

MainPower New Zealand Limited (“MainPower”)

Lines Business Price Path Threshold Compliance Statement Commerce Act (Electricity Distribution Thresholds) Notice 2004

Price Path Threshold - Para 5(1)(a)

MainPower’s Notional Revenue at 31 March 2009 is not to exceed the Allowable Notional Revenue under the CPI-X Price Path at 31 March 2009 calculated in accordance with Table A.

MainPower’s Notional Revenue at 31 March 2009 is \$414,119 more than its Allowable Notional Revenue under the CPI-X Price Path at 31 March 2009 and therefore the Price Path Threshold under Para 5(1)(a) is breached.

This breach is a technical breach only and is the result of lower than anticipated Transpower Transmission charges incurred by MainPower during the financial year ended 31 March 2009.

Transpower’s total fixed Connection and Interconnection charge for the financial year commencing 1 April 2009 totals \$9,161,859, and represents an increase of \$524,352 over the previous year’s total of \$8,637,507.

MainPower has resolved not to recover this increased cost by way of a line charge price movement at 1 April 2009, and therefore will continue to hold these charges at 1 April 2008 levels.

MainPower is of the view that the decision to hold its prices represents a fair and equitable means of returning the amount of the breach to all its customers.

Table A - Price Path Threshold - Para 5 (1)(a)

$\frac{NR_{2009}}{R_{2009}}$		\leq	1
$\frac{\sum P_{i,2009} Q_{i,2005} - K_{2009}}{R_{2008} [(1 + \Delta CPI_{2009} - 1) (1 - X)]}$	=	$\frac{\$29,307,380 - \$7,640,254}{(\$20,860,880) (1.039589)(0.98)}$	
	=	$\frac{\$21,667,126}{\$21,253,007}$	
	=	1.019485	
	=	\geq	1
			Therefore Threshold breached.

Price Path Threshold - Para 5(1)(b)

MainPower's Notional Revenue at any time during the assessment period ended 31 March 2009 is not to exceed the greater of the Allowable Notional Revenue at 31 March 2009 and the Allowable Notional Revenue at 31 March 2008 calculated in accordance with Table B.

MainPower's Notional Revenue at any time during the assessment period ended 31 March 2009 is more than the Allowable Notional Revenue at 31 March 2009 and the Allowable Notional Revenue at 31 March 2008, therefore the Price Path Threshold under Para 5(1)(b) is breached.

Table B - Price Path Threshold - Para 5 (1)(b)

$NR_{\text{Max } 01/04/08 - 31/03/09}$		\leq	1
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$ANR_{\text{Max } (01/04/08, 31/03/09)}$			
$\frac{\sum P_{i, \text{Max } 2009} Q_{i, 2005} - K_{2009}}{\text{Max } (ANR_{2009}, ANR_{2008})}$		\leq	1
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$\frac{\sum P_{i, \text{Max } 2009} Q_{i, 2005} - K_{2009}}{\text{Max } (R_{2008}), [(R_{2008})(1 + \Delta \text{CPI}_{2009} - 1)(1 - X)]}$	=		$\frac{\$29,307,380 - \$7,640,254}{\text{Max } (\$20,860,880), ((\$20,860,880)(1.039589)(0.98))}$
	=		$\frac{\$21,667,126}{\text{Max } (\$20,860,880)(\$21,253,007)}$
	=		$\frac{\$21,667,126}{\$21,253,007}$
	=		1.019485
		\geq	1
Therefore Threshold breached			

Explanation

Notional Revenue	- Revenue less pass-through costs.
$\sum P_{i,2009} Q_{i,2005}$	- Revenue as at 31 March 2009 based on 31 March 2009 price structure and year ended 31 March 2005 quantities. Being \$29,307,380 as per Appendix 1.
Q_i	- Base quantity for the year ended 31 March 2005.
K_{2009}	- The sum of the transmission charges, rates and Electricity Commission levies for year ended 31 March 2009. Being \$7,640,254 as per Appendix 2.
R_{2008}	- The allowable notional revenue under the CPI – X Price Path for the year ended 31 March 2008. Being – $R_{2007} [(1 + \Delta \text{CPI}_{2008} - 1) (1 - X)]$ $= (\$20,792,418)(1.023768)(0.98)$ $= \$20,860,880$
X	- 2% - as per Schedule 1 of the Commerce Act (Electricity Distribution Thresholds) Notice 2004.
ΔCPI_{2009}	- 1.039589 being the average change in the All Groups SE9A Consumer Price Index over the calendar year ended 31 December during the assessment period

Notional Revenue

All Fixed and Variable Line Function Services have been included in the above calculation.

The following sources of revenue have been excluded from the calculation of Notional Revenue:

- Connection, Disconnection or Reconnection Services charged to Energy Retailers;
- The value of assets vested in MainPower by customers in the form of customer contributions;
- Non-conveyance revenues including interest, rents and profit on sale of assets.

**Lines Business Quality Threshold Compliance Statement
Commerce Act (Electricity Distribution Thresholds) Notice 2004**

Quality Threshold - Para 6(1)(a) – Interruption Duration SAIDI

MainPower’s SAIDI for the Assessment Period, the 12 month-period ended 31 March 2009, is not to exceed the five-year average SAIDI to 31 March 2003, calculated in accordance with the following table.

MainPower’s SAIDI for the 12-month period ended on the Assessment Date, 31 March 2009 does not exceed MainPower’s five-year average SAIDI and therefore the Quality Threshold under Para 6(1)(a) is not breached.

$$\begin{array}{rcl}
 SAIDI_{2009} & \leq & \left(\frac{SAIDI_{1999} + SAIDI_{2000} + SAIDI_{2001} + SAIDI_{2002} + SAIDI_{2003}}{5} \right) \\
 146.25 & \leq & \left(\frac{195.29_{1999} + 90.33_{2000} + 148.45_{2001} + 151.85_{2002} + 150.29_{2003}}{5} \right) \\
 146.25 & \leq & 147.24
 \end{array}$$

Quality Threshold - Para 6(1)(b) – Interruption Frequency SAIFI

MainPower’s SAIFI for the Assessment Period, the 12 month-period ended 31 March 2009, is not to exceed the five-year average SAIFI to 31 March 2003, calculated in accordance with the following table.

MainPower’s SAIFI for the 12-month period ended on the Assessment Date, 31 March 2009 does not exceed MainPower’s five-year average SAIFI and therefore the Quality Threshold under Para 6(1)(b) is not breached.

$$\begin{array}{rcl}
 SAIFI_{2009} & \leq & \left(\frac{SAIFI_{1999} + SAIFI_{2000} + SAIFI_{2001} + SAIFI_{2002} + SAIFI_{2003}}{5} \right) \\
 1.33 & \leq & \left(\frac{2.08_{1999} + 1.44_{2000} + 2.12_{2001} + 1.22_{2002} + 1.69_{2003}}{5} \right) \\
 1.33 & \leq & 1.71
 \end{array}$$

MainPower New Zealand Limited

Summary - Line Services Revenue, 31 March 2005 Quantities, 31 March 2009 Rates

Excludes GST

Appendix 1

	Tariff Codes	Distribution		Trans	Total	Total	Distribution Revenue		Trans Revenue	Total Revenue	Calculated
		Fixed	Variable				Fixed	Variable			Tariff
		Tariff Cents Per day	Tariff Cents per kWh	Tariff Cents per kWh	Tariff Cents per kWh	Actual Cust/kWs Days/ kWhs	\$	\$	\$	\$	Cents/day
Mainpower ICPs											
Fixed Charges											
Residential Controlled Supply	101, 129,	15,000				7,092,360	1,063,854			1,063,854	15,000
Residential Controlled Supply - Low User Option	111	15,000				169,593	25,439			25,439	15,000
Residential Uncontrolled Supply	102	60,000				212,798	127,679			127,679	60,000
Residential Uncontrolled Supply - Low User Option	112	15,000				21,520	3,228			3,228	15,000
Residential Night Special	103	15,000				931,373	139,706			139,706	15,000
Residential Night Special - Low User Option	113	0,000				7,980	0			0	0,000
Industrial, Commercial, Farming, Community	121, 123, 130, 131	50,000				1,612,318	806,159			806,159	50,000
Temporary Supply	122	200,000				67,588	135,176			135,176	200,000
Irrigation Per kW Connected	124	2,000				8,809,832	176,197			176,197	2,000
Council Pumping	125	15,000				47,559	7,134			7,134	15,000
CHH Panels Mill (100% Fixed Distribution Line Charge)	0	60624.658				365	221,280			221,280	60,624.658
Variable Charges											
Residential Uncontrolled Supply - Low User Option	112		7.396	1.778	9.174	0	0	0	0	0	0,000
Residential Night Special	103		4.384	0.000	4.384	7,979,729	349,831	0	0	349,831	4.384
All Other Supply	101, 102, 113, 121, 123, 124, 125, 126, 127, 128, 129, 130, 131										
CHH Panels Mill Transmission Charge Only. Based on actual cost	0		5.343	1.778	7.121	329,541,067	17,202,205	5,859,240	23,061,445	938,995	6.998
			0.000	Actual	Actual	72,450,531	0	938,995	938,995		Actual
MainPower - Total Distribution and Transmission Line Revenue						409,971,327	2,705,851	17,552,036	6,798,235	27,056,122	5.897
* Includes Volume Discount of \$405,174.70											
Kaipoi Electricity ICPs											
Fixed Charges											
Residential Controlled Supply	201, 229	15,000				856,597	128,490			128,490	15,000
Residential Controlled Supply - Low User Option	211	15,000				41,466	6,220			6,220	15,000
Residential Uncontrolled Supply	202	60,000				13,623	8,174			8,174	60,000
Residential Uncontrolled Supply - Low User Option	212	15,000				440	66			66	15,000
Residential Night Special	203	15,000				128,917	19,338			19,338	15,000
Residential Night Special - Low User Option	213	0,000				6,930	0			0	0,000
Industrial, Commercial, Farming, Community	221, 223, 230, 231	50,000				115,568	57,784			57,784	50,000
Temporary Supply	222	200,000				2,637	5,274			5,274	200,000
Council Pumping	225	15,000				4,864	730			730	15,000
Variable Charges											
Residential Uncontrolled Supply - Low User Option	212		4.945	2.324	7.269	0	0	0	0	0	0,000
Residential Night Special	203		2.479	0.000	2.479	894,391	22,172	0	0	22,172	2.479
All Other Supply	201, 202, 213, 221, 223, 225, 226, 227, 228, 229, 230, 231										
			2.892	2.324	5.216	35,502,646	941,116	825,081	1,766,198		4.975
Kaipoi Electricity - Total Distribution and Trans Line Revenue						36,397,037	226,074	963,288	825,081	2,014,444	4.721
* Includes Volume Discount of \$85,620.08											
Wigram ICPs											
Fixed Charges											
Residential Controlled Supply	301, 329	15,000				48,291	7,244			7,244	15,000
Residential Controlled Supply - Low User Option	311	15,000				3,052	458			458	15,000
Residential Uncontrolled Supply	302	60,000				3,362	2,017			2,017	60,000
Residential Uncontrolled Supply - Low User Option	312	15,000				0	0			0	0,000
Residential Night Special	303	20,000				2,475	495			495	20,000
Residential Night Special - Low User Option	313	0,000				0	0			0	0,000
Industrial, Commercial, Farming, Community	321, 323, 330, 331	50,000				10,543	5,272			5,272	50,000
Temporary Supply	322	200,000				176	352			352	200,000
Council Pumping	325	15,000				0	0			0	0,000
Variable Charges											
Residential Uncontrolled Supply - Low User Option	313		5.137	3.771	8.908	0	0	0	0	0	0,000
Residential Night Special	303		2.828	0.377	3.205	11,588	328	44	371		3.205
All Other Supply	301, 302, 313, 321, 323, 325, 326, 327, 328, 329, 330, 331										
			3.084	3.771	6.855	3,218,165	99,248	121,357	220,605		6.855
Wigram Network - Total Distribution and Trans Line Revenue						3,229,753	15,837	99,576	121,401	236,814	5.867
Total Distribution and Trans Line Revenue						449,598,117	2,947,763	18,614,900	7,744,717	29,307,380	5.802

MainPower New Zealand Limited
Pass Through Cost Year Ended 31 March 2009
TransPower Transmission Charges.

Appendix 2

Year Ended 31 March 2008	\$
New Investment Charge	0
Connection Charge	3,189,822
Interconnection Charge	5,438,197
Economic Value Adjustment	836,357
Transition Adjustment	0
Sub Total	7,791,662
Transmission Rentals	460,809
Intrim Rebate	0
Ancillary Charges	0
Wigram	159,176
Total Transmission Cost	7,490,029
Year Ended 31 March 2009	\$
New Investment Charge	190,450
Connection Charge	3,510,198
Interconnection Charge	5,127,309
Economic Value Adjustment	0
Transition Adjustment	0
Sub Total	8,827,957
Transmission Rentals	1,551,043
Intrim Rebate	0
Ancillary Charges	0
Wigram	182,296
Total Transmission Cost	7,459,210
Increase(Decrease)	30,819
Local Body Rates	
	\$
Year Ended 31 March 2008	115,777
Year Ended 31 March 2009	123,670
Increase(Decrease)	7,893
Electricity Commission Levies	
	\$
Year Ended 31 March 2008	56,511
Year Ended 31 March 2009	57,374
Increase(Decrease)	863
Total Year Ended 31 March 2008	7,662,317
Total Year Ended 31 March 2009	7,640,254
Total Increase(Decrease)	22,063