

# **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 2006 is not to exceed the Allowable Notional Revenue under the CPI-X Price Path at 31 March 2006 calculated in accordance with Table A.**

MainPower’s Notional Revenue at 31 March 2006 is less than its Allowable Notional Revenue under the CPI-X Price Path at 31 March 2006 and therefore the Price Path Threshold under Para 5(1)(a) is not breached.

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

**MainPower’s Notional Revenue at any time during the assessment period ended 31 March 2006 is not to exceed the greater of the Allowable Notional Revenue at 31 March 2006 and the Allowable Notional Revenue at 31 March 2005 calculated in accordance with Table B.**

MainPower’s Notional Revenue at any time during the assessment period ended 31 March 2006 is less than the Allowable Notional Revenue at 31 March 2006 and the Allowable Notional Revenue at 31 March 2005, therefore the Price Path Threshold is not breached under Para 5(1)(b).

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

$\frac{NR_{2006}}{R_{2006}}$		$\leq 1$
$\frac{\sum P_{i,2006} Q_{i,2005} - K_{2006}}{R_{2005} [(1 + \Delta CPI_{2006} - 1) (1 - X)]}$	=	$\frac{\$26,085,289 - \$6,081,258}{(\$20,328,231) (1.03037)(0.98)}$
	=	$\frac{\$20,004,031}{\$20,526,687}$
	=	0.97454
	=	$\leq 1$
<b>Therefore Threshold not breached.</b>		

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

$\frac{NR_{\text{Max } 01/04/05 - 31/03/06}}{ANR_{\text{Max } (01/04/05, 31/03/06)}}$		$\leq 1$
$\frac{\sum P_{i, \text{Max } 2006} Q_{i,2005} - K_{2006}}{\text{Max } (ANR_{2006}, ANR_{2005})}$	=	$\frac{\$26,085,289 - \$6,081,258}{\text{Max } (\$20,328,231), ((\$20,328,231)(1.03037)(0.98))}$
	=	$\frac{\$20,004,031}{\text{Max } (\$20,328,231), (\$20,526,687)}$
	=	$\frac{\$20,004,031}{\$20,526,687}$
	=	0.97454
	=	$\leq 1$
<b>Therefore Threshold not breached</b>		

## Explanation

Notional Revenue	- Revenue less pass-through costs.
$\sum P_{i,2006} Q_{i,2005}$	- Revenue as at 31 March 2006 based on 31 March 2006 price structure and year ended 31 March 2005 quantities. Being \$26,085,289 as per Appendix 1.
$Q_i$	- Base quantity for the year ended 31 March 2005.
$K_{2006}$	- The sum of the transmission charges, rates and Electricity Commission levies for year ended 31 March 2006. Being \$6,081,258 as per Appendix 2.
$R_{2005}$	- The allowable notional revenue under the CPI – X Price Path for the year ended 31 March 2005. Being –  $R_{2004} [(1 + \Delta \text{CPI}_{2005} - 1) (1 - X)]$  $= (\$26,081,761 - \$5,803,051)(1.0229)(0.98)$  $= \$20,328,231$
$X$	- 2% - as per Schedule 1 of the Commerce Act (Electricity Distribution Thresholds) Notice 2004.
$\Delta \text{CPI}_{2006}$	- 1.03037 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 2006, 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 2006 does not exceed MainPower's five-year average SAIDI and therefore complies with the Quality Threshold.

$SAIDI_{2006}$	$\leq$	$($	$\frac{SAIDI_{1999} + SAIDI_{2000} + SAIDI_{2001} + SAIDI_{2002} + SAIDI_{2003}}{5}$	$)$
		$($		$)$
103.18	$\leq$	$($	$\frac{195.29_{1999} + 90.33_{2000} + 148.45_{2001} + 151.85_{2002} + 150.29_{2003}}{5}$	$)$
		$($		$)$
103.18	$\leq$		147.24	

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

MainPower's SAIFI for the Assessment Period, the 12 month-period ended 31 March 2006, 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 2006, does not exceed MainPower's five-year average SAIFI and therefore the Quality Threshold under Para 6(1)(b) is not breached.

$SAIFI_{2006}$	$\leq$	$($	$\frac{SAIFI_{1999} + SAIFI_{2000} + SAIFI_{2001} + SAIFI_{2002} + SAIFI_{2003}}{5}$	$)$
		$($		$)$
1.68	$\leq$	$($	$\frac{2.08_{1999} + 1.44_{2000} + 2.12_{2001} + 1.22_{2002} + 1.69_{2003}}{5}$	$)$
		$($		$)$
1.68	$\leq$		1.71	

## **Quality Threshold - Para 6(1)(c)**

### **Customer Communication**

MainPower must, at least once during the period of two years ending 31 March 2006:

- (i) Properly advise its customers about the price-quality trade offs available to them in relation to the goods and services provided by MainPower; and
- (ii) Consult with its customers about the quality of goods and services that they require, with reference to the prices of those goods and services; and
- (iii) Properly consider the views expressed by customers during and after that consultation; and
- (iv) Adequately take these views into account when making its asset management decisions.

MainPower has, during the assessment period ended 31 March 2006, communicated with all customers on price and quality and the trade-offs between price and quality.

Customer communication was in the form of a full page advertisement in newspapers that are circulated free of charge throughout MainPower's region. The advertisement reported on MainPower's historical SAIDI and SAIFI performance for the period 1999 through 2005 and targets for 2006 and compared MainPower's performance against other line companies. The advertisement also provided customers with detail of MainPower's lines service pricing relative to other line companies. A summary of the initiatives taken by MainPower to improve quality was also provided.

A customer survey was undertaken in support of MainPower's advertisement. A statistical sample of one thousand, or approximately 3.3% of all MainPower customers, were provided with the opportunity to complete the survey on the matter of price-quality trade-off.

A number of major customers were also interviewed on the price-quality trade-off and the impact that any trade-off would have on their businesses.

Comments received from customers, as part of the survey, and comments received through the interview process with respect to MainPower's quality and pricing were properly considered and were taken into account when making the company's asset management decisions.

## Information Requirements - Para 7(a)(iii)

Policies and procedures used by MainPower when recording the SAIDI and SAIFI statistics for the 12 months ended 31 March 2006.

### Definitions

“Planned Interruption” means any interruption in respect of which at least 24 hours’ notice was given to the customers affected by the interruption.

“Prescribed Voltage Electric Line” means an electric line that is capable of conveying electricity at a voltage equal to or greater than 3.3 kilovolts.

“Unplanned Interruption” means any interruption in which less than 24 hours’ notice, or no notice, was given to the customers affected by the interruption.

### Policy and Procedure - Inclusions and Exclusions

Only interruptions arising from incidents on Prescribed Voltage Electric Lines are included.

Voltage fluctuations and momentary interruptions of less than one minute are not included.

The operation of a single high voltage fuse supplying a three-phase transformer is excluded.

An interruption caused by the operation of 11kV fuses on transformers supplying up to three customers, is excluded.

### Policy and Procedure - Recording of Statistics

Statistics are based on the actual number of customers at each distribution transformer and the actual number of customers at each 11kV feeder using the Company’s electronic outage management software/GE Network Solutions’ geographical information system.

The duration of a Planned Interruption including staging of disconnection and/or reconnection of supply, is recorded on an actual time basis.

The duration of an Unplanned Interruption including the staging of the associated reconnection of supply, is recorded on an actual time basis, i.e. from the time the supply is interrupted when this is initiated by MainPower without 24 hours’ notice being given, or from the time MainPower is first notified of the interruption.

### Policy and Procedure - Internal Audit

Quality statistics are subject to internal audit.

### Quality Statistics for the Assessment Period ended 31 March 2006

Interruption Class	Average Customer Connections	Classification of Interruptions	SAIDI		SAIFI	
			Customer Minutes	Minutes per Customer Connection	Number of Customer Interruptions	Interruptions per Customer
B		Planned	1,021,518	33.31	4,749	0.16
C		Unplanned	2,142,964	69.87	46,683	1.52
	<b>30,671</b>	<b>Total</b>	<b>3,164,482</b>	<b>103.18</b>	<b>51,432</b>	<b>1.68</b>

## **TO THE READERS OF THE THRESHOLD COMPLIANCE STATEMENTS OF MAINPOWER NEW ZEALAND LIMITED FOR THE ASSESSMENT PERIOD ENDED ON 31 MARCH 2006**

We have examined the attached statement, which is a threshold compliance statement in respect of the price path and the quality threshold prepared by MainPower New Zealand Limited for assessment as at 31 March 2006 and dated 24 May 2006 for the purposes of information requirements set out in Clause 7 of the Commerce Act (Electricity Distribution Thresholds) Notice 2004 ("the Notice"). In this report the attached statement is called "the threshold compliance statement".

### **Directors' Responsibilities**

Directors of MainPower New Zealand Limited are responsible for the certification of the threshold compliance statement in accordance with this Notice.

### **Auditor's Responsibilities**

It is our responsibility to express an independent opinion (in the form prescribed in the Notice) on the threshold compliance statement and report our opinion to you.

We conducted our audit in accordance with the Auditing Standards issued by the Institute of Chartered Accountants of New Zealand.

### **Basis of Opinion – Price Path Threshold; and Quality Threshold: SAIDI and SAIFI Statistics for the Assessment Period ended 31 March 2006**

Our audit included examinations, on a test basis, of evidence relevant to the amounts and disclosures contained in the attached threshold compliance statement and which relate to:

- the price path threshold set out in clause 5 of the Notice; and
- the SAIDI and SAIFI statistics for the assessment period ended on 31 March 2006 which are relevant to those parts of the quality threshold that are set out in clauses 6(1)(a) and 6(1)(b) of the Notice.

It also included assessment of the significant estimates and judgements, if any, 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 of the threshold compliance statement so as to obtain all the information and explanations which we considered necessary, including for the purpose of obtaining sufficient evidence to give reasonable assurance that the threshold compliance statement is free from material misstatements (whether caused by fraud or error). In forming our opinion we also evaluated the overall adequacy of the presentation of information in the threshold compliance statement.

### **Basis of Opinion – Quality Threshold: SAIDI and SAIFI Statistics for the Years Ended 31 March 1999, 2000, 2001, 2002 and 2003.**

In relation to the SAIDI and SAIFI statistics for the years ended 31 March 1999, 2000, 2001, 2002 and 2003 which are relevant to those parts of the quality threshold that are set out in clauses 6(1)(a) and 6(1)(b) of the Notice, we have undertaken procedures to provide reasonable assurance that:

- the amounts and disclosures in the threshold compliance statement relating to those statistics have been correctly taken from the information disclosed by MainPower New Zealand Limited in accordance with the Electricity (Information Disclosure) regulations 1999; and
- those statistics have been calculated based on the source data provided to us. We have not performed audit procedures on the source data.

## **Relationship and Interests**

We have no relationship with or interests in MainPower New Zealand Limited other than in our capacity as auditor and the provision of advisory services. We are not aware of any relationships between our firm and MainPower New Zealand Limited that, in our professional judgement, may reasonably be thought to impair our independence.

## **Opinions**

We have obtained all the information and explanations we have required.

## **Price Path Threshold**

In our opinion, having made all reasonable enquiry, to the best of our knowledge the amounts or details set out in the threshold compliance statement relating to the price path threshold set out in clause 5 of the Notice and related information have been prepared in accordance with the Notice or the request, and give a true and fair view of the performance of MainPower New Zealand Limited against those thresholds for the assessment period ended on 31 March 2006.

## **Quality Threshold: SAIDI and SAIFI Statistics**

In our opinion, having made all reasonable enquiry, to the best of our knowledge:

- a) the SAIDI and SAIFI statistics for the assessment period ended on 31 March 2006 which are relevant to those parts of the quality threshold that are set out in clauses 6(1)(a) and 6(1)(b) of the Notice and related information have been calculated or prepared in accordance with the Notice and in accordance with MainPower New Zealand Limited's policies and procedures for recording SAIDI and SAIFI statistics as disclosed in the threshold compliance statement, and fairly represent the performance of MainPower New Zealand Limited for the assessment period ended on 31 March 2006;
- b) the SAIDI and SAIFI statistics for the years ended 31 March 1999, 2000, 2001, 2002 and 2003, which are relevant to those parts of the quality threshold that are set out in clauses 6(1)(a) and 6(1)(b) of the Notice, have been correctly taken from the information disclosed by MainPower New Zealand Limited in accordance with the Electricity (Information Disclosure) Regulations 1999. Those statistics have been properly calculated based on the unaudited source data provided to us by MainPower New Zealand Limited;
- c) the SAIDI and SAIFI statistics for the assessment period ended on 31 March 2006, together with the SAIDI and SAIFI statistics for the years ended 31 March 1999, 2000, 2001, 2002 and 2003, give a true and fair view of the performance of MainPower New Zealand Limited against those parts of the quality threshold that are set out in clauses 6(1)(a) and 6(1)(b) of the Notice for the assessment period ended on 31 March 2006.

Our audit was completed on 24 May 2006 and our opinion is expressed as at that date.



Christchurch, New Zealand

*This audit report relates to the threshold compliance statements of MainPower New Zealand Limited (MainPower) for the year ended 31 March 2006 included on MainPower's website. MainPower directors are responsible for the maintenance and integrity of Mainpower's website. We have not been engaged to report on the integrity of MainPower's website. We accept no responsibility for any changes that may have occurred to the threshold compliance statements since they were initially presented on the website.*

*The audit report refers only to the threshold compliance statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the threshold compliance statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the hard copy of the audited threshold compliance statements and related audit report dated 24 May 2006 to confirm the information included in the audited threshold compliance statements presented on this website.*

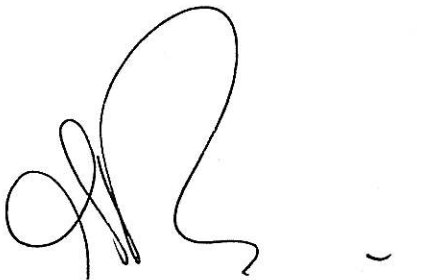


**CERTIFICATION OF  
THRESHOLD COMPLIANCE STATEMENT**

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 Distribution Thresholds) Notice 2004 complies with the requirements of that notice.



W G Cox  
Director (Chairman)



A Berge  
Managing Director

Dated 24 May 2006

# MainPower New Zealand Limited

## Appendix 1

Summary - Line Services Revenue, 31 March 2005 Quantities, 31 March 2006 Rates.

Excludes GST

	Tariff Codes	Distribution		Trans	Total	Total	Distribution Revenue		Trans	Total	Calculated
		Fixed	Variable				Fixed	Variable	Revenue	Revenue	Tariff
		Cents Per day	Tariff Cents per kWh	Tariff Cents per kWh	Tariff Cents per kWh	Actual Cust/KWhs Days/ kWhs	\$	\$	\$	\$	Cents/day
<b>Mainpower ICPS</b>											
<b>Fixed Charges</b>											
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	139,708			139,708	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
<b>Variable Charges</b>											
Residential Uncontrolled Supply - Low User Option	112		6.837	1.520	8.357	0	0	0	0	0	0.000
Residential Night Special	103		3.567	0.000	3.567	7,979,729	284,637	0	0	284,637	3.567
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		4.784	1.520	6.304	329,541,067	15,408,351	5,009,024	20,417,375	769,615	6.196
	0		0.000	Actual	Actual	72,450,531	0	769,615	769,615	Actual	Actual
<b>MainPower - Total Distribution and Transmission Line Revenue</b>						<b>409,971,327</b>	<b>2,705,851</b>	<b>15,692,988</b>	<b>5,778,639</b>	<b>24,177,479</b>	<b>5.897</b>
* Includes Volume Discount of \$357,313											
<b>Kaipoi Electricity ICPS</b>											
<b>Fixed Charges</b>											
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				115,588	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
<b>Variable Charges</b>											
Residential Uncontrolled Supply - Low User Option	212		4.437	2.015	6.452	0	0	0	0	0	0.000
Residential Night Special	203		1.662	0.000	1.662	894,391	14,865	0	0	14,865	1.662
All Other Supply	201, 202, 213, 221, 223, 225, 226, 227, 228, 229, 230, 231										
			2.384	2.015	4.399	35,502,646	762,007	715,378	1,477,385		4.161
<b>Kaipoi Electricity - Total Distribution and Trans Line Revenue</b>						<b>36,397,037</b>	<b>226,074</b>	<b>776,872</b>	<b>715,378</b>	<b>1,718,325</b>	<b>4.721</b>
* Includes Volume Discount of \$84,376											
<b>Wigram ICPS</b>											
<b>Fixed Charges</b>											
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
<b>Variable Charges</b>											
Residential Uncontrolled Supply - Low User Option	313		4.553	2.890	7.443	0	0	0	0	0	0.000
Residential Night Special	303		1.740	0.000	1.740	11,588	202	0	0	202	1.743
All Other Supply	301, 302, 313, 321, 323, 325, 326, 327, 328, 329, 330, 331										
			2.500	2.890	5.390	3,218,165	80,454	92,992	173,446		5.390
<b>Wigram Network - Total Distribution and Trans Line Revenue</b>						<b>3,229,753</b>	<b>15,837</b>	<b>80,656</b>	<b>92,992</b>	<b>189,485</b>	<b>5.867</b>
<b>Total Distribution and Trans Line Revenue</b>						<b>449,598,117</b>	<b>2,947,763</b>	<b>16,550,516</b>	<b>6,587,010</b>	<b>26,085,289</b>	<b>5.802</b>

**Mainpower New Zealand Limited  
TransPower Transmission Charges.**

**Appendix 2**

**Year Ended 31 March 2005**

	\$
New Investment Charge	0
Connection Charge	2,698,157
Interconnection Charge	4,085,435
Economic Value Adjustment	0
Transition Adjustment	0
<b>Sub Total</b>	<b>6,783,592</b>
Transmission Rentals	381,887
Ancillary Charges	0
Wigram	102,357
<b>Total Transmission Cost</b>	<b>6,504,062</b>

**Year Ended 31 March 2006**

	\$
New Investment Charge	0
Connection Charge	2,684,078
Interconnection Charge	4,643,871
Economic Value Adjustment	669,802
Transition Adjustment	0
<b>Sub Total</b>	<b>6,658,147</b>
Transmission Rentals	858,026
Ancillary Charges	20,000
Wigram	122,848
<b>Total Transmission Cost</b>	<b>5,942,969</b>

**Increase(Decrease)**

**561,093**

**Local Body Rates**

**Year Ended 31 March 2005**

\$  
**126,358**

**Year Ended 31 March 2006**

**103,213**

**Increase(Decrease)**

**23,145**

**Electricity Commission Levies**

**Year Ended 31 March 2005**

\$  
**55,560**

**Year Ended 31 March 2006**

**35,076**

**Increase(Decrease)**

**20,485**

**Total Year Ended 31 March 2005**

**6,685,980**

**Total Year Ended 31 March 2006**

**6,081,258**

**Total Increase(Decrease)**

**604,722**