

NETWORK TASMAN LIMITED

INFORMATION DISCLOSURE

August 2007

Pursuant to

Electricity Information Disclosure Requirements

**(Issued 31 March 2004 & Consolidating
all amendments to 1 April 2007)**

For compliance with :

Requirement 22: Disclosure of Pricing Methodology

Requirement 23: Contents of Pricing Methodology Disclosures

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PRICING METHODOLOGY DISCLOSURE

1.0 REGULATORY REQUIREMENT

- 1.1 The Information Disclosure Requirements 2004 (Sections 22 & 23) gazetted by the NZ Commerce Commission require electricity line businesses to annually disclose:
- existing pricing policies and methodologies
 - key components of revenue required to cover the costs and profits, (including transmission costs), of the line owners business activities
 - consumer groups used in the calculation of line prices and charges
 - the method of allocating costs and revenues amongst consumer groups
 - the method by which the a line owner determines the proportion of fixed and variable charges.

2.0 FINANCIAL INFORMATION

- 2.1 Network Tasman's pricing methodology disclosure is based on financial information drawn from NTL's line business budget and financial forecasts for the year ending 31 March 2008. These costs have been separated from NTL's other non line business activities in accordance with the Electricity Information Disclosure Handbook 2004 (as amend to 31 March 2006).
- 2.2 The forecast financial information gives the transmission, operating, maintenance, depreciation and overhead cost data used in determining NTL's line business annual revenue requirement.
- 2.3 The network's cost of capital is calculated using NTL's estimate of WACC and the ODV valuation of systems assets as at 31 March 2004. The later is updated for capital expenditure and depreciation for the intervening period to 31 March 2007.

3.0 NETWORK TASMAN PRICING PRINCIPLES

- 3.1 The pricing methodology reflects the principles incorporated in NTL's Statement of Corporate Intent. This document is reviewed and agreed annually between the Company and its shareholder, the Network Tasman Trust.
- 3.2 NTL's pricing principles:
- A fair and reasonable rate of return to shareholders (when measured on a pre-tax, pre discount basis) will be recovered
 - The cost of capital, measured on a pre tax, pre discount basis, will be reasonably allocated to, and recovered from, each group of consumers

- Direct and indirect distribution costs will be reasonably allocated to, and recovered from, each group of consumers
- Transmission costs will be allocated and recovered in a manner that reasonably reflects how these costs are incurred by each group of consumers
- Appropriate economic signals will be given to consumers relating to their use of the distribution and transmission systems
- Regulatory and public policy requirements imposed by Government, the Commerce Commission and the Electricity Commission will be accommodated within network pricing as required
- Pricing will be simple to understand, implement and administer
- Pricing will retain a reasonable level of uniformity amongst like consumers across NTL's regional areas.
- Pricing will provide certainty and medium term stability for consumers and retailers and the distribution component of pricing will be changed at most once in any 12 month period. The transmission component may be altered to reflect any change transmission charges whenever made by Transpower

3.3 Where any of these objectives conflict, Network Tasman Directors will use their judgement and discretion to establish an appropriate trade off between the conflicting items.

4.0 LINE CHARGE DERIVATION – Distribution Services

- 4.1 The derivation of line charges links costs to prices by allocating costs to load groups and then deriving tariffs for those load groups. The stages involve:
1. Determination of the Overall Revenue Requirement
 2. Identification of Load Groups
 3. Allocation of Costs to Load Groups
 4. Derivation of Distribution Prices for load groups

5.0 NTL REVENUE REQUIREMENT

- 5.1 The revenue requirement for a the distribution network is the sum of:
- Operating & maintenance costs
 - overhead costs
 - return *of* capital employed (depreciation)
 - return *on* capital employed (WACC)
- 5.2 Network Tasman Ltd's distribution costs are accumulated into the following classifications:
- Direct Network costs:
 - Operations and maintenance costs and direct network overheads

- General Overhead costs:
 - Corporate & Administration costs
- Depreciation (return of capital):
 - Based on ODV for network assets
 - Financial reporting rates for non systems assets
- Return on capital / assets employed
 - WACC applied to NTL line business assets valued at ODV

5.3 The allowable return on capital is represented by the weighted average cost of capital (WACC) for the distribution business and covers the cost of debt (interest costs) and the cost of equity finance. It is obtained by multiplying the pre-tax cost of capital by the Optimised Deprival Value of assets allocated to each load group.

5.4 The cost of capital (WACC) is derived using the Capital Asset Pricing Model. For the financial year commencing 1 April 2007 NTL used the following inputs:

- 5 year government stock rate to estimate the risk free rate at 6.4%
- asset beta of 0.40 as the measure of the line business systematic risk
- post tax market risk premium for equity of 7.5%

Based on these inputs NTL has calculated a pre tax cost of capital of 10.9% for the assets of NTL's line business or a post tax WACC in the order of 7.3%.

5.5 The sum of the costs listed in 5.2 above equate to the line business's total revenue requirement and information on NTL's 2007-08 total revenue requirement by cost classification and load group can be viewed in Appendix A.

5.6 To develop tariffs for distribution services, NTL's revenue requirement is allocated to consumer load groups.

6.0 LOAD GROUPS

6.1 NTL line charges are derived for the ICP's (Installation Control Points) within consumer load groups. The allocation of ICP's to load groups is determined according to reliance placed on particular network segments and the maximum capacity requirements an ICP can place on particular network segments.

6.2 Consumer ICP's are classified to load groups on the following basis:

Consumer Group	Network Segment Used	Maximum capacity requirement
Group 1	General 400V / 11 /33kV	Fused <= 15 kVA
Group 2	General 400V / 11 /33kV	Fused > 15 & < 150 kVA

Group 3	Limited 400V and 11 / 33kV	AMD>150kVA+ hhr metering
Group 6	Dedicated & Semi dedicated network, limited 11kV and 33 kV	>= 2000 kVA + hhr metering

Explanation:

- 400V/11/33kV refers to the voltage level at which the consumer receives supply and indicates which components in the network the consumer uses.
- The kVA measures (or assesses) the consumers potential anytime maximum demand (AMD) based on either the size of the ICP fuse installed or from half hourly (hhr) metered load data recorded.
- Dedicated consumers are those who utilise specific assets, either a dedicated or semi dedicated feeder, or a dedicated network at a voltage equal to or greater than 11kV.

6.3 Requirements of Government policy and a desire for pricing simplicity have prevented Network Tasman from treating loads on rural spurs differently from those in the more densely populated meshed parts of the network. Line charges within load groups are therefore remain undifferentiated by geographical area.

6.4 Load group statistics used to allocate costs and calculate prices are presented in Appendix A.

7.0 ALLOCATION OF NETWORK COSTS TO LOAD GROUPS

7.1 Allocation of Direct Network Costs, Depreciation and Capital Costs

Direct network costs, depreciation and capital costs are assigned to the network asset categories as shown in Figure 3.1 below. These network costs are then accumulated into those associated with the upper & lower segments of the network as shown in Figure 3.2.

7.2 Using the Figure 3.3 formulae, the network costs accumulated to the upper network segments are apportioned to each load group on the basis of coincident maximum demand (CMD), calculated on a 3 year rolling average basis.

7.3 The key difference between the treatment of the upper and lower network cost components is that no lower network costs are allocated to load Group 6, as this group relies solely on upper network assets for its supply.

7.4 While the lower network cost component for 11kV lines is allocated between Groups 1,2&3 based on relative CMD's, allocations for the 400V cost components are modified to reflect Group 3's minimal reliance on these assets.

FIGURE 3.1 ALLOCATION OF DIRECT COSTS TO COMPONENTS OF THE NETWORK

NETWORK COMPONENT	DIRECT NETWORK COSTS	DEPRECIATION	RETURN ON ASSETS	TOTAL DIRECT COST ALLOCATION (TDC)
General 400V lines	a1	b1	r1	c1
Distribution transformers	a2	b2	r2	c2
General 11 kV lines	a3	b3	r3	c3
Dedicated 11 kV lines	a4	b4	r4	c4
Sub transmission. lines and zone subs.	a5	b5	r5	c5
Dedicated networks	a6	b6	r6	c6
TOTALS	a	b	r	c

FIGURE 3.2 NETWORK UPPER AND LOWER NETWORKS

NETWORK COMPONENT	TDC BY COMPONENT	UPPER NETWORK ALLOCATION	LOWER NETWORK ALLOCATION
General 400V lines	c1	d1	e1
Distribution transformers	c2	d2	e2
General 11 kV lines	c3	d3	e3
Dedicated 11 kV lines	c4	d4	e4
Sub transmission. lines and zone subs	c5	d5	e5
Dedicated networks	c6	d6	e6
TOTALS	c	d	e

Note : d1 & d2 =0 and e5, & e6 =0

FIGURE 3.3 ALLOCATION OF DIRECT NETWORK COSTS TO LOAD GROUPS

Load Group	Supply Voltage V	Coincident Demand MVA	Accumulated Formula MVA	Revenue Allocation Formula	Total Direct Revenue Requirement By Group
(1) 400V Gen ≤ 15 kVA	230/400	M1	A1	$(M1/A6*d)+(M1^{\wedge}/A3*e)$	T1
(2) 400V Gen > 15 & < 150kVA	400	M2	A2	$(M2/A6*d)+(M2^{\wedge}/A3*e)$	T2
(3) 400V & 11kV > 150 kVA	400/11,000	M3	A3	$(M3/A6*d)+(M3^{\wedge}/A3*e)$	T3
(6) Ded. Network	Over 11000	M6	A6	$(M6/A6*d)$	T6

Note: A1 = M1, A2 = M1+M2, A3=M1+M2+M3 etc.

M1[^], M2[^], M3[^] are CMD's adjusted to reflect G3 minimal use of the 400V lower network assets

7.5 Allocation of General Overhead and Indirect Costs

Management has made direct costing estimates for the overhead and indirect costs allocated to Groups 6 & bulk supply consumers.

The remaining overhead and indirect costs are allocated to load Groups 1, 2 & 3 in proportion to their relative shares of installed capacity.

FIGURE 3.4 LOAD GROUP REVENUE REQUIREMENT

Load Group	Supply Voltage	Total Direct Cost Allocation	Total General Overhead Allocation	Total Revenue Requirement Allocation
(1) 400V Gen <= 15 kVA	230/400	T1	OH1	TR1 = T1+OH1
(2) 400V Gen > 15 & < 150 kVA	400	T2	OH2	TR2 = T2+OH2
(3) 400V & 11kV > 150 kVA	400/11000	T3	OH3	TR3 = T3+OH3
(6) Ded. Network	Over 11000	T6	OH6	TR6 = T6+OH6

8.0 DERIVATION OF DISTRIBUTION TARIFFS.

8.1 **General:** The TR_i totals from figure 3.4 identify the revenue requirement for each load group recoverable through distribution tariffs. Revenue is recovered using tariffs with "fixed" and "variable" components. Fixed components are either daily charges (expressed as cents/day) or capacity or demand based charges (expressed as cents/kVA/day). Variable charges are based on consumption or usage (expressed as cents/kWh).

8.2 Determining the proportion of fixed and variable charges

- (a) Network pricing based on conventional economic principles would promote regionally differentiated capacity based charges for all customer groups regardless of size. This would support economic efficiency by reflecting the fixed nature of the line business cost structures and the sunk nature of many of its asset costs. A similar pricing approach to that used by the government owned grid operator Transpower would result.

However government policy and regulations compel distributors to provide low fixed charge tariffs to low use domestic consumers and to ensure rural and urban pricing remain closely aligned.

NTL also acknowledges some consumers and environmental groups are opposed to high levels of fixed charges and expect a significant element of their charges to vary with consumption so some influence can be exerted over their electricity bills. These views however conflict with preferences of larger consumers and many business consumers who prefer capacity based charges that more fairly reflect costs of supply and reward high load factor consumers for efficient use of network assets.

- (b) NTL must strike a balance between the contradictory demands of
- > economic rationale
 - > obligations imposed by government policy and regulatory measures

- electricity retailer requests for simplicity and predictability
- different types of consumer

Consequentially NTL pricing is structured such that:

- Group 1 (both business and residential) fixed charges are set at 15 cents per day as the simplest means of meeting the requirements of government regulation. As a consequence Group 1 pricing no longer reasonably reflects the costs of supply to poor load factor consumers in this group.
 - Groups 2 & 3 contain most larger, higher load factor business consumers so greater reliance is placed on fixed capacity based pricing (usually facilitated by time of use metering)
 - Group 6 consumers have fully fixed charges to reflect the high levels of asset dedication associated with this group.
 - There is no differentiation of tariffs between regional areas and consequently the cost of supply in rural areas is not fully reflected in the revenue recovered from those areas.
 - There is no differentiation of tariffs based on the end use for electricity (ie between business or domestic)
- (c) For load Group 1 the fixed charge is expressed as a "cents per day" charge because all consumers in this Group have the same fuse capacity limiting their maximum demands on the network.
- (d) Group 2 fixed charge is expressed as "dollars per anytime maximum demand" and this is applied to the range of fuse capacities (measured from 20 to 150 kVA) limiting the maximum demands of consumers within in this group.
- (e) For load Group 3 the fixed charge is expressed as:
- (i) "dollars per AMD" and
 - (ii) "dollars per winter maximum demand " (WMD)
- (f) Variable line charges are expressed as "cents per kWh". The cents per unit charge varies across tariffs, depending on the use profile and level of ininterruptability status of the particular tariff.
- (g) The revenue requirement for each group, (TR1 to TR6 in Figure 3.4) may exceed what that group is currently paying. For some groups full recovery is unobtainable if NTL is to continue operating within the constraints imposed by the NZ Commerce Commission's regulatory price pathway. This is particularly notable for network segments where customer density is low and also where load factor is poor. Consequently Network Tasman is left to choose between deliberately breaching the price pathway or accepting a shortfall of actual line charge revenue over total allowable revenue. To date NTL has accepted the latter.

9.0 DERIVATION OF DISTRIBUTION PRICES – Load Group 1.

- 9.1 Total Group 1 distribution revenue requirement "TR1" is split between that part to be recovered by a fixed charge (FC1), and that part to be recovered by a variable charge (VC1).
- 9.2 The fixed charge (FC1) is recovered from all consumers with no account being taken of geographical area. The annual charge for all ICPs (FA1) is set at \$55 simply to met Government regulatory requirements in a manner that minimises NTL's transaction costs.
- 9.3 The fixed charge is billed on a daily basis (charged at 15 cents / day per ICP).
- 9.4 The total variable charge (VC1) is divided by the number of units consumed by Group 1, after establishing the relative weighting between the tariff types on offer.
- 9.5 The relative weights reflect the estimated cost of providing network services at "peak" versus "off peak" times. The weighting provides a signal for consumers to shift consumption "off peak". It also signals to consumers that savings can be achieve (by way of a smaller variable line charge) by allowing their supply to be subject to interruption by NTL (load control). The weights are allocated by management using among other factors the relative differences between historic unit charges.

Example 1.

Consider a load group with the following fictitious consumption details:

Total Group 1 Cost TR1		\$10,550,000
Proportion to be recovered from fixed charge	15.6%	
Number of ICPs	30,000	
	-	
Tariff	Allocated <u>Weight</u>	Units <u>Consumed</u>
A	100%	38 GWh
B	65%	128 GWh
C	29%	53 GWh
D	24%	25 GWh
FC1	=	0.15.6 * \$10,550,000
	=	\$1,645,800
FA1	=	\$1,650,000 / 30,000
FC per annum	=	\$55.00pa or 15.0 cents /day
Total \$ to be recovered from variable charges	=	\$10,000,000 – \$1,645,800
	=	\$8,904,000
Line Charge Tariff A	=	\$8,904,000 / (38GWh+128 * 0.65+53 * 0.29+25*0.24)
	=	\$0.0625 per kWh of A metered consumption

Line Charge Tariff B	=	\$0.0625 * 0.65
	=	\$0.0406 per kWh of B metered consumption
Line Charge Tariff C	=	\$0.0625 * 0.29
	=	\$0.0181 per kWh of C metered consumption
Line Charge Tariff D	=	\$0.0625 * 0.24
	=	\$0.015 per kWh of D metered consumption

10.0 DERIVATION OF DISTRIBUTION PRICES - Load Group 2.

- 10.1 The Group 2 distribution revenue requirement TR2 is split between that to be recovered by a fixed charge (FC2), and that to be recovered by a variable charge (VC2).
- 10.2 Each ICP in Group 2 has an Anytime Maximum Demand (AMD between 20 and 150 kVA) based on installed supply fuses sizes and expressed in kVA.
- 10.3 The total fixed charge revenue (FC2) is divided by the sum of all AMDs in the group to give a tariff expressed in dollars per kVA per annum. This rate is the same for all consumers within the group with no account being taken of geographical area.
- 10.4 The dollar per kVA tariff is multiplied by the individual ICP's AMD, to give a "demand charge" per year. This is divided by 365 and billed on a daily basis.
- 10.5 The total variable charge (VC2) is divided by the number of units consumed by load group two, after establishing the relative weighting between the tariffs. This weighting uses the same rationale outlined for group one.

Example 2.

Consider a fictitious load group with the following profile:

Consumer AMD (kVA)	
x	75
y	100
z	110
.....
Total	90,000 kVA

Total Group Cost TR2	\$3,275,000
Total Fixed Charge FC2 = 40%	\$1,310,000
Total Variable Charge VC2	\$1,965,000

AMD Tariff	=	\$1,310,000 / 90,000
	=	\$14.56 per kVA pa.

Consumer "x" AMD Charge per day	=	(14.56 * 75) / 365
	=	\$3.00 per day

(The Variable charge per tariff is calculated in the same manner as Example 1)

11.0 DERIVATION OF DISTRIBUTION PRICES - Load Group 3.

- 11.1 The total Group 3 distribution revenue requirement TR3 is split between that recoverable by a fixed charge (FC3) and that recoverable by a variable charge (VC3).
- 11.2 At the beginning of the billing year the consumer's AMD and Winter Maximum Demand (WMD) are measured directly from TOU data supplied by retailers .
- WMD is the peak kVA load between 0700 to 2300 hours on weekdays, for the period between 1st May and 30th September each year.
 - AMD is the highest kVA at any time, in any month of the year.
- 11.3 The total fixed charge revenue FC3 is divided by the sum of the AMDs and the WMDs after establishing the relative weighting between the anytime and winter demand charges. This gives a dollar per AMD and a dollar per WMD tariff.
- 11.4 The dollar per AMD (WMD) tariff is multiplied by the ICP's AMD (WMD), to give the ICP's anytime (winter) demand charge per year. This is divided by 12 and billed on a monthly basis.
- 11.5 The total variable charge (VC3) is divided by the number of units consumed by load Group 3, and a relative weighting is established between the tariffs for summer day, summer night, winter day and winter night. This weighting process uses the same rationale outlined for Group 1.

Example 3.

Consider a fictitious load group with the following profile:

<u>Consumer</u>	<u>AMD</u>	<u>WMD</u>
x	210	200
y	215	215
.....
Group Total	30,000	25,000

Total Group Cost TR3	\$1,500,000
Fixed Charge recovery %	70%
Total Fixed Charge FC3	\$1,050,000
Fixed Charges Ratio Anytime to Winter	160%

$$\begin{aligned} \text{WMD Tariff} &= \$1,050,000 / (25,000 + 1.6 * 30,000) \\ &= \$14.38 \text{ per kVA pa.} \end{aligned}$$

$$\begin{aligned} \text{AMD Tariff} &= \$14.38 * 1.6 \\ &= \$23.00 \text{ per kVA pa.} \end{aligned}$$

$$\begin{aligned} \text{Consumer "x" WMD Charge} &= 200 * 14.38 / 12 \\ &= \$240 \text{ per month} \end{aligned}$$

$$\begin{aligned} \text{Consumer "x" AMD Charge} &= 210 * 23.00 / 12 \\ &= \$403 \text{ per month} \end{aligned}$$

(The Variable charge per tariff is calculated in the same manner as Example 1)

12.0 DERIVATION OF DISTRIBUTION PRICES - Load Group 6.

These consumers are large enough, and few enough, to warrant individual calculation of line charges based on the ODRC and the direct costs associated with the dedicated or semi-dedicated assets used in their supply. General overheads are allocated using management estimates and line charges are calculated as an annual fixed amount, and are billed monthly.

NTL TRANSMISSION PRICES

13.0 ALLOCATION OF TRANSMISSION COSTS.

13.1 Transpower's transmission charges are levied on NTL in a manner which is essentially fixed and unavoidable. Transmission charges are billed by GXP and include the following components:

- Connection charges (net of EVA adjustments if any)
- Interconnection charges
- New investment charges
- Common quality charges (if any)
- Loss rental rebate credits

13.2 Annual transmission costs for each Transpower grid exit point (GXP) supplying NTL are allocated between load groups on the basis of each group's demand level coincident with the AMD of that GXP. The group allocations across all GXP's are then summed to provide a total cost to be recovered from each group.

13.3 NTL recovers transmission costs from load Groups 1-3 via a separate transmission pricing schedule within overall line charges on the following basis:

- (a) Consumers are classified into the same load groups in the same way used for distribution pricing (see Section 6.0)
- (b) Transmission costs for Group 6 and Bulk Supply customers are recovered on a direct pass through basis (see Section 16). The remaining transmission costs after pass through are recovered from Group's 1-3 via NTL's standard transmission pricing schedule.
- (c) Common Quality Service Charges, (Voltage Support, Frequency Control and Black Start), Transmission Loss Rental Rebates and Transpowers annual Economic Value Adjustment (if any) are incorporated (netted) into the transmission revenue requirement calculations for Groups 1,2 &3.
- (d) For Groups 1-3 transmission charges are allocated on a "fixed" and "variable" basis using similar rationale to that used in distribution pricing. To the extent possible within regulatory pricing constraints, NTL attempts to recover Transpowers connection and new

investment costs through fixed charges and the Interconnection charges through variable charges.

- (e) For load Group 1 the fixed charge is expressed as a "cents per day" charge.
- (f) For load Group 2 the fixed charge is expressed as "dollars per anytime maximum capacity" (AMD) measured in kVA and based on customer fuse size.
- (g) For load Group 3 the fixed charge is expressed as "dollars per kVA of winter maximum demand" (WMD), and is based on data from time of use meters.
- (h) The variable Transpower charge is expressed as "cents per unit (kWh)" for Groups 1-3 and varies across tariffs, depending on the historical usage profile of the tariff

14.0 Fixed Transmission Charges for Groups 1 - 3

14.1 Group 1

The total transmission cost TT1 allocated to Group 1 is split between that part to be recovered by a fixed charge (TFC1) and that part to be recovered by a variable charge (TVC1).

The total fixed charge (TFC1) is divided by the number of ICPs in group one and the result is the annual Group 1 charge per ICP.

The annual fixed charge is billed on a daily basis (annual charge per ICP divided by 365).

14.2 Group 2

The total cost (TT2) allocated to Group 2 is split between that part to be recovered by a fixed charge (TFC2), and that part to be recovered by a variable charge (TVC2).

Each ICP within the group has an Anytime Maximum Demand (AMD) that is allocated on the same basis and is the same quantum as described in the Group 2 fixed distribution charge calculation above.

The total fixed charge (TFC2) is divided by the sum of all individual AMDs within the group. This gives a dollar tariff per kVA of AMD.

The dollar per kVA tariff is multiplied by the ICP's AMD, to give a "demand charge" per year. This is divided by 365 and billed on a daily basis.

14.3 Group 3

Group 1 Units Consumed on Peak		205 GWh
Group 1 Units Consumed Off Peak		45 GWh
Group 1 Weighting of Off Peak to Peak	46%	
(i.e. the Off Peak tariff is 46% of the Peak tariff)		
TT1	=	45,000 / 107,000 * \$8.2m
	=	\$3,449,000
TT2	=	25,000 / 107,000 * \$8.2m
	=	\$1,916,000
TT3	=	17,000 / 107,000 * \$8.2m
	=	\$1,302,000
TFC1	=	0.10 * \$3,449,000
	=	\$344,925
G1 Fixed Charge		
TFA1	=	\$344,925 / (30,000) / 365 * 100
	=	3.15 cents per day
TFC2	=	0.15 * \$1,915,888
	=	\$291,400
G2 Fixed Charge	=	\$291,400 / 94,000
	=	\$3.10 per kVA pa.
TFC3	=	0.64 * \$1,302,000
	=	\$832,000
G3 Fixed Charge	=	\$832,000 / 94,000
	=	\$32.63 per kVA pa.
G1 Peak Variable Tariff	=	(1 - 0.10) * \$3,449,000 / (205 GWh + 0.45 * 40 GWh)
	=	\$0.0140 per kWh
G1 Off Peak Tariff	=	0.45 * \$0.0140
	=	\$0.0063 per kWh
Similarly for G2 & G3 Peak and Off Peak variable transmission tariffs		

16.0 Trans Power Charges - Group 6 & Bulk Supply .

16.1 These consumers are large enough and few enough to have their Transpower charges individually calculated. The charges are determined on a cost reflective or “look through” basis from the underlying Transpower charging methodology

16.2 Connection charges are allocated to each Group 6 customer in proportion to their demands co-incident with the relevant GXP’s chargeable demands and are billed as a monthly fixed amount.

Example 5.

Consider a fictitious bulk supply point with the following characteristics:

Trans Power Connection Charge		\$800,000
Chargeable AMD for the GXP		103 MVA
Group 6 Consumer CMD		18.5 MVA
Consumer Transmission Charge	=	18.5 / 103 * \$800,000
	=	\$143,689 pa. or \$11,974 per month

- 16.3 Interconnection charges are passed through directly at the Transpower charge rate and are levied on the consumers demand (grossed up of distribution network losses) coincident with the relevant GXP's chargeable demands.
- 16.4 Common Quality Service Charges and Loss Rental Rebates are passed directly through to Group 6 consumers on the same basis as they are credited or charged to NTL by Transpower.

Appendix A

NETWORK TASMAN LIMITED

THE ELECTRICITY DISCLOSURE REQUIREMENTS 2004

REQUIREMENTS 22 & 23

- Requirement 22 Disclosure of Pricing Methodologies
- Requirement 23 Contents of Pricing Methodologies

LOAD GROUP STATISTICS USED IN PRICING METHODOLOGY
for year commencing 1 April 2007

Customer Group	Number of ICP's	Coincident Maximum Demand ⁽¹⁾	Anytime Maximum Capacity	Winter Maximum Demand	Consumption Peak	Consumption Off Peak	Total Consumption
	#	kW	kVA	kVA	kWh	kWh	kWh
Group 1	32,449	54,634	486,735	N/A	158,355,131	71,740,982	230,096,113
Group 2	2,352	17,216	104,870	N/A	77,950,493	13,776,462	91,726,955
Group 3	107	15,796	39,242	33,727	80,674,840	29,776,490	110,451,330
Group 6	2	22,196	25,257	N/A	N/A	N/A	145,103,327
Bulk supply	1	N/A	31,699	N/A	N/A	N/A	156,973,457
Total	34,911	109,842					734,351,182

N/A Not used in pricing methodology

(1) Based on 3 year rolling average

(2) Based on customer installed fuse capacity

(3) Based on Time of Use metering data

**SEPARATION OF ESTIMATED REVENUE AND COSTS COMPONENTS TO LOAD GROUPS
for the year commencing 1 April 2007**

Customer Group	Transmission Costs	Direct NW Costs	Indirect NW Costs	Depreciation	Allowable PreTax Return on ODV of Assets	Total Revenue Requirement
	\$	\$	\$	\$	\$	\$
Group 1	\$ 3,522,002	\$ 2,886,239	\$ 1,375,547	\$ 2,897,369	\$ 8,007,009	\$ 18,688,166
Group 2	\$ 1,171,897	\$ 1,000,615	\$ 296,370	\$ 1,004,474	\$ 4,265,470	\$ 7,738,826
Group 3	\$ 1,058,603	\$ 611,315	\$ 163,417	\$ 613,672	\$ 2,057,502	\$ 4,504,509
Group 6	\$ 1,189,632	\$ 51,233	\$ 20,000	\$ 78,339	\$ 277,688	\$ 1,616,892
Bulk supply	\$ 1,754,865	\$ -	\$ 22,000	\$ -	\$ -	\$ 1,776,865
Total	\$ 8,697,000	\$ 4,549,403	\$ 1,877,334	\$ 4,593,854	\$ 14,607,668	\$ 34,325,259

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3 September 2007

Mr Michael Clark
Director - Networks Branch
Commerce Commission
PO Box 2351
The Terrace
Wellington

Dear Sir

Disclosure of Pricing Methodology and Asset Management Plan for 2007-08

Pursuant to the Commerce Act Electricity Information Disclosure Requirements 2004, Parts 23, 24 & 25, please find attached a copy of Network Tasman's:

- Electricity line pricing methodology and information concerning line business costs to be recovered by line charges in the 2007-08 financial year.
- Asset Management Plan 2007-08

This information has been publicly disclosed on the company's web site prior to the end of August 2007. A director's statutory declaration is also attached.

Should you have any queries concerning this information please do not hesitate to contact me on DDI (03) 989 3615.

Yours sincerely

NETWORK TASMAN LIMITED



S W Mackey
Chief Executive Officer

Enclosures

Network Tasman Limited

52 Main Road, Hope 7020
PO Box 3005
Richmond 7050
Nelson, New Zealand

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Fax: 64 3 989 3631
Email: info@networktasman.co.nz
Website: www.networktasman.co.nz

**IN ACCORDANCE WITH THE COMMERCE ACT
(ELECTRICITY INFORMATION DISCLOSURE REQUIREMENTS 2004).**

Requirement 36(l)

**STATUTORY DECLARATION IN RESPECT OF STATEMENTS AND
INFORMATION SUPPLIED TO THE COMMERCE COMMISSION**

I, CHRISTOPHER IM TURNER, of Hill Street, Richmond, being a director of Network Tasman Limited, solemnly and sincerely declare that having made all reasonable enquiry, to the best of my knowledge, the information attached to this declaration is a true copy of the information made available to the public by Network Tasman Limited under the Commerce Commission's Electricity Information Disclosure Requirements 2004.

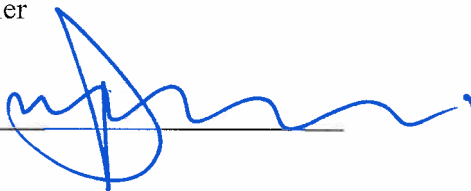
And I make this solemn declaration conscientiously believing the same to be true and by virtue of the Oaths and Declarations Act 1957. Declared at this day of

4th September 2007



CIM Turner

Signature



Alain David Swain
Fellow of NZILE
Authorised to take declarations

Justice of the Peace (*or* Solicitor *or* other person authorised to take a statutory declaration)