



**Submission to the Commerce Commission on  
Information Disclosure Requirements for  
Electricity Distribution Businesses and Gas  
Pipeline Businesses: Technical Consultation**

**3 August 2012**

## CONTENTS

CONTENTS.....	2
INTRODUCTION.....	3
EXECUTIVE SUMMARY.....	4
PROCESS AND GENERAL PROVISIONS.....	6
TRANSITIONAL PROVISIONS.....	10
INTERPRETATION.....	14
FINANCIAL INFORMATION FOR THE DISCLOSURE YEAR.....	18
PRICING AND RELATED INFORMATION.....	20
NON-FINANCIAL INFORMATION RELATED TO NETWORK ASSETS.....	23
ASSET MANAGEMENT PLANS AND FORECAST INFORMATION.....	27
OTHER SECTIONS.....	31
APPENDIX: ERROR LOG.....	32

## INTRODUCTION

1. Vector welcomes the opportunity to submit on the Commerce Commission's (Commission) consultation paper *Information Disclosure Requirements for Electricity Distribution Businesses and Gas Pipeline Businesses: Update Paper for Technical Consultation*, dated 6 July 2012 (Update Paper), and the related Draft Commerce Act (Information Disclosure) Determinations (IDDs) 2012, for Electricity Distribution Businesses (EDBs), Gas Distribution Businesses (GDBs) and Gas Transmission Businesses (GTBs).
2. Vector would welcome the opportunity to assist the Commission and its staff with understanding any of the points made in the following submission.
3. Vector has reviewed the Electricity Network Association's (ENA) submission on this matter and we support their submission. Unless the views in this submission conflict with the ENA's, the Commission should consider that Vector agrees with the ENA.
4. Vector's contact person for this submission is:  
  
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5. No part of Vector's submission is confidential. Vector is happy for our submission to be publicly released.
6. As an Appendix to this submission, Vector attaches a list of errors that our external advisors have identified in the determinations.

## EXECUTIVE SUMMARY

### Improvements made

7. Vector welcomes and acknowledges that the Commission has made a number of substantive changes to the IDD's since the draft decision consultation, based on comments from Vector and other parties. We found the technical working group process to be particularly constructive and it has led to improvements in the determinations.
8. The key changes that we welcome are:
  - a. Adopting the proposed gas distribution capacity disclosure table proposed by Vector, Powerco and GasNet as Schedule 12b of the GDB IDD's;
  - b. Substantially revising the gas transmission capacity disclosures in the light of Vector's previous submission;
  - c. Increasing consistency with the IMs;
  - d. Removing the requirement to publicly disclose commercially sensitive information regarding the term credit spread differential allowance;
  - e. Reducing the level of disaggregation required in reporting expenditure;
  - f. Incorporating the Electricity Authority's pricing principles by way of reference;
  - g. Narrowing the pricing strategy disclosure requirements (although we suggest further improvements to this below);
  - h. Retaining disclosure years for gas that are aligned to financial years;
  - i. Removing the requirement to notify standard consumers directly of price changes;
  - j. Requiring the disclosure of AMPs twice per regulatory period. This should allow staggering of AMP disclosures and ensure that the data is available for price setting as required. However, as discussed below, we are not sure that the drafting of the IDD's achieves the Commission's intention;
  - k. Requiring the disclosure of the AMMAT only as part of the full AMP;
  - l. Extending the timeframe of the first disclosures to address retrospectivity and timing pressures (although we suggest further refinements to this below);
  - m. Reporting of expenditure on energy efficiency, demand-side management and reducing energy losses under Gross Capital Expenditure (although we suggest improvements to the definition below); and
  - n. Requiring the disclosure of the existing ROI calculation as a sense check of the new ROI calculation (although we would prefer removal of the new ROI calculation).

## Areas of particular concern

9. There are a number of areas Vector is concerned about, including:
  - a. The inadequate consultation period (when considering the pressure placed on regulated suppliers by the 53ZD statutory notices), which has meant that Vector has been unable to fully consider the financial and pricing and related disclosure requirements;
  - b. The tight time-frame for finalisation of the new IDD's and challenging time-frames for disclosure after the IDD's are finalised;
  - c. The lack of explanation provided regarding the Commission's decisions that underpin IDD's;
  - d. The IDD's are inconsistent with the ID input methodologies (IMs) in some areas;
  - e. The requirement to disclose non-financial information for the 2012 disclosure year;
  - f. The unreasonable application of full audit requirements to non-financial information (although this may be a drafting error);
  - g. The unworkable requirement to audit the responses to the explanatory notes schedules;
  - h. The application of disclosure requirements to gas transmission that were developed with distribution networks in mind (e.g. consumer type and consumer group);
  - i. The creation of new related party transaction rules that are inconsistent with the input methodologies (IMs); and
  - j. The retrospective application of the new related party transaction rules.

## PROCESS AND GENERAL PROVISIONS

### Vector has been unable to comment on substantial sections of the draft IDD

10. We must advise that Vector has found it exceptionally difficult to respond to this consultation as it has coincided with the requirement to provide information to the Commission under the section 53ZD statutory notices. The staff members who are needed to respond to the notices are the same individuals whose input is required on this consultation and in many cases they have not been able to do both. In addition, as the Commission will be aware, these requirements have coincided with Vector's reporting of our year-end financial performance, which is a requirement of the NZSX listing rules and also involves many of the same staff members.
11. Vector has therefore had to prioritise the response to the notices and our year-end financial reporting above our response to this consultation. Even responding solely to the 53ZD notices has required some staff to work repeated evenings and weekends through July. We have therefore not been able to provide full comments on the financial information and pricing and related information disclosure requirements and related schedules.
12. As a result, Vector reserves the right to raise further issues regarding the IDD in future and **recommends** that the Commission facilitate a process to address technical drafting issues when suppliers first attempt to implement them (i.e. similar to the technical issues register process for the 53ZD notices). This is not ideal, but is a direct result of the unreasonable competing demands being imposed upon regulated suppliers.
13. In the future, if the Commission wishes to receive full responses to its consultations, Vector **recommends** it does more to stagger the demands on regulated suppliers to an appropriate level.

### The consultation material is inadequate to allow for a meaningful technical consultation

14. In most areas of the IDDs the Commission is only seeking comments on the technical drafting of the IDDs, in other words "whether the revised draft ID Determinations give effect to [the Commission's] updated decisions."<sup>1</sup>
15. However, Vector submits that the Commission has provided insufficient information for interested parties to comment fully on whether the Commission's decisions are being given effect to. This is because it is unclear what many of the Commission's decisions are or why they have been made. The Update Paper provides information about some changes the Commission has made, but there are many areas where the decisions have not been explained.
16. To provide fully informed comment, submitters need to understand the Commission's reasoning. Where it is unclear why the Commission is requiring some particular information, it is difficult to comment on whether the Commission's request will meet its underlying objective(s) or to comment on whether providing different information would better meet the Commission's needs.
17. To provide two examples:

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<sup>1</sup> Commerce Commission, *Information Disclosure Requirements for Electricity Distribution Businesses and Gas Pipeline Businesses: Update Paper for Technical Consultation*, 6 July 2012, paragraph 7.

- a. On page 12 of the Update Paper the Commission acknowledges Vector's previous submission that disclosure of the coupon rate is unnecessary for the term credit spread differential allowance calculation. However, the Commission does not respond to this point or remove the requirement from Schedule 3a (merely making the coupon rate confidential in response to a different submission point from Vector and Powerco). Thus Vector does not know if the Commission believes the coupon rate is necessary for the calculation or if the Commission wants the information for another unspecified reason. As a result, Vector is unable to comment on whether the inclusion of the coupon rate requirement in Schedule 3a gives effect to the Commission's decisions as we do not know what the Commission's decision is or what it is intended to achieve.
- b. On pages 31-32 of the Update Paper, the Commission acknowledges that the ENA, Vector and PWC submitted that the overlaps between the AMP and the AMMAT should be removed. However, again it does not address this point (merely noting that the AMMAT report will not be required to be disclosed with the AMP Updates). Vector therefore does not know whether the Commission believes there is no overlap between the AMP and the AMMAT or whether it has reason to believe that the overlap is helpful in meeting the purpose of information disclosure. As a result, we are unable to comment on whether the retention of the overlapping AMMAT questions meet the Commission's updated decisions as we do not know what those decisions are.

#### **Further explanation of decisions would be valuable**

18. In general, submitters put a great deal of work into submissions and to see some proposals rejected without explanation is dispiriting and does not foster informed discussion. Vector **recommends** future technical consultations by the Commission include responses to all submitter comments. This would aid understanding of the Commission's decisions, build trust and allay fears that submissions have been ignored. The Electricity Authority has recently adopted this approach with certain consultations and it has been a very positive experience.<sup>2</sup>
19. The Commission needs to consider all submitter comments as part of its consultation process. All we are asking is for this consideration to be made transparent and to be recorded in a single document and published on the Commission's website. This should be an incremental cost only.

#### **Audit requirements for non-financial information are unreasonable**

20. Vector notes that in the Draft Reasons Paper,<sup>3</sup> the Commission proposed that some information would be subject to full audit and other information, including of the type required in this schedule, only be subject to verification to source data. However, the current requirements apply a full audit standard to both financial and non-financial historical information. This is unreasonable for non-financial information. No reason for this change has been discussed in the Update Paper and we hope it is a drafting error. It is not possible to undertake an audit of the non-financial information consistent with the proposed scope, and as a result auditors are likely to either refuse the engagement, or issue qualified opinions. We do not believe either outcome is desirable.

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<sup>2</sup> For example, see Appendices C.1, C.2, C.3 and C.4 at this link:

<http://www.ea.govt.nz/our-work/consultations/retail/model-use-system-agreements/>

<sup>3</sup> Commerce Commission, Information Disclosure Requirements for Electricity Distribution Businesses and Gas Pipeline Businesses: Draft Reasons Paper, 16 January 2012, Table 6.1, page 94.

21. For the non-financial information it may be possible for auditors to opine that information is consistent with data held by the business and has been extracted correctly. It is not practicable for auditors to opine that it is consistent with the requirements in all material respects as there is too much ambiguity in the requirements for such a statement to be made.
22. Vector **recommends** the Commission restore the approach to applying different levels of audit requirement to different types of data. Vector **recommends** historical non-financial information (i.e. schedules numbered 8 and 9) is subject to a less onerous set of audit requirements than historical financial information.

#### **Audit requirements for explanatory notes are unworkable**

23. Vector does not support the proposal that the explanatory notes be classed as audited disclosure information. Not all of the information that will be provided will be of a type that can be audited. Vector **recommends** that these schedules are not subject to audit.
24. For example, Box 1 requires an explanation of the differences between forecast and actual expenditure. However, suppliers will generally only examine the material variances between forecast and actual expenditure and they will describe the most important reasons for the variances, rather than every possible reason. If a reason for the variance is that the business found a more efficient way to achieve its objectives – perhaps by expending opex rather than capex or vice versa – we do not see how such decisions are capable of being audited.
25. Further, some of the information required in the explanatory notes includes information which more typically forms part of work papers for auditors which are used to support the derivation of outcomes. In other words, it is not necessary to disclose this information (and even less necessary to subject it to audit) as it will be considered by auditors when they audit the schedules.

#### **Inconsistency between the IDD and the IMs**

26. Vector is concerned that the Commission has included in the IDD requirements that are inconsistent with the information disclosure IMs. The IDD are the practical application of disclosure regulation, and also affect DPP/CPD regulation. It is therefore essential that they are consistent with the IMs. The IMs were developed after a lengthy process of consultation and analysis and are subject to merits review. As a matter of principle, the determinations published under the IMs must be consistent with the IMs, otherwise the IMs have limited practical value.
27. The best example of this is in relation to related party transactions. The IDD appropriately refer to the IM treatment of assets acquired from a related party. However, they also introduce new requirements for related party transactions regarding goods, services or assets other than assets acquired from a related party. Thus, under the IMs a regulated supplier would be able to apply GAAP to related party transactions involving goods or services or assets not acquired from a related party, but under the IDD the supplier would need to treat the transactions differently. There is no justification for the difference in approach, which could conceivably lead to two competing data sets – one that is consistent with the ID IMs and one that is consistent with the IDD.
28. Vector **strongly recommends** the Commission ensures the IDD are consistent with and do not go beyond the requirements of the ID IMs. In particular, Vector **recommends** the related party transaction requirements that do not mirror the IM requirements are deleted.



### **Summary table of requirements would be very helpful**

29. The level of detail and variety of the disclosure requirements is now extensive and complex and create a risk that items will be missed simply due to the scope of the requirements. In order to improve clarity and ease of reference, Vector **recommends** the Commission provides a paper summarising the disclosure requirements from the three determinations.

### **Schedule numbering is inconsistent**

30. The numbering of the schedules is inconsistent with regard to what the first schedule in a series should be called. For example, some of the financial schedules are numbered 4, 4a, 4b and 4c; and 5, 5a, 5b, 5c, 5d and 5e. However, this is inconsistent with the revenue and asset schedules that are numbered 8a, 8b and 9a, 9b, 9c, etc. There are other examples of each approach. Vector **recommends** a consistent approach is taken. Vector's preference is to remove the letters from the Schedule numbering and simply have schedules numbered 1, 2, 3, 4, 5, 6, etc. We consider that this would be the clearest approach; the Commission would still be able to indicate groupings of schedules through colour coding the tabs and through sections on the contents page.

## **TRANSITIONAL PROVISIONS**

### **The new disclosure requirements should be applied to the 2012 disclosure year for financial disclosures only**

31. Vector supports the disclosure of 2012 year financial disclosures under the new requirements. Some of the information will need to be rolled forward in any event, and we wish to avoid the risk of future section 53ZD notices requesting 2012 data. For clarity, on this point Vector disagrees with the ENA.
32. However, Vector considers that applying the new non-financial disclosure requirements retrospectively to the 2012 year is excessive retrospective regulation. Regulated suppliers require sufficient lead times to develop systems and processes in order to be assured that the collection, collation and production of information is of a suitable standard. While Vector believes we can do this for financial disclosures, it will be very challenging for non-financial disclosures as the data was collected before the disclosure requirements were known.
33. Vector **recommends** that Schedules 8a, 8b, 9a, 9b, 9c, 9d, 9e, 10 and 10a are not required to be disclosed for the 2012 disclosure year. If the Commission does not accept this view, Vector **recommends** the schedules are not subject to audit for the 2012 disclosure year.

### **Transitional reporting for the 2012 disclosure year**

34. The new disclosure requirements will represent a substantial increase in information requirements for regulated suppliers, who will need to make system changes to be able to produce the information in the format required, particularly with regard to historical information that will now need to be reported retrospectively in line with requirements that were not in place when the information was generated.
35. Vector welcomes the Commission's attempts to smooth the burden of implementing the new IDD's by the transitional provisions that simplify the 2012 disclosures. However, Vector considers that the transitional provisions are insufficient to make the transition reasonably manageable for regulated suppliers. There also appears to be a serious drafting error in the GTB and GDB IDD transitional provision schedules.

### ***Transitional provisions for GPBs are unworkable (probably due to drafting error)***

36. In the Update Paper, item 39 (page 37) specifies when the historic disclosures for the 2012 disclosure year will be required to be disclosed. This states that for EDBs the historic disclosures are due by 31 December 2012, which is implemented in clause 2.12.4 of the EDB IDD.
37. Item 39 also states that Vector's gas businesses are first due to make their 2012 historic disclosures by 30 April 2013. However, there is no equivalent of EDB clause 2.12.4 in either of the GPB IDD's. The impact of this will be that, with the exception of the reports listed in clauses 2.12.1, all GDB and GTB historic disclosures will be due in the standard timeframe, six months after the end of the disclosure year – in other words, 31 December 2012 for Vector. We assume this is a drafting error. If it is not a drafting error it is unworkable for the following reasons:
  - a. It will give Vector only about three months after the IDD's are finalised to produce historic financial reports for Vector's gas businesses, which have not been subject to this level of disclosure previously;

- b. The timeframe coincides with the disclosure timeframe for EDBs, which makes it even more unmanageable; and
  - c. The transitional provision schedules are not required until 30 April 2013, but some data in these will be needed in order to complete the schedules that are apparently due to be disclosed four months earlier, by 31 December 2012.
38. Vector **strongly recommends** the Commission adds a clause to section 2.12 of the GTB and GDB IDD to provide that all of the historic disclosures for GDBs and GTBs that need to be disclosed for the 2012 year are subject to transitional provisions.

#### ***More time is needed for disclosure of 2012 information***

39. The provision for actual EDB disclosures to be made within nine months of the end of the disclosure year will be challenging for Vector. Nine months after 31 March 2012 is 31 December 2012. Vector's last Board meeting for 2012 is scheduled for early December and papers for the meeting will need to be finalised before the end of November to allow for internal governance processes. Current indications are that the Commission intends to finalise the IDD's around the end of August 2012. Even if that timeframe is achieved, Vector will have less than three months to deliver the new disclosures. This will be very difficult to achieve and will be even more difficult if the date for finalising the disclosures is delayed further. Vector **recommends** the 2012 EDB disclosures are required within 12 months of the end of the disclosure year, i.e. by 31 March 2013. This should provide sufficient time for the notices to be completed and a sound governance process applied.
40. For GPBs, this will be the first time such financial disclosures are required and, as such, it will take time to work through and deliver on the requirements. Vector **recommends** the 2012 GPB actual disclosures are required by 30 June 2013. Again, this should provide sufficient time for the notices to be completed and a sound governance process applied.

#### **Other improvements to the transitional provisions**

41. Vector does not support clause 2.12.6(3) of the EDB IDD. The forecast of expenditure information for this year has already been made. A requirement to re-cast this data into new categories that were not known when the data was gathered is not justified. Further, previous forecasts of non-network expenditure do not exist. Vector **recommends** Schedule 2 is not required to be completed for the 2012 disclosure year.
42. Vector **recommends** the timings of the first capital contributions and prescribed contract disclosures are aligned with the first disclosures under the new regime.
43. Clauses 2.4.10 and 2.4.13 should be subject to transitional provisions. Vector **recommends** these requirements only come into force five months after the commencement date. If these clauses are not subject to the transitional provisions, then EDBs in particular will face difficulties as they will be required to disclose the information immediately under clause 2.4.10 and within 20 working days of a request under clause 2.4.13. This will not be achievable.
44. In clause 2.12.5(9) of the EDB IDD the reference to subclause (5) should be a reference to subclause (6).
45. Clause 2.12.4(6) of the GDB IDD provides that all allocations in schedules 5c and 5d may be disclosed under direct billing. However, there is no direct billing

category in these schedules. Vector **recommends** a different category is chosen for all allocations to be reported under.

46. GDB schedule 4c appears to have been copied from the electricity distribution schedule without all necessary modifications being made. Line 18 refers to “Assets not used to supply electricity distribution services” and line 24 applies the FDC allowance of 2.45%, which the IMs do not apply to GPBs.

**Timeframes are inconsistent with previous Commission undertakings**

47. Vector is concerned that some of the Commission’s proposed timeframes for the first disclosures under the IDD are inconsistent with undertakings previously made by the Commission.
48. In its Process Update Paper of 23 May 2012, the Commission provided “indicative” timings of when the new ID requirements would first apply. We reproduce the relevant table from the Process Update Paper below.

**Table 2: Revised timing for first disclosures under new ID Determinations**

Disclosure type	First year to which disclosure applies	Proposed timing of first disclosure under new ID Determinations
EDBs—forecast disclosures*	Year ended 31 March 2014	By 1 April 2013 (no change)
EDBs—actual disclosures	Year ended 31 March 2012	31 December 2012
GPBs—forecast disclosures*, **	Year ended 30 September 2014	By 30 September 2013
GPBs—actual disclosures	Year ended 30 September 2012	By 30 April 2013

\* forecast information is for the period starting from the specified disclosure year.  
 \*\* Given our revised timing we have decided not to require GPBs to provide forecast disclosures for the year ended 2013. This is a change from our draft ID Determinations.<sup>4</sup>

49. In the Process Update Paper, the Commission stated “the timings are indicative only. However, we will not require suppliers to make disclosures for the first year to which new ID requirements apply any earlier than the times indicated in Table 2”<sup>4</sup> (emphasis added). This clearly meant that the first disclosures could be later than the timeframes in Table 2 but would not be any earlier.
50. The Commission’s current proposals regarding actual disclosures for EDBs and GPBs are consistent with the undertaking made in the Process Update Paper. However, the Commission is now proposing that the initial gas AMPs for Vector and GasNet must be disclosed by 30 June 2013, three months earlier than the date stated in Table 2 of the Process Update Paper.<sup>5</sup> It appears that this new

<sup>4</sup> Commerce Commission, *Information Disclosure Requirements for Electricity Distribution Businesses and Gas Pipeline Businesses: Process Update Paper*, 23 May 2012, paragraph 15.

<sup>5</sup> We note that an email from Anna McKinlay, Chief Advisor, Commerce Commission, to Ian Ferguson, Senior Regulatory Advisor, Vector Limited, of 12 June 2012 confirmed that AMPs were forecast disclosures for the purposes of the Update Paper.

deadline also applies to other forecast disclosure information, which must now be provided earlier than the Commission had previously indicated.

51. Vector recognises that this issue has arisen as a result of the Commission changing the disclosure year to align with Vector's financial year, which is a decision that Vector supports. However, we do not consider that gives the Commission grounds to break its previous undertaking or necessitates the bringing forward of the AMP disclosure.
52. Vector **recommends** that the earliest any gas AMP and gas forecast disclosures are required should be 30 September 2013 (although these forecasts should be as at 30 June 2013 for Vector). While this disclosure will be three months into the period to which the forecast data relates, we do not consider that to be a significant problem for a transitional requirement, particularly given the multi-year timeframes considered by the AMP and other forecast disclosures.

## INTERPRETATION

53. The comments below apply to the Interpretation parts of the IDD's (both clauses 1.4 and the additional Definitions schedules 16).

### General comments

54. For ease of reference Vector **recommends** that a column is added to schedule 16 that lists the schedules that are relevant to each definition. Vector also **recommends** that any links in the Excel based schedules have a reference inserted beside them that sets out what schedule the information has come from (as in the 53ZD notices).
55. Clarity would be promoted by ensuring that there is a space between the text of each definition.
56. Using two terms interchangeably will create confusion. Vector **recommends** clause 1.4 of the IDD's refers to either *non-network capex* or *non-system fixed assets* but should not use both terms (especially when they have the same definition). A further issue is that definition of *non-system fixed assets* in the Definitions Schedule 16 is inconsistent with the definition of non-network assets (or non-system fixed assets) in clause 1.4. Vector **recommends** this definition is deleted.
57. The definition of *Planned interruption* includes a bolded term "interruption" but this is not defined.
58. The definition of *Planned interruption* refers to "all [gas/electricity] consumers". The references to gas and electricity should be removed as, strictly speaking, the consumers are consumers of electricity distribution services, gas distribution services or gas transmission services, not of gas or electricity. In practice, the notices should be given to all consumers who are affected.
59. The definition of *other assets* could be read to include non-system fixed assets (or non-network assets), but we do not believe that was the Commission's intention.
60. The Definitions Schedule 16 states that the definition of *Other system fixed assets* is tbc by technical consultation. However, the term is defined in the interpretation clause 1.4.
61. The term *Consumer type* should be defined.
62. In the definition of *Works Under Construction*, the word "of" in clause (a) should be deleted.

### Comments on the gas pipeline IDD definitions

63. Vector does not support the proposed definition of *Planned interruption* for GDBs. Vector considers that this should be consistent with the existing definition in the Vector and Powerco Gas Authorisations: "Any interruptions that have been planned by Vector and notified to the customer or its retailer." This would allow for consistency with current industry practice.
64. The GDB and GTB definition of *Unplanned interruption* refer to less than 10 days notice. The EDB definition of *Unplanned interruption* refers to less than 24 hours notice. For GDBs, Vector prefers the definition used in the current Vector and Powerco Gas Authorisations – "Any interruption that was not planned". However, if this is not accepted, the GDB and GTB definition should refer to "less than 24 hours", as is the case for EDBs.

65. The terms *Distribution system*, *DPP regulatory period* and *Month* are not defined in the GDB IDD.
66. The EDB IDD includes a definition of the term *Special contract terms*. This term is used in the GDB and GTB IDDs but is not defined in either of them.
67. The term *pipes* is undefined in the GTB IDDs and is not used in the interpretation section of the GDB IDDs. Vector submits that the definition may be best obtained from AS2885 and should exclude pipes within stations.
68. In the GTB IDD, the term *compressors* is only defined as “means [TBC by technical consultation]”. Vector submits that compressors would include the prime mover (engine or turbine), the compressor, the control system and the ancillaries.
69. In the GTB IDD, the definition of *compressor stations* is “means a station where a compressor is used to increase the pressure of gas flowing in the pipe”. However, in some cases compressors are used very infrequently. Vector **recommends** this is changed to “...compressors are present and can be used...”
70. The term *pressure regulating station* is undefined in the GTB IDD. Vector submits that it should apply to stations for the reduction of downstream pressure in the pipeline (noting that these are rare).
71. The terms *mixing stations*, *intake points* and *offtake points* are used in clauses 6.1.2 and 6.3.2 of Appendix A of the GTB IDD but are not defined. Vector submits that:
- a. *mixing stations* is an obsolete term that is synonymous with receipt point and should be replaced with that term; if it is retained in the disclosures it should be defined as a station where gases from different sources are mixed;
  - b. *intake points* should be changed to *receipt points*; and
  - c. *offtake points* should be changed to *delivery points*.
72. The GDB and GTB IDD interpretation sections include references to GPBs. It would aid clarity to refer only to GDB and GTB in the relevant determinations, unless reference to GPBs is essential.
73. GDB Schedule 16 definition of *Class B planned interruptions on the network* should refer to 24 hours notice, not 10 business days.
74. GDB Schedule 16 contains two separate definitions of *Class C unplanned interruptions on the network*. Vector **recommends** the deletion of the first of the definitions (“Means an unplanned interruption originating within the works of the principal disclosing entity, where those works are used for carrying out line business activities”), as the definition should exclude unplanned interruptions caused by third party damage as these are recorded under Class I.
75. The GTB IDD defines *Main-line valve* too broadly. This definition should refer to the valve (and ancillary devices) in the main gas carrying pipeline. GTBs have many valves in pipes for stopping the flow of gas and they are not all main-line valves (e.g. instrumentation pipe work, pig trap isolation valves, DP valves). Also, clauses 6.1.2 and 6.3.2 refer to *main-line isolation valves*, which is not a defined term.
76. The GTB Schedule 16 definition of *chromatograph* is incorrect. A chromatograph measures most components but is not designed to measure sulphur contaminants

or odorant. In addition, a chromatograph does not measure the contents of the transmission system as a whole (as the definition implies) but measures chemical composition at a particular point on the system. Vector **recommends** the definition is changed to:

“Means a device for measuring the chemical composition of gas at a particular point on the transmission system for the purposes of measuring calorific value and other properties”

77. GTB Schedule 16 defines *Coalescers*. Coalescers generally incorporate filtration to remove solid contaminants as well as liquids, which should be reflected in the definition.
78. GTB Schedule 16 defines *GJ deliveries by connected party (TJ)*. Should this read “Gas deliveries...”?
79. GTB Schedule 16 defines *heating system* as “a system of heating the gas flowing in a pipe”. Vector submits the word “of” should be replaced with the word “for”.
80. The GTB Schedule 16 definition of *metering system* refers to a device (i.e. singular). In our view, a metering system consists of multiple metering devices linked together which all contribute to measurement.
81. The definition of *transmission system* as it applies to Vector’s GTB does not match the definition of network in the GTB IMs. The GTB IM definition of network includes the entire Vector gas transmission system, so the reference in the IDD to the component parts does not make sense.
82. It is unclear what the definition of *secondary assets* for GTBs is intended to achieve. Rectifier units are included as secondary assets in Schedules 9a and 9b, but are not included in the definition of secondary assets in Schedule 16. Further, it is unclear why rectifier units are classed as secondary assets as they are essential pipeline integrity components. In the definition, “protection” should be changed to “cathodic protection”.
83. GTB schedule 16 defines *Total gas used in compressor stations* as “Compressor and heater gas usage”, a term used in schedules 9d and 12b. Vector submits this should be split into two – *Total gas used in compressor stations* and *Total gas used in heating systems*. Compressor stations and heating systems are sufficiently different to warrant separate recording of gas usage.
84. *Commencement date* is a defined and bolded term in the GTB and EDB IDDs but not the GDB IDD.

### Comments on the electricity distribution IDD definitions

85. The EDB IDD defines *sub-transmission* as it relates to the AMPs to exclude 22kV assets. However, it defines *sub-transmission* for all other purposes as assets that are operated at sub-transmission voltage. Sub-transmission voltage is defined as including 22kV assets “if that voltage is used within the network in the role or manner of a sub-transmission voltage”. These competing definitions are contradictory and confusing. If 22kV is used in the manner of a sub-transmission voltage, the equipment must be classified as sub-transmission equipment and there is no logical reason to report it as otherwise in the AMP. The definitions will create discrepancies between different disclosures and is likely to confuse interested parties that try to reconcile them. Vector **recommends** consistency in the definition of sub-transmission between the AMP and other disclosures. 22kV should be included within the sub-transmission voltage. We also submit that, if the Commission is only interested in the reporting on voltage then the term sub-



transmission should not be used as it tends to mislead the reader (as sub-transmission is generally used to describe the function of that part of the network connecting GXPs to the EDB's 11kV distribution network).

86. The definitions of *rugged*, *remote* and *rural* are circular and meaningless as they use the same term they are purporting to define.
87. The term *Class C unplanned interruptions on the network* is undefined. Vector **recommends** this is defined as "means unplanned interruption originating within the network of an EDB".
88. The definition in the EDB IDD of *Energy efficiency, demand side management and reducing energy losses* leaves room for improvement:
  - a. The definition in the IDD is too narrow. It refers to "encouraging efficient consumption of electricity by consumers", which would appear to exclude investments that directly affect consumers' consumption without active consumption choices by the consumer (e.g. battery storage or home area management systems at a consumer's premises that the EDB controls on behalf of the consumer<sup>6</sup>).
  - b. The reference to "optimising" distribution losses is not consistent with the wording of the Act which refers to reducing energy losses. Thus incentives must be provided to reduce, not optimise, energy losses. Vector opposes what appears to be an attempt by the Commission to re-write the requirements of section 54Q.
  - c. Vector **recommends** *energy efficiency, demand side management and reducing energy losses* means any expenditure incurred in the provision of electricity lines services where the primary driver for the expenditure is to:
    - (i) increase the amount of energy services consumed or able to be consumed per unit of energy input;
    - (ii) change the level and timing of electricity demand, including the management of the rate of consumption of electrical energy by end users; and/or
    - (iii) reduce the difference between the delivered electricity at a point of connection and the electricity required to be injected into another point of connection in order to supply the delivered electricity.

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<sup>6</sup> Subject to the consumer's agreement.

## FINANCIAL INFORMATION FOR THE DISCLOSURE YEAR

### Report on Return on Investment (Schedule 3)

89. Schedule 3 claims that reporting the Alternative ROI information in section 3(iii) is “elective”. However, clause 2.3.3 requires regulated suppliers to do the work to identify whether the 50 basis points threshold is reached and only after that is the disclosure elective. Thus the only option is whether to disclose it, not whether to do the work and the benefit of this schedule being “elective” is marginal at best.
90. Vector **recommends** that the 50 basis point threshold is deleted and that it is optional for EDBs both to do the work and make the disclosure in section 3(iii). If this recommendation is not accepted, the alternative ROI option should be deleted rather than being left in its current form.

### Report on Term Credit Spread Differential Allowance (Schedule 3a)

91. Vector remains of the view that it would aid clarity if this schedule specified that the information required to be disclosed is information as at the date of the most recently published financial statement, not the end of the relevant disclosure year. We also continue to oppose the disclosure of the coupon rate, at least until the Commission explains why it thinks the rate is necessary.

### Report on Regulatory Profit (Schedule 5)

92. The Commission has added a new term “gains/(losses) on asset sales. Vector considers that this is too narrow and should provide for other types of disposal, as the term is defined in the IMs (e.g. stolen assets).
93. The EDB IDD includes the term “line charge revenue”. The GDB and GTB IDDs include the term “line charge income”. As discussed in our previous submission, Vector considers that the more appropriate terms are “distribution revenue through prices” and “transmission revenue through prices”.<sup>7</sup> In any case, there is no clear reason why some IDDs refer to income and others to revenue.

### Related Party Transactions

94. As discussed above, Vector **recommends** the related party transaction provisions in the IDDs do not go any further than the related party transaction provisions in the IMs. If the Commission wishes to extend the related party transaction provisions, the first step should be to amend the IMs.
95. Vector **recommends** that for the 2012 and 2013 disclosure years, disclosure of related party transactions should be in accordance with GAAP and Schedule 5b should not apply to the 2012 and 2013 disclosure years for EDBs and GPBs.
96. The related party transaction requirements set out a series of tests for determining the appropriate treatment of transactions with related parties. However, it is not practicable to apply these tests retrospectively to individual transactions that have taken place over previous years. It is also unreasonable (and retrospective regulation) for suppliers that have in good faith made related party transactions to be required to change the treatment of those transactions in response to regulations made after the transactions take place.
97. Vector also **recommends** the inclusion of a new subclause in Clause 2.3.6(2). This should provide that the cost of any service, good or asset from a related

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<sup>7</sup> Vector Limited, *Submission to the Commerce Commission on the IDDs for Electricity Distribution Businesses and Gas Pipeline Businesses*, 9 March 2012, paragraph 103(l).

party may be at the price paid by the EDB where this is supported by publicly available information on the prices for provision of comparable services.

98. Vector recognises this suggestion was not raised in the recent consultation on related party transactions, but it seems like a sensible approach that would provide assurance to the Commission that the prices being set are reasonable. If the Commission accepts this recommendation, it could include this matter in its next set of amendments to the input methodologies.

#### **Other**

99. There are references to September year in the GTB IDD Schedules that are no longer accurate following the Commission's decision to change the disclosure year to match the financial year of suppliers. These references do not occur in the GDB IDD. Specifically, Vector **recommends** the following rows in the GTB IDD should not refer to September:
  - a. Schedule 3, row 8;
  - b. Schedule 4a, row 50;
  - c. Schedule 5, rows 55 and 62-66; and
  - d. Schedule 5c, rows 61 and 72.
100. Schedule 2 of the GDB IDD includes two footnotes (3 and 4) that do not appear to link to anything in the Schedule.
101. Schedule 2 of the IDDs requires a comparison of actuals with "the forecast disclosed during the previous disclosure year". We assume this will be the forecast disclosed under schedule 11a. Schedule 2 is an actual disclosure while schedule 11a is a forecast disclosure. This means that "the forecast disclosed during the previous disclosure year" will be disclosed just before the start of the current disclosure year and the actuals to which that forecast will be compared will be published 5-6 months later. We question the value of such a comparison.
102. Subsection 4d(viii) of Schedule 4d in the EDB and GDB IDDs should refer to subsection 4d(vii) rather than 4d(vi).

## PRICING AND RELATED INFORMATION

### Pricing strategy

103. In response to submissions, the Commission has amended the pricing strategy disclosure requirements. The draft IDD's now only require disclosure of pricing strategies that are set by the Board and recorded in writing. Vector considers that this is an improvement on the previous proposals. However, we do not believe that the new definition achieves the Commission's intention as well as it could.
104. Vector's concern is that the definition of pricing strategy remains wide enough to include pricing methodologies as a subset of pricing strategies (pricing strategy is defined as an "approach to setting prices", which could reasonably be interpreted to include pricing methodologies as there is little obvious difference between a methodology and an approach).
105. It seems to Vector that the Commission is seeking disclosure of pricing strategies because it is interested in understanding how pricing methodologies are intended to evolve over time. Thus the Commission is requiring more than the "snap-shot" provided through pricing methodology disclosure. This is indicated by the reference to a five year timeframe in clause 2.4.4(1).
106. Therefore, Vector **recommends** amending the definition of pricing strategy to read: "means the approach to amending or developing the **pricing methodology** over two or more years, if approved by the Directors of the [EDB/GDB/GTB] and recorded in writing".

### Disclosure of gas transmission non-standard contracts

107. Clause 2.4.5(1)(a) of the GTB IMs requires a description of the number of connection points represented by non-standard contracts. The term "connection point" is not a meaningful term in gas transmission. We assume the Commission means "Delivery point". However, even if that is the case the information is not useful in a gas transmission context. The Commission should request either (a) the number of direct connect delivery points with a non-standard contract or (b) the number of non-standard contracts.

### Contract disclosures

108. For GTBs, clause 2.4.10(1) would, if applied to some delivery points, effectively reveal who the non-standard consumer is. In those circumstances Vector would opt for disclosure under clause 2.4.10(2).
109. For GDBs and GTBs the reference in clause 2.4.11 to clause 2.4.10(2)(b) is incorrect and should be a reference to 2.4.10(2).
110. The different timeframes referred to in clause 2.4.13 could create confusion. Vector interprets them to mean that the requirement to provide the disclosures within 20 working days of request is subject to the five month requirement (i.e. suppliers are only required to provide the disclosure within 20 working days if the 20<sup>th</sup> working day is five months or more after the end of the disclosure year). Vector **recommends** clarifying the clause as this is not entirely clear.
111. Clause 2.4.13 seems inconsistent with decisions made regarding clause 2.4.10:
  - a. Firstly, clause 2.4.13 does not include any ability to disclose a description of the goods and services to be provided where a contract is modified. Thus, a supplier may choose to disclose a description of the goods and services under

clause 2.4.10(2)(a) when entering into the non-standard contract; but when the contract is amended the supplier must disclose the modified terms and conditions. There is no justification for this inconsistency. Vector **recommends** clause 2.4.13 is amended to enable suppliers to disclose a description of the amended goods or services provided under the amended non-standard contract.

- b. Secondly, clause 2.4.10 excludes the disclosure of price for new non-standard contracts. However, clause 2.4.13 does not exclude disclosure of price relating to modifications of non-standard contracts. This appears to be an oversight. Vector **recommends** that 2.4.13 excludes the terms and conditions that specify, determine or provide for the determination of the price at which the goods or services are to be supplied.

### **Gas transmission Schedules 8a and 8b and price disclosures**

- 112. Schedules 8a and 8b in the GTB IDD appear to have been copied over from the equivalent gas distribution schedules. However, they do not work well in the gas transmission context.
- 113. The columns requiring average number of ICPs in disclosure year should be deleted as ICP is not a meaningful term for gas transmission. It would be possible to report the average number of delivery points in a year, but this would be misleading as some delivery points have both standard and non-standard agreements at them.
- 114. For gas transmission, the terms “consumer type” and “consumer group” are not meaningful. Vector’s gas transmission business has only seven customers – the Shippers. Parties that are directly connected to Vector’s transmission system do not contract with Vector in the manner that some major electricity users contract directly with Transpower, instead they contract with Shippers. Thus the requirements to report based on consumer type or consumer group are problematic as no such group can be identified; Shippers cannot be identified in this way.
- 115. Vector **recommends** the information required in schedule 8b is disaggregated by *contract type* rather than consumer type. This would be meaningful and consistent with the approach taken by Vector in response to the recent 53ZD gas transmission notice.
- 116. An implication of this is that Schedule 8b can be made much shorter as the different categories of consumer type are no longer required (i.e. schedule 8b is currently broken down between standard and non-standard consumers, but if our recommendation is followed then this is no longer necessary as the contract types that will be disclosed will be likely to relate to standard and non-standard contracts in any case).
- 117. Also in schedule 8b, the columns “Quantity of gas delivered (TJ)” and “Quantity of gas billed (TJ)” are very unlikely to ever produce different numbers as Vector consistently bills for the quantity of gas it delivers. Vector **recommends** one of these columns (preferably the second) is deleted.
- 118. Further, Vector **recommends** that the pricing methodology and price disclosures do not require disclosure based on consumer groups as this is not meaningful for gas transmission.
- 119. If these changes are not made, the disclosures as drafted could be interpreted to require the disclosure of revenue and quantities under individual supply agreements. That would constitute a substantial increase in disclosure

requirements and would be likely to breach confidentiality requirements under the Vector Transmission Code (VTC).

#### **Other comments**

120. For GTBs, clause 2.4.17(2)(b) is unworkable. There is not a multitude of customers served directly by the gas transmission network (and those consumers are themselves companies) and thus a requirement to notify through newspaper advertisements is entirely unnecessary and will not be the optimal means of notifying price changes. It would be lower cost to notify consumers directly. Vector **recommends** deleting clause 2.4.17(2)(b). It should be noted that the Vector Transmission Code (VTC) contains specific requirements for the posting of prices individually and on the Open Access Transmission Information System (OATIS). In complying with this requirement, Vector already complies with the intention of clause 2.4.17 which is to ensure public notification.
121. For GDBs (and GTBs if Vector's recommendation to delete clause 2.4.17(2)(b) is not accepted), the word "or" should be added to the end of clause 2.4.17(2)(a), as is already the case for EDBs.
122. Clause 2.4.10 of the GDB and GTB IDD contains a duplication of the term "publicly disclose" between the end of the main clause and the start of the subclauses.
123. Clause 2.4.18 of the GDB IDD and 2.4.17 of the GTB IDD do not appear to be subject to any transitional provisions. However, new gas prices are due to come into effect on 1 October 2012 and the final disclosure requirements are currently expected to be published around the end of August 2012, and could be later. This will make it difficult (most likely impossible) to comply with the 20 working day notice period for the first gas disclosure year. Vector **recommends** this clause does not apply for GDBs or GTBs in 2012.
124. Clause 2.4.16 requires disclosure of the "total price" for the regulated service which is applicable to the consumer. "Total price" is undefined and could create confusion. For gas transmission, this could be deemed to include Maui pipeline transmission costs, which Vector is not permitted to disclose. Vector **recommends** the word "total" is deleted.
125. Clause 2.4.5(2) refers to "customer". We assume this should be "consumer" for consistency with the rest of the IDDs.

## NON-FINANCIAL INFORMATION RELATED TO NETWORK ASSETS

### Gas transmission capacity disclosures

126. Vector appreciates and welcomes the significant changes the Commission has made to the capacity disclosures for gas transmission. The new requirements should deliver information that is informative to interested parties and meaningful and useful to the network operators. Vector's comments on the proposals are below (referring only to the GTB IDD).
127. Vector welcomes the ability set out at 2.5.2(4) to use the data reported on a website to meet the public disclosure requirements. However, we note that the data must be available within one week of the disclosure year. In fact, the relevant peak flow data for the specific calendar year (and therefore most relevant in a November reporting context as set out at 2.5.2(1)) may not have occurred by 30 June. Vector **recommends** that the words "within one week after the end of the disclosure year" are deleted from this clause. It will then be required to be disclosed at the same time as envisaged in clause 2.5.2(1).
128. Vector **recommends** that clause 2.5.2(2)(b) is changed to read "the throughput of gas (in GJ) at each intake point *in each hour of* the system peak flow period."
129. Clause 2.5.2(1) refers to 31 September. There are only 30 days in September.
130. Clause 2.5.2(2) should refer to clause 2.5.2(1)(a), not 2.5.3(1)(a).
131. Clause 2.5.3(2)(b) refers to offtake point. This term should be defined.
132. Clause 2.5.4(4)(a) and (b) refer to two dates at which capacity reservation information must be disclosed. However, these two dates will be 30 June and 1 July each year so are very likely to be the same. Vector recognises that the recommendation to disclose on the last and first days of the disclosure year was made by Vector, but this was in the context of a regulatory year that started on 1 October. As each Shipper's firm capacity allocation is notified to the relevant Shipper under the VTC on the third Friday of September to take effect from 1 October, the dates were meaningful in that context. With the revised disclosure year timeframes, the back-to-back disclosure dates no longer make sense. Vector **recommends** replacing the words "disclosure year" with the words "pricing year" in clause 2.5.4(4), which for Vector would be 30 September and 1 October each year. The last day of the pricing (or contract year) provides one view of capacity reservations. The first day of the new pricing (or contract) year will show the change in capacity reservations (if any) from one pricing (contract) year to the next.
133. Vector **recommends** deleting clause 2.5.3(1)(c) and clause 2.5.3(2) and replacing them with a combined version as new clause 2.5.3(1)(c):
- (c) The following information regarding requests for firm capacity that are not approved in part or in full during the **disclosure year** including:
    - (i) total number of requests for firm capacity that the GTB has not approved in full in the past disclosure year;
    - (ii) maximum daily quantities associated with the requests referred to in (i) above;
    - (iii) in respect of each request for firm capacity not approved in full, the reasons for the request not being fulfilled.
134. This is because the current drafting of clause 2.5.3 includes the phrase "the extent of unmet demand for capacity". However, unmet demand for capacity is not represented in total by the number of requests for firm capacity through the VTC approval process. Capacity can be allocated through the year and there is a

mechanism for granting capacity requests on a queued basis, not approved in part or in full through the past year for firm capacity. The question of how much firm capacity is available is further exacerbated by the nature of the request, i.e. which particular offtake points are requested. Not all offtake points will require full capacity to be allocated.

135. Clauses 2.5.4(2)(c) and 2.5.4(3)(c) are repetitious. Vector **recommends** that 2.5.4(2)(c) is deleted and 2.5.4(3)(c) retained.
136. It should be noted by the Commission that the current capacity disclosure requirements suit a particular form of carriage, namely contract carriage and the associated VTC and other current market arrangements for the provision of gas transmission services. These arrangements may change over time, resulting in the possibility that the proposed disclosure requirements may not fit such a regime. For these reasons, the proposed capacity disclosure regime is not likely to be appropriate for Maui Development Ltd. and its common carriage regime now.

### **Schedules 9a and 9b**

137. Schedules 9a and 9b are auditable schedules. As discussed above, we do not agree they should be subject to full financial audit. Further, the schedules require an assessment of data accuracy, based on a rather subjective 1-4 scale. It is unclear to Vector how an auditor could audit a supplier's data accuracy rating (although the result of the audit of the number of assets would assist the supplier in choosing a rating).
138. It is difficult to see how the data accuracy column and the columns listing the numbers of different assets can interact if an audit is required. If the numbers of assets have been audited, then that would presumably imply that the data is accurate. If the data is unreliable, do auditors need to audit the supplier's view of the data accuracy ratings proposed by the supplier rather than disclaim the data presented in the Item number columns?
139. We also consider that the data accuracy rating definitions would benefit from greater clarity (especially if the audit requirement remains).
140. For example, Level 4 is defined as "good quality data is available for all of the assets in the category". In contrast to level 3, which includes a "level of estimation where there is understood to be some poor quality data for some of the assets in the category." However, making an assessment that our data accuracy for a particular asset category is at level 4 is not the same as claiming that we have an entirely error-free register. Vector would support definitions such as:
  - a. Level 4: our assessment is that our records are accurate to at least  $\pm 2\%$ ;
  - b. Level 3:  $\pm 10\%$ ;
  - c. Level 2:  $\pm 20\%$
141. If the Commission chooses not to write such thresholds into the IDD, Vector is likely to adopt them internally as our interpretation of what the ratings mean.

### **Schedule 9a (Asset Register)**

142. From the Gas Transmission perspective, if the Commission's intention is to provide the user and reader with meaningful information they can make use of (such as inter-company comparison), the data needs to be presented in a more



comprehensive way with Asset category and Asset Class descriptions conforming to usual industry practice. Assuming this is the intended purpose, Vector **recommends** the list be changed for GTBs as follows:

<b>Asset category / Asset class</b>	<b>Change / add</b>	<b>Current</b>	<b>Recommended</b>
Asset class	Change	Gate stations	Delivery points
Asset class	Change	Valve stations	Any stations not falling into a defined asset class
	Add		Main-line valve stations
Asset category	Change	Coalescers	Filtration units
Asset class	Change	Coalescers	Filter/Separators & Coalescers
Asset class	Add		Dry gas filters (under Filtration units category)
Asset class	Change	Rectifier units	Rectifier units/ anode beds/ monitoring units
Asset category	Add		PIG handling equipment
Asset class	Add		PIG launchers and receivers
Asset category	Add		Valves
Asset class	Add		Pressure Control Valves (PCV)
Asset class	Add		Pressure Safety Valves (PSV)
Asset class	Add		25mm + isolation valves
Asset class and category	Add		Critical spares

### **Report on Network Reliability (Schedule 10)**

143. For EDBs, the terms “Including maximum event days” and “Excluding maximum event days” are not defined. Vector **recommends** these terms are defined. The definitions and the reporting requirements should be consistent with those of the DPP compliance statement.

144. In the EDB IDD this schedule is titled Report on Network Reliability. For the GDB and GTB IDD's this schedule is titled Report on Network Reliability and Interruptions. These should be consistent.
145. Section (v) of EDB Schedule 10 refers to "Volume of asset". Vector **recommends** this term is defined as it is unclear what it refers to. It could mean "number of assets". However, this would equally weight large and small cables and other assets, which would make the data misleading. It is traditional to consider the number of faults per MVA of transformer capacity or per km or line length. However, it is unclear which measure the Commission has in mind for this section or what it will be used for.
146. This schedule appears to envisage that there will always be just one cause of the interruption. It will be necessary to define precisely how we derive each of the causes listed, in order to provide an unambiguous data set for audit purposes. Without this it may not be possible to determine, for example, whether a fault resulting from conductor clashing was caused by "weather" or by "defective equipment"; or, in the case of faults caused by a combination of factors, which was the primary cause.
147. The terms distribution lines, distribution cables and distribution other are not defined.

#### Other

148. Schedule 9a includes references to Gate stations, Valve stations, Scraper stations, Receipt point, Metering stations and Communications terminals. However, none of these terms are defined. Vector's suggestions are:
- a. A better term for *Gate station* is *Delivery point*.
  - b. Vector has no suggested definition of *Valve station* as we could not identify what this is supposed to mean.
  - c. *Scraper stations* could be defined as "A station which has the primary purpose of providing facilities for the entry or exit of pigs to or from the pipeline".
  - d. *Receipt point* could be defined as "A location where the GTB receives gas pursuant to an Interconnection Agreement".
  - e. *Metering stations* could be defined as "A station which has the primary function of metering gas (this is not to be used for delivery points)".
  - f. Vector has no suggested definition for *Communications terminals* as it is unclear what the Commission is referring to.
149. GTB IDD Schedule 9 applies the asset class rectifier unit under the asset category cathodic protection. A rectifier is only one part of an impressed current cathodic protection system.
150. Section 9e(i) of EDB Schedule 9e is headed Actual and Forecast Customer Connections. However, no forecast information is required in the Schedule (and would not be auditable if it was – this schedule is defined as being audited disclosure information). Vector **recommends** the section is headed Connections, which is consistent with terminology used in the equivalent GDB and GTB schedules.
151. Schedule 9d of the GDB IDD includes incorrect section numbering (9c rather than 9d).

## ASSET MANAGEMENT PLANS AND FORECAST INFORMATION

### AMP disclosure timeframes

152. Vector supports the Commission's intention to require the AMP and AMMAT to be disclosed twice per regulatory period. We consider that the two best times to disclose the AMP and AMMAT are both early in the regulatory period and towards the end of the regulatory period, just in time for the Commission to consider before re-setting a DPP (as the data will then be as up to date as possible). We assume this is the Commission's aim, but in our view the drafting of the IDD's does not achieve this.
153. Clauses 2.6.1 and 2.6.3 of the IDD's require the AMP disclosure "before the start" of the 1<sup>st</sup> and 4<sup>th</sup> disclosure years. For electricity distribution for the next regulatory period this means by 31 March 2015 and by 31 March 2018. We consider that the Commission's aim would be better served if the AMP's were to be disclosed before the start of the 2<sup>nd</sup> and 5<sup>th</sup> disclosure years. The disclosure of an AMP before the start of the 5<sup>th</sup> disclosure year is particularly important as the Commission is likely to make a decision on the starting price adjustment for the next regulatory period within the 5<sup>th</sup> disclosure year. If the AMP is disclosed before the start of the 4<sup>th</sup> disclosure year then it will already be a year out of date by the time the Commission uses it to inform the price setting decision. Also, if an AMP is disclosed before the start of the 1<sup>st</sup> disclosure year then it will be published in the previous regulatory period, which we do not consider is desirable.
154. Vector **recommends** AMP's are required to be disclosed before the start of the 2<sup>nd</sup> full disclosure year and before the start of the last full disclosure year within a regulatory period (see below for discussion of why the word "full" is required in these requirements).

### AMP disclosure timeframes for GPBs

155. AMP disclosure requirements for GPBs are more complicated because the gas disclosure year and the DPP regulatory period are not aligned (except for Powerco) and because the first gas regulatory period is likely to last between four and five years (depending on the eventual start date of the DPP regulatory period determined by the Commission).
156. Clause 2.6.3 refers to the "disclosure year of the DPP regulatory period". DPP regulatory period is defined as the period to which the relevant DPP determination relates. However, following the recent decisions regarding the gas disclosure years (which Vector supports), these definitions no longer work. The period of time from 1 July to 30 September prior to the start of the DPP regulatory period will be within a disclosure year that is within the DPP regulatory period but these months will be outside of the regulatory period. A similar effect will be seen at the end of the regulatory period.
157. Vector **recommends** the IDD's clarify that the first disclosure year of the regulatory period is defined as the first full or partial year that contains days within the DPP regulatory period. However, if the Commission decides that the first gas regulatory period begins before 1 July 2013 the first disclosure year of the DPP regulatory period should be deemed to last more than 12 months.
158. An effect of this will be that there will be more than five disclosure years within a regulatory period and some disclosure years will be in more than one regulatory period. Careful drafting is required to ensure confusion is avoided with regard to disclosure requirements. This is the basis for our recommendation above that the

AMP is required to be published before the start of the 2<sup>nd</sup> and last full disclosure years.

### **AMP requirements**

159. Clause 6.1.2 of Appendix A of the GTB IDD requires a diagram showing certain network items. These items are not fully consistent with those required to be disclosed in Schedules 9a and 9b. While not all items listed in Schedule 9a and 9b should be shown in the AMP diagram, it is unclear why there is such a discrepancy (e.g. why does the AMP require a diagram showing pressure regulating stations when they are not included in schedule 9b?) Vector **recommends** the reporting requirements between the AMP and the asset schedules are made as consistent as possible.
160. Clause 4.2 of the GDB IDD sets out requirements for maps showing points on the distribution network(s). In Vector's view, the degree of detail required to be mapped and included in the AMP is excessively detailed. The detail appears to simply have been replicated from the Gas (Information Disclosure) Regulations 1997, which were designed to provide historic rather than prospective AMP planning information.
161. It remains unclear what the purpose of providing the maps in the form drafted is designed to serve. Vector has held GIS mapping data on CD in accordance with the 1997 regulations, but this has only once been viewed by an interested party in the time the regulations have been in force.
162. It is important to realise that any interested person requiring mapping information for connection purposes or to avoid distribution pipes when carrying out excavations require up to date maps. Based on the proposals, the maps required by the AMPs can be up to 11 months out of date, hence would be of limited value for that purpose.
163. Vector therefore **recommends** that 4.2.1 be deleted and replaced as follows:
- 4.2.1 A map, with any cross-referenced information contained in an accompanying schedule, as required, of the physical location of the whole distribution system (other than service pipelines) of the pipeline owner; including:
- (a) all intake points;
  - (b) all pressure regulating stations;
  - (c) all mixing stations other than those at offtake points;
  - (d) notations showing all -
    - (i) nominal pipe diameters used; and
    - (ii) nominal operating pressures.

### **Reporting non-network capex**

164. Vector also considers that the AMP is not well suited to a discussion of non-network expenditure. While it mentions non-network expenditure, the focus of the AMP is clearly on network expenditure. Vector **recommends** the AMP does not include any forecasts of non-network capex.

### **Report on Forecast Capital Expenditure (Schedule 11a)**

165. Vector does not believe it will be feasible to develop robust forecasts of vested assets and capital contributions as these depend on customer decisions that are outside of the control of regulated suppliers. Vector **recommends** the forecasting requirements for vested assets and capital contributions are removed from Schedule 11a.

166. Vector opposes the inclusion of a Year zero forecast. Some (though not all) actuals will be available for that year at the time of disclosure, meaning that suppliers will need to choose whether to repeat the previous year's forecast or adjust it for known (but unaudited) actuals. This could lead to divergent responses from different suppliers. It is unclear why the Commission needs this information as it will have actual data relating to the year five to six months later through Schedule 6. Vector **recommends** deleting the year zero column from this schedule.
167. Also, the years specified in Schedule 11a are incorrect. Year zero (if it remains) should not be the year ending in 2012 but should be the year ending in 2013. Consequential changes are then required to years one to ten.

#### **Report on asset condition (Schedule 12a)**

168. This schedule "requires a breakdown of asset condition by asset class as at the end of the disclosure year". However, it is required to be disclosed "before the start of each disclosure year". These two instructions will be incompatible in practice. We assume the Commission's intention is that the asset condition will be reported as at the end of the year in which the disclosure will be made. However, the disclosure will need to be developed some months earlier in order to be reviewed through an internal governance and assurance process. Thus any view of the asset condition will not be "as at the end of the disclosure year", but some months prior to that. Vector supports this schedule being a forecast disclosure rather than an actual disclosure but **recommends** that the requirement for a breakdown of asset class is specified as being "within the disclosure year" rather than at the end of the disclosure year. Asset condition will generally not change very much over the course of a year so this recommendation should not affect the accuracy of the disclosure.

#### **Report on Forecast Utilisation (Schedule 12b)**

169. Vector supports the proposed changes to the capacity (peak pressure) disclosures and supports the layout and content of the Report on Forecast Utilisation as set out in Schedule 12b of the GDB IDD.
170. This schedule provides a clear template for reporting an estimate of heavily utilised pipelines at a point in time, subject to the clear disclaimer statements and the ability to include a specific disclaimer relevant to supplier enquiries in row 33.
171. In Vector's view, the schedule should ensure that the information being disclosed is being handled in an appropriate manner and is directly aligned to the businesses' asset management planning.

#### **Report on Forecast interruptions and duration (Schedule 12d)**

172. Vector does not believe that this schedule adds sufficient value to justify its inclusion. The majority of variance in SAIDI and SAIFI depends on weather events, which cannot be accurately forecast. In responding to this Vector is likely to forecast a largely straight line trend equal to the previous five year's historical outage level. Over time this may be relatively accurate, but on a year-by-year basis it will be meaningless. Vector **recommends** deleting this schedule. If it remains, Vector **recommends** forecasting the average number of outages over a regulatory period, rather than in each year of the regulatory period.

## Gas transmission AMP capacity disclosure requirements

173. The wording of Clause 10.2 in Appendix A of the GTB IDD needs to be amended in order to provide for a more meaningful analysis and disclosure of available capacity.
174. Firstly, the clause relates to physical measures that are not consistent with each other. "Gas Pressure requirements at the other offtake points on the transmission system" does not make sense. Vector **recommends** that the words "gas pressure requirements" are deleted.
175. This is because throughput is observed for each offtake point, but pressure is not considered in the same way. There are minimum pressure criteria across the gas transmission system for pressure that must be complied with at all times to avoid critical contingencies, comply with contractual requirements and provide operational security margins. Pressure is not looked at from offtake point to offtake point, but rather at critical points through the system. Throughput and pressure are not "ors" as drafted in this clause, but are part of a single relationship.
176. Further the word "observed" should be deleted from 10.2.1 and 10.2.2. The word "observed" implies the actual throughput of gas during the system peak flow period. However, it is possible for a major customer, e.g. a power station, to be running at less than full capacity during the system peak flow period of all other offtake points. Vector **recommends** replacing the term "observed" in clause 10.2.1 with the term "occurred or could reasonably have occurred". This should allow for realistic modelling of the system peak flow period. It would also accord with the approach of the GTB when modelling to determine how much capacity it may commit to provide on the system.
177. The words "maintain observed trends, eg" should be deleted from clause 10.2.2 of Appendix A. Trends may change so "maintain" seems inappropriate. Also, the words "and trendline adjustments" should be added after the words "peak demand factors" in Clause 10.2.2 of Appendix A. This will clarify the treatment of the trend analysis.
178. With these changes made, clause 10.2 of Appendix A would read:

10.2 The analysis of available capacity disclosed pursuant to clause 10.1.1 of this Appendix for each offtake point must separately assume that the throughput of gas ~~or the gas pressure requirements~~ at the other offtake points on the transmission system:

10.2.1 ~~are those observed~~ occurred or could reasonably have occurred during a recent system peak flow period; and

10.2.2 reflects ~~maintain observed~~ trends, eg, growth trends ~~and/or~~ peak demand factors, or ~~reflect~~ other modelled behaviours and trendline adjustments.

## Other issues

179. Clauses 2.6.4(4) and 2.6.5(2) contain duplicatory requirements as regards the AMP update. Vector **recommends** clause 2.6.4(4) is deleted as it is unnecessary.
180. The title of schedule 12b for GPBs and 12c for EDBs is Forecast Demand but these schedules include either a customer connection forecast or information on gas conveyed/delivered, neither of which is a demand forecast.

## **OTHER SECTIONS**

### **Explanatory notes**

181. Schedule 14a, clause 2 should refer to clause 2.7.2, not 2.7.1.
182. Schedule 14 contains two "Box 10s".
183. Schedule 14a contains a Box 15 and a Box 5, Schedule 14b contains a Box 6 and Schedule 15 contains a Box 7, all of which also exist in Schedule 14 with different requirements. This is confusing and the numbering of the boxes in Schedules 14a, 14b and 15 make no sense. Vector **recommends** box numbers flow on across schedules (e.g. the 1<sup>st</sup> box in Schedule 14a should be numbered one higher than the last box in schedule 14).
184. For consistency, the title of Schedule 14b should include the word "mandatory".

### **Other issues**

185. Clause 2.1.1 of the GTB IDD should refer to clauses 2.11 and 2.12, not 2.9 and 2.10.
186. Clause 2.9.3 of the GDB IDD refers to clause 2.10.1. This does not seem to be an accurate reference as clause 2.10.1 does not require any particular information to be disclosed.

## APPENDIX: ERROR LOG

187. Vector's external advisors have reviewed the draft determinations. Below are lists of some errors they have identified in each determination.

### Electricity distribution

Provision	Description	Error
Schedule 14, cl 8.	Says information is to be disclosed in accordance with 2.7.1(3)	2.7.1(3) does not exist.
2.5.1(1) and (2)	The same report is referred to by two different names	2.5.1(1) refers to the Schedule 9c report as the "Report on Overhead Lines", while 2.5.1(2) refers to it as the "Report on OHL Data".
2.3.1(1)(a)/2.12.5(3), (4), (6) and (7) and 2.12.6(3)	The same report is referred to by two different names	In most clauses, the report in Schedule 2 is referred to as the "Report on Comparison of Forecasts to Actual Expenditure". In 2.12.6(3) however, it is simply referred to as the "Report on Expenditure".
2.12.5(9)	Refers to categories outlined in subclause (5) above	Subclause (5) contains no categories. Should be a reference to subclause (6)
2.4.8	States the circumstances in which the requirements in 2.4.6 and 2.4.7 apply	For clarity, "or" should be added to the end of 2.4.8(1).
2.4.10(2)(b)	"or provide for the determination" is in bold type.	Should not be in bold type as is not a defined term.
2.4.21	Description of EDB obligation to disclose allocation methodology used to make recommendation/allocation of financial distribution.	No timeframe stated for disclosure to be made. Presume this is at the time the financial distribution is made (this was timeframe in original draft).
1.4.3	States an AMP update has the meaning specified in clause 4 of section 2.5 of the determination.	Should state clause 4 of 2.6 of the determination.
1.4.3	States an Asset management plan has the meaning specified in clause 1 of section 2.5 of the determination.	Should state clause 1 of 2.6 of the determination.
Schedule 14a, clause 2	States that the Schedule must be completed in accordance with 2.7.1	Schedule 14a must be completed in accordance with 2.7.2. This is an important difference because 2.7.1 is audited information, while 2.7.2 is not. As stated in the clause, schedule 14a is



		not intended to be audited information.
1.4.3	Definition of disclosure year "means the 12 month period ending on 31 March of the year the disclosure relates"	Very unclear. The year the disclosure relates to should be determined by the definition of disclosure year, not the other way around.
2.6.5(4)	States that forecast reports must be publicly disclosed within five months of the start of the disclosure year.	First, unclear whether this is within the five months before the disclosure year or the five months after the start of the disclosure year. Second, the reports are already publicly disclosed as part of an AMP or AMP update before the start of the disclosure year anyway.
2.6.3	"a prior disclosure year"	Should specify that it is a prior year in the same regulatory period.
2.4.13	Requires disclosure to any person on request, but doesn't require the response to be publicly disclosed.	Is this correct? Would expect that public disclosure would be required of responses to individuals' requests.

### Gas distribution

Provision	Description	Error
2.2	Lists the subparts where input methodologies can be found, but does not state what these are subparts of (i.e. the IM Determination)	Omission
2.2.1(5)	States the pricing methodologies input methodology is in subpart 4 of part 2	This IM is in subpart 5 of part 2 of the IM Determination.
2.6.4(3)		There is an extraneous ) in this clause.
2.7.1(2)	This provision applies to disclosures under 2.12 as well as those under 2.3.1	The same provision in the EDB Determination only applies to 2.3.1. Is the discrepancy deliberate?
2.9.3	Refers to information disclosed under 2.10.1	2.10.1 is just the retention and continuing disclosures provision. If consistent with EDB Determination, this should refer to 2.12.1 and 2.12.2
2.12.3	Refers to info disclosed in accordance with 2.12.1	This is inconsistent with the EDB determination. Should refer to info disclosed under 2.12.2?

2.4.4	From "State the proportion..." to "...under clause 2.4.16" should be subclause (8) of the preceding 2.4.3. 2.4.4 should start with "Every disclosure..."	Formatting error
2.4.6(1)(a)	"the circumstances (or how to determine the circumstances) under which the GDB may require a capital contribution how the amount payable of any capital contribution is determined."	Should be 2 separate provisions.
2.4.8	States the circumstances in which the requirements in 2.4.6 and 2.4.7 apply	For clarity, "or" should be added to the end of 2.4.8(1).
1.4.3, definition of <b>prescribed contract</b>	"a <b>person</b> that is a related party of the <b>GDB</b> "	Related party should be in bold.
2.4.10	Provides "either" subclause (1) is to be disclosed "and" subclause (2) is to be disclosed.	"either" should be taken out.
2.7.1(2)	Relates to disclosures under 2.3.1 AND 2.12. In EDB and GTB determinations, equivalent provision only applies to disclosures under 2.3.1	Discrepancy deliberate?

### Gas transmission

Provision	Description	Error
2.2	Lists the subparts where input methodologies can be found, but does not state what these are subparts of (i.e. the IM Determination)	Omission
2.2.1(5)	States the pricing methodologies input methodology is in subpart 4 of part 2	This IM is in subpart 5 of part 2 of the IM Determination.
Between 2.3.6(5) and 2.3.7	The heading "Related Party Transactions" is missing	Omission
2.12.3	Refers to info disclosed in accordance with 2.12.1	This is inconsistent with the EDB determination. Should refer to info disclosed under 2.12.2?
2.4.7	"contribution charge" is in bold.	This is not a defined term.
1.4.3, definition of Prescribed contract, (b)(iii)	Refers to a GPB.	GPB is in bold but not defined. Likely should read GTB.
2.6.4(5)	Refers to the Network Expenditure AMP Report in Schedule 14	The Network Expenditure AMP Report no longer exists (was in the last draft) and Schedule 14 is now Mandatory Explanatory Notes. In accordance with GDB determination, should

		refer to Forecast Capital Expenditure and Forecast Operational Expenditure reports in Schedules 11a and 11b.
2.7.2	States the Mandatory Explanatory Notes on Forecast Information in Schedule 14a are to be completed by inserting info relevant to info disclosed under 2.6.4(6)	This is inconsistent with the other determinations. Other determinations refer to info disclosed under 2.6.5.