Disclosure of Electricity Distribution Business Pricing Methodology

1 April 2013

1. GLOSSARY

Commerce Commission (Commission)	Responsible for the regulation of EDBs as provided for under Part 4 of the Commerce Act 1986
EDB	Electricity Distribution Business
Electricity Authority (EA)	Responsible for regulation of the electricity market as provided for under the Electricity Industry Act 2010
Code	Electricity Industry Participation Code 2010
ICP	Installation Control Point: A point of connection on a local network which the distributor nominates as the point at which a retailer will be deemed to supply electricity to consumers
Information Disclosure Determination (IDD)	Electricity Distribution Information Disclosure Determination 2012, issued 1 October 2012 (Decision No. NZCC22)
kVA	Kilo Volt-Amp: Measure of apparent electrical power usage at a point in time
kW	Kilowatt: Measure of instantaneous real electrical power usage
kWh	Kilowatt hours: Measure of real electrical power usage per hour
Low fixed charge regulations	Electricity (Low Fixed Tariff Option for Domestic Consumers) Regulations 2004
Part 4	Part 4 of the Commerce Act 1986 governing the regulation of EDBs as administered by the Commerce Commission
Transpower	Owner and operator of the national transmission grid
Qualifying Customers	Redeemable Preference Shareholders in the MainPower Trust
WACC	Weighted Average Cost of Capital

2. INTRODUCTION

This pricing methodology describes the approach MainPower New Zealand Limited ("MainPower" or "Company") has adopted to determine prices for consumers connected to its electricity distribution network.

The pricing methodology is structured as follows:

- Section 1 provides a glossary of common terms used throughout the document
- Section 2 provides introductory comments and background information relevant to the development of prices. This includes a brief overview of MainPower, the key pricing decisions made in 2013, an overview of the regulations applicable to this pricing methodology, and discussion of our current pricing review and pricing strategy
- Section 3 sets out the methodology we have used to determine prices as at 1 April 2013, including the key considerations made in regards to determining target revenues, consumer groups, tariff structures, and final charges. It also provides relevant information in regards to recent consultation with consumers on prices and quality of supply
- Section 4 details the extent to which our pricing methodology is consistent with the Electricity Authority's ("EA") electricity distribution pricing principles and information disclosure guidelines
- Appendix A provides a summary of the regulatory requirements relating to pricing methodologies
- Appendix B maps where in this document we have shown compliance against the Electricity Distribution Information Disclosure Determination 2012 (NZCC 22) (IDD) disclosure requirements applicable to pricing methodologies
- Appendix C, provides Directors Certification against the IDD disclosure requirements applicable to pricing methodologies, as required by section 2.9.1 of the IDD
- Appendix D provides detailed information on tariffs, consumer statistics, and target revenues (by pricing region and tariff type).

Background to MainPower

MainPower provides distribution lines services to approximately 35,500 consumers throughout the North Canterbury and Kaikoura regions. These regions are predominantly rural. A number of relatively small rural towns, including Rangiora, Kaiapoi, Oxford and Kaikoura service this rural community. Approximately 80% of MainPower's consumer base is residential, with the majority of the remaining being small commercial, farming or irrigation consumers. MainPower has only one non-standard consumer.

MainPower is one of a number of community-owned electricity distribution businesses ("EDBs") in New Zealand. Consumers in the communities of North Canterbury and Kaikoura own MainPower through the MainPower Trust and elect its trustees. MainPower also serve consumers in the borough of Kaiapoi and Wigram Airbase area (embedded in Orion New Zealand Ltd's distribution network) who are non-Qualifying Customers of the trust.

2013 Pricing Decisions

MainPower typically reset prices each year as at 1 April. This year we have decided not to amend last year's prices, which were effective as at 1 April 2012. This decision has been made because MainPower is part

way through a detailed review of its pricing methodology and does not want to risk making unnecessary price changes which could be later reversed pending the outcomes of this review.

Our review is focused on investigating alternative pricing approaches with consideration of economic and regulatory pricing frameworks and industry best practice. Depending on the outcomes of this review, MainPower may seek to amend prices as early as 1 October 2013 for some consumers. We plan to consult with consumers, retailers and other affected parties extensively prior to making a final decision as part of this review. Further details regarding our pricing review and pricing strategy are provided below.

Our prices and underlying pricing methodology therefore remain unchanged as at 1 April 2013.

Despite this, the structure and content of this pricing methodology document has been reviewed and updated to better meet the information required by the IDD, and to improve the format so that it is more useful for interested parties.

Objectives for the pricing methodology

The primary objective of this document is to provide consumers and other interested stakeholders with relevant information on how MainPower has set prices effective 1 April 2013. This includes information on the price setting process and the key inputs, assumptions, considerations, and decisions made in setting prices.

MainPower also seeks to provide detail on the pricing review we are part the way through, and to signal potential changes which might result pending the outcome of this review.

Regulatory requirements applicable to pricing methodologies

MainPower's EDB is subject to regulation under Part 4 of the Commerce Act 1986 ("Part 4"), as administered by the Commerce Commission ("Commission"). Our consumer ownership means we are exempt from direct price control under Part 4[1]. This is because consumer ownership and oversight provides the necessary incentives for MainPower to set prices consistent with the purpose of regulation under Part 4 in the long term interests of our consumers. However, MainPower remains subject to regulatory oversight in the form of information disclosures specified by the Commission under the IDD.

MainPower is also subject to the Electricity Industry Participation Code ("Code") and various regulations and guidance, as administered by the Electricity Authority ("EA") under the Electricity Industry Act 2010.

The key regulatory requirements directly applicable to this pricing methodology are:

- Section 2.4.1 – 2.4.5 of the IDD regarding the disclosure of pricing methodologies
- the EA's electricity distribution pricing principles and information disclosure guidelines
- the 'Electricity (Low Fixed Charge Tariff Option for Domestic Consumers) Regulations 2004' (the "Low Fixed Charge Regulations")
- Schedule 6.4 of Part 6 of the Code, which sets out pricing principles for distributed generation.

The key aspects of each are discussed in Appendix A.

[1] Under Section 54G(2) of Part 4 of the Commerce Act 1986

This pricing methodology has been developed consistent with these requirements. Appendix B provides a check list which maps where in this document we have shown compliance against the applicable IDD regulations. Appendix C provides Directors Certification against these IDD requirements, as required by section 2.9.1 of the IDD.

Pricing Review and Pricing Strategy

In September last year MainPower initiated a comprehensive review of its pricing methodology. This section sets out the key matters currently being considered as part of this review. It also outlines our pricing strategy for the next five years. This pricing strategy is new. MainPower did not have a formal published pricing strategy in our 2012 pricing methodology. This strategy may also change pending the outcomes of our review.

Several factors have influenced our decision to undertake the pricing review:

- new regulations and regulatory guidance regarding economically efficient distribution pricing (i.e. the IDD and EA pricing principles)
- significant growth in irrigation connections and demand across the North Canterbury region
- the impact of the Canterbury earthquakes on local demand. This includes significant growth in new sub-divisions in some areas but damage to communities and infrastructure in other areas
- the expected deployment of smart meters to the mass market and the potential pricing applications for this technology
- the potential connection of large scale distributed generation to our network for the first time (i.e. at Mt Cass)
- the desire to review our long serving pricing structures which are in some cases over a decade old, in particular with consideration of recent innovations in pricing in the sector.

The primary objective of the review is to investigate alternative pricing structures and price setting approaches which address some or all of these issues as well as our commercial and pricing objectives. In particular, we are investigating alternative approaches to align pricing more closely with:

- *economic and regulatory principles and industry best practice.* This includes consideration of the regulatory guidance provided by the Commission and EA and innovative pricing approaches adopted in the sector. Our aim is to structure prices to promote more efficient usage of, and investment in, the network
- *network cost drivers.* We have commissioned the development of a cost of supply model which allocates MainPower's annual target revenue requirement to regions, consumer load groups and tariffs based on appropriate cost-based allocators. This model will allow us to test different consumer group scenarios, tariff options (e.g. for fixed and variable combinations, peak/off-peak tariff structures) and cost allocators. It will also help us analyse price shock, helping us to formulate a plan to transition any price changes over time
- *MainPower's commercial and pricing objectives,* taking into account the current commercial conditions we face.

We have engaged PricewaterhouseCoopers (PwC) to assist with this review. They will provide advice on economic pricing frameworks, best practice distribution pricing approaches, and pricing regulation. They will also provide modelling expertise in regards to developing the cost of supply model.

While our review is not yet complete, some areas of change we are currently investigating include:

- *aligning the calculation of the annual target revenue requirement with Part 4 regulation:* MainPower has historically set it annual target revenue requirement to recover budgeted costs, including an appropriate commercial return on its investment (as detailed in the next section). However, the Commission has now specified regulatory input methodologies for calculating EDB building block revenues which are consistent with the purpose of Part 4 regulation. These are used in determining and monitoring EDB prices. While MainPower is exempt from price regulation, we are required to disclose the components of our revenue consistent with the Commission's input methodology. MainPower considers that the Commission's methodologies provide useful guidance on how to set prices consistent with the purpose of Part 4 in the long-term interests of our consumers. We are therefore considering aligning the calculation of our annual target revenue requirement more closely to the Commission's methodology and inputs.
- *restructuring pricing regions to align with the cost and consumer characteristics within the network:* Distinct pricing regions are being considered for the northern part of our network (including Kaikoura and Hamner Springs) and southern parts of our network (North Canterbury), with the Waipara River as the boundary. Our initial analysis suggests different cost and usage characteristics on these parts of the network. We are also considering the merits of merging the existing Kaiapoi pricing region into this southern region. Currently, it is a separate pricing area given it represents non-Qualifying Consumers for the purpose of the MainPower Trust. Our existing Wigram pricing region will remain, given it is a separate embedded network not connected to our main network.
- *aligning consumer groups to consumer load characteristics:* We are considering two consumer load groups: a small group capturing the mass market; and a large load group capturing large users. These groups could replace the current residential and commercial load groups to align pricing more closely with network cost drivers. In addition to these groups, we have irrigation and lighting consumer groups. These changes could result in consumers being reallocated to new tariff options.
- *aligning prices with network costs:* As discussed above, we are developing a cost of supply model that allocates the components of target revenue to consumer groups. The key output will be a set of implied cost allocations for each consumer group which are reflective of the costs we face. This information will be used in making our decisions on final prices and pricing structures.
- *amending our approach to fixed charges:* Currently all controlled residential consumers are charged the low fixed charge of 15c/day. As part of our review, we are investigating the merits of creating a distinct residential low fixed tariff option targeted at consumers using less than 8,000kWhs per annum. For the remaining consumers we are investigating fixed charges which proportionally align with the capacity of the consumer's connection.
- *introducing a peak demand charge for the large load group and irrigators:* The main service a distributor provides is capacity in the network. This is also a key driver of network costs. In recognition of this, we are investigating the merits of introducing a peak demand charge which would align pricing to the service we provide and our costs. It is not currently feasible to charge mass market consumers on a time of use basis[2], given the current meter fleet. However, we are investigating applying peak demand charges to larger consumers given many have time of use meters.

[2] although we note the controlled tariff does partially permit this

These potential changes are only being considered as options at this stage and are subject to the completion of our review. Our current aim is to develop draft recommendations for consultation by mid 2013.

We plan to consult extensively with consumers, retailers, and other affected parties to gain feedback on any proposed changes later this year. As part of this, we will provide information on how different consumer groups will be affected. Feedback received under this consultation will be considered prior to making a final decision on whether, or how, to amend prices. A new pricing methodology will be issued 20 business days before prices take effect.

We anticipate that certain price changes could take effect as early as 1 October 2013. It may also be necessary to transition price changes over a longer time frame to avoid price shock to consumer bills. Retailers will be notified of any price changes within 45 business days consistent with our conveyance only use of system agreement. Consumers will be notified at least 20 business days prior to any changes taking effect.

3. PRICING METHODOLOGY

This section describes our methodology for setting prices effective 1 April 2013. It provides information on MainPower's:

- pricing and commercial objects
- target revenue requirement
- approach to determining consumer groups
- approach to allocating costs to consumer groups
- approach to setting tariffs
- approach to pricing non-standard consumers
- approach to pricing distributed generation
- recent efforts to consult with consumers on their price and quality expectations.

As signalled above, this pricing methodology may be revised later in the year subject to the outcomes of our pricing review.

Overview of Pricing Setting Process

The key steps MainPower follow in setting its annual prices includes:

- reviewing and revising our pricing and commercial objectives as necessary
- setting the annual target revenue requirement to be recovered through prices
- reviewing consumer groups and tariff structures to determine whether they are consistent with our pricing and commercial objectives and applicable regulatory requirements and guidance
- allocating target revenue to consumer groups and tariffs.

Our underlying pricing methodology is the same as that which applied from 1 April 2012. The only area which has changed is our target revenue which has increased in line with connection and consumption growth forecasts. Our pricing and commercial objectives, and decisions regarding consumer groups, tariffs and cost allocation approaches have not changed.

Pricing and Commercial Objectives

MainPower's key commercial and pricing objectives that guide our pricing decisions are as follows:

- *uniform pricing*: MainPower has adopted a general objective of applying a uniform variable charge to all tariff options within a particular pricing region, irrespective of consumer density, location, network configuration, or other load characteristics. There are a several exceptions to this general objective relating to tariff options that cater for specific usage and cost profiles. These exceptions are detailed below.
- *rebates*: Revenues collected from consumers that are considered surplus to MainPower's revenue requirement are returned to Redeemable Preference Shareholders (Qualifying Customers) of the MainPower Trust in the form of rebates. Rebates are credited to Qualifying Customers' accounts on

a monthly basis. Consumers are advised in advance on an annual basis of the rebate levels that will apply for the coming year. Rebates do not form part of this disclosure.

- *uniform pricing across the MainPower and Kaiapoi pricing regions:* The total line service charge, inclusive of Qualifying Customer rebates applicable to consumers within these two pricing regions, are charged on a uniform basis for each consumer group. That is, charges after the disbursement of rebates are generally the same for consumers in both MainPower and Kaiapoi pricing regions.
- *price certainty and stability:* MainPower's pricing structure will provide a high level of certainty and understanding, while at the same time ensuring price stability without rate shock.
- *return on investment: W*here the return on investment for MainPower is less than our Weighted Average Cost of Capital (WACC), then any upward movement in charges will be calculated on the basis that the increase is applied equally across all groupings.
- *regulatory compliance*: MainPower will comply with all applicable regulations relating to pricing and pricing methodologies. We will also consider other regulatory guidance (i.e. the pricing principles) in our pricing decisions. In circumstances where there is a conflict between this guidance and MainPower's pricing objectives, priority is given to the pricing objectives.

Target Revenue

MainPower determines its target revenue requirement on the basis that revenue collected from prices will be sufficient to cover operating costs and capital costs necessary to maintain MainPower's capital and/or revenue reserves at a level considered appropriate by the Board without recourse to term debt.

Figure 1 sets out our target revenue requirement for the pricing year ending 31 March 2014 (2014), relative to the previous pricing year (2013). While prices are unchanged across these pricing years, the increase in the target revenue represents forecast connection and consumption growth which is expected to cover the changes in our projected budgeted costs.

Administration and Overheads include costs associated with managing the day to day business activities of MainPower's distribution business, such as management, accounting, finance and administration costs. This includes local body rates and Electricity Act and Commerce Act levies.

Operations and Maintenance captures costs associated with operating and maintaining the network, such as costs incurred in relation to switching, planned and reactive maintenance and responding to faults.

Transmission costs are Transpower charges associated with:

- connection of MainPower's distribution network to the national grid (including interconnection, connection and new investment contract charges)
- the grid system operator function (a service which Transpower provides).

Depreciation represents the return of our original capital investment and is calculated based on the distribution business' net book value.

Tax is based on budgeted tax expenditure attributed to the distribution business.

Return on investment is calculated as a WACC return on average net book value. MainPower use a post tax WACC estimate of 6.9% for this calculation. This estimate is derived using the Capital Asset Pricing Model and is based on the following assumptions:

- a risk-free rate of 5.0% (as per PwC's Cost of Capital Report 31 March 2011)

- an asset beta as the measure of distribution eg business systematic risk of 0.45
- a debt equity ratio of 40:60
- an investor tax rate of 28 cents
- a post tax market risk premium of 7.5%.

Other EDB revenue is subtracted to determine the target revenue requirement to recover from electricity distribution charges.

Figure 1: Components of Target Revenue

	2014 ($000)	2013 ($000)	Change (%)
Administration and Overheads	8,409	7,162	17%
Operations and Maintenance	3,486	4,440	-21%
Depreciation	9,891	10,579	-7%
Transmission charges	11,618	12,599	-8%
Tax	5,169	4,476	15%
Return on investment	16,294	13,108	24%
Less Other Revenue	-9,085	-5,203	75%
Target Revenue Requirement from Prices	45,781	47,163	-3%

Consumer groups

MainPower has three pricing regions, which have been determined along the MainPower Trust boundaries:

- *MainPower Region (MP):* includes all consumers connected to the distribution network owned by MainPower, which are not included in the Kaiapoi pricing region or Wigram pricing region. This region aligns with the MainPower Trust boundary.
- *Kaiapoi Region (KE):* All consumers connected to the electricity distribution network previously owned by Kaiapoi Electricity Limited and which was acquired by MainPower on 1 July 2004.
- *Wigram Region (WIG):* Includes all consumers connected to the distribution network owned by MainPower, located in the region previously known as the Wigram Air Base. This network is embedded in Orion New Zealand Limited's distribution network.

Within these pricing regions, MainPower offers the following tariffs:

Figure 2: MainPower Tariff options

Tariff Option	Description and rationale
Residential Controlled Supply	A tariff option offered to residential consumers that allows a portion of their load (i.e. hot water heating) to be interrupted for part of the day as required for network operations. This tariff is priced lower than the uncontrolled tariff option to incentivise consumers to offer controllable load. This lower price recognises the benefits to all consumers relating to timely management of faults and in reducing peak demand related costs. This tariff is offered as a low user and standard tariff option but both are priced the same.
Residential Uncontrolled Supply	A tariff option targeted to residential consumers that do not offer controllable load (i.e. hot water heat). The pricing of this option recognises the additional costs to MainPower associated with not being able to interrupt supply to manage faults and peak demand. This tariff is offered as a low user and standard tariff option.
Residential Night Special	A special discounted tariff option which applies to consumption during the off peak night period between 9.30pm to 7.30am. This tariff incentivises consumers to shift load to the off-peak night period, recognising the associated benefits in reducing peak demand. This tariff is offered as a low user and standard tariff option.
Non-Residential General Supply and Large User Group	This tariff option is offered to non-residential consumers, typically being large users. A higher fixed daily charge is applied to take into account the lower weighted average load factor of these consumers.
Irrigation	A tariff option targeted to irrigators in the MainPower and Kaiapoi pricing regions. These consumers are charged a fixed daily charge per kW of installed motor capacity connected. This pricing approach recognises the relationship between network capacity costs and the relatively size of irrigation motors connected to the network.
Lighting	Various tariff option eg applying to Street Lighting, Right of Way Lighting, and Under Veranda Lighting. This option recognises the different usage and cost profile associated with lighting connections.
Council Pumping	A tariff offered in the MainPower and Kaiapoi pricing regions for connection of Council pumping facilities. Council pumping is priced based on the uniform pricing rule.
Temporary supply	A tariff option applying to temporary connections to the network. Priced higher than standard supply, this tariff option recognises the additional costs to the Company in managing temporary connections. It also appropriately incentivises consumers to shift to a standard tariff option as soon as is practical.

Key statistics by pricing region and tariff option are presented in Appendix D. This includes information on:

- tariffs, including information on fixed and variable tariffs by distribution and transmission components

- target revenue and allocations of target revenue to pricing regions and tariffs
- pricing history
- ICPs, installed kVA consumer statistics, including delivered kWh consumption and chargeable peak demand.

Allocation of Costs to Consumer Groups

The allocation of costs to consumer and tariff groups recognises the predominant rural nature of MainPower's consumer base and consumers' continued confirmation and support for our uniform charging regime.

Operating costs are, wherever possible, directly attributed to consumer groups on an actual cost-incurred basis.

Shared operating costs are allocated as follows:

- Administrative and Overhead costs are allocated by consumption, based on the uniform cents per kWh basis
- Operation and Maintenance costs are allocated as a uniform percentage of net assets employed for each consumer group
- Rates are allocated to consumer groups by the percentage of net assets employed
- Levies are allocated by consumption, based on the uniform cents per kWh basis.

Asset costs are directly attributed to pricing regions using asset register records and are allocated to tariff options by kWh consumption.

Transmission charges are directly attributed to pricing regions based on the GXPs associated with each pricing region (as Transpower charge on a GXP basis) and are allocated to tariff options by kWh consumption.

Tariff Setting

As set out above, MainPower has adopted uniform variable charges for all consumer group categories within a particular pricing region, irrespective of consumer density, location on the network, network configuration, or other load characteristics.

- fixed distribution charges are charged by way of a uniform daily charge. A maximum charge of 15 cents per day applies to all controlled residential consumers as if they were low users. This approach is used to comply with the low fixed charge regulations
- variable distribution and variable transmission line services are charged by way of a uniform consumption charge within each pricing region.

A number of exceptions to these general pricing rules are made in recognition of specific costs and usage behaviours associated with different tariff options and pricing regions:

- the Residential Night Special variable distribution charge for each pricing region is calculated at approximately 80% of the Residential Controlled Supply variable distribution charge and approximately 10% of the Residential Controlled Supply transmission charge. This pricing structure

provides an incentive for consumers to shift load to the off peak night period between 9.30pm to 7.30am, thereby reducing demand during the day.

- the Residential Uncontrolled Supply - Low User Option total variable charge is calculated at approximately 125% of the Residential Controlled Supply total variable charge. This recognises that no interruptible load is made available. The Residential Uncontrolled Supply fixed distribution charge has been determined at 60 cents per day. This incentivises consumers to shift to the Residential Controlled Supply – Low User Option and offer controllable load.
- the fixed distribution charge for Non-Residential General Supply and Large User tariff options has been determined at 50 cents per day to take into account the lower weighted average load factor of this consumer group.
- revenue, across all consumer groups, collected by way of fixed distribution charges, has been calculated on the basis that revenue from this source will not exceed 10% of the total fixed and variable distribution revenue. Actual percentages will vary year on year and between consumer groups as a result of changes in load factor and other load characteristics.
- the variable distribution charge applicable to the Temporary Supply consumer group is maintained at approximately the same rate as the Residential Uncontrolled Supply - Low User Option variable distribution charge. In addition, Temporary Supply consumers pay a fixed charge of $1.00 per day. This recognises the additional costs MainPower face in managing temporary supply connections and appropriately incentivises consumers to shift to a standard tariff option.
- the fixed charge applicable to Irrigation is 2 cents per day per kW of motor size connected (i.e. 50 cents per day for a motor size of 25 kilowatts).
- no fixed distribution line charge is applicable to Street Lighting, Right-of-Way Lighting or Under Veranda Lighting tariff options.
- the variable distribution charge applicable to General Supply consumers within the MP pricing region where consumption exceeds 500,000 kWhs per annum, is discounted on a straight line basis between 500,000 kWh per annum and 1,000,000 kWhs from 6.652 cents per kWh to 1.525 cents per kWh and at 1.525 cents per kWh for all kWhs above 1,000,000 kilowatt hours.
- the variable distribution line service charge applicable to General Supply consumers within the KE pricing region where consumption exceeds 500,000 kWhs per annum, is discounted on a straight line basis between 500,000 kWhs per annum and 1,000,000 kWhs from 3.381 cents per kWh to 1.451 cents per kWh and at 1.451 cents per kWh for all kWhs above 1,000,000 kWhs.

Our approach to compliance with the low fixed charge regions is as follows:

- MainPower's Residential Controlled, Residential Uncontrolled and Residential Night Special supply (and their equivalent low user options) are charged on the basis that the charges for each low user option will be the same given 8,000 kWhs are consumed for both standard and low user supply on an annual basis.

Appendix D sets out the tariffs applying to each tariff option including the expected target revenue to be recovered from tariffs.

Non-Standard Pricing

Only 1 non-standard consumer is connected to MainPower's distribution network. The consumer is situated close to a Transpower GXP and takes direct supply from the grid through MainPower connection assets and equipment.

Prices are set for this consumer to recover the actual costs MainPower incurs as follows:

- Transmission charges are passed on directly to the consumer as billed by Transpower. This is possible as the consumer is the only significant connection at the GXP they are connected to. Transmission charges account for 86% of this consumers' lines charges
- Distribution asset and equipment costs deployed at the connection (which have not already been recovered through capital contributions) are recovered fully through prices. This includes depreciation and a return on investment
- Operations and Maintenance costs incurred in relation to the connection are directly recovered each year in prices
- Administration costs are recovered based on actual costs.

Distribution costs are recouped through a daily fixed distribution charge. Transmission charges are recouped on the same basis that Transpower bills MainPower, although this is expressed on a cents per kWh basis in our pricing schedule.

Prices have been determined on this basis to discourage uneconomic bypass to the transmission grid. The fixed price seeks to minimise price volatility for both parties. Target revenues expected to be recovered from non-standard prices are detailed in Appendix D.

MainPower's obligations and responsibilities in the event of an interruption to this consumers supply are no different to that of other large standard consumers connected to our network. The consumer does have a higher level of circuit redundancy built into their connection which could result in quicker restoration times but the obligations and responsibilities to restore supply are no different. This level of redundancy is reflected in prices through the higher associated cost of the connection assets and equipment.

MainPower will consider all requests for non-standard contracts on application based on the commercial merits of the proposal. Criteria by which we typically might decide to enter into a non-standard contract include:

- the consumer is at risk of bypassing the network to an alternative network or energy source
- the consumer has requested a non-standard connection or specialist equipment which cannot be accommodated into our standard pricing structures or capital contributions policy
- the consumer requests non-standard pricing structures to mitigate risk which might otherwise impair their decision to connect to the network.

Distributed Generation Pricing

There is a limited number of small scale distributed generation connected to MainPower's network. These generation units are less than 10kW, generally under 2kW, and are typically associated with an existing ICP (i.e. solar panels supplementing distributed electricity supply). These connections rarely export electricity into the network.

MainPower does not charge for small scale distributed generation connected to the network and does not make payments in regards to avoided costs. This decision reflects a balance of the following considerations:

- the low number of connections of this type
- the low cost to connect small scale distributed generation to the network
- the low volumes of electricity exported to the network from these connections
- the avoided costs (both in relation to transmission and distribution costs) which are associated with the reduced peak demand these generation units provide.

While MainPower does not typically incur costs associated with the physical connection of small scale distributed generation, where we do, these cost will be met via contributions consistent with our capital contributions policy.

MainPower has had a number of enquiries in regards to the connection of larger scale distributed generation to the network and is also considering its own investments in an embedded wind farm near Mt Cass. Despite this, discussions have not progressed to a stage where distribution charges have been discussed. We plan to develop a distributed generation pricing methodology for large scale generation as required.

Consumer Expectations on Price and Quality

MainPower consults on levels of consumer satisfaction and on their price and quality expectations on an annual basis, and during recent years, has engaged SIL Research to undertake a comprehensive consumer survey in support of this. 608 consumers were surveyed during the period August-October 2012 and included a representative sample of residential, commercial and major use consumers.

The research showed very high levels of satisfaction across all consumer groups in terms of both reliability and quality of supply. The survey also confirmed high levels of consumer service. 86% of all consumers surveyed were satisfied with the quality of their supply and 84% of consumers stated that they would definitely not be willing to accept poorer levels of power quality and reliability in exchange for a lower price or discount. 80% stated that any increase in price would be too much when asked as to their willingness to pay for increased power quality. A further 17% stated that they would be willing to pay an extra $50 per year.

MainPower has concluded that the survey result confirms a high level of satisfaction with respect to quality, reliability and price, and therefore consider that no price-quality trade offs were needed at 1 April 2013.

MainPower will continue to undertake these surveys and during 2013, survey questions will be targeted on consumer acceptance of changes resulting from MainPower's review, including in relation to their price-quality expectations.

4. ELECTRICITY AUTHORITY PRICING PRINCIPLES

This section describes the extent to which our pricing methodology is consistent with the EA's pricing principles, pursuant to section 2.4.3(2) of the IDD.

MainPower has reviewed its pricing methodology against the pricing principles and is of the view that our pricing methodology is consistent with the principles. We also signal how alignment with the principles may be refined and improved following our pricing review.

Pricing Principle	**Extent of consistency**
(a) Prices are to signal the economic costs of service provision, by:	
(i) being subsidy free (equal to or greater than incremental costs, and less than or equal to standalone costs), except where subsidies arise from compliance with legislation and/or other regulation;	The incremental costs of connecting an additional consumer to the network include the costs of connection assets specific to the consumer, incremental operating and maintenance costs, and upstream reinforcement costs required to accommodate the additional connection. MainPower's capital contributions policy is the primary mechanism by which we ensure that prices exceed incremental capital cost. MainPower seek capital contributions for new connections and asset upgrades when the expected revenue from distribution charges from that connection is less than the incremental capital costs (including a share of any upfront or future network augmentation costs). Distribution prices will therefore be in excess of incremental capital costs. The remaining incremental operating and maintenance expenditure is covered in distribution prices. The fixed charge guarantees the recovery of a small proportion of costs, regardless of consumption. This is likely to recover these incremental costs in most cases. Furthermore, the use of a consumption based variable charge alongside fixed charges means that revenue received from consumers will be broadly proportional to the size of the connection. Given maintenance costs are generally likely to rise proportionally to connection size, this will help ensure that prices recover incremental maintenance costs over a range of connection sizes. Under this principle, prices also should be less than stand alone cost. We understand stand alone cost to mean the cost to the consumer of bypassing the network with alternative supply arrangements (e.g. connection to the grid through its own distribution assets, or alternative fuel or generation sources). For most mass market consumers the costs of moving "off-grid" to a standalone energy solution will be priced at a premium to distributed electricity supply. This is because the large economies of scale associated with network investments mean distribution networks remain competitive on price. Large consumers are likely to be better placed to bypass the network at a lower overall stand alone cost. As an example, MainPower has one large consumer on a non-standard contract who potentially could bypass our network. The non-standard arrangements ensure it is economic for this consumer to remain connected to MainPower's network.
(ii) having regard, to the extent practicable, to the level of available	The primary service distributors provide is access to capacity. This principle sets out that EDBs should recognise this primary driver in setting prices and pricing

service capacity; and	structures. Generally, MainPower does not explicitly set consumer groups by the level of available service capacity. However, the distinction made between low user, residential, non-residential, and large users does proxy different consumer capacity profiles. Similarly, Residential Controlled and Night Special tariff options are designed to incentivise behaviours that increase available service capacity at the peak or during fault events. The Irrigation tariff is priced based on the installed kW capacity of irrigation motors and is designed to signal limited capacity in the high voltage distribution system. MainPower has recently been upgrading its 11kV circuits to 22kV to support the substantial growth in irrigation demand. This tariff option, as well as capital contributions sought from irrigators, signal that this upstream capacity is limited. One area being investigated as part of our pricing review that might improve alignment with this principle is the potential introduction of consumer groups defined by load characteristics. As discussed above, we are investigating a small and large load group aligned to the typical load profiles of consumers connected to our network.
(iii) signalling, to the extent practicable, the impact of additional usage on future investment costs.	This principle asserts that behaviour which creates additional investment costs for EDB's should be recognised in pricing, and that exacerbators of costs should be charged accordingly. The key drivers of future network investment costs which relate to consumer behaviour are new connections and investments in network capacity. MainPower ensures its recoups incremental connection and upstream reinforcement costs through its capital contributions policy, as discussed above. The use of a consumption based variable charge is another pricing approach which recognizes additional usage of capacity. While kWh consumption is only a proxy for capacity utilisation, it provides a strong signal that additional usage of the network creates additional costs overtime. As part of our review, we are considering the merits of peak time pricing, particularly for the large load group. This may align our pricing more closely with this principle. Large consumers typically have time of use meters making it practical to charge on peak usage. By contrast, it is impractical to price the mass market other then on consumption given the current fleet of non time-of-use meters. Mass market pricing more closely aligned with peak capacity usage may be investigated as new smart meters are deployed. The Residential Night Special tariff option provides incentives for consumers who take up this option to shift their demand to the off-peak night period. The Residential Controlled Tariff signal also provides incentives to consumers that offer up interruptible load which can be used to manage faults and reduce peak demand. Combined these tariff options appropriately signal the impact of additional usage on investment costs. As discussed above, the Irrigation tariff signals capacity constraints on the 11kV network attributable to this fast growing consumer group by levying a higher fixed daily charge on relatively larger irrigation motors.
(b) Where prices based on 'efficient' incremental costs would under-recover allowed revenues, the shortfall should be made up by	This principle sets out the economic principle of "Ramsey Pricing". This principle asserts it is economically efficient to charge more to those consumers that have a higher willingness to pay and less to those with a lower willingness to pay. As a practical example, this principle suggests that a business that must operate or

setting prices in a manner that has regard to consumers' demand responsiveness, to the extent practicable.	face significant shutdown costs would pay relatively more than a consumer who is willing to have their supply interrupted. This is considered economically efficient as those consumers that demand a service the most, pay the most. In practice, it is difficult to apply this principle explicit in given the difficultly in measuring consumer demand responsiveness and defining practical consumer groups.. It can however be applied at a principles-based level. For instance, the Residential Uncontrolled Tariff option is priced higher recognising a higher willingness to pay for consumers that do not want their hot-water load interrupted. Similarly, the Residential Night Special tariff is targeted to consumers who are willing to limit their demand at the peak in preference for a lower off peak charge. Our non-standard pricing also partially recognises willingness to pay considerations by consumers that are readily able to bypass the network.
(c) Provided that prices satisfy (a) above, prices should be responsive to the requirements and circumstances of stakeholders in order to:	This suggests Principle A takes priority over these considerations.
(i) discourage uneconomic bypass;	This allows for a discount on price or other incentives being offered to consumers at risk of bypassing MainPower's network. As discussed above, bypass options are likely to be more applicable to larger consumers that have options over where they locate their business or which have access to alternative energy supply (e.g. gas, generation, the transmission grid). MainPower has one consumer that is directly supplied from Transpower's national grid, using MainPower equipment. This consumer could readily bypass MainPower's distribution network in favour of a direct connection to the grid. To recognise this risk, MainPower has entered into a non-standard contract with this consumer and prices are set with reference to the actual (or incremental cost) of offering these services. This discourages uneconomic bypass to the Transmission grid.
(ii) allow for negotiation to better reflect the economic value of services and enable stakeholders to make price/quality trade-offs or non-standard arrangements for services; and	This principle allows for negotiation over price in recognition of different levels of service (e.g. redundancy) or non-standard arrangements (greater fixed charge component to reduce risk). As discussed above, MainPower has one non-standard contract and is willing to negotiate on price and quality outcomes and non-standard arrangements with other consumers where necessary. In addition to pricing this consumer based on actual costs incurred, a flat fixed charge is applied which reduces variability price for the consumer. Price and quality trade-offs are also sometimes addressed as part of our capital contributions policy. For instance, if a consumer requires specialist equipment or connection redundancy then a contribution is typically sought from the consumer to recover these costs.
(iii) where network economics warrant, and to the extent practicable, encourage investment in transmission and distribution alternatives (eg distributed generation or demand response)	This principle seeks to encourage the development of distributed generation, load control, and technological innovation. MainPower's does not levy annual charges on the connection of small scale distributed generation to the network. This provides appropriate incentives for consumers to invest in distributed generation as they do not face any additional distribution costs beyond that related to their standard ICP connection. Furthermore,

and technology innovation.	distributed generation will usually lower a consumers variable distribution charges resulting in lower annual charges. This further provides incentives to invest in this technology. Where MainPower does incur upfront costs in relation to connecting distributed generation, which is unlikely, this will be dealt with as part of our capital contributions policy. Currently there is no large scale distributed generation connected to our network. We will develop a pricing methodology for this type of distributed generation as required. Demand response measures are encouraged through the use of our Residential Controlled and Residential Night Special tariff options, which are priced attractively to incentivise consumers to offer up interruptible load or reduce their demand at the day time peak, respectively.
(d) Development of prices should be transparent, promote price stability and certainty for stakeholders, and changes to prices should have regard to the impact on stakeholders.	This principle requires EDBs to consider the impact of pricing structure changes on consumers (e.g. to be cognisant of price shock). MainPower's pricing structures have not changed materially since 2001, resulting in a stable pricing framework over the last decade. As part of our current review of pricing, we will consider the need to transition consumers to new tariffs over time to avoid price shock. The principle also requires the development of prices to be transparent. We consider that the information provided in this pricing methodology provides adequate explanation of how we have set prices and the rationale for doing so.
(e) Development of prices should have regard to the impact of transaction costs on retailers, consumers and other stakeholders and should be economically equivalent across retailers.	This principle was added by the EA out of concern that some EDB tariff structures were overly complex, creating transaction costs for retailers and consumers. It also sought to minimise the potential for prices to be structured in a way which might favour certain retailers over others. The objective of this being to enhance retail competition on distribution networks. MainPower has a conveyance form of contractual relationship with our consumers. We directly bill consumers via the retailer, but retailers are not charged directly. This reduces the transaction costs for retailers. Our current prices are not overly complex, align with industry standard pricing, and do not favour one retailer over another.

The EA's information disclosure guidelines accompanying these pricing principles are summarised in Appendix A. These guidelines are similar to the requirements of the IDD. We have had regard to these guidelines and believe we have presented our pricing methodology consistent with them.

APPENDIX A: SUMMARY OF REGULATORY REQUIREMENTS RELATING TO EDB PRICING METHODOLOGIES

MainPower's EDB is subject to regulation under Part 4 of the, as administered by the Commission. Our consumer ownership means we are exempt from direct price control under Part 4[3]. This is because consumer ownership and oversight provides the necessary incentives for MainPower to set prices consistent with the purpose of regulation under Part 4 in the long term interests of our consumers. However, MainPower remains subject to regulatory oversight in the form of information disclosures specified by the Commission under the IDD.

MainPower is also subject to the Electricity Industry Participation Code ("Code") and various regulations and guidance, as administered by the Electricity Authority ("EA") under the Electricity Industry Act 2010.

The key regulatory requirements directly applicable to this pricing methodology are:

- Section 2.4.1 – 2.4.5 of the IDD regarding the disclosure of pricing methodologies
- the EA's electricity distribution pricing principles and information disclosure guidelines
- the 'Electricity (Low Fixed Charge Tariff Option for Domestic Consumers) Regulations 2004' (the "Low Fixed Charge Regulations")
- Schedule 6.4 of Part 6 of the Code, which sets out pricing principles for distributed generation.

We discuss the key aspects of each of these requirements below.

Commerce Commission Information Disclosure Determination

On 1 October 2012 the Commission determined new requirements in respect of the disclosure of information by EDBs. These requirements replace the previous 2008 Information Disclosure Requirements. The requirements relating to the disclosure of pricing methodologies are specified in Section 2.4.1 - 2.4.5 of the IDD. While many of these existed in the previous information disclosure requirements, the new IDD requirements represent a significant step up in the information required to be disclosed.

As part of these requirements, all EDBs must publicly disclose their electricity pricing methodology prior to the start of the disclosure year (starting 1 April each year) or, where the pricing methodology has changed[4], 20 working days before any price change takes effect.

The pricing methodology must describe the methodology used to calculate electricity distribution prices, including:

- sufficient information to enable interested persons to understand how prices are set for each consumer group
- a description of the extent to which the pricing methodology is consistent with the EA's pricing principles (discussed below)
- information on target revenue to be recovered through prices

[3] Under Section 54G(2) of Part 4 of the Commerce Act 1986

[4] In terms of the pricing approach rather than the pricing methodology document

- the rationale for consumer groupings and the method used to allocate consumers to these groups;
- details of the EDB's 5 year pricing strategy
- information on the approach taken to pricing non-standard consumers
- information on the approach taken to pricing distributed generation, including any payments made to distributed generators
- an explanation of whether, and if so how, the EDB has sought the views of consumers in regards to their expectations on price and quality and how these views have been reflected in determining prices.

A copy of the IDD can be found on the Commission's website.

Electricity Authority Pricing Principles and Economic and Decision Making Framework

In February 2010, the EA[5] adopted a set of pricing principles detailing economic and stakeholder considerations relevant to the development of distribution prices. These pricing principles are voluntary for EDBs to adopt, but EDBs must disclose the extent to which their pricing methodologies are consistent with the pricing principles. These pricing principles are set out in section 4 of this report.

The EA has also developed a set of information disclosure guidelines which provide guidance on the type of information that should be provided in the pricing methodology, as set out as follows:.

(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.

(b) The pricing methodology disclosed should demonstrate:

  (i) how the methodology links to the pricing principles and any non-compliance;

  (ii) the rationale for consumer groupings and the method for determining the allocation of consumers to the consumer groupings;

  (iii) quantification of key components of costs and revenues;

  (iv) an explanation of the cost allocation methodology and the rationale for the allocation to each consumer grouping;

  (v) an explanation of the derivation of the tariffs to be charged to each consumer group and the rationale for the tariff design; and

  (vi) 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.

(c) The pricing methodology should:

  (i) employ industry standard terminology, where possible; and

[5] Then called the Electricity Commission

(ii) 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.

Low Fixed Charge Regulations

The Low Fixed Charge Regulations require retailers to offer domestic consumers a tariff option with a fixed charge not exceeding 30 cents per day (excluding GST and after prompt payment discounts). The tariff option must be set so that consumers taking up the option are no worse off than other domestic tariff options at 8,000 kWhs per annum (9,000kWhs in the lower South Island).

To facilitate retailers meeting these obligations, distributors are required to offer a similar tariff option to domestic consumers (whether directly to consumers or through the retailer). The distributor's daily fixed charge must not exceed 15 cents per day and the tariff option must be set to ensure consumers taking it up are no worse off than under other domestic tariff options at 8,000kWhs.

Distributed Generation Pricing Principle

Part 6 of the Code deals with the connection of distributed generation to distribution networks. It sets out a connections process as well as regulated terms and conditions that apply should parties fail to agree to an alternative connection contract.

Clause 19 of schedule 6.2 requires connection charges payable by distributed generators to be determined in accordance with a set of pricing principles set out in schedule 6.4. Clause 2 of schedule 6.4 sets out that the key pricing principle is that charges must be based on the reasonable costs incurred to connect the distributed generation including consideration of any avoided costs. Clause 2(a) of schedule 6.4 sets a cap on prices at the incremental cost of connecting DG, net of any avoided costs.

APPENDIX B: REGULATORY COMPLIANCE CHECKLIST

IDD Clause	Disclosure Requirement	Pricing Methodology Reference
2.4.1	Every EDB must publicly disclose, before the start of each disclosure year, a pricing methodology which-	This Pricing Methodology will be published on our website prior to 1 April 2013.
2.4.1(1)	Describes the methodology, in accordance with clause 2.4.3 below, used to calculate the prices payable or to be payable;	See below for document references to compliance against clause 2.4.3.
2.4.1(2)	Describes any changes in prices and target revenues;	Prices have not changed as at 1 April 2013. Changes in target revenues are described in Section 3, pages 8-9 under the heading 'Target Revenue' and in Figure 1. Total target revenues have increased to reflect connection and consumption growth forecasts. The component costs of target revenue have changed to reflect revised budgets.
2.4.1(3)	Explains, in accordance with clause 2.4.5 below, the approach taken with respect to pricing in non-standard contracts and distributed generation (if any);	See below for document references to compliance against clause 2.4.5.
2.4.1(4)	Explains whether, and if so how, the EDB has sought the views of consumers, including their expectations in terms of price and quality, and reflected those views in calculating the prices payable or to be payable. If the EDB has not sought the views of consumers, the reasons for not doing so must be disclosed.	The details of our previous consultation with consumers on their price and quality expectations is discussed in section 3, page 14 under the heading 'Consumer Consultation on Price and Quality Expectations. While this consultation has not been factored into this year's pricing decisions, given prices have not changed, we have considered this feedback as part of our historical pricing decisions.
2.4.2	Any change in the pricing methodology or adoption of a different pricing methodology, must be publicly disclosed at least 20 working days before prices determined in accordance with the change or the different pricing methodology take effect.	Not applicable. MainPower has not changed prices and our pricing methodology has not changed. This document has solely been updated from that of our 2012 pricing methodology to reflect the new IDD disclosure requirements.

2.4.3	Every disclosure under clause 2.4.1 above must-	
2.4.3(1)	Include sufficient information and commentary to enable interested persons to understand how prices were set for each consumer group, including the assumptions and statistics used to determine prices for each consumer group;	MainPower considers this document provides sufficient information on how prices have been set. A glossary is provided in section 1 of terms commonly used in this document. Section 2 provides relevant context to our pricing decisions and signals potential outcomes of our current pricing review. Section 3 sets out the key inputs, assumptions, considerations and decisions made in respect of our pricing, consistent with the IDD disclosure requirements. Appendix A and B provides further information on the regulatory requirements relating to pricing methodologies and summarises where in the document we have shown compliance. Section 4 details the extent to which our pricing methodology is consistent with the EA's pricing principles. Appendix D details final tariffs, consumer statistics and target revenue information.
2.4.3(2)	Demonstrate the extent to which the pricing methodology is consistent with the pricing principles and explain the reasons for any inconsistency between the pricing methodology and the pricing principles;	See Section 4. MainPower considers that our pricing is consistent with the pricing principles. We also discuss how potential changes to our pricing, signalled as part of our pricing review, may align more closely with these principles.
2.4.3(3)	State the target revenue expected to be collected for the disclosure year to which the pricing methodology applies;	See Section 3, Figure 1 on page 9 and Appendix D. Figure 1 compares this year's target revenue to our previous year's target revenue by cost component. Appendix D details the breakdown of target revenue by tariff and cost component.
2.4.3(4)	Where applicable, identify the key components of target revenue required to cover the costs and return on investment associated with the EDB's provision of electricity lines services. Disclosure must include the numerical value of each of the components;	See section 3, page 8-9 under the heading 'Target Revenue'. Figure 1 on page 10 and Appendix D provides numerical values for each cost component.

2.4.3(5)	State the consumer groups for whom prices have been set, and describe- a) the rationale for grouping consumers in this way; b) the method and the criteria used by the EDB to allocate consumers to each of the consumer groups;	See Section 3, page 9 – 11 under the heading 'Consumer Groups'. Pricing regions broadly reflect the MainPower Trust boundary. Tariff options have been developed for residential and non-residential consumers, with special tariffs developed to either incentivise efficient usage of the network or to recognise specific cost profiles.
2.4.3(6)	If prices have changed from prices disclosed for the immediately preceding disclosure year, explain the reasons for changes, and quantify the difference in respect of each of those reasons;	Not applicable. Prices have not changed from those effective 1 April 2012.
2.4.3(7)	Where applicable, describe the method used by the EDB to allocate the target revenue among consumer groups, including the numerical values of the target revenue allocated to each consumer group, and the rationale for allocating it in this way;	See Section 3, page 11 under the heading 'Allocation of Costs to Consumer Groups'. Costs are directly attributed to consumer groups and tariffs where possible. Shared costs are allocated using appropriate cost allocators reflective of key network drivers. Appendix D provides the numerical values of target revenue allocated to each consumer group.
2.4.3(8)	State the proportion of target revenue (if applicable) that is collected through each price component as publicly disclosed under clause 2.4.18.	Appendix D details the proportion of target revenue to be collected from each consumer group consistent with how tariffs are published in our pricing schedules.
2.4.4	Every disclosure under clause 2.4.1 above must, if the EDB has a pricing strategy-	
2.4.4(1)	Explain the pricing strategy for the next 5 disclosure years (or as close to 5 years as the pricing strategy allows), including the current disclosure year for which prices are set;	Our pricing strategy is discussed in section 2, page 4-6 under the heading 'Pricing Review and Pricing Strategy'. This strategy is subject to the outcomes of our review.
2.4.4(2)	Explain how and why prices for each consumer group are expected to change as a result	See Section 2, page 5 under the heading 'Pricing Review and Pricing Strategy'. MainPower is unable to describe how prices will change as

	of the pricing strategy;	a result of applying our pricing strategy as the details of our pricing review have yet to be finalised. We plan to consult extensively with consumers, retailers, and other affected parties to gain feedback on any proposed changes later this year. As part of this, we will provide information on how different consumer groups will be affected.
2.4.4(3)	If the pricing strategy has changed from the preceding disclosure year, identify the changes and explain the reasons for the changes.	See Section 2, page 4 under the heading 'Pricing Review and Pricing Strategy'. This pricing strategy is new. MainPower did not have a formal published pricing strategy in our 2012 pricing methodology. Our current strategy may also change pending the outcomes of our pricing review.
2.4.5	Every disclosure under clause 2.4.1 above must-	
2.4.5(1)(a) and (b)	Describe the approach to setting prices for non-standard contracts, including- a) the extent of non-standard contract use, including the number of ICPs represented by non-standard contracts and the value of target revenue expected to be collected from consumers subject to non-standard contracts; b) how the EDB determines whether to use a non-standard contract, including any criteria used; c) any specific criteria or methodology used for determining prices for consumers subject to non-standard contracts and the extent to which these criteria or that methodology are consistent with the pricing principles;	See Section 3, pages 13 under the heading 'Non-Standard Pricing'. MainPower seeks to recover actual costs incurred from this consumer, reflective of the incremental costs of the assets and costs to operate and maintain the connection. A small administration fee is also charged. See Section 4 for a discussion of the extent to which our non-standard pricing aligns with the pricing principles. Prices are greater than incremental costs associated with the consumer and are priced to discourage bypass to the transmission grid.
2.4.5(2)	Describe the EDB's obligations and responsibilities (if any) to consumers subject to non-standard contracts in the event that the supply of electricity lines services to the consumer is interrupted. This description must explain- a) the extent of the differences in the relevant terms between standard contracts and	See Section 3, pages 13 under the heading 'Non-Standard Pricing'. MainPower's obligations and responsibilities in the event of an interruption to supply are no different to that of any other standard large user. However, our sole non-standard consumer does have a

	non-standard contracts; b) any implications of this approach for determining prices for consumers subject to non-standard contracts;	higher level of circuit redundancy which might result in quicker restorations time. This is reflected in charges through the higher value of assets associated with these circuits.
2.4.5(3)	Describe the EDB's approach to developing prices for electricity distribution services provided to consumers that own distributed generation, including any payments made by the EDB to the owner of any distributed generation, and including the- (a) prices; and (b) value, structure and rationale for any payments to the owner of the distributed generation.	See Section 3, pages 13 - 14 under the heading 'Distributed Generation Pricing'. MainPower does not currently charge distributed generation connections. Physical connections costs are usually immaterial and are dealt with under our normal capital contributions policy. MainPower does not make payments to distributed generation connections. Avoided costs are recognised in our decision not to charge distributed generators for conveyance of electricity.
2.9.1	Where an EDB is required to publicly disclose any information under clause 2.4.1, clause 2.6.1 and subclauses 2.6.3(4) and 2.6.5(3), the EDB must at that time publicly disclose a certificate in the form set out in Schedule 17 in respect of that information, duly signed by 2 directors of the EDB.	See Appendix C for Directors Certification

APPENDIX C: DIRECTORS CERTIFICATION

MainPower New Zealand Limited
5 High Street, PO Box 346
Rangiora 7440, New Zealand
Tel: +64 3 311 8300 Fax: +64 3 311 8301
www.mainpower.co.nz

CERTIFICATE FOR YEAR-BEGINNING DISCLOSURE
Pursuant to Clause 2.9.1 of section 2.9

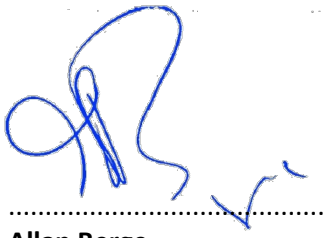
We, WYNTON GILL COX and ALLAN BERGE, being Directors of MainPower New Zealand Limited, certify that, having made all reasonable enquiry, to the best of our knowledge:

a) The following attached information of MainPower New Zealand Limited prepared for the purposes of clause 2.4.1 of the Electricity Information Disclosure Determination 2012 in all material respects complies with that determination; and

b) The prospective financial or non-financial information included in the attached information has been measured on a basis consistent with regulatory requirements or recognised industry standards.

.....
Wynton Gill Cox

5 April 2013



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Allan Berge

5 April 2013

APPENDIX D: KEY TARIFF, CONSUMER STATISTICS AND TARGET REVENUE

MainPower New Zealand Limited — **Appendix D**

1 April 2013 Disclosure of Lines Services Pricing Methodology

Line Service Charges and Revenue exclude GST and Prompt Payment Discounts

Customer Groupings and Categories	Line Services Charging Schedule at 1 April 2013										Pricing History at 1 April 2013				Customer Statistics 2013-2014				Revenue Requirement 2013-2014						Line Business Operating Costs (Target Revenue) 2013-2014						Return (Targeted)		Return (Maximum)	
	Distribution						Transmission		Total		Date Introduced		Previous Charge						Distribution						Operational Expenditure									
	Fixed Charge		Variable Charge				Variable		Variable		Fixed	Variable	Fixed	Variable	Customer	Installed	kWhs	Chargeable	Fixed	Variable	Trans Variable	Total Lines	Total Lines	Other	Total	Trans					Total	Surplus	Return	Return	
MainPower Region ICPs - MP Consumer Group															Numbers	Capacity	Delivered	Demand						Revenue*	Revenue	Costs**	Admin & O/Hs	Ops & Mtce	Depreciation	Taxation*	Costs	After Tax	on Assets	at WACC	WACC
Net Equity 2012-2013 $221,998,667	Code	cents/day	Code	c/kWh	Code	c/kWh	Code	c/kWh			Date	Date	cents/day	c/kWh	Nos	kVA	kWhs	kWs	$	$	$	$	% of total	$	$	$	$	$	$	$	$	$	%	$	%
General Supply																																				
General Supply Fixed Charge - cents per Day																																				
Residential Controlled Supply	101	0 15.000	101	1 6.652	101	5 2.197	101	9 8.849			01-Sep-01	01-Mar-12	NA	7.898	24,874	)			1,361,865			1,361,865	2.97%												
Residential Controlled Supply Low User Option	111	0 15.000	111	1 6.652	111	5 2.197	111	9 8.849			01-Oct-04	01-Mar-12	NA	7.898	0	)			0			0													
Residential Uncontrolled Supply	102	0 60.000	102	1 6.652	102	5 2.197	102	9 8.849			01-Sep-01	01-Mar-12	NA	7.898	822				180,111			180,111	0.39%												
Residential Night Special Low User Option	113	0 0.000	113	1 6.652	113	5 2.197	113	9 8.849			01-Oct-04	01-Mar-12	NA	7.898	0				0			0													
Non Residential - General supply	121	0 50.000	121	1 6.652	121	5 2.197	121	9 8.849			01-Sep-01	01-Mar-12	NA	7.898	5,183				945,892			945,892	2.07%												
Irrigation kW Connected Charge (45,745 kW)	124	0 2.000	124	1 6.652	124	5 2.197	124	9 8.849			01-Sep-01	01-Mar-12	NA	7.898	1,065				333,940			333,940	0.73%												
Council Pumping	125	0 15.000	125	1 6.652	125	5 2.197	125	9 8.849			01-Sep-01	01-Mar-12	NA	7.898	187				10,238			10,238	0.02%												
Street Lighting	126	0 0.000	126	1 6.652	126	5 2.197	126	9 8.849			01-Sep-01	01-Mar-12	NA	7.898	170				0			0													
Right of Way Lighting	127	0 0.000	127	1 6.652	127	5 2.197	127	9 8.849			01-Sep-01	01-Mar-12	NA	7.898	50				0			0													
Under Verandah Lighting	128	0 0.000	128	1 6.652	128	5 2.197	128	9 8.849			01-Sep-01	01-Mar-12	NA	7.898	30				0			0													
Large User Group	130	0 50.000	130	1 6.652	130	5 2.197	130	9 8.849			01-Sep-01	01-Mar-12	NA	7.898	18				3,285			3,285	0.01%												
General Supply Variable Charge - cents per kWh																																				
Variable Charge - all Units				6.652		2.197		8.849			01-Sep-01	01-Mar-12	NA	7.898			436,391,186			29,327,079	9,686,048	39,013,127	85.22%												
Variable Charge - Volume Discount																				-840,000	0	-840,000	-1.83%												
Total General Supply															**32,400**		**436,391,186**		**2,835,331**	**28,487,079**	**9,686,048**	**41,008,458**	**89.57%**												
Other Supply Fixed and Variable Charge																																				
Residential Night Special	103	0 15.000	103	1 5.144	103	5 0.220	103	9 5.364			01-Oct-04	01-Mar-12	NA	4.879	2,100		6,349,950		114,975	285,492	12,210	412,677	0.90%												
Residential Night Special - Low User Option	113	0 0.000	113	1 5.904	113	5 2.197	113	9 8.101			NA	01-Mar-12	NA	7.616	0		0		0	35,424	13,182	48,606	0.11%												
Residential Uncontrolled Supply Low User Option	112	0 15.000	112	1 8.866	112	5 2.197	112	9 11.063			NA	01-Mar-12	NA	9.951	110		206,025		6,023	51,866	12,852	70,741	0.15%												
Temporary Supply	122	0 100.000	122	1 8.731	122	5 2.197	122	9 10.928			01-Feb-10	01-Mar-12	NA	9.891	425		0		155,125	44,528	11,205	210,858	0.46%												
Total MainPower Region Consumer Group															**32,935**	**348,148**	**442,947,161**	**71,396**	**3,111,454**	**28,904,389**	**9,735,497**	**41,751,340**	**91.20%**	**8,925,164**	**50,676,504**	**8,930,519**	**7,789,678**	**3,290,911**	**9,526,401**	**5,090,639**	**34,628,148**	**16,048,356**	**7.23**	**15,317,908**	**6.90**
* Includes both Actual and Notional Taxation																																				
MainPower ICPs - Non-Standard	Code	$/day	Code	c/kWh	Code	c/kWh	Code	c/kWh			Date	Date	cents/day	c/kWh	Nos	kVA	kWhs	kWs	$	$	$	$	% of total	$	$	$	$	$	$	$	$	$	%	$	%
Net Equity 2012-2013 $1,282,705																																				
Total Non-Standard Consumer Group	140	0 60.625	140	1 0.000	140	5 1.525	140	9 1.525			01-Sep-01	01-Apr-11	NA	1.694	**1**	**10,575**	**67,500,000**	**7,908**	**221,280**	**0**	**1,357,076**	**1,578,356**	**3.45%**	**0**	**1,578,356**	**1,357,076**	**45,000**	**53,874**	**56,053**	**15,979**	**1,527,982**	**50,374**	**3.93**	**88,507**	**6.90**
Kaiapoi Region ICPs - KE Consumer Group																																				
Net Equity 2012-2013 $5,858,814	Code	cents/day	Code	c/kWh	Code	c/kWh	Code	c/kWh			Date	Date	cents/day	c/kWh	Nos	kVA	kWhs	kWs	$	$	$	$	% of total	$	$	$	$	$	$	$	$	$	%	$	%
General Supply																																				
General Supply Fixed Charge - cents per Day																																				
Residential Controlled Supply	201	0 15.000	201	1 3.381	201	5 3.563	201	3 6.944			01-Nov-05	01-Mar-12	NA	5.993	1,954	)			106,973			106,973	0.23%												
Residential Controlled Supply Low User Option	211	0 15.000	211	1 3.381	211	5 3.563	211	3 6.944			01-Nov-05	01-Mar-12	NA	5.993	0	)			0			0													
Residential Uncontrolled Supply	202	0 60.000	202	1 3.381	202	5 3.563	202	3 6.944			01-Nov-05	01-Mar-12	NA	5.993	4				876			876	0.002%												
Residential Night Special Low User Option	213	0 0.000	213	1 3.381	213	5 3.563	213	3 6.944			01-Nov-05	01-Mar-12	NA	5.993	0				0			0													
Non Residential - General supply	221	0 50.000	221	1 3.381	221	5 3.563	221	3 6.944			01-Nov-05	01-Mar-12	NA	5.993	210				38,325			38,325	0.08%												
Council Pumping	225	0 15.000	225	1 3.381	225	5 3.563	225	3 6.944			01-Nov-05	01-Mar-12	NA	5.993	16				885			885	0.00%												
Street Lighting	226	0 0.000	226	1 3.381	226	5 3.563	226	3 6.944			01-Nov-05	01-Mar-12	NA	5.993	5				0			0													
Right of Way Lighting	227	0 0.000	227	1 3.381	227	5 3.563	227	3 6.944			01-Nov-05	01-Mar-12	NA	5.993	20				0			0													
Under Verandah Lighting	228	0 0.000	228	1 3.381	228	5 3.563	228	3 6.944			01-Nov-05	01-Mar-12	NA	5.993	56				0			0													
Large User Group	230	0 50.000	230	1 3.381	230	5 3.563	230	3 6.944			01-Nov-05	01-Mar-12	NA	5.993	5				913			913	0.002%												
General Supply Variable Charge - cents per kWh																						0														
Variable Charge - all Units				3.381		3.563		6.944			01-Nov-05	01-Mar-12	NA	5.993			37,574,865			957,747	1,009,302	1,967,049	4.30%												
Variable Charge - Volume Discount																				-91,800	0	-91,800	-0.20%												
Total General Supply															**2,270**		**37,574,865**		**147,970**	**865,947**	**1,009,302**	**2,023,219**	**4.42%**												
Other Supply Fixed and Variable Charge																																				
Residential Night Special	203	0 15.000	203	1 3.103	203	5 0.356	203	3 3.459			01-Nov-05	01-Mar-12	NA	2.974	180		578,550		9,855	13,033	1,495	24,383	0.05%												
Residential Night Special - Low User Option	213	0 0.000	213	1 2.633	213	5 3.563	213	3 6.196			NA	01-Mar-12	NA	5.711	0				0	1,685	2,280	3,965	0.01%												
Residential Uncontrolled Supply Low User Option	212	0 15.000	212	1 5.595	212	5 3.563	212	3 9.158			01-Nov-05	01-Mar-12	NA	8.046	2				110	671	428	1,208	0.003%												
Temporary Supply	222	0 100.000	222	1 8.731	222	5 2.197	222	3 10.928			01-Feb-10	01-Mar-12	NA	9.891	5		0		1,825	524	132	2,481	0.01%												
Total Kaiapoi Region Consumer Group															**2,277**	**17,750**	**38,153,415**	**7,793**	**159,760**	**881,860**	**1,013,637**	**2,055,257**	**4.49%**	**137,536**	**2,192,793**	**1,088,492**	**494,256**	**119,581**	**252,896**	**57,210**	**2,012,435**	**180,358**	**3.08**	**404,258**	**6.90**
Wigram Region ICPs - WIG Consumer Group																																				
Net Equity 2012-2013 $1,1,267,882	Code	cents/day	Code	c/kWh	Code	c/kWh	Code	c/kWh			Date	Date	cents/day	c/kWh	Nos	kVA	kWhs	kWs	$	$	$	$	% of total	$	$	$	$	$	$	$	$	$	%	$	%
General Supply																																				
General Supply Fixed Charge - cents per Day																																				
Residential Controlled Supply	301	0 15.000	301	1 3.788	301	5 4.473	301	3 8.261			01-Sep-01	01-Mar-12	NA	7.605	243	)			13,304			13,304	0.03%												
Residential Controlled Supply Low User Option	311	0 15.000	311	1 3.788	311	5 4.473	311	3 8.261			01-Oct-04	01-Mar-12	NA	7.605		)			0			0													
Residential Uncontrolled Supply	302	0 60.000	302	1 3.788	302	5 4.473	302	3 8.261			01-Sep-01	01-Mar-12	NA	7.605	3				657			657	0.001%												
Residential Night Special Low User Option	313	0 15.000	313	1 3.788	313	5 4.473	313	3 8.261			01-Oct-04	01-Mar-12	NA	7.605	0				0			0													
Non Residential - General supply	321	0 50.000	321	1 3.788	321	5 4.473	321	3 8.261			01-Sep-01	01-Mar-12	NA	7.605	21				3,833			3,833	0.01%												
Street Lighting	326	0 0.000	326	1 3.788	326	5 4.473	326	3 8.261			01-Sep-01	01-Mar-12	NA	7.605	3				0			0													
General Supply Variable Charge - cents per kWh																																				
Variable Charge - all Units				3.788		4.473		8.261			01-Sep-01	01-Mar-12	NA	7.605			4,624,138		0	172,636	203,855	376,491	0.82%												
Variable Charge - Volume Discount																																				
Total General Supply															**270**		**4,624,138**		**17,794**	**172,636**	**203,855**	**394,285**	**0.86%**												
Other Supply Fixed and Variable Charge																																				
Residential Night Special	303	0 20.000	303	1 3.786	303	5 0.447	303	3 4.233			01-Nov-01	01-Mar-12	NA	3.631	10		24,000		741	909	107	1,757	0.004%												
Residential Night Special - Low User Option	313	0 0.000	313	1 3.410	313	5 4.473	313	3 7.883			NA	01-Mar-12	NA	7.281					0	0	0	0													
Residential Uncontrolled Supply Low User Option	312	0 15.000	312	1 6.002	312	5 4.473	312	3 10.475			01-Oct-04	01-Mar-12	NA	9.658	0		0		0	0	0	0													
Temporary Supply	322	0 100.000	322	1 8.731	322	5 2.197	322	3 10.928			01-Feb-10	01-Mar-12	NA	9.891	1		0		365	105	26	496	0.001%												
Total Wigram Region Consumer Group															**271**	**2,300**	**4,648,138**	**1,230**	**18,900**	**173,650**	**203,989**	**396,538**	**0.87%**	**21,862**	**418,400**	**241,806**	**79,660**	**22,097**	**55,405**	**4,680**	**403,648**	**14,752**	**1.16**	**87,484**	**6.90**
	Code	cents/day	Code	c/kWh	Code	c/kWh	Code	c/kWh			Date	Date	cents/day	c/kWh	Nos	kVA	kWhs	kWs	$	$	$	$	% of total	$	$	$	$	$	$	$	$	$	%	$	%
Net Equity 2012-2013 $221,115,352																																				
Total all Consumer Groups															**35,484**	**378,773**	**553,248,714**	**88,327**	**3,511,393**	**29,959,898**	**12,310,199**	**45,781,490**	**100.00%**	**9,084,562**	**54,866,052**	**11,617,893**	**8,408,594**	**3,486,463**	**9,890,755**	**5,168,508**	**38,572,213**	**16,293,839**	**7.07**	**15,898,157**	**6.90**