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Electricity Distribution Services Input Methodologies (Accelerated Depreciation) Amendments Determination 2018

[2018] NZCC 19

The Commission:	Sue Begg Dr Stephen Gale Dr Mark Berry Dr Jill Walker
Date of decision:	8 November 2018

Commerce Commission

Wellington, New Zealand

Electricity Distribution Services Input Methodologies (Accelerated Depreciation) Amendments Determination 2018

[Drafting notes:

- This amendments determination amends the Electricity Distribution Services Input Methodologies Determination 2012 (‘principal determination’).
- The included amendments are made under s 52X of the Commerce Act 1986.]

Pursuant to Part 4 of the Commerce Act 1986 (the Act) the Commerce Commission makes the following determination:

1. DETERMINATION AMENDED

This determination amends the *Electricity Distribution Services Input Methodologies Determination 2012* [2012] NZCC 26, as previously amended (the **principal determination**).

2. COMMENCEMENT

2.1 This determination comes into force on the date on which notice of the determination is given in the New Zealand Gazette in accordance with section 52W of the Act.

2.2 Amendments to the **input methodologies** in this determination affecting Part 4 of the **principal determination** apply for a **DPP** in force from 1 April 2020.

3. INTERPRETATION

3.1 Terms in bold type have the meaning given to those terms in the **principal determination**. Terms in bold type used in this determination that are defined in the Act, but not this determination, have the same meaning as in the Act.

3.2 Nothing in this determination limits the **Commission's** authority to amend any Determination in accordance with the Act.

4. EDB IM AMENDMENTS

4.1 In the **principal determination** amend the definition of '**adjusted depreciation**' in clause 1.1.4(2) to now read:

"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**, where:

(a) any **remaining asset lives** used in calculating 'adjusted depreciation' for the purposes of Part 2 and Part 5 must be consistent with the r**emaining asset lives** used for calculating **total depreciation**; and

(b) any **remaining asset lives for existing assets** used in calculating 'adjusted depreciation' must be consistent with the **remaining asset lives for existing assets** used for calculating **total depreciation**;".

4.2 In the **principal determination** replace clause 4.2.2(3)(a)(ii) with:

“ (ii) subject to subclauses (4) and (5), the value determined in accordance with the formula–

adjustment factor * (**aggregate opening RAB value for existing assets** *for the* **base year** ÷ **total depreciation** *for the* **base year**)

less the number of **disclosure years** from the **base year** to the **disclosure year** in question; and”.

4.3 In the **principal determination** amend clause 4.2.2(3)(b) as follows:

4.3.1 replace the words “subclause (2)(a)” with “subclause (2)(b)”; and

4.3.2 at the end of the clause, replace “;” with “.”.

4.4 In the **principal determination** delete subclauses 4.2.2(3)(c)-(e).

4.5 In the **principal determination** insert new subclauses 4.2.2(4) and (5):

“(4) For the purpose of subclause (3)(a)(ii), if the conditions specified in subclause (5) are met, the **Commission** may-

(a) for each **disclosure year** of a **DPP regulatory period** apply an average adjustment factor across all **existing assets** of not lower than 0.85, nor higher than 1; and

(b) for a **disclosure year** after the **base year** in respect of the **DPP regulatory period** in subclause (4)(a), apply an adjustment factor across all **existing assets** of 1.

(5) For the purpose of subclause (3)(a)(ii), the **Commission** may apply adjustment factors specified in subclause (4), if-

(a) the **EDB** has, by notice in writing to the **Commission** not later than 13 months prior to the commencement of the next **DPP regulatory period**-

(i) proposed an adjustment factor to be applied by the **Commission** of not lower than 0.85, nor higher than 1;

(ii) explained why applying an adjustment factor of the level proposed in subclause (i) would be consistent with s 52A of the **Act**;

(iii) described any consultation it has undertaken with interested persons on the proposed adjustment factor and, if relevant, explained how it has taken into account any issues raised; and

(b) the **Commission** has not previously applied adjustment factors under subclause (4).”

Sue Begg, *Deputy Chair*

Dated at Wellington this 8th day of November 2018.

COMMERCE COMMISSION