

Network Tasman Limited

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## NETWORK TASMAN LIMITED

### THRESHOLD COMPLIANCE STATEMENT

For Assessment Date 31 March 2006

Pursuant to the  
Commerce Act (Electricity Distribution Thresholds) Notice 2004

Dated 23rd May 2006

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## 1. DIRECTORS CERTIFICATION OF THRESHOLD COMPLIANCE STATEMENTS

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**IN ACCORDANCE WITH  
THE COMMERCE ACT  
(ELECTRICITY DISTRIBUTION THRESHOLDS)  
NOTICE 2004.**

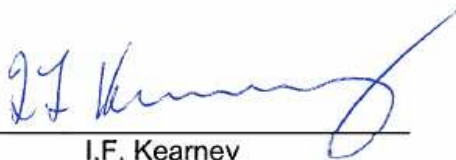
**Section 57 H(a)**

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### CERTIFICATION OF THRESHOLD COMPLIANCE STATEMENTS

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 Distribution Thresholds) Notice 2004, complies with all requirements of that notice with the exception of clause 5(1)(a).

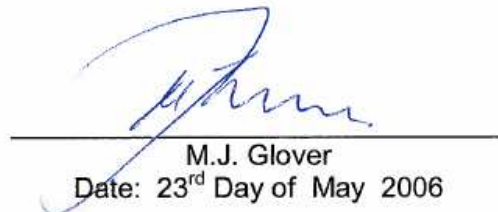
### SIGNATURES OF DIRECTORS



I.F. Kearney

Date: 23<sup>rd</sup> Day of May 2006

Witnessed by:



M.J. Glover

Date: 23<sup>rd</sup> Day of May 2006

VICTORIA CHISNALL  
LAWYER  
PITT & MOORE  
RICHMOND

## 1. PRICE PATH THRESHOLD COMPLIANCE STATEMENT

Network Tasman Limited certifies that:

- a). The audited information attached, including the:
- price path inputs and calculations (Appendix 1)
  - network revenue and pricing information (Appendices 2, 3 & 5)
  - network base quantity information (Appendix 4)
  - transmission cost information (Appendix 6)
  - Local Authority rates and Electricity Commission levy information (Appendix 7)
- has been prepared for the purposes of, and complies with, the requirements of Section 5 of the Commerce Act (Electricity Distribution Thresholds) Notice 2004 and Sections 57G and 57T of the Commerce Act 1986.
- b). Network Tasman Limited complies with the requirements of the price path threshold at the assessment date 31 March 2006 as specified in Section 5 (1)(b) of the Commerce Act (Electricity Distribution Thresholds) Notice 2004 but does not comply with Section 5(1)(a) as demonstrated by the tests below:

### Test 1: Clause 5(1)(a)

The Notional Revenue of a distribution business at each assessment date (calculated in accordance with the numerator of the left-hand side of the following expression) is not to exceed the allowable notional revenue of the distribution business under the CPI-X price path at that assessment date (calculated in accordance with the denominator of the left-hand side of the following expression):

<b>Test:</b>	$\frac{NR_{2006}}{R_{2006}}$	=	$\frac{\$ 18,515,997}{\$ 18,459,516}$
<b>Result:</b>	1.0031	>	1
<b>Result:</b>	Threshold is breached by \$56,481		

As the test above demonstrates, Network Tasman Limited is in breach of the price threshold by \$56,481 or 0.31% of maximum allowable notional revenue for the assessment period ending 31 March 2006.

NTL planned and budgeted to comply with the threshold and therefore considers this to be a “one off” technical breach caused by variations from budget in transmission costs and Electricity Commission levies during the assessment period. NTL line prices are changed only once every twelve months and must be set to recover costs forecast well in advance of the assessment date.

In this case NTL’s 1 April 2005 prices were notified to retailers in late December 2004 and the long lead time and the unpredictable and uncontrollable nature of some forecast costs has resulted in an unintentional breach of the price threshold. In particular, variances from the budget were recorded for transmission costs due to:

- lower than expected peak demand levels caused by the mild winter conditions in 2005; and
- significantly higher than expected transmission rental rebates. Total rebates for the 2006 assessment were \$1.62m compared to the \$0.667m disclosed in the 2005 assessment and used as guidance for NTL 2006 budgets. The high 2006 rebates resulted from high spot market electricity prices and the wide spread transmission

constraints caused by hydrological conditions and grid upgrade work. By their nature transmission rentals are volatile and cannot be forecast accurately with any certainty.

NTL's Electricity Commission levies were also lower than forecast due to a mid year rate change and a material refund relating to the prior year.

As a consumer trust owned lines company, NTL has a policy of returning its yearly surpluses to consumers by way of sales discounts and to the NT Trust by way of dividends. NTL will supplement the annual sales discount to be credited directly to consumers in August 2006 to the extent of the value of the breach identified above.

**Test 2: Clause 5(1)(b)**

The notional revenue of a distribution business at any time during an assessment period is not to exceed the greater of the notional revenue of the distribution business at the assessment date on which that assessment period ends and the notional revenue of the distribution business at the previous assessment date under this clause (or, if the previous assessment date is the reference date, under clause 5 of the initial Notice).

<b>Test:</b>	$\frac{NR_{Max}}{Max(NR_{2005}, NR_{2006})}$	$\leq 1$
<b>Result:</b>	\$18,515,997 / \$18,515,997	= 1
<b>Result:</b>	1.0000	= 1
<b>Result:</b>	NR is equal. Threshold is not breached	

Supporting evidence for Tests1 & 2 is provided in Appendices 1-7

c). **Notional revenue**

The price path calculations, in accordance with the Gazette Notice, include all revenue derived from the supply of the following specified, non-contestable line function services:

- Electricity conveyance services provided under Use of Systems Agreements with electricity retailers
- Electricity conveyance services provided under Direct Connection Agreements with major electricity consumers and electricity generators
- Access to capacity charges levied directly on new electrical loads at the time of their connection to Network Tasman Limited's distribution network.

d). **Pass Through Costs**

For the purpose of the price path calculations, pass through costs include:

i) Transmission

- Connection charges
- Interconnection charges
- EVA Adjustments (if any)
- New Investment charges
- Common quality service charges (if any)
- Loss and constraint rental credits
- Avoided transmission charges

- ii) Rates & Electricity Commission Levies
  - Local authority rates levied on systems fixed assets including lines, cables, electrical equipment and substation land and buildings.
  - Electricity Commission regulatory costs allocated to lines companies under the current industry levy formula determined by government.
- e). **Excluded Revenue**  
 The following items of line business revenue, derived from non specified and non conveyancing line business activities, are excluded from the price 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
- f). **Contestable Electrical Contacting Environment**  
 Network Tasman Limited does not own or operate any electrical contracting facilities nor does it provide any electrical contracting services to electricity consumers on a non-contestable basis. Any charges directly borne by electricity consumers for network extensions, reinforcements, repairs, maintenance and connection and disconnection services within Network Tasman Limited's geographical area are determined in a contestable environment and all work is carried out by independent third parties.

## 2. QUALITY THRESHOLD COMPLIANCE STATEMENT

Network Tasman Limited certifies that:

- a) The audited information attached including the:
  - Interruption duration index (SAIDI) assessment (Appendix 8)
  - Interruption frequency index (SAIFI) assessment (Appendix 8)
 was prepared for the purposes of, and complies with, the requirements of Section 6 of the Commerce Act (Electricity Distribution Thresholds) Notice 2004 and Sections 57G and 57T of the Commerce Act 1986.
- b) The quality threshold assessments for SAIDI and SAIFI below demonstrate that, for the year ended 31 March 2006, Network Tasman Limited complied with the quantitative quality threshold requirements of Section 6 of the Commerce Act (Electricity Distribution Thresholds) Notice 2004.

### Clause 6 (1) (a) Interruption Duration (SAIDI Class B&C)

<b>Test:</b>	$SAIDI_{2006} \leq \left( \frac{SAIDI_{1999} + SAIDI_{2000} + SAIDI_{2001} + SAIDI_{2002} + SAIDI_{2003}}{5} \right)$		
<b>Result:</b>	121.45	<	147.45
<b>Result:</b>	SAIDI does not breach threshold		

### Clause 6 (1) (b) Interruption Frequency (SAIFI Class B&C)

<b>Test:</b>	$SAIFI_{2006} \leq \left( \frac{SAIFI_{1999} + SAIFI_{2000} + SAIFI_{2001} + SAIFI_{2002} + SAIFI_{2003}}{5} \right)$
<b>Result:</b>	1.05 < 2.12
<b>Result:</b>	SAIFI does not breach the threshold

Information demonstrating NTL's compliance with the Section 6 (1) (a)&(b) requirements is provided in Appendix 8.

- c) The biannual customer communication requirements detailed in Section 6 of the Commerce Act (Electricity Distribution Thresholds) Notice 2004 were undertaken during the year ended 31 March 2006.

Section 6.1(c) of the Commerce Act (Electricity Line Thresholds) Notice 2004 sets out the following requirements for Customer Communication by electricity distribution businesses:

<p><b>Test:</b> At least once during the period of 2 years ending 31 March 2006, and at least once during the period of 2 years ending 31 March 2008, a distribution business is to —</p> <ul style="list-style-type: none"><li>(i) properly advise (or ensure that another person properly advises on its behalf) its customers (or another person that accurately reflects the interests of those customers) about the price-quality trade offs available to them in relation to the goods and services provided by the distribution business; and</li><li>(ii) consult (or ensure that another person consults on its behalf) with its customers (or another person that accurately reflects the interests of those customers) about the quality of goods and services that they require, with reference to the prices of those goods and services; and</li><li>(iii) properly consider the views expressed by customers during and after that consultation; and</li><li>(iv) adequately take these views into account when making its asset management decisions.</li></ul>
<p><b>Result:</b> Network Tasman has met the requirements for customer communication</p>

Further information demonstrating NTL's compliance with the Section 6.1 (c) requirements is provided in Appendix 9.

- d) Network Tasman is required under Section 7(1) (a) (iii) of the Notice to describe the policies and procedures used to record the SAIDI and SAIFI statistics for the assessment period to 31 March 2006. This information is provided in Appendix 10.

### **3. DISCLAIMER**

*The information disclosed in this Threshold Compliance Statement has been prepared solely for the purposes of complying with the requirements of the Commerce Act (Electricity Distribution Thresholds) Notice 2004.*

*The information disclosed relates only to the lines business activities described in the Notice. There are other activities the Company is involved with that are not required to be reported on under the Notice.*

*The information has not been prepared for any other purpose than that intended under the Notice and Network Tasman Limited expressly disclaims any liability to any party who may rely on this information for any other purpose.*

Dated the 23rd May 2006

**AUDITORS' REPORT ON THRESHOLD COMPLIANCE STATEMENT**

To the readers of the threshold compliance statement of Network Tasman 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 threshold and the quality threshold prepared by Network Tasman Limited for assessment as at 31 March 2006 and dated 23 May 2006 for the purposes of information requirements set out in clause 7 of the Commerce Act (Electricity Lines Thresholds) Notice 2004 ("the Notice"). In this report the attached statement is called "the threshold compliance statement".

**Directors' Responsibilities**

Directors of Network Tasman Limited are responsible for the certification, confirming the compliance or otherwise, of the threshold compliance statement in accordance with the Notice.

**Auditors' 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; Quality Threshold: SAIDI and SAIFI Statistics for the Assessment Period ended 31 March 2006; and Quality Threshold: Customer Communication**

Our audit included examination, on a test basis, of evidence relevant to the amounts and disclosures contained on pages 3 to 7 and Appendices 1 to 10 of the threshold compliance statement and which relate to:

- the price path threshold set out in clause 5 of the Notice;
- 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
- the customer communication part of the quality threshold set out in clause 6(1)(c) of the Notice.

It also included an assessment of the significant estimates and judgements, if any, made by Network Tasman Limited in the preparation of the threshold compliance statement and an 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 explanation 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), except that our work was limited in respect of the quality threshold: SAIDI and SAIFI statistics as explained below. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the threshold compliance statement.



**AUDITORS' REPORT ON THRESHOLD COMPLIANCE STATEMENT**

Network Tasman Limited

**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 Network Tasman 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 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.

**Opinions**

**Unqualified Opinion**

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, and give a true and fair view of the performance of Network Tasman Limited against that threshold 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 Network Tasman Limited's policies and procedures for recording SAIDI and SAIFI statistics as disclosed in the threshold compliance statement, and fairly represent the performance of Network Tasman 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 Network Tasman 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 Network Tasman Limited.

**AUDITORS' REPORT ON THRESHOLD COMPLIANCE STATEMENT**

Network Tasman Limited

***Quality Threshold: Customer Communication***

In our opinion, having made all reasonable enquiry, to the best of our knowledge the information set out in the threshold compliance statement relating to that part of the quality threshold that is set out in clause 6(1)(c) of the Notice has been prepared in accordance with the Notice, and gives a true and fair view of the performance of Network Tasman Limited against that part of the quality threshold for the assessment period ended on 31 March 2006.

**Qualified Opinion**

Our opinion is qualified as follows:

***Quality Threshold: SAIDI and SAIFI statistics***

The scope of our audit was subject to the following limitations:

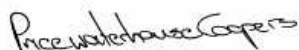
- there is no independent evidence available for the period to support the completeness and accuracy of recorded faults; and
- control over the completeness and accuracy of ICP data included in the SAIDI and SAIFI calculations is limited throughout the period.

Because of these limitations, there are no practical audit procedures that we could adopt to confirm independently that all outage and ICP data was properly recorded for the purposes of inclusion in the amounts or details set out in the quality threshold: SAIDI and SAIFI statistics.

In these respects alone we have not obtained all the information and explanations that we have required.

Because of the potential effect of the limitations in the evidence available to us, we are unable to form an opinion as to whether the amounts or details set out in the quality threshold: 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 Network Tasman 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 23 May 2006 and our qualified and unqualified opinions are expressed as at that date.



PricewaterhouseCoopers  
Auckland  
23 May 2006

## APPENDIX 1.

### PRICE PATH INPUTS AND CALCULATIONS

#### Clause 5 (1) (a)

#### NR<sub>2006</sub>

Notional Revenue for the year ending 31 March 2006		
Term	Description	(\$)
$\Sigma P_{i,2006} Q_i$	Prices at 31 March 2006 multiplied by 31 March 2003 Base Quantities	25,773,305
$K_{2006}$	Transmission Charges for year ending 31 March 2006	7,188,067
	Rates for year ending 31 March 2006	13,280
	Electricity Commission Levies for year ending 31 March 2006	55,962
$NR_{2006} = \Sigma P_{i,2006} Q_i - K_{2006}$	Notional Revenue for the year ending 31 March 2006	18,515,997

#### NR<sub>2005</sub>

Notional Revenue for the year ending 31 March 2005 as disclosed in the 31 March 2005 Threshold Statement		
Term	Description	(\$)
$\Sigma P_{i,2005} Q_i$	Prices at 31 March 2005 multiplied by 31 March 2003 Base Quantities	25,467,818
$K_{2005}$	Transmission Charges for year ending 31 March 2005	8,056,703
	Rates for year ending 31 March 2005	9,417
	Electricity Commission Levies for year ending 31 March 2005	78,514
$NR_{2005} = \Sigma P_{i,2005} Q_i - K_{2005}$	Notional Revenue for the year ending 31 March 2005	17,323,184

#### R<sub>2004</sub>

Maximum Notional Revenue at the reference date which would not have caused the distribution business to breach the price path under the Initial Notice		
Term	Description	(\$)
$\Sigma P_{i,0} x Q_{i,0}$	Prices at 6 September 2003 multiplied by 31 March 2003 Base Quantities	25,067,980
$C_{T2003}$	Budget Transmission Charges for year ending 31 March 2004	7,192,569
$C_{R2003}$	Budget Rates for year ending 31 March 2004	5,500
$R_{2004}$	Maximum Revenue at 31 March 2004 that would not have caused a breach under the Initial Notice	17,869,911

Note: All notation in the table above except R<sub>2004</sub> comes from the Initial Notice.

Appendix 1 Continued

**Test for 5 (1) (a) -  $(NR_{2006} / R_{2006} \leq 1)$**

Allowable Notional Revenue under CPI -X price path		
Term	Description	(\$)
$X$	X Factor	1%
$R_{2004}$	Maximum Revenue at 31 March 2004 that would not have caused a breach under the Initial Notice	17,869,911
$(1 + \Delta CPI_{2005})$	Average change in Consumer Price Index over 2004	1.0229
$(1-X)$	1-X Factor	0.99
$R_{2005}$	Allowable Notional Revenue under the CPI-X Price Path for the year ended 31 March 2005	18,096,384
$(1 + \Delta CPI_{2006})$	Average change in Consumer Price Index over 2005	1.0304
$(1-X)$	1-X Factor	0.99
$R_{2006}$	Allowable Notional Revenue under the CPI-X Price Path for the year ended 31 March 2006	18,459,516
$NR_{2006} / R_{2006}$	Expression must be less than or equal to 1 to avoid breaching 5(1)(a)	1.0031
$R_{2006} - NR_{2006}$	Value of Compliance or (Breach)	(56,481)

For presentation purposes, the CPI Index has been presented to four decimal places, however, for the calculation of  $R_{2006}$ , the full index (with no rounding) has been applied.

**Clause 5 (1) (b)**

**$NR_{Max}$**

Maximum Notional Revenue for the period 1 April 2005 to 31 March 2006. Enter $P \times Q$ using 31 March 2006 Prices and 31 March 2003 Base Quantities if there has been no change in prices over this period, otherwise use prices which generate the maximum notional revenue over the period when using 31 March 2003 quantities		
Term	Description	(\$)
$\Sigma P_{Max} Q_i$	Maximum Price Between 1 April 2005 and 31 March 2006 multiplied by 31 March 2003 Base Quantities	25,773,305
$K_{2006}$	Transmission Charges for year ending 31 March 2006	7,188,067
	Rates Charges for year ending 31 March 2006	13,280
	Electricity Commission Levies for year ending 31 March 2006	55,962
$NR_{Max}$	Maximum Notional Revenue for 1 April 2005 to 31 March 2006	18,515,997

Appendix 1 Continued

**Test for 5 (1) (b) -  $(NR_{Max} / \text{Max}(NR_{2005}, NR_{2006})) \leq 1$**

Notional Revenue during the period is not to exceed the maximum of the Notional Revenue at the end of the assessment period and the Notional Revenue at the end of the previous assessment period		
Term	Description	(\$)
$NR_{Max}$	Maximum Notional Revenue for 1 April 2005 to 31 March 2006	18,515,997
$NR_{2005}$	Notional Revenue at 31 March 2005	17,323,184
$NR_{2006}$	Notional Revenue at 31 March 2006	18,515,997
$\text{Max}(NR_{2005}, NR_{2006})$	Maximum of the Notional Revenue at 31 March 2005 and the Notional Revenue at	18,515,997
$NR_{Max} / \text{Max}(NR_{2005}, NR_{2006})$	If expression is greater than 1, Clause 5 (1) (b) is breached	1.0000
$\text{Max}(NR_{2005}, NR_{2006}) - NR_{Max}$	Value of Compliance or (Breach)	-

## APPENDIX 2.

### NOTIONAL REVENUE (PQ<sub>i0</sub>) AT ASSESSMENT DATE 31 MARCH 2006

Group/Category		NTL Code	P <sub>i2006</sub> Q <sub>i0</sub> 01/04/2005 to 31/03/2006
<b>VARIABLE CHARGES</b>	1&2	ANY	12,425,953
		DAY	907,470
		WSR	2,113,477
		NIT	322,095
		OPK	28,254
	2LLFC	2LANY	932
		2LDAY	0
		2LWSR	193
		2LNIT	0
		2LOPK	0
	2HLFC	2HANY	0
		2HDAY	0
		2HWSR	0
		2HNIT	0
		2HOPK	0
	3.1	Summer Day	14,055
		Summer Night	4,839
		Winter Day	22,501
		Winter Night	3,877
	3.3 & 3.4	Summer Day	387,315
		Summer Night	128,065
Winter Day		875,313	
Winter Night		91,877	
3.5	Summer Day	22,793	
	Summer Night	10,752	
	Winter Day	48,419	
	Winter Night	6,791	
<b>FIXED CHARGES</b>	0	0UNM	10,092
		CHD	0
		0STL	151,339
		0TBX	46,165
	1	1	1,656,516
	2	2	1,246,165
		2LLFC	164
		2HLFC	0
	3.1	Anytime	36,368
	3.3 & 3.5	Anytime	106,083
	3.4	Anytime	669,111
	3 All Cats	Winter	1,392,542
	All	Power Factor	0
	G6		1,427,203
NEL		1,497,887	
New Connections	CC	118,701	
<b>Total Revenue by period - Σ(PQ<sub>i0</sub>)</b>			<b>25,773,305</b>

Note: Group 2 Fixed and Variable tariff categories in the table above appear slightly different from NTL's 2005 disclosure because:

1. The 7 consumers previously on the discontinued Special Group 2 tariff category (denoted by the 2S category in 2005) have been consolidated into the Standard Group 2 tariff category (denoted by 2 above) from 1 April 2005.
2. NTL has been required by regulation to introduce a Group 2 low user tariff option for domestic consumers from 1 April 2005 (denoted by 2LLFC & 2HLFC categories above). Since the introduction, three consumers have switched from the Standard Group 2 tariff category onto the Group 2 low user tariff option.

**APPENDIX 3 - SCHEDULE of NTL PRICES as at 31 MARCH 2006**

Group/Category	NTL Code	Price P <sub>2006</sub> 31/03/2006	Unit
<b>VARIABLE CHARGES</b>	1&2	ANY	6.25 c/kWh
		DAY	6.90 c/kWh
		WSR	2.90 c/kWh
		NIT	2.10 c/kWh
		OPK	4.90 c/kWh
	2LLFC	2LANY	9.25 c/kWh
		2LDAY	9.90 c/kWh
		2LWSR	5.90 c/kWh
		2LNIT	5.10 c/kWh
		2LOPK	7.90 c/kWh
	2HLFC	2HANY	12.25 c/kWh
		2HDAY	12.90 c/kWh
		2HWSR	8.90 c/kWh
		2HNIT	8.10 c/kWh
		2HOPK	10.90 c/kWh
	3.1	Summer Day	0.37 c/kWh
		Summer Night	0.33 c/kWh
		Winter Day	0.78 c/kWh
		Winter Night	0.33 c/kWh
	3.3 & 3.4	Summer Day	1.15 c/kWh
		Summer Night	1.01 c/kWh
		Winter Day	3.62 c/kWh
		Winter Night	1.01 c/kWh
	3.5	Summer Day	0.80 c/kWh
		Summer Night	0.80 c/kWh
		Winter Day	2.70 c/kWh
		Winter Night	0.80 c/kWh
	<b>FIXED CHARGES</b>	0	0UNM
CHD			0.0
0STL			0.08082 c/day
0TBX			93.0 c/day
1		1	15.0 c/day
2		2	4.05 c/kVA/day
		2LLFC	15.0 c/day
		2HLFC	15.0 c/day
3.1		Anytime	4.63 c/kVA/day
3.3 & 3.5		Anytime	6.35 c/kVA/day
3.4		Anytime	6.77 c/kVA/day
3 All Cats		Winter	12.87 c/kVA/day
All		Power Factor	21.920 c/kVAr/day
G6			1,427,203 Annual Charge
NEL			1,497,887 Annual Charge
New Connections		CC	5.17 \$/kVA-km

**APPENDIX 4. BASE QUANTITIES (Qi0) as at 31 MARCH 2003**

Fixed/ Variable	Group/Category	NTL Code/ description	Quantity Qi0	Quantity Unit
<b>VARIABLE CHARGES</b>	1&2	ANY	198,815,249	kWh
		DAY	13,151,736	kWh
		WSR	72,878,505	kWh
		NIT	15,337,858	kWh
		OPK	576,614	kWh
	2LLFC	2LANY	10,078	kWh
		2LDAY	0	kWh
		2LWSR	3,264	kWh
		2LNIT	0	kWh
		2LOPK	0	kWh
	2HLFC	2HANY	0	kWh
		2HDAY	0	kWh
		2HWSR	0	kWh
		2HNIT	0	kWh
		2HOPK	0	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	
<b>FIXED CHARGES</b>	0	OUNM	79	icp
		CHD	59	icp
		OSTL	513,014	W
		OTBX	136	icp
	1	1	30,256	icp
	2	2	84,300	kVA
		2LLFC	3	icp
		2HLFC	0	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
	All	Power Factor	0	kVAr
	G6		1	Annual Fixed Charge
	NEL		1	Annual Fixed Charge
	New Connections	CC	22,960	kVA-km



## APPENDIX 5. DIRECT PASS THROUGH REVENUE FROM CUSTOMERS

Year 2005-06	Pass through Revenue				TOTAL REVENUE
	Transmission	EC Levy	Invoiced	Rebates	
All P'thru customers	3,117,169	42,346	3,159,515	(621,225)	2,538,290

## APPENDIX 6. SUMMARY OF TRANSMISSION COSTS

TRANSMISSION COSTS	
1. Payments to Transpower NZ for Transmission	6,910,950
2. Avoided Transmission Costs - Payments to Embedded Generators	21,151
3. Avoided Transmission Costs MPI substation purchase	230,910
4. Avoided Transmission Costs - NTL Diesel Generator	0
5. Voltage Support Charges	25,056
<b>Total Transmission Cost for YE 31 March 2006</b>	<b>7,188,067</b>

## APPENDIX 7. RATES AND ELECTRICITY COMMISSION LEVIES

Pass Through Cost	\$ GST Excl
Electricity Commission Levies	55,961.85
Local Body Rates incl Water	13,280.11

## APPENDIX 8. QUALITY INPUTS AND CALCULATIONS

Year	SAIDI (Interruption Duration)			SAIFI (Interruption Frequency)		
	Class B	Class C	Total	Class B	Class C	Total
1999	80.45	188.39	268.84	0.57	3.22	3.79
2000	62.31	121.06	183.37	0.65	2.01	2.67
2001	34.90	70.24	105.14	0.29	1.34	1.63
2002	21.43	49.45	70.87	0.13	0.87	1.01
2003	16.97	92.03	109.01	0.20	1.32	1.51
2006	Five Year Average SAIDI		147.45	Five Year Average SAIFI		2.12
	24.89	96.56	121.45	0.13	0.92	1.05

## APPENDIX 9

### CUSTOMER ENGAGEMENT COMPLIANCE INFORMATION

#### 1.1 Requirement for Customer Communication

Section 6.1(c) of the Commerce Act (Electricity Line Thresholds) Notice 2004 sets out the requirements for Customer Communication by electricity distribution businesses:

**Test:** At least once during the period of 2 years ending 31 March 2006, and at least once during the period of 2 years ending 31 March 2008, a distribution business is to —

- (v) properly advise (or ensure that another person properly advises on its behalf) its customers (or another person that accurately reflects the interests of those customers) about the price-quality trade offs available to them in relation to the goods and services provided by the distribution business; and
- (vi) consult (or ensure that another person consults on its behalf) with its customers (or another person that accurately reflects the interests of those customers) about the quality of goods and services that they require, with reference to the prices of those goods and services; and
- (vii) properly consider the views expressed by customers during and after that consultation; and
- (viii) adequately take these views into account when making its asset management decisions.

**Result:** Network Tasman has met the requirements for customer communication

#### 1.2 Purpose

The purpose of Appendix 9 is to disclose Network Tasman Ltd's compliance with customer communicate requirements concerning price and supply quality trade offs pursuant to Sections 6(1)(c) of the Commerce Act (Electricity Lines Thresholds) Notice 2004 dated 31 March 2004.

#### 1.3 Definition of Service Quality

Service quality is not defined in the Gazette Notice and the Commerce Commission has not provided a definition in any subsequent publication. Therefore for the purposes of section 6.1(c), NTL defines service quality to include those attributes of distribution service identified in NTL's Asset Management Plan ("AMP") in sections

- 4.1 Supply Quality
- 4.2 Supply Reliability.

From the AMP, supply quality concerns acceptable voltage, harmonic level & level of interference and supply reliability concerns the frequency and length of outages and adequacy of response times.

The AMP is available on the company's web site <http://www.networktasman.co.nz/>

## **1.4 Practical Limitations Constraining Consultation on Service Quality**

### **Public Good Attributes of Supply Quality**

Due to the inherent physical properties of distribution systems, electricity distributors are generally unable to offer a change in service quality to one consumer without also altering supply quality to many other customers. Delivery of higher (lower) service quality in response to a particular consumer's request may lead to over (under) delivery of quality attributes provided to other consumers. Supply quality on an electricity distribution network, for all but the largest of consumers, exhibits strong public good (rather than private good) characteristics. Therefore consultations with individual mass market consumers suggesting availability or "offers" of unique price / quality choices on the shared network are generally unrealistic and misleading.

In common with other goods with strong public good attributes, making collective choices about the appropriate level of service quality on the network commons is problematic. Given these physical limitations, regulated minimum performance standards, contractual commitments with retailers, benchmarking power quality, reliability and security to good industry practice and use of general consumer feedback collectively function as proxies for consumer choice concerning service quality delivery.

### **NTL Contractual Obligations**

Contractually NTL's service quality obligations are determined in Use of Systems Agreements with retailers. Under these contractual arrangements NTL wholesales line function services, in bulk, to its primary customers, the retailers. This industry structure arose as a consequence of government legislation in 1998 and retailers hold the role of consumer's agent in terms monitoring and negotiating for the delivery of supply quality on distribution networks. Technically NTL has no direct relationships with consumers under these contractual arrangements. With the exception of five large customers supplied under conveyancing arrangements, the remaining 33,500 consumers connected to NTL's distribution network are supplied under Use of Systems Agreements with retailers. The Commerce Commission's customer consultation requirements under Section 6.1(c) are inconsistent with NTL's primary legal and contractual obligations to negotiate and wholesale line function services with electricity retailers at agreed service standards.

## 1.5 Compliance Evidence - Consumer Engagement - Section 6 (1) (c)

Activity	Advise 6 (1) (c) (i)	Consult 6 (1) (c) (ii)	Consider Views 6 (1) (c) (iii)	Action 6 (1) (c) (iv)
NT Trust	<ul style="list-style-type: none"> <li>▪ Trustees are elected representatives of local consumers</li> <li>▪ Trustees themselves are consumers on NTL's network</li> <li>▪ Trustees have annual involvement in the SCI process</li> <li>▪ SCI is a public document available on NTL's web site and includes               <ul style="list-style-type: none"> <li>➢ service quality targets</li> <li>➢ revenue targets</li> <li>➢ dividend and discount targets</li> <li>➢ capital program and</li> <li>➢ pricing principles.</li> </ul> </li> <li>▪ NTL's Annual report compares actual performance against SCI targets</li> <li>▪ NTL annual report and disclosure statements are publicly available, posted on website. and made available to Trustees &amp; consumers</li> </ul>	<ul style="list-style-type: none"> <li>▪ SCI service quality, revenue/price and discount/dividend targets are negotiated annually between Trustees and NTL Directors in open meeting</li> <li>▪ Consumers have ready access to Trust meetings, Trustees and NTL Directors</li> <li>▪ All NT Directors and Trustees are themselves consumers on NTL's network</li> <li>▪ Five largest NTL consumers have right to appoint one trustee on rotational basis</li> <li>▪ NTL directorate and management representatives attend Trust meetings from time to time</li> </ul>	<ul style="list-style-type: none"> <li>▪ Trustees can readily advocate consumer views to NTL at any time</li> <li>▪ NTL Board seeks annual feedback from Trustees on quality targets, pricing principles and revenue, discount and dividend targets and these views are considered incorporated in final SCI document</li> <li>▪ NTL Board and NT Trust must both sign off SCI annually</li> </ul>	<ul style="list-style-type: none"> <li>▪ Final SCI document approved by Trustees</li> <li>▪ SCI linked to AMP and NTL strategic direction &amp; budgets</li> <li>▪ SCI targets aligned with service performance objectives in annual AMP</li> <li>▪ NTL reports actual performance against SCI in annual financial statements &amp; these are tabled in open forum at Trust AGM</li> <li>▪ Financial statements also annually posted to major customers</li> <li>▪ Trustees required to undertake periodic ownership reviews of NTL and performance of service quality and asset management is subject to independent review at that time</li> <li>▪ Trustees appoint NTL directors</li> </ul>
Line Tariff Options	<ul style="list-style-type: none"> <li>▪ NTL's tariff structure enables consumers to self select price and quality tradeoffs concerning:               <ul style="list-style-type: none"> <li>➢ Connection supply capacities</li> <li>➢ Connection voltage (Group 3 only)</li> <li>➢ Anytime, controlled, interruptible, and time of use tariffs</li> <li>➢ Power factor level (Group 3 only)</li> </ul> </li> <li>▪ Tariffs and discounts are reviewed annually by NTL</li> <li>▪ Media releases used to communicate and explain changes</li> <li>▪ Advertised annually in local papers &amp; published on website</li> <li>▪ Communicated directly to</li> </ul>	<ul style="list-style-type: none"> <li>▪ Consultation with NT Trustees at time of SCI negotiation includes revenue, discount and dividend targets and structures and pricing principles</li> <li>▪ Consultation with retailers over pricing methodology and any changes</li> <li>▪ Consultation with retailers over tariff structure and options and service level tradeoffs within tariff options.</li> <li>▪ Response to direct approaches from consumers concerning choice of tariff options and connection capacities.</li> <li>▪ Response to direct approaches from contractors upgrading / changing consumer supply requirements</li> </ul>	<ul style="list-style-type: none"> <li>▪ Feedback from trustees, retailers, consumers and contractors considered and incorporated in tariff and discount setting process</li> </ul>	<ul style="list-style-type: none"> <li>▪ Reflected in development of critical agreements and documents including:               <ul style="list-style-type: none"> <li>➢ Use of Systems agreement with retailers,</li> <li>➢ SCI with Trustees and</li> <li>➢ company AMP &amp; budgets</li> </ul> </li> <li>▪ Consumers can self select tariff options &amp; supply capacities that best suited to their needs</li> <li>▪ Larger consumers can invest in own correction plant or pay power factor charge where non compliant</li> </ul>

Activity	Advise 6 (1) (c) (i)	Consult 6 (1) (c) (ii)	Consider Views 6 (1) (c) (iii)	Action 6 (1) (c) (iv)
	<ul style="list-style-type: none"> <li>retailers</li> <li>▪ Explanation of price service level tradeoff for each tariff posted on website and made available to consumers, retailers and electrical contractors.</li> <li>▪ Responses to direct customer enquiry</li> <li>▪ Advice on tariff options &amp; capacities provided on establishment of new connections</li> </ul>	<ul style="list-style-type: none"> <li>▪ Power factor information and monitoring provided directly to larger consumers</li> </ul>		
Commitments with Retailers	<ul style="list-style-type: none"> <li>▪ Retailers are consumers' agents for procurement of line function services</li> <li>▪ Agreement on service quality standards for given tariff levels detailed in Use of Systems Agreement (UOSA) with retailers</li> <li>▪ Retailers reflect service quality and price information in their customer agreements.</li> <li>▪ UOSA is publicly available and disclosed on NTL website</li> <li>▪ Separate retailer section on NTL website</li> <li>▪ NTL required to provide service quality reports to retailers on request</li> </ul>	<ul style="list-style-type: none"> <li>▪ Use of system agreements are negotiated with retailers</li> <li>▪ Retailers have ability to call for a review and to negotiate amendments to the provisions of UOSA on giving notice</li> <li>▪ Retailers can request any specific reports on service quality performance as may be reasonably required</li> <li>▪ Distributor must provide the retailer with a written report within 15 days following advice of an inquiry / complaint from a customer of the retailer</li> </ul>	<ul style="list-style-type: none"> <li>▪ Feedback from retailers considered and incorporated in service quality planning and pricing</li> <li>▪ Dispute resolution procedures detailed in UOSA</li> </ul>	<ul style="list-style-type: none"> <li>▪ Compensation payments where service levels fall short of those specified in agreements</li> <li>▪ Service performance outcomes become inputs into asset management planning, capital and opex commitments and works contract negotiations and performance payments.</li> </ul>
Direct Connection agreements with major customers	<ul style="list-style-type: none"> <li>▪ Direct supply arrangements are in place with four largest consumers</li> <li>▪ Service and price options considered when arrangements formed and when renewed</li> <li>▪ Power factor advice is provided periodically</li> </ul>	<ul style="list-style-type: none"> <li>▪ Major customers have direct relationship with, and direct access to, NTL as their distributor</li> <li>▪ Site visits and meetings occur as required</li> <li>▪ Customers can explore options for change of service level on request</li> </ul>	<ul style="list-style-type: none"> <li>▪ Feedback from direct connect consumers considered and incorporated in service quality planning and pricing</li> </ul>	<ul style="list-style-type: none"> <li>▪ Compensation payments where service levels fall short of those specified in agreements</li> <li>▪ Any changes in connection terms agreed individually with these consumers reflected in service delivery standards, systems capex and opex and line charges payable by these customers</li> </ul>
Large Customer Surveys, Feedback and Direct Interaction	<ul style="list-style-type: none"> <li>▪ Survey provides largest 33 consumers (accounting for 35% of NTL kWh throughput) with opportunity to consider and respond to price quality tradeoff options and record their perception of service quality performance</li> </ul>	<ul style="list-style-type: none"> <li>▪ Direct telephone communication by independent third party</li> <li>▪ Questioned regarding: <ul style="list-style-type: none"> <li>➢ relative importance of particular supply attributes</li> <li>➢ NTL performance with respect to these supply attributes</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ Tabulate and analyze customer responses to questionnaires</li> <li>▪ Identify issues arising that require action</li> <li>▪ Responses from large consumers detailed in following section of this document</li> </ul>	<ul style="list-style-type: none"> <li>▪ Results considered in setting service performance objectives in annual AMP process</li> <li>▪ Significant and unique issues raised by individual respondents considered and followed up where practicable</li> </ul>

<b>Activity</b>	<b>Advise 6 (1) (c) (i)</b>	<b>Consult 6 (1) (c) (ii)</b>	<b>Consider Views 6 (1) (c) (iii)</b>	<b>Action 6 (1) (c) (iv)</b>
	<ul style="list-style-type: none"> <li>▪ Advise on supply options, prices and choices when directly contacted by large consumers or their contractors</li> <li>▪ Power factor advice is provided periodically</li> <li>▪ Separate “Consumer” section on NTL website</li> </ul>	<ul style="list-style-type: none"> <li>➢ desirability of alternative price quality scenarios</li> <li>➢ power flicker concerns and perceptions</li> <li>▪ General manager of largest customer is NTL director</li> <li>▪ Five largest consumers have right to appoint one NT Trustee on rotational basis</li> <li>▪ Direct contact between large customers &amp; NTL as required</li> </ul>	<ul style="list-style-type: none"> <li>▪ Feedback considered and incorporated in service quality planning and pricing</li> </ul>	<ul style="list-style-type: none"> <li>▪ General preference expressed for marginal increments in quality within established price structures and levels.</li> <li>▪ Planned outage management to meet major customer business requirements where practicable</li> <li>▪ Any changes in connection terms agreed individually with these consumers reflected in service delivery standards, systems capex and opex and line charges payable by these customers</li> </ul>
Small Customer Feedback & Direct Interactions	<ul style="list-style-type: none"> <li>▪ NTL price and service information published, publicly available and posted on website &amp; includes: <ul style="list-style-type: none"> <li>➢ SCI</li> <li>➢ Annual report</li> <li>➢ Information Disclosure</li> <li>➢ AMP</li> <li>➢ Tariff options</li> <li>➢ UOSA</li> <li>➢ Outage information</li> <li>➢ Distribution code</li> <li>➢ Capacity options</li> </ul> </li> <li>▪ Advise supply options, prices and choices when directly contacted by small consumers, their contractors or retailers</li> <li>▪ Separate “Consumer” section on NTL web site</li> <li>▪ Power factor advice provided periodically to selected larger sites</li> </ul>	<ul style="list-style-type: none"> <li>▪ NTL has attempted to consult with the following mass market consumer representatives: <ul style="list-style-type: none"> <li>➢ Retailers as consumers legal agents (see above)</li> <li>➢ NT Trust as consumer elected representatives</li> <li>➢ Greypower</li> <li>➢ Federated farmers</li> <li>➢ Tasman District Council economic development unit</li> <li>➢ Commerce Nelson</li> </ul> </li> <li>▪ NTL customer services section responds to direct approaches from individual mass market consumers requesting new connections or service level changes.</li> <li>▪ Advise and consult with consumers &amp; their contractors concerning individual supply options and service level changes</li> <li>▪ Feedback links to key NTL staff available through web site, consumer news letters and phone directories</li> <li>▪ Direct network faults service line maintained by NTL and faults data monitored</li> <li>▪ As a member, NTL is bound by the processes of the Electricity and Gas Complaints Commission.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Tabulate and analyse responses to questionnaires from community &amp; consumer representatives</li> <li>▪ Identify issues arising that require action</li> <li>▪ Responses to consultation with community and consumer representative groups are detailed in following section of this document</li> <li>▪ Consider views and concerns expressed in direct contacts initiated by consumers</li> <li>▪ NTL bound by EGCC processes</li> </ul>	<ul style="list-style-type: none"> <li>▪ Results considered when setting service performance objectives in annual AMP process</li> <li>▪ Significant and unique issues raised by individual respondents considered and followed up</li> <li>▪ Provide price / service response for consumers making direct contact where feasible.</li> </ul>

## **2.0 Consumer Engagement Activity 2005-06**

### **2.1 Consultation requirements**

The Commission's consumer consultation requirements are defined in Section 6(1)(c) of the Notice, and broadly require a lines company to:

- Properly advise its consumers about the price and quality trade-offs available.
- Consult with those consumers on those trade-offs.
- Properly consider the views expressed by consumers.
- Take those views into account when making asset management decisions.

### **2.2 Consultation methodology**

It is not practical to address the requirements of section 6.1(c) solely through a process of direct consultation with consumers. The Commerce Commission (see Sections 93 to 96 of the Targeted Control Regime Threshold Decisions document dated 1 April 2004) has indicated that the lines companies are not expected to consult with large numbers of mass-market consumers.

Network Tasman considers that engaging directly with its largest consumers, and using several reasonable proxies for the mass market fulfills the consultation requirements of Section 6.1(c).

Network Tasman has segregated its consumer base into two groups for the consumer communication and consultation process required by the regulations.

### **2.3 Definition of large & small users**

In its Consumer Consultation for the period ending 31 March 2004 Network Tasman consulted with its 31 largest consumers (by energy consumption) on the basis that these were the only consumers with whom it was at all realistic to discuss potential options relating to price and supply quality tradeoffs. These consumers all had supply capacities in excess of 150kVA and were time of use metered. This definition of "large" was accepted by the Commerce Commission in 2004 hence Network Tasman intends to again adopt this definition for 2006.

### **2.4 Consultation with Large Users**

Network Tasman engaged Phil Caffyn of Utility Consultants, Hamilton to independently engage with NTL's 33 largest customers by telephone survey in February / March 2006. The questionnaire used in this process is attached in Appendix A and consumers were questioned about both their satisfaction with the current levels of service quality and their interest in paying amended line charges for a different level of service quality. A total of 33 consumers accounting for approximately 200GWh or 35% of the electricity conveyed annually across NTL's network were surveyed. A response rate of 55% was achieved in 2006 compared to 80% in the 2004 survey. Those responding represented a broad cross section of NTL larger consumers.

A summary of responses from individual large users is provided in section 2.6. The survey questions and a graphical summary of price quality trade off perceptions by these consumers are included in Section 3.

### **2.5 Consultation with Small Users**

Given the classification of large users above, Network Tasman's other 33,500 mass market consumers are accordingly classified as "small" users.

Notwithstanding the impracticability of engaging in meaningful dialogue over price quality trade offs with individual small users, Network Tasman has also attempted to consult with entities able to

“accurately reflect the interests of” sizable groups of small consumers within the general mass market consumer base. These entities include:

- Electricity Retailers operating on the network.
- GreyPower
- Federated Farmers.
- District Council economic development units.
- Network Tasman Trust

A brief summary of the results of the consultation with these groups is included in sections 2.6 to 2.9 below.



## 2.6 Consultation with Large Consumers

Large User responses concerning alternative price and supply quality options (Survey Question 3) were as follows:

No.	Consumer	Industry sector	2004 Response	2006 Response
1	Wood Processor	Primary processing	Not included in 2004 survey – engaged with separately by NTL	Would prefer to pay about the same to receive small improvements in reliability over time.
2	Food Processor	Primary processing	Reasonably happy with reliability, but would certainly be interested in additional reliability.	Did not respond to our invitation to participate.
3	Meat Processor	Primary processing	Have had some recent outages, so additional reliability would be useful subject to price.	Would prefer to pay about the same to receive small improvements in reliability over time.
4	Wood Processor	Primary processing	Generally happy with existing reliability. Would like additional reliability, but would depend on costs.	Did not respond to our invitation to participate.
5	Cool Store	Cold storage	Happy with reliability over the last 10 to 15 years, but could be interested in additional reliability if the price was right.	Did not respond to our invitation to participate.
6	Supermarket	Food retail	Supply has improved over the last year or two. Have battery back-up and a generator, so wouldn't be interested in paying for additional reliability from Network Tasman.	Would prefer to pay about the same to receive small improvements in reliability over time.
7	Fish Processor	Primary processing	Happy enough with reliability of existing supply, but might be prepared to pay a high price for additional reliability due to nature of operations.	Would prefer to pay about the same to receive small improvements in reliability over time.
8	Wood Processor	Primary processing	Not included in 2004 survey	Pleased with existing reliability, and thinks that alternative supply may already be available..
9	Dairy Processor	Primary processing	Not included in 2004 survey.	Would prefer to pay about the same to receive small improvements in reliability over time.
10	Wood Processor	Primary processing	No problems with existing supply, so wouldn't be interested in additional reliability.	Unable to form a view
11	Fish Processor	Primary processing	Didn't respond in time for inclusion in this exercise.	Did not respond to our invitation to participate.
12	Supermarket	Food retail	Happy enough with existing reliability apart from a contractor excavating a cable. Would be interested in additional reliability subject to price.	Would prefer to pay about the same to receive small improvements in reliability over time.

No.	Consumer	Industry sector	2004 Response	2006 Response
13	Wood Processor	Primary processing	Happy with existing reliability, but recognises that their supply is vulnerable. Would certainly consider additional reliability depending on price.	Did not respond to our invitation to participate.
14	Brewery	Mineral extraction	Had a few outages – things like cars hitting poles – but very happy with supply reliability. Would consider additional reliability subject to cost.	Did not respond to our invitation to participate.
15	Council	Infrastructure operator	Didn't respond in time for inclusion in this exercise.	Would prefer to pay about the same to receive small improvements in reliability over time.
16	Retirement Village	Aged care	Happy with existing reliability. Due to use of gas for cooking and heating and 24 hour emergency lighting, would not be interested in paying for additional reliability from Network Tasman.	Would prefer to pay about the same to receive small improvements in reliability over time.
17	Food Processor	Food processing	Didn't respond in time for inclusion in this exercise.	Would prefer to pay about the same to receive small improvements in reliability over time.
18	Retail	General retail	Not included in 2004 survey.	Declined to participate
19	Retirement Village	Aged care	Improvement in supply reliability of late. Already have emergency lighting and gas heating and cooking, so wouldn't be interested in additional reliability.	Would prefer to pay about the same to receive small improvements in reliability over time.
20	High School	Education	Didn't respond in time for inclusion in this exercise.	Did not respond to our invitation to participate.
21	Contractor	Mineral extraction	Happy with reliability, but wouldn't be interested in additional reliability as operations at this site are not critical.	Would prefer to pay about the same to receive small improvements in reliability over time.
22	Wood Processor	Primary processing	Happy with existing reliability, but would certainly be interested in considering additional reliability as a second feeder is not far away.	Did not respond to our invitation to participate.
23	High School	Education	Happy with existing reliability, but might be interested in additional reliability depending on cost.	Would prefer to pay about the same to receive small improvements in reliability over time.
24	Wood Processor	Primary processing	No problem with outages, so would not be interested in additional reliability.	Did not respond to our invitation to participate.
25	Foundry	Heavy manufacturing	Happy with existing reliability, but would be interested in additional reliability if the price was acceptable.	Would prefer to pay about the same to receive small improvements in reliability over time.
26	Accommodation	Agriculture	Supply reliability reasonably good – has the odd outage due to birds or cars hitting poles. Has a stand-by generator so wouldn't be interested in paying for additional reliability.	Did not respond to our invitation to participate.

No.	Consumer	Industry sector	2004 Response	2006 Response
27	Manufacturer	Heavy manufacturing	Reliability is okay, so wouldn't be interested in additional reliability.	Would prefer to pay about the same to receive small improvements in reliability over time.
28	Private Hospital ()	Aged care	Declined to participate	Declined to participate
29	Winery	Hospitality	Haven't had any problems to date. Might be interested in additional reliability if the price was acceptable.	Did not respond to our invitation to participate.
30	Wood Processor	Light manufacturing	Good supply reliability, but might be interested in additional reliability. Cost would be a key factor.	Current reliability is very good, possibly in excess of what they need so might be prepared to pay less to have less reliability (note change of management since last engagement).
31	Accommodation	Accommodation	Happy with existing reliability, so wouldn't be interested in additional reliability.	Would prefer to pay about the same to receive small improvements in reliability over time.
32	Sewerage Plant	Infrastructure operator	Didn't respond in time for inclusion in this exercise.	Did not respond to our invitation to participate.
33	Vehicle Distributor	Warehouse & dispatch	No problems with existing reliability. Operations not critical enough to merit additional reliability.	Would prefer to pay about the same to receive small improvements in reliability over time.

## **2.7 Consultation with representative groups for small consumers**

Utility Consultants also engaged with consumer representative groups around the following question “is Network Tasman providing reliable and appropriately priced community infrastructure”. Responses were:

- Grey Power did not indicate any reliability concerns amongst members however the inability to separately identify line and energy charges on the retailers’ bills is a common complaint amongst members. Discounts from Network Tasman are being welcomed.
- Federated Farmers did not reply to our invitation to comment.
- Tasman District Council economic development unit did not reply to our invitation to comment

## **2.8 Consultation with consumers retailer representatives**

Utility Consultants engaged independently with electricity retailers concerning their views, as representatives for mass market consumers, on the price quality tradeoffs on NTL’s network. Responses were only obtained from two retailers and are summarised below:

- Retailer #1 indicated that NTL’s performance is “fine”.
- Retailer #2 indicated that they have no operational concerns with NTL, and have an excellent working relationship with NTL and often use NTL as a sounding board for generic industry issues.

## **2.9 Consultation with Trust**

Utility consultants engaged independently with the Chairman of NT Trust concerning the Trusts views on consumer price / quality issues:

The chairman of the Network Tasman Trust advised Utility consultants that complaints about line charges or reliability are rare.

## **2.10 Processes for acting on responses from engagement with consumers & their representatives**

Network Tasman has adopted the following processes for acting on consumer responses.

- Network Tasman’s AMP development includes a consumer consultation phase.
- AMP service level objectives are set annually and reflect the strategic direction and goals of the company. The performance targets are guided by the outcome of prior engagements with consumers, their representatives and NT Trust and are incorporated into the company’s annual SCI.
- The AMP specifies SAIDI, SAIFI and CAIDI performance targets for the next 5 years and other service level objectives (Section 4.4). These targets build off NTL’s average underlying reliability levels achieved over the last five years and then incorporate a series of planned incremental improvements over the next 5 years. The annual maintenance, renewal and capital expenditures shown in the AMP are set at levels appropriate to resource the targeted improvements in service quality over the AMP planning horizon.
- Network Tasman also aims to deliver these incremental improvements in quality performance while operating within the current regulatory price pathway set by the Commerce Commission
- These goals for price and quality remain consistent with general responses received from the engagement with consumers and their representatives in March 2006.
- Network Tasman will continue discussions with those consumers who have indicated that they may be interested in alternative options of price and supply quality.

## **3.0– Consumer Questionnaire**

### **3.1. Questions posed to 33 large users.**

#### *1. Importance of electricity service components*

There are many components of electricity service which are provided by Network Tasman which include the following. Without thinking about how well Network Tasman does in any of the following, please tell me which two components of your electricity supply are most important...

- (a) Answering the phone quickly.
- (b) Keeping the power on all the time.
- (c) Quick processing of applications for new connections.
- (d) Advising on stuff like energy efficiency
- (e) Getting the power back on quickly.
- (f) No flicker or surges.
- (g) Sufficient notice of a planned shutdown.

#### *2. Network Tasman's performance*

Thinking about the components of electricity service discussed above, can you please use the words Poor, Average, Good, Very Good or Excellent to describe how well Network Tasman does each of the following things.

- (a) Answering the phone quickly.
- (b) Keeping the power on all the time.
- (c) Quick processing of applications for new connections.
- (d) Advising on technical stuff.
- (e) Getting the power back on quickly.
- (f) No flicker or surges.
- (g) Sufficient notice of a planned shutdown.

#### *3. Alternative reliability and prices*

Now I would like to talk about possible alternatives to the reliability of your present electricity supply and the amount you pay for that supply. Please tell me which of the following alternatives you would prefer...

- (a) Pay a bit less to have a bit less reliability.
- (b) Pay about the same to have slight improvements in reliability over time.
- (c) Pay a bit more to have a bit more reliability.
- (d) Pay a lot more to have a lot more reliability.

#### *4. Power Flicker*

Now I would like to talk some more about power flicker.

Using the words Never, Rarely, Sometimes or Often please tell me how often you personally notice power flicker.

Using the words Never, Rarely, Sometimes or Often please tell me how often power flicker is a problem for your business.

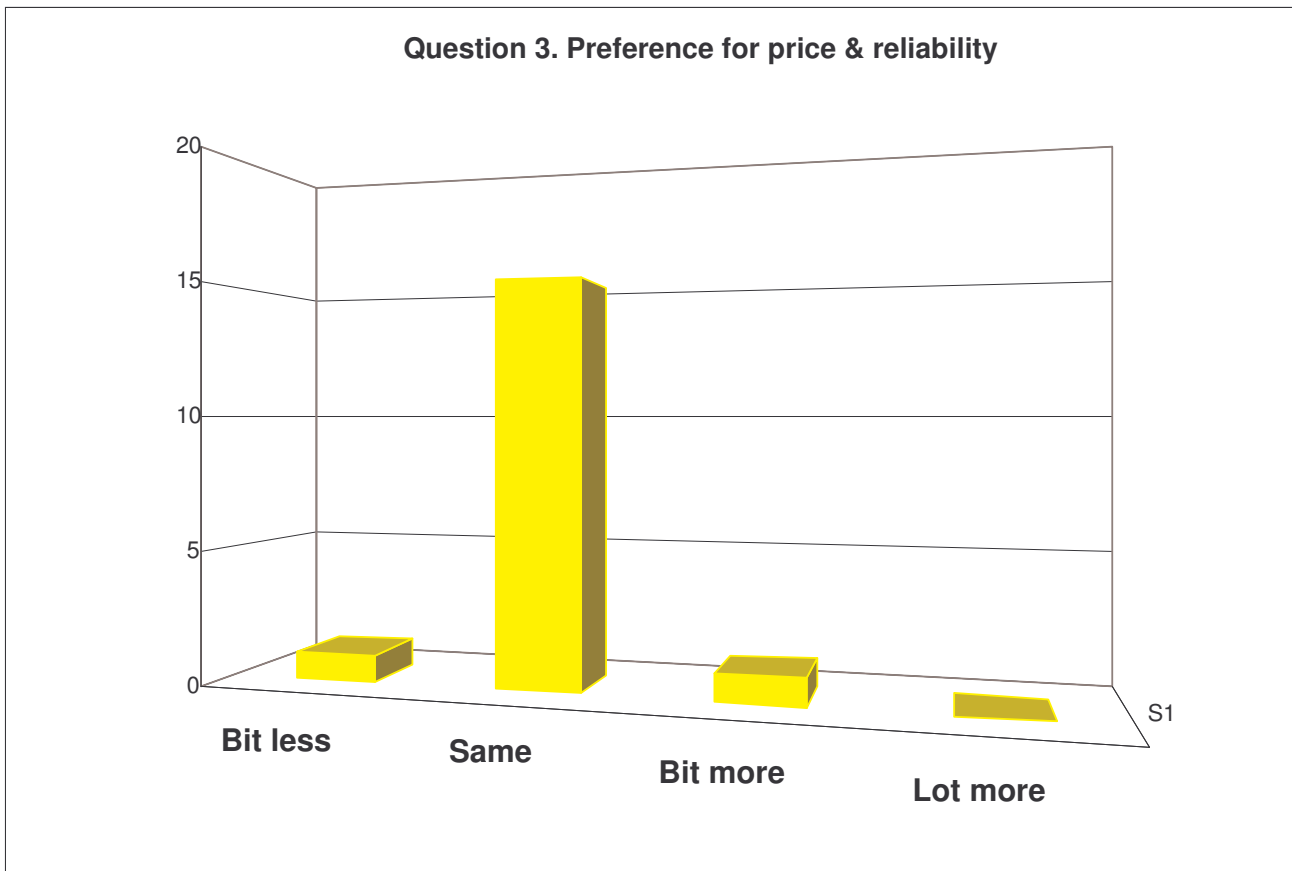
### 5 Causes of Power Flicker

To help us understand how well the community understand power flicker, can you please tell me which of the following might cause power flicker.

- (a) Trees hitting power lines.
- (b) Switching on Network Tasman's network.
- (c) Other consumers' equipment.
- (d) Your own equipment.
- (e) Animals or birds hitting power lines.

## 3.2 Summary of Responses

The following graph provides a summary of the survey responses provided from NTL's 33 largest consumers for question 3 concerning the trade off between price and supply quality.



## APPENDIX 10.

### RELIABILITY RECORDING POLICIES and PROCEDURES

For the purposes of compiling annual SAIDI and SAIFI data:

- a high voltage outage on the distribution network is defined as an event resulting in loss of supply to any number of consumers for a duration of more than one minute
- only high voltage outages (6.6kV and above) resulting from de-energisation of any high voltage feeder or conductor are included in SAIDI & SAIFI statistics
- both planned and unplanned events are included within high voltage outage statistics
- all high voltage outages are managed through Network Tasman's control room by a qualified Network Tasman system operator
- the faults and maintenance contract between the company and its faults contractor, United Gooder, obligates both parties to manage all outage events centrally through the control room.
- All HV fault switching operations are recorded by the system operator in the control room log at the time the activity takes place. This provides a detailed record of the switching events for future reference.

Customers affected by operation of a distribution system high voltage protection device can be divided into:

1. Those within the core fault area (i.e. who won't have supply restored until the necessary line repairs are completed)
2. Those outside the immediate fault area (i.e. who can have power restored through co-ordinated switching activity)

To calculate the customer minutes lost under each fault event, each event is approximated as a maximum two step restoration process. This is in keeping with the philosophy of fault restoration which relies on the following a sequential process for supply restoration:

1. Identification, isolation and minimisation of the core fault area.
2. Restoration, through switching, of supply to areas not immediately within the core fault area
3. Making repairs and restoration of the core fault area.

The switching and recording process is managed by a NTL system operator using NTL's Geographical Information System (GIS). To record outage data the operator draws geographical selection polygons around all sections of the high voltage line affected by the fault event. The software is then used to select and identify all the distribution transformers within the fault area. A query is then made into NTL's customer connection database to find and list all customers connected to those transformers affected by the fault event.

This data is then used in the following formula to calculate the total customer minutes for a fault event:

$$\begin{aligned} & \text{Total No. of customers initially affected} \times (\text{Time Unfaulted Area restored} - \text{Time of Initial Interruption}) \\ + & \text{No. of Fault area customers} \times (\text{Time Fault Area restored} - \text{Time Unfaulted Area restored}) \end{aligned}$$

Planned and unplanned events use essentially the same recording process however by nature, planned interruptions can be identified to a set of consumers and a known area in advance.

The total customer minutes for a planned interruption are thus calculated using the following formula:

$$\text{Total No. of customers interrupted} \times (\text{Time Interrupted Area restored} - \text{Time of Initial Interruption})$$

The system operator records details of all outage events in the NTL Outage Database. This is an access database that remains on line in the control room. Each planned or unplanned event forms a one record entry into the database. The Outages Database is subject to NTL's normal electronic file backup and security protocols.

The Outage Database records the following data fields for each event:

1. Date
2. ID number of the protective device that has operated (allows identification of the HV feeder and area affected)
3. Area: (Text description of area affected)
4. Description; (Text description of fault cause and type – recorded once known)
5. Outage type (Shutdown or Fault)
6. Area Class (Urban or Rural)
7. Fault Class (Overhead or Underground)
8. Fault Voltage (6.6, 11, 33kV)
9. Outage Region (Stoke, Motueka, Golden Bay, Kikiwa, Murchison)
10. Time of Initial Interruption
11. Time Unfaulted Area Restored
12. Time Fault area restored
13. Customers (ICP's) in Total Area ( recorded post event)
14. Customers (ICP's) in Fault area (recorded post event)

Unless otherwise stated all data is recorded on line by the system operator at the time of the event.

The outage database is queried on an as needed basis by NTL's Network and Operations Managers and summary outage statistics are prepared and provided to NTL's CEO and Board of Directors on a monthly basis. Annual outage statistics are prepared and independently audited for regulatory reporting purposes. The summary statistics are recorded on a cumulative basis and are used for comparative analysis and form a key input into NTL annual Asset Management Planning process. Annual data is also reported against NTL's SCI reliability targets. These targets are negotiated annually with the Network Tasman Trust.