

MainPower New Zealand Limited (“MainPower”)

Lines Business Price Path Threshold Compliance Statement

Notional Revenue from the First Assessment date, 6 September 2003, to the Second Assessment Date, 31 March 2004.

MainPower’s Notional Revenue at any time during the period from the First Assessment date to the Second Assessment date is not to exceed its Notional Revenue at the First Assessment date calculated in accordance with the following table.

MainPower’s Notional Revenue at the Second Assessment date is greater than its Notional Revenue at the First Reference date by \$519,938 and therefore the Price Threshold is breached by this amount.

Supporting information is provided as Appendices 1 and 2.

Price Path Threshold - Para 5(c)

$\sum_{i.2004}^P Q_{i0} - C_{T2004} - C_{R2004}$	$\leq \sum_{i.0}^P Q_{i0} - C_{T2003} - C_{R2003}$
= \$24,508,877 - \$5,682,094 - \$120,957	\leq \$24,508,877 - \$6,205,736 - \$117,253
= \$18,705,826	\leq \$18,185,888
Difference	= \$519,938
$\sum_{i.2004}^P Q_{i0}$ - revenue as at 31 March 2004 based on 31 March 2003 Quantities	$\sum_{i.0}^P Q_{i0}$ - minimum revenue between 6 September 2003 and 31 March 2004 at 31 March 2003 Quantities
C_{T2004} - Actual transmission for year ended 31 March 2004	C_{T2003} - Budgeted transmission for year ended 31 March 2004
C_{R2004} - Actual rates for year ended 31 March 2004	C_{R2003} - Budgeted rates for year ended 31 March 2004

Revenue at Second Assessment date is greater than revenue at First Reference date by \$519,938 and therefore Price Threshold is breached.

MainPower leases and operates the network assets of Kaiapoi Electricity Limited. The above calculation of the Price Path Threshold is inclusive of Kaiapoi Electricity’s network assets.

MainPower is of the opinion that this breach is a technical breach only for the following reasons:

- (i) Transpower’s budgeted transmission charges for the financial year commencing 1 April 2004 are \$6,428,837, or \$746,743 above the actual transmission charges of \$5,682,094 for the financial year ended 31 March 2004, or \$223,101 above the budgeted transmission charges for the 2003-2004 financial year.
- (ii) Additional revenue of \$519,938 is approximately the same amount as the shortfall in revenue resulting from MainPower’s tariff restructuring, i.e. \$507,523, and which was disclosed in support of the Price Path Compliance Statement at the First Assessment date - 6 September 2003.
- (iii) The actual transmission charges and rates for the year ended 31 March 2003, were \$5,642,102 and \$88,060 respectively. If MainPower had budgeted its 2004 costs at the same level as the 2003 actual charges, MainPower’s Notional Revenue at the First Reference Date would have been \$18,778,715 which is greater than the Notional Revenue at the Second Assessment Date.

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

Quality Threshold - Para 6(1)(a)

MainPower's SAIDI for the 12-month period ended on the Second Assessment date is not to exceed MainPower's five-year average SAIDI calculated in accordance with the following table.

MainPower's SAIDI for the 12-month period ended on the Second Assessment date does not exceed MainPower's five-year average SAIDI and therefore complies with the Quality Threshold.

Interruption Duration - SAIDI

$SAIDI_{2004}$	\leq	$\left(\frac{SAIDI_{1999} + SAIDI_{2000} + SAIDI_{2001} + SAIDI_{2002} + SAIDI_{2003}}{5} \right)$
94.03	\leq	$\left(\frac{195.29_{1999} + 90.33_{2000} + 148.45_{2001} + 151.85_{2002} + 150.29_{2003}}{5} \right)$
94.03	\leq	147.24

The SAIDI for the 12 month period ended 31 March 2004 does not exceed the five-year average SAIDI, therefore the Quality Threshold is not breached.

Calculation of SAIDI is inclusive of the operation of the network assets of Kaiapoi Electricity Limited. MainPower leases and operates these assets.

Quality Threshold - Para 6(1)(b)

MainPower's SAIFI for the 12-month period ended on the Second Assessment date is not to exceed MainPower's five-year average SAIDI calculated in accordance with the following table.

MainPower's SAIFI for the 12-month period ended on the Second Assessment date does not exceed MainPower's five-year average SAIDI and therefore complies with the Quality Threshold.

Interruption Frequency - SAIFI

$SAIFI_{2004}$	\leq	$\left(\frac{SAIFI_{1999} + SAIFI_{2000} + SAIFI_{2001} + SAIFI_{2002} + SAIFI_{2003}}{5} \right)$
1.16	\leq	$\left(\frac{2.08_{1999} + 1.44_{2000} + 2.12_{2001} + 1.22_{2002} + 1.69_{2003}}{5} \right)$
1.16	\leq	1.71

The SAIFI for the 12 month period ended 31 March 2004 does not exceed the five-year average SAIFI, therefore the Quality Threshold is not breached.

Calculation of SAIFI is inclusive of the operation of the network assets of Kaiapoi Electricity Limited. MainPower leases and operates these assets.

Customer Information - Para 6(1)(e)

Quality of Goods and Services and the Price/Quality Trade-off

(a) Major Customers (greater than 1 GWh per annum) - 12 customers

- The quality of goods and services supplied and the price/quality trade-off was the subject of consultation with MainPower's 12 major customers.
- The results of this consultation are currently being reviewed by MainPower's management. Any changes in policy will be separately disclosed in MainPower's Asset Management Plan to be publicly available prior to 30 June 2004.

(b) Other Customers (i.e. customers less than 1 GWh per annum)

- A Customer Survey was forwarded to a randomly selected statistical sample of 500 MainPower customers covering all tariff categories.
- 34.6% of customers surveyed returned a completed questionnaire.
- The information has been the subject of independent analysis by Patricia De Souza, MBA Programme, University of Canterbury, supervised by Dr Kevin Voges and Dr David Ripley, University of Canterbury and this analysis has been reviewed by MainPower's management.
- Mr Derek Todd of DST Consulting, Auckland has been engaged to review this independent analysis on the basis that he will recommend to MainPower any changes in policy and/or operations that will impact on the quality of goods and services to be provided to customers and on the price/quality trade-off for inclusion in MainPower's Asset Management Plan to be made public prior to 30 June 2004.

Further Disclosures and Supporting Information

1. Prices, quantities and revenues are disclosed as Appendix 1.
2. Budgeted and actual transmission charges for the year ended 31 March 2004 is attached as Appendix 2.
3. Budgeted and actual local body rates for the year ended 31 March 2004 is attached as Appendix 2.
4. A report prepared by Deloitte as Auditor in accordance with Clause 7(b) is attached.
5. A certificate prepared in accordance with Clause 7(c) and duly signed by two directors of MainPower is attached.

TO THE READERS OF THE THRESHOLD COMPLIANCE STATEMENTS OF MAINPOWER NEW ZEALAND LIMITED

We have examined the attached statement, being a threshold compliance statement in respect of a price path and quality threshold that was prepared by MainPower New Zealand Limited for assessment on 31 March 2004 and dated 20 May 2004 for the purposes of information requirements set out in Clause 7 of the Commerce Act (Electricity Lines Thresholds) Notice 2003 (“the Notice”).

Directors’ Responsibilities

Clause 7 of the Notice requires the Directors of MainPower New Zealand Limited to prepare certificates that confirm the compliance, or otherwise, of MainPower New Zealand Limited with the thresholds set out in Clauses 4,5 and 6 of that Notice.

Auditor’s Responsibilities

It is our responsibility to express an independent opinion on the threshold compliance statements certified by the Directors and report our opinion to you.

Basis of Opinion

Our audit included examination, on a test basis, of evidence relevant to the amounts and disclosures in the attached threshold compliance statement. It also included assessment of the significant estimates and judgements made by MainPower New Zealand Limited in the preparation of the threshold compliance statement and assessment of whether the basis of preparation has been adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary. We obtained sufficient evidence to give reasonable assurance that the statement is free from material misstatements, whether caused by fraud or error or otherwise. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the statement.

Other than in our capacity as auditor, and the provision of advisory services, we have no relationship or interests in MainPower New Zealand Limited.

Unqualified Opinion

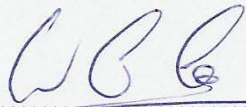
We have obtained all the information and explanations we have required. In our opinion, having made all reasonable enquiry, to the best of our knowledge, the attached threshold compliance statement of MainPower New Zealand Limited, and related information has been prepared in accordance with the Notice, and gives a true and fair view of the performance of MainPower New Zealand Limited as required by the Notice against the thresholds set out in the Notice for assessment on 31 March 2004.



Christchurch, New Zealand
20 May 2004

**CERTIFICATION
OF THRESHOLD COMPLIANCE STATEMENT**

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 and belief, the attached Threshold Compliance Statement of MainPower New Zealand Limited, and related information, prepared for the purposes of the Commerce Act (Electricity Lines Thresholds) Notice 2003 complies with the requirements of that notice.



.....
W G Cox
Director (Chairman)



.....
A Berge
Managing Director

Dated 20/5/2004

MainPower New Zealand Limited

Appendix 1

Summary - Actual Line Services Revenue at 31 March 2004 Prices and year ending 31 March 2003 Quantities

	Tariff Codes	Distribution		Trans Cents per kWh	Total Cents per kWh	Total Actual Customers/ kWhs	Distribution Revenue		Trans Revenue	Total Revenue	Calculated Tariff
		Fixed Cents Per day	Variable Cents per kWh				Fixed	Variable			
Mainpower ICPs											
Fixed Charges											
Residential Controlled Supply	101, 129,	15.000				19,230	1,052,852				15.000
Residential Uncontrolled Supply	102	60.000				432	94,595				60.000
Residential Night Special	103	30.000				2,423	265,306				30.000
Industrial, Commercial, Farming, Community	121, 123, 130, 131	50.000				4,414	805,519				50.000
Temporary Supply	122	200.000				58	42,464				200.000
Irrigation Per kW Connected	124	2.000				16,263	118,720				2.000
Council Pumping	125	15.000				129	7,046				15.000
CHH Panels Mill (100% Fixed Distribution Line Charge)	0	60624.658				1	221,280				60624.658
Variable Charges											
Residential Night Special	103		2.500	0.000	2.500	8,184,801		204,620	0	204,620	2.500
All Other Supply	101, 102, 121, 123, 124, 125, 126, 127, 128, 129, 130, 131, 0		4.784	1.520	6.304	307,093,302	* 14,378,899	4,667,818	19,046,717	6.202	
CHH Panels Mill Transmission Charge Only. Based on actual cost			0.000	Actual	Actual	77,953,105	0	878,622	878,622	Actual	
MainPower - Total Distribution and Transmission Line Revenue						393,231,208	2,607,782	14,583,519	5,546,440	22,737,741	
* Includes Volume Discount of \$310,861											
Kaipoi Electricity ICPs											
Fixed Charges											
Residential Controlled Supply	201, 229	15.000				2,348	128,557				15.000
Residential Uncontrolled Supply	202	60.000				40	8,828				60.000
Residential Night Special	203	30.000				321	35,124				30.000
Industrial, Commercial, Farming, Community	221, 223, 230, 231	50.000				201	36,697				50.000
Temporary Supply	222	200.000				0	0				0.000
Council Pumping	225	15.000				11	619				15.000
Variable Charges											
Residential Night Special	203		1.376	0.000	1.376	867,017		11,930	0	11,930	1.376
All Other Supply	201, 202, 221, 223, 225, 226, 227 228, 229, 230, 231		2.384	1.768	4.152	33,030,459	* 715,603	583,979	1,299,582	3.934	
Kaipoi Electricity Total Distribution and Trans Line Revenue						33,897,476	209,825	727,533	583,979	1,521,337	
* Includes Volume Discount of \$71,843.17											
Wigram ICPs											
Fixed Charges											
Residential Controlled Supply	301, 329	15.000				82	4,516				15.000
Residential Uncontrolled Supply	302	60.000				26	5,749				60.000
Residential Night Special	303	30.000				1	70				30.000
Industrial, Commercial, Farming, Community	321, 323, 330, 331	50.000				41	7,410				50.000
Temporary Supply	322	200.000				1	905				200.000
Council Pumping	325	15.000				0	0				0.000
Variable Charges											
Residential Night Special	303		1.500	0.000	1.500	0		0	0	0	0.000
All Other Supply	301, 302, 321, 323, 325, 326, 327 328, 329, 330, 331		2.500	2.890	5.390	4,730,039		126,971	104,178	231,149	4.887
Wigram Network - Total Distribution and Trans Line Revenue						4,730,039	18,650	126,971	104,178	249,799	
Total Distribution and Trans Line Revenue						431,858,723	2,836,257	15,438,024	6,234,596	24,508,877	
Weighted cents per kWh Revenus 2002-2003										5.675	

Mainpower New Zealand Limited

Budgeted and Actual Transmission Charges Year Ended 31 March 2004

Appendix 2

Year Ended March 2004 (Budget)

	\$
New Investment Charge	190,322
Connection Charge	2,702,561
Interconnection Charge	3,960,794
Economic Value Adjustment	658,092
Transition Adjustment	342,152
Sub Total	5,853,433
Incremental Demand during Year	165,263
Transmission Rentals	473,650
Ancillary Charges	558,845
Wigram	101,845
Total Transmission Cost	6,205,736

Year Ended March 2004 (Actual)

	\$
New Investment Charge	190,319
Connection Charge	2,702,563
Interconnection Charge	3,955,093
Economic Value Adjustment	658,092
Transition Adjustment	342,152
Sub Total	5,847,730
Incremental Demand during Year	0
Transmission Rentals	702,652
Ancillary Charges	447,682
Wigram	89,333
Total Transmission Cost	5,682,094

Mainpower New Zealand Limited

Budgeted and Actual Local Body Rates Year Ended 31 March 2004

Year Ended March 2004 (Budget)

\$

117,253

Year Ended March 2004 (Actual)

120,957