



## **Compliance Statement**

Gas Distribution Services Default Price-Quality Path Determination 2013

Assessment period ending 30 September 2016

12 December 2016

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## 1. INTRODUCTION

### 1.1. Background

- 1.1.1. This Compliance Statement (“the Statement”) is jointly submitted by Vector Limited (“Vector”) and First Gas Limited (“First Gas”) pursuant the Gas Distribution Services Default Price-Quality Path Determination 2013 (“the Determination”).
- 1.1.2. The Statement is jointly submitted by First Gas and Vector this year due to the sale of the Non-Auckland gas distribution business from Vector to First Gas on 20 April 2016.
- 1.1.3. The Determination is issued pursuant to Part 4 of the Commerce Act 1986 and requires Gas Distribution Businesses (“GDBs”) to provide information to the Commerce Commission (Commission) relevant to the assessment of their performance against the price path and quality standards.
- 1.1.4. Under *clause 8* of the Determination a GDB’s notional revenue must not exceed the allowable notional revenue for the current Assessment Period.
- 1.1.5. Under *clause 9* of the Determination a GDB must comply with the annual quality assessment formula for Response Time to Emergencies (“RTE”) over the current Assessment Period.
- 1.1.6. The Statement has been prepared on 12 December 2016. In the Statement, references to Vector and First Gas relate only to Vector’s and First Gas’ gas distribution businesses.

### 1.2. Statement of compliance

- 1.2.1. As required by *clause 11.2(a)* of the Determination, this Statement confirms Vector’s and First Gas’ joint compliance with the price path in *clause 8* set for Vector and the quality standards in *clause 9* in respect of the Assessment Period ending on 30 September 2016.
- 1.2.2. With reference to *clause 11.5* of the Determination, this Statement confirms that *clause 10* – which is relevant where an amalgamation, merger or acquisition occurs – applied in respect of the Assessment Period ending on 30 September 2016. This was due to the sale of the Non-Auckland gas distribution business (which was part

of a wider sale that also included the gas transmission business) from Vector to First Gas on 20 April 2016.

- 1.2.3. In consultation with the Commission, Vector and First Gas have relied on and complied with *clause 10.3* of the Determination – which allows for an alternative demonstration of compliance when a transaction occurs – by preparing this Statement in a manner that demonstrates “compliance in the aggregate” as per correspondence with the Commission (dated 25 September 2015) included in Appendix 15.
- 1.2.4. Under *clause 10.4*, a GDB must notify the Commission in writing within 30 working days of any significant amalgamation, merger or acquisition. Vector and First Gas comply with *clause 10.4* of the Determination as joint notification was provided to the Commission of the large transaction on 1 June 2016, included in Appendix 16.
- 1.2.5. For the benefit of future allowable notional revenue calculations, we have provided the apportioned pass-through costs and recoverable costs as well as separated price and quantity information for each of the Auckland and non-Auckland networks in this Statement.

### **1.3. Disclaimer**

- 1.3.1. The information contained in the Statement has been prepared for the express purpose of complying with the requirements of *clause 11* of the Determination. The Statement has not been prepared for any other purpose. Vector and First Gas expressly disclaim any liability to any other party who may rely on the Statement for any other purpose.
- 1.3.2. For presentation purposes some numbers in the Statement have been rounded. This may cause small discrepancies or rounding inconsistencies when aggregating some of the information presented in the Statement. These discrepancies do not affect the overall compliance calculations which are based on the more detailed information.

## 2. PRICE PATH

### 2.1. Introduction

2.1.1. In this section Vector and First Gas jointly demonstrate that the price path requirements in *clause 8* of the Determination set for Vector have been complied with. Vector and First Gas have provided information to support the statement of compliance including:

- a) the amount of allowable notional revenue, the amount of notional revenue, prices, quantities, units of measurement associated with all numeric data and other relevant data, information and calculations; and
- b) the amount of pass-through costs and recoverable costs that were used to calculate allowable notional revenue and notional revenue, the supporting data, information, and calculations used to determine those amounts, including when each pass-through cost and recoverable cost amount was paid and the period to which those costs relate.

### 2.2. Price path (*clause 8* of the Determination)

2.2.1. As required by *clause 8* of the Determination, in order to demonstrate compliance with the price path, GDBs must demonstrate that their notional revenue during the assessment period has not exceeded the allowable notional revenue for the assessment period. The current assessment period is the third assessment period and covers the 12 months to 30 September 2016.

2.2.2. Vector and First Gas jointly comply with the price path set for the third assessment period, in accordance with *clause 8.4(b)* of the Determination:

$$ANR_{2016} \geq NR_{2016}$$

$$\$72,343,195 \geq \$72,137,579$$

2.2.3. Vector and First Gas have calculated allowable notional revenue for the 2016 pricing period in accordance with *Schedule 4, Equation 3* of the Determination:

$$ANR_t = (\sum P_{i,t-1} Q_{i,t-2} - (K_{t-1} + V_{t-1}) + (ANR_{t-1} - NR_{t-1}))(1 + \Delta CPI_t)(1 - X)$$

$$ANR_{2016} = (\sum P_{i,2015} Q_{i,2014} - (K_{2015} + V_{2015}) + (ANR_{2015} - NR_{2015}))(1 + \Delta CPI_{2016})(1 - X)$$

$$\begin{aligned} ANR_{2016} = & (\$74,483,961 - (\$2,833,387 + \$0) + \\ & (\$70,887,828 - \$70,845,177))(1 + 0.0091)(1 - 0) \end{aligned}$$

$$ANR_{2016} = \$72,343,195$$

- a) Details of  $\sum P_{i,2015} Q_{i,2014}$  are included in Appendices 7 to 12.
- b)  $K_{2015}$  are as disclosed in Vector's 2015 Compliance Statement<sup>1</sup> and in Section 2.3.2.
- c)  $V_{2015}$  are as disclosed in Vector's 2015 Compliance Statement<sup>1</sup> and in Section 2.3.3.
- d)  $ANR_{2015}$  and  $NR_{2015}$  are as disclosed in Vector's 2015 Compliance Statement<sup>1</sup>.
- e) Details of  $\Delta CPI_{2016}$  are included in Appendix 13.
- f)  $X$  is the rate of change as specified in *Schedule 2* of the Determination.

2.2.4. Vector and First Gas have calculated notional revenue for the 2016 pricing period in accordance with *clause 8.5(a)* of the Determination

$$NR_t = \sum P_{i,t} Q_{i,t-2} - (K_t + V_t)$$

$$NR_{2016} = \sum P_{2016} Q_{i,2014} - (K_{2016} + V_{2016})$$

$$NR_{2016} = \$74,553,976 - (\$2,416,398 + \$0)$$

$$NR_{2016} = \$72,137,579$$

- a) Details of  $\sum P_{i,2016} Q_{i,2015}$  are included in Appendices 1 to 6.
- b) Details of  $K_{2016}$  are included in Section 2.3.2.
- c) Details of  $V_{2016}$  are included in Section 2.3.3.

2.2.5. Information relating to prices including all relevant quantities and units of measurement is included in Appendices 1 to 12.

## 2.3. Pass-through costs and recoverable costs

2.3.1. Notional revenue includes the recovery of a number of pass-through costs for the 2016 pricing period. Allowable notional revenue is calculated using a number of pass-through costs for the 2015 pricing period as disclosed in Vector's published 2015 Compliance Statement. These costs have been determined in accordance with *Schedule 5* of the Determination which sets out the process for determining the amount of pass-through costs and recoverable costs for a pricing period.

2.3.2. Table 1 provides a summary of pass-through costs that were used to calculate notional revenue and allowable notional revenue. Further supporting data,

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<sup>1</sup> Vector's 2015 Compliance Statement published at: <http://vector.co.nz/disclosures/gas/price-quality>

information and calculations used to determine these amounts, including when each pass-through cost was paid, and the period to which those costs relate is provided in Appendix 14.

*Table 1: Pass-through costs*

Pass-through cost	K <sub>2015</sub>	K <sub>2016</sub>
<b>Commerce Commission Levies</b>	<b>\$468,345</b>	<b>\$0</b>
Auckland	\$326,865	\$0
Non-Auckland	\$141,479	\$0
<b>Electricity and Gas Complaints Commissioner Levies</b>	<b>\$58,080</b>	<b>\$72,195</b>
Auckland	\$40,535	\$43,005
Non-Auckland	\$17,545	\$29,189
<b>Council Rates</b>	<b>\$2,306,963</b>	<b>\$2,344,203</b>
Auckland	\$2,245,018	\$2,013,169
Non-Auckland	\$61,944	\$331,034
Total	\$2,833,387	\$2,416,398

2.3.3. There are no recoverable costs applicable to Vector or First Gas during the 2015 or 2016 assessment periods, and therefore none recovered.

## 2.4. Restructuring of prices

2.4.1. Vector restructured some prices that applied during the 2015 pricing period.

2.4.2. This restructure is described in Vector's Gas Distribution Compliance Statement 2015. Quantities have been calculated using the same methodology as specified in the 2015 Compliance Statement. Accordingly, quantities from the 2014 pricing period have been treated in the same manner for this Statement as they were for the 2015 Compliance Statement.

2.4.3. For the avoidance of doubt, this restructure does not affect Vector's and First Gas' joint compliance position.

2.4.4. Vector has also restructured some prices that applied during the 2016 pricing period.

2.4.5. Vector introduced a new industrial price category GA05/GN05 from 1 October 2015. This price category is available to most consumers with capacity greater than 200 scm/h. It represents an alternative to GA04/GN04 and is appropriate for consumers with annual consumption of more than 12,000 MWh for the 2016 pricing period.

2.4.6. The introduction of GA05/GN05 constitutes a price restructure. There is no quantity for the pricing period ending two years prior that reasonably relates to GA05/GN05, therefore the sub-provisions of *clause 11.4(b)* of the Determination apply.

2.4.7. *Clause 11.4(b)(i)* requires information on the methodology used to determine the quantity associated with GA05/GN05 for the pricing period ending two years prior ('t-2 quantities'). Vector's methodology first involved determining those customers on GA04/GN04 who were financially better off on GA05/GN05. Vector then allocated the t-2 quantities associated with these identified customers against GA05/GN05.

2.4.8. *Clause 11.4(b)(ii)* requires quantity information corresponding to each restructured price, including a forecast (at the time of the restructure) and actual quantities. Vector assumed, for the purpose of forecasting quantities for GA05/GN05, that consumers who qualified for, and were financially better off on, GA05/GN05 would choose these plans. Vector further assumed, for these consumers, that variable quantities would be the same in 2016 as they were in 2014. In Table 2 we provide the quantity information corresponding to GA05/GN05 in the 2016 pricing period (PY2016). We have included the PY2016 quantity forecast at the time of restructuring prices, and the actual PY2016 quantity.

Table 2: ICPs and quantities moved from GA04/GN04 to GA05/GN05

Number of ICPs	Price category PY2015	Price category PY2016	Quantities from PY2014 (t-2)		Forecast quantities for PY2016		Actual quantities for PY2016	
			Fixed (Days)	Variable (kWh)	Fixed (Days)	Variable (kWh)	Fixed (Days)	Variable (kWh)
8	GA04	GA05	2920	153,688,186	2928	153,688,186	2928	151,571,728
5	GN04	GN05	1879	127,639,317	1830	127,639,317	1830	137,814,296

2.4.9. *Clause 11.4(b)(iii)* requires an explanation of the reasons for any difference between forecast and actual quantities. Vector's forecast of fixed quantities was the same as actual fixed quantities. Vector's forecast of variable quantities differs from actual variable quantities as, invariably, consumption will change from year to year in response to factors beyond Vector's control such as weather, commodity prices and plant operations. In any event, and for the avoidance of doubt, Vector's forecast does not affect the calculation of notional revenue in the 2016 pricing period.



### 3. QUALITY STANDARDS

#### 3.1. Introduction

3.1.1. In this section Vector and First Gas demonstrate that the quality standards in *clause* 9 of the Determination have been complied with. Vector and First Gas have provided information to support the statement of compliance including: relevant incident data and calculations, a description of the policies and procedures used for recording RTE statistics and a statement confirming that there were no excluded RTE values over the assessment period.

#### 3.2. RTE results for the assessment period

3.2.1. As this is a joint statement the below calculations are all for the full assessment period. This means the Non-Auckland First Gas calculations at 3.2.4 have been completed for the full 12 month regulatory period and not for the period after the date of the sale.

3.2.2. The Joint Vector/First Gas results for the assessment period are:

$$\begin{aligned} 1. \quad & \frac{RTE_{60}}{RTE_t} = \frac{145}{156} = 0.929 \\ 2. \quad & \frac{RTE_{180}}{(RTE_t - RTE_{excl})} = \frac{156}{(156 - 0)} = 1 \end{aligned}$$

3.2.3. Auckland gas distribution (Vector) RTE results for the assessment period are:

$$\begin{aligned} 1. \quad & \frac{RTE_{60}}{RTE_t} = \frac{93}{99} = 0.939 \\ 2. \quad & \frac{RTE_{180}}{(RTE_t - RTE_{excl})} = \frac{99}{(99 - 0)} = 1 \end{aligned}$$

3.2.4. Non-Auckland gas distribution (First Gas) RTE results for the assessment period are:

$$\begin{aligned} 1. \quad & \frac{RTE_{60}}{RTE_t} = \frac{52}{57} = 0.912 \\ 2. \quad & \frac{RTE_{180}}{(RTE_t - RTE_{excl})} = \frac{57}{(57 - 0)} = 1 \end{aligned}$$

3.2.5. For the purposes of calculation the RTE values above:

- $RTE_t$  is the total number of emergencies in the assessment period;
- $RTE_{excl}$  is the total number of emergencies in the assessment period for which the Commission has granted an exclusion in writing;
- $RTE_{60}$  is the total number of emergencies in the assessment period where the GDB's RTE was less than or equal to 60 minutes; and
- $RTE_{180}$  is the total number of emergencies in the assessment period where the GDB's RTE was less than or equal to 180 minutes.

### 3.3. Exclusions

3.3.1. Vector and First Gas can confirm that for this assessment period they did not have any emergencies that the Commission determined may be excluded from the RTE values, nor do they have any exclusion requests pending a decision by the Commission for the assessment period.

### 3.4. Policies and procedures for recording the RTE statistics

3.4.1. The network ownership breakdown for the Auckland and Non-Auckland gas distribution businesses for the disclosure period is outlined below. The data supplied for the calculation of RTE statistics is based on this breakdown.

#### Auckland Gas Distribution Network

Time period	Owner	Responsibilities
1 October 2015 – 30 September 2016	Vector	Vector owns, manages and operates a portfolio of gas distribution assets including data capture and master enterprise systems.

#### Non-Auckland Gas Distribution Network

Time period	Owner	Responsibilities
1 October 2015 – 19 April 2016	Vector	Vector owns, manages and operates a portfolio of gas distribution assets including data capture and master enterprise systems.

20 April 2016 – 28 August 2016	First Gas	<u>Vector</u> manages and operates a portfolio of gas distribution assets including data capture and master enterprise systems as a transitional service to First Gas.
29 August 2016 – 30 September 2016	First Gas	<u>First Gas</u> owns, manages and operates a portfolio of gas distribution assets including data capture and master enterprise systems.

**Vector data is prepared and supplied according to the following procedures:**

- 3.4.2. Vector employs contracted service providers to undertake data capture activities within the gas distribution network. The service providers manage data in accordance with Vector's requirements as defined in the Vector standard GSD004 (standard for Gas Distribution Network Reliability, Integrity and Consumer Service).
- 3.4.3. Gas distribution network performance and consumer service data is captured by the service providers using three methods:
1. Remotely, entered into Vector's Customer Management System (CMS).
  2. Electronically via hand-held tablets in the field. Data from the hand-held tablets is automatically uploaded into Vector's CMS.
  3. Hard copy (used only if the electronic data capture systems are not available), recorded on paper reports and subsequently remotely entered into Vector's CMS with the paper reports scanned and entered as an attachment.
- 3.4.4. Data entered in Vector's CMS system by one of the above methods is then quality checked by the service provider for accuracy, prior to then undergoing additional quality assurance checks by Vector personnel.
- 3.4.5. RTE statistics are calculated (in line with the definition of RTE in the Determination) for each event and the data retained in the database for ongoing reporting and analysis.
- 3.4.6. RTE performance is monitored on a monthly basis. All RTE events taking longer than 60 minutes to respond to are investigated with the service providers.
- 3.4.7. Figure 1 details the data collection, quality control / assurance and information development stages completed to generate the required information for disclosure.

**First Gas data is prepared and supplied according to the following procedures:**

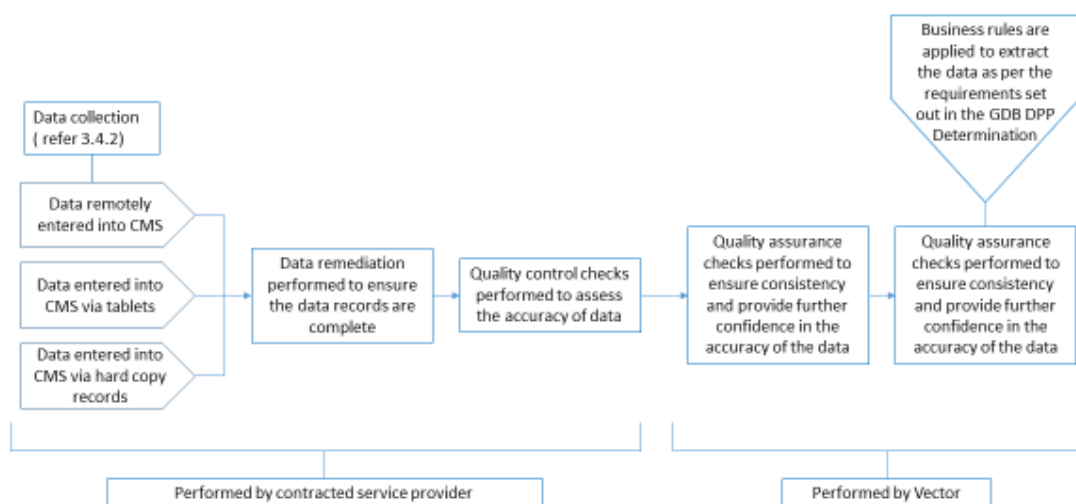
- 3.4.8. Vector has provided First Gas operational and maintenance services following the sale and as agreed under the terms of the purchase and sale agreement. The

associated procedures were also transferred under the aforementioned agreement and these have been undergoing conversion to First Gas.

3.4.9. As such First Gas have established processes aligned with those of Vector's and these will continue unless altered through normal operating practice and quality change control systems.

3.4.10. In line with this compliance statement, First Gas has been continuing to utilise GNS0081 Gas Distribution Network Performance Indicator Data Capture for the quality standard.

*Figure 1: Data collection and information development process for Vector*



## APPENDICES

### Appendix 1: Summary of $P_{i,2016}Q_{i,2014}$ for the 2016 assessment period

	$P_{i,2016}Q_{i,2014}$
<b>Sum</b>	<b>\$ 74,553,976</b>
	$P_{i,2016}Q_{i,2014}$
Auckland published charges between 1 October 2015 to 30 September 2016	\$ 44,798,816
Non-Auckland published charges between 1 October 2015 to 30 September 2016	\$ 24,475,575
Auckland published charges between 1 October 2015 to 30 September 2016 - Scaling	-\$ 312,543
Auckland non-standard charges between 1 October 2015 to 30 September 2016	\$ 4,488,561
Non-Auckland non-standard charges between 1 October 2015 to 30 September 2016	\$ 1,103,568

## Appendix 2: Auckland published charges from 1 October 2015

	$P_{i,2016}$	$Q_{i,2014}$
<b>Sum</b>		<b>\$ 44,798,816</b>

### Residential

Price category	Code	Description	Units	$P_{i,2016}$	$Q_{i,2014}$	$P_{i,2016} Q_{i,2014}$
GA0R	GA0R-FIXD	Fixed	\$/day	\$ 0.3400	33,631,013	\$ 11,434,544
GA0R	GA0R-24UC	Variable	\$/kWh	\$ 0.0261	620,197,451	\$ 16,187,153

### Business

Price category	Code	Description	Units	$P_{i,2016}$	$Q_{i,2014}$	$P_{i,2016} Q_{i,2014}$
GA01	GA01-FIXD	Fixed	\$/day	\$ 0.6200	828,927	\$ 513,935
GA01	GA01-24UC	Variable	\$/kWh	\$ 0.0165	63,297,885	\$ 1,044,415

### Commercial

Price category	Code	Description	Units	$P_{i,2016}$	$Q_{i,2014}$	$P_{i,2016} Q_{i,2014}$
GA02	GA02-FIXD	Fixed	\$/day	\$ 1.1000	926,753	\$ 1,019,428
GA02	GA02-24UC	Variable	\$/kWh	\$ 0.0133	232,078,811	\$ 3,086,648
GA03	GA03-FIXD	Fixed	\$/day	\$ 4.7200	325,304	\$ 1,535,435
GA03	GA03-24UC	Variable	\$/kWh	\$ 0.0102	527,214,655	\$ 5,377,589

### Industrial

Price category	Code	Description	Units	$P_{i,2016}$	$Q_{i,2014}$	$P_{i,2016} Q_{i,2014}$
GA04	GA04-FIXD	Fixed	\$/day	\$ 14.4800	50,714	\$ 734,339
GA04	GA04-24UC	Variable	\$/kWh	\$ 0.0068	448,646,459	\$ 3,050,796
GA05	GA05-FIXD	Fixed	\$/day	\$ 200.0000	2,920	\$ 584,000
GA05	GA05-24UC	Variable	\$/kWh	\$ 0.0015	153,688,186	\$ 230,532

### Appendix 3: Non-Auckland published charges from 1 October 2015

	$P_{i,2016}$	$Q_{i,2014}$
<b>Sum</b>		<b>\$ 24,475,575</b>

#### Residential

Price category	Code	Description	Units	$P_{i,2016}$	$Q_{i,2014}$	$P_{i,2016} Q_{i,2014}$
GN0R	GN0R-FIXD	Fixed	\$/day	\$ 0.3400	20,802,286	\$ 7,072,777
GN0R	GN0R-24UC	Variable	\$/kWh	\$ 0.0261	334,934,750	\$ 8,741,797

#### Business

Price category	Code	Description	Units	$P_{i,2016}$	$Q_{i,2014}$	$P_{i,2016} Q_{i,2014}$
GN01	GN01-FIXD	Fixed	\$/day	\$ 0.6200	757,850	\$ 469,867
GN01	GN01-24UC	Variable	\$/kWh	\$ 0.0165	44,706,425	\$ 737,656

#### Commercial

Price category	Code	Description	Units	$P_{i,2016}$	$Q_{i,2014}$	$P_{i,2016} Q_{i,2014}$
GN02	GN02-FIXD	Fixed	\$/day	\$ 1.1000	474,939	\$ 522,433
GN02	GN02-24UC	Variable	\$/kWh	\$ 0.0133	112,412,185	\$ 1,495,082
GN03	GN03-FIXD	Fixed	\$/day	\$ 4.7200	178,924	\$ 844,521
GN03	GN03-24UC	Variable	\$/kWh	\$ 0.0102	236,209,071	\$ 2,409,333

#### Industrial

Price category	Code	Description	Units	$P_{i,2016}$	$Q_{i,2014}$	$P_{i,2016} Q_{i,2014}$
GN04	GN04-FIXD	Fixed	\$/day	\$ 14.4800	22,496	\$ 325,742
GN04	GN04-24UC	Variable	\$/kWh	\$ 0.0068	189,574,706	\$ 1,289,108
GN05	GN05-FIXD	Fixed	\$/day	\$ 200.0000	1,879	\$ 375,800
GN05	GN05-24UC	Variable	\$/kWh	\$ 0.0015	127,639,317	\$ 191,459

#### Appendix 4: Auckland network – 2016 scaling

					<i>P<sub>i,2016</sub> Q<sub>i,2014</sub></i>	
<b>Sum</b>					<b>-\$</b>	<b>312,543</b>
Price category	Code	Description	Units	<i>P<sub>i,2016</sub></i>	<i>Q<sub>i,2014</sub></i>	<i>P<sub>i,2016</sub> Q<sub>i,2014</sub></i>
GA0R	GA0R-24UC	Variable	\$/kWh	\$ 0.0261	- 9,121,077	-\$ 238,060
GA01	GA01-24UC	Variable	\$/kWh	\$ 0.0165	- 567,979	-\$ 9,372
GA02	GA02-24UC	Variable	\$/kWh	\$ 0.0133	- 2,036,120	-\$ 27,080
GA03	GA03-24UC	Variable	\$/kWh	\$ 0.0102	- 3,957,076	-\$ 40,362
GA04	GA04-24UC	Variable	\$/kWh	\$ 0.0068	317,489	\$ 2,159
GA05	GA05-24UC	Variable	\$/kWh	\$ 0.0015	114,643	\$ 172



# Appendix 5: Auckland non-standard charges from 1 October 2015

	<i>P<sub>i,2016</sub></i>	<i>Q<sub>i,2014</sub></i>
<b>Sum</b>	<b>\$</b>	<b>4,488,561</b>

Code	Description	Units	<i>P<sub>i,2016</sub></i>	<i>Q<sub>i,2014</sub></i>	<i>P<sub>i,2016</sub></i> <i>Q<sub>i,2014</sub></i>
VTA16001	Fixed	\$/day	\$ 228.98	365	\$ 83,578
VTA16002	Fixed	\$/day	\$ 85.97	365	\$ 31,379
VTA16003	Fixed	\$/day	\$ 92.27	365	\$ 33,679
VTA16004	Fixed	\$/day	\$ 118.93	365	\$ 43,409
VTA16005	Fixed	\$/day	\$ 41.73	365	\$ 15,231
VTA16006	Fixed	\$/day	\$ 54.32	365	\$ 19,827
VTA16007	Fixed	\$/day	\$ 236.96	365	\$ 86,490
VTA16008	Fixed	\$/day	\$ 26.82	365	\$ 9,789
VTA16009	Fixed	\$/day	\$ 48.47	365	\$ 17,692
VTA16010	Fixed	\$/day	\$ 112.13	365	\$ 40,927
VTA16011	Fixed	\$/day	\$ 40.00	365	\$ 14,600
VTA16012	Fixed	\$/day	\$ 162.65	365	\$ 59,367
VTA16013	Fixed	\$/day	\$ 59.31	365	\$ 21,648
VTA16014	Fixed	\$/day	\$ 148.25	365	\$ 54,111
VTA16015	Fixed	\$/day	\$ 145.07	365	\$ 52,951
VTA16016	Fixed	\$/day	\$ 27.96	365	\$ 10,205
VTA16017	Fixed	\$/day	\$ 225.40	365	\$ 82,271
VTA16018	Fixed	\$/day	\$ 13.42	365	\$ 4,898
VTA16019	Fixed	\$/day	\$ 139.61	365	\$ 50,958
VTA16020	Fixed	\$/day	\$ 14.48	365	\$ 5,285
VTA16021	Fixed	\$/day	\$ 14.48	365	\$ 5,285
VTA16022	Fixed	\$/day	\$ 200.00	365	\$ 73,000
VTA16023	Fixed	\$/day	\$ 200.00	365	\$ 73,000
VTA16024	Fixed	\$/day	\$ 200.00	365	\$ 73,000
VTA16025	Fixed	\$/day	\$ 200.00	365	\$ 73,000
VTA16026	Fixed	\$/day	\$ 200.00	365	\$ 73,000
VTA16027	Fixed	\$/day	\$ 200.00	365	\$ 73,000
VTA16028	Fixed	\$/day	\$ 200.00	365	\$ 73,000
VTA16029	Fixed	\$/day	\$ 200.00	365	\$ 73,000
VTA16030	Fixed	\$/day	\$ 102.91	365	\$ 37,562
VTA16031	Fixed	\$/day	\$ 102.91	365	\$ 37,562
VTA16032	Fixed	\$/day	\$ 102.91	365	\$ 37,562
VTA16033	Fixed	\$/day	\$ 102.91	365	\$ 37,562
VTA16034	Fixed	\$/day	\$ 131.50	365	\$ 47,998
VTA16035	Fixed	\$/day	\$ 681.67	365	\$ 248,810
VTA16036	Fixed	\$/day	\$ 187.18	365	\$ 68,321
VTA16037	Fixed	\$/day	\$ 152.17	365	\$ 55,542
VTA16038	Fixed	\$/day	\$ 73.58	365	\$ 26,857
VTA16039	Fixed	\$/day	\$ 179.45	365	\$ 65,499
VTA16040	Fixed	\$/day	\$ 65.39	365	\$ 23,867
VTA16041	Fixed	\$/day	\$ 273.94	365	\$ 99,988
VTA16042	Fixed	\$/day	\$ 2,012.26	365	\$ 734,475
VTA16043	Fixed	\$/day	\$ 414.55	-	\$ -
VTA16044	Fixed	\$/day	\$ 982.69	-	\$ -

Code	Description	Units	$P_{i,2016}$	$Q_{i,2014}$	$P_{i,2016} Q_{i,2014}$
VTA16045	Fixed	\$/day	\$ -	9	\$ -
VTA16046	Fixed	\$/day	\$ -	356	\$ -
VTA16047	Fixed	\$/day	\$ -	300	\$ -
VTA16048	Fixed	\$/day	\$ -	65	\$ -
VTA16049	Fixed	\$/day	\$ 200.00	232	\$ 46,400
VTA16050	Fixed	\$/day	\$ -	116	\$ -
VTA16051	Fixed	\$/day	\$ -	17	\$ -
VTA16052	Fixed	\$/day	\$ 39.74	186	\$ 7,392
VTA16053	Fixed	\$/day	\$ -	179	\$ -
VTA16054	Fixed	\$/day	\$ 2,015.63	-	\$ -
VTA16055	Fixed	\$/day	\$ 1,894.13	-	\$ -
VTA16056	Fixed	\$/day	\$ 110.24	365	\$ 40,238
VTA16057	Fixed	\$/day	\$ 200.00	365	\$ 73,000
VTA16058	Fixed	\$/day	\$ 200.00	365	\$ 73,000
VTA16059	Fixed	\$/day	\$ 137.09	365	\$ 50,038
VTA16060	Fixed	\$/day	\$ 174.17	365	\$ 63,572
VTA16061	Fixed	\$/day	\$ -	365	\$ -
VTA16062	Fixed	\$/day	\$ 103.67	365	\$ 37,840
VTA16063	Fixed	\$/day	\$ 27.08	100	\$ 2,708

Code	Description	Units	$P_{i,2016}$	$Q_{i,2014}$	$P_{i,2016} Q_{i,2014}$
VTA16001	Variable	\$/kWh	\$ 0.0009	29,744,612	\$ 26,770
VTA16002	Variable	\$/kWh	\$ 0.0008	9,986,696	\$ 7,989
VTA16003	Variable	\$/kWh	\$ -	6,633,057	\$ -
VTA16004	Variable	\$/kWh	\$ 0.0011	9,991,436	\$ 10,991
VTA16005	Variable	\$/kWh	\$ -	2,434,165	\$ -
VTA16006	Variable	\$/kWh	\$ 0.0010	4,869,809	\$ 4,870
VTA16007	Variable	\$/kWh	\$ 0.0007	48,445,435	\$ 33,912
VTA16008	Variable	\$/kWh	\$ 0.0004	3,634,062	\$ 1,454
VTA16009	Variable	\$/kWh	\$ 0.0009	5,044,559	\$ 4,540
VTA16010	Variable	\$/kWh	\$ 0.0013	8,367,132	\$ 10,877
VTA16011	Variable	\$/kWh	\$ 0.0011	4,255,995	\$ 4,682
VTA16012	Variable	\$/kWh	\$ 0.0008	21,109,178	\$ 16,887
VTA16013	Variable	\$/kWh	\$ 0.0014	4,231,376	\$ 5,924
VTA16014	Variable	\$/kWh	\$ 0.0008	19,618,867	\$ 15,695
VTA16015	Variable	\$/kWh	\$ 0.0011	11,838,388	\$ 13,022
VTA16016	Variable	\$/kWh	\$ 0.0009	3,140,970	\$ 2,827
VTA16017	Variable	\$/kWh	\$ 0.0010	24,691,874	\$ 24,692
VTA16018	Variable	\$/kWh	\$ 0.0025	489,628	\$ 1,224
VTA16019	Variable	\$/kWh	\$ 0.0012	8,684,634	\$ 10,422
VTA16020	Variable	\$/kWh	\$ 0.0068	3,961,120	\$ 26,936

Code	Description	Units	$P_{i,2016}$	$Q_{i,2014}$	$P_{i,2016} Q_{i,2014}$
VTA16021	Variable	\$/kWh	\$ 0.0068	2,927,638	\$ 19,908
VTA16022	Variable	\$/kWh	\$ 0.0015	25,546,199	\$ 38,319
VTA16023	Variable	\$/kWh	\$ 0.0015	106,848,593	\$ 160,273
VTA16024	Variable	\$/kWh	\$ 0.0015	32,072,474	\$ 48,109
VTA16025	Variable	\$/kWh	\$ 0.0015	46,295,439	\$ 69,443
VTA16026	Variable	\$/kWh	\$ 0.0015	56,431,326	\$ 84,647
VTA16027	Variable	\$/kWh	\$ 0.0015	24,704,932	\$ 37,057
VTA16028	Variable	\$/kWh	\$ 0.0015	24,052,896	\$ 36,079
VTA16029	Variable	\$/kWh	\$ 0.0015	30,059,591	\$ 45,089
VTA16030	Variable	\$/kWh	\$ 0.0010	106,402	\$ 106
VTA16031	Variable	\$/kWh	\$ 0.0010	39,492,191	\$ 39,492
VTA16032	Variable	\$/kWh	\$ 0.0010	14,191,964	\$ 14,192
VTA16033	Variable	\$/kWh	\$ 0.0010	13,119,700	\$ 13,120
VTA16034	Variable	\$/kWh	\$ 0.0004	24,070,258	\$ 9,628
VTA16035	Variable	\$/kWh	\$ 0.0002	348,849,877	\$ 69,770
VTA16036	Variable	\$/kWh	\$ 0.0010	18,098,107	\$ 18,098
VTA16037	Variable	\$/kWh	\$ 0.0004	36,546,162	\$ 14,618
VTA16038	Variable	\$/kWh	\$ 0.0010	6,832,553	\$ 6,833
VTA16039	Variable	\$/kWh	\$ 0.0010	18,514,275	\$ 18,514
VTA16040	Variable	\$/kWh	\$ 0.0008	6,577,953	\$ 5,262
VTA16041	Variable	\$/kWh	\$ -	3,586,693	\$ -
VTA16042	Variable	\$/kWh	\$ -	144,088,330	\$ -
VTA16043	Variable	\$/kWh	\$ -	-	\$ -
VTA16044	Variable	\$/kWh	\$ -	-	\$ -
VTA16045	Variable	\$/kWh	\$ -	16,842	\$ -
VTA16046	Variable	\$/kWh	\$ -	542,913	\$ -
VTA16047	Variable	\$/kWh	\$ -	23,097,750	\$ -
VTA16048	Variable	\$/kWh	\$ -	5,470,977	\$ -
VTA16049	Variable	\$/kWh	\$ 0.0015	81,714,573	\$ 122,572
VTA16050	Variable	\$/kWh	\$ -	43,407,189	\$ -
VTA16051	Variable	\$/kWh	\$ -	6,504,545	\$ -
VTA16052	Variable	\$/kWh	\$ 0.0009	2,650,287	\$ 2,385
VTA16053	Variable	\$/kWh	\$ -	1,995,245	\$ -
VTA16054	Variable	\$/kWh	\$ -	-	\$ -
VTA16055	Variable	\$/kWh	\$ -	-	\$ -
VTA16056	Variable	\$/kWh	\$ 0.0002	59,286,279	\$ 11,857
VTA16057	Variable	\$/kWh	\$ 0.0015	38,337,988	\$ 57,507
VTA16058	Variable	\$/kWh	\$ 0.0015	40,035,612	\$ 60,053
VTA16059	Variable	\$/kWh	\$ 0.0008	9,617,661	\$ 7,694
VTA16060	Variable	\$/kWh	\$ -	19,770,513	\$ -
VTA16061	Variable	\$/kWh	\$ -	929	\$ -
VTA16062	Variable	\$/kWh	\$ 0.0003	36,156,321	\$ 10,847
VTA16063	Variable	\$/kWh	\$ -	4,644,456	\$ -

# Appendix 6: Non-Auckland non-standard charges from 1 October 2015

	$P_{i,2016} Q_{i,2014}$
<b>Sum</b>	<b>\$ 1,103,568</b>

Code	Description	Units	$P_{i,2016}$	$Q_{i,2014}$	$P_{i,2016} Q_{i,2014}$
VTN16001	Fixed	\$/day	\$ 376.90	365	\$ 137,569
VTN16002	Fixed	\$/day	\$ 74.70	365	\$ 27,266
VTN16003	Fixed	\$/day	\$ 52.23	365	\$ 19,064
VTN16004	Fixed	\$/day	\$ -	365	\$ -
VTN16005	Fixed	\$/day	\$ -	365	\$ -
VTN16006	Fixed	\$/day	\$ 14.48	365	\$ 5,285
VTN16007	Fixed	\$/day	\$ 200.00	365	\$ 73,000
VTN16008	Fixed	\$/day	\$ 200.00	365	\$ 73,000
VTN16009	Fixed	\$/day	\$ 200.00	365	\$ 73,000
VTN16010	Fixed	\$/day	\$ 93.00	365	\$ 33,945
VTN16011	Fixed	\$/day	\$ 54.29	365	\$ 19,816
VTN16012	Fixed	\$/day	\$ 89.57	365	\$ 32,693
VTN16013	Fixed	\$/day	\$ 26.54	365	\$ 9,687
VTN16014	Fixed	\$/day	\$ 168.92	365	\$ 61,656
VTN16015	Fixed	\$/day	\$ 161.99	365	\$ 59,126
VTN16016	Fixed	\$/day	\$ 320.26	365	\$ 116,895
VTN16017	Fixed	\$/day	\$ 112.68	365	\$ 41,128
VTN16018	Fixed	\$/day	\$ 50.79	365	\$ 18,538
VTN16019	Fixed	\$/day	\$ 218.50	365	\$ 79,753
VTN16020	Fixed	\$/day	\$ 32.07	365	\$ 11,706
VTN16021	Fixed	\$/day	\$ 67.48	365	\$ 24,630
VTN16022	Fixed	\$/day	\$ 14.48	340	\$ 4,923
VTN16023	Fixed	\$/day	\$ 14.48	25	\$ 362

Code	Description	Units	$P_{i,2016}$	$Q_{i,2014}$	$P_{i,2016} Q_{i,2014}$
VTN16001	Variable	\$/kWh	\$ -	46,102,036	\$ -
VTN16002	Variable	\$/kWh	\$ -	10,918,634	\$ -
VTN16003	Variable	\$/kWh	\$ -	3,764,301	\$ -
VTN16004	Variable	\$/kWh	\$ -	35,503,945	\$ -
VTN16005	Variable	\$/kWh	\$ -	68,242,489	\$ -
VTN16006	Variable	\$/kWh	\$ 0.0068	4,683,792	\$ 31,850
VTN16007	Variable	\$/kWh	\$ 0.0015	26,717,070	\$ 40,076
VTN16008	Variable	\$/kWh	\$ 0.0015	26,259,578	\$ 39,389
VTN16009	Variable	\$/kWh	\$ 0.0015	14,288,166	\$ 21,432
VTN16010	Variable	\$/kWh	\$ 0.0006	13,755,544	\$ 8,253
VTN16011	Variable	\$/kWh	\$ -	121,293,734	\$ -
VTN16012	Variable	\$/kWh	\$ -	91,306,823	\$ -
VTN16013	Variable	\$/kWh	\$ -	64,251,833	\$ -
VTN16014	Variable	\$/kWh	\$ -	62,369,084	\$ -
VTN16015	Variable	\$/kWh	\$ -	151,885,951	\$ -
VTN16016	Variable	\$/kWh	\$ -	44,124,174	\$ -
VTN16017	Variable	\$/kWh	\$ -	189,316,106	\$ -
VTN16018	Variable	\$/kWh	\$ -	141,815,695	\$ -
VTN16019	Variable	\$/kWh	\$ -	18,036,537	\$ -
VTN16020	Variable	\$/kWh	\$ -	75,237,523	\$ -
VTN16021	Variable	\$/kWh	\$ 0.00002	236,132,873	\$ 4,723
VTN16022	Variable	\$/kWh	\$ 0.0068	4,708,703	\$ 32,019
VTN16023	Variable	\$/kWh	\$ 0.0068	409,568	\$ 2,785

## Appendix 7: Summary of $P_{i,2015}Q_{i,2014}$ for the 2016 assessment period

$P_{i,2015}Q_{i,2014}$	
<b>Sum</b>	<b>\$ 74,483,961</b>
	$P_{i,2015}Q_{i,2014}$
Auckland published charges between 1 October 2014 to 30 September 2015	\$ 44,473,820
Non-Auckland published charges between 1 October 2014 to 30 September 2015	\$ 24,452,360
Auckland published charges between 1 October 2014 to 30 September 2015 - Scaling	-\$ 312,333
Auckland non-standard charges between 1 October 2014 to 30 September 2015	\$ 4,741,533
Non-Auckland non-standard charges between 1 October 2014 to 30 September 2015	\$ 1,128,581

## Appendix 8: Auckland published charges from 1 October 2014

	<b><math>P_{i,2015} Q_{i,2014}</math></b>
<b>Sum</b>	<b>\$ 44,473,820</b>

### Residential

Price category	Code	Description	Units	$P_{i,2015}$	$Q_{i,2014}$	$P_{i,2015} Q_{i,2014}$
GA0R	GA0R-FIXD	Fixed	\$/day	\$ 0.3300	33,631,013	\$ 11,098,234
GA0R	GA0R-24UC	Variable	\$/kWh	\$ 0.0261	620,197,451	\$ 16,187,153

### Business

Price category	Code	Description	Units	$P_{i,2015}$	$Q_{i,2014}$	$P_{i,2015} Q_{i,2014}$
GA01	GA01-FIXD	Fixed	\$/day	\$ 0.5700	828,927	\$ 472,488
GA01	GA01-24UC	Variable	\$/kWh	\$ 0.0172	63,297,885	\$ 1,088,724

### Commercial

Price category	Code	Description	Units	$P_{i,2015}$	$Q_{i,2014}$	$P_{i,2015} Q_{i,2014}$
GA02	GA02-FIXD	Fixed	\$/day	\$ 1.0100	926,753	\$ 936,021
GA02	GA02-24UC	Variable	\$/kWh	\$ 0.0133	232,078,811	\$ 3,086,648
GA03	GA03-FIXD	Fixed	\$/day	\$ 4.3500	325,304	\$ 1,415,072
GA03	GA03-24UC	Variable	\$/kWh	\$ 0.0102	527,214,655	\$ 5,377,589

### Industrial

Price category	Code	Description	Units	$P_{i,2015}$	$Q_{i,2014}$	$P_{i,2015} Q_{i,2014}$
GA04	GA04-FIXD	Fixed	\$/day	\$ 13.3500	53,634	\$ 716,014
GA04	GA04-24UC	Variable	\$/kWh	\$ 0.0068	602,334,645	\$ 4,095,876

## Appendix 9: Non-Auckland published charges from 1 October 2014

	$P_{i,2015} Q_{i,2014}$
<b>Sum</b>	<b>\$ 24,452,360</b>

### Residential

Price category	Code	Description	Units	$P_{i,2015}$	$Q_{i,2014}$	$P_{i,2015} Q_{i,2014}$
GN0R	GN0R-FIXD	Fixed	\$/day	\$ 0.3300	20,802,286	\$ 6,864,754
GN0R	GN0R-24UC	Variable	\$/kWh	\$ 0.0261	334,934,750	\$ 8,741,797

### Business

Price category	Code	Description	Units	$P_{i,2015}$	$Q_{i,2014}$	$P_{i,2015} Q_{i,2014}$
GN01	GN01-FIXD	Fixed	\$/day	\$ 0.5700	757,850	\$ 431,975
GN01	GN01-24UC	Variable	\$/kWh	\$ 0.0172	44,706,425	\$ 768,951

### Commercial

Price category	Code	Description	Units	$P_{i,2015}$	$Q_{i,2014}$	$P_{i,2015} Q_{i,2014}$
GN02	GN02-FIXD	Fixed	\$/day	\$ 1.0100	474,939	\$ 479,688
GN02	GN02-24UC	Variable	\$/kWh	\$ 0.0133	112,412,185	\$ 1,495,082
GN03	GN03-FIXD	Fixed	\$/day	\$ 4.3500	178,924	\$ 778,319
GN03	GN03-24UC	Variable	\$/kWh	\$ 0.0102	236,209,071	\$ 2,409,333

### Industrial

Price category	Code	Description	Units	$P_{i,2015}$	$Q_{i,2014}$	$P_{i,2015} Q_{i,2014}$
GN04	GN04-FIXD	Fixed	\$/day	\$ 13.3500	24,375	\$ 325,406
GN04	GN04-24UC	Variable	\$/kWh	\$ 0.0068	317,214,023	\$ 2,157,055

## Appendix 10: Auckland network – 2015 scaling

					$P_{i,2015} Q_{i,2014}$	
<b>Sum</b>					<b>-\$</b>	<b>312,333</b>
Price category	Code	Description	Units	$P_{i,2015}$	$Q_{i,2014}$	$P_{i,2015} Q_{i,2014}$
GA0R	GA0R-24UC	Variable	\$/kWh	\$ 0.0261	- 9,121,077	-\$ 238,060
GA01	GA01-24UC	Variable	\$/kWh	\$ 0.0172	- 567,979	-\$ 9,769
GA02	GA02-24UC	Variable	\$/kWh	\$ 0.0133	- 2,036,120	-\$ 27,080
GA03	GA03-24UC	Variable	\$/kWh	\$ 0.0102	- 3,957,076	-\$ 40,362
GA04	GA04-24UC	Variable	\$/kWh	\$ 0.0068	432,132	\$ 2,938



# Appendix 11: Auckland non-standard charges from 1 October 2014

	<i>P<sub>i,2015</sub>Q<sub>i,2014</sub></i>
<b>Sum</b>	<b>\$ 4,741,533</b>

Code	Description	Units	<i>P<sub>i,2015</sub></i>	<i>Q<sub>i,2014</sub></i>	<i>P<sub>i,2015</sub>Q<sub>i,2014</sub></i>
VTA16001	Fixed	\$/day	\$ 208.1600	365	\$ 75,978
VTA16002	Fixed	\$/day	\$ 78.1500	365	\$ 28,525
VTA16003	Fixed	\$/day	\$ 83.8800	365	\$ 30,616
VTA16004	Fixed	\$/day	\$ 108.1200	365	\$ 39,464
VTA16005	Fixed	\$/day	\$ 37.9400	365	\$ 13,848
VTA16006	Fixed	\$/day	\$ 49.3800	365	\$ 18,024
VTA16007	Fixed	\$/day	\$ 215.4200	365	\$ 78,628
VTA16008	Fixed	\$/day	\$ 24.3800	365	\$ 8,899
VTA16009	Fixed	\$/day	\$ 44.0600	365	\$ 16,082
VTA16010	Fixed	\$/day	\$ 101.9400	365	\$ 37,208
VTA16011	Fixed	\$/day	\$ 36.3600	365	\$ 13,271
VTA16012	Fixed	\$/day	\$ 147.8600	365	\$ 53,969
VTA16013	Fixed	\$/day	\$ 53.9200	365	\$ 19,681
VTA16014	Fixed	\$/day	\$ 134.7700	365	\$ 49,191
VTA16015	Fixed	\$/day	\$ 131.8800	365	\$ 48,136
VTA16016	Fixed	\$/day	\$ 25.4200	365	\$ 9,278
VTA16017	Fixed	\$/day	\$ 204.9100	365	\$ 74,792
VTA16018	Fixed	\$/day	\$ 12.2000	365	\$ 4,453
VTA16019	Fixed	\$/day	\$ 126.9200	365	\$ 46,326
VTA16020	Fixed	\$/day	\$ 91.6500	365	\$ 33,452
VTA16021	Fixed	\$/day	\$ 65.9500	365	\$ 24,072
VTA16022	Fixed	\$/day	\$ 242.7400	365	\$ 88,600
VTA16023	Fixed	\$/day	\$ 477.0300	365	\$ 174,116
VTA16024	Fixed	\$/day	\$ 254.7800	365	\$ 92,995
VTA16025	Fixed	\$/day	\$ 355.5800	365	\$ 129,787
VTA16026	Fixed	\$/day	\$ 742.8500	365	\$ 271,140
VTA16027	Fixed	\$/day	\$ 261.5900	365	\$ 95,480
VTA16028	Fixed	\$/day	\$ 113.8800	365	\$ 41,566
VTA16029	Fixed	\$/day	\$ 330.3900	365	\$ 120,592
VTA16030	Fixed	\$/day	\$ 102.0300	365	\$ 37,241
VTA16031	Fixed	\$/day	\$ 102.0300	365	\$ 37,241
VTA16032	Fixed	\$/day	\$ 102.0300	365	\$ 37,241
VTA16033	Fixed	\$/day	\$ 102.0300	365	\$ 37,241
VTA16034	Fixed	\$/day	\$ 130.3700	365	\$ 47,585
VTA16035	Fixed	\$/day	\$ 675.8300	365	\$ 246,678
VTA16036	Fixed	\$/day	\$ 185.5800	365	\$ 67,737
VTA16037	Fixed	\$/day	\$ 150.8700	365	\$ 55,068
VTA16038	Fixed	\$/day	\$ 72.9500	365	\$ 26,627
VTA16039	Fixed	\$/day	\$ 177.9100	365	\$ 64,937
VTA16040	Fixed	\$/day	\$ 64.8300	365	\$ 23,663
VTA16041	Fixed	\$/day	\$ 271.5900	365	\$ 99,130
VTA16042	Fixed	\$/day	\$ 1,995.0100	365	\$ 728,179
VTA16043	Fixed	\$/day	\$ 411.0000	-	\$ -
VTA16044	Fixed	\$/day	\$ 1,024.8500	-	\$ -

Code	Description	Units	$P_{i,2015}$	$Q_{i,2014}$	$P_{i,2015}Q_{i,2014}$
VTA16045	Fixed	\$/day	\$ 4.3500	9	\$ 39
VTA16046	Fixed	\$/day	\$ -	356	\$ -
VTA16047	Fixed	\$/day	\$ 157.1000	300	\$ 47,130
VTA16048	Fixed	\$/day	\$ -	65	\$ -
VTA16049	Fixed	\$/day	\$ 534.8400	232	\$ 124,083
VTA16050	Fixed	\$/day	\$ 534.8400	116	\$ 62,041
VTA16051	Fixed	\$/day	\$ 411.0000	17	\$ 6,987
VTA16052	Fixed	\$/day	\$ 39.4000	186	\$ 7,328
VTA16053	Fixed	\$/day	\$ 39.4000	179	\$ 7,053
VTA16054	Fixed	\$/day	\$ 2,090.4200	-	\$ -
VTA16055	Fixed	\$/day	\$ 2,090.4200	-	\$ -
VTA16056	Fixed	\$/day	\$ 109.30	365	\$ 39,895
VTA16057	Fixed	\$/day	\$ 383.60	365	\$ 140,014
VTA16058	Fixed	\$/day	\$ 337.97	365	\$ 123,359
VTA16059	Fixed	\$/day	\$ 124.63	365	\$ 45,490
VTA16060	Fixed	\$/day	\$ 172.68	365	\$ 63,028
VTA16061	Fixed	\$/day	\$ -	365	\$ -
VTA16062	Fixed	\$/day	\$ 102.78	365	\$ 37,515
VTA16063	Fixed	\$/day	\$ 26.85	100	\$ 2,685

Code	Description	Units	$P_{i,2015}$	$Q_{i,2014}$	$P_{i,2015}Q_{i,2014}$
VTA16001	Variable	\$/kWh	\$ 0.0008	29,744,612	\$ 23,796
VTA16002	Variable	\$/kWh	\$ 0.0007	9,986,696	\$ 6,991
VTA16003	Variable	\$/kWh	\$ -	6,633,057	\$ -
VTA16004	Variable	\$/kWh	\$ 0.0010	9,991,436	\$ 9,991
VTA16005	Variable	\$/kWh	\$ -	2,434,165	\$ -
VTA16006	Variable	\$/kWh	\$ 0.0009	4,869,809	\$ 4,383
VTA16007	Variable	\$/kWh	\$ 0.0006	48,445,435	\$ 29,067
VTA16008	Variable	\$/kWh	\$ 0.0004	3,634,062	\$ 1,454
VTA16009	Variable	\$/kWh	\$ 0.0008	5,044,559	\$ 4,036
VTA16010	Variable	\$/kWh	\$ 0.0012	8,367,132	\$ 10,041
VTA16011	Variable	\$/kWh	\$ 0.0010	4,255,995	\$ 4,256
VTA16012	Variable	\$/kWh	\$ 0.0007	21,109,178	\$ 14,776
VTA16013	Variable	\$/kWh	\$ 0.0013	4,231,376	\$ 5,501
VTA16014	Variable	\$/kWh	\$ 0.0007	19,618,867	\$ 13,733
VTA16015	Variable	\$/kWh	\$ 0.0010	11,838,388	\$ 11,838
VTA16016	Variable	\$/kWh	\$ 0.0008	3,140,970	\$ 2,513
VTA16017	Variable	\$/kWh	\$ 0.0009	24,691,874	\$ 22,223
VTA16018	Variable	\$/kWh	\$ 0.0023	489,628	\$ 1,126
VTA16019	Variable	\$/kWh	\$ 0.0011	8,684,634	\$ 9,553
VTA16020	Variable	\$/kWh	\$ 0.0010	3,961,120	\$ 3,961

Code	Description	Units	$P_{i,2015}$	$Q_{i,2014}$	$P_{i,2015}Q_{i,2014}$
VTA16021	Variable	\$/kWh	\$ -	2,927,638	\$ -
VTA16022	Variable	\$/kWh	\$ 0.0010	25,546,199	\$ 25,546
VTA16023	Variable	\$/kWh	\$ 0.0004	106,848,593	\$ 42,739
VTA16024	Variable	\$/kWh	\$ 0.0008	32,072,474	\$ 25,658
VTA16025	Variable	\$/kWh	\$ 0.0007	46,295,439	\$ 32,407
VTA16026	Variable	\$/kWh	\$ 0.0012	56,431,326	\$ 67,718
VTA16027	Variable	\$/kWh	\$ 0.001100	24,704,932	\$ 27,175
VTA16028	Variable	\$/kWh	\$ 0.0033	24,052,896	\$ 79,375
VTA16029	Variable	\$/kWh	\$ -	30,059,591	\$ -
VTA16030	Variable	\$/kWh	\$ 0.0010	106,402	\$ 106
VTA16031	Variable	\$/kWh	\$ 0.0010	39,492,191	\$ 39,492
VTA16032	Variable	\$/kWh	\$ 0.0010	14,191,964	\$ 14,192
VTA16033	Variable	\$/kWh	\$ 0.0010	13,119,700	\$ 13,120
VTA16034	Variable	\$/kWh	\$ 0.0004	24,070,258	\$ 9,628
VTA16035	Variable	\$/kWh	\$ 0.0002	348,849,877	\$ 69,770
VTA16036	Variable	\$/kWh	\$ 0.0010	18,098,107	\$ 18,098
VTA16037	Variable	\$/kWh	\$ 0.00040	36,546,162	\$ 14,618
VTA16038	Variable	\$/kWh	\$ 0.0010	6,832,553	\$ 6,833
VTA16039	Variable	\$/kWh	\$ 0.0010	18,514,275	\$ 18,514
VTA16040	Variable	\$/kWh	\$ 0.0008	6,577,953	\$ 5,262
VTA16041	Variable	\$/kWh	\$ -	3,586,693	\$ -
VTA16042	Variable	\$/kWh	\$ -	144,088,330	\$ -
VTA16043	Variable	\$/kWh	\$ -	-	\$ -
VTA16044	Variable	\$/kWh	\$ -	-	\$ -
VTA16045	Variable	\$/kWh	\$ 0.0102	16,842	\$ 172
VTA16046	Variable	\$/kWh	\$ -	542,913	\$ -
VTA16047	Variable	\$/kWh	\$ 0.0006	23,097,750	\$ 13,859
VTA16048	Variable	\$/kWh	\$ -	5,470,977	\$ -
VTA16049	Variable	\$/kWh	\$ 0.0004	81,714,573	\$ 32,686
VTA16050	Variable	\$/kWh	\$ 0.0004	43,407,189	\$ 17,363
VTA16051	Variable	\$/kWh	\$ -	6,504,545	\$ -
VTA16052	Variable	\$/kWh	\$ 0.0009	2,650,287	\$ 2,385
VTA16053	Variable	\$/kWh	\$ 0.0009	1,995,245	\$ 1,796
VTA16054	Variable	\$/kWh	\$ -	-	\$ -
VTA16055	Variable	\$/kWh	\$ -	-	\$ -
VTA16056	Variable	\$/kWh	\$ 0.0002	59,286,279	\$ 11,857
VTA16057	Variable	\$/kWh	\$ -	38,337,988	\$ -
VTA16058	Variable	\$/kWh	\$ -	40,035,612	\$ -
VTA16059	Variable	\$/kWh	\$ 0.0008	9,617,661	\$ 7,694
VTA16060	Variable	\$/kWh	\$ -	19,770,513	\$ -
VTA16061	Variable	\$/kWh	\$ -	929	\$ -
VTA16062	Variable	\$/kWh	\$ 0.0003	36,156,321	\$ 10,847
VTA16063	Variable	\$/kWh	\$ -	4,644,456	\$ -

## Appendix 12: Non-Auckland non-standard charges from 1 October 2014

	$P_{i,2015} Q_{i,2014}$
<b>Sum</b>	<b>\$ 1,128,581</b>

Code	Description	Units	$P_{i,2015}$	$Q_{i,2014}$	$P_{i,2015} Q_{i,2014}$
VTN16001	Fixed	\$/day	\$ 342.64	365	\$ 125,064
VTN16002	Fixed	\$/day	\$ 67.91	365	\$ 24,787
VTN16003	Fixed	\$/day	\$ 47.48	365	\$ 17,330
VTN16004	Fixed	\$/day	\$ -	365	\$ -
VTN16005	Fixed	\$/day	\$ -	365	\$ -
VTN16006	Fixed	\$/day	\$ 13.35	365	\$ 4,873
VTN16007	Fixed	\$/day	\$ 333.29	365	\$ 121,651
VTN16008	Fixed	\$/day	\$ 383.47	365	\$ 139,967
VTN16009	Fixed	\$/day	\$ 252.96	365	\$ 92,330
VTN16010	Fixed	\$/day	\$ 92.00	365	\$ 33,580
VTN16011	Fixed	\$/day	\$ 53.82	365	\$ 19,644
VTN16012	Fixed	\$/day	\$ 88.80	365	\$ 32,412
VTN16013	Fixed	\$/day	\$ 26.31	365	\$ 9,603
VTN16014	Fixed	\$/day	\$ 167.47	365	\$ 61,127
VTN16015	Fixed	\$/day	\$ 160.60	365	\$ 58,619
VTN16016	Fixed	\$/day	\$ 317.52	365	\$ 115,895
VTN16017	Fixed	\$/day	\$ 111.71	365	\$ 40,774
VTN16018	Fixed	\$/day	\$ 50.35	365	\$ 18,378
VTN16019	Fixed	\$/day	\$ 216.63	365	\$ 79,070
VTN16020	Fixed	\$/day	\$ 31.80	365	\$ 11,607
VTN16021	Fixed	\$/day	\$ 66.90	365	\$ 24,419
VTN16022	Fixed	\$/day	\$ 4.35	340	\$ 1,479
VTN16023	Fixed	\$/day	\$ 13.35	25	\$ 334

Code	Description	Units	$P_{i,2015}$	$Q_{i,2014}$	$P_{i,2015} Q_{i,2014}$
VTN16001	Variable	\$/kWh	\$ -	46,102,036	\$ -
VTN16002	Variable	\$/kWh	\$ -	10,918,634	\$ -
VTN16003	Variable	\$/kWh	\$ -	3,764,301	\$ -
VTN16004	Variable	\$/kWh	\$ -	35,503,945	\$ -
VTN16005	Variable	\$/kWh	\$ -	68,242,489	\$ -
VTN16006	Variable	\$/kWh	\$ 0.0068	4,683,792	\$ 31,850
VTN16007	Variable	\$/kWh	\$ -	26,717,070	\$ -
VTN16008	Variable	\$/kWh	\$ -	26,259,578	\$ -
VTN16009	Variable	\$/kWh	\$ -	14,288,166	\$ -
VTN16010	Variable	\$/kWh	\$ 0.0006	13,755,544	\$ 8,253
VTN16011	Variable	\$/kWh	\$ -	121,293,734	\$ -
VTN16012	Variable	\$/kWh	\$ -	91,306,823	\$ -
VTN16013	Variable	\$/kWh	\$ -	64,251,833	\$ -
VTN16014	Variable	\$/kWh	\$ -	62,369,084	\$ -
VTN16015	Variable	\$/kWh	\$ -	151,885,951	\$ -
VTN16016	Variable	\$/kWh	\$ -	44,124,174	\$ -
VTN16017	Variable	\$/kWh	\$ -	189,316,106	\$ -
VTN16018	Variable	\$/kWh	\$ -	141,815,695	\$ -
VTN16019	Variable	\$/kWh	\$ -	18,036,537	\$ -
VTN16020	Variable	\$/kWh	\$ -	75,237,523	\$ -
VTN16021	Variable	\$/kWh	\$ 0.00002	236,132,873	\$ 4,723
VTN16022	Variable	\$/kWh	\$ 0.0102	4,708,703	\$ 48,029
VTN16023	Variable	\$/kWh	\$ 0.0068	409,568	\$ 2,785

## Appendix 13: Consumer price index

Consumers price index										
Tradables, non-tradables, and all groups – index numbers and percentage changes <sup>(1)(2)</sup>										
Base: June 2006 quarter (=1000)										
		Tradables <sup>(2)(3)</sup>			Non-tradables <sup>(4)</sup>			All groups <sup>(3)</sup>		
		Index	Percentage change		Index	Percentage change		Index	Percentage change	
			From previous quarter	From same quarter of previous year		From previous quarter	From same quarter of previous year		From previous quarter	From same quarter of previous year
Series ref: CPIQ	SE9NS6000				SE9NS6500			SE9A		
<b>Quarter</b>										
2008	Mar	1020	0.2	3.4	1066	1.1	3.5	1044	0.7	3.4
	Jun	1043	2.3	4.8	1076	0.9	3.4	1061	1.6	4.0
	Sep	1063	1.9	6.3	1090	1.3	4.1	1077	1.5	5.1
	Dec	1041	-2.1	2.3	1099	0.8	4.3	1072	-0.5	3.4
2009	Mar	1037	-0.4	1.7	1107	0.7	3.8	1075	0.3	3.0
	Jun	1045	0.8	0.2	1112	0.5	3.3	1081	0.6	1.9
	Sep	1062	1.6	-0.1	1123	1.0	3.0	1095	1.3	1.7
	Dec	1057	-0.5	1.5	1124	0.1	2.3	1093	-0.2	2.0
2010	Mar	1058	0.1	2.0	1130	0.5	2.1	1097	0.4	2.0
	Jun	1055	-0.3	1.0	1137	0.6	2.2	1099	0.2	1.7
	Sep	1065	0.9	0.3	1151	1.2	2.5	1111	1.1	1.5
	Dec	1092	2.5	3.3	1176	2.2	4.6	1137	2.3	4.0
2011	Mar	1097	0.5	3.7	1189	1.1	5.2	1146	0.8	4.5
	Jun	1113	1.5	5.5	1196	0.6	5.2	1157	1.0	5.3
	Sep	1114	0.1	4.6	1203	0.6	4.5	1162	0.4	4.6
	Dec	1104	-0.9	1.1	1205	0.2	2.5	1158	-0.3	1.8
2012	Mar	1100	-0.4	0.3	1219	1.2	2.5	1164	0.5	1.6
	Jun	1101	0.1	-1.1	1225	0.5	2.4	1168	0.3	1.0
	Sep	1101	0.0	-1.2	1231	0.5	2.3	1171	0.3	0.8
	Dec	1093	-0.7	-1.0	1235	0.3	2.5	1169	-0.2	0.9
2013	Mar	1088	-0.5	-1.1	1248	1.1	2.4	1174	0.4	0.9
	Jun	1083	-0.5	-1.6	1256	0.6	2.5	1176	0.2	0.7
	Sep	1096	1.2	-0.5	1265	0.7	2.8	1187	0.9	1.4
	Dec	1090	-0.5	-0.3	1271	0.5	2.9	1188	0.1	1.6
2014	Mar	1082	-0.7	-0.6	1285	1.1	3.0	1192	0.3	1.5
	Jun	1084	0.2	0.1	1290	0.4	2.7	1195	0.3	1.6
	Sep	1085	0.1	-1.0	1297	0.5	2.5	1199	0.3	1.0
	Dec	1076	-0.8	-1.3	1301	0.3	2.4	1197	-0.2	0.8
2015	Mar	1056	-1.9	-2.4	1316	1.2	2.4	1195	-0.2	0.3
	Jun	1065	0.9	-1.8	1317	0.1	2.1	1200	0.4	0.4
	Sep	1072	0.7	-1.2	1317	0.0	1.5	1204	0.3	0.4
	Dec	1053	-1.8	-2.1	1324	0.5	1.8	1198	-0.5	0.1
2016	Mar	1043	-0.9	-1.2	1337	1.0	1.6	1200	0.2	0.4

$$\Delta CPI_{2016} = \frac{CPI_{Jun,2014} + CPI_{Sep,2014} + CPI_{Dec,2014} + CPI_{Mar,2015}}{CPI_{Jun,2013} + CPI_{Sep,2013} + CPI_{Dec,2013} + CPI_{Mar,2014}} - 1$$

$$\Delta CPI_{2016} = \frac{1195 + 1199 + 1197 + 1195}{1176 + 1187 + 1188 + 1192} - 1$$

$$\Delta CPI_{2016} = 0.0091$$

## Appendix 14: Pass-through costs

Cost type	Pass-through cost	Period cost relates to			Total for recovery PY2016
		PY2014	PY2015	PY2016	
Rate	Auckland Council	-	645,403	1,367,766	2,013,169
	<b>Sub-total: Auckland rates</b>	<b>-</b>	<b>645,403</b>	<b>1,367,766</b>	<b>2,013,169</b>
Rate	Gisborne District Council	2,852	8,119	-	10,971
Rate	Hamilton City Council	1,613	4,592	-	6,204
Rate	Horizons Regional Council	701	1,995	-	2,696
Rate	Horowhenua District Council	103	295	-	398
Rate	Kapiti Coast District Council	6,996	19,916	-	26,912
Rate	Kawerau District Council	3,706	10,549	-	14,254
Rate	Matamata-Piako District Council	1,062	3,024	-	4,086
Rate	Opotiki District Council	629	1,789	-	2,418
Rate	Otorohanga District Council	663	629	-	1,292
Rate	Rotorua District Council	19,509	55,539	-	75,048
Rate	Taupo District Council	2,402	9,193	6,700	18,294
Rate	Tauranga District Council	21,732	31,222	30,175	83,128
Rate	Waikato Regional Council	6,678	25,463	15,564	47,705
Rate	Waipa District Council	2,200	8,389	6,055	16,643
Rate	Wellington City Council	2,461	7,006	-	9,467
Rate	Western Bay of Plenty District Council	-	2,830	-	2,830
Rate	Whakatane District Council	2,097	5,968	-	8,065
Rate	Whangarei District Council	164	456	-	620
	<b>Sub-total: Non-Auckland rates</b>	<b>75,566</b>	<b>196,974</b>	<b>58,493</b>	<b>331,034</b>
Levy	Electricity and Gas Complaints Commissioner				
Levy	- Auckland		22,066	20,939	43,005
Levy	- Non-Auckland		14,977	14,212	29,189
Levy	Commerce Commission				
Levy	- Auckland		-	-	-
Levy	- Non-Auckland		-	-	-
	<b>Sub-total: Levies</b>	<b>-</b>	<b>37,043</b>	<b>35,152</b>	<b>72,195</b>
	<b>Total: Pass-through costs</b>	<b>75,566</b>	<b>879,420</b>	<b>1,461,412</b>	<b>2,416,398</b>

### Notes

1. PY2014 = pricing period 2014, PY2015 = pricing period 2015, PY2016 = pricing period 2016.
2. All costs include the time value of money adjustments, which has been calculated in accordance with *Equation 4 in Schedule 5* of the Determination.
3. Dates paid are typically quarterly instalments. For convenience, we have aggregated these costs into the relevant pricing year.

## Appendix 15: Letter from the Commission regarding transaction provisions (25 Sept 2015)



25 September 2015

Richard Sharp  
Vector Limited  
PO Box 99882, Newmarket  
Auckland, New Zealand

By Email

Dear Richard

### **RE: TRANSACTION PROVISIONS IN THE GAS DISTRIBUTION DEFAULT PRICE-QUALITY PATH DETERMINATION**

1. Thank you for your letter of 21 August 2015 in which you provided Vector's proposed approach to implementing the transaction provisions of the Gas Distribution Default Price-Quality Path Determination 2013 (the Determination).
2. This letter sets out our views on Vector's questions about applying the transaction provisions in the Determination. We have also outlined a potential difficulty parties to the transaction may face in demonstrating compliance with the price-path.
3. To address this issue, we have outlined the outcome we intended the transaction provisions to deliver. Where a party appears non-compliant as a result of the transaction, provided the parties comply with the intended outcome, the Commission will not consider this a material breach. In such a situation, we would not take enforcement action.
4. We have also outlined other considerations related to information requirements relating to and following the transaction and how we anticipate the price-path will apply in the year following the transaction.

### **APPLICATION OF THE TRANSACTION PROVISIONS**

5. Your letter stated that Vector had considered the transaction provisions of the Determination in the event of a potential sale of the non-Auckland gas distribution business.

6. You noted that different possible interpretations of the transaction provisions may not deliver the same outcome as Vector's proposed approach, and sought confirmation that the Commission would accept the approach Vector proposed. You have characterised this approach as:

ANR has been adjusted by applying the revenue adjustment from Equation 5 to each GDB and, in addition, apportioning pass-through and recoverable costs and headroom from the prior year to each GDB.

7. There are potentially a number of different approaches to demonstrating compliance with the transaction provisions contained within clause 10.2 of the Determination in the year of the transaction. Clause 10.2 does not preclude Vector's approach of apportioning pass-through costs, recoverable costs and the revenue differential term (headroom) in the calculation of allowable notional revenue (ANR) and notional revenue (NR) following a transaction.
8. Where pass-through costs, recoverable costs, and headroom are allocated between the parties to the transaction in the calculation of ANR, the aggregate sum of these values allocated to the buyer and to Vector must equal the total sum of these costs consistent with Vector's most recent gas distribution default price-quality path compliance statement. The calculation and allocation of pass-through costs and recoverable costs within the calculation of NR for both parties to the transactions needs to be consistent with the recognition criteria contained within Schedule 5.
9. We agree with Vector that the reference to clause 10.3 contained within Schedule 6 of the Determination is a typographical error, and should be read as a reference to clause 10.2.

## **PURPOSE OF THE TRANSACTION PROVISIONS**

10. The transaction provisions contained within the Determination are intended to deliver the outcome that if the previous entity would not have breached without the transaction, then all other things being equal neither of the parties to the transaction should breach in the year of the transaction solely as a result of allocating the compliant ANR and NR between sub-networks.
11. For the avoidance of doubt, the sum of each sub-network's ANR and NR should equal the ANR and NR of the aggregate network but for the transaction.

## **POTENTIAL COMPLIANCE ISSUE**

12. There may be a risk that parties to the transaction might not comply with the pricepath in the year of the transaction following an allocation of NR and ANR on a subnetwork basis, even where the prices were compliant in aggregate when originally set.



13. Prior to a transaction Vector would have set prices based on assessing price-path compliance on the network in aggregate. Price increases, even where consistent across sub-networks, will have different impacts across networks where the lagged quantity ( $Q_{t-2}$ ) allocated to each tariff group has different weightings, all other things being equal. This may result in prices which were in aggregate compliant appearing non-compliant for a sub-network.
14. Therefore, we recognise that there may be instances where a supplier is not able to demonstrate compliance with the price-path in clause 8 of the Determination in strict conformity with the transaction provisions, despite the outcome in paragraph 10 being achieved.
15. Where, in the year of the transaction Vector or the buyer cannot demonstrate compliance with the price-path in strict conformity with the transaction provisions, but compliance in the aggregate can be demonstrated, we would not undertake any enforcement action or treat Vector's and/or the buyer's price paths as being noncompliant with any price-path requirements of the Determination on that basis. We would require Vector and the buyer to demonstrate overall compliance with the aggregate of their price paths using an approach which provides an outcome which is consistent with the outcome stated at paragraph 10.
16. It is therefore incumbent upon Vector and the buyer to agree the approach that will be used for demonstrating compliance with the price-path.

## **COMPLIANCE WITH THE PRICE-PATH IN THE YEAR FOLLOWING THE TRANSACTION**

17. The Determination does not expressly state how compliance should be demonstrated in the year following a transaction. We have provided below our expectation as to how this would be represented.
18. We expect that for the year ending 2017, compliance would be demonstrated by calculating the values of the variables in Equation 3 in Schedule 4 of the Determination as if the buyer had been the supplier of the services for both the years ending 2015 and 2016.
19. This means that for the purpose of compliance in the year ending 2017:
  - 19.1 the quantities for the buyer for the year ending 2015 would be for the whole year and shall be for the services provided using the assets that have been purchased;
  - 19.2 in calculating ANR the pass-through and recoverable costs for the buyer shall be for the whole year, and would be the pass-through and recoverable costs

that were recognised in the prior year which related to the sub-network transferred;

- 19.3 pass-through and recoverable costs used in calculating ANR for Vector and quantities used for both NR and ANR would not include the amounts referred to in the previous two bullet points.

## **INFORMATION REQUIREMENTS RELATING TO THE TRANSACTION**

20. We are requesting Vector provide additional information when providing notice of the transaction under clause 10.4 of the Determination. We have also outlined below at a high-level our expectations as to the information that should be disclosed under the Information Disclosure obligations and for the 2017 default price-quality path reset. We hope that both Vector and the buyer take this into account in the course of the transaction.
21. As part of their sale and purchase negotiation, Vector and any prospective buyer may wish to consider how historic information would be allocated between parties, and how historical information may be accessed in the future.

### **Information request under clause 10.4 of the Determination**

22. Given the transaction is expected to exceed the thresholds for notice set out in clause 10.4 of the Determination, Vector and the buyer must notify the Commission within 30 working days of the transfer.
23. Application of the transaction provisions contained within the Determination could lead to different results. The Commission would like both parties to the transaction to sign the notice under clause 10.4, to ensure that the result of the transaction process is transparent.
24. We request the notice include information on how ANR, and its respective component parts, attributable to the transaction have been allocated to each party to the transaction. In addition please include information on the allocation of passthrough and recoverable costs which are proposed to be recognised in NR between parties to the transaction.
25. We believe agreeing the allocation of the components of the calculation will help ensure a consistent interpretation of the requirements between parties to the transaction, which will increase the likelihood the outcomes achieved are consistent with the desired outcome at paragraph 10.

### **Information disclosure obligations**

26. Information disclosure obligations will apply to any regulated supplier from the date where they commence supplying regulated services. We expect that the buyer and Vector will comply with their obligations under the Gas Distribution Information Disclosure Determination 2013 (ID Determination) after the transaction is complete.

27. However, where more time is needed to prepare the necessary information, we will consider exemption requests in accordance with the provisions contained in the ID Determination.
28. Both Vector and the buyer should consider the impact of the transaction on their ability to meet their obligations under the ID Determination.

### **Information required for the 2017 price path reset**

29. We have not yet determined how we will set starting prices for the 2017 price path reset. Our preference in the past has been to rely on Information Disclosure for any necessary inputs. Where this is not possible, we will use our information gathering powers under s 53ZD to obtain the additional information required.
30. Our approach to setting prices for previous price path resets has in part relied on costs determined on a historic revealed-cost basis. Suppliers will have the opportunity to comment on the appropriateness of our approach during the consultation process. This would likely include, but not be limited to, an agreed allocation of historic values of the actual operational expenditure and value of commissioned assets for the year ending 30 June 2016.

### **FURTHER CONTACT**

31. The information provided by Vector in support of its approach was provided on a notional basis with simplified calculations. To the extent there are additional complexities which Vector encounters when establishing how compliance would be reported, for both parties to the transaction, following a transaction using Vector's actual values we would encourage further contact with the Commission.
32. We welcome your proactive engagement with us on the application of the transaction provisions, as it helps ensure that the parties involved in any potential transaction are as well placed as possible to understand and comply with their regulatory obligations.
33. Given the precedent value of information provided in this letter, we wish to be transparent and to put this letter in the public domain. We understand there may be concerns with making this information publicly available, due to the current stage of transaction negotiations. As such, we request that Vector advise the Commission when you are comfortable with us making this letter available on our website.
34. We hope this information proves useful to Vector and any potential buyers. If you have any further questions or wish to discuss any matters raised in this letter, please contact Matthew Lewer at 04 924 3820 or [matthew.lewer@comcom.govt.nz](mailto:matthew.lewer@comcom.govt.nz).

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Sue Begg', written in a cursive style.

Sue Begg  
Deputy Chair

**Appendix 16: Letter to the Commission notifying a large transaction (compliance with clause 10.4)**

1 June 2016

Sue Begg  
Deputy Chair  
Commerce Commission of New Zealand  
44 The Terrace  
Wellington

By email: [sue.begg@comcom.govt.nz](mailto:sue.begg@comcom.govt.nz)

Dear Sue,

**Notification to the Commerce Commission on large transactions**

This letter is provided by Vector Limited and First Gas Holdings Limited in accordance with clause 10.4 of the *Gas Transmission Services Default Price Quality Determination 2013*, and clause 10.4 of the *Gas Distribution Services Default Price Quality Determination 2013*.

On 20 April 2016 Vector sold its wholly owned subsidiary Vector Gas Limited to First Gas Holdings Limited. Vector Gas Limited provided Vector's regulated Gas Transmission Services and its regulated Gas Distribution Services outside of the Auckland area. Vector Gas Limited has subsequently been renamed First Gas Limited.

As requested by the Commerce Commission,<sup>1</sup> we provide an extract from the *Agreement for Sale & Purchase of Shares in Vector Gas Limited, Schedule 11: Allowable Notional Revenue* which sets out the agreed approach on how allowable notional revenue (ANR) and notional revenue (NR) for the 2016 pricing year will be determined for each party.

Vector and First Gas are happy to answer any questions the Commerce Commission may have on this matter.

Regards



Dan Molloy  
Chief Financial Officer  
Vector Limited



David Smith  
Chief Financial Officer  
First Gas Holdings



<sup>1</sup> Letter: Commerce Commission to Vector, 25 September 2015.

**ATTACHMENT: AN EXTRACT FROM THE AGREEMENT FOR SALE & PURCHASE OF SHARES IN VECTOR GAS LIMITED, SCHEDULE 11: ALLOWABLE NOTIONAL REVENUE**

5. The Vendor's Guarantor<sup>2</sup> will allocate the allowable notional revenue and notional revenue for each of the Auckland GDB and the non-Auckland GDB in accordance with Equation 3 in Schedule 4, and paragraph 8.5(a) of the DPP where:

- a. P and Q will be the respective Price and Quantity for each of the Auckland GDB and non-Auckland GDB;
- b. K will be allocated as follows:
  - i. Rates: all rates invoiced by the Auckland Council will be attributed to the Auckland GDB and all rates invoiced by other Councils<sup>3</sup> will be attributed to the non-Auckland GDB.
  - ii. Commerce Act levies: the Vendor's Guarantor receives a combined invoice for levies under the Commerce Act for its gas transmission and gas distribution networks, based on their respective Regulated Asset Base (RAB) valuations. Accordingly Commerce Act levies will be allocated to each of the gas transmission business, the Auckland GDB and the non-Auckland GDB based on the most recently published RAB valuations;
  - iii. EGCC levies: the Vendor's Guarantor receives a combined invoice for fixed and variable EGCC levies in respect of its gas distribution and electricity distribution networks. The fixed component will be allocated based on the number of ICPs for each network as at the most recently published information disclosure. The variable component will be allocated based on the number of applicable cases relating to each of the Vendor's Guarantor's electricity distribution network, the Auckland GDB and the Company's non-Auckland GDB.
- c. V will not be allocated on the basis that there are no Recoverable Costs for the GDBs;
- d.  $ANR_{t-1} - NR_{t-1}$  will be allocated based on each of the Auckland GDB and the non-Auckland GDB's proportional share of  $NR_{t-1}$ .

6. The Vendor's Guarantor agrees that it will, and the Purchaser agrees and will procure that the Company<sup>4</sup> will, prepare its own Compliance Statement for the Assessment Period ending 30 September 2017:

- a. in a manner consistent with paragraphs 18 and 19 of the letter from the Commerce Commission dated 25 September 2015;
- b. using the relevant information from the 2016 Compliance Statement and the allocation methodology described in paragraph 5 of this Schedule.

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<sup>2</sup> Vector Limited

<sup>3</sup> Approximately 19 ICPs in the Auckland GDB are within the Franklin Council area. The Vendor's Guarantor agrees any rates invoiced in respect of the 2016 Assessment Period will be allocated to the non-Auckland GDB, provided the Vendor's Guarantor may include costs invoiced to it by Franklin Council in respect of any future Assessment Period.

<sup>4</sup> Vector Gas Limited



## **Independent Reasonable Assurance Report**

### **To the Directors of Vector Limited, First Gas Limited and to the New Zealand Commerce Commission**

#### **Report on the Gas Distribution joint Compliance Statement dated 12 December 2016 (comprising Pricing and Quality)**

We have performed an engagement to provide reasonable assurance in relation to the attached statement, which is an Annual Compliance Statement in respect of the default price-quality path prepared by Vector Limited and First Gas Limited, for the assessment period ended on 30 September 2016 and dated 12 December 2016 for the purposes of clause 11 of the *Gas Distribution Services Default Price-Quality Path Determination 2013 NZCC4* ("the Determination").

In relation to the price path set out in clause 8 of the Determination, our assurance engagement included examination, on a test basis, of evidence relevant to the amounts and disclosures contained on pages 5 to 8 and 13 to 30 of the Annual Compliance Statement.

In relation to the quality standard set out in clause 9 of the Determination, our assurance engagement included examination, on a test basis, of evidence relevant to the amounts and disclosures contained on pages 9 to 12 of the Annual Compliance Statement.

Our assurance engagement also included assessment of the significant estimates and judgments, if any, made by Vector Limited and First Gas Limited in the preparation of the Annual Compliance Statement and assessment of whether the basis of preparation has been adequately disclosed.

#### **Directors' Responsibilities**

The Directors of Vector Limited and First Gas Limited are responsible for the preparation of the Annual Compliance Statement in accordance with the Determination and for such internal control as the Directors determine is necessary to enable the preparation of an Annual Compliance Statement that is free from material misstatement, whether due to fraud or error.

#### **Assurance Practitioner's Responsibilities**

Our responsibility is to express an opinion on the Annual Compliance Statement based on our assurance engagement. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements (New Zealand) ISAE (NZ) 3000 (Revised) *Assurance Engagements other than audits or reviews of historical financial information* and Standard on Assurance Engagements SAE 3100 *Compliance Engagements*. Those standards require that we comply with ethical requirements and plan and perform an assurance engagement to obtain reasonable assurance about whether the Annual Compliance Statement is free from material misstatement.

We have complied with the independence and other ethical requirements of Professional and Ethical Standard 1 (Revised) issued by the New Zealand Auditing and Assurance Standards Board, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Professional and Ethical Standard 3 (Amended) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Because of the inherent limitations of any internal control structure, it is possible that errors or irregularities may occur and not be detected. Our engagement is not designed to detect all weaknesses in the Annual Compliance Statement, as the engagement has not been performed continuously throughout the period and the procedures performed on the Annual Compliance Statement and its measures were undertaken on a test basis.

Any projection of the evaluation of the operation of the Annual Compliance Statement to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance may deteriorate.



Our firm has also provided audit and other assurance services to Vector Limited. Partners and employees of our firm may also deal with Vector Limited on normal terms within the ordinary course of trading activities of the business of Vector Limited. These matters have not impaired our independence as assurance practitioners for this assurance engagement. The firm has no other relationship with, or interest in, Vector Limited.

Our firm has also provided audit, other assurance and non-audit services to First Gas Limited. Partners and employees of our firm may also deal with First Gas Limited on normal terms within the ordinary course of trading activities of the business of First Gas Limited. These matters have not impaired our independence as assurance practitioners for this assurance engagement. The firm has no other relationship with, or interest in, First Gas Limited.

### **Opinion**

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our reasonable assurance opinion.

In our opinion, the joint Annual Compliance Statement of Vector Limited and First Gas Limited for the Assessment Period ended on 30 September 2016, has been prepared, in all material respects, in accordance with the Determination.

Our assurance engagement was completed on the 9 December 2016 and our conclusion is expressed as at that date.

### **Restriction of distribution and use**

In accordance with the terms of our engagement, this independent reasonable assurance report on the Annual Compliance Statement has been prepared for the Directors of Vector Limited and First Gas Limited and the New Zealand Commerce Commission solely in connection with the Directors' responsibilities under the determination and for no other purpose or in any other context.

Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights other than Vector Limited, First Gas Limited and the New Zealand Commerce Commission in relation to section 11.2(d) of the Determination for any purpose or in any context. Any party other than Vector Limited, First Gas Limited and the New Zealand Commerce Commission who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk.

To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than Vector Limited, First Gas Limited and the New Zealand Commerce Commission for our work, for this independent reasonable assurance report, or for the conclusions we have reached.

Our report is released to Vector Limited, First Gas Limited and the New Zealand Commerce Commission on the basis that it shall not be copied, referred to or disclosed, in whole (except for Vector Limited's and First Gas Limited's own internal purposes) or in part, without our prior written consent.

A handwritten signature in blue ink, appearing to read 'KPMG', with a stylized flourish at the end.

9 December 2016  
Auckland



## **Schedule 7: Directors' Certificate for Compliance Statement**

I, Bob Thomson, being a director of Vector Limited, certify that, having made all reasonable enquiry, to the best of my knowledge and belief, to the extent the attached joint compliance statement of Vector Limited and First Gas Limited, and related information, prepared for the purposes of the *Gas Distribution Services Default Price-Quality Path Determination 2013*, relates to Vector Limited, it has been prepared in accordance with all the relevant requirements.

  
\_\_\_\_\_  
Director

8 December 2016  
Date

**Schedule 7: Directors' Certificate for Compliance Statement**

I, Philippa Dunphy, being a director of First Gas Limited, certify that, having made all reasonable enquiry, to the best of my knowledge and belief, to the extent the attached joint compliance statement of Vector Limited and First Gas Limited, and related information, prepared for the purposes of the *Gas Distribution Services Default Price-Quality Path Determination 2013*, relates to First Gas Limited, it has been prepared in accordance with all the relevant requirements.

  
\_\_\_\_\_  
Director

9-12-16  
\_\_\_\_\_  
Date