# NOTICE OF INTENTION

## 17 JULY 2018

## Proposed Amendments to Input Methodologies for Electricity Distribution Services

1. The purpose of this notice of intention is to advise that the Commerce Commission (**Commission**) is beginning work on proposed amendments to the input methodologies for Electricity Distribution Services contained in the *Electricity Distribution Services Input Methodologies Determination* [2012] NZCC 26 (**IM determination**).[1]

2. The proposed amendments relate to changes to the input methodologies for default price-quality paths (**DPP**s) in respect of the valuation of assets, specifically the accelerated depreciation of existing commissioned assets of electricity distribution businesses (**EDB**s).

3. Making these amendments may also require consequential changes to the input methodologies for DPPs and information disclosure in respect of the treatment of taxation.

4. We intend to consult on proposed implementation changes on a fast track basis to better give effect to our 2016 input methodologies review decision on accelerated depreciation in time for the next DPP reset in 2019 by clarifying the provisions relating to:

   3.1. the timing for the Commission to receive accelerated depreciation applications from EDBs;

   3.2. the calculation of an accelerated depreciation adjustment used in resetting the EDB DPP;

   3.3. the applicable adjustment factor for the disclosure year immediately preceding the start of the next EDB DPP regulatory period (the period 1 April 2019 to 31 March 2020); and

   3.4. the applicable remaining asset lives used in calculating 'adjusted depreciation'.

[1] The principal determination was most recently amended in December 2017 by the *Electricity Distribution Services Input Methodologies Amendments* Determination [2017] NZCC 30. A consolidation of the principal determination and all subsequent amendments was published by the Commission on 3 April 2018.

5. In accordance with sections 52V(1) and 52X of the Commerce Act 1986, this notice outlines the process that will be followed and the proposed timeframes for the amendments.

6. We have prioritised these amendments to allow EDBs, which may be considering proposing an adjustment factor for the EDB DPP reset, to have sufficient time before our draft DPP decision on the reset in Q2 2019 to:

   5.1. consult with interested persons on their proposed adjustment factor;[2] and

   5.2. if they wish, propose the adjustment factor to us in writing.[3]

| | Process | Indicative time frame |
|---|---|---|
| 1. | **Commission consultation on proposed IM amendments**<br>Publication of draft reasons paper and draft amendments. | August 2018 |
| 2. | **Submissions due from interested persons to the Commission on proposed IM amendments** | September 2018 |
| 3. | **Cross-submissions due from interested persons to the Commission on proposed IM amendments** | September 2018 |
| 4. | **Final decision by the Commission on IM amendments**<br>Publication of final reasons paper and amendments. | October-November 2018 |

2 See the requirement for an application in clause 4.2.2(3)(d)(iii) of the IM determination.
3 See clauses 4.2.2(3)(c) to (e) of the IM determination in respect of adjustment factors generally.