

## THRESHOLD COMPLIANCE STATEMENT

FOR THE FIRST ASSESSMENT DATE, 6 SEPTEMBER 2003

*Pursuant to the Commerce Act (Electricity Lines Thresholds)*

*Notice 2003*

Date 30 October 2003

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## 1. Disclosure of Information Required (Schedule 7)

Top Energy Limited does not comply with all requirements of the Commerce Act (Electricity Lines Thresholds) Notice 2003, at the first assessment date.

Clause 5 (1) (a) Notional Revenue from 8 August 2001 to the First Assessment Date (6 September 2003).

<b>Test:</b>	$\Sigma P_{i2003} Q_{i0} - C_{T2003} - C_{R2003}$	$\leq$	$\Sigma P_{i0} Q_{i0} - C_{T2002} - C_{R2002}$
	14,109,513	$\geq$	13,722,777
<b>Result:</b>	Revenue at First Assessment date exceeds revenue at First Reference date		
by	\$386,736.		
	Threshold is breached.		

The breach is due to the timing mismatch between the prices charged and Transpower costs at the time of minimum Notional Revenue. This mismatch occurred because Top Energy chose to absorb some of the Transpower price increase for the benefit of consumers. Supporting evidence is presented in Appendix A and B.

Clause 5 (1) (b) Notional Revenue from Publication Date (6 June 2003) to the First Assessment Date (6 September 2003).

<b>Test:</b>	$\Sigma P_{i2003} Q_{i0}$	$\leq$	$\Sigma P_{i0} Q_{i0}$
	18,876,571	$\leq$	18,876,571
<b>Result:</b>	Revenue at Second Reference date is equal to revenue at Publication date.		
	Threshold is not breached.		

Supporting evidence is presented in Appendices C and D.

## **Notional Revenue:**

In accordance with the Gazette Notice, the following sources of revenue have been included in the calculation of notional revenue:

Network line charges to retailers

Network line charges to end customers

## **Excluded Services:**

In accordance with the Gazette Notice the following sources of revenue have been excluded from the calculation of notional revenue:

- Non Conveyance items such as
  - Rents
  - Interest
  - General Contracting services
  - Customers' interest in network assets .
- Connection services which are competitive as proven by letter from incumbent retailer.
  - Meter reading charges
  - Disconnections and reconnections.

## Pass Through Costs:

In accordance with the Gazette Notice, the following components of transmission charges have been included in pass through costs:

- Connection charges
- Interconnection charges
- Frequency charges
- Voltage charges
- New investment charges
- EVA adjustments
- Loss Rental Rebates
- Avoided transmission charges

Local body rates applying to system fixed assets: lines, cables, equipment, substation land and substation buildings, have also been passed through in accordance with the Gazette Notice.

### *Disclaimer*

*The information presented in this Threshold Compliance Statement has been prepared solely for the purpose of complying with the requirements of the Commerce Act (Electricity Lines Thresholds) Notice 2003. This statement has not been prepared for any other purpose and Top Energy Ltd expressly disclaims any liability to any other party who may rely on this statement for any other purpose.*

## 2. Certification by auditor in relation to Threshold Compliance Statement



PricewaterhouseCoopers  
188 Quay Street  
Private Bag 92162  
Auckland, New Zealand  
DX CP24073  
Telephone +64 9 355 8000  
Facsimile +64 9 355 8001

### REPORT OF THE AUDITOR-GENERAL

#### TO THE READERS OF THE THRESHOLD COMPLIANCE STATEMENT DATED 30 OCTOBER 2003 OF TOP ENERGY LIMITED

We have examined the attached threshold compliance statement (the "Statement") in respect of a price path threshold that was prepared by Top Energy Limited for assessment on 6 September 2003 and dated 30 October 2003 for the purposes of information requirements set out in clause 7 of the Commerce Act (Electricity Lines Thresholds) Notice 2003 ("the Notice").

#### **Directors' Responsibilities**

Clause 7(1)(a) of the Notice requires the Directors of Top Energy Limited to prepare a Statement that reports Top Energy Limited's compliance, or otherwise, with the thresholds set out in clauses 4, 5 and 6 of that Notice.

#### **Auditor's Responsibilities**

Section 15 of the Public Audit Act 2001 and clause 7(1)(b) of the Notice require the Auditor-General to examine the Statement. It is the responsibility of the Auditor-General to express an independent opinion on the Statement prepared by the Directors and report that opinion to you.

The Auditor-General has appointed Andrew Britton of PricewaterhouseCoopers to undertake the examination.

#### **Basis of Opinion**

Our examination included reviewing, on a test basis, evidence relevant to the amounts and disclosures in the attached Statement. It also included assessment of the significant estimates and judgements, if any, made in the preparation of the Statement and assessment of whether the basis of preparation had been adequately disclosed.

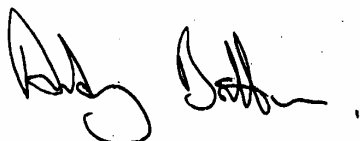
We planned and performed our examination so as to obtain all the information and explanations which we considered necessary. We obtained sufficient evidence to give reasonable assurance that the Statement is free from material misstatements, whether caused by fraud or error or otherwise. In forming our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

Other than in our capacities as auditor acting on behalf of the Auditor-General, and in the provision of other professional advisory services, we have no relationship with or interests in Top Energy Limited. We are not aware of any relationships between our firm and Top Energy Limited that, in our professional judgment, may reasonably be thought to impair our independence.

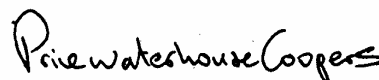
**Unqualified Opinion**

We have obtained all the information and explanations we have required. In our opinion, having made all reasonable enquiry, to the best of our knowledge, the attached threshold compliance statement of Top Energy Limited and related information has been prepared in accordance with the Notice, and gives a true and fair view of the performance of Top Energy Limited as required by the Notice against the thresholds set out in the Notice for assessment on 6 September 2003.

Our examination was completed on 30 October 2003 and our opinion is expressed as at that date.



Andrew Britton  
On behalf of the Auditor-General  
Auckland, New Zealand  
30 October 2003



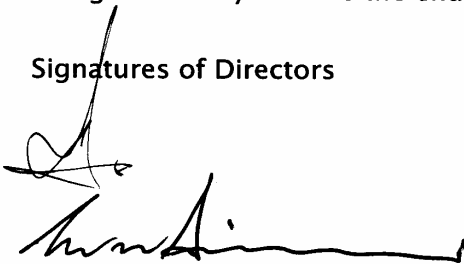
PricewaterhouseCoopers

### 3. Certification of Threshold Compliance Statement

We, Jack Peter Poutsma and Michael Wallace Simm being directors of Top Energy Ltd certify that, having made all reasonable enquiry, to the best of our knowledge and belief, the attached threshold compliance statement of Top Energy Ltd, and related information, prepared for the purposes of the Commerce Act (Electricity Lines Thresholds) Notice 2003 complies with the requirements of that notice except in the following respects:

The Revenue at First Assessment date exceeds revenue at First Reference date, due to Top Energy Ltd absorbing increases in Transpower charges by delaying its own tariff increases for a month in 2002 and increasing line charges two days before the end of the financial year.

Signatures of Directors

The image shows two handwritten signatures in black ink. The first signature is smaller and more compact, while the second is longer and more fluid, extending across the width of the text area.

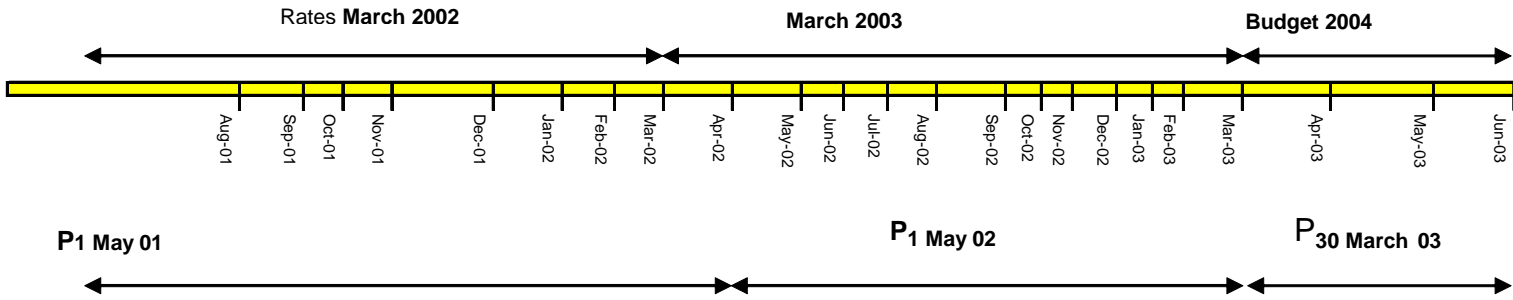
30 October 2003

## Appendix A

### Notional Revenue at first Reference Date

Notional Revenue First Reference Date (8 August 2001 - 6 June 2003)	Transmission Charges 2002 (year of first reference date)	Rates 2002 (year of first reference date)	Minimum Notional Revenue First Reference Date (8 August 2001 - 6 June 2003)
$\Sigma P_{i0} Q_{i0}$	$C_{T2002}$	$C_{R2002}$	$\Sigma P_{i0} Q_{i0} - C_{T2002} - C_{R2002}$
18,356,230	4,624,060	9,393	13,722,777

## Selection of Minimum Notional Revenue



**Option One:** 01 May 2001 Prices, March 2003 Quantities, March 2002 Transpower and Rates

$P_{1 \text{ May } 01} \times Q_{\text{Mar}03}$	=	18,356,230
$C_{T2002}$	=	3,824,670
$C_{R2002}$	=	8,186
Revenue	=	14,523,375

**Option Two:** 01 May 2001 Prices, March 2003 Quantities, March 2003 Transpower and Rates

$P_{1 \text{ May } 01} \times Q_{\text{Mar}03}$	=	18,356,230
$C_{T2003}$	=	4,624,060
$C_{R2003}$	=	9,393
Revenue	=	13,722,777

**Option Three:** 1 May 2002 Prices, March 2003 Quantities, March 2003 Transpower and Rates

$P_{1 \text{ May } 02} \times Q_{\text{Mar}03}$	=	18,626,448
$C_{T2003}$	=	4,624,060
$C_{R2003}$	=	9,393
Revenue	=	13,992,995

**Option Four:** 30 March 2003 Prices, March 2003 Quantities, March 2003 Transpower and Rates

$P_{30 \text{ Mar } 03} \times Q_{\text{Mar}03}$	=	18,876,571
$C_{T2003}$	=	4,624,060
$C_{R2003}$	=	9,393
Revenue	=	14,243,117

**Option Five:** 30 March 2003 Prices, March 2003 Quantities, Budget 2004 Transpower and Rates (Same as  $P_{\text{Mar}03} Q_{\text{Mar}03} - C_{T2003} - C_{R2003}$ )

$P_{30 \text{ Mar } 03} \times Q_{\text{Mar}03}$	=	18,876,571
$C_{T2003}$	=	4,756,358
$C_{R2003}$	=	10,700
Revenue	=	14,109,513

The selection of Option 2 provides the lowest Nominal Revenue as required by the regulations. This particular point of minimum Notional Revenue arises because Top Energy chose to absorb some of the Transpower price increase effective 1 April 2002, for the benefit of consumers resulting in a mismatch between the prices charged by Top Energy and Transpower costs incurred by Top Energy for a period of one month.

**Minimum Revenue Between 8 August 2001 and 6 June 2003 (First Reference Date)**

Number of Days: 365

Tariff or Fee	Number of ICPS at 31/03/03	kWh	kVA	Other Qty	Tariff			Total Revenue (\$) $P_{i,0} Q_{i,0}$
					Fixed		Variable (c/kwh)	
					\$/day	\$/kVA		
<b>Non Time of Use</b>	25,542				0.17		1,584,881	
UC		55,175,747				8.30	4,579,587	
PC		128,649,299				6.00	7,718,958	
FC		9,217,653				3.00	276,530	
Day		13,345,471				6.60	880,801	
NGT		6,165,165				1.30	80,147	
CAP150	69	5,348,561			4.00	6.50	448,396	
<b>Time of Use</b>	55				7.00		140,312	
00:00 - 04:00		1,887,795				0.10	1,888	
05:00 - 08:00		3,088,718				0.10	3,089	
09:00 - 12:00		4,795,011				4.50	215,776	
13:00 - 16:00		4,857,661				4.50	218,595	
17:00 - 20:00		4,143,808				6.20	256,916	
21:00 - 24:00		2,822,827				3.00	84,685	
<b>Industrial</b>								
0000984310TEBBE			11,000			92.39	1,016,290	
00009840000TE210					1,207.73		440,821	
000984200TE817					524.39		191,402	
<b>Street Lights</b>								
Group Lighting 11 Hours				156	0.09		5,146	
Intermittent				6	0.15		330	
Street Lights				1,976	0.27		193,648	
Unmetered Continuous < 50 Watts				184	0.27		18,032	
$P_{i,0} Q_{i,0}$							<b>18,356,230</b>	
<b>Total Other Charges</b>								

## Appendix B Notional Revenue at First Assessment Date

Revenue First Assessment Date (6 September 2003)	Budgeted Transmission Charges 31/03/2004	Budgeted Rates 31/03/2004	Notional Revenue at First Assessment Date (6 September 2003)
$\Sigma P_{i2003} Q_{i0}$	$C_{T2003}$	$C_{R2003}$	$\Sigma P_{i2003} Q_{i0} - C_{T2003} - C_{R2003}$
18,876,571	4,756,358	10,700	14,109,513

Number of Days: 365

Tariff or Fee	Number of ICPs at 31/03/03	kWh	kVA	Other Qty	Tariff		Total Revenue (\$) $P_{i,0} Q_{i,0}$	
					Fixed			Variable (c/kwh)
					\$/day	\$/kVA		
<b>Non Time of Use</b>	25,542				0.15		1,398,425	
UC		55,175,747				8.70	4,800,290	
PC		128,649,299				6.30	8,104,906	
FC		9,217,653				3.10	285,747	
Day		13,345,471				6.90	920,838	
NGT		6,165,165				1.40	86,312	
CAP150	69	5,348,561			4.00	6.80	464,442	
<b>Time of Use</b>	55				7.00		140,312	
00:00 - 04:00		1,887,795				0.10	1,888	
05:00 - 08:00		3,088,718				0.10	3,089	
09:00 - 12:00		4,795,011				4.70	225,366	
13:00 - 16:00		4,857,661				4.60	223,452	
17:00 - 20:00		4,143,808				8.00	331,505	
21:00 - 24:00		2,822,827				3.10	87,508	
<b>Industrial</b>								
0000984310TEBBE			11,000			86.65	953,112	
00009840000TE210					1,207.73		440,821	
000984200TE817					524.39		191,402	
<b>Street Lights</b>								
Group Lighting 11 Hours				156	0.09		5,146	
Intermittent				6	0.15		330	
Street Lights				1,976	0.27		193,648	
Unmetered Continuous < 50 Watts				184	0.27		18,032	
$\Sigma P_{i,0} Q_{i,0}$							<b>18,876,571</b>	
<b>Total Other Charges</b>								

## Appendix C

Notional Revenue at Publication Date (6 June 2003)
$\sum P_{i0} Q_{i0}$
18,876,571

There have been no tariff price changes since 30 March 2003 and hence the data provided per Appendix B supports this calculation.

# Appendix D

Maximum Notional Revenue Second Reference Date (6 June 2003 to 6 September2003)
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$\sum P_{i2003} Q_{i0}$
18,876,571

There have been no price changes since publication date and hence the data provided per Appendix B also supports this calculation.



The Chief Executive  
Top Energy Limited  
Station Road  
PO Box 243  
KAIKOHE 0400

By facsimile: (9 9 401 5611

Dear Sir

**Metering, meter reading, disconnection and reconnection services**

In Contact Energy's view, the above services currently provided by Top Energy Limited to Contact Energy in respect to existing customer connections are services that relate to a contestable market place, and that there exists effective competition for the provision of those services.

Yours faithfully

A handwritten signature in black ink, appearing to read 'D. Craig'.

Duncan Craig  
Metering Business Manager  
Contact Energy Limited