

Network Tasman Limited

281 Queen Street
PO Box 3005
Richmond 7031
Nelson, New Zealand

Tel: 64-3-544 8098
Toll-free: 0800 508 098
Email: info@networktasman.co.nz
Website: www.networktasman.co.nz

**IN ACCORDANCE WITH THE COMMERCE ACT (ELECTRICITY LINES THRESHOLDS)
NOTICE 2003**

PRICE PATH THRESHOLD COMPLIANCE STATEMENT

Pursuant to:

**Commerce Act (Electricity Lines Thresholds) Notice 2003
Section 5.1(a) & 5.1(b)**

As at 1st Assessment Date: 06 September 2003.

Network Tasman Limited certifies that:

- a). The audited information attached, including the
 - price path threshold assessment (Tables 1,2 & 7)
 - network pricing information (Tables 5 & 8)
 - network base quantity information (Table 6)
 - transmission cost information (Tables 3 & 9)
 - network rates expense information (Table 4)has been prepared for the purposes of, and complies with, the requirements of Sections 5.1(a) and 5.1(b) of the Commerce Act (Electricity Lines Thresholds) Notice 2003 and Sections 57G and 57T of the Commerce Act 1986.
- b). The price path threshold assessment (Table 1), performed at the first assessment date of 6 September 2003, confirms Network Tasman Limited has complied with the NZ Commerce Commission's price pathway threshold requirements detailed in Sections 5.1(a) and 5.1(b) of the Commerce Act (Electricity Lines Thresholds) Notice 2003.
- c). Network Tasman Limited's price path threshold assessment, in accordance with the Gazette Notice, has included all revenue derived from the supply of specified and non-contestable line function services. For avoidance of doubt, revenue used for the threshold assessment includes all non contestable revenue derived from supply of the following specified services:
 - Electricity conveyance services under Use of Systems Agreements with electricity retailers
 - Electricity conveyance services under Direct Connection Agreements with electricity consumers

- Access to capacity charges levied directly on new electrical loads at the time of their connection to Network Tasman Limited's electricity network.
- a). In accordance with the Gazette Notice, the following items of revenue, derived from non specified and non conveyancing line business activities, have been excluded from the from the threshold assessment:
- Interest income
 - Profit on sale of assets
 - Value of assets vested with Network Tasman Limited by consumers
 - Other miscellaneous income unrelated to the sale of electricity conveyancing services
- b). Network Tasman Limited does not own or operate any electrical contracting facility nor does it provide any electrical contracting services to electricity consumers on a non-contestable basis. Any charges borne by electricity consumers for network extensions, reinforcements or repairs and maintenance, within Network Tasman's geographical area, are determined in a contestable environment with all work being performed by third parties.

Dated: 23 October 2003

Part 5.1 PRICE PATH THRESHOLD COMPLIANCE ASSESSMENTS
As at 1st Assessment Date: 6 September 2003.

TABLE 1. ASSESSMENTS 5.1a AND 5.1b

Test 5.1A: Notional Revenue at First Assessment date									
Condition: Notional Revenue at 6 September 2003 (LH side) is not to exceed minimum Notional Revenue at anytime from 08 Aug 2001 to 06 Sep 2003 (RH side of equation)									
$\text{Sum}(P_{2003}Q_{i0}) - C_{T2003} - C_{R2003} \leq \text{Sum}(P_0Q_{i0}) - C_{T2002} - C_{R2002}$									
	R_{2003}	C_{T2003}	C_{R2003}	$NR_{(06/09/03)}$	\leq	$P_{i,0}Q_{i0}$	C_{T2002}	C_{R2002}	$NR_{(08/08/01 - 06/06/03)}$
Total	25,067,980	7,192,569	5,500	17,869,911	\leq	25,067,980	7,192,569	5,500	17,869,911
<i>Source</i>	<i>Table 7</i>	<i>Table 3</i>	<i>Table 4</i>			<i>Table 2</i>	<i>Table 2</i>	<i>Table 4</i>	

Breach		
Test		
Test	Is LH≤RH	Result
A	Yes	No breach

Test 5.1B: Revenue from Publication Date to the First Assessment Date			
Condition: Revenue _(6/9/03) not to exceed Revenue _(6/6/03 - 6/9/03)			
	$\text{Sum}(P_{2003}Q_{i0})$	\leq	$\text{Sum}(P_iQ_{i0})$
Total	25,067,980	\leq	25,067,980

Breach Test		
Test	Is LH≤RH	Result
B	Yes	No breach

TABLE 2.

For 5.1a Determine Minimum Notional Revenue

For right hand side of equation in test A, Table 1

Revenue ($P_{i,0}Q_{i0}$)	Period		
	To 31 Mar 02	To 31 Mar 03	To 06 Jun 03
Total Revenue	24,563,972	25,247,295	25,067,980

Cost

C_{T2002}	5,747,049	7,183,013	7,192,569
C_{R2002}	5,511	5,705	5,500
Total Cost	5,752,560	7,188,718	7,198,069

Notional Revenue	18,811,412	18,058,577	17,869,911
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Revenue sourced from Table 7, Costs from Table 3 & 4

TABLE 3
Network Tasman Gazetted Revenue and Transmission Costs

		Total
YE 2002 <i>Actual</i>	Revenue Total excl LRR	23,959,717
	LRR pass through	(727,532)
	Total Revenue incl LRR	23,232,185
	Costs Purch excl LRR	7,506,574
	LRR pass through	(1,759,525)
	C_{T2002}	5,747,049

		Total
YE 2003 <i>Actual</i>	Revenue Total excl LRR	25,551,515
	LRR pass through	(338,394)
	Total Revenue incl LRR	25,213,122
	Costs Purch excl LRR	8,018,710
	LRR pass through	(835,697)
	C_{T2002}	7,183,013

		Total
YE 2004 <i>Budget</i>	Revenue Total excl LRR	25,588,966
	LRR pass through	(401,914)
	Total Revenue incl LRR	25,187,052
	Costs Purch excl LRR	8,158,659
	LRR pass through	(966,090)
	C_{T2003}	7,192,569

TABLE 4. Rates Costs

C_R

Year Ending	Actual or Budget	Amount	Source
March-02	Actual	5,511	Information disclosure, Line Business Financial Statements YE March 2002
March-03	Actual	5,705	Information disclosure, Line Business Financial Statements YE March 2003
March-04	Budget	5,500	Budget 2003-04, Network Division

Inputs to Table 1, Test A

TABLE 5 Prices

All excluding GST

Fixed/ Variable	Group/ Category	NTL Code	Price P ₀ 08/08/2001 to 31/03/2002	Price P ₁ 01/04/2002 to 31/03/2003	Price P ₂₀₀₃ 01/04/2003 to 06/09/2003	Price Unit	Region (fixed charges)
VARIABLE CHARGES	1	B24	6.00	5.75	5.75	c/kWh	
		BDD	6.85	6.45	6.45	c/kWh	
		BND	2.01	1.40	1.40	c/kWh	
		BNO	1.53	1.40	1.40	c/kWh	
		BOP	3.05	3.00	3.00	c/kWh	
		BWS	1.39	1.60	1.60	c/kWh	
		DDD	4.30	4.60	4.60	c/kWh	
		DND	1.58	1.40	1.40	c/kWh	
		DNO	1.19	1.40	1.40	c/kWh	
		DST	4.24	4.30	4.30	c/kWh	
		DWS	1.65	1.60	1.60	c/kWh	
		I24	2.71	3.55	3.55	c/kWh	
		IRD	2.77	3.95	3.95	c/kWh	
		IRN	1.23	1.40	1.40	c/kWh	
		LAP	4.74	4.75	4.75	c/kWh	
	1L	DST	4.24	6.10	6.10	c/kWh	
		DWS	1.65	2.20	2.20	c/kWh	
	2	B24	5.95	5.75	5.75	c/kWh	
		BDD	6.74	6.45	6.45	c/kWh	
		BND	1.98	1.40	1.40	c/kWh	
		BNO	1.49	1.40	1.40	c/kWh	
		BOP	3.02	3.00	3.00	c/kWh	
		BWS	1.36	1.60	1.60	c/kWh	
		DDD	4.14	4.60	4.60	c/kWh	
		DND	1.54	1.40	1.40	c/kWh	
		DNO	1.15	1.40	1.40	c/kWh	
		DST	3.92	4.30	4.30	c/kWh	
		DWS	1.62	1.60	1.60	c/kWh	
		I24	2.56	3.55	3.55	c/kWh	
		IRD	2.80	3.95	3.95	c/kWh	
		IRN	1.23	1.40	1.40	c/kWh	
		LAP	4.72	4.75	4.75	c/kWh	
	2s	B24	3.83	3.80	3.80	c/kWh	
		BDD	4.22	4.20	4.20	c/kWh	
		BND	1.20	1.10	1.10	c/kWh	
		BWS	0.89	1.25	1.25	c/kWh	
	3.1	Summer Day	0.35	0.35	0.35	c/kWh	
		Summer Night	0.33	0.33	0.33	c/kWh	
		Winter Day	0.74	0.74	0.74	c/kWh	
		Winter Night	0.33	0.33	0.33	c/kWh	
	3.3 & 3.4	Summer Day	1.11	1.11	1.11	c/kWh	
		Summer Night	1.01	1.01	1.01	c/kWh	
		Winter Day	3.44	3.44	3.44	c/kWh	
		Winter Night	1.01	1.01	1.01	c/kWh	
	3.5	Summer Day	1.11	1.11	0.80	c/kWh	
		Summer Night	1.01	1.01	0.80	c/kWh	
		Winter Day	3.44	3.44	2.50	c/kWh	
		Winter Night	1.01	1.01	0.80	c/kWh	
FIXED	0	0UNM	34.0	34.0	34.0	c/icp per day	All GXP
		CHD	0.0	0.0	0.0	nil	All GXP
		0STL	28.39	28.39	28.39	c/W/yr	All GXP
		0TBX	90	90	90	c/day	All GXP
	1	1A	44.61	45.00	45.00	c/icp/day	Stoke
		1A	47.25	45.00	45.00	c/icp/day	Motueka
		1B	50.45	52.00	52.00	c/icp/day	Motupipi
		1B	52.06	52.00	52.00	c/icp/day	Murchison
		1B	52.06	52.00	52.00	c/icp/day	Kikiwa
		1LFC	45	15.0	15.0	c/icp/day	All GXP
	2	2	14.77	14.77	14.77	\$/kVA/pa	All GXP
		2S	24.96	24.96	24.96	\$/kVA/pa	All GXP
		2SFX	3,000	3,000	3,000	\$/icp/yr	All GXP
	3.1	Anytime	16.56	16.56	16.56	\$/kVA/pa	All GXP
		Anytime	23.16	23.16	23.16	\$/kVA/pa	All GXP
	3.3 & 3.5	Anytime	24.72	24.72	24.72	\$/kVA/pa	All GXP
		Anytime	24.72	24.72	24.72	\$/kVA/pa	All GXP
	3.4	Anytime	24.72	24.72	24.72	\$/kVA/pa	All GXP
		Anytime	24.72	24.72	24.72	\$/kVA/pa	All GXP
	3 All Cats	Winter	45.57	45.57	45.57	\$/kVA/pa	All GXP
		Winter	45.57	45.57	45.57	\$/kVA/pa	All GXP
	G6		1,168,219	1,596,809	1,506,426	Annual Charge	Stoke
	NEL		1,281,637	1,619,751	1,561,113	Annual Charge	Stoke
	New Connections	CC	5.170	5.170	5.170	\$/kVA-km	All GXP

TABLE 6. Base Quantities (Q_{i0})				
As at 31 March 2003				
Fixed/ Variable	Group/Category	NTL Code/ description	Quantity Qi0	Quantity Unit
VARIABLE CHARGES	1	B24	20,021,702	kWh
		BDD	655,101	kWh
		BND	418,402	kWh
		BNO	503,881	kWh
		BOP	145,973	kWh
		BWS	2,492,690	kWh
		DDD	532,756	kWh
		DND	345,051	kWh
		DNO	7,576,185	kWh
		DST	123,645,084	kWh
		DWS	64,031,861	kWh
		I24	1,378,942	kWh
		IRD	190,191	kWh
		IRN	124,945	kWh
		LAP	23,914	kWh
	1L	DST	1,013,195	kWh
		DWS	600,311	kWh
	2	B24	47,640,684	kWh
		BDD	7,400,683	kWh
		BND	3,484,943	kWh
		BNO	714,238	kWh
		BOP	406,727	kWh
		BWS	4,670,060	kWh
		DDD	557,867	kWh
		DND	344,364	kWh
		DNO	309,228	kWh
		DST	3,348,802	kWh
		DWS	1,013,279	kWh
		I24	1,472,728	kWh
		IRD	2,358,841	kWh
		IRN	1,162,632	kWh
		LAP	0	kWh
	2s	B24	304,190	kWh
		BDD	1,456,297	kWh
		BND	353,989	kWh
		BWS	73,568	kWh
	3.1	Summer Day	3,798,540	kWh
		Summer Night	1,466,453	kWh
		Winter Day	2,884,687	kWh
		Winter Night	1,174,881	kWh
	3.3 & 3.4	Summer Day	33,679,549	kWh
		Summer Night	12,679,678	kWh
		Winter Day	24,179,912	kWh
		Winter Night	9,096,718	kWh
	3.5	Summer Day	2,849,108	kWh
		Summer Night	1,344,024	kWh
		Winter Day	1,793,286	kWh
		Winter Night	848,882	kWh
FIXED CHARGES	0	0UNM	79	icp
		CHD	59	icp
		0STL	513,014	W
		0TBX	136	icp
	1	1A	18,882	icp
		1A	6,726	icp
		1B	2,658	icp
		1B	845	icp
		1B	716	icp
		1LFC	429	icp
	2	2	83,390	kVA
		2S	970	kVA
		2SFX	7	icp
	3.1	Anytime	2,152	kVA
	3.3 & 3.5	Anytime	4,577	kVA
	3.4	Anytime	27,078	kVA
	3 All Cats	Winter	29,644	kVA
	G6			Annual Fixed Charge
	NEL			Annual Fixed Charge
	New Connections	CC	22,960	kVA-km

TABLE 7. Revenue PQ_{i0}

Group/Category		NTL Code	P ₀ Q _{i0} 08/08/01 to 31/03/2001	P ₁ Q _{i0} 01/04/2002 to 31/03/2003	P ₂₀₀₃ Q _{i0} 01/04/2003 to 06/09/2003
VARIABLE CHARGES	1	B24	1,201,302	1,151,248	1,151,248
		BDD	44,874	42,254	42,254
		BND	8,410	5,858	5,858
		BNO	7,709	7,054	7,054
		BOP	4,452	4,379	4,379
		BWS	34,648	39,883	39,883
		DDD	22,909	24,507	24,507
		DND	5,452	4,831	4,831
		DNO	90,157	106,067	106,067
		DST	5,242,552	5,316,739	5,316,739
		DWS	1,056,526	1,024,510	1,024,510
		I24	37,369	48,952	48,952
		IRD	5,268	7,513	7,513
		IRN	1,537	1,749	1,749
		LAP	1,134	1,136	1,136
		DST	42,959	61,805	61,805
		DWS	9,905	13,207	13,207
	2	B24	2,834,621	2,739,339	2,739,339
		BDD	498,806	477,344	477,344
		BND	69,002	48,789	48,789
		BNO	10,642	9,999	9,999
		BOP	12,283	12,202	12,202
		BWS	63,513	74,721	74,721
		DDD	23,096	25,662	25,662
		DND	5,303	4,821	4,821
		DNO	3,556	4,329	4,329
		DST	131,273	143,998	143,998
		DWS	16,415	16,212	16,212
		I24	37,702	52,282	52,282
		IRD	66,048	93,174	93,174
		IRN	14,300	16,277	16,277
		LAP	0	0	0
		B24	11,650	11,559	11,559
		BDD	61,456	61,164	61,164
		BND	4,248	3,894	3,894
		BWS	655	920	920
	3.1	Summer Day	13,295	13,295	13,295
		Summer Night	4,839	4,839	4,839
		Winter Day	21,347	21,347	21,347
		Winter Night	3,877	3,877	3,877
	3.3	Summer Day	373,843	373,843	373,843
		Summer Night	128,065	128,065	128,065
		Winter Day	831,789	831,789	831,789
		Winter Night	91,877	91,877	91,877
	3.4	Summer Day	31,625	31,625	22,793
		Summer Night	13,575	13,575	10,752
		Winter Day	61,689	61,689	44,832
		Winter Night	8,574	8,574	6,791
FIXED CHARGES	0	0UNM	9,804	9,804	9,804
		CHD	0	0	0
		0STL	145,645	145,645	145,645
		0TBX	44,676	44,676	44,676
	1	1A	3,074,490	3,101,369	3,101,369
		1A	1,159,983	1,104,746	1,104,746
		1B	489,451	504,488	504,488
		1B	160,566	160,381	160,381
		1B	136,054	135,897	135,897
		1LFC	69,853	23,488	23,488
	2	2	1,231,670	1,231,670	1,231,670
		2S	24,211	24,211	24,211
		2SFX	21,000	21,000	21,000
	3.1 3.3 & 3.5 3.4 3 all cats.	Anytime Demand	35,637	35,637	35,637
		Anytime Demand	106,003	106,003	106,003
		Anytime Demand	669,368	669,368	669,368
		Winter Demand	1,350,877	1,350,877	1,350,877
	G6 NEL	Fixed Charge	1,168,219	1,596,809	1,506,426
		Fixed Charge	1,281,637	1,619,751	1,561,113
	New Connections	CC	118,703	118,703	118,703
Total Revenue by period - Σ(PQ_{i0})			\$24,563,972	\$25,247,295	\$25,067,980

Table 8. New Connection Charges

To 31 March 2003

Total Revenue for Year:	\$118,701
Total km-kVA:	22,960
Average Price \$/km-kVA:	5.170

Excluding GST

TABLE 9.**Summary of Budget transmission Purchases and Pass-through transmission revenue 2003-04****TRANSMISSION PURCHASES**

Total TPNZ Costs including LRR

All GXP's	8,158,659
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Loss Rental Rebates (LRR)

Pass-through to Direct Connect Customers	(401,914)
UOSA customers	(564,176)
Total LRR	(966,090)

TRANSMISSION REVENUE

Pass-through only, excluding LRR

Pass-through to Direct Connect Customers	3,082,653
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Auditors' Report

Threshold compliance statements

To the readers of the threshold compliance statements of Network Tasman Limited

We have examined the attached statement, being a threshold compliance statement in respect of a price path threshold that was prepared by Network Tasman Limited for assessment on 6 September 2003 and dated 23 October 2003 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 Network Tasman Limited to prepare certificates that confirm the compliance, or otherwise, of Network Tasman Limited with the thresholds set out in clauses 4, 5 and 6 of that Notice.

Auditors' 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 statements. It also included assessment of the significant estimates and judgments, if any, made by the lines business in the preparation of the threshold compliance statements and assessment of whether the basis of preparation had been adequately disclosed.

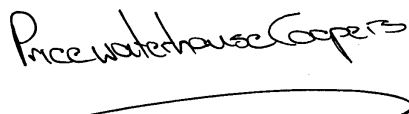
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary. We obtained sufficient evidence to give reasonable assurance that the statement is free from material misstatements, whether caused by fraud or error or otherwise. In forming our opinion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

We have no relationship with or interests in Network Tasman Limited other than in our capacities as auditors of the threshold compliance statements, and in the provision of other professional advisory services. We are not aware of any relationships between our firm and Network Tasman Limited that, in our professional judgment, may reasonably be thought to impair our independence.

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 Network Tasman Limited, and related information has been prepared in accordance with the Notice, and gives a true and fair view of the performance of Network Tasman Limited as required by the Notice against the thresholds set out in the Notice for assessment on 6 September 2003.

Our audit was completed on 23 October 2003 and our opinion is expressed as at that date.



PricewaterhouseCoopers
23 October 2003

Auckland

Network Tasman Limited

281 Queen Street
PO Box 3005
Richmond 7031
Nelson, New Zealand

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IN ACCORDANCE WITH THE COMMERCE ACT (ELECTRICITY LINES THRESHOLDS) NOTICE 2003.

Section 57(H)a

CERTIFICATION OF THRESHOLD COMPLIANCE STATEMENT

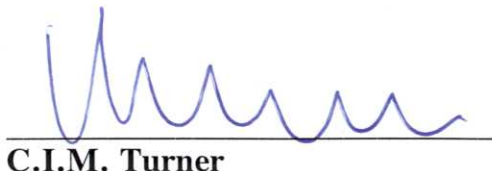
We, Ian Francis Kearney and Christopher Ian Menzies Turner, being directors of Network Tasman Limited certify that, having made all reasonable enquiry, to the best of our knowledge and belief, the attached threshold compliance statement of Network Tasman Limited and related information, prepared for the purposes of the Commerce Act (Electricity Lines Thresholds) Notice 2003 complies with the requirements of that notice except in the following respects:

[None].

SIGNATURES OF DIRECTORS


I.F. Kearney

Date: 23 October 2003


C.I.M. Turner

Date: 23 October 2003