

NETWORK TASMAN LIMITED

INFORMATION DISCLOSURE

November 2006

Pursuant to

Electricity Information Disclosure Requirements
31 March 2004

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 all 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 NTLs line business budget and financial forecasts for the year ending 31 March 2007. These costs have been separated from NTL's other non line business activities in accordance with the Electricity Information Disclosure Handbook 2004.
- 2.2 The forecast financial information provides the transmission, operating, maintenance, depreciation and overhead cost data used to determine 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 latest ODV valuation (31 March 2004). The later is updated for capital expenditure and depreciation for the intervening period to 31 March 2006.

3.0 NETWORK TASMAN PRICING PRINCIPLES

- 3.1 The pricing methodology is based on 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 where possible
- 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 Line charge derivation 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

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

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

5.3 The allowable return on capital covers the cost of debt (interest costs) and the cost of equity and is represented by the weighted average cost of capital (WACC) for the distribution business. It is converted to an element of the revenue requirement 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 March 2006 financial year NTL used the following inputs:

- 5 year government stock rate to estimate the risk free rate at 6.1%
- 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 10.6% for the assets of NTL's line business or a post tax WACC in the order of 7.1%.

5.5 The sum of the costs in 5.2 above (including the required return on capital) equate to the line business's total revenue requirement.

5.6 Appendix A provides information on NTL's 2006-07 total revenue requirement by cost classification and by load group

5.7 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 ICP's (Installation Control Points) within consumer load groups. The allocation of ICP's to load groups is determined by the use of 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 Use	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 / 11 / 33kV	AMD>150kVA+ hhr metering
Group 6	Dedicated & Semi dedicated network	>= 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 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 Government policy and simplicity considerations have encouraged Network Tasman not to treat loads on spurs differently from those in the more densely populated meshed parts of the network. Line charges within load groups are not differentiated 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. The 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 residual 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 considered to be 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 encourage adoption of regionally differentiated capacity based charges for all customer groups regardless of size. This would promote economic efficiency and reflect 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 remains 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 be variable 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 balance the contradictory demands from
- economic rationale
 - obligations imposed by government policy and regulatory requirements
 - electricity retailer requests for simplicity and predictability

Consequentially NTL pricing:

- Group 1 (both business and residential) fixed charges have been 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.
 - Has 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.
 - Has 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 the tariffs, depending on the use profile 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. In some instances full

recovery is unrealistic within the constraints imposed by the Commerce Commission price pathway, especially for network segments where density is low. Therefore, Network Tasman may accept that the actual line charge revenue is less than the allowable total level for that group.

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 the apart 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 regulatory requirements in a manner that minimises NTL's transactions 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 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%
WMD Tariff	=	$\$1,050,000 / (25,000 + 1.6 * 30,000)$
	=	\$14.38 per kVA pa.

AMD Tariff	=	\$14.38 * 1.6
	=	\$23.00 per kVA pa.
Consumer "x" WMD Charge	=	200 * 14.38 / 12
	=	\$240 per month
Consumer "x" AMD Charge	=	210 * 23.00 / 12
	=	\$403 per month

(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 each load group via a separate transmission pricing schedule within overall line charges on the following basis:
- (a) Consumers are classified into the same load groups used in the distribution pricing methodology (see 3.14)
 - (b) 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.

- (c) Transmission charges are allocated on a “fixed” and “variable” basis using similar rationale to that used in distribution pricing. Where possible within regulatory pricing constraints, NTL attempts to recover Transpowers connection costs through fixed charges and the Interconnection charges through variable charges.
- (d) For load Group 1 the fixed charge is expressed as a "cents per day" charge.
- (e) 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.
- (f) 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.
- (g) The variable Transpower charge is expressed as "cents per unit (kWh)" for all Groups 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

The total cost (TT3) allocated to Group 3 is split between that part to be recovered by a fixed charge (TFC3) and that part to be recovered by a variable charge (TVC3).

The fixed charge TFC3 is recovered on the maximum winter kVA demand (WMD) of each consumer in this group. The amount recoverable by the winter demand charge TFC3, is divided by the sum of the individual WMDs for the group. This gives a dollar tariff per kVA of WMD. The dollar per WMD tariff is then multiplied by the ICP's WMD to give the ICP's annual charge. This is divided by 12 and billed monthly throughout the year.

15.0 Variable Transmission Charges Groups 1-3

- 15.1 Each variable tariff option for Groups 1-3 is classified as either a "peak" or an "off peak" tariff. Off peak time is, in general terms, for consumption occurring 2300 to 0700, ripple controlled consumption or summer only consumption. Those in the peak time classification, are, by default, the remainder of the tariffs where consumption is not interruptible by NTL load control equipment.
- 15.2 A relative weighting is applied to differentiate peak and non peak tariffs for each group.
- 15.3 The total amount to recover by this variable charge (TVCi) for each group is then divided by total kWh consumption, having established the weighting to the tariffs in (b) above.

Example 4.

Consider the following Groups with fictitious loads as shown:

	Area 1	Area 2	Total
Group 1 CMD	37,000	8,000	45,000 kVA
Group 2 CMD	20,000	5,000	25,000 kVA
Group 3 CMD	17,000		17,000 kVA
Group 6 CMD	<u>20,000</u>		<u>20,000 kVA</u>
AMD at GXPs	94,000	13,000	107,000 kVA

Total Transmission Cost \$8,200,000

Proportion to be recovered from fixed charges:

Group 1	0.10
Group 2	0.15
Group 3	0.64

Group 6		1.00
Group 1 ICPs		30,000
Group 2 AMD		94,000 kVA
Group 3 WMD		25,500 kVA
Group 6 CMD		20,000 kVA
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 .

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 to 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

$$\begin{aligned} \text{Consumer Transmission Charge} &= 18.5 / 103 * \$800,000 \\ &= \$143,689 \text{ pa. or } \$11,974 \text{ per month} \end{aligned}$$

- 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 for pricing year commencing 1 April 2006

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	31,781	50,991	476,715 ⁽²⁾	N/A	153,880,588	72,767,698	226,648,286
Group 2	2,291	17,967	101,690 ⁽²⁾	N/A	77,910,199	14,312,986	92,223,185
Group 3	102	15,104	37,946 ⁽³⁾	33,738 ⁽³⁾	78,508,424	29,629,402	108,137,827
Group 6	2	22,017	25,598 ⁽³⁾	N/A	N/A	N/A	156,247,548
Bulk supply	1	N/A	31,066 ⁽³⁾	N/A	N/A	N/A	152,965,835
Total	34,177	106,079					736,222,681

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 REVENUE AND COSTS TO LOAD GROUPS
for the year commencing 1 April 2006

Customer Group	Transmission Costs	Direct NW Costs	Indirect NW Costs	Depreciation	Allowable PreTax Return on ODV of Assets	Total Revenue Requirement
	\$	\$	\$	\$	\$	\$
Group 1	\$ 3,696,809	\$ 2,746,582	\$ 1,359,507	\$ 2,928,989	\$ 7,483,236	\$ 18,215,122
Group 2	\$ 1,302,614	\$ 1,042,758	\$ 293,248	\$ 1,112,009	\$ 3,957,516	\$ 7,708,145
Group 3	\$ 1,095,034	\$ 643,045	\$ 146,676	\$ 685,751	\$ 1,806,831	\$ 4,377,337
Group 6	\$ 1,377,375	\$ 56,597	\$ 20,000	\$ 108,151	\$ 262,965	\$ 1,825,088
Bulk supply	\$ 1,878,722	\$ -	\$ 22,000	\$ -	\$ -	\$ 1,900,722
Total	\$ 9,350,554	\$ 4,488,983	\$ 1,841,431	\$ 4,834,900	\$ 13,510,548	\$ 34,026,414

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

Requirement 36(1)

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

I, MICHAEL JOHN GLOVER, 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

15 November 2006

M.J. Glover

Signature

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

11 November 2006

Mr Paolo Ryan
Manager - Network Performance Group
Networks Branch
Commerce Commission
PO Box 2351
The Terrace
Wellington

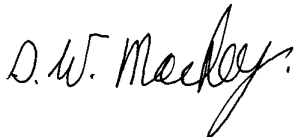
Dear Sir / Madam

DISCLOSURE OF PRICING METHODOLOGY FOR 2006-07 YEAR

Pursuant to the Commerce Act Electricity Information Disclosure Requirements 2004, Parts 23&24, 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. This information will be publicly disclosed on the company's web site before the end of the month. 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