



**Submission to the Commerce Commission on the IDRs for
Electricity Distribution Businesses and Gas Pipeline Businesses**

9 March 2012

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EXECUTIVE SUMMARY

1. Vector supports the review of the existing Information Disclosure Requirements (IDRs) for electricity and gas, including the transfer of the existing Gas (Information Disclosure) Regulations 1997 into the Commission's Commerce Act (Information Disclosure) Determinations (IDDs).

Improvements made so far

2. Vector welcomes and acknowledges that the Commission has made a number of substantive changes to the draft IDRs, that we and other interested parties have advocated, including:
 - a. removal of the proposal to require financial consolidation;
 - b. removal of the proposal to require disclosure of policies related to credit, delegated authority, profit distribution and sponsorship;
 - c. removal of the proposed requirements for directors to certify that the Asset Management Plan (AMP) describes actual processes and practices implemented by the business and that the pricing methodologies were used to set prices;
 - d. removal of the proposal to require statutory declarations;
 - e. only requiring AMPs to be disclosed biennially (this should also be a requirement for asset management maturity assessment tools (AMMATs));
 - f. considerable alignment of disclosure requirements with Input Methodologies (IMs) (further alignment is still required); and
 - g. the Commission's intention to monitor and analyse disclosures and identify issues, in lieu of imposing extensive audit requirements.

Areas of particular concern

3. While these amount to considerable improvements there are a number of areas Vector is concerned about; particularly in relation to:
 - a. the tight time-frame for finalisation of the new IDRs;
 - b. the retrospective requirements (particularly for non-financial disclosure requirements¹) and short time-frames for disclosure after the IDRs are finalised;
 - c. overlap and duplication between different disclosure requirements and with different regulators;
 - d. excessive level of disaggregation for parts of the IDRs;
 - e. retrograde changes from the existing IDRs; and
 - f. current policy, technical detail and drafting of the gas capacity disclosure.

Time-frame for finalisation/implementation

4. Vector considers the time-frame for finalisation of the IDRs in mid-June 2012 is overly ambitious given the amount of work still required:

¹ Retrospective application of financial disclosure requirements should pose less of a problem.

- a. The review of submissions on this consultation round is likely to be substantial.

For example, Vector considers the Gas Capacity IDRs need substantial revision (which we propose) before they are fit for purpose.

- b. Vector does not believe the Commission has adequately explained how some of the IDRs will assist in identifying whether the purpose of Part 4 is being achieved. Much of the explanation is very general and high level, and consequently difficult to marry against specific components of the Draft IDRs.

It appears, based on some of the explanations the Commission has provided, that some disclosure requirements are justified by the outcomes they may help **promote**, rather than help with **assessing** whether the purpose of Part 4 is being achieved as required by the Commerce Act 1986.

- c. The Commission has not yet provided a complete set of draft IDRs for review and consultation.

Vector submits, for example, that there are a large number of definitions required for information to be disclosed eg in the Financial Disclosure Schedules, what is meant by asset health, what is captured by pricing strategy?

- d. There will also need to be a technical review of the (near final) IDRs; which the Commission has already included in its consultation plan.

5. Vector does not believe it is good practice to introduce retrospective requirements. On the basis of the Commission's timetable that it will finalise the new IDRs in mid-June 2012, the IDRs would be introduced: (i) more than three months after the end of the regulatory year for electricity; and (ii) more than nine months into the regulatory year for gas. While Vector is confident the retrospective requirements are manageable for financial disclosures, it will pose much greater problems and challenges for non-financial disclosures. For example, this will provide only three months for preparation of the first gas transmission and distribution disclosure AMP and AMMATs, which will need to be reflect the final versions of the IDRs.
6. Additionally, the proposed IDRs amount to a substantial increase in the amount of information that will have to be produced and disclosed. This will exacerbate problems with the retrospective timing of the introduction of IDRs.
7. It will also place considerable resource pressures on regulated suppliers. It is inevitable that the first year for new IDRs will be the most challenging. Systems will need to be changed or established in order to collect and produce the new (or varied) information. In some cases, this can involve multiple processes for input data provision. This will not be a straightforward task.
8. Vector advocates that the Commission defer both the finalisation of the new IDRs to address these concerns, and stagger implementation such that non-financial disclosure requirements are not retrospective.

Changes Vector does not support

9. The new IDR proposals reflect an ongoing trend, started in 1999, under the Ministry of Commerce's purview, of the IDRs becoming more detailed and prescriptive with each review. The new IDR proposals reflect a substantial

increase in disclosure requirements. We are not convinced the IDRs need to be as onerous as proposed.

10. The Commission, for example, has adopted disclosure requirements from foreign jurisdictions which are used for actual price setting. Vector submits that the disclosure requirements for price setting are much more onerous than necessary or appropriate for information disclosure purposes.
11. Also, by example, the Commission is proposing substantial disaggregation of certain information (such as in relation to AMPs/asset information/forecast expenditure/customer connection capital expenditure/Number of telephone calls to emergency numbers answered within 30 seconds by region) which Vector views as unnecessary and excessive.
12. The proposed IDRs also include unnecessary overlap and potential duplication, for example:
 - a. Between the Electricity Authority's and Commission's pricing methodology disclosure requirements.
 - b. If the Gas Industry Company (GIC) implements its disclosure proposals, there could be substantial duplication and overlap in relation to access terms and conditions, gas transmission investment, gas capacity and service quality disclosure requirements.
 - c. Between the AMP and AMMAT. The AMMAT disclosure requirements duplicate some of the AMP disclosure requirements.
 - d. Between the pricing methodology and pricing statistics eg separate disclosure of the transmission component of distribution pricing.
 - e. Between the pricing methodology and AMP consumer consultation disclosure requirements.
13. The Commission intends to change the financial year for gas to 30 September, with transition requirements that include retrospective disclosures including: (i) three month regulatory period from 1 July 2009 to September 2009; and then (ii) 1 October to 30 September disclosures, thereafter.
14. There are also a number of aspects of the IDR proposals where Vector believes the Commission should retain the existing requirements, for example:
 - a. The Commission proposes to introduce a more complicated formula for Return on Investment (ROI).
 - b. The Commission is proposing to change the definitions/categories of expenditure/operating expenditure (capex/opex) which will undermine the time continuity of disclosed information.
 - c. Some of the proposed changes will result in inconsistencies with the IMs.
 - d. Vector believes that the proposed new related party transaction requirements extend beyond disclosure and prescribe how transactions should be priced. This could result in de facto regulation of related party payments.
 - e. The Commission should not replace performance measures (outputs) with data (input) disclosure requirements.

- f. Requirements to disclose commercially-sensitive information eg non-standard contracts and coupon rates for Term Credit Spread Differentials (TCSDs).

Relationship between information disclosure and section 54Q

15. Vector considers that the electricity IDRs should include information relating to investments of EDBs in energy efficiency, demand-side management and reducing technical losses.
16. This could be done by including a line item to Schedule 6 of the Disclosures in which EDBs report the amount of actual capital expenditure they have made on energy efficiency, demand-side management and reducing technical losses.
17. We welcome the Commission's inclusion of clause 11.5 in Appendix A of the draft Electricity IDD. This will allow EDBs to describe their future plans for energy efficiency investments, but it will not describe the amount of energy efficiency investments that actually take place.

INTRODUCTION

18. Vector welcomes the opportunity to submit on the Commerce Commission's Draft Reasons Paper "IDRs for Gas Electricity Distribution Businesses and Gas Pipeline Businesses", dated 16 January 2012, 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).
19. Vector acknowledges and appreciated the extra two weeks the Commission granted for submissions.
20. Vector would welcome the opportunity to assist the Commission and its staff with understanding any of the points made in the following submission and in particular, to technically workshop the gas transmission capacity disclosure to meet the information disclosure purpose.
21. Please note that Vector has reviewed the Electricity Network Association's (ENA) submission on this matter, and we support their submission. Unless the views in this submission expressly conflict with the ENA's, the Commission should treat Vector as agreeing with the ENA.
22. Vector's contact person for this submission is:

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23. No part of Vector's submission is confidential. Vector is happy for our submission to be publicly released.

OPENING COMMENTS

24. Vector supports the review of the existing Information Disclosure Requirements (IDRs) for electricity and gas, including the transfer of the existing Gas (Information Disclosure) Regulations 1997 into the Commission's Commerce Act IDRs:
- a. Part 4/4A of the Commerce Act has undergone considerable change;
 - b. the purpose of information disclosure has changed;
 - c. the Commission has developed Input Methodologies for Information Disclosure which should be reflected in the IDRs; and
 - d. the Commission has now taken over responsibility for Gas Information Disclosure from the Ministry of Economic Development.
25. It is important for the IDRs to keep abreast of the changes to Part 4/4A of the Commerce Act. Information Disclosure for Gas, in particular, is in need of a substantial overhaul. The Ministry of Commerce recognised that Gas (Information Disclosure) Regulations 1997 needed updating,² simply to align with the 1999 amendments to the Electricity (Information Disclosure) Regulations. This included the introduction of: a mandatory financial separation rules (ACAM); mandatory valuation methodology; Asset Management Plan (AMP) disclosures; and revised capacity disclosure requirements. The changes the Ministry identified are relevant today.
26. The limitations of the current Gas (Information Disclosure) Regulations have been made clear during the Gas Default Price Path (DPP)/Starting Price Adjustment (SPA) process. There have been concerns whether there is sufficiently robust information from the past disclosures for the Commission to rely on for price setting and expenditure forecasting.

Improvements made so far

27. Vector welcomes and acknowledges that the Commission has made a number of substantive changes to the IDR proposals, which should make them more practical, and should lower compliance costs, compared to the earlier proposals, including:
- a. removal of the proposal to require financial consolidation;
 - b. removal of the proposal to require disclosure of policies related to credit, delegated authority, profit distribution and sponsorship;
 - c. removal of the proposed requirements for directors to certify that the AMP describes the actual processes and practices implemented by the business and that the pricing methodologies disclosed were used by suppliers in setting prices;
 - d. removal of the proposal to require statutory declarations;
 - e. a requirement for AMPs to be disclosed biennially, rather than annually (this should also be a requirement for asset management maturity assessment tools (AMMATs));

² Refer to the Ministry of Commerce, Discussion Papers, Proposals for Amending the Gas (Information Disclosure) Regulations 1997, published on 13 October 1999 and 10 February 2000.

- f. considerable alignment of disclosure requirements with Input Methodologies (IMs); and
 - g. The Commission's intention to monitor and analyse disclosures and identify issues with the information disclosed, in lieu of imposing extensive audit requirements.
28. We also welcome and acknowledge the Commission's explicit reference to where its decisions on Airport Information Disclosure have had implications for the Electricity and Gas IDRs.³ Vector considers it to be a matter of good practice for the Commission to be transparent about how cross-sectorial or jurisdictional decisions impact on each other.

Areas of particular concern

29. Vector, however, has some substantive concerns about the proposed IDRs, and the limitations of the Draft Reasons Paper.
30. First, the proposed IDRs contain retrospective disclosure requirements. At best, if the IDRs are finalised in mid-June 2012, this would mean the IDRs are introduced: (i) three months after the end of the regulatory year for electricity; and (ii) nine months into the regulatory year for gas.
31. Vector is comfortable that, while the retrospectivity is less than optimal, it should be manageable for 2012 financial disclosures, albeit at a cost. It will cause much greater problems for non-financial disclosures.
32. The Commission should give consideration to the compliance complexities retrospectivity would cause, and resulting implications for the quality and reliability of disclosed information.⁴
33. Secondly, the proposed IDRs require a substantial increase in the amount of information that will need to be produced and disclosed, particularly for gas distribution and transmission. Vector considers that the transitional provisions and time frames, particularly for the regulated gas services, are inadequate.
34. Inevitably the first year for new IDRs will be the most challenging for regulated suppliers. Systems will need to be changed or established in order to collect and produce the new (or varied) information required for disclosure. In some cases, this will involve multiple processes for input data provision and systems and processes for integrating multiple data sets to enable the disclosure detail to be in the form and to the level of quality requested. These are not straight forward exercises. Rather, system and process design will involve much complexity and new degrees of integration with IT and other systems. The data produced will need to meet external scrutiny, often to a level not previously required.
35. Lead times adequately allowing for transition from previous requirements should be an essential aspect of the Commission's consideration when deciding IDRs. This has been contemplated to some degree with respect to IDRs for EDBs. However, GPBs that have not previously been subject to Commission requirements will require the opportunity to put in place the necessary systems and processes to enable delivery of the information sought.⁵

³ For example, at paragraph 1.9, Commerce Commission, Draft Reasons Paper, "Information Disclosure Requirements for Gas Electricity Distribution Businesses and Gas Pipeline Businesses", 16 January 2012.

⁴ These comments are also reflected in Vector, Submission on the Initial default price-quality for gas pipeline services – deferral of commencement date, 15 February 2012.

⁵ Paragraph 28, Vector, Submission to Commerce Commission on Information Disclosure Discussion Paper, 11 September 2009.

36. As an example, it is currently contemplated that AMPs and the supporting information requirements (particularly AMMATs) would be publicly disclosed for the GPBs no later than 30 September 2012. However, as noted, above the intention is for the final determinations to only be in place by mid-June 2012. The final detail of requirements will only be known at the time of determination. This means that within effectively 3½ months, GPBs must have delivered the final material internally so it can be subject to the appropriate governance requirements of the business, including board certification. Given that this would be the first time that gas AMPs have had to be publicly disclosed there will be an obvious necessity for appropriate and extensive governance scrutiny which, under the current proposed timeframes will not be possible.
37. Thirdly, while Vector welcomes and acknowledges the Commission's recognition of the costs of complying with IDRs and the need to ensure they are cost-effective,⁶ we do not consider this is reflected in all aspects of the proposed IDRs. A considerable amount of the information the Commission is proposing for disclosure is not necessarily information that a regulated supplier would or should be expected to collate otherwise. We are particularly concerned about the level of disaggregation the Commission is proposing.
38. Fourthly, the Commission's proposals include disclosure of commercially confidential and sensitive information, eg, in relation to non-standard contract disclosures and term credit spread differentials (TCSD).
39. Fifthly, the proposed IDRs introduce unnecessary inconsistency with other aspects of Part 4; notably the CPP IMs.
40. In many instances the draft Information Determinations cross-reference definitions contained in the IM's. For ease of use the determinations should include these definitions in the determination documents rather than refer to the definitions contained in the IM's.

⁶ Paragraph X5, Commerce Commission, Draft Reasons Paper, "Information Disclosure Requirements for Gas Electricity Distribution Businesses and Gas Pipeline Businesses", 16 January 2012.

IMPLEMENTATION OF THE NEW IDRS

41. The Electricity Networks Association (ENA) wrote to the Commission, on 1 February 2012, outlining concerns with the proposed consultation process. Vector shares these concerns.
42. Vector considers that the Commission's time-frame for finalising the IDD by mid-June 2012 is likely to be insufficient to achieve a robust outcome given:
 - a. The substantive nature of the material, both in volume (approximately 500 pages in the current consultation) and technical complexity. Vector considers that the Commission's timetable places inordinate time pressure for submitters (even with the two week extension the Commission granted) and for the Commission in reviewing submissions and making consequent changes to the IDRs.
 - b. A substantial amount of work still needs to be undertaken to ensure a robust set of IDRs that best meet the purpose of ID. Vector's submission raises a number of concerns about aspects of the proposed new IDRs; notably we consider that the gas transmission capacity disclosure requirements need a significant amount of redrafting (although we do provide our own drafting suggestions to address these concerns).⁷
 - c. It has taken from July 2009 for the Commission to develop and revise the IDRs. Vector would not like to see the IDRs detrimentally impacted by a rushed approach to the final establishment of the new requirements.
 - d. As the ENA has already noted, the Draft IDRs are incomplete. They do not include definitions of a number of items and do not include working spreadsheet templates, formulas and a full set of definitions.
43. Vector **recommends** the Commission extend the timeline for finalisation of the IDRs to enable consultation on the following steps:
 - a. the remaining aspects of the Draft IDRs which the Commission has not yet provided;
 - b. areas of the proposed Draft IDRs where the disclosures required clearly need considerable further work, such as the current proposed transmission capacity disclosure; and
 - c. technical issues, identified errors etc in the penultimate drafts. Vector agrees with the ENA that technical consultation should not be combined with further development of the IDRs.
44. Vector recognises that the current mid-June 2012 completion deadline reflects substantial delays from the previous 2011 target. However, Vector is of the view that even if the IDRs are finalised by mid-June 2012, the application of the new IDRs in relation to non-financial disclosures should be deferred (retrospective application for 2012 of the new financial disclosure requirements will pose less of a problem for Vector, albeit at a cost).⁸ The proposed disclosure dates and transitional provisions affecting regulated services provide insufficient lead times for delivery of robust information. Regulated suppliers require time to enable the systems and processes to be put in place to be assured of the collection, collation and production of the information and data in a manner that can robustly

⁷ Refer to the sections "Gas Pipeline Capacity" and "Appendix B Disclosure of Pipeline Capacity Amended".

⁸ Refer to our concerns about retrospective application of the new IDRs above.

withstand the required scrutiny and be meaningful to interested persons consistent with the s.53A purpose

45. Vector **recommends** the Commission defer the introduction of the new IDRs, for non-financial disclosures, until the October 2012 – September 2013 disclosure year for gas commencing with prospective disclosures in September 2013 and historic disclosures in February 2014; and April 2013 – March 2014 for electricity. This would provide the Commission with more time to finalise the IDRs and would address concerns about the retrospectivity of the IDRs (If the electricity IDRs were introduced for the disclosure period commencing April 2012 they would still be introduced after the start of the disclosure period, although the effect would not be as severe as introduction of a disclosure period commencing April 2011, as presently proposed).
46. Vector also **recommends** that, if disclosure requirements are introduced after the start of the regulatory year they will apply to, the Commission take a flexible approach to the audit verification required for the disclosed information.

Transitional financial information for GPBs

47. As previously submitted, Vector **notes** we do not support the change in reporting year end to 30 September for GPBs. Vector would prefer to maintain the current 30 June reporting year end.
48. On the basis that the disclosure year end will be changed to 30 September and individual exemptions may not be provided for, Vector does not support the transitional financial disclosure requirements being applied retrospectively. In particular, Vector does not support providing information for the 2009 part year which is defined in the draft Gas IDD as the three month period from 1 July 2009 to 30 September 2009 on the basis that:
 - a. this information has already been disclosed within the 2010 Statutory Notice;
 - b. the effort involved to re-do this work is significant and costly; and
 - c. the disclosure requirement will impose greater costs than benefits as it is unclear what additional benefit information from 2009 would provide to interested persons.
49. Vector submits that any adjustment to the reporting period should be done on a prospective basis and that the appropriate accommodation would be to report for the 15 month period 1 July 2011 to 30 September 2012 (or 1 July 2012 to 30 September 2013, depending on when the new IDRs take effect from).
50. Vector understands the need for interested persons to be provided with sufficient information to assess whether the purpose of Part 4 is met. However, we do not consider the Commission meets its expressed objectives of ensuring the disclosure requirements are cost-effective and aligned where possible to industry practices by requiring suppliers to disclose historic financial information on a retrospective basis for a three month part period in 2009 and for altered disclosure periods thereafter. This is especially so, given the considerable effort/cost of dedicating both internal and external resources to complete the 2010 statutory notices which were for the 12 month period ended 30 June 2010.
51. A change in the reporting period for GPBs from June to September that is instigated by the Commission should **not** mean regulated suppliers are required to undertake re-work and bear additional internal and external costs in relation to a period that has already been audited and disclosed to the Commission.

52. The Commission expresses the view that continuity in the information disclosed is required. However, in Vector's view, continuity in information disclosure can be satisfied on a prospective basis. It is not clear to Vector what additional benefit will be derived from providing information a second time for the 2009 part period which is part of the 2010 Statutory Notice. The Commission itself has stated that it does not consider the information gap of three months to be significant.⁹
53. The Commission acknowledges in the draft IDRs that altering the disclosure period has an impact on regulated suppliers and where possible they should be given time to establish new systems or make changes to existing systems. The impact of requiring suppliers to effectively "re-open" prior periods from many years ago seems at odds with the Commission's acknowledgement of all the additional work involved on a go-forward basis. Having to revisit the past in this way could negatively impact on the resources available to deliver the systems changes required for the future.
54. There is precedent around changes of regulatory periods in other arenas. For example when there is a change of balance date for financial reporting purposes the tax return filing period is changed on a prospective basis and is never changed on a retrospective basis. It would be more fair and efficient to report prospectively for a 15 month period ending 30 September 2012 which could be broken down into a 12 month period and a 3 month period (or a 3 month period and a 12 month period) as this would give businesses time to plan for the additional work required.
55. Vector **recommends** that, if the Commission adopts a 1 October to 30 September financial year, the Commission:
 - a. adopt a one-off 15 month regulatory "year" to address the transition to the new 1 October – 30 September regulatory year for GPBs; and
 - b. not require retrospective adjustments of previous disclosures to accommodate a change in regulatory year for GPBs.

⁹ Paragraph 6.57, Commerce Commission, Draft Reasons Paper, "Information Disclosure Requirements for Gas Electricity Distribution Businesses and Gas Pipeline Businesses", 16 January 2012.

ROLE OF INFORMATION DISCLOSURE

56. The purpose of information disclosure under s.53A of the Commerce Act is to “ensure that sufficient information is readily available to interested persons to assess whether the purpose of this Part is being met.”
57. This marks a substantive shift from the previous purpose of information disclosure for EDBs under s.57T of the Commerce Act which was “to promote the efficient operation of markets directly related to electricity distribution and transmission services by ensuring that large line owners and large electricity distributors make publicly available reliable and timely information about the operation and behaviour of those businesses, so that a wide range of people are informed about such factors as profits, costs, asset values, price (including terms and conditions of supply), quality, security, and reliability of supply of those businesses.”
58. To comply with s.53A the Commission must demonstrate its disclosure proposals (and pre-existing disclosure) requirements **assist** to identify whether Part 4 is operating so that it promotes the long-term benefit of consumers by promoting outcomes that are consistent with outcomes produced in competitive markets such that suppliers of regulated goods or services:
- a. have incentives to innovate and to invest, including in replacement, upgraded, and new assets; and
 - b. have incentives to improve efficiency and provide services at a quality that reflects consumer demands; and
 - c. share with consumers the benefits of efficiency gains in the supply of the regulated goods or services, including through lower prices; and
 - d. are limited in their ability to extract excessive profits.
59. While a consequence of some aspects of information disclosure may be to help promote aspects of the Part 4 purpose, it is not sufficient to use this as the primary or sole justification for any given IDRs. The Commission should ensure each part of the IDRs can be used by interested parties to assess whether the purpose of Part 4 is met. The Commission should explain how each part of Information Disclosure contributes to this outcome.
60. This aligns with statements in the Draft Reasons Paper such as that “Information disclosure regulation not only contributes to the specific purpose set out in s 53A, **but it can also promote** the Part 4 Purpose by improving the distribution of information between regulated suppliers and interested persons, and by expanding the information available to regulated suppliers (e.g. regarding comparative performance).” (emphasis added)¹⁰
61. Vector is concerned that justification for some parts of information disclosure are prefaced entirely in relation to the outcomes they may “promote”. For example, the Draft Reasons Paper states that “the disclosure of [prices, terms and conditions relating to prices, pricing methodologies, and contracts], information disclosure can **promote outcomes** consistent with those observed in workably competitive markets.” (emphasis added)¹¹ Vector believes the Commission will

¹⁰ Paragraph 2.14, Commerce Commission, Draft Reasons Paper, “Information Disclosure Requirements for Gas Electricity Distribution Businesses and Gas Pipeline Businesses”, 16 January 2012.

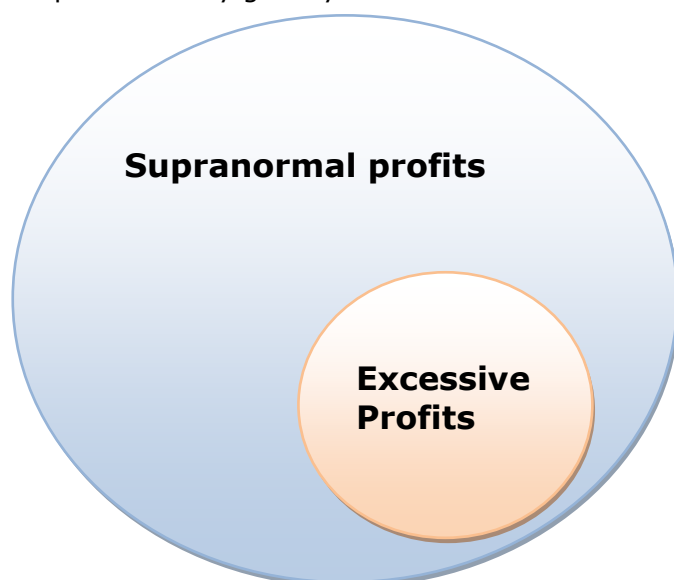
¹¹ Paragraph 5.3, Commerce Commission, Draft Reasons Paper, “Information Disclosure Requirements for Gas Electricity Distribution Businesses and Gas Pipeline Businesses”, 16 January 2012.

have failed in its operation of DPP/ CPP price regulation if it needs to rely on information disclosure solely to promote incentives to improve efficiency etc.

62. It follows naturally from the purpose of information disclosure that it should be tailored tightly to the purpose of Part 4 of the Commerce Act, contained in s.52A(1). Vector agrees with Powerco "that the most appropriate role of an information disclosure regime that sits alongside a price cap regime would be to require disclosure of the information that gives an understanding about how the outcomes under the regulatory regime compare to what was forecast, which in turn provide an indication about both the emerging issues and the likely outcome of the next price review."¹²
63. Vector **recommends** that if the Commission cannot explicitly demonstrate how a particular IDR would meet the purpose of information disclosure, including how it would help identify whether a specific subpart or subparts of s.52(A)(1) are being met, then the requirement should be removed from the IDD(s).

Identifying excessive profits

64. The Commission has stated it "will use annual estimates of the weighted average cost of capital for EDBs and GPBs ... to assess whether excessive profits are being earned."¹³
65. Vector reminds the Commission that excessive profits are not the same as supranormal profits. Vector's "Submission to the Commerce Commission on the Setting of Starting Pricings for Gas Pipeline Businesses under the Initial Default Price-Quality Path", 28 September 2011, details the distinction between supranormal and excessive profits.¹⁴
66. A supranormal profit is any profit above a normal rate of return ie a return above WACC. Excessive profits are a subset of supranormal profits. A return above WACC is not necessarily excessive. This is illustrated by the following diagram. If the Commission treats supranormal profits as if they are the same as excessive profits it may grossly overstate the extent of supranormal profits.



¹² Paragraph 20, Powerco, Information Disclosure Discussion Paper, 11 September 2009.

¹³ Paragraph X10, Commerce Commission, Draft Reasons Paper, "Information Disclosure Requirements for Gas Electricity Distribution Businesses and Gas Pipeline Businesses", 16 January 2012.

¹⁴ Refer to paragraphs 71 to 80, in particular.

67. This reflects that supranormal profits are not necessarily functionless rents. The Commission can and should, for example, use supranormal profits as a reward for efficiency gains and innovation. This is precisely what happens in workably competitive markets. In workably competitive markets firms are incentivised to improve efficiency and innovate, in order to outperform their competitors and improve profitability.
68. If a regulated EDB or GPB is earning supranormal profits this can indicate: (i) the operation of price control under Part 4 of the Commerce Act is providing incentives to improve efficiency; (ii) there will be efficiency gains to share with consumers in subsequent price resets; (iii) outcomes are consistent with competitive market outcomes as regulated suppliers are being rewarded for superior efficiency; and (iv) the purpose of promoting long-term benefit to consumers is being achieved. It need not mean the Commission has failed to limit excessive profits.
69. Powerco has made similar comments:¹⁵
- The main purpose of the previous disclosure regime (particularly while it applied as the sole form of regulation to the EDBs) was to identify and direct public attention to the presence of potential excess returns. This in turn was intended to dissuade firms from setting prices that delivered what may be considered as excessive returns, including by making more realistic the threat of control.
- In contrast, under a control regime, the task of eliminating any expectations of earning excess returns has already been undertaken by the fact of establishing control. Drawing attention to prima facie excess returns and portraying those returns in a negative light may discourage companies from devoting the management attention and resources necessary to pursue efficiency gains.
70. If the view is taken that all returns above WACC are “excessive” then it becomes axiomatic that they should be removed in full. This interpretation of excessive profits would drive the operation of Part 4 towards rate of return regulation. It should be stressed, in this context, that it is entirely possible to operate CPI-X, which is normally associated with incentive-based regulation, as de-facto rate of return regulation.¹⁶
71. Vector **recommends** the Commission consider: (i) what distinction should be made between excessive and supranormal profits; and (ii) what the implications of this are for Information Disclosure.

Relationship between information disclosure and section 54Q

72. Vector considers that the electricity IDRs should include information relating to investments of EDBs in energy efficiency, demand-side management and reducing technical losses.
73. The Commission has stated that:

The Commission considers that the requirements under section 54Q are to be met through the combined application of the regulatory instruments under Part 4 that apply to suppliers of electricity lines services.¹⁷

¹⁵ Paragraphs 18-19, Powerco, Information Disclosure Discussion Paper, 11 September 2009.

¹⁶ This is a concern various submitters have raised about the Commission’s operation of Part 4/4A of the Commerce Act. Refer, for example, to paragraphs 95 to 102, Vector “Submission to the Commerce Commission on the Setting of Starting Pricings for Gas Pipeline Businesses under the Initial Default Price-Quality Path”, 28 September 2011.

¹⁷ Paragraph 2.9.4, Commerce Commission, Input Methodologies (Electricity Distribution and Gas Pipeline Services) Reasons Paper, December 2010.

by providing EDBs the flexibility to adjust their pricing structures, the Commission is promoting incentives and, in particular, is avoiding imposing disincentives for EDBs to invest in energy efficiency including demand-side management, consistent with s 54Q of the Act.¹⁸

The Commission considers where an EDB owns load control relays, it should be able to include these in the RAB value subject to the cost allocation IM, and that doing so will promote demand side management consistent with s 54Q.¹⁹

74. These statements indicate the Commission considers the current regulatory settings are sufficient to meet the requirements of s.54Q. Vector does not agree with this view.
75. Vector recognises there is a link between the general purpose of Part 4 of the Commerce Act and s.54Q. We believe that, for the investments contemplated by s.54Q to occur, Part 4 must provide incentives for EDBs to (generally) innovate, invest and improve efficiency on their networks. Vector has made submissions outlining why the Commission's current proposals for the operation of Part 4 will mean regulated suppliers will not have adequate incentives to innovate, incentive or improve efficiency.
76. Furthermore, while such incentives are necessary they are not sufficient to meet the requirements of s.54Q. In our view, further mechanisms to promote incentives and avoid imposing disincentives are required.
77. Regardless, Vector submits that the Commission's electricity IDRs could and should be extended to include data on the level of investment in energy efficiency, demand-side management and technical loss reductions made by EDBs. This information would assist interested persons in identifying whether EDBs do or do not have incentives to make the types of investments, and improve efficiency, in the manner contemplated by s.54Q.
78. Vector welcomes the Commission's acknowledgement of this issue in the Draft Reasons Paper and its inclusion of clause 11.5 in Appendix A of the draft Electricity IDD, which requires EDBs to describe strategies and processes they use to promote the energy efficient operation of the network.
79. While the requirement in clause 11.5 will allow EDBs to describe their future plans for energy efficiency investments, it will not demonstrate the amount of energy efficiency investments that actually take place.
80. Vector **recommends** that Schedule 6: Report on Expenditure of the draft determinations includes, under heading 6a: Capital expenditure, a line item in which EDBs are required to report the amount of actual capital expenditure they have made within the disclosure year on energy efficiency, demand-side management and reducing technical losses.

¹⁸ *ibid*, paragraph 8.3.11.

¹⁹ *Ibid*, paragraph E2.34.

OVERLAPS WITH OTHER REGULATORY AGENCIES

81. There are a number of legislative overlaps in responsibilities between the Commission and the Gas Industry Company (GIC) and Electricity Authority, respectively. Vector considers this to be less than ideal, although the problem of overlap was not created by the Commission, GIC or the Electricity Authority. The Commission, GIC and Electricity Authority do, however, need to take joint responsibility for establishing how to best navigate the overlaps in their responsibilities.

GIC Information Disclosure Proposals

82. As the Commission will be aware, the GIC has recently undertaken a consultation on proposed information gathering powers for particular gas issues.²⁰
83. The Commission and GIC have overlapping responsibilities and objectives; including ensuring:
- a. gas is delivered in a safe, efficient and reliable manner (s.43ZN(a) of the Gas Act 1992 and s.52A(1)(b) of the Commerce Act);
 - b. incentives to invest in gas transmission and distribution (s.43ZN(b)(iii) of the Gas Act and s.52A(1)(a) of the Commerce Act); and
 - c. prices are subject to downward pressure (s.43ZN(b)(iv) of the Gas Act and s.52A(1)(c) of the Commerce Act).
84. The GIC also has regulation making powers under the Gas Act for disclosure of information on tariffs and other charges (s.43G(2)(e)) and processes (s.43G(2)(l)).
85. The GIC's current information disclosure proposals include substantive (possibly complete²¹) overlap with the Commission's proposed IDRs for gas, specifically:
- a. gas transmission capacity;
 - b. assessing the need for investment in new or existing transmission pipelines;
 - c. terms and conditions for access; and
 - d. gas quality.
86. These are all matters the Commission's proposed new Gas IDRs address.
87. The GIC has stated that "[t]he reliance on the disclosure or information gathering regimes of other agencies is dependent on those mechanisms collecting the types of information required by the Gas Industry Co for its policy development process."²² Vector agrees with this proposition but thinks it is unlikely there is any information the GIC could reasonably require in relation to regulated GPBs that could not be accommodated within the Commission's Gas IDRs. As yet, the GIC has not identified any information it may want that is not covered by the proposed new Gas IDRs; although the GIC has yet to fully identify specific information it would want.

²⁰ GIC, Statement of Proposal: Information Gathering for Gas Governance Development and Administration, 22 December 2011.

²¹ This won't be known until the GIC specifies what specific information it would use its general information gathering powers to obtain.

²² Page 22, GIC, Statement of Proposal: Information Gathering for Gas Governance Development and Administration, 22 December 2011.

88. The GIC has also expressed concern that "Gas Industry Co has no ability to compel compliance with those other disclosure schemes and must rely on the other agencies to enforce the information collection."²³ Again, it is unclear what specific concerns the GIC has about compliance and enforcement of the Commission's IDRs. We are not aware of any such problems.
89. Vector suggests the Commission and GIC liaise to determine the GIC's needs and concerns particularly with regard to the Commission's operation of information disclosure regulation. For the avoidance of doubt, Vector believes the GIC should rely on the Commission's Gas IDRs and avoid establishing duplicate and overlapping IDRs.
90. Vector **recommends** the Commission liaise with the GIC to ensure the GIC's needs, where reasonable and aligned with the purpose of information disclosure, are accommodated within the Commission's Gas IDRs.

Electricity Authority Pricing Principles and Disclosure Requirements

91. The Draft Reasons Paper notes the Commission has not set an IM for pricing methodologies for EDBs²⁴ because, consistent with s.52T(1)(b) of the Commerce Act, the Electricity Authority has the power to set pricing methodologies for electricity distribution.
92. As a consequence, what the Commission has proposed instead is to adopt the Pricing Principles the Electricity Authority has developed for EDBs and require EDBs to demonstrate the extent to which their pricing methodology is consistent with the Principles, as well as providing reasons for any inconsistency. In principle, this is appropriate.
93. Overlap will exist though. Both the Electricity Authority and Commission intend to require disclosure of the extent to which EDBs comply with the pricing principles. Vector does not consider it is sensible or necessary for two separate regulators to have duplicate and overlapping IDRs.
94. Vector is of the view that the Commission and Electricity Authority should work together to determine a single set of IDRs for electricity distribution pricing, that would serve both regulators' needs. It would be straight forward for the Authority to establish the Pricing Principles, but for the IDRs to be contained solely within the Commission's Electricity IDD.
95. Clause 3.3 of s. 2.4 of the draft Electricity IDD should also be amended to refer to the Electricity Authority's Pricing Principles, rather than including the Authority's current Pricing Principles in Appendix C. The problem with including the current Pricing Principles in an Appendix of the IDD is that the Determination could become out-of-date and inconsistent with the Authority's Pricing Principles if the Authority amended them. The Electricity Authority has indicated it would review the EDB Pricing Principles, including establishing a decision-making and economic framework for determining efficient pricing arrangements, later this year.
96. In respect to Vector's proposals, it is worth noting the statement from the previous Electricity Commission on the Commerce Commission's IDRs:²⁵

²³ Page 22, GIC, Statement of Proposal: Information Gathering for Gas Governance Development and Administration, 22 December 2011.

²⁴ Paragraphs 5.13 and 5.14, Commerce Commission, Draft Reasons Paper, "Information Disclosure Requirements for Gas Electricity Distribution Businesses and Gas Pipeline Businesses", 16 January 2012.

²⁵ Paragraph 9, Electricity Commission, Distribution Pricing Principles and Information Disclosure Guidelines, December 2009.

Provided that the information sought by the Commission is the same as the information submitted by distributors to the Commerce Commission, with respect to the information disclosure on pricing methodologies, the Commission would source the information from the distributor's website. If further information is required the Commission would seek the information directly from distributors. The Commission's process seeks to avoid duplication.

97. Vector believes the Electricity Authority should rely on the Commission's IDRs to obtain the information it is seeking on pricing methodologies. Vector **recommends:**
- a. the Commission liaise with Electricity Authority to ensure the Authority's needs, in relation to pricing methodology disclosure, where reasonable and aligned with the purpose of information disclosure, are accommodated within the Commission's Electricity IDRs; and
 - b. Clause 3.3 of s. 2.4 of the draft Electricity IDD be amended to refer to the Electricity Authority's Pricing Principles, rather than including the Authority's current Pricing Principles in an Appendix.

NON-FINANCIAL AUDIT REQUIREMENTS

98. The Draft Reasons Paper clearly reflects that the Commission has recognised there are differing auditing requirements for financial, non financial and prospective information.²⁶ Table 6.1 clearly states that the auditor is only required to verify to source data for non financial data. Likewise, paragraph 6.21.2 (a) states that for prospective information the auditor is to ensure it is presented on a basis consistent with the regulatory accounting or technical measurement requirements used for disclosures for the current financial year and the immediately preceding financial year. Paragraph 6.21.2 (b) goes on to state the source data used for prospective information is not required to be audited. This is appropriate.
99. The differing audit requirements set out in the Draft Reasons Paper, however, are not adequately reflected in the Draft IDD's. Sub-clause 1.1.6 of section 2.6 of the Draft IDD's acts as a "catch all" requiring all financial, non-financial and prospective information to be complete and accurate. The Draft Reasons Paper would suggest this was not the intention.
100. Vector **recommends** sub-clauses 1.1.6 and 1.2.1 of section 2.6 of the Draft IDD's be amended as follows:
- 1.1.6 whether, in the **independent auditor's** opinion, as far as appears from an examination of them, proper **records** to enable the complete and accurate compilation of required financial information have been kept by the **EDB [GDB] [GTB]**; and, if not, the **records** not so kept; and
 - 1.2.1 in respect of historical non-financial information contained in Schedules 13, 18, and 19 whether (and, if not, the respects in which it does not), in the **independent auditor's** opinion, the **EDB [GDB] [GTB]** has complied in all material respects with the requirements, including guidance (if any) issued by the **Commission**, and the information has been verified to source data ~~is based on the **records** examined under subclause 1.1.6 above;~~ and
101. If the Commission does not accept Vector's amendments to sub-clauses 1.1.6 and 1.2.1 of section 2.6 then before the Final Reasons Paper and Determinations are published, Vector **recommends** that the Commission engages with the industry and auditors in order to establish practical requirements for the audit of non-financial asset-related information. Such information is by its nature far more varied than financial information, derived from disparate sources and includes manually collected data.

²⁶ Refer to Table 6.1 and paragraphs 6.21.2 (a) and (b), Commerce Commission, Draft Reasons Paper, "Information Disclosure Requirements for Gas Electricity Distribution Businesses and Gas Pipeline Businesses", 16 January 2012.

INTERPRETATION (ELECTRICITY)

102. Vector has the following comments on Interpretation:

- a. *Part 1 Clause 1.4, Definition of "sub-transmission" and "sub-transmission voltage"*: The Draft IM defines sub-transmission as the transport or delivery of electricity at 110kV, 66kV, 33kV and other voltages within this range. The Draft IM also notes that: "whilst voltages outside this range (eg, 22kV) may be used for the purposes of sub-transmission, they are not to be included in the sub-transmission reporting category."

We disagree with the Commission's definition for sub-transmission.

From a technical perspective, sub-transmission cables and lines in an electricity network serve the purpose of delivering relatively large quantities of electricity from the grid to zone substations where the electricity is converted to a lower voltage for local distribution. This concept is consistent with the information required in Schedule 15a. (Note that Schedule 15a needs to be changed if the Commission is to retain its current definition in the Draft IM.)

The choice of sub-transmission voltage is dependent on the characteristics of the particular network (including, amongst many other parameters, load density, cost of equipment, voltage of the grid off-take point, distance from the grid off-take point, and historical reasons). Sub-transmission is not, and does not need to be, restricted to a range of prescribed voltages but rather should be guided by the network characteristics. The relationship between the capacity of (and the load going through) sub-transmission circuits, zone substations and distribution circuits reflects the characteristics of the network and the consumers it supplies. By artificially defining a voltage range for reporting sub-transmission information and moving parts of the network demand and capacity from the sub-transmission network to the distribution network (but not zone substations) in disclosure reports will distort the readers' view of the network characteristics.

The Commission also acknowledges that voltages outside the 33kV to 110kV range may be used for the purpose of sub-transmission purpose. (It does not make sense for the Commission to acknowledge that 22kV is a sub-transmission voltage on the one hand but require this be excluded on the other.) Vector **recommends** the definition of sub-transmission be changed to include 22kV for the purpose of information disclosure.

- b. *Part 1 Clause 1.4, Definition of "HV" and "EHV"*: In the IDIM, the Commission defined EHV as the sub-transmission voltage (ie, between 30kV and 110kV) and HV as 1kV and above.

Most, if not all, of the electricity distribution network equipment in New Zealand is procured using IEC standards from manufacturers adopting such standards. It would be logical that New Zealand adopts the terminologies used in the IEC standards.

IEC60038 defines (regarding voltages in ac power systems):

- LV as voltage below 1kV
- MV as any voltage greater than 1kV and below or equal to 35kV
- HV as any voltage greater than 35kV and below or equal to 230kV
- EHV as any voltage greater than 230kV and below or equal to 800kV

In communications with our equipment suppliers, including any works and contractual documents, technical specifications and information, etc, it is important that we can do so using the same terminology to avoid any misunderstanding and inefficiency. It would be logical for use to use the common (international) terminology throughout our business activities (including planning, design, specifications, asset management and information disclosure).

It should be noted that the British Standards Institute has adopted this IEC standard as a British Standard (BS EN 60038:2011).

Vector **recommends** the definitions in the IDIM be changed to align with international standard (IEC) as follows:

- LV as voltage below 1kV
- MV as any voltage greater than 1kV and below or equal to 35kV
- HV as any voltage greater than 35kV and below or equal to 230kV

- c. *Part 1 Clause 1.4, Definition of "capital expenditure"*: In terms of part (c) the IDIM states: "in all other instances, costs incurred or forecast to be incurred in the acquisition or development of an asset during the disclosure year that is or intended to be commissioned".

The definition appears to require forecasts expenditures for multiple year projects to be lumped and presented as a single expenditure in the year of commissioning. Our practice is to present the forecast expenditures in the years they are expected to be incurred.

Clarification is required. If the Commission's intention is to report on a single expenditure at the year of commissioning, Vector would submit that this does not reflect the true pattern of expenditure and should be modified to reflect the timing of the incurrence of the expenditure.

FINANCIAL DISCLOSURE

103. Vector has the following comments on financial disclosures:

- a. Vector supports the removal of the earlier proposal to require financial consolidation.
- b. Vector supports the Commission's approach, adopted in 2008 for electricity, of adopting Financial Disclosure Schedules, consisting of spreadsheet templates and supporting definitions.

Return on Investment

- c. Vector does not support the Commission's new Return on Investment (ROI) formula. The current ROI formula in electricity is relatively simple and most consistent with profit measures used by interested persons such as investors, shareholders etc.
- d. In the Draft Reasons Paper the Commission notes that it considers an assumption that all cash flows occur at year end would materially underestimate annual returns, relative to an assumption that most cash flows occur at the middle of the year.²⁷ The Commission provides no evidence of the materiality of this difference in possible assumptions. In any case, Vector notes the worked example provided in the ENA submission and that the current and simpler electricity ROI calculation (modified as appropriate) produces an outcome that is clearly not materially different from the Commission's proposed and more complex ROI calculation.
- e. Vector **recommends** the Commission adopt the existing electricity ROI approach, with modifications to accommodate the new IMs,²⁸ for all the IDR determinations.

Schedules

- f. Vector **recommends** the Commission include comprehensive definitions for all variables to be disclosed, and inter-spreadsheet references (consistent with the 2008 electricity IDRs), in the Financial Disclosure Schedules.
- g. *Schedule 1b*: Vector questions why assets commissioned are used in the notional cash flow calculation as opposed to using additions to WIP?
- h. *Schedule 1c*: Vector **recommends** the Commission not introduce the proposed cash flow disclosures (Schedule 1c) as we do not consider these to be necessary for assessing financial performance.
- i. *Schedule 2*: The IM and Draft IDRs are silent on the treatment of "AC loss rental rebates income (deficit)", which is separately disclosed under the current Electricity IDRs. Vector **suggests** the Commission provide guidance in the Draft Electricity IDD on the treatment of AC loss rental rebates.
- j. *Schedule 2*: The Draft Reasons paper states that all regulated revenue is to be recognised in the year it is received.²⁹ This is not consistent with

²⁷ Paragraph A1.19, Commerce Commission, Draft Reasons Paper, "Information Disclosure Requirements for Gas Electricity Distribution Businesses and Gas Pipeline Businesses", 16 January 2012.

²⁸ These modifications include: (i) inclusion of the deferred tax balance in the denominator; (ii) inclusion of a vanilla as well as post-tax ROI measure; and (iii) inclusion of the term credit spread differential allowance.

GAAP. Vector **recommends** recognition of revenue within a year should be in accordance with GAAP.

- k. *Schedule 2a*: The IMs and Draft IDD are not clear on the treatment in regulatory profit or losses resulting from the disposals of assets. The Commission provided guidance on the treatment of asset disposal losses to responders to the s.53ZD notices. However, this guidance does not appear to have been included in the Draft determinations. Vector **recommends** the Commission provides guidance on the treatment of asset disposal profits and losses in the IDDs.
- l. *Schedule 2a*: The same wording "line charge income" has been used across the EDB, GDB and GTB templates. This is different from the wording used in the s.53ZD request notices. For example, "Distribution revenue through prices" for GDB, "transmission revenue through prices" for GTB were used in the request notices. Vector **recommends** the terminology is kept consistent with the IMs.
- m. *Schedule 4*: On the schedule it is stated that "This schedule is only to be completed if at the date of the most recently published financial statements, the weighted average original tenor of the [EDB's] debt portfolio (both qualifying debt and non-qualifying debt) is greater than five years". Vector **recommends** it be clarified that the information provided is at the date of the most recently published annual financial statements and that the data reported in the Schedule is also as at that date.
- n. *Schedule 5c*: Vector **recommends** 5c(vi) should be changed to 5c(v).
- o. *Schedule 6*: Vector questions the value of disclosing details of non-system fixed assets such as software, hardware, leasehold improvements allocated to regulated business. Vector **recommends** 6a (vi) be deleted.
- p. *Schedule 7*: Vector **recommends** that the categories in schedule 7 are kept the same as used schedule 6a and 6b respectively.
- q. *Capex and opex (Schedules 6 and 7)*: Vector **recommends** the disaggregated capex and opex expenditure in the draft Schedules 6 and 7 use the same categories as the CPP IM.

The proposed revisions to the categories would be detrimental to the historical time-series of capital expenditure (capex) and operating expenditure (opex) data.

Vector does not believe it is appropriate or efficient to require regulated suppliers to prepare information on different bases for CPPs and Information Disclosure.

- r. *Schedule 8*: Vector **recommends** s. 8(i), (ii) and (iii) be combined into one table.
- s. *Schedule 9b(i)*: Vector is not sure why "CY+1" is required. This implies that a forecast of the allocation would be required which is not necessary in Vector's view. Vector **recommends** that "CY-1" not be required for the transitional period.

²⁹ Paragraph 3.34, Commerce Commission, Draft Reasons Paper, "Information Disclosure Requirements for Gas Electricity Distribution Businesses and Gas Pipeline Businesses", 16 January 2012.

- t. *Schedules 9, 10, 11 and 12*: Vector **requests** the Commission to clarify whether schedule 9 and 10 will be public and schedule 11 and 12 are treated as non- public information, similar to the 53ZD request notices.
- u. *Schedule 20*: In the Draft Electricity IDD there is a Schedule 20 on Asses Adjustment Process, but no equivalent Schedules in the Draft Gas Distribution and Transmission IDDs.
- v. *Schedules 20 (GDB) and 21 (EDB)* refer to a new definition "Opening RAB (tax value)". Vector would like to clarify whether this is the same as "Regulatory Tax Asset Value" defined in the IM Determination. If Opening RAB (tax value) is the same thing, then the term used in the IMs should also be used in the IDRs.

Other matters

- w. Where an item is classified differently from the previous year the regulated supplier must make various disclosures by way of note to the relevant disclosure. It is Vector's view that a level of materiality should be applied so that immaterial reclassifications are not required to be disclosed. This would require materiality to be defined for this purpose.
- x. Vector **recommends** the IRIS definition accommodate the possibility that the Commission may adopt IRIS for DPPs and CPPs, not just CPPs.

Report on Term Credit Spread Differential Allowance (Schedule 4)

- 104. It is noted in the Draft Reasons Paper that the purpose of providing a term credit spread differential (TCSD) is to allow regulated suppliers to recognise the greater credit spread on long-term debt as an expense in regulatory profit. It has been specifically recognised that long maturity debt has a credit spread that is greater than what is assumed for WACC (given that the debt premium is based on a term of 5 years for WACC estimation purposes in the Input Methodologies).³⁰
- 105. What is not clearly articulated by the Commission is why each and every field of the TCSD allowance is required to be publicly disclosed, as per Schedule 4 of the Draft IDDs for each regulated service.
- 106. Currently the Schedule sets out a number of different fields that are expected to be completed and publicly disclosed as part of the IDRs for historic financial information for each regulated service.
- 107. The purposes of the disclosures are stated as being to enable interested persons including consumers of those services to understand the performance of the service provider and to support assessment of compliance in accordance with s.53B(1)(c).
- 108. It is recognised that in providing an allowance for the TCSD, the Commission would wish to assess compliance with the calculations established under the IMs, particularly as these relate to the TCSD, the debt issuance cost readjustments and the details of the cost of executing an interest rate swap. However, it is not clear why such disclosures should be extended to all of the required information sought or why it should be provided to all interested persons, particularly in cases of commercial confidentiality.

³⁰ Paragraphs 3.55 to 3.57, Commerce Commission, Draft Reasons Paper, "Information Disclosure Requirements for Gas Electricity Distribution Businesses and Gas Pipeline Businesses", 16 January 2012.

109. Vector does not believe the Commission has demonstrated how this IDR would help identify whether the purpose of Part 4 is being met.

Superfluous information is required to be disclosed

110. Vector has noted in previous submissions that the inclusion of the coupon rate is superfluous for the calculation of the TCSD as set out in the IM Determinations. Fundamentally, the cost of debt to the regulated service provider is what is relevant; ie the credit spread over the relevant bond (swapped back to NZ dollar where applicable) rather than the coupon rate.³¹ The Commission has not provided any rationale to contradict this submission in its subsequent Draft Reasons Paper.
111. Vector submits that for public disclosure purposes the coupon rate expressed as a percentage is not a necessary component for determining TCSD, does not feature in any aspect of the calculation of the TCSD or the original IM reasoning and should therefore be deleted from the Schedule 4 template of the Draft IDD for each regulated service.
112. Vector would be happy to meet with the Commission to discuss this matter further and reach a mutual understanding regarding the relevant information for deriving the TCSD. Vector **recommends** the Commission remove the proposed requirement to disclose coupon rates.

Commercially sensitive – non-public information

113. There are a number of similarities between the information disclosure template (Schedule 4) and the Schedule B templates used to require disclosure of TCSD information pursuant to the s.53ZD Notices issued for each regulated service during the course of 2011.
114. The Commission will recall that as far back as the submission on the draft statutory notice issued for EDBs, Vector has been clear that certain information required on Schedule B involved commercially sensitive information that should not be publicly disclosed.³²
115. Upon release of the final electricity statutory notice on 16 March 2011, it became apparent that the Commission had not been persuaded by Vector's submission. This prompted Vector to write a letter to the Chairman of the Commission on 27 May 2011, accompanying its s.53ZD disclosure setting out reasons why Vector would be submitting both public and non-public versions of Schedule B.
116. The public and non-public versions of each disclosure, including those submitted on 27 May, 2011, were subsequently accepted for all Statutory Notices issued by the Commission.³³
117. Vector notes however, that this has not prevented the Commission from again issuing draft templates purporting to receive the same information in full to form part of annual publicly disclosed historic financial disclosures.
118. Vector clarified with the Commission as follows that:³⁴

³¹ Submission to Commerce Commission on Draft Information Request and Process Update, 28 February, 2011. See especially paragraph 51.

³² Ibid footnote 2, paragraph 50.

³³ Letter to the Chair of the Commerce Commission from Allan Carvell, Group General Manager, Regulation and Pricing, dated 27 May, 2011.

³⁴ Ibid footnote 2, paragraph 50.

... some of the content required to complete Schedule B is commercially sensitive. We have previously commented on the commercially sensitive nature of some of this information and that this has not been specifically addressed by the Commission is, we assume, an oversight.

We have provided both public and non-public versions of Schedule B, with the relevant information marked as Vector Confidential Information [] **VCI**. The attached public workbook contains Schedules A, A1-6 and B; the non-public workbook contains non-public versions of Schedules A2, A5 and B.

On 25 October 2005, Vector entered into a Placing and Subscription Agreement (Agreement) regarding a financial transaction between Vector Ltd (as issuer), Goldman Sachs JB Were (NZ) Ltd as lead manager and Goldman Sachs JB Were Capital Markets Ltd as initial subscriber relating to three floating rate bond programmes.

Under the Agreement, Vector cannot disclose any details about the transactions contemplated by the transaction documents relating to the three bond programmes, or the issue of those bonds, subject to certain exceptions. One of these exceptions is where disclosure is required by law.

Vector considers that this exception enables us to release the information to the Commission as we are required to release it by a notice issued pursuant to section 53ZD of the Commerce Act 1986. However, we do not consider that this exception entitles Vector to release this information publicly. If the Commission released this information, Vector could be considered to be in breach of the Agreement.

In addition, the fact that the Agreement included confidentiality clauses provides a strong indication that the information is considered to be commercially sensitive.

Vector considers that the release of the information marked [] **VCI** would prejudice Vector's commercial position and harm Vector's ability to access debt at the lowest cost possible.

More widely, the information marked [] **VCI** is the cost of debt margin Vector has negotiated with lending parties through competitive processes. To release details of the bids Vector has accepted will enable lenders to gain insights into the competitive stance taken by the successful parties and accepted by Vector. This could influence future offers of the cost of debt, potentially to the detriment of Vector.

119. Vector is not aware of any party, regulated or otherwise, that is required to disclose this information in any other jurisdiction. Such information is the result of competitive tendering and negotiation processes.
120. If the information were to be released to interested parties not only would Vector be disadvantaged commercially by enabling competing lenders, not subject to such disclosure to be privy to negotiated margins and the competitive stances taken by the successful lenders, but Vector would also be placed at a future disadvantage by potentially limiting the number of issuing/tendering parties that are prepared to treat. Competing lenders could also be disadvantaged if their commercially-sensitive offers are disclosed, with the impact that they may be reluctant to make such offers.
121. Vector **recommends** that, if the Commission decides to require disclosure of coupon rates, the disclosure of coupon rates should at least be a non-public disclosure to the Commission only. This is a second best approach given the annual nature of such disclosures and the potential for administrative oversights to result unwittingly in the public disclosure of commercially sensitive information in future years that, once released, would be potentially damaging to a number of parties, beyond Vector itself.

Report on Related Party Transactions (Schedule 8)

122. Vector is concerned the Commission's proposed related party transaction disclosure requirements prescribe how related party transactions should be priced. This could result in de facto regulation of related party payments.

123. Information disclosure has a useful function in helping to determine whether costs are excessive, and this may include related party payments. It is the function of the DPP/CPP mechanisms to incentivise regulated suppliers to improve efficiency. If Information Disclosure is being administered appropriately, it should help identify whether efficiency improvements are being made.
124. The Commission should recognise that:
- a. a transfer payment of zero, which the Commission proposes in certain circumstances, would necessitate a cross-subsidy to the EDB/GPB. We doubt the Commission would consider transfer payments from the EDB/GPB of zero to other business units to be acceptable;
 - b. it can be legitimate and efficient to undertake certain services in-house;
 - c. it is not always practicable to conduct a competitive tender; and
 - d. the lowest cost tender bid will not necessarily be the best, regulated suppliers need to also consider the quality of the service offered and how it would impact on end-users.
125. Vector **recommends** the Commission not prescribe how the prices for related party transactions be set and, instead, consider whether greater disclosure of how the prices for related party transactions are set should be introduced.

PRICING AND RELATED INFORMATION

126. Vector has the following comments on pricing and related information disclosures:

- a. The Commission and the Electricity Authority should avoid inconsistencies and duplication between their electricity distribution pricing Disclosure Requirements.³⁵

Gas Transmission

- b. The draft requirements for Pricing and Related Information for GTBs are identical to the requirements for GDBs/EDBs.
- c. It is not suitable to simply cut and paste the GDB/EDB disclosure requirements and adopt them for GTB.
- d. This is illustrated by clause 16 which requires that GTBs must publicly disclose (16.1) each current price expressed in a manner that enables individual consumers to determine (16.1.1) the consumer group of groups applicable to them; (16.1.2) the total price for gas transmission services applicable to them; (16.2) the number (or estimated number) of consumers by whom each price is payable etc. ("Consumer" is defined as any person who is supplied or applies to be supplied with gas; but doesn't include any gas producer or distributor or retailers, except where they apply to be supplied with gas for own consumption.)
- e. This is simply not meaningful or possible as, apart from direct connect customers, gas transmission charges are not set on a per end-consumer basis.
- f. Vector **recommends** the gas transmission pricing methodology disclosure requirements be reviewed to ensure they recognise the differences between gas transmission and electricity and gas distribution eg that gas transmission does not generally supply consumers directly, and does not set prices on a per consumer basis.

Pricing strategy

- g. Vector does not support the Commission's proposed "pricing strategy" disclosure requirements, for the following reasons:
 - i. "Pricing strategy" is defined as a "strategy on the approach to setting prices whether in writing or not". This definition is tautological. It is not clear what would and would not be required to be disclosed under this requirement.
 - ii. The pricing strategy disclosure requirement may discourage regulated suppliers from engaging in any pricing methodology review, or other action, which could fall under the category of "pricing strategy".
 - iii. It is not clear what the Commission is trying to achieve with "pricing strategy" disclosure. We could envisage that the Commission would be interested in pricing strategies where it had concerns about a particular regulated supplier's pricing methodology and the regulated supplier had not satisfied the Commission that its pricing methodology was justifiable. In these

³⁵ Refer to the section "Overlaps with other Regulatory Agencies".

circumstances, the Commission may well be interested to know what steps will be taken to review and amend the pricing methodology. This should not necessitate disclosure of pricing strategies by all regulated suppliers. This information is easily obtainable by way of a s.53ZD Notice.

- h. Vector **recommends** that the Commission: (i) not introduce a pricing strategy disclosure requirement; but if the pricing strategy disclosure requirement is introduced: (ii) pricing strategy be defined, and disclosure only required where the strategy has Board approval.

Disclosure of engagement with consumers on price and quality

- i. The existing 2008 electricity IDRs and the proposed IDRs have consumer engagement disclosure requirements as part of the AMP (clauses 3.6, 4.1.2, 7.1 and 8). This reflects that such engagement is only meaningful if it covers cost (with pricing implications) and quality, reflecting the trade-offs between the two. Vector sees no reason why the pricing disclosures should also include disclosure about whether, and how, regulated suppliers have sought the view of consumers on their expectations in terms of price and quality (clause 1.5, s. 2.4, Draft IDD). Vector **recommends** the consumer engagement provisions under Pricing be removed from the proposed IDRs.

Non-standard contracts (and prices)

- j. The Draft IDRs includes a requirement for regulated suppliers to disclose as part of their pricing methodology how they determine when to use a non-standard contract, the extent of use of non-standard contracts, and how prices for non-standard contracts are determined. We believe this is too general to add value. While it might be appropriate to have a high level policy outlining the approach to non-standard contracts, there is a high degree of commercial judgment and subjectivity involved and therefore no single/fixed methodology/approach to disclose.
- k. Vector **recommends** the requirement to disclose non-standard contracts (clause 11 of s. 2.4) be deleted or made Commission-only.

Non-standard contracts (and prices) are specific to the parties and are commercially-sensitive. This will particularly be the case where the counter parties are operating in competitive markets such as electricity generators, bypass gas distributors and retailers.

A requirement to disclose non-standard contracts (and prices) is likely to discourage their use or for tailoring contractual arrangements to individual customer needs.

The Draft Reasons Paper includes a number of reasons for disclosing non-standard contracts such as allowing comparison of terms between standard and non-standard contracts³⁶ and improving countervailing power.³⁷ These justifications are not aligned with the statutory purpose of Information Disclosure. Moreover, they include generalisations or assumptions about relative bargaining power that may be inaccurate.

³⁶ Paragraph 5.33, Commerce Commission, Draft Reasons Paper, "Information Disclosure Requirements for Gas Electricity Distribution Businesses and Gas Pipeline Businesses", 16 January 2012.

³⁷ Paragraph 5.33, Commerce Commission, Draft Reasons Paper, "Information Disclosure Requirements for Gas Electricity Distribution Businesses and Gas Pipeline Businesses", 16 January 2012.

Disclosure of the terms and conditions to “any person”, in such circumstances, ignores the reality of the commercial markets and the necessity to protect supplier and consumer interests. Competitors fall squarely within the “any person” definition and it would therefore be inappropriate for such terms and conditions to be disclosed.

Public notification of price changes

- i. Vector does not see merit in requiring regulated suppliers to notify each consumer of any change in their network charges. Vector **recommends** that clauses 17.2 and 17.3, s. 2.4 be removed.

EDBs, GDBs and GTBs do not tend to have direct relationships with consumers, so do not necessarily know who to notify.

Regulated suppliers are not required to notify consumers directly of other disclosure information. It is not obvious why pricing should be an exception.

If and when the price changes result in retail price changes, consumers will be notified of the change by retailers, including the reasons for the changes eg changes to distribution charges. The requirement for regulated suppliers to notify consumers of this information results in duplication and unnecessary confusion (particularly where the distribution charge is not necessarily reflected immediately in retail prices and it is the retailer that has a direct relationship with the consumer, not the EDB).

Also, retailers rebundle prices before passing them on to consumers so only retailers will have accurate information about the amount of each consumer’s price change.

Pricing statistics

- m. Vector believes that the combination of tariff and pricing methodology disclosure provides more meaningful and useful information than the pricing statistics disclosure proposals.
- n. It is difficult to see how aspects of the disclosure of pricing statistics for EDBs would be useful for determining whether the purpose of Part 4 is being met.
 - i. Aspects of the pricing statistics such as the transmission component would simply be a function of allocation methodologies.
 - ii. It is not clear why the Commission is interested in the transmission component and its allocation separate from other cost components but not other cost components. It is noted that no other Draft IDD for any other services requires such a disaggregation of the information.
 - iii. In order to determine the “allocative efficiency” of prices, information would be needed on the marginal cost of supply, elasticity of demand of different customer groups, the (large) bands between incremental and stand-alone cost for each customer group. As Vector previously stated “It would be impossible, given this economic precept, for interested parties to accurately determine that prices are allocatively efficient or not by looking at prices themselves or simple customer-class average unit-prices. Efficient pricing is, therefore, best addressed in pricing

methodologies as only this mechanism can cater for pricing complexity and provide assurances to interested parties over the efficiency of prices."³⁸

- o. Vector **recommends** the template applied for Gas Distribution be replicated (with appropriate terminology) for EDBs and that the line charge revenue for EDBs should be disclosed as an aggregated item.
- p. Vector **recommends** the Commission prescribe what it means by "assumptions and statistics" and include a table of statistics required.

Other matters

- q. Vector **recommends** clause 8 be deleted on the basis that the disclosure requirements in clause 7.2 should provide a satisfactory response to the customer.

³⁸ Paragraph 87, Vector, Submission to Commerce Commission on Information Disclosure Discussion Paper, 11 September 2009.

ASSET MANAGEMENT INFORMATION

127. Vector has the following key comments on asset management information disclosures:

- a. *Biennial disclosure:* Vector **notes** that we support the proposal that AMPs are only required to be disclosed biennially, rather than annually.
- b. Vector **recommends** that the AMP disclosure requirements be staggered to allow gas and electricity AMPs to be prepared on alternate years. As matters presently stand, Vector would be required to prepare electricity distribution, gas distribution and gas transmission AMPs all within the same year. Given that the same internal staff prepare and review AMPs, it would be more efficient to spread the load across years.
- c. *Level of disclosure requirement:* Vector **notes** that we consider that a key justification the Commission would need for substantially more onerous AMP disclosure requirements is that the Commission would then rely on this information for price setting purposes.
- d. *Appendix A, clause 1.8:* Vector **recommends** the reference to “use of non-network solutions and demand management techniques as alternatives to asset acquisition” (Appendix A, clause 1.8) be deleted for gas. The proposed disclosure requirement relates more appropriately to electricity than gas.
- e. *Appendix A, Clause 12:* Vector **recommends** that the word “material” be added before “projects” (Appendix A, Clause 12). This would ensure excessive and immaterial information is not required.
- f. *Appendix A Clause 11.9:* Many projects included in the “next 5 years” programme are still tentative subject to customer and growth outcomes (for growth and connection projects), conditions of assets (for replacement projects), customers needs (quality of supply) and works programmes of requesting parties (for relocation projects).

The further out into the “next 5 years” the more uncertain the projects are (requirements, scope or the need for those projects). Very often projects in the third, fourth and fifth years are included as an indication of the likely expenditure requirements based on information available at the time the programme was prepared.

To include a realistic project scope for expenditure forecast purposes would require substantial resources already. It should be noted that the plans/outcomes of some projects prior to those third, fourth and fifth year projects could affect the plans for those projects and hence the alternative options. Having to include alternative options for those projects are unrealistic and often a waste of resources and may require more forward-looking information than a CPP application. Vector **recommends** the Commission change the requirement from “the next 5 years” to the “next 3 years” to be realistic.

- g. *Appendix A, clause 15.4:* Vector **recommends** the reference to energy efficiency being promoted by “demand side management strategies” (Appendix A, clause 15.4) be deleted for gas. Again, this relates more appropriately to electricity than gas.
- h. In the Draft Reasons Paper it clearly states that the first time an AMP or AMP Update under the new Determination is required for EDBs is 1/4/2013

ie by 31/3/2013 for disclosure year ended 31/3/2014. However, in the Draft Determination it states at s. 2.5 before the start of each disclosure year, commencing with the disclosure year **2013**, every EDB must complete and publicly disclose an AMP. If the Determination words stand, the requirement is for a year prior to that stated in the Draft Reasons Paper and 2 months prior to determination of the IDs. EDB AMPs would have to be publicly disclosed by 31/3/2012. Clearly this is impossible and should be corrected in the EDB Determination.

Network Expenditure AMP Report (Schedule 14)

- a. *Expenditure for non-system fixed assets:* Non-system fixed assets expenditure is defined as the expenditure that is not directly incurred on the distribution system. This includes expenditure on information and technology systems, IT software upgrade costs, asset management systems, customer management systems, office buildings, depots and workshops, office furniture and equipment, motor vehicles, tools, plant and machinery.

The IDIM requires the supplier to document and comment on the quality of and the plan to enhance information systems and data for managing its distribution assets. Vector therefore agrees that the corresponding capital and operating expenditures and forecasts should be included in schedule 14 which is to be disclosed as part of the AMP.

However, the remaining components of the non-system fixed assets (such as office buildings, depots and workshops, office furniture and equipment, motor vehicles, tools, plant and machinery) is not really part of the Asset Management Plan (for multi-utility companies like Vector, the non-system fixed assets are often shared across the different businesses within the company, and the cost to the regulated businesses (EDB, GDB and GTB) is allocated rather than the real costs incurred). There is no requirement to make commentary on these expenditures either (they just appear on an expenditure schedule). This serves no more than a distraction to the main cause of the AMP.

Vector therefore **recommends** the non-IT components of the non-system fixed assets be removed from schedule 14. If necessary the Commission could include this requirement in a different schedule to be disclosed separately from the AMP.

- b. *Disaggregation:* Vector **recommends** that: (i) the level of disaggregation be consistent for each category of capex (which is not the case under the present proposals); and (ii) the proposed asset category definitions in clause 1.4 of each of the Draft IDD be used to set the required level of disaggregation. Vector does not support disaggregation of capex by asset class. The assumptions and estimates required to produce this information mean the information would not be useful or reliable to interested persons.

Network Driver AMP Report (Schedule 15)

- c. *Forecast zone substation capacity:* The schedule requires zone substation capacity, n-1 capacity and maximum demand all to be expressed in MW. This is inconsistent with the requirements specified in schedules 15a(i) and 15a(ii) where both circuit capacity and circuit peak demand are to be presented in MVA.

MW is not a driver for distribution equipment capacity. MVA (which directly reflects the electric current passing through a network) is a more appropriate driver. MW only reflects a component of the electric current.

We suggest that the MW in schedule 15c be changed to MVA to be consistent with 15a.

- d. *Forecast disposals table:* The IM definition of disposals is not a physical disposal. We assume this is the intention of this table?

Network Asset AMP Report (Schedule 16)

- e. It will not be possible to disclose much of the network asset AMP information set out in the proposed schedule 16 before the beginning of the disclosure year (at the same time the AMP is disclosed). Vector **recommends** that the asset disclosure requirements be staggered and that schedule 16 is disclosed 5 months after the commencement of the disclosure period (ie at the same time as the historic disclosures for the previous disclosure year).
- f. Asset category and asset class list: The list of asset category and asset class is on the one hand too detailed but on the other hand with missing items (for example, for electricity compound filled busbars for 22/33kV CB seems to have been left out from the 22/33kV CB list). It is unclear what the Commission's intention is to request information to this level of details.

If the Commission's intention is to include each and every item used in New Zealand, more work will be required to complete the list.

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 general way and to avoid company specific data. Assuming this is the intended purpose, Vector **recommends** the list be simplified for electricity as follows:

- combine lines 15, 16, 17 and 18 as sub-transmission UG up to 66kV
- combine lines 19, 20, 21 and 22 as sub-transmission UG up to 110kV
- combine lines 27, 28, 29, 30, 31 and 32 as sub-transmission switchgear up to 33kV
- combine lines 33, 34, 35 and 36 as sub-transmission switchgear above 33kV
- combine lines 41 and 42 as Distribution UG cables
- combine lines 44, 45, 46 and 47 as distribution switchgear
- combine lines 12 and 50 miscellaneous equipment
- combine lines 55 and 56 as LV UG cables
- line 61 should include the master station as well.

In relation to Gas Transmission 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 gas as follows:

Asset category / Asset class	Change / add	Current	Recommended
Asset class	Change	Gate stations	Delivery Points
Asset class	Change	Receipt points	Offtake stations
Asset class	Change	Valve stations	Any stations not falling into a defined asset class
	Add	Main-line valve stations	Main-line valve stations
Asset class and Asset category	Change	Coalescers	Filter/Separators & Coalescers
Asset class	Change	Rectifier units	Rectifier units / anode beds / monitoring units
Asset category	Add		Valves
Asset class	Add		Pressure Control Valves (PCV)
Asset class	Add		Pressure Safety Valves (PSV)
Asset class	Add		Pilot valves
Asset class	Add		25mm + isolation valves
Asset class and Asset category	Add		Critical spares

Also from a Gas Transmission perspective, it should be noted that there is no direct correlation between asset descriptions used the Draft Commerce Act (Gas Transmission Services Information Disclosure) Determination 2012 Appendix A section 6 (6.1.2 and 6.3.2) and Schedule 16 Network Asset AMP report. Vector **recommends** the wording in the Draft Commerce Act (Gas Transmission Services Information Disclosure) Determination 2012 Appendix A section 6 be changed to match Schedule 16 Network Asset AMP report.

- g. *Asset health*: Vector **notes** that we do not support the proposal for Schedule 16 to classify each asset class using an asset health grading. The Commission has not explained the purpose of this disclosure requirement. Further, the Draft IDRs do not define "asset health" or the different gradings of asset health. This would make it difficult to determine how the gradings should be applied and interpreted, or to compare different regulated supplier's gradings. Any resultant publicly disclosed information would be misleading and speculative for interested persons absent very clear criteria for assessment.

AMMAT Report (Schedule 17)

- h. As noted above, Vector supports the proposal that AMPs are only required to be disclosed biennially, rather than annually. Vector **recommends** AMMAT disclosures be required to be disclosed biennially, at the same time as full AMP disclosure. Annual AMMAT disclosure would not make sense as the AMP Update is limited to the forecast development and maintenance plans, which exclude other associated asset management processes, which are the primary concern of AMMAT.
- i. Vector **recommends** the Commission: (i) remove overlaps between the AMP and AMMAT disclosure requirements; and (ii) scale back the level of questions that need to be responded to. We support the view of the ENA

that questions 10, 11, 27, 33, 45, 53, 59, 63, 69, 88, 95, 109, 113 and 115 should be removed on the grounds that the AMP disclosures will provide sufficient information on these matters.

Network Drive Report (Schedule 18)

- j. Vector **notes** we do not support disaggregation of information at an asset class level. It is inconsistent with the level of disaggregation currently included in AMPs and proposed to be included in expenditure disclosures. Vector **notes** we do not agree that the proposed breakdown of annual asset quantity movements is required to assess performance. We agree with the ENA that it is sufficient to record annual quantity at year end and the total annual movement.
- k. Schedule 18 is largely based on the MP1 schedule from the 2008 IDRs, but requires the disclosure of the following additional information: (i) circuit in sensitive area; (ii) circuit in proximity to coastline and geothermal areas; (iii) overhead circuit requiring vegetation management; (iv) new connections split between domestic and non-domestic and between underground and overhead; (v) embedded generation additions; (vi) detail on embedded networks; (vii) number of directly billed customers. The Draft Reasons Paper does not explain why the Commission is proposing that this additional information be disclosed. Vector **recommends** the 2008 disclosure requirement be retained. The embedded network operator/owner must provide any additional information such as numbers and categories of ICPs.
- l. Schedule 18, clauses 8-9 of the Draft Gas Distribution and Transmission (Information Disclosure) determinations, "pipeline length" is not defined. It is unclear whether it should include both inactive and active pipeline lengths (as per the Gas (Information Disclosure) Regulations 1997) or only active pipeline lengths (as per the Gas Authorisations).
- m. Schedule 18, clause 31: The term proximity needs to be defined. Auckland is a coastal area; no part of Vector's network is further than 20km from the coast or waterways. This disclosure requirement could be reasonably interpreted⁷ as capturing all of Vector's overhead circuits. Also, the Commission should define the different terrain-types for line categorisation eg what does "remote & rugged" or "rural & remote" mean?

Network Performance Report (Schedule 19)

- n. Vector **notes** we do not support the proposal that each individual fault be disclosed. Vector agrees with the ENA that network faults should be categorised by cause.
- o. Vector **recommends** the requirement to disclose "Number of telephone calls to emergency numbers answered within 30 seconds/total number of calls" by region be removed. Our systems are unable to disaggregate telephone calls by region.

GAS PIPELINE CAPACITY

128. Vector considers that the current proposed gas transmission disclosure, set out at Appendix B of the Draft Gas Transmission Services IDD, does not best meet the purpose of Information Disclosure.
129. There has been no technical workshop or other consultation in which gas transmission service providers, and other stakeholders, could have assisted the Commission to develop what is a highly technical disclosure.
130. Vector submits that considerable work is still required to develop robust and useful gas transmission capacity disclosure requirements.
131. Without prejudice to the views expressed above, Vector makes a number of specific points with respect to the current proposed disclosure and the purpose of the disclosure. Vector then proposes a number of drafting changes that it submits will collectively and individually assist the improvement of the disclosure being proposed.
132. Vector would welcome the opportunity to assist the Commission and Commission staff with understanding the points and the drafting proposed and to develop a gas transmission capacity disclosure that meets the information disclosure purpose.

Jurisdiction and the problems to be solved

133. The Commission has indicated in the Draft Reasons Paper that there are four specific areas where it considers there is insufficient information about gas transmission capacity for interested persons to assess whether the Part 4 Purpose is being met:
 - 4.101.1 whether current physical capacity is adequate to address the current and future needs of consumers.
 - 4.101.2 whether current capacity allocation methodologies result in efficient outcomes.
 - 4.101.3 whether the planned investment is adequate to meet consumer needs (given any physical capacity constraints).
 - 4.101.4 whether, and if so, how any of the above factors is impacting upon the quality of service provided to existing contracted customers.
134. The gas transmission capacity disclosure, whether it be under the current Gas (Information Disclosure) Regulations 1997 or the Commission's new Gas IDRs, must relate the availability of physical capacity on the high pressure gas transmission system.
135. The questions raised by the Commission, however, extend beyond physical capacity and touch on commercial capacity issues, and current and future asset management issues. Vector submits that 4.101.2 - 4.101.4 of the Draft Reasons Paper do not provide a valid basis for gas capacity disclosure.
136. Efficient provision of commercial capacity entitlements (the issue that is of prime and immediate importance to the customers and consumers of gas transmission services) cannot be solved or indeed be well identified by the proposed draft transmission capacity IDRs. Practically, this touches on both regulatory and market issues cutting jurisdictionally across the roles of the Commission, on the one hand, and the GIC on the other.

137. The commercial arrangements leading to the allocation of transmission capacity are a product of the nature of the gas and transmission capacity markets, the market rules and the type of arrangements that are established between the contracting parties. The efficiency of transmission capacity allocation is therefore a consequence of how well those arrangements incentivise participants to use transmission capacity in an economically efficient way. These issues fall squarely within the jurisdiction of the GIC under the Gas Act and are in the process of being addressed by the GIC, particularly in its Gas Transmission Investment Programme (GTIP) and associated programmes of work being developed with industry participants.
138. The matter of “whether planned investment is adequate to meet consumer needs” falls under the umbrella of asset management planning, and is addressed by the Commission’s AMP disclosure requirements.
139. Investment in transmission pipelines not only involves immediate consumer needs but also future gas supply and consumer demand. The GTB and the Commission will need to be satisfied that future demand is sufficient and certain enough to justify investment in the upgrade of the gas transmission system, such that gas transmission customers will be willing to incur the cost of the upgrade and the GTB will be able to recover a commercially realistic rate of return on its investment.
140. Vector submits that the gas transmission capacity disclosure can provide capacity information for the preceding disclosure year and can provide limited information regarding the commercial demands for capacity over the same period and how those are met but cannot and should not be used as any indicator of “whether current capacity allocation methodologies result in efficient outcomes; whether the planned investment is adequate to meet consumer needs (given any physical capacity constraints)” and similarly the capacity disclosure cannot provide any indication of how “any of the above factors impacts the quality of service provided to existing contracted customers.”

Interrelationship of capacity and AMP disclosures

141. Every year the GTB will be required to submit either a prospective AMP or (every second year) an AMP Update Report. Similarly the service provider is required to produce prospectively a Network Expenditure AMP Report – Schedule 14, a Network Driver AMP Report – Schedule 15, a Network Asset AMP Report - Schedule 16, and an AMMAT Report – Schedule 17.
142. Every year the GTB will be required to submit a historical Network Driver Report set out in Schedule 18 and the Network Performance Report set out in Schedule 19.
143. Clause 2.5, sub-clause 2 of the Draft Gas Transmission Services IDD makes it clear that the purposes of AMP disclosure are that the AMP:
 - 2.1 Must provide sufficient information for interested persons to assess whether:
 - 2.1.1 assets are being managed for the long term
 - 2.1.2 the required level of performance is being delivered
 - 2.1.3 costs are efficient and performance efficiencies are being achieved.
 - 2.2 Must be capable of being fully understood by interested persons with a reasonable understanding of the management of infrastructure assets.
 - 2.3 Should provide a sound basis for the ongoing assessment of asset-related risks, particularly high impact asset-related risks.

144. The Draft Reasons Paper states, under benefits and costs, that the Commission expects that disclosing the additional information required for asset management will:³⁹
- 4.31.1 generate significant long-term benefits to consumers, for example by strengthening the focus on efficiency in regulated services and encouraging regulated suppliers to identify and share best practices in asset management. Analysis of this type of information has delivered significant benefits in overseas jurisdictions for regulatory price-setting purposes and could deliver significant benefits under ID regulation.
 - 4.31.2 help a range of interested persons to better understand performance and strengthen incentives to improve performance.
 - 4.31.3 lead to improvements in governance and engagement with consumers. In particular, it will provide consumers with better information on suppliers' expenditure to enable an assessment of whether this is consistent with consumers' expectations and needs.
 - 4.31.4 improve transparency of the performance and future investment requirements of regulated services to interested persons.
 - 4.31.5 improve transparency of the performance of key regulated infrastructural services, supporting broader moves (for example, by Treasury's National Infrastructure Unit) to improve transparency of the management of infrastructural assets generally.
145. The Commission acknowledges that the asset management information will likely impose additional costs on suppliers.⁴⁰ Given, this acknowledgement, Vector does not understand why certain asset management-related information should nevertheless be required for annual gas transmission capacity disclosures. Particularly, given that the information required will be hypothetical and misleading regarding means to resolve pipeline constraints.
146. Vector submits that to require the information in the form proposed, without considerable amendment, will increase compliance costs even further and may create unrealistic expectations on the part of consumers that the investments disclosed to overcome a constraint will be investments that the GTB will undertake.
147. Specifically, it is noted that Appendix B of the Draft Gas Transmission Services IDD requires the following:
- 3.2.2 a statement of the means (if any) by which the limitation imposed by the critical point may be overcome, and a reasonable estimate of the size of any consequent throughput increased if those means are employed; and
 - 3.2.3 a reasonable estimate of the cost of investment necessary to employ the means referred to in subclause 3.2.2 of this Appendix.
148. Every discreet pipeline making up the transmission system will have "critical points" as described in the proposed disclosure. To produce reasonable estimates of cost to overcome the critical points (ie finance the "statement of means"), Vector would require external consultants to undertake FEED studies to produce meaningful scenarios that identify means and estimate costs of investment to employ the means to overcome critical points. Each FEED study would have a minimum cost of about \$75k. The associated requirement of analysing a range of option(s) and providing reasonable cost estimates to resolve capacity constraints at critical points will be hypothetical and will involve margins of error in excess of 20% - 30%.

³⁹ Paragraph 4.31, Commerce Commission, Draft Reasons Paper, "Information Disclosure Requirements for Gas Electricity Distribution Businesses and Gas Pipeline Businesses", 16 January 2012.

⁴⁰ Clause 2.5, paragraph 4.33, Commerce Commission, Draft Reasons Paper, "Information Disclosure Requirements for Gas Electricity Distribution Businesses and Gas Pipeline Businesses", 16 January 2012.

149. It cannot be assumed that capacity constraints at critical points are best resolved by investment in new assets. For the reasons stated here the Commission must give further consideration to the nature of the capacity disclosure proposed. It is noted that the Commission has given no specific reasoning in its Draft Reasons Paper to support this part of the capacity disclosure.
150. It is further noted that the Commission acknowledges that the numerical factors (required for the critical points on pipelines), are based on "theoretical peak offtakes that would have occurred during the previous year, if consumption had been at a (probabilistic) high."⁴¹ To this Vector would add that a statement of means and reasonable estimates of the costs of investment are also "theoretical." They will not provide reliable, accurate disclosure information that properly meets the purpose of Part 4 of the Act or that serves the purposes of information disclosure more generally.
151. For instance, for some pipelines the critical point will likely be caused by the physical capacity/diameter of the pipeline itself. There will be critical points year-on-year as a result. However, absent increasing demand and supply sufficient to enable investment recovery, consideration of all of the tradeoffs regarding investment and expenditure in parts of the transmission system and other relevant and important considerations, no prudent board, as a matter of good governance, would allow expenditure to be committed.
152. In summary, it is not, and has never been, clear to Vector what the original purpose of the critical point disclosure is. This section of the proposed disclosure has simply been carried over from the 1997 Regulations. In the context of a complete regime of information disclosure, tied to input methodologies and provided for the economic regulatory control environment that Vector Transmission is now subject to, it is submitted that the disclosure information must meet the purposes for information disclosure expressed in the Act. It is not clear how hypothetical information can serve the purposes sought.
153. Where these matters are relevant and real considerations in an investment setting, they should be properly addressed as specific issues of asset management and potential expenditure through the asset management planning processes. It is further submitted that the whole of clause 3 of Appendix B requires a rethink and redrafting.
154. Vector **recommends** that transmission capacity disclosure be subject to further consultation and in particular a technical workshop. Vector offers to work with the Commission to progress the development of a meaningful capacity disclosure for transmission.
155. The Draft Reasons Paper proposes that the disclosures are designed specifically to enable interested persons:⁴²
- ... wishing to form a judgement on whether physical pipeline capacity is adequate to address current and future needs [to obtain] information of peak demand and available capacity.
156. To ensure the information disclosed is meaningful the draft transmission capacity disclosure should provide information on peak demand, physical capacity and commercial capacity that enables interested persons to make judgments.
157. The following discussion on the detail and the proposed drafting amendments are designed to assist with the development of a meaningful capacity disclosure.

⁴¹ Paragraphs 68 and 4.107, Commerce Commission, Draft Reasons Paper, "Information Disclosure Requirements for Gas Electricity Distribution Businesses and Gas Pipeline Businesses", 16 January 2012.

⁴² Paragraph 4.102, Commerce Commission, Draft Reasons Paper, "Information Disclosure Requirements for Gas Electricity Distribution Businesses and Gas Pipeline Businesses", 16 January 2012.

Definitions

158. For the disclosure to be meaningful to interested parties the definitions of key terms should be established as consistent with definitions used in the operation and provision of transmission services.
159. It would be most accurate to align the definition of the 5 day peak with that actually used by the transmission service provider when it is assessing and modelling the actual peaks for a disclosure year. It is proposed that the definition be changed to:

5 day peak means, in relation to a **Pipeline**, making up a part of the **Transmission System**, the Monday-to-Friday period (inclusive) during which the aggregate throughput of gas at all offtake points on that **Pipeline**, excluding offtake points supplying power stations, was the greatest in the preceding **disclosure year**

160. Flow profile has not been included as a definition in the Draft Gas Transmission Services IDD but it is how particular sets of users' firm capacity is depicted and modelled. It is noted that for direct customers, such as power stations, a Flow Profile consistent with that power station's contracted capacity entitlement is applied when establishing the **5 day peak**. Flow Profile is the method used for defining load and is used at all offtake points (delivery points) supplying direct-feed industrial consumers and all distribution networks. Vector submits that the term flow profile should therefore be specifically defined as follows:

Flow Profile means, in relation to an offtake point, the throughput at the offtake point expressed as standard cubic metres or gigajoules (GJ) per time interval (including but not limited to an hour) during the **5 day peak** or other defined period

161. Gigajoules is the standard measure used in the disclosures for transmission gas volumes, throughput and so on, rather than expressing the measurement in full throughout the drafting it is suggested that it would be efficient and effective to use the well known abbreviation/acronym and this should be specifically defined for transmission capacity disclosure purposes:

GJ means, 1 gigajoule, ie 10^9 joules

162. Alongside of the 5 day peak for all specific offtake points, the offtake peak is important to users of gas transmission services because their nominations relate to specific capacity entitlements at specific offtake points. Therefore the two key aspects of peak capacity that should be specified are:
- the 5 day peak of all offtake points; and
 - the 5 day peak for a specific offtake point.

163. Vector **recommends** offtake peak be specifically defined as:

offtake peak means, the Monday-to-Friday period (inclusive) during which the throughput of gas at an offtake point was the greatest in the preceding **disclosure year**

164. Vector divides the transmission system into separate sections to facilitate system modelling. Vector models the gas **transmission system** on the basis of six separately described pipelines but also includes a number of small laterals directly off MDL's **transmission System**. As physical demands on the system change and/or as new supply comes online, the overall configurations of the system can change. In order to capture this dynamism it is suggested that a definition of pipeline be included in the determination definitions.

Pipeline

means:

- (a) In the case of Maui Development Limited (MDL), a part of the **transmission system** owned by MDL; and
- (b) In the case of Vector Limited, a part of the **Transmission System** owned by Vector Limited.

- 165. It is proposed that these pipelines be expressed simply, as set out above and that the disclosed maps and diagrams in asset management plans can be relied upon to address every specific location on a particular pipeline.
- 166. Transmission system is currently defined in the Draft Gas Transmission Services IDD by way of a rather imperfect description of specific pipelines that currently make up, in the manner configured, the majority of pipelines that comprise the Vector transmission system under the current Draft Gas Transmission Services IDD.⁴³ As noted, the definition of the individual pipelines is set out at (b) of the current draft definition. However, it does not generically define the distinction between transmission systems and other gas pipelines (upstream transmission, downstream distribution and direct customer pipelines) and for disclosure purposes, and the disclosure of pipeline capacity particularly, it is submitted that the definitions of pipeline and transmission system should be read together and should work together, such that they specifically represent how the disclosure of pipeline capacity will be demarcated.
- 167. It is further noted that the current definition of transmission system specifically purports to describe six distinct pipelines but only then defines five pipelines. It is submitted that this appears to be a simple error in the drafting. As observed above, some of the descriptions used for the pipelines were imperfect and it is proposed that the 6 pipelines be described as proposed under the definition of **Pipeline**. The following definition for transmission system is therefore proposed:

transmission system

means all pipelines and associated fixed assets owned by a GTB with a maximum allowable operating pressure (MAOP) of 20 bar g or greater and including, in relation to offtake points on such pipelines, all parts of such offtake points that are owned by the GTB notwithstanding that the MAOP of such parts may be less than 20 bar g.

- 168. Finally, it is noted that a technical drafting note exists in the current Draft IDD suggesting that a definition of "pipe" itself may be included following technical consultation. Vector submits that if the proposed definitions of Transmission system and pipeline are adopted, as described, there appears to be no further necessity for a definition of "pipe".

How the 5 Day Peak is determined – offtake not intake

- 169. Draft disclosure of pipeline capacity requires that disclosure be provided for each intake point into a gas transmission system and specifically, the 5 day peak for each intake point for each system. However, this misunderstands how the 5 day peak is actually determined and what the relationship is between intake points, offtake points, the 5 day peak for each offtake point and the 5 day peak of all offtake points.
- 170. Intake points are the points where gas is provided into the transmission system. In Vector's case intake points relate to the supplier receipt point into Vector's transmission system. These are predominantly intake points from the Maui transmission pipeline, referred to contractually (Maui Pipeline Operating Code – MPOC) as "welded points".

⁴³ Refer to the discussion above regarding **Pipeline**.

171. The 5 day peak is **not** determined from intake points but rather from offtake points. As noted above the two key aspects of peak capacity are:
 - a. The 5 day peak of all offtake points on a pipeline; and
 - b. The 5 day peak for a specific offtake point.
172. The detail of intake points, for disclosure purposes will predominantly be provided by the regulated transmission services provider upstream of the Vector transmission system, namely MDL, who will be required to provide the 5 day peak data and peak offtake data as part of their disclosure of transmission pipeline capacity. To require Vector, therefore to provide this data in a form that is not modelled now will require largely duplicate information that adds compliance cost for no obvious benefit to consumers or stakeholders.
173. Vector **recommends** that all references to the 5 day peak for intake points are deleted.
174. Vector **recommends** that all that should be stated in terms of intake points is the throughput of gas (in gigajoules (GJs)) during the 5 day peak. In Vector's case, the intake throughput for each intake point should neatly reflect the offtake throughput information provided by the upstream supplier (MDL).

Clauses 1 - 7

Clause 1, Sub-clause 1.1 – Numerical factoring at intake points

175. At 1.1.3 (a) and (b) of the proposed disclosure it is indicated that "the numerical factor by which the throughput of gas in the 5 day peak for that system may be increased"
176. As noted above, the 5 day peak is not modelled or calculated at intake points. Making adjustments at the intake point can make little or no difference to the capacity at offtake points where the critical points take effect and the modelling of the 5 day peak is undertaken. In short, constraints are revealed at the offtake end. Intake is the receipt point where gas arrives into the transmission system, constraints in the transmission system do not occur at the intake points but rather downstream of those points and are revealed by the 5 day peak offtake data and the modelling of specific pipelines.
177. Any constraints that involve, for example, compression will be slightly downstream of the intake points and therefore will not be revealed and would be excluded in any case.
178. If the drafting was changed to capture such issues (no longer examining throughput at intake points at this point) then 1.1.3 (a)'s parameter of no further capital investment would prevent any meaningful information being supplied in any case. The use of numerical factoring at intake points would actually provide meaningless information and further, is not and never has been modelled.
179. Vector **recommends** that all of sub-clause 1.1.3 be deleted.

Clause 1, Subclause 1.2 - Public disclosure intake points

180. At 1.2 exceptions to clause 1 disclosure have been drafted with respect to intake points. This is specifically where it is stated that the throughput of gas (GJs) is publicly disclosed as part of the input data required at clause 5 of Appendix B; or where there is only 1 intake point and that information can be readily deduced from offtake information publicly disclosed elsewhere in the disclosure.

181. However, the necessity for this exception to disclosure is not clear. Vector can readily provide actual throughput (GJs) data for each intake point for each pipeline. Currently Shippers (transmission service consumers) can get this information from OATIS on a daily or even hourly basis.
182. Where there is only 1 intake point it is implied (in 1.2.2) that it is a simple deduction to calculate throughput data. This is inaccurate. Line pack changes, the volume of gas in the pipeline (which varies dynamically as gas is injected and is taken off at offtake points), gas withdrawn for compressor and line heater fuel and unaccounted for gas (UFG) result in the intake quantity being greater the aggregate of offtake data.
183. Vector **recommends** that the whole of sub-clause 1.2 is deleted. The clause provides unnecessary exceptions, which, if retained would not provide the transparency sought.

Clause 1, Subclause 1.3 – Intake points and 1 in 20 year demand scenarios

184. Clause 1, subclause 1.3 states that disclosures made pursuant to Appendix B for intake points must be prepared in respect of:
 - 1.3.1 the throughput of gas that are actual throughputs for the preceding year; and
 - 1.3.2 throughputs of gas for the preceding year that are estimates prepared for a 1 in 20 year peak demand scenario.
185. Vector submits that sub-clause 1.3 is superfluous.
186. Vector submits that the intake point data that it supplies should be the actual throughput of gas in GJs for the preceding disclosure year. In its proposed redrafting of clause 1 (to follow), this is already captured at sub-clause 1.1.
187. Vector does not model 5 day peaks or demands of any kind for intake points on the transmission system. Sub-clause 1.3.2 appears to include two assumptions:
 - a. that throughputs of gas are assumptions or estimates rather than actual throughputs; and
 - b. that estimates of 1 in 20 year demand would be prepared for estimated throughput of gas at the input(s) to a pipeline.
188. Vector submits that neither assumption is accurate. Throughputs are actual throughputs (in GJs) for the preceding disclosure year. Throughputs at intake points are not modelled for a 1 in 20 year high peak demand scenario.
189. It is hard to understand what is meant by the latter, which appears to be mixing up propositions of what might be part of the system's security and economic design standards for pipelines and throughput. Throughput is not a scenario it is the actual throughput of gas (GJs) for the preceding disclosure year. 1 in 20 year demand (which is a forecast proposition) is not modelled and could not logically be part of a historic disclosure.
190. Vector **recommends** that sub-clause 1.3 be deleted.

Drafting of Clause 1 of Appendix B

191. For the above reasons, Vector **recommends** that clause 1 of Appendix B be redrafted and preceded by a simple introduction:

Pursuant to clause 6 of section 2.5, a **GTB** must **publicly disclose** a Pipeline Capacity Report containing the information set out in this Appendix B in respect of each **Pipeline** for the preceding **disclosure year**.

1. Intake points
 - 1.1 Subject to clause 6 of this Appendix, in respect of each intake point, the throughput of gas (in GJ) in the **5 day peak**.

and the remainder of clause 1 be deleted.

Offtake Points – threshold for disclosure reporting

192. Vector **recommends** that the offtake point reporting for the 5 day peak for each offtake point be 3,000 GJs (gigajoules) rather than the proposed 2,000 GJs. The proposed 2,000 GJs is a carryover from the requirements of the Gas (Information Disclosure) Requirements 1997.
193. 3,000 GJs at an offtake point is very small and limiting the disclosures to 3,000 GJs or more will reduce the extent of disclosure and compliance. 3,000 GJs and less have no significant effect on reporting 5 day peak information for each and every offtake point. The exclusion therefore will be a number of small offtake points that singularly and collectively have little throughput and no significant effect on the disclosure data being sought.

5 Day Peak Reporting for offtake points

194. As discussed above the 5 day peak is modelled for each offtake point and offtake points in aggregate. Therefore, Vector **recommends** that the dates of the 5 day peak and the offtake peak and the throughput of gas in GJs in the 5 day peak and in the offtake peak, for each pipeline, be required to be disclosed.

Clause 2, Sub-clause 2.1 – Offtake points, 5 day peak and 1 in 20 year demand scenarios

- 195.
196. Vector does calculate the 5 day peak at offtake points as indicated by clause 2.1.3. However, at this stage, 1 in 20 demand scenarios are not used. Instead, Vector applies an organic growth factor based on observed distribution growth, an adjustment for expected direct feed load growth and an estimate of peak gas demand based on historic experience.
197. Vector is currently considering the development of an economic operating standard for pipelines that may more efficiently enable physical and commercial capacity to be managed. To do so requires development of a robust methodology, which will likely include econometric modelling, to provide an acceptable and objective means of establishing such a standard.
198. As Vector and stakeholders noted last year in the first major round of capacity consultation (November 2011), no such approach currently exists.
199. An economically rational operating and/or design standard will be part of the system operating and security standards that will be applied for each pipeline and be a factor used to operate and manage peak load on the system.
200. Vector submits that until the standard has been developed, a better articulation of the measure of capacity potential at each offtake point will be provided by applying observed growth and peak gas demand factors and by demonstrating the numerical factor by which the throughput of gas in a 5 day peak could have

been increased assuming, no further capital investment, no change in throughput at other offtake points (as set out at 2.1.4).

201. Vector **recommends** that the current sub-clause 2.1.3 be amended by Vector's proposed drafting of 2.1.3, set out below.
202. Vector further **recommends** that when an economic operating standard is put in place, the results of applying it should then be included as part of the disclosure.

Clause 2, Subclause 2.2 - Throughput for offtake points below the threshold

203. As discussed above, Vector submits that the threshold for disclosure at individual offtake points should be 3000 GJs or greater rather than 2000 GJs (as currently drafted).
204. The total load sought for the smaller offtake points can only be found and disclosed by finding the throughput for each point. This is consistent with the current Gas (Information Disclosure) Regulations' capacity disclosures provided to the MED now.
205. The words "averaged over all of the offtake points" describes a process that is not carried out and would be meaningless to do. The averages are not modelled. All load or flow profiles involve the actual total throughputs and these are for each point of each pipeline making up the gas transmission system.
206. More transparent disclosure at these offtake points for the 5 day peak would involve an aggregated statement of what interruptible capacity throughput, if any, was supplied during the 5 day peak period.
207. Vector **recommends** that sub-clause 2.2 should be redrafted to be consistent with the discussion set out above.

Clause 2, Subclause 2.3 – Contextual provisions for offtake disclosures and 1 in 20 year high peak demand scenarios

208. At sub-clause 2.3.2, the Commission proposes that "throughputs of gas for the preceding year that are estimates prepared for a 1 in 20 year high peak demand scenario" be disclosed.
209. As was noted in the discussion above regarding offtake points, it is not currently possible to provide the information sought by the Commission at sub-clauses 2.1.3 or 2.3.2.
210. No 1 in 20 year estimation methodology is in place or agreed with consumers and other stakeholders as being a valid approach to be taken.
211. As was also discussed above, such a methodology may be applied to enable the application of an economic operating or design standard for future operations and asset management. No such methodology exists that can currently be applied to Vector's pipelines and it is recommended that to retain such a requirement in this context, for any part of the capacity disclosure, would be extremely onerous for Vector or other gas transmission suppliers to disclose.
212. Vector **recommends** sub-clause 2.3.2 be deleted. Such information is not available for disclosure at this time and may likely never be available for the purposes proposed.

Clause 2 – Combining Offtake Points from a common physical connection

213. For the purposes of the 1997 Regulations, Vector has taken an approach where, if offtake points are supplied from one physical connection to a transmission pipeline, these can be legitimately counted or treated as a single combined offtake point for disclosure purposes (this reflects how the points are modelled).
214. An example on the Rotowaro North pipeline is the offtake point currently described as the Drury 1 and Drury 2 delivery points. For practical purposes, there is a single offtake point or gate station that then splits downstream of the gate station to serve the two low pressure pipelines (each of which are separately metered). There are a number of other practical examples of this throughout Vector’s transmission system and objectively, provided there is a clear notation detailing the combination, there would be no disadvantage or lack of transparency to recipients of that disclosure information.
215. For transparency, Vector **recommends** the following sub-clause be added:
- 2.3 For the purposes of clause 2, the **GTB** may treat offtake points that are supplied from a common physical connection to a **Pipeline** as a single offtake point, provided this is clearly noted in the disclosure

Drafting of Clause 2 of Appendix B

216. Vector **recommends** clause 2 of Appendix B be redrafted as follows:
2. Offtake points
- 2.1 Subject to the balance of this clause 2 and to clause 6 of this Appendix, in respect of each offtake point that had a throughput of gas in the **5 day peak** of 3,000 gigajoules or more, the following information for each **Pipeline** of the **Transmission System** for the preceding **disclosure year**:
- 2.1.1 the dates of the **5 day peak** and of the **offtake peak**;
- 2.1.2 the actual throughput of gas (in gigajoules) in the **5 day peak** and in the **offtake peak**;
- 2.1.3 an estimate of the throughput of gas (in GJs) in the **5 day peak** for the offtake point and the **Pipeline** applying observed growth and peak demand factors
- 2.1.4 the amount, expressed both as an absolute quantity (in GJs) and as a numerical factor, by which the throughput of gas in the **5 day peak** may have been increased if—
- (a) no further capital investment is required to increase that throughput; and
- (b) there is no change in the throughput at other offtake points;
- 2.2 Subject to clause 6 of this Appendix, the throughput of each offtake point in the **5 day peak**:
- 2.2.1 that had a throughput of gas of less than 3,000 gigajoules; and
- 2.2.2 of all interruptible consumers supplied at that offtake point.
- 2.3 For the purposes of this clause 2, the **GTB** may treat offtake points that are supplied from a common physical connection to a Pipeline as a single offtake point, provided that this is noted in the disclosure.

Clause 3, Sub clause 3.1 – Critical Points of the Transmission System

217. For each pipeline there will be a critical section or part (fixed asset) of the pipeline (referred to in the Draft IDD as a point or points) that in the 5 day peak will first limit the throughput of gas at a relevant offtake point or points.
218. Vector notes that “point” does not accurately reflect the potential constraint and suggests that the word “point” be replaced by the words “section or fixed asset” to reflect that it may be more than a single point on a particular pipeline and will often be a specific fixed asset or combination of assets that combine to potentially cause the constraint.
219. In some cases the critical part is reflective of the physical characteristics of the pipeline itself, for example, the actual physical dimensions of the pipe it is operating with.
220. To this end, the necessity to disclose the factors that limit this and the dates of the week that the critical section is limited are superfluous pieces of information.
221. In the case of limiting factors, where the factor is clearly the pipeline dimension itself then to state this appears to be unnecessary.
222. In the case of the relevant 5 day peak, the dates in the week that the critical points may limit throughput are already disclosed under clause 2, namely the dates of the 5 day peak.
223. Vector **recommends** clause 3.1 be redrafted to pick up these points and that the requirement to state the limiting factors be desisted with.

Clause 3 - The Statement of Means, Estimates of throughput and estimates of investment cost - Redrafting

224. This section has been discussed in detail above under the heading “Interrelationship of the gas transmission capacity disclosure and the Gas Transmission Asset Management Plan and associated disclosures.”
225. Vector **recommends** that, in order to ensure sub-clause 3.1 is clear, an “avoidance of doubt” sub-clause be included in 3.1.1, which states:
given the same assumptions set out in clause 2.1.3(a) to (d).
226. Vector **recommends** clause 3 of Appendix B be redrafted as follows:
- 3. Critical sections of the pipeline
 - 3.1 Subject to the balance of this clause 3 and to clause 6 of this Appendix, in respect of each offtake point that had a throughput of gas in the **5 day peak** of 3,000 GJ or more, the following information:
 - 3.1.1 the critical section or fixed asset of the **Pipeline** that would first limit the throughput of gas at the relevant offtake point, given the same assumptions set out in clause 2.1.3 (a) to (d).
 - 3.2 For the purposes of this clause 3, the **GTB** may treat the relevant offtake points in the manner described in clause 2.3, provided that this is noted in the disclosure.
227. Vector **recommends** the statement of means, estimate of throughput increase and reasonable estimates of cost of investment should be deleted.

228. It is further submitted that as a matter of practicality the same method of treating offtake points as combined for disclosure purposes should be applicable to clause 3 for the same reasons as proposed for clause 2.

Clause 4 – Methodologies

229. Clause 4 requires disclosure of the methodology or methodologies used to determine the information disclosed under clauses 1 to 3.
230. At sub-clause 4.2, the Commission requires computerised capacity simulation modelling input data to be publicly disclosed and the name of the simulation model software.
231. As drafted sub-clause 4.2.1 is not expressed clearly to avoid the commercial confidentiality and licence rights associated with the proprietary rights of the owner of the software. A suggested redraft is proposed below.
232. “Input data” in this context, therefore, could extend to the modelling configurations of each transmission system pipeline extract including the software owner’s proprietary data. Vector’s clear expectation is that this is not what is intended.
233. Sub-clause 4.2.2 simply states: “the name of the capacity simulation model software.”
234. As drafted, there is no requirement to do anything in a disclosure context relating to the name (4.2.1 only requires public disclosure). Vector **recommends** sub-clause 4.2 be redrafted to address this error. Proposed redrafting is set out below.

Clause 4, Sub-clause 4.3 – What should be provided to any person, upon request

235. Vector **recommends** sub-clause 4.3 be rewritten in a manner that clearly states the rights and obligations of consumers and stakeholders interested in the disclosures and the transparent obligations on the transmission service provider to provide the requested detail.
236. Moreover the proposed provision of an electronic copy contemplates being able to move such information by multiple approaches including by provision of discs, CDs, email attachments etc – whatever is most convenient to the parties.

Drafting of Clause 4 of Appendix B – Methodologies

237. Vector **recommends** the following wording be used to replace the current clause 4 of Appendix B:

4. Methodologies

- 4.1 The methodology or methodologies used to determine the information disclosed under the following clauses:
- 4.1.1 clause 1.1 of this Appendix;
 - 4.1.2 clause 2 of this Appendix;
 - 4.1.3 clause 3 of this Appendix.
- 4.2 If the methodology used to determine the information referred to in clause 2.1.3 of this Appendix involved the use of commercial computer software to simulate the **Pipeline**, the name and source of that computer software.

- 4.3 In relation to a **Pipeline**, within 10 working days of being requested to do so by any **person**, the **GTB** shall provide that **person** with an electronic copy of:
 - 4.3.1 the information referred to in clause 1.1; and/or
 - 4.3.2 the **Flow Profiles** for all offtake points used to determine the information referred to in clause 2.1.3.

Clause 5 - Reservations held

- 238. Clause 5 is described as Gas held or reserved in transmission systems. Vector notes that what consumers of gas transmission services hold is not reserved gas but entitlements to capacity. Therefore the description of “reserved amounts of gas” at sub-clause 5.3 is incorrect.
- 239. Vector **submits** that clause 5 would be better described as firm capacity reserved on the transmission system. Proposed redrafting follows below.
- 240. Firm capacity is reserved at specific offtake points on specified pipelines that make up the transmission system. To clarify this, Vector **recommends** some drafting changes to more clearly articulate the nature of the disclosure being made.
- 241. It is further proposed that the same minimum threshold of 3000 GJs during the 5 day peak be applied with respect to firm capacity reservations.
- 242. It would be appropriate to disclose power stations’ contract capacity, whether or not they happen to be shut down during the 5 day peak.
- 243. Sub-clause 5.1 is expressed as being subject to clause 7. However, the latter relates to gas throughput as opposed to firm capacity entitlements, which again appears to reflect a degree of confusion between what is actually reserved comparative to the physical throughput on a given pipeline. Clause 5 should not be subject to clause 7 and Vector’s proposed redrafting addresses this.

Clause 5, Sub-clause 5.2 – Nature of the capacity disclosure

- 244. Currently, sub-clause 5.2 is expressed as requiring a number of disclosure years that appear to be expressed on a forecast basis. However, firm capacity reservations are currently managed and allocated on an annual process operated in accordance with the terms and conditions of the Vector Transmission Code (VTC). Capacity under the VTC process is issued and confirmed at the end of a disclosure year, each year. Firm capacity is not forecast in advance and a GTB cannot know what future capacity reservations will be, given there is no obligation on any consumer Shipper to continue to reserve current firm capacity amounts.
- 245. The only exception relates to the limited numbers of contracts held with direct transmission customers – power stations in particular, where they have multi-year contracts for transportation of capacity. In this case the maximum firm capacity that potentially could be used for forecast years could be specified but that will likely bear little resemblance to actual capacity use.
- 246. A better option for disclosure may be to disclose firm capacity held or reserved as at the end of the prior disclosure year for that disclosure year (30 September) and what consumers hold as at 1 October, the beginning of the new disclosure year (which is after the allocation process has concluded) reported at an aggregated level.

247. If further information on firm capacity reservations is required Vector could go further and report firm capacity reservations at the commencement of the 5 day peak. The advantage of doing this is that it would enable a degree of relevant understanding – namely, the efficient use of firm capacity at peak times by correlating firm capacity with throughput.
248. However, it is not clear to Vector that, in either case, this information will enable interested persons to “assess whether the approaches used by GPBs to allocate capacity result in an efficient allocation of that capacity,” as it is purported to do at sub-clause 4.108 in the Draft Reasons Paper. Allocations follow the contractual – VTC requirements and are effectively on a first come first served basis. The critical point is whether capacity once allocated is used efficiently by consumers. This is a more significant and complex issue that will require a number of steps to resolve.
249. As has been noted before the 5 day peak is modelled on offtake points and capacity reservations are for offtake points. Intake points are not relevant here.
250. The description of pressure at sub-clause 5.3 does not provide an accurate level of transparency. In its place, Vector **recommends** sub-clause 5.3 that the information referred to in clause 5.2 must include the nominal delivery pressure where that pressure is greater than 20 bar gauge. This would provide a clearer understanding of the relationship between the 5 day peak, throughput, reservations of firm capacity and pressure at delivery points.

Drafting of Clause 5 – Firm Capacity Reserve

251. Vector **recommends** the following for clause 5 to ensure more meaningful disclosures:
- 5. Firm capacity held or reserved
 - 5.1 In respect of each **Pipeline**—
 - 5.1.1 each offtake point that had a throughput of gas in the **5 day peak** of 3,000 GJ or more;
 - 5.1.2 each offtake point that had contractual firm maximum daily quantities in the **5 day peak** of 10,000 GJ or more, irrespective of the throughput; and
 - 5.1.3 all other offtake points of each **pipeline** taken together as a group, the information specified in clause 5.2 of this Appendix.
 - 5.2 Subject to clause 5.3 of this Appendix, the information referred to in clause 5.1 is:
 - 5.2.1 the firm capacity held or reserved by the **GTB** (if any) and including any **person involved in the GTB**; and
 - 5.2.2 the firm capacity held or reserved by all other **persons** collectively,
 on:
 - (i) The last day of the preceding **disclosure year**;
 - (ii) The first day of the new **disclosure year**; and
 - (iii) the first day in the **5 day Peak**.
 - 5.3 The information referred to in clause 5.2 of this Appendix must include—
 - 5.3.1 the effective maximum daily quantity applicable to the aggregate amount of firm capacity;
 - 5.3.2 the effective maximum hourly quantity applicable to the aggregate amount of firm capacity; and

- 5.3.3 the nominal delivery pressure where such pressure is greater than 20 bar gauge.

Clause 6 – Allocations

252. In addition to clause 5, clause 6 is considered to assist with understanding the efficient allocation of capacity. However, in order to ensure the information is meaningful some adjustments to the wording are needed to align it to the allocation process under the VTC. The contractual process of allocation is actually a process of capacity requests and approvals. It is submitted that clause 6 be described as "Further Capacity Requests."
253. Allocations have a different meaning in the gas industry and are handled by allocation agents splitting up multiple deliveries at metered offtake points.
254. Capacity requests are a contractual process governed by the VTC, to which all Shippers (consumers) are signatories.
255. Requests are for additional firm capacity only and are handled by way of queue processes. Queue requests are received throughout the **disclosure** year and are processed as part of the formal allocation process. The queue for the next year ends on the last day of the **disclosure** year and a new queue commences on the first day of the new **disclosure** year (1 October).
256. In practice, it is noted that a queue has currently only ever been operated for the Rotowaro North pipeline. Requests require a formal process of lodgement via the OATIS system and to date for the current year no such requests have been received. No other pipelines have required such a queue to date.
257. In other words, if the drafting were to be retained in its current form, little information will be gathered and disclosed and it will currently relate to the Rotowaro North pipeline only.
258. In relation to other pipelines, there are numerous daily requests for additional capacity that are approved throughout the year in response to retailers' changing needs as their customers switch or as operations for specific industrial customers demand. The requests for additional capacity are great in number, they could be disclosed but at a great level of cost for no obvious benefit as they do not reveal in any way whether the "allocation" of capacity requested has been made efficiently or not, in all cases they will only reveal that the request for capacity or transfer of capacity has been approved. Vector has therefore proposed some drafting changes that it considers will enable the most meaningful allocation data to be disclosed.
259. Sub-clause 6.1 uses the term "fulfilled" to describe how the requests are responded to. Vector submits that it would be more appropriate to use the well-understood term from the VTC, namely "approved" and the Draft IDD has been adjusted accordingly to recognise this point (ensures consistency of language going forward). Vector **recommends** sub-clause 6.1 be amended by replacing "fulfilled" with "approved".
260. In relation to the nature of the requests, no requests are made for hourly quantities. Rather all requests are for daily quantities. Daily quantities are then simply expressed for hourly quantity purposes as a fixed proportion of that daily quantity, namely 1/16th of the daily reserve capacity requested.
261. At sub-clause 6.1.2(b) "total daily capacity" is requested. However, this is properly expressed as the maximum daily quantity requested and given its reference in the VTC, it is suggested for consistency that this be the term applied

for the provision of this information. Vector **recommends** sub-clause 6.1.2(b) be amended as follows "~~total~~maximum daily quantities capacity requested".

262. For completeness, for supplementary capacity (direct feed) customers such as power stations, the hourly proportion may be negotiated and fixed differently reflecting the nature and potential timing of the capacity use. It is therefore submitted that sub-clause 6.2.1(c) provides no relevant information. Vector **recommends** sub-clause 6.2.1(c) be deleted.
263. At sub-clause 6.2.2 it is requested that the information be disclosed by the type of reserve capacity requested including interruptible capacity and authorised quantity. However, in the New Zealand market the only reserve capacity requested is firm capacity. Interruptible capacity is nominated by the few consumers with interruptible contracts. These nominations occur daily and can be made up to four times per day on both a day and week ahead basis. This can occur 365 days of the year.
264. The provision of this portion of the broad set of nomination information would be an onerous task and would provide consumers and interested persons with no insight into the efficiency of capacity allocation or whether physical capacity is adequate to address the current and future needs of consumers. Vector **recommends** sub-clause 6.2.2 be amended to accurately reflect the allocation process.

Sub-clause 6.4 – Measures proposed 6.4.2

265. At sub-clause 6.4.2 the draft currently requests "measures (if any) proposed or intended that would enable the GTB to fulfil similar requests for reserve capacity in the future."
266. In seeking this information there appears to be a misunderstanding again of what is being allocated. It is not gas itself and therefore the physical capacity of delivery of that throughput but rather the allocation of firm capacity – the property right to delivery of that gas which is in question.
267. Therefore, sub-clause 6.4.2 appears to be out of context and unrelated to what is being sought. Vector **recommends** clause 6.4.2 be deleted.

Drafting of Clause 6 - Allocations

268. Vector **recommends** that clause 6 on Allocations be redrafted as follows:

6. Further Capacity Requests

- 6.1 All requests for firm capacity that the **GTB** has not fully approved.
- 6.2 The information referred to in clause 6.1 of this Appendix must—
- 6.2.1 Include the following:
- (a) total number of requests not fully approved; and
- (b) maximum daily quantity requested for those requests.
- 6.3 In respect of each request for firm capacity not fulfilled in full, describe the reasons for the request not being approved.
- 6.4 Subject to the **GTB** receiving requests described in 6.1 of this Appendix, describe the methodology or methodologies used to determine which requests were approved in full or in part, including how, if at all, the quantity of uncommitted capacity in the pipeline was determined.

269. The wording in the currently draft of sub-clause 6.4 does not appear to make sense. There appears to be the word "on" in the sentence which is superfluous to that clause. Vector **recommends** the word "on" be deleted from clause 6.4.

Clause 7 Measured Volumes and Estimates

270. All significant gate stations are metered and metered data is readily available. For clarity, Vector **recommends** the words "gas quantities determined from" be inserted at sub-clause 7.1.1.

Clause 7 – Drafting

271. Vector **recommends** the following rewording of clause 7:

7. Measured volumes and estimates

7.1 For the purposes of clauses 1, 2 and 3 of this Appendix,—

7.1.1 if gas flows are metered, gas quantities determined from the measured volumes must be used; and

7.1.2 if gas flows are not metered, reasonable estimates must be used; and

7.1.3 if estimates are used, they must be clearly stated as estimates.

APPENDIX B DISCLOSURE OF PIPELINE CAPACITY - AMENDED

272. The following provides a marked up version of the proposed redraft of the Appendix B Disclosure of Pipeline Capacity in full. The proposed redraft is provided.

5 day peak means, in relation to a **Pipeline**, the Monday – Friday period (inclusive) during which the aggregate throughput of gas at all offtake points on that **Pipeline**, excluding offtake points supplying power stations, was the greatest in the preceding **disclosure year**

Flow Profile means, in relation to an offtake point, the throughput at such offtake point expressed as standard cubic metres or gigajoules (GJ) per time interval (including but not limited to an hour) during the **5 day peak** or other defined time period

GJ means, 1 gigajoule, ie 10⁹ Joules

offtake peak means the Monday – Friday period (inclusive) during which the throughput of gas at an offtake point was the greatest in the preceding **disclosure year**

Pipeline means:

- (a) in the case of Maui Development Limited (MDL), a part of the **transmission system** owned by MDL; and
- (b) in the case of Vector Limited, a part of the **transmission system** owned by Vector Limited.

transmission system means, all pipelines and associated fixed assets owned and/or operated by a **GTB** with a maximum allowable operating pressure (MAOP) of 20 bar g or greater and including, in relation to offtake points on such pipelines, all parts of the offtake points owned by the **GTB**, notwithstanding that the MAOP of such parts may be less than 20 bar g.

means the following systems contained in a **network**:

- (a) ~~the gas transmission pipelines owned by MDL~~
- (b) ~~in respect of the gas transmission pipelines owned by Vector Limited, one of the following six transmission pipelines and associated fixed assets:~~
 - (i) ~~North: extending from the end of the Maui pipeline at Rotowaro (near Huntly) via to Auckland, then through to Kaurinorth of Whangarei;~~
 - (ii) ~~Central (North): extending from Rotowaro to the Temple Vie main line valve (near Hamilton)(Temple View and including the **transmission system** from Te Kowhai eastMorrinsville sub-system;~~
 - (iii) ~~Central (South): extending from Kapuni Gas Treatment Plant to the interconnection with tothe Bay of Plenty pipelineSystem at Pokuru ('Pokuru No.2Offtake');~~
 - (iv) ~~Bay of Plenty: extending east from Pokuru, including laterals to Gisborne, Whakatane, Taupo and Mt Maunganui(near Te Awamutu) on the Maui line to Tauranga, Taupo and Gisborne;~~

~~—south of the Kapuni Gas Treatment Plant to Wanganui, Palmerston North, Greater Wellington and the Hawkes Bay lateral to Hastings;~~
~~(vi) — Frankley Road to Kapuni: extending from the Frankley Rd Offtake Station on the Maui pipeline near New Plymouth to the Kapuni Gas Treatment Plant, including all laterals, to the TCC Power Station and the Ammonia Urea Plant.~~

Pursuant to clause 6 of section 2.5, a **GTB** must **publicly disclose** a Pipeline Capacity Report containing the information set out in this Appendix B in respect of each **Pipeline** for the preceding **disclosure year**.

1. Intake points

1.1 Subject to ~~subclauses 1.2, 1.3 and~~ clause 67 of this Appendix, in respect of each intake point that has a throughput of gas in the **5 day peak** for the intake point of 2 000 gigajoules or more and that forms part of a **transmission system**, the following information:

~~1.1.1 the dates of the **5 day peak** for that intake point and for that system:~~

~~1.1.2 the throughput of gas (in gigajoules GJ) in the **5 day peak** for that system: 1.1.3 the numerical factor by which the throughput of gas in the **5 day peak** for that system may be increased, if —~~

~~(a) — no further capital investment is required to increase that throughput; and~~

~~(b) — there is no change in the throughput at other intake points.~~

~~1.2 — No person is required to **publicly disclose** the information specified in clause 1.1 of this Appendix if —~~

~~1.2.1 the throughput of gas (in gigajoules) of each of the intake points is **publicly disclosed** as part of the input data required under clause 5 of this Appendix; or~~

~~1.2.2 the **transmission system** involved has only 1 intake point, and the information required for that intake point can be readily deduced from offtake point information **publicly disclosed** under this Appendix.~~

~~1.3 — Disclosures made pursuant to clause 1.1 of this Appendix must be prepared in respect of —~~

~~1.3.1 throughputs of gas that are actual throughputs for the preceding year; and~~

~~1.3.2 throughputs of gas for the preceding year that are estimates prepared for a 1 in 20 year high peak demand scenario.~~

2. Offtake points

2.1 Subject to ~~the balance of this clause 2.3 and clause 2 and clause 67~~ of this Appendix, in respect of ~~each~~ offtake point that forms part of a

~~transmission system~~ that had and has a throughput of gas in the **5 day peak** of ~~3,000-000~~ gigajoules or more, the following information:

2.1.1 the dates of the **5 day peak** and of the **offtake peak** ~~for the offtake point and for the system~~

2.1.2 the ~~actual~~throughput of gas (in GJs gigajoules) in the **5 day peak** ~~for the offtake point and in the~~ **offtake peak** ~~for the transmission system~~;

2.1.3 an estimate of the throughput of gas (in GJs gigajoules) in the **5 day peak** for the offtake point and for the **Pipeline** ~~applying observed growth and peak demand factors~~ ~~system under a 1 in 20 demand scenario~~ 2.1.4

2.1.4 the amount, expressed both as an absolute quantity (in GJ gigajoules) and as a numerical factor, by which the throughput of gas in the **5 day peak** may have ~~for the system~~ been increased if—

(a) no further capital investment is required to increase that throughput; and

(b) there is no change in the throughput at other offtake points;

2.2 Subject to clause ~~67~~ of this Appendix, ~~in respect of transmission system offtake points that have a throughput of gas of less than 2 000 gigajoules in the~~ **5 day peak** ~~for the system, the total~~ throughput ~~load of each the~~ offtake points in the **5 day peak**:

2.2.1 that had a throughput of gas of less than 3,000 GJ; and

2.2.2, of all interruptible consumers supplied at that offtake point, for the system (in gigajoules) averaged over all of the offtake points.

2.3 For the purposes of this clause 2, the GTB may treat offtake points that are supplied from a common physical connection to a Pipeline, as a single offtake point, provided that this is noted in the disclosure. 2.3

~~Disclosures made pursuant to clause SCHEDULE 1 DIVISION 112.1 of this Appendix are to be prepared in respect of—~~

~~2.3.1 throughputs of gas that are actual throughputs for the preceding year; and~~

~~2.3.2 throughputs of gas for the preceding year that are estimates prepared for a 1 in 20 year high peak demand scenario.~~

3. Critical sections of the pipeline points of transmission systems

3.1 Subject to the balance of this clause 3 and to clause 67 of this Appendix, in respect of each 3.1.1 — any offtake point of a **transmission system** that has a throughput of gas in the **5 day peak** for the system of ~~3,000-000~~ gigajoules or more, ; and 3.1.2 all other offtake points for that system taken together as a group;

3.1.3 the following information specified in clause 3.2 of this Appendix. 3.2 — The information referred to in clause 3.1 of this Appendix is as follows:

3.1.1 the critical point section or fixed asset of the **Pipeline** system that would first limit limits the throughput of gas at the relevant any offtake point, ~~the factors that cause the limitation, and the dates of the week in which the throughput of gas is limited by that critical point;~~

3.2.2 ~~a statement of the means (if any) by which the limitation imposed by the critical point may be overcome, and a reasonable estimate of the size of any consequent throughput increase if those means are employed; and~~

given the same assumptions set out in clause 2.1.3 (b) to (d). 3.2.3 ~~— a reasonable estimate of the cost of investment necessary to employ the means referred to in subclause 3.2.2 of this Appendix.~~

3.2 For the purposes of this clause 3, the **GTB** may combine offtake points as referred to in clause 2.3, provided that this noted in the disclosure.

4. Methodologies

4.1 The methodology or methodologies used to determine the information disclosed under the following clauses:

4.1.1 clause 1.1 of this Appendix;

4.1.2 clause 2 of this Appendix;

4.1.3 clause 3 of this Appendix.

4.2 If the methodology used to determine the information or methodologies referred to in clause 2.1.34.1 of this Appendix involves involved the use of commercial computer software to ~~simulate the **Pipeline** capacity simulation modelling, the name and source of that computer software.~~ the following details: 4.2.1 ~~input data for the modelling, which must be **publicly disclosed** on a computer disk; and~~

4.2.2 ~~the name of the capacity simulation model software.~~

4.3 In relation to a **Pipeline**, For the purposes of subclause 4.2.1 of this Appendix, a ~~**GTB**~~ is deemed to comply with the requirement to ~~**publicly disclose**~~ the input data for the modelling if the ~~**GTB**~~, within 10 working days of being requested to do so by any **person** the **GTB** shall provides that **person** with an electronic copy of:

4.3.1 the information referred to in clause 1.1; and/or

4.3.2 the **Flow Profiles** for all offtake points used to determine the information referred to in clause 2.1.3 ~~this information on a computer disk, either by post or for collection (during ordinary office hours) from the principal offices of that **GTB**, whichever the **person** prefers.~~

5. Firm capacity Gas held or reserved in ~~transmission systems~~

5.1 Subject to clause 67 of this Appendix iIn respect of each **Pipeline**—

- 5.1.1 ~~each intake point or offtake point of a **transmission system** that (a) ——— forms part of a **transmission system**; and~~
~~(b) had a throughput of gas in the **5 day peak** for the system of 3,000 ~~2 000 GJ~~ gigajoules or more in the disclosure year; and~~

5.1.2 ~~each offtake point that had contractual firm maximum daily quantity in the **5 day peak** of 10,000 GJ or more, irrespective of the throughput; and all other intake points of each **transmission system** taken together as a group; and~~

5.1.3 ~~all other offtake points of each **transmission system** taken together as a group,~~

the information specified in clause 5.2 of this Appendix.

5.2 Subject to clause 5.3 of this Appendix, the information referred to in clause 5.1 is ~~the throughput of gas (in gigajoules) held or reserved for the pipeline owner (including any **person involved in** the pipeline owner); and the throughput of gas (in gigajoules) held or reserved for other **persons**, separately for the following 3 disclosure years:~~

5.2.1 ~~the firm capacity held or reserved by the GTB (if any) and including any **person involved in** the **GTB disclosure year** immediately following the relevant disclosure year; and~~

5.2.2 ~~the firm capacity held or reserved by all other **persons** collectively third **disclosure year** after the relevant **disclosure year**; and~~

5.2.3 ~~the fifth **disclosure year** after the relevant **disclosure year** on:~~
~~(i) The last day of the preceding **disclosure year**;~~
~~(ii) The first day of the new **disclosure year**; and~~
~~(iii) the first day in the **5 day Peak**.~~

5.3 The information referred to in clause 5.2 of this Appendix must include—

5.3.1 ~~the effective reserved maximum daily quantity applicable to the aggregate amount of firm capacity amounts of gas;~~

5.3.2 ~~the effective reserved maximum hourly quantity applicable to the aggregate amount of firm capacity amounts of gas; and~~

5.3.3 ~~the nominal delivery pressure where the location and designation of receipt points for intakes, and of delivery points for offtakes; and~~
~~5.3.4 if such the pressure of gas delivered to consumers differs from the standard pressure in the system, the contracted delivery pressure is greater than 20 bar gauge.~~

6. ~~Allocations~~ Further Capacity Requests

6.1 All requests for reserved firm capacity that the **GTB** has not fully approved

~~6.1.1 received;~~

~~6.1.2 fulfilled in full;~~

~~6.1.3 fulfilled in part; and~~

~~6.1.4 not fulfilled.~~

in the past **disclosure year**.

6.2 The information referred to in clause 6.1 of this Appendix must—

6.2.1 Include the following:

- (a) total number of requests not fully approved; and
- (b) ~~total~~maximum daily quantities ~~capacity~~ requested for those requests. ; and
- (c) ~~total hourly capacity requested;~~

~~6.2.2 Be disclosed by the type of reserved capacity requested, such as firm capacity, interruptible capacity, authorised quantity.~~

6.3 ~~Subject to the **GTB** receiving requests described in clause 6.1 of this Appendix, describe the methodology or methodologies used to determine which requests were fulfilled in full or in part, including how, if at all, the quantity of uncommitted capacity in the pipeline was determined.~~

6.4 In respect of each request ~~If the information referred to in clause 6.1 of this Appendix includes requests for firm capacity on that were not fulfilled approved in full, then describe~~
6.4.1 the reasons for the requests not being fulfilled; and 6.4.2 ~~the measures (if any) proposed or intended that would enable the GTB to fulfil similar requests for reserved capacity in the future.~~

6.4 Subject to the **GTB** receiving requests described in clause 6.1 of this Appendix, describe the methodology or methodologies used to determine which requests were approved in full or in part, including how, if at all, the quantity of uncommitted capacity in the pipeline was determined.

7. Measured volumes and estimates

7.1 For the purposes of clauses 1, 2 and 3, ~~and 5~~ of this Appendix,—

7.1.1 if gas flows are metered, gas quantities determined from the measured volumes must be used; and

7.1.2 if gas flows are not metered, reasonable estimates must be used; and

7.1.3 if estimates are used, they must be clearly stated as estimates.