category** or a step change in a **service level** within an existing **service category**;

(4) The **verifier** must-

(a) notify the **CPP applicant** of its selected **projects** or **programmes**; and
(b) not change its selection after such notification.

G5 Capex forecast

(1) The **verifier** must-

(a) provide an opinion as to whether the-

(i) **policies**;
(ii) **planning standards**; and
(iii) **key assumptions**,

relied upon by the **CPP applicant** in determining the **capex forecast** are of the nature and quality required for that **capex forecast** to meet the **expenditure objective**;

(b) provide an opinion as to whether the **capex forecast** has been prepared in accordance with the **policies** and **planning standards** at both the aggregate system level and for each of the **capex categories**;

(c) provide an opinion on the reasonableness of the **key assumptions** relevant to **capex** relied upon the **CPP applicant** including-

(i) the method and information used to develop them;
(ii) how they were applied; and
(iii) their effect or impact on the **capex forecast** by comparison to their effect or impact on **actual capex**;

(d) report conclusions of a detailed review of **identified programmes** that are **capex projects** or **capex programmes** including, but not limited to assessment of-

(i) whether relevant **policies** and **planning standards** were applied appropriately;
(ii) whether **policies** regarding the need for, and prioritisation of, the **project** or **programme** are reasonable and have been applied appropriately;
(iii) the process undertaken by the **CPP applicant** to determine the reasonableness and cost-effectiveness of the chosen solution, including the use of cost-benefit analyses to target efficient solutions;
(iv) the approach used to prioritise **capex projects** over time including the application of that approach for the **next period**;
(v) the **project** capital costing methodology and formulation, including unit rate sources, the method used to test the efficiency of unit rates and the level of contingencies included for **projects**;
(vi) the impact on other cost categories including the relationship with **opex**;
(vii) links with other **projects**;

(viii) cost control and delivery performance for **actual capex**;
(ix) the efficiency of the proposed approach to procurement; and
(x) whether it should be included as a **contingent project** or part of a **contingent project**;

(e) provide an opinion as to overall **deliverability** of work covered by the **capex categories** in the **next period**; and
(f) provide an opinion as to the reasonableness and adequacy of any asset replacement models used to prepare the **capex forecast** including an assessment of-

(i) the inputs used within the model; and
(ii) the methods the **CPP applicant** used to check the reasonableness of the forecasts and related expenditure.

(2) Based on its analysis under this clause the **verifier** must provide its opinion on whether the applicant's forecast of total **capex** meets the **expenditure objective** and, if not identify-

(a) whether the provision of further information is required to enable assessment against the **expenditure objective** to be undertaken and, if so, the type of information required;
(b) which of the **CPP applicant's forecast capex programmes** for each **capex category** might warrant further assessment by the **Commission**; and
(c) what type of assessment would be the most effective.

G6 Opex forecast

(1) The **verifier** must-

(a) provide an opinion as to whether the-

(i) **policies**,
(ii) **planning standards**; and
(iii) **key assumptions**,

relied upon by the **CPP applicant** in determining the **opex forecast** are of the nature and quality required for that **opex forecast** to meet the **expenditure objective**;

(b) provide an opinion as to whether the **opex forecast** has been prepared in accordance with the **policies** and **planning standards**, at both the aggregate system level and for each of the **opex categories**;
(c) provide an opinion on the reasonableness of the **key assumptions** relevant to **opex** relied upon by the **CPP applicant** including-

(i) the method and information used to develop them;
(ii) how they have been applied; and
(iii) their effect or impact on the **opex forecast** by comparison to their effect or impact on **actual opex**;

(d) review, assess and report on any other **opex** drivers not covered by the **key assumptions** that have led to an increase in the **opex forecast** including whether the quantum of such an increase is required to meet the **expenditure objective**;

(e) provide an opinion as to the reasonableness of the methodology used in forecasting **opex** (such as cost benchmarking or internal historic cost trending), including the relationship between the **opex forecast** and **capex forecast**;

(f) provide an opinion as to the reasonableness of any **opex** reduction initiatives undertaken or planned during the **current period** or the **next period**;

(g) report conclusions of a detailed review of **identified programmes** that are **opex projects** or **opex programmes** including, but not limited to, an assessment of-

(i) whether relevant **policies** and **planning standards** were applied appropriately;

(ii) whether **policies** regarding the need for, and prioritisation of, the **project** or **programme** are reasonable and have been applied appropriately;

(iii) the process undertaken by the **CPP applicant** to determine the reasonableness and cost-effectiveness of the chosen solution, including the use of cost-benefit analyses to target efficient solutions;

(iv) the approach used to prioritise **opex projects** over time including the application of that approach for the **next period**;

(v) the **project operating cost** methodology and formulation, including unit rate sources, the method used to test the efficiency of unit rates and the level of contingencies included for **projects**;

(vi) the impact on other cost categories including the relationship with **capex**;

(vii) links with other **projects**;

(viii) cost control and delivery performance for **actual opex**;

(ix) the efficiency of the proposed approach to procurement; and

(x) whether it should be included as a **contingent project** or part of a **contingent project**;

(h) provide an opinion as to overall deliverability of work covered by the **opex categories** in the **next period**; and

(i) provide an opinion as to the reasonableness and adequacy of any **opex** models used to prepare the **opex forecast** including an assessment of-

(i) the inputs used within the model; and

(ii) any methods the **CPP applicant** used to check the reasonableness of the forecasts and related expenditure.

(2) Based on analysis in accordance with this clause, the **verifier** must provide an opinion on whether the **CPP applicant's** forecast of total **opex** meets the **expenditure objective** and, if not, identify-

(a) whether the provision of further information is required to enable assessment against the **expenditure objective** to be undertaken and, if so, the type of information required;
(b) which of the **CPP applicant's** forecast **opex programmes** for each **opex category** might warrant further assessment by the **Commission**; and
(c) what type of assessment would be the most effective.

G7 Capital contributions

The **verifier** must provide an opinion as to whether the forecast of **capital contributions**-

(a) is reasonable; and
(b) consistent with other aspects of the **CPP proposal**, in particular-

(i) the **capex forecast**; and
(ii) forecast demand data provided in accordance with clause D6.

G8 Demand forecasts

(1) The **verifier** must provide an opinion as to whether-

(a) the **key assumptions**, key input data and forecasting methods used in determining demand forecasts were reasonable; and
(b) it was appropriate to use the demand forecasts resulting from these methods and assumptions to determine the-

(i) **capex forecast**; and
(ii) **opex forecast**.

(2) In respect of data, calculations and assumptions used to derive the forecast weighted average growth in quantities (as required by clause 5.3.4), the **verifier** must provide an opinion as to whether, in relation to each **demand group**-

(a) the-

(i) rationale for its selection;
(ii) basis for the forecast growth in demand;
(iii) basis for the assumptions used concerning the relative proportion of fixed and variable components in the **prices** charged; and
(iv) basis for each weighting term,

is reasonable;

(b) the forecast growth in demand is consistent with all other demand forecasts included in the **CPP proposal**; and
(c) the assumptions referred to in paragraph (a)(iii) are consistent with the calculation of **notional revenue** in the most recent annual compliance statement made by the supplier in accordance with a **DPP determination**.

G9 Assessment techniques

(1) When-

(a) undertaking analysis and reviews of information; and
(b) considering the matters,

required by this Schedule, the **verifier** must use some or all of the following assessment techniques:

(c) process benchmarking;
(d) process or functional modelling;
(e) unit rate benchmarking;
(f) trending or time-series analysis;
(g) high level governance and process reviews;
(h) internal benchmarking of forecast costs against costs in the **current period**;
(i) **capex category** and **opex category** benchmarking;
(j) **project** and **programme** sampling; and
(k) critiques or **independent** development of-

(i) demand forecasts;
(ii) labour unit cost forecasts;
(iii) materials forecasts;
(iv) plant forecasts; and
(v) equipment unit cost forecasts.

(2) The **verifier** must explain why particular techniques listed in subclause (1) were applied and others were not applied.

(3) Where, for the purpose of applying any of the techniques listed in subclause (1), the **verifier** uses information that is not provided to it by the **CPP applicant**, the **verifier** must, in respect of that information-

(a) describe in the draft verification report its nature and source and the reason for wishing to rely on it;
(b) subject to subclause (4), provide it to the **CPP applicant**;
(c) when finalising the **verification report**, take into account any comments made about it by the **CPP applicant** in response to the draft verification report; and
(d) where, notwithstanding paragraph (c), the **verifier** continues to rely on it, describe in the **verification report**-

(i) the nature and source of the information relied upon and the reason for relying on it; and
(ii) the **CPP applicant's** concerns in respect thereof.

(4) Subclause (3)(b) does not apply if the **verifier's** terms of use of the information prevent such disclosure.

G10 Contingent projects

(1) For each proposed **contingent project**, the **verifier** must provide an opinion as to whether that **project** or **programme** satisfies the following criteria:

(a) it is-

(i) reasonably required of a **GDB** in meeting the **expenditure objective**; and
(ii) one that associated assets are likely to be **commissioned**,

during the **CPP regulatory period**;

(b) a commencement date cannot be forecast with an appropriate degree of specificity by comparison with other proposed **projects** or **programmes**;
(c) the total of **capex forecast** and **opex forecast** in relation to the **project** or **programme**-

(i) as disclosed in the **CPP proposal** exceeds 10% of the value of the **CPP applicant's** annual revenue in the most recently completed **disclosure year** in respect of an **ID determination**;
(ii) is reasonable in dollar terms; and
(iii) would be likely, when forecast with reasonable certainty, to meet the **expenditure objective**.

(2) For each proposed **trigger event**, the **verifier** must provide an opinion as to whether it meets the requirements of clause 5.7.10(3).

G11 Completeness of CPP proposal

A **verification report** must-

(a) list the information in, and relating to, the **CPP proposal** provided by the **CPP applicant** to the **verifier**, that was relied upon by the **verifier** in fulfilling its obligations under Schedule G;
(b) state each type of information in respect of which this schedule requires the **verifier's** consideration or opinion that the **verifier** considers has been omitted from the **CPP proposal**, including information that is incomplete or insufficient, and the relevant requirement in Part 5, Subpart 5 to provide the information in question;
(c) where information is identified as insufficient in accordance with paragraph (b), state the nature of additional information the **verifier** considers that the **CPP proposal** requires to fulfil the information requirement in question;
(d) state the extent to which the omission, incompleteness or insufficiency of information has impaired the **verifier's** judgement as to whether the **capex forecast** and **opex forecast** for the **next period** meets the **expenditure objective**; and
(e) explain why the **verifier** has selected the **identified programmes** in accordance with clause G4(1).

G12 Overview of key issues and additional information requirements

Based on its assessment, the **verifier** must, in the **verification report**-

(a) provide a list of the key issues that it considers the **Commission** should focus on when undertaking its own assessment of the information to which the assessment related;

(b) specify information identified in the **CPP proposal** that, were it to be provided, would assist the **Commission's** assessment of the **CPP proposal**; and

(c) identify any other information it reasonably believes would-

(i) be held by the **CPP applicant**; and

(ii) assist the **Commission's** assessment of the **CPP proposal**.

SCHEDULE H METHODOLOGY FOR DETERMINING VALUES FOR TAX-ADJUSTED MARKET RISK PREMIUM

H1 Tax-adjusted market risk premium

(1) This Schedule specifies, for the purpose of clause 4.4.3A(2)(a), the methodology for determining the following TAMRP values:

(a) the Ibbotson TAMRP; and

(b) the Siegel 2 TAMRP.

(2) In this Schedule,—

'forecast CPI',—

(a) for a quarter where **CPI** is available, has the same meaning under paragraph (a) of the 'CPI' definition in clause 1.1.4(2), excluding any adjustments made under paragraph (b) of that definition arising as a result of an event that occurs after the issue of the Monetary Policy Statement referred to in paragraph (b) below;

(b) for each later quarter for which a forecast of the change in headline **CPI** has been included in the Monetary Policy Statement last issued by the Reserve Bank of New Zealand prior to the date for which the vanilla **WACC** applicable to the relevant regulatory period was determined, means the **CPI** last applying under paragraph (a) extended by the forecast change in that Monetary Policy Statement; and

(c) for later quarters, means the forecast last applying under paragraph (b) adjusted such that an equal increment or decrement made to that forecast for each of the following three years results in the forecast for the last of those years being equal to the target midpoint for the change in headline **CPI** set out in the Monetary Policy Statement referred to in paragraph (b).

Ibbotson TAMRP

(3) The Ibbotson TAMRP will be determined in accordance with the following formula:

$$\mathrm{TAMRP}^{\mathrm{Ibb}} = \left(\mathrm{TAMRP}_{\mathrm{H}}^{\mathrm{Ibb}} \times \frac{\mathrm{N_H}}{\mathrm{N_T}}\right) + \left(\mathrm{TAMRP}_{\mathrm{C}}^{\mathrm{Ibb}} \times \frac{\mathrm{N_C}}{\mathrm{N_T}}\right)$$

Where:

$TAMRP^{Ibb}$ is the Ibbotson TAMRP.

$TAMRP_H^{Ibb}$ equals 7.4% (being the Ibbotson TAMRP estimate from 1931 to 2022).

N_H equals 92 (being the number of years from 1931 to 2022).

N_T is the number of years from 1931 to one year prior to the current year.

$TAMRP_C^{Ibb}$ is the Ibbotson 'current' TAMRP from 2023 to one year prior to the current year, determined in accordance with subclause (4).

N_C is the number of years from 2023 to one year prior to the current year.

(4) The Ibbotson 'current' TAMRP will be determined in accordance with the following formula:

$$TAMRP_C^{Ibb} = \frac{\sum_{t=2023}^{n-1} TAMRP_t^{Ibb}}{N_C}$$

Where:

$TAMRP_C^{Ibb}$ is the Ibbotson 'current' TAMRP.

n is the current year.

$TAMRP_t^{Ibb}$ is the Ibbotson 'year t' TAMRP, determined in accordance with subclause (5).

N_C has the meaning given in subclause (3).

(5) The Ibbotson 'year t' TAMRP for year t will be determined in accordance with the following formula:

$$TAMRP_t^{Ibb} = R_t^m - R_t^f \times (1 - T_t^c)$$

Where:

$TAMRP_t^{Ibb}$ is the Ibbotson 'year t' TAMRP.

R_t^m is the nominal total market return in year t, determined using the S&P/NZX 50 Gross Index.

R_t^f is the nominal r-year risk-free rate in year t, where r equals the **regulatory period term**, determined by taking the calendar year average of r-year government bond yields published under the Reserve Bank of New Zealand B2 series.

T_t^c is the **corporate tax rate** in year t.

Siegel 2 TAMRP

(6) The Siegel 2 TAMRP will be determined in accordance with the following formula:

$$TAMRP^{S2} = R^{m,c} - R_f \times (1 - T^c)$$

Where:

$TAMRP^{S2}$ is the Siegel 2 TAMRP.

$R^{m,c}$ is the current expected market return, determined in accordance with subclause (7).

R_f is the current risk-free rate at the time of determining the TAMRP, determined in accordance with clause 4.4.3.

T^c is the **corporate tax rate** at the time of estimation.

(7) The current expected market return will be determined in accordance with the following formula:

$$R^{m,c} = (1 + R^{m,r}) \times (1 + i) - 1$$

Where:

$R^{m,c}$ is the current expected market return.

$R^{m,r}$ is the historical average real market return from 1931 to one year prior to the current year, determined in accordance with subclause (8).

i is the percentage change in the forecast CPI for the next *r* years, where *r* equals the **regulatory period term** and percentage change is the average annual percentage change over the **regulatory period**.

(8) The historical average real market return will be determined in accordance with the following formula:

$$R^{m,r} = \left(R_H^{m,r} \times \frac{N_H}{N_T}\right) + \left(R_C^{m,r} \times \frac{N_C}{N_T}\right)$$

Where:

$R^{m,r}$ is the historical average real market return from 1931 to one year prior to the current year.

$R_H^{m,r}$ equals 6.9% (being the historical average real market return from 1931 to 2022).

N_C has the meaning given in subclause (3).

N_H has the meaning given in subclause (3).

N_T has the meaning given in subclause (3).

$R_C^{m,r}$ is the average real market return from 2023 to one year prior to the current year, determined in accordance with subclause (9).

(9) The average real market return from 2023 to one year prior to the current year will be determined in accordance with the following formula:

$$R_C^{m,r} = \frac{\sum_{t=2023}^{n-1} R_t^{m,r}}{N_C}$$

Where:

$R_C^{m,r}$ is the average real market return from 2023 to one year prior to the current year.

$R_t^{m,r}$ is the real market return in year t, determined using the S&P/NZX 50 Gross Index and deflated using the CPI Dec y/y% published under the Reserve Bank of New Zealand M1 series.

N_C has the meaning given in subclause (3).

Explanatory note

This note is not part of the determination but is intended to indicate its general effect.

1. This determination, which comes into force on 1 February 2031, amends the input methodologies ('IMs') that apply to businesses that supply gas distribution services.

2. The IMs set out how the weighted average cost of capital ('WACC') is determined for each sector. This determination amends the approach to certain variables used in determining the WACC. WACC is a variable used for the purposes of price-quality regulation and information disclosure regulation.

3. This determination replaces the current approach for estimating the risk-free rate component of the cost of debt with a trailing average approach. The trailing average uses a five-year simple (equally weighted) average of historical risk-free rates, while retaining the existing three-month averaging window used to estimate rates each year.

4. This determination amends the term credit spread differential allowance to compensate qualifying suppliers that issue longer-term debt and incur hedging costs to align their debt portfolios with the regulatory benchmark.

5. This determination inserts a methodology for the Commerce Commission to determine the tax-adjusted market risk premium ('TAMRP'). Previously, a specific TAMRP figure was specified in the IMs (for example, most recently, the TAMRP was specified as 7.0%).

6. The IMs that apply to certain other regulated industries (electricity transmission, gas distribution, gas transmission, airports, and fibre services) are being amended at the same time.

7. The Commerce Commission published a reasons paper with this amendment determination. The paper provides further background information and is available on the Commission's website.

This is secondary legislation issued under the authority of the Legislation Act 2019.	
Title	Gas Distribution Services Input Methodologies (Common Cost of Capital) Amendment Determination 2026
Principal or amendment	Amendment
Consolidated version	No

Empowering Act and provisions	Commerce Act 1986 Section 52W
Replacement empowering Act and provisions	Not applicable
Maker name	Commerce Commission
Administering agency	Commerce Commission
Date made	25 November 2026
Publication date	25 November 2026
Notification date	25 November 2026
Commencement date	1 February 2031
End date (when applicable)	Not applicable
Consolidation as at date	Not applicable
Related instruments	Gas Distribution Services Input Methodologies Determination 2012 [2012] NZCC 27

Consistency Accountability Statement: Gas Distribution Services Input Methodologies (Common Cost of Capital) Amendment Determination 2026

Agency Responsible	Commerce Commission
Portfolio	Commerce and Consumer Affairs
Date finalised	11 November 2026
Identification number	N/A

Statement of Review

I confirm that the Commerce Commission has assessed the above legislation, and the process for developing it, for consistency with the principles of responsible regulation as set out in section 9 of the Regulatory Standards Act 2025. This assessment identified no inconsistencies with the principles of responsible regulation.



Suzanne Stew
Chief Executive
Commerce Commission