

**Submission on Criteria for
Assessing Alignment with Pricing Principles
and Disclosure Guidelines**

From the Electricity Networks Association

17 October 2011

Electricity distribution businesses supporting this submission

The electricity distribution businesses listed below support this submission.

Alpine Energy Ltd
Aurora Energy Ltd
Buller Electricity Ltd
Centralines Ltd
Counties Power Ltd
Eastland Network Ltd
Electra Ltd
Electricity Ashburton Ltd
Electricity Invercargill Ltd
Horizon Energy Distribution Ltd
Mainpower NZ Ltd
Marlborough Lines Ltd
Nelson Electricity Ltd
Network Tasman Ltd
Network Waitaki Ltd
Northpower Ltd
Orion New Zealand Ltd
OtagoNet Joint Venture
Powerco Ltd
Scanpower Ltd
The Lines Company Ltd
The Power Company Ltd
Top Energy Ltd
Unison Networks Ltd
Vector Ltd
Waipa Networks Ltd
WEL Networks Ltd
Wellington Electricity Lines Ltd
Westpower Ltd

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1. Introduction

1. The Electricity Networks Association (ENA) appreciates the opportunity to submit on the Electricity Authority's (EA's) consultation paper on criteria for assessing alignment with the pricing principles and disclosure guidelines (EA Paper)¹. This submission is structured along the following lines:
 - Section 2 discusses the context within which the proposed criteria in the EA Paper need to be considered;
 - Section 3 considers the proposed criteria related to the pricing principles (Principles); and
 - Section 4 responds to the proposed criteria related to the information disclosure guidelines (Guidelines).

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Summary of findings

2. Important contextual issues related to the EA's proposed approach to assessing EDB's pricing methodologies include:
 - EDB prices enable EDBs to collect an appropriate level of revenue, and to provide signals (usually via retailers) for efficient consumer behaviour. The EA is focused on the latter point (as the former is addressed by the Part 4 regulatory regime). There are a number of reasons why the EA should be modest in the granularity and prescription required in EDB pricing disclosures: (i) an EDB's cost structure is dominated by fixed and common costs so there is a considerable range of prices and cost allocations that would be subsidy free; (ii) the extent to which EDB price signals improve efficiency depend on how they are passed on by retailers to end consumers; (iii) the demand for electricity services is relatively inelastic resulting in limited customer responses and therefore benefits from fine-tuning prices;

¹ *Consultation Paper: Criteria for assessing alignment against the Information Disclosure Guidelines and Pricing Principles*, Electricity Authority, 5 September 2011

and (iv) constraints on EDB pricing such as the low fixed charge regulations limit the extent to which more efficient pricing can be put in place. Thus the EA's work on achieving more efficient outcomes from EDB pricing and the attendant compliance costs for EDBs very quickly suffer from diminishing returns.

- It makes no sense for the EA and the Commerce Commission (Commission) to have differing price-related disclosure requirements. To mitigate against this outcome the ENA recommends the EA include an explicit step in its process to confirm with the Commission that the disclosure requirements of both regulators on pricing issues will be met by the Principles and Guidelines and any associated assessment criteria.
 - Any price disclosure requirements should complement and not duplicate the asset management plans (AMPs) and annual disclosure requirements of EDBs.
 - EDBs are constrained in the design of their pricing structures, and in their ability to change pricing structures, due to restrictions on rural price changes relative to urban, the low-fixed charge regulations, and asymmetric risks of revenue erosion (when making price structure changes) under Part 4 price control. Until these restrictions are relaxed, progress from the EA's work on EDB pricing will be limited.
3. The EA is not proposing to make any changes to the Principles and Guidelines. The ENA supports this.
 4. The EA is proposing to include "indicative evaluation criteria" related to the Principles. The ENA does not support the inclusion of these criteria as they would not add clarity to the Principles, and the nature of these criteria is similar to those proposed as assessment criteria for the Guidelines. If the EA wishes to include these criteria it should consider them as possible additions to the assessment criteria.
 5. The EA is proposing assessment criteria related to the Guidelines. The ENA on balance sees possible merit in these criteria, provided they are not framed in a prescriptive manner or require material to be disclosed that is covered in other EDB disclosures.

2. Context

6. The EA's Principles and Guidelines were developed by the Electricity Commission (EC) in a project that ran for just over a year, culminating in a final

report in February 2010.² This project in turn drew on previous work that had been developed over a number of years by the Pricing Approaches Working Group (PAWG). Thus these Principles and Guidelines are the result of extensive consultation and consideration of electricity distribution pricing issues over a number of years.

7. The EC envisaged these Principles and Guidelines would provide stable guidance to EDB pricing methodologies over an extended period of time, and planned an expert review of pricing methodologies in 2012, with subsequent reviews when an EDB changes its pricing methodology.³
8. The EA Paper recommends no change to the Principles and Guidelines. The ENA supports that view.
9. To achieve the objectives of this project it will be important that the Principles and Guidelines and the EA's review procedures remain stable over a number of years (and there aren't ad hoc interventions), to enable EDBs to evolve their pricing methodologies and the way in which they disclose them accordingly. A similar approach to the development of AMPs worked well in the early 2000s.
10. The new issue that the EA Paper puts forward is whether assessment criteria are needed to supplement the Principles and Guidelines, and if so, what those criteria should be. The following contextual issues are relevant to considering what criteria, if any, should be added.

EDB prices and those faced by end consumers

11. From an EDB's perspective the two main purposes of pricing methodology for the electricity distribution service are to collect an appropriate level of revenue and to provide signals (usually via retailers) for efficient consumer behaviour. The Commerce Act Part 4 regime addresses the first point. The EA's concerns relate primarily to the second. It is important that the disclosure regime the EA puts in place is fit for purpose for addressing this second point and is not over-engineered, in an attempt to elicit precision in EDB pricing that is illusory.
12. An EDB's cost structure is dominated by common costs when viewed from the perspective of various consumer groups. This is because (in almost all cases) the same network is used to serve all consumers, whether they be residential, commercial or industrial. This cost structure is also "lumpy", that is increments in capacity come in relatively large steps relative to the demand of any particular

² *Distribution Pricing Principles and Information Disclosure Guidelines*, Electricity Commission, February 2010

³ Paragraph 10 of February 2010 paper

consumer. Thus an EDB's pricing structure will be determined in large part by judgments made as to how best to recover a largely fixed and common pool of costs from its various consumers. There is no definitively best pricing methodology in this circumstance, and the Principles reflect this reality (i.e. they do not pre-determine a particular methodology).

13. Given this reality, the pricing disclosure requirements should focus on the EDB providing a transparent rationale for its choice and design of pricing methodology, and the implications of it for various consumer groups. The Guidelines are (appropriately) pitched at this level of disclosure. It is important that any assessment criteria do not pre-suppose there is another level of granularity that could and should be disclosed.
14. Another reason to be modest as to the granularity and prescription required in EDB pricing disclosures is that few consumers face EDB prices directly, but rather they face retailer prices that incorporate EDB prices in some way. The exceptions to this are where the EDB either invoices the end consumer directly (which is the case for some very large commercial and industrial consumers but rare for mass market consumers), or where the retailer passes on the distribution charge without modification (which is the case for some large commercial and industrial consumers).
15. The EA Paper refers throughout to possible "efficiency improvements" arising from improvements in the design of EDB price structures resulting in more efficient consumer behaviour. Such efficiency improvements will only arise if end consumers face the improved price signals, and that they are responsive to such price signals. The EA could find itself driving very significant compliance costs for EDBs in an effort to fine tune EDB pricing structures, but that in practice these price signals are muted in retailer's price structures, and/or consumers are relatively unresponsive to them. The EC described this issue and its implication for its EDB pricing policies as follows:⁴

... the economic efficiency benefits of a pricing principles approach are likely to be greater than under a more prescriptive methodology. Indeed, the benefits of a more prescriptive approach may be close to zero where there is no ability to prevent retailers from rebundling distribution price structures in a manner that weakens their economic signalling effect;

16. We concur with this view, the key implication of which is that the EA's work on EDB pricing methods - and the attendant EDB compliance costs - very quickly suffer from diminishing returns.

⁴ Paragraph 2.4.6 (a) of February 2010 paper

17. The ENA is supportive of the approach to have pricing principles and for EDBs to be required to report against those principles, but the granularity and level of prescription in that reporting needs to be fit for purpose, given the likely benefits.

Necessity to align with what the Commission requires

18. The Commerce Commission's current information disclosure requirements include disclosures on pricing methodology and prices⁵ and in its ongoing review of its information disclosure requirements it has indicated its disclosure requirements will continue to include pricing issues.⁶ We are therefore in the undesirable situation of two regulators having and exercising jurisdiction over the same topic.⁷
19. It makes no sense that the disclosure requirements of the EA (including any related assessment criteria) and of the Commission differ (other than possibly compliance requirements related to the price/quality path which are unique to the Commission). The best way to ensure there is no difference in these required disclosures is for there to be only one set of disclosure requirements related to EDB pricing issues. The EC made the same point as follows:⁸

In future, distributors will be required to disclose under both the information disclosure guidelines and the Commerce Commission's part 4 information disclosure requirements each year. It is expected that the information disclosure guidelines will inform the Commerce Commission's deliberations on its disclosure regime. It is also expected that the information disclosed under the information disclosure guidelines will be the same as the information disclosed under Part 4. Therefore, distributors will be required to prepare one set of information for the two disclosures.

20. The EA's Principles were derived largely from the Commission's pricing principles that were developed in the context of the price control regime for gas network services. Given this history, agreement with the Commission on the use of these pricing principles should be straightforward. Similarly, the

⁵ *Electricity Distribution (Information Disclosure) Requirements 2008*, Commerce Commission, 31 October 2008

⁶ *Information Disclosure Regulation Electricity Lines Services and Gas Pipeline Services – Process and Issues Paper*, Commerce Commission, 23 February 2011

⁷ We note these overlapping interests in relation to information disclosure requirements of EDBs, and a joint commitment to address them, are set out in the *Memorandum of Understanding between the Electricity Authority and the Commerce Commission*, December 2010.

⁸ Paragraph 11 of February 2010 paper

Guidelines were informed by the requirements developed by the Commission for gas network price control.

21. The EA Paper does not point to a step in the process where the EA and the Commission confirm that both their requirements are met in the one set of disclosure requirements and any related assessment criteria. The ENA recommends the EA include an explicit step in its process of finalising any of its proposed assessment criteria in which it confirms with the Commission that the disclosure requirements of both regulators on pricing issues will be met by the Principles and Guidelines and any associated assessment criteria.

Price disclosures should complement and not duplicate other disclosures

22. Regulations administered by the Commission require disclosure by EDBs of asset management plans (AMPs) that project forward for at least ten years, and annual ex post disclosures on financial and service performance. It is important that the EA ensures its requirements complement and not duplicate these other disclosures, as otherwise EDB compliance costs are increased for no good reason, and such duplication tends to confuse the reader of these disclosures. An example of duplication would be the analysis of long term costs (paragraph 3.4.6 (a) & Appendix A 10 (c)), which is a topic (albeit for a ten rather than thirty year period) that belongs in the AMP and not in pricing disclosures.

Constraints on EDB pricing flexibility

23. The EA Paper (paragraph 3.2.10) lists four constraints on EDB pricing, namely:

(a) Potential legal action from retailers opposed to some pricing methodology changes;

(b) Restrictions on rural price changes relative to urban prices and the low-fixed charge regulations;

(c) Any changes that could result in significant 'price shocks' to some groups of customers; and

(d) Asymmetric risks due to the application of the Commerce Act price control regime (potential to breach).

24. Point (a) tends to be retailer and EDB specific. However the more general issue with respect to retailers is their strong preference for stability in an EDB's pricing structure.
25. The two points under (b) are commonly binding constraints on how an EDB would otherwise choose to price. The low fixed charge regime restricts the

ability of an EDB to move to a high weighting on fixed charges (which would be more cost reflective), as such price structures combined with the low fixed charge requirements give rise to arbitrage opportunities for consumers, and thus potential revenue erosion for the EDB. The ongoing threat of regulation⁹ restricting the rate of change in rural prices relative to non-rural prices on the same network continues, in the absence of any EA guidance to the contrary, to restrict the ability of an EDB to reflect differences in the costs to provide these services.

26. These two constraints (along with the one below) are the aspects that distort an EDB's pricing structure the most, or restrict EDBs from making substantial changes to their price structures. This is frustrating from the perspective of the ENA, in that the EA is proposing an approach to reviewing EDB pricing to encourage more efficient pricing that will raise compliance costs, but is not addressing the pricing constraints under its influence that will continue to distort EDB pricing. Until these two constraints are addressed (and the one below), progress from the EA's work on EDB pricing is going to be limited.
27. Points (c) and (d) in practice are related, in that asymmetric risks under (d) from the price control regime restrict the ability of an EDB to migrate its price structure over time. The ENA has raised point (d) with the Commerce Commission a number of times but thus far no solution has been developed.

3. Proposed criteria related to Principles

28. The EA Paper proposes "indicative evaluation criteria" related to the Principles (paragraph 3.4.5 & 3.4.6). The ENA does not support the inclusion of these criteria, and considers they would undermine rather than improve the principle-based approach that the EA is committed to, for the following reasons.
29. The Principles are designed to guide the development of an EDB's pricing methodology. They do not (intentionally) pre-determine a single methodology. In practice it is common for there to be tensions between the Principles: that is an EDB is likely to find that achievement of one Principle comes at the expense of the achievement of another (e.g. trade-offs between the cost allocations in Principle (b) and the signalling of costs from additional usage in (a) (iii)). In addition the EA should expect and allow for a period of "learning by doing" as EDBs learn and develop ways to improve the design and disclosure of their pricing methodologies from each other and from the 2012 review.
30. The task of the EDB in this principle-based approach is to develop a pricing methodology that, in its circumstances, achieves the Principles as far as practical.

⁹ As per the Electricity Industry Act 2010, subclause 113 (1) (c) & (2) (e).

The disclosure requirements place a discipline on the EDB to document not only its chosen methodology, but also why it has chosen it and what the implications are of its methodology for various consumer groups.

31. In undertaking this task it is important that the Principles are clear, and that there is no ambiguity between the Principles and other forms of guidance provided by the EA. The review has not found the Principles to be unclear. Further, the proposed criteria do not attempt to clarify the Principles but rather they attempt to indicate how they should be implemented. Thus these proposed criteria are not required for the purposes of clarity.
32. The proposed criteria indicate how the Principles should or could be met. For example, the criteria listed under (a) suggest how an EDB should analyse its costs structure, (b) suggests how the relationship between customer groupings and cost allocations should be addressed, (c) suggests that variable and fixed components of a tariff structure should be explained, and (d) sets out points that should be covered when describing the rationale for a pricing transition. All of these criteria are similar in nature to the Guidelines or the proposed assessment criteria related to them: that is they provide guidance on how the achievement of the Principles may be assessed. They do not embellish the Principles in any useful way.
33. The ENA considers the criteria proposed at paragraph 3.4.6 (a) (and Appendix A 10 (c)) that would require analysis of costs over a 20 – 30 year period to be unrealistic and unwarranted for pricing methodology disclosures. We note that AMPs are the long term planning documents for EDBs and they are prepared on a ten year planning horizon. It is not apparent why pricing methodology disclosure requirements should have a longer-time horizon than AMPs. AMP disclosure requirements are limited to 10 year projections because beyond a 10 year time-frame the projections tend to become too speculative to be relied on. The ENA recommends these proposed criteria be put to one side.
34. The ENA considers the other points raised in these criteria would fit better as part of the assessment criteria related to the Guidelines, if they are to be included at all.
35. The ENA recommends the EA not proceed with the criteria related to the Principles.

4. Proposed criteria related to Guidelines

36. The ENA understands from some of the EDBs that were involved in the review that it would have been useful to them to have known in advance of the review the expectations of the reviewer as regards the nature and level of information

required in relation to the Guidelines. Concept reported the same issue, as follows:¹⁰

A key consideration in conducting this exercise is what type of information should be published by EDBs in order to comply with the Guidelines, and to what level of detail?

This has been interpreted as being that which would be sufficient to enable a suitably qualified expert to undertake a formal assessment of an EDB's pricing methodology to determine whether it achieves the objectives of the Principles. All nine EDBs agreed that such a level of disclosure would be necessary to enable the Authority to undertake its 2012 review.

37. We agree with the view in the second paragraph above that an appropriate test of the information to be disclosed is that it is sufficient *“to enable a suitably qualified expert to undertake a formal assessment of an EDB's pricing methodology to determine whether it achieves the objectives of the Principles”*.
38. The ENA considers one possible way to set expectations would be for the EA to simply state the above test as EA's expectations as to how EDBs will disclose according to the Guidelines, and allow EDBs to disclose in a manner that they consider would meet that test. However, the EA is proposing a more detailed approach to that and the ENA on balance can see possible merit in that more detailed approach, provided it is not framed in a prescriptive manner, or requires material that is covered in other EDB disclosures (e.g. long term cost trends are covered in AMPs). To that end an amended version of Appendix A is attached with recommended changes marked up.

¹⁰ Page 5 *Assessment of selected distributors' alignment against the Information Disclosure Guidelines, and their consideration of the Pricing Principles*, Concept Consulting, 6 July 2011

Appendix A: Proposed changes

As discussed in section 4, this appendix provides proposed changes in mark-up to Appendix A of the EA Paper.

Guideline (a): Prices should be based on a well-defined, clearly explained and published methodology, with any material revisions to the methodology notified and clearly marked

- The methodology is well-defined where:
 - A clear context and pricing objective is described.
 - The methodology is suitability described, referencing key decisions made or any analysis undertaken where appropriate.
 - ~~○ All aspects of the methodology which will have a material impact on consumer prices are described.~~
 - ~~The various~~ Each steps required to produce final prices isare logically set out, alongside the key decisions made or any other analysis undertaken where appropriate.
 - ~~○ The factors considered most significant in determining a particular approach adopted are discussed.~~
 - ~~○ The methodology's suitability for the network, given its characteristics or situation, is demonstrated, referencing substantiating qualitative analysis where suitable.~~
 - ~~○ Any key assumptions that have been used (i.e. values for factors over which there is a material degree of uncertainty and which can materially change prices) are:~~
 - ~~○ identified as such; or~~
 - ~~○ referenced to any source material where appropriate substantiating their use; and~~
 - ~~appropriately described with respect to the range of uncertainty, and consequential implications of such a range on final prices is indicated.~~
- The methodology is clearly explained where:

- It is understandable. The methodology is easy to follow and progresses in a logical manner.
- The document is well structured to aid comprehension.
- There is discussion to introduce Complex concepts are explained and background information is provided or referenced or other publically available documents (ideally on the distributor's website) where appropriate.
- The methodology is published where it is the disclosure is on the distributor's website with a "best practice" approach including:
 - the provision of additional customer-oriented material or information on changes/reviews/consultations etc; and
 - an 'archive' of all previous years' methodologies and associated documents also being provided on the distributor's website.
 - Revisions are notified and clearly marked where:
 - Any changes that are made to the methodology from the previous year are clearly outlined in the document. Ideally, a summary 'running record' of the main changes made to the methodology over past years is published (potentially as a separate document).
 - If no changes have been made, this is explicitly stated.

Guideline (b)(i): The pricing methodology disclosed should demonstrate how the methodology links to the pricing principles and any non-compliance

- Linkage to pricing principles is demonstrated by:
 - A summary section of the pricing methodology disclosure identifying each of the pricing principles, and set out Explaining the extent to which, and how, the pricing methodology achieves each pricing principle, providing.
 - or referencing supporting evidence or quantitative analysis where appropriate is provided at a level of detail necessary to demonstrate how the various aspects of the pricing methodology support achievement of the overarching objective of the pricing principles—i.e. economically efficient outcomes. This information need not be included within the disclosure itself (e.g., it could reference external documents or spreadsheets (all of which should also be available on the distributor's website, or other public websites).

- ~~The methodology identifies material non-compliance by:~~
 - ~~Specifying where there is non-compliance and describing the reasons for such sub-optimal alignment.~~
 - ~~Identifying any intentions, or not, to improve such alignment, along with the proposed approach and indicative timeframe.~~ Providing reasons why any principle is not achieved.

Guideline (b)(ii): The pricing methodology disclosed should provide the rationale for consumer groupings and the method for determining the allocation of consumers to the consumer groups

- The pricing methodology provides the rationale for consumer groupings by:
 - Describing the customers in each group.
 - ~~The segregation of customers into consumer groups, ideally, this would be set out in a clear table or tree diagram.~~
 - ~~Including the metrics or statistics relating to each consumer group (e.g. contribution to network peak kW demand, sum of individual anytime maximum demands, number of connections, GWh energy demand, connection capacities, value of lost load, etc.).~~
 - ~~Rationale for consumer groupings provides an~~ Explanation ~~for why the groups have been designed as they have, with.~~ ining ~~This rationale could include~~ a discussion of:
 - ~~How the groups relate to cost drivers~~ and/or
 - ~~How the groups relate to consumer or network characteristics.~~
 - ~~Any benefits or limitations associated with the groupings (e.g. rural/urban considerations).~~
 - ~~Any~~ Supporting quantitative information ~~and/or analysis should be provided~~ as appropriate.

Guideline (b)(iii): The pricing methodology disclosed should quantify key components of costs and revenues

- The pricing methodology identifies ~~Key components of costs to be quantified include~~ the key cost items that are to be recovered through prices, over the pricing horizon by:
 - ~~Describing~~ The costs to be recovered.
 - ~~A clear and explicit description of each~~ cost ~~line item to be recovered through prices.~~

- Identifying the costs that are relevant to each consumer group, where appropriate.
- Identifying ~~Identification of~~ the drivers of the costs, including the implications for the methodology, ideally with analysis presented or referenced setting out how the range of possible outcomes for such drivers over an investment timeframe (i.e. 30 years) will impact on such costs.
- The pricing methodology identifies the key revenue items that are to be recovered through prices over the pricing horizon by identifying the proportion of total revenues expected to be collected from each customer group. ~~A well-considered cost breakdown with a description of the method of allocation across consumer groups and/or the drivers of those costs.~~
- ~~Key components of revenues include the revenue generated across each consumer group and ideally, revenue is given at the same level of breakdown as costs are provided, and a comparison between the two set out.~~

Guideline (b)(iv): The pricing methodology disclosed should explain the cost allocation methodology and the rationale for the allocation to each consumer grouping

- Cost allocation methodology is demonstrated by:
 - Outlining the metrics used to allocate costs.
 - Showing the allocation of each cost item across the groups.
- Rationale for the cost allocation method is provided by presenting:
 - The reasons for the use of each chosen metric.
 - The implications or benefits of the use of those metrics are discussed.

Guideline (b)(v): The pricing methodology disclosed should explain the derivation of tariffs to be charged to each consumer group and the rationale for the tariff design

- The methodology should clearly describe and explain the ~~different elements of the~~ tariff structures including:

- The different types of charge (e.g. fixed charges (and whether per ICP, or per kVA connection capacity, etc.), variable kWh charges, capacity charges, etc.) and which customers they apply to.
- Application of any time-based measurement criteria (e.g. different prices at different times of the day or year; assessment of demand based on anytime maximum demand or coincident peak demand, etc).
- The nature of any discount for controlled tariffs.
- 'ICP-pricing' or 'GXP-pricing' approaches.
- Rationale for the tariff design is provided by ~~by discussing:~~
 - ~~This could include an explainingation of H~~ how the tariff structure and levels are linked to ~~the key cost drivers~~ and/or consumer or network characteristics identified, with quantitative comparisons provided.
 - ~~It should explaining H~~ how the tariff design will further the achievement of the objective of the pricing principles (i.e. economically efficient outcomes).
 - Providing Any other material considerations taken into account when developing the tariff structure. Supporting evidence or analysis as should be provided if appropriate.

Guideline (b)(vi): The pricing methodology disclosed should provide the pricing arrangements that will be used to share the value of any deferral of investment in distribution and transmission assets, with the investors in alternatives such as distributed generation or load management, where alternatives are practicable and where network economics warrant

- ~~The nature of any such arrangements should:~~
- ~~Be clearly described., and their rationale explained.– This should include or reference, where relevant.~~
- Reference relevant supporting analysis used for deriving the value of any such payments or discounts ~~for such alternatives, particularly how such payments/discounts relate to cost drivers.~~
 - ~~Describe any other material considerations taken into account when developing such arrangements (e.g. arrangements relating to section 54Q of the Commerce Act).~~

Guideline (c)(i): The pricing methodology should where possible employ industry standard terminology

- The disclosure should use industry standard terminology, and provide additional information or a glossary where necessary for understanding.
- ~~Ideally, a glossary should be provided (or referenced) explaining the meaning of terms, and possible alternative terminologies that are known to have been used to describe the same aspect.~~

Guideline (c)(ii): The pricing methodology should where a change to the previous pricing methodology is implemented, describe the impact on consumer classes and the transition arrangements implemented to introduce the new methodology

- If changes to the methodology have occurred:
 - The reasons ~~for any changes are discussed~~ should be explained.
 - ~~The effect this has on prices for customers, in terms of size and duration, is discussed and quantified if possible.~~
 - ~~If changes have occurred, any arrangements to 'phase in' the effects of those changes are discussed.~~ Transition arrangements, and the impact on customer groups, should be described.

Appendix B: Answers to questions

Question No.	Question	Response
1.	Do you consider the type of analysis suggested is appropriate given the pricing principles, and are there important aspects which have been omitted?	No. See section 3
2.	Do you consider that the Commerce Commission's template for gas distribution businesses would be an appropriate guide?	See section 2
3.	To what extent do the constraints listed in paragraph 3.2.10 impact on your ability to align your pricing methodologies with the pricing principles?	See paragraphs 23 to 27
4.	Do you agree with the assessment criteria for Guideline (a)?	See Appendix A
5.	Do you agree with the assessment criteria for Guideline (b)(i)?	See Appendix A
6.	Do you agree with the assessment criteria for Guideline (b)(ii)?	See Appendix A
7.	Do you agree with the assessment criteria for Guideline (b)(iii)?	See Appendix A
8.	Do you agree with the assessment criteria for Guideline (b)(iv)?	See Appendix A
9.	Do you agree with the assessment criteria for Guideline (b)(v)?	See Appendix A

Question No.	Question	Response
10.	Do you agree with the assessment criteria for Guideline (b)(vi)?	See Appendix A
11.	Do you agree with the assessment criteria for Guideline (c)(i)?	See Appendix A
12.	Do you agree with the assessment criteria for Guideline (c)(ii)?	See Appendix A