

Network Tasman Limited

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## **NETWORK TASMAN LIMITED THRESHOLD COMPLIANCE STATEMENT**

**For Assessment Date 31 March 2008**

**Pursuant to the  
Commerce Act (Electricity Distribution Thresholds) Notice 2004  
and the  
Amendment Notice 2006**

**Dated 16<sup>th</sup> May 2008**

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## 1. DIRECTORS CERTIFICATION OF THRESHOLD COMPLIANCE STATEMENT

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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, James Oliver Williamson and Michael John McCliskie, 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 except for clause 6(1) (a) concerning the SAIDI quality threshold.

#### SIGNATURES OF DIRECTORS

  
\_\_\_\_\_  
J.O. Williamson  
Date: 16<sup>th</sup> Day of May 2008

  
\_\_\_\_\_  
M.J. McCliskie  
Date: 16<sup>th</sup> Day of May 2008

# 1. PRICE PATH THRESHOLD COMPLIANCE STATEMENT

Network Tasman Limited certifies that:

**a). Information**

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, the Amendment Notice 2006 and Sections 57G and 57T of the Commerce Act 1986.

**b). Compliance**

Network Tasman Limited complies with the price path threshold requirements specified in Sections 5(1)(a) and 5 (1)(b) of the Commerce Act (Electricity Distribution Thresholds) Notice 2004 and the Amendment Notice 2006 at the assessment date of 31 March 2008 as demonstrated by the two tests below:

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

The Notional Revenue (NR) 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 (R) 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>	$\frac{NR_{2008}}{R_{2008}}$	$\leq 1$
<b>Result:</b>	\$18,398,007 / \$19,145,410	$< 1$
	0.9610	$< 1$
<b>Result:</b>	Threshold is not breached	

The test above demonstrates Network Tasman Limited has not breached the price threshold; actual notional revenue was \$747,403 less than the allowable notional revenue for the assessment period ending 31 March 2008.

**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 Allowable Notional Revenue of the distribution business at the assessment date on which that assessment period ends and the Allowable 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>	$\frac{NR_{Max}}{Max(R_{2007}, R_{2008})}$	$\leq 1$
<b>Result:</b>	\$18,398,007 / \$19,145,410	< 1
	0.9610	< 1
<b>Result:</b>	Threshold is not breached	

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

**c). Notional Revenue**

The price path calculations, as required by the Gazette Notice and Amendment 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)
- Interim rebates (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 Contracting Environment**

Network Tasman Limited does not own or operate any electrical contracting facilities nor does it provide any electrical contracting services to electricity consumers or electricity retailers on a

non-contestable basis. Any charges directly borne by electricity consumers or retailers 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) Information

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, the Amendment Notice 2006 and Sections 57G and 57T of the Commerce Act 1986.

### b) Compliance

The quality threshold assessments for SAIDI and SAIFI below demonstrate that, for the year ended 31 March 2008, Network Tasman Limited failed to comply with the SAIDI requirements but has complied with the SAIFI requirements of Section 6 of the Commerce Act (Electricity Distribution Thresholds) Notice 2004.

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

<b>Test:</b>	$SAIDI_{2008} \leq \left( \frac{SAIDI_{1999} + SAIDI_{2000} + SAIDI_{2001} + SAIDI_{2002} + SAIDI_{2003}}{5} \right)$		
<b>Result:</b>	157.54	>	147.45
<b>Result:</b>	SAIDI breaches the threshold by 10.09 minutes		

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

<b>Test:</b>	$SAIFI_{2008} \leq \left( \frac{SAIFI_{1999} + SAIFI_{2000} + SAIFI_{2001} + SAIFI_{2002} + SAIFI_{2003}}{5} \right)$		
<b>Result:</b>	1.53	<	2.12
<b>Result:</b>	SAIFI does not breach the threshold		

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

#### Explanation of NTL's Breach of the SAIDI Quality Threshold in 2007-08.

NTL breached the SAIDI Quality threshold by 10.09 minutes as a result of two coincident events that added 28.20 minutes to our 2007/8 total.

The initiating event was the failure of a 5 MVA power transformer at our Takaka Zone Substation at 19:00 hrs on the evening of Sunday 16 March 2008. During switching activities to restore supply via the second zone substation transformer a fault in the 11kV supply circuit breaker (CB) connecting the second transformer was identified. This fault caused the CB to operate when the demand reached 50% of the CB's rated load limiting the capacity available from the second transformer. To fully restore supply to all customers the CB needed to operate at 60%-70% of its rated load.

An emergency outage to replace the CB's control box proved unsuccessful in eliminating the problem and a second emergency outage was required to replace the entire circuit breaker unit. Supply was finally restored to all customers at 22:54 on the evening of Tuesday 18th March 2008.

NTL's Takaka zone substation is designed with N-1 redundancy (switchable) and had these two events not been coincidental they could have been managed with far less disruption to customers. For example a single transformer outage at this site in 2006/7 resulted in the accumulation of less than 2.2 SAIDI minutes. (Recorded as fault log event #3497).

Similarly had just the CB failed in the manner outlined above, the same restoration process of isolation and bypass would have been followed and ostensibly the same customers would have been affected, however it is likely only about 2.2 SAIDI minutes would have been accumulated.

Therefore if these events had occurred separately during 2007/8, NTL could have expected to accumulate 4.0 rather than 28.2 SAIDI points. This would have put NTL at least 13.6 points under the SAIDI Quality Threshold of 147.45 minutes rather being in breach of it by 10.09 points.

### **c) Customer Communication and Consultation**

The biannual customer communication requirements required under Section 6 of the Commerce Act (Electricity Distribution Thresholds) Notice 2004 were last undertaken by Network Tasman in the year ended 31 March 2006 and have again been undertaken by NTL in the year to 31 March 2008. The requirements of Section 6.1(c) of the Commerce Act (Electricity Line Thresholds) Notice 2004 for customer communication & consultation by electricity distribution businesses are shown in the table below.

**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 —

- (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
- (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
- (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.

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

Further information demonstrating NTL's compliance with the Section 6.1 (c) requirements above are provided in Appendix 10.

**d) Network Tasman SAIDI & SAIFI Policies and Procedures**

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 2008. This information is provided in Appendix 9.

### **3. DISCLAIMER**

*The information disclosed by Network Tasman Limited 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 and Amendment Notice 2006.*

*The information disclosed relates only to the lines business activities described in the Notice. There are other activities of the Company 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 16<sup>th</sup> Day of May 2008



## 4. INDEPENDENT AUDIT REPORT



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### **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 2008

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 2008 and dated 19 May 2008 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 and Quality Threshold: SAIDI and SAIFI Statistics for the Assessment Period ended 31 March 2008; 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; and
- the SAIDI and SAIFI statistics for the assessment period ended on 31 March 2008 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.
- 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.

**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 2008.

***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 2008 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 2008;
- 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 2008.

**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 2008, 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 2008.

Our audit was completed on 19 May 2008 and our qualified and unqualified opinions are expressed as at that date.



PricewaterhouseCoopers  
Auckland  
19 May 2008

## 5. APPENDICES

### Appendix 1.

#### PRICE PATH INPUTS AND CALCULATIONS

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

##### NR<sub>2008</sub>

Notional Revenue for the year ending 31 March 2008		
Term	Description	(\$)
$\sum P_{i,2008} Q_i$	Prices at 31 March 2008 multiplied by 31 March 2003 Base Quantities	27,368,756
$K_{2008}$	Transmission Charges for year ending 31 March 2008	8,858,026
	Rates for year ending 31 March 2008	18,000
	Electricity Commission Levies for year ending 31 March 2008	94,724
$NR_{2008} = \sum P_{i,2008} Q_i - K_{2008}$	Notional Revenue for the year ending 31 March 2008	18,398,007

##### NR<sub>2007</sub>

Notional Revenue for the year ending 31 March 2007		
Term	Description	(\$)
$\sum P_{i,2007} Q_i$	Prices at 31 March 2007 multiplied by 31 March 2003 Base Quantities	27,749,254
$K_{2007}$	Transmission Charges for year ending 31 March 2007	9,391,470
	Rates for year ending 31 March 2007	16,762
	Electricity Commission Levies for year ending 31 March 2007	77,137
$NR_{2007} = \sum P_{i,2007} Q_i - K_{2007}$	Notional Revenue for the year ending 31 March 2007	18,263,885

##### 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	(\$)
$\sum P_{i,0} x Q_{i,0}$	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) - ( $NR_{2008} / R_{2008} \leq 1$ )

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
$(1 + \Delta CPI_{2007})$	Average change in Consumer Price Index over 2006	1.0337
$(1-X)$	1-X Factor	0.99
$R_{2007}$	Allowable Notional Revenue under the CPI-X Price Path for the year ended 31 March 2007	18,889,945
$(1 + \Delta CPI_{2008})$	Average change in Consumer Price Index over 2007	1.0238
$(1-X)$	1-X Factor	0.99
$R_{2008}$	Allowable Notional Revenue under the CPI-X Price Path for the year ended 31 March 2008	19,145,410
$NR_{2008} / R_{2008}$	Expression must be less than or equal to 1 to avoid breaching 5(1)(a)	0.9610
$R_{2008} - NR_{2008}$	Value of Compliance or (Breach)	747,403

For presentation purposes, the CPI Index has been presented to four decimal places, however, for the calculation of  $R_{2008}$ , the full index (with no rounding) has been applied.

## Appendix 1 Continued

### Clause 5 (1) (b)

#### $NR_{Max}$

Maximum Notional Revenue for the period 1 April 2007 to 31 March 2008. P x Q using 31 March 2008 Prices and 31 March 2003 Base Quantities if there has been no change in prices over this period, otherwise the 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 2007 and 31 March 2008 multiplied by 31 March 2003 Base Quantities	27,368,756
$K_{2007}$	Transmission Charges for year ending 31 March 2008	8,858,026
	Rates Charges for year ending 31 March 2008	18,000
	Electricity Commission Levies for year ending 31 March 2008	94,724
$NR_{Max}$	Maximum Notional Revenue for 1 April 2007 to 31 March 2008	18,398,007

#### Test for 5 (1) (b) - $(NR_{Max} / \text{Max}(R_{2007}, R_{2008})) \leq 1$

Notional Revenue during the period is not to exceed the maximum of the Allowable Notional Revenue at the end of the assessment period and the Allowable Notional Revenue at the end of the previous assessment period		
Term	Description	(\$)
$NR_{Max}$	Maximum Notional Revenue for 1 April 2007 to 31 March 2008	18,398,007
$R_{2007}$	Allowable Notional Revenue at 31 March 2007	18,889,945
$R_{2008}$	Allowable Notional Revenue at 31 March 2008	19,145,410
$\text{Max}(R_{2007}, R_{2008})$	Maximum of the Allowable Notional Revenue at 31 March 2007 and the Allowable Notional Revenue at 31 March 2008	19,145,410
$NR_{Max} / \text{Max}(R_{2007}, R_{2008})$	If expression is greater than 1, Clause 5 (1) (b) is breached	0.9610
$\text{Max}(R_{2007}, R_{2008}) - NR_{Max}$	Value of Compliance or (Breach)	747,403

## Appendix 2.

### NOTIONAL REVENUE ( $P_{2008} \times Q_{2003}$ ) AT ASSESSMENT DATE 31 MARCH 2008

Group/Category		NTL Code	$P_{i2008}Q_{i0}$ 01/04/2007 to 31/03/2008
<b>VARIABLE CHARGES</b>	1&2	ANY	13,201,333
		DAY	961,392
		WSR	2,237,370
		NIT	340,500
		OPK	29,926
	2LLFC	2LANY	972
		2LDAY	0
		2LWSR	198
		2LNIT	0
		2LOPK	0
	2HLFC	2HANY	0
		2HDAY	0
		2HWSR	0
		2HNIT	0
		2HOPK	0
	3.1	Summer Day	14,434
		Summer Night	4,986
		Winter Day	23,077
		Winter Night	3,995
3.3 & 3.4	Summer Day	400,787	
	Summer Night	131,869	
	Winter Day	904,329	
	Winter Night	94,606	
3.5	Summer Day	23,648	
	Summer Night	11,155	
	Winter Day	50,033	
	Winter Night	7,046	
<b>FIXED CHARGES</b>	0	0UNM	10,957
		CHD	0
		0STL	159,163
		0TBX	48,647
	1	1	1,656,516
	2	2	1,246,165
		2LLFC	164
	2HLFC	0	
	3.1	Anytime	37,310
	3.3 & 3.5	Anytime	107,921
	3.4	Anytime	680,971
	3 All Cats	Winter	1,304,899
	All	Power Factor	0
G6		1,645,893	
NEL		1,909,794	
New Connections	CC	118,701	
<b>Total Revenue by period - <math>\Sigma(PQ_{i0})</math></b>			<b>27,368,756</b>

### Appendix 3

#### SCHEDULE of NTL PRICES as at 31 MARCH 2008

Group/Category		NTL Code	Price P <sub>2008</sub> 31/03/2008	Unit
<b>VARIABLE CHARGES</b>	1&2	ANY	6.64	c/kWh
		DAY	7.31	c/kWh
		WSR	3.07	c/kWh
		NIT	2.22	c/kWh
		OPK	5.19	c/kWh
	2LLFC	2LANY	9.64	c/kWh
		2LDAY	10.31	c/kWh
		2LWSR	6.07	c/kWh
		2LNIT	5.22	c/kWh
		2LOPK	8.19	c/kWh
	2HLFC	2HANY	12.64	c/kWh
		2HDAY	13.31	c/kWh
		2HWSR	9.07	c/kWh
		2HNIT	8.22	c/kWh
		2HOPK	11.19	c/kWh
	3.1	Summer Day	0.38	c/kWh
		Summer Night	0.34	c/kWh
		Winter Day	0.80	c/kWh
		Winter Night	0.34	c/kWh
	3.3 & 3.4	Summer Day	1.19	c/kWh
		Summer Night	1.04	c/kWh
Winter Day		3.74	c/kWh	
Winter Night		1.04	c/kWh	
3.5	Summer Day	0.83	c/kWh	
	Summer Night	0.83	c/kWh	
	Winter Day	2.79	c/kWh	
	Winter Night	0.83	c/kWh	
<b>FIXED CHARGES</b>	0	0UNM	38.0	c/day
		CHD		
		0STL	0.085	c/day
		0TBX	98.0	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	4.75	c/kVA/day
	3.3 & 3.5	Anytime	6.46	c/kVA/day
	3.4	Anytime	6.89	c/kVA/day
	3 All Cats	Winter	12.06	c/kVA/day
	All	Power Factor	22.620	c/kVA/day
	G6		1,645,893	Annual Charge
NEL		1,909,794	Annual Charge	
New Connections	CC	5.17	\$/kVA-km	



## Appendix 4.

### BASE QUANTITIES (Q<sub>2003</sub>) 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	0UNM	79	icp
		CHD	59	icp
		0STL	513,014	W
		0TBX	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 2007-08	Pass through Revenue				TOTAL REVENUE
	Transmission	EC Levy	Invoiced	LR Rebates	
All P'thru customers	3,460,063	38,246	3,498,309	(341,884)	3,156,425

## Appendix 6.

### SUMMARY OF TRANSMISSION COSTS

TRANSMISSION COSTS 2007-08	
1. Payments to Transpower NZ for Transmission	8,547,488
2. Avoided Transmission Costs - Payments to Embedded Generators	27,726
3. Avoided Transmission Costs Motupipi substation purchase	253,880
4. Avoided Transmission Costs - NTL Diesel Generator	28,932
5. Voltage Support Charges	0
<b>Total Transmission Cost for YE 31 March 2008</b>	<b>8,858,026</b>

## Appendix 7.

### RATES AND ELECTRICITY COMMISSION LEVIES

Pass Through Cost (ex gst)	
Electricity Commission Levies	94,723.96
Local Body Rates incl Water	18,000.16
<b>Total for Year to 31 March 2008</b>	<b>112,724.12</b>

## 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
	<b>Five Year Average SAIDI</b>		<b>147.45</b>	<b>Five Year Average SAIFI</b>		<b>2.12</b>
2008	45.85	111.69	157.54	0.20	1.33	1.53

## Appendix 9.

## **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:

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

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:

Total No. of customers interrupted x (Time Interrupted Area restored – 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 NTL 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.

## **Appendix 10**

### **1.0 Customer Engagement Compliance Statement**

#### *1.1 Requirement for Customer Communication*

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:

**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 this report is to demonstrate 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 the distribution service identified in NTL's Asset Management Plan ("AMP") in sections

- 4.1 Supply Quality
- 4.2 Supply Reliability

In summary from the AMP, supply quality concerns acceptable voltage, harmonic level & level of interference while supply reliability concerns the frequency and length of outages and adequacy of NTL response times.

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

In previous consumer engagement work in 2004 & 2006 the NTL consumers surveyed ranked the supply attributes listed below in the following order of importance:

<b>Level of Importance</b>	<b>Service Attribute</b>
Most Important	Continuity of supply – minimise interruptions
Second Most Important	Restoration Times – getting the lights back on quickly
Third Most Important	Power Quality – no flicker or surges
Fourth Most Important	Communication – sufficient notification of planned outages

Clearly supply reliability as per Section 4.2 of the AMP was ranked by consumers as the most fundamental service performance measure in the prior surveys.

#### *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 change 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 of "offers" of unique price / quality tradeoffs on the shared network is both 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. Consequently NTL uses a combination of regulated minimum performance standards, contractual commitments with retailers, benchmarking to good industry practice and general consumer feedback as key proxies for consumer choice concerning service quality delivery.

##### **NTL Contractual Obligations**

Contractually NTL's service quality obligations to mass market consumers 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 took over the role of consumers' agent in terms monitoring and negotiating for the delivery of supply quality on distribution networks. Technically NTL has no direct relationships with individual consumers under these contractual arrangements. With the exception of five large customers supplied directly under conveyancing arrangements, the remaining 35,000+ NTL consumers are supplied under Use of Systems Agreements with electricity retailers. The Commerce Commission's customer consultation requirements under Section 6.1(c) are inconsistent with NTL's legal and contractual obligation to negotiate and wholesale line function services to 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)
<b>NT Trust</b>	<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 regular meetings with the NTL Board and CEO</li> <li>▪ Trustees have annual involvement in the SCI process</li> <li>▪ The 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>➢ cost of service targets</li> <li>➢ net earnings 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's annual report and disclosure statements are publicly available, posted on the website. and are made available to Trustees</li> </ul>	<ul style="list-style-type: none"> <li>▪ SCI service quality, price &amp; cost and discount &amp; dividend targets are negotiated annually between Trustees and NTL Directors in open meeting</li> <li>▪ NTL Directors and Trustees are themselves consumers on NTL's network</li> <li>▪ NTL's three largest consumers (by annual consumption) have right to appoint one Trustee on a rotational basis</li> <li>▪ NTL Directors and CEO meet with Trustees on a regular basis</li> <li>▪ Consumers have ready access to Trust meetings, Trustees and NTL Directors</li> <li>▪ Separate section for NT Trust on company web site including contact details for the Trust and trustees</li> </ul>	<ul style="list-style-type: none"> <li>▪ Trustees can readily advocate consumer views to NTL at any time</li> <li>▪ NTL seeks annual feedback from trustees on draft quality targets, pricing principles, revenue, cost, discount and dividend targets and this is considered and where agreed, incorporated in the final SCI document</li> <li>▪ NTL Board and NT Trust must both sign off SCI annually</li> <li>▪ The NTL Directors and CEO consider Trustee views at regular meetings.</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>▪ NTL reports actual performance outcomes against SCI in annual financial statements &amp; these are tabled in open forum at Trust AGM</li> <li>▪ Trustees are required to undertake periodic ownership reviews of NTL whereby performance of company's service quality, revenue, costs and asset management is subject to independent expert review</li> <li>▪ Trustees appoint NTL directors</li> <li>▪ NTL Directors &amp; CEO respond to any Trustee queries raised at regular meetings or at any other time.</li> </ul>
<b>Line Tariff Options</b>	<ul style="list-style-type: none"> <li>▪ Tariffs and discounts are reviewed annually by NTL</li> <li>▪ Media releases used to explain any changes</li> <li>▪ Tariffs are advertised annually in local papers &amp; published on website</li> <li>▪ Communicated directly to retailers</li> <li>▪ Explanation of price-service level tradeoff for each tariff option posted on website and made available to consumers, retailers and electrical contractors.</li> <li>▪ Responses provided to direct customer enquiries</li> <li>▪ Advice on tariff options &amp; supply capacities provided by NTL on establishment of new connections</li> </ul>	<ul style="list-style-type: none"> <li>▪ Consultation with NT Trustees at time of SCI negotiation concerning revenue, discount and dividend targets and structures and pricing principles</li> <li>▪ Consultation with retailers over pricing methodology and any major 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> <li>▪ EC mandates on UOSA /consumer contracts followed</li> </ul>	<ul style="list-style-type: none"> <li>▪ Feedback from trustees, retailers, consumers and contractors considered and where appropriate incorporated in tariff and discount setting processes</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 after seeking advice from company / contractors / retailers</li> </ul>



Activity	Advise 6 (1) (c) (i)	Consult 6 (1) (c) (ii)	Consider Views 6 (1) (c) (iii)	Action 6 (1) (c) (iv)
<b>Commitments to Retailers</b>	<ul style="list-style-type: none"> <li>▪ Retailers are consumers' agents for procurement of line services</li> <li>▪ Agreement on service quality standards for tariff options are 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's website</li> <li>▪ A separate retailer section is provided on NTL's 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 and are now guided by model standards mandated by the EC</li> <li>▪ Retailers have ability to call for reviews and to negotiate amendments to the provisions of agreements by giving notice</li> <li>▪ Retailers can request any specific reports on service quality performance as may be reasonably required</li> <li>▪ NTL must provide retailer with a written report within 15 days after advice of an inquiry / complaint from a retailer's customer</li> </ul>	<ul style="list-style-type: none"> <li>▪ Feedback from retailers is considered and incorporated in service quality planning and pricing</li> <li>▪ EC models and mandates followed by NTL, as are any regulatory requirements concerning service and pricing</li> </ul>	<ul style="list-style-type: none"> <li>▪ Compensation payments available where service levels fall short of those specified in Use of System 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>
<b>Major Customer Direct Connection Agreements</b>	<ul style="list-style-type: none"> <li>▪ Direct supply arrangements with four largest consumers are in place</li> <li>▪ Service and price options considered when agreements formed and when renewed</li> <li>▪ Power factor advice is provided periodically</li> <li>▪ Direct notification of planned outages provided by letter</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> <li>▪ General manager of largest customer is an NTL director</li> </ul>	<ul style="list-style-type: none"> <li>▪ Feedback from direct connect consumers considered and incorporated in service quality planning and pricing</li> <li>▪ NTL's 3 largest consumers appoint one Trustee on a rotational basis</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>
<b>Large Customer Surveys, Feedback and Direct Interaction</b>	<ul style="list-style-type: none"> <li>▪ Periodic survey uses selection of consumers from 120 largest and provides opportunity to respond to price quality tradeoff options and to record perceptions of service quality performance</li> <li>▪ NTL advises on physical supply options and tariff choices at the time of connection or when directly contacted by consumers or their contractors.</li> <li>▪ All tariff changes notified directly by individual letter and information on benefits of load management available on NTL website.</li> <li>▪ Power factor advice provided periodically &amp; individual. TOU data is also made readily available.</li> <li>▪ Access to separate "Consumer" section on NTL website</li> <li>▪ Direct notification of planned outages by letter</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> <li>➢ desirability of alternative price quality scenarios</li> <li>➢ power flicker concerns and perceptions</li> </ul> </li> <li>▪ Five largest consumers have right to appoint one NT trustee on rotational basis</li> <li>▪ Direct contact occurs between large customers &amp; NTL as required</li> <li>▪ Consider large customer views concerning timing of any planned outages</li> </ul>	<ul style="list-style-type: none"> <li>▪ Tabulate and analyse customer responses to questionnaires</li> <li>▪ Identify issues arising that require action</li> <li>▪ Responses summarised in following section of this document</li> <li>▪ Feedback considered and incorporated in service quality planning and pricing</li> <li>▪ Trustee representative can have views considered at meetings</li> </ul>	<ul style="list-style-type: none"> <li>▪ Results considered in annual asset management planning process</li> <li>▪ Significant and unique issues raised by individual respondents considered and followed up</li> <li>▪ General preference expressed for marginal increments in quality within established price structures and levels.</li> <li>▪ Planned outage management structured 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>

Activity	Advise 6 (1) (c) (i)	Consult 6 (1) (c) (ii)	Consider Views 6 (1) (c) (iii)	Action 6 (1) (c) (iv)
<b>General/Small Customer Feedback &amp; Direct Interactions</b>	<ul style="list-style-type: none"> <li>▪ NTL price and service information is published, publicly available and posted on website &amp; includes:               <ul style="list-style-type: none"> <li>➢ SCI</li> <li>➢ Annual Report</li> <li>➢ Information Disclosures</li> <li>➢ AMP</li> <li>➢ Tariff options</li> <li>➢ UOSA</li> <li>➢ Outage information</li> <li>➢ Distribution code</li> <li>➢ Capacity options</li> <li>➢ Company &amp; key personnel contact details</li> <li>➢ Retailer &amp; EGCC details</li> </ul> </li> <li>▪ Advise and supply tariff options when directly contacted by small consumers, their contractors or their retailers</li> <li>▪ Consumers establishing new connections (about 500 pa. on average) to NTL network can obtain advice on options concerning               <ul style="list-style-type: none"> <li>➢ connection location</li> <li>➢ physical configuration</li> <li>➢ service capacity /fusing</li> <li>➢ expected reliability</li> <li>➢ load control and</li> <li>➢ tariffs</li> </ul>               from NTL at the time of application.             </li> <li>▪ Separate “Consumer” section on NTL web site</li> <li>▪ Power factor advice provided to new connections and periodically to selected larger sites</li> <li>▪ Planned outage notification by mail drop or newspaper advertisement</li> <li>▪ Communication of tree trimming notifications that specify consumer and NTL obligations and provide advice and identify options.</li> </ul>	<ul style="list-style-type: none"> <li>▪ NTL consults 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> </ul> </li> <li>▪ NTL Customer Services section responds to direct approaches from individual mass market consumers requesting new connections and service level changes.</li> <li>▪ NTL advises and consults with consumers &amp; their contractors concerning individual supply options and service level changes</li> <li>▪ Feedback links to key staff available through NTL web site, consumer news letters and phone directories</li> <li>▪ Direct network faults 0800 service line maintained 24 /7/365 by NTL and faults data monitored</li> <li>▪ As a member, NTL is bound by the rules and processes of the Electricity and Gas Complaints Commission.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Consider &amp; respond to views expressed by consumer representatives such as retailers</li> <li>▪ Consider &amp; respond to views expressed by NT Trustees as consumer representative</li> <li>▪ Consider views and concerns expressed in any direct contact initiated by mass market consumers</li> <li>▪ Identify issues arising that require action</li> <li>▪ NTL is at all times bound by EGCC processes and EC mandates</li> </ul>	<ul style="list-style-type: none"> <li>▪ Results considered in annual asset management planning process</li> <li>▪ Issues resolved with retailers when concerns brought to NTL on behalf of their customers</li> <li>▪ Significant and unique issues raised by individual respondents considered and followed up eg voltage complaints</li> <li>▪ Where feasible provide price / service response for consumers making direct contact.</li> <li>▪ Respond to relevant requirements of EGCC and EC</li> <li>▪ Compensation payments made to effected consumers under UOSA where NTL fails to meet contracted performance standards</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 regarding the 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 selected consumers at discrete two year intervals of time. The Commerce Commission (see Sections 93 to 96 of the Targeted Control Regime Threshold Decisions document dated 1 April 2004) has also indicated that the lines companies are not expected to consult with large numbers of mass-market consumers.

Network Tasman considers that engaging directly with groups of larger 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 engagement process required by the regulations.

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

In its Consumer Communication for the period ending 31 March 2008 Network Tasman consulted with selected consumers from within the group of the 120 largest consumers (based on demand & energy consumption). This is justified on the grounds that these were, notionally at least, the only consumers with whom it could be at all realistic to discuss potential options relating to price and supply quality tradeoffs. These consumers all either had supply capacities in excess of 150kVA or used more than 250,000 kWh per annum.

This definition of "large" has been broadened over that previously used by Network Tasman in the 2004 & 2006 surveys. In these previous surveys NTL sought the views of just the top 30 consumers in each instance. The group was expanded beyond the largest 30 consumers in 2008 to overcome the "survey fatigue" and poor response rate apparent within the original group when surveyed for a second time in 2006. For this reason the 30 largest customers were excluded from the survey this time round.

Small consumers are residually defined as all other consumers outside this group.

### *2.4 Consultation with Large Users*

Network Tasman engaged Phil Caffyn of Utility Consultants, Hamilton to independently engage with a sample of 43 larger consumers by telephone survey in March 2008.

The questionnaire used in this process is attached in 2.11(a) below.

Consumer responses to the 2008 survey are summarised graphically in 2.11(b) below.

The results obtained were broadly similar to those obtained in the previous two surveys:

- The most important attribute of electricity distribution is continuity of supply (reliability).
- The second most important attribute is restoration time (reliability)
- The third most important attribute was absence of flicker and fluctuations (quality)
- Sufficient advanced notice of planned shut downs also ranked highly
- Just about all consumers surveyed expressed a preference for paying about the same line charges to receive about the same level of supply reliability
- Most consumers also preferred to pay about the same line charges to receive about the same level of supply quality
- Consumers rated NTL's performance with respect to reliability and quality as Very Good with a slight skew towards Excellent.

Of the 43 customers selected for the survey, 25 participated fully, 14 explicitly declined to participate and 4 could not be reached. The consumers selected represented a reasonable cross section of NTL's base of larger consumers and combined, they account for approximately 25 GWh of the electricity conveyed annually across NTL's network.

### *2.5 Consultation with Small Users*

Given the classification of large users above, Network Tasman's other 35,250 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 maintains continuous and open communication channels 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.
- Network Tasman Trust
- Electricity & Gas Complaints Commission

NTL decided to dispense with the external survey of NTL Trust and Electricity Retailers in 2008 due to prior experiences. NT Trust will always put forward consumers' service quality concerns to NTL whenever they arise, so any further survey is largely redundant. Prior surveys of major electricity retailers proved to be of very limited value and depth so were also discontinued.

Neither NT Trust nor the Electricity Retailers have raised any particular price and quality concerns since the prior survey. As previously reported NT Trust reports consumer complaints about reliability and line prices to be rare events.

### *2.6 Processes for acting on these responses*

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

- Network Tasman's AMP includes the consumer consultation phase in all major decisions concerning capacity and supply security.

- Network Tasman will continue discussions with those consumers who have indicated that they may be interested in alternative options of price and supply quality.

## *2.7 – Consumer Questionnaire*

### **(a) Questions posed to a sample of 43 larger 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 any of the following, please tell me which three 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 technical matters
- (e) Getting the power back on quickly if it goes off.
- (f) No flicker or surges.
- (g) Sufficient notice of planned shutdowns.

#### *2. How well is Network Tasman's performing*

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 matters.
- (e) Getting the power back on quickly if it goes off.
- (f) No flicker or surges.
- (g) Sufficient notice of planned shutdowns.

#### *3. Is Power flicker an Issue*

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 actually a problem for your business.

4. *Preferences for price, reliability and power quality*

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...

**Price and Reliability**

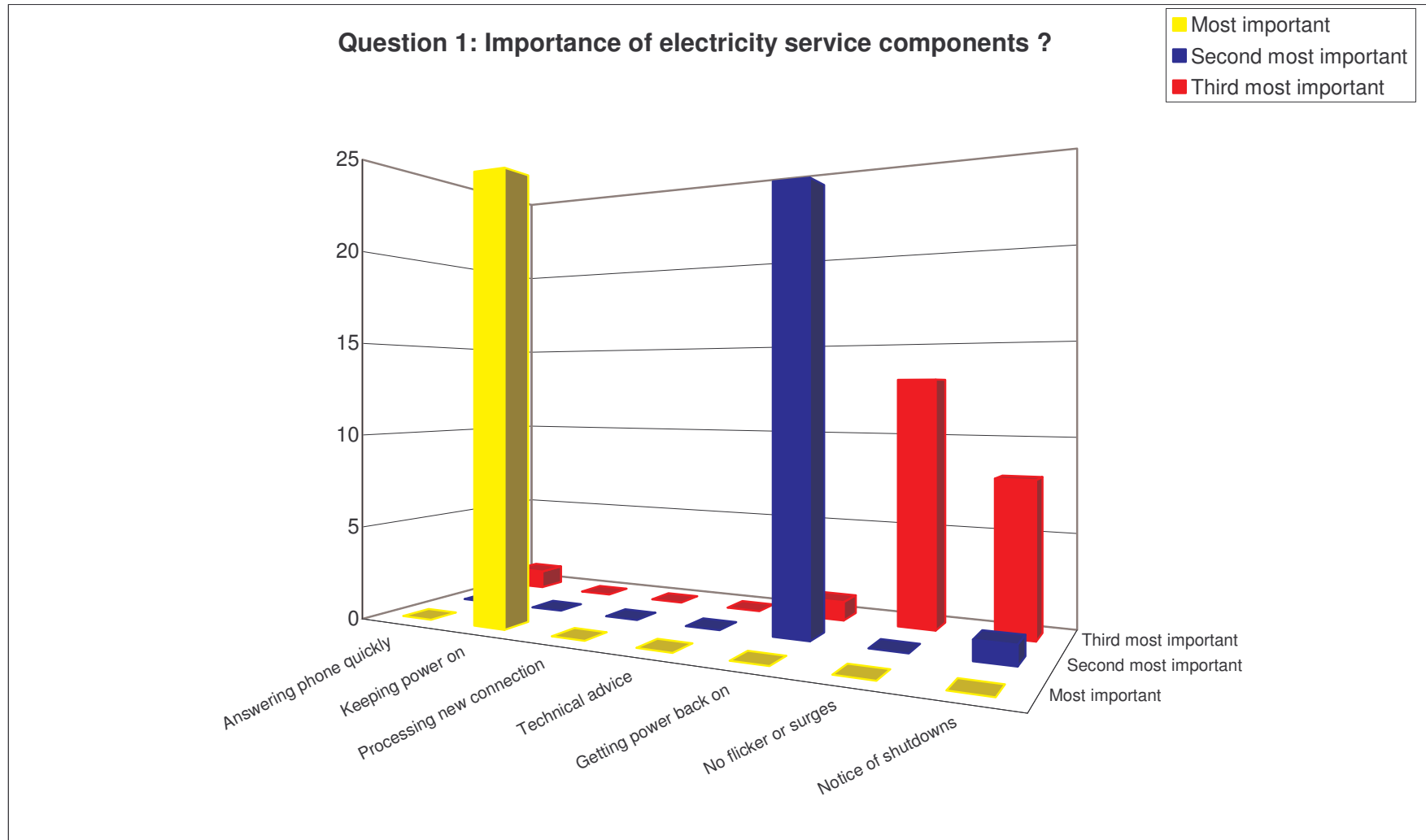
- (a) Pay a bit less to have a bit less reliability.
- (b) Pay about the same to have about the same reliability.
- (c) Pay a bit more to have a bit more reliability.
- (d) Pay a lot more to have a lot more reliability

**Price and absence of Power Quality**

- (e) Pay a bit less to receive a bit more flicker or surge.
- (f) Pay about the same to receive about the same level of flicker or surge.
- (g) Pay a bit more to receive a bit less flicker or surge.
- (h) Pay a lot more to have a lot less flicker or surge

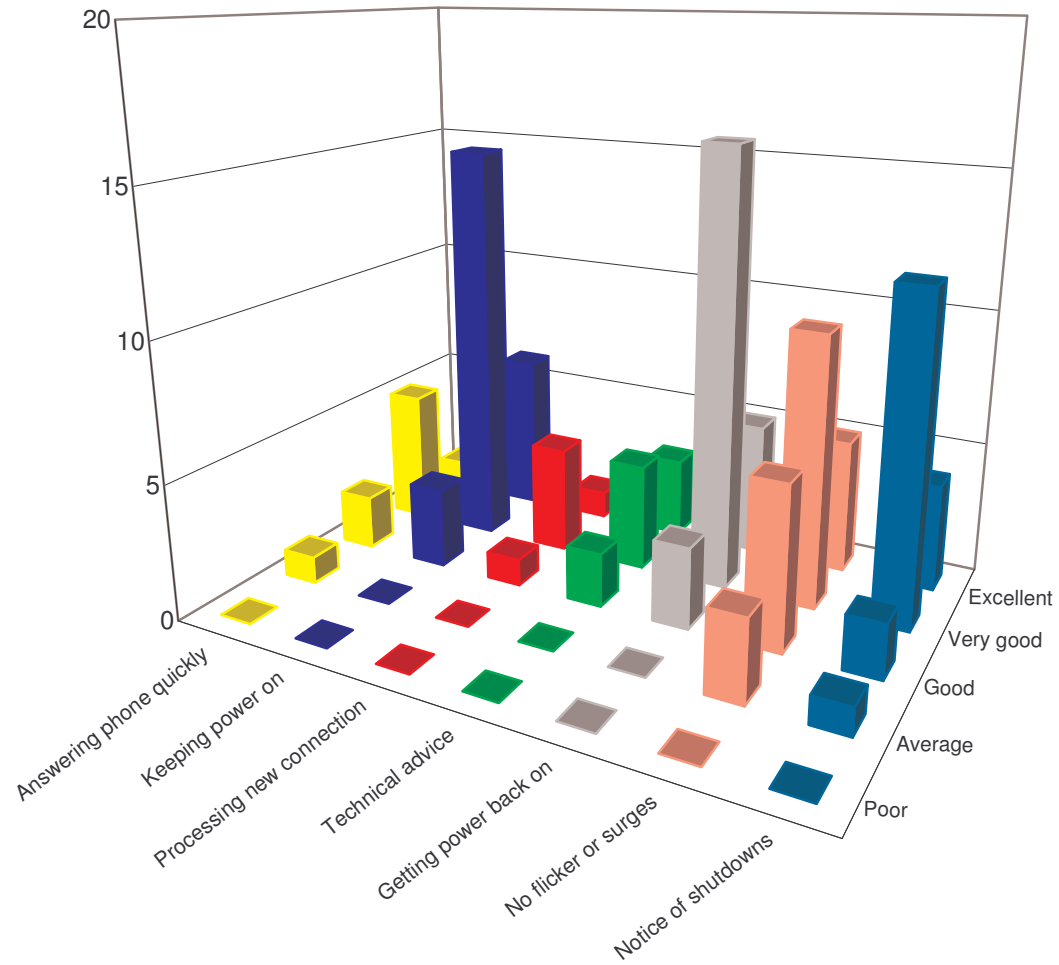
**(b) Summary of Responses**

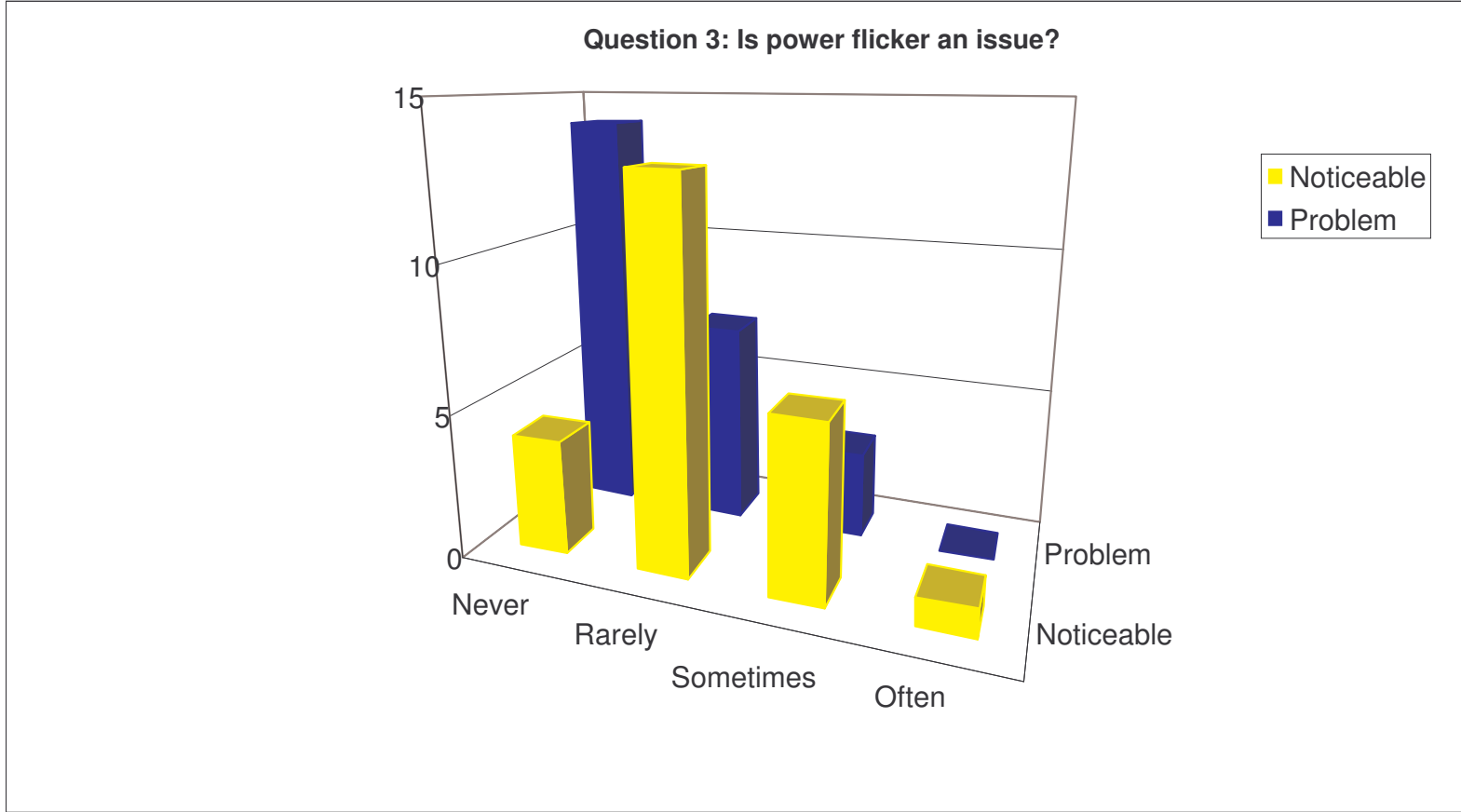
The following graphs provide a summary of the responses obtained from a survey of 43 of NTL's larger consumers.



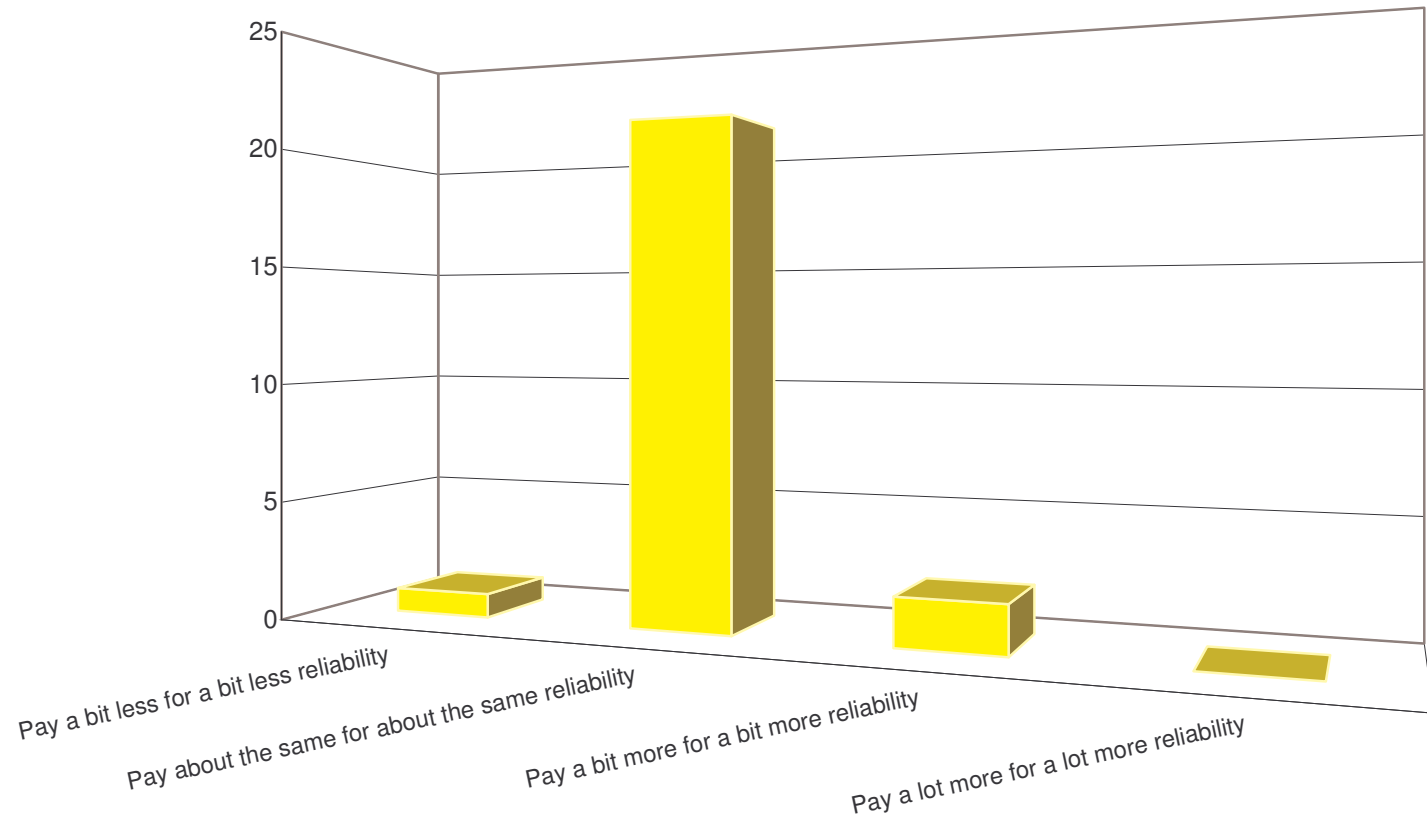


### Question 2: How well is Network Tasman performing?





### Question 4(a): Preference for price & reliability



### Question 4(b): Preference for price & power quality

