

## **THRESHOLD COMPLIANCE STATEMENT**

**FOR THE ASSESSMENT DATE, 31 MARCH 2006**

*Pursuant to the Commerce Act (Electricity Lines Thresholds) Notice  
2004*

24 May 2006

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## 1. Disclosure of Information Required (Clause 7(1)(a)(i) - The Price Path Threshold)

Top Energy Limited does not comply with all requirements of the price path threshold at the Assessment date 31 March 2006, as specified in the Commerce Act (Electricity Distribution Thresholds) Notice 2004.

**Clause 5 (1) (a)** The Notional Revenue of a distribution business at each Assessment date (calculated in accordance with the numerator of the left-hand side of the following expression) is not to exceed the allowable Notional Revenue of the distribution business under the CPI-X price path at that Assessment date (calculated in accordance with the denominator of the left-hand side of the following expression):

<b>Test:</b>	$\frac{NR_{2006}}{R_{2006}} \leq 1$
<b>Result:</b>	1.0321 > 1
<b>Result:</b>	Threshold is breached by \$477,625

Supporting evidence is presented in Appendix A.

The Company planned and budgeted to comply with both the intent and detail of the Thresholds but the sum of the final payments made to Transpower (net of the Loss Rental Rebates) was significantly less than what was budgeted for. This amount was unexpected and Top Energy is currently working on ways in which this amount can be redistributed back to its customers.

Clause 5 (1) (b) The Notional Revenue of a distribution business at any time during an assessment period is not to exceed the greater of the Notional Revenue of the distribution business at the Assessment date on which that assessment period ends and the Notional Revenue of the distribution business at the previous Assessment date under this clause (or, if the previous assessment date is the reference date, under clause 5 of the initial Notice).

<b>Test:</b>	$\frac{NR_{Max}}{Max(NR_{2005}, NR_{2006})}$	$\leq 1$
<b>Result:</b>	\$15,371,319 / \$15,371,319	=1
<b>Result:</b>	Threshold is not breached	

There has been no change of tariff pricing by Top Energy Limited within the year to the Assessment date, 31 March 2006.

Supporting evidence is presented in Appendix B.

**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 such as:
  - Metering
  - Disconnections and reconnections.

These services are competitive as evidenced by the letter (appendix D) from our incumbent retailer.

### **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
- Voltage support charges
- New investment charges
- EVA adjustments
- Loss Rental
- Avoided transmission charges

Other costs that have been passed through in accordance with the Gazette Notice are:

- Local body rates applying to system fixed assets: lines, cables, equipment, sub-station land and substation buildings.
- Electricity Commission levy costs.

## 2. Disclosure of Information Required (Clause 7(1)(a)(ii) and (iii) - The Quality Threshold)

Top Energy Limited does not comply with all requirements of the quality threshold at the Assessment date 31 March 2006, as specified in the Commerce Act (Electricity Distribution Thresholds) Notice 2004.

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

<b>Test:</b>	$SAIDI_{2006} \leq \left( \frac{SAIDI_{1999} + SAIDI_{2000} + SAIDI_{2001} + SAIDI_{2002} + SAIDI_{2003}}{5} \right)$
<b>Result:</b>	522.10 > 464.42
<b>Result:</b>	SAIDI breaches the threshold by 57.68 minutes

Top Energy has applied for an exclusion on the basis of severe weather events occurring during the periods: 17 September 2005 to 21 September 2005, 08 October 2005 and 10 October 2005. These events caused a significant number of fault events distributed throughout the network and, reduced access to fault sites due to road closures or similar factors. These weather events contributed to an accumulation of fault events resulting in lengthy system interruption durations.

During the above periods, a total of 118.54 SAIDI minutes (84.5 %) can be directly attributed to the event where gust velocities were equal to or greater than a Strong Gale (as defined by the Met Service) or the fault was initialised by tree contact. Therefore Top Energy Limited seeks an exclusion of at least the above from the SAIDI evaluation.

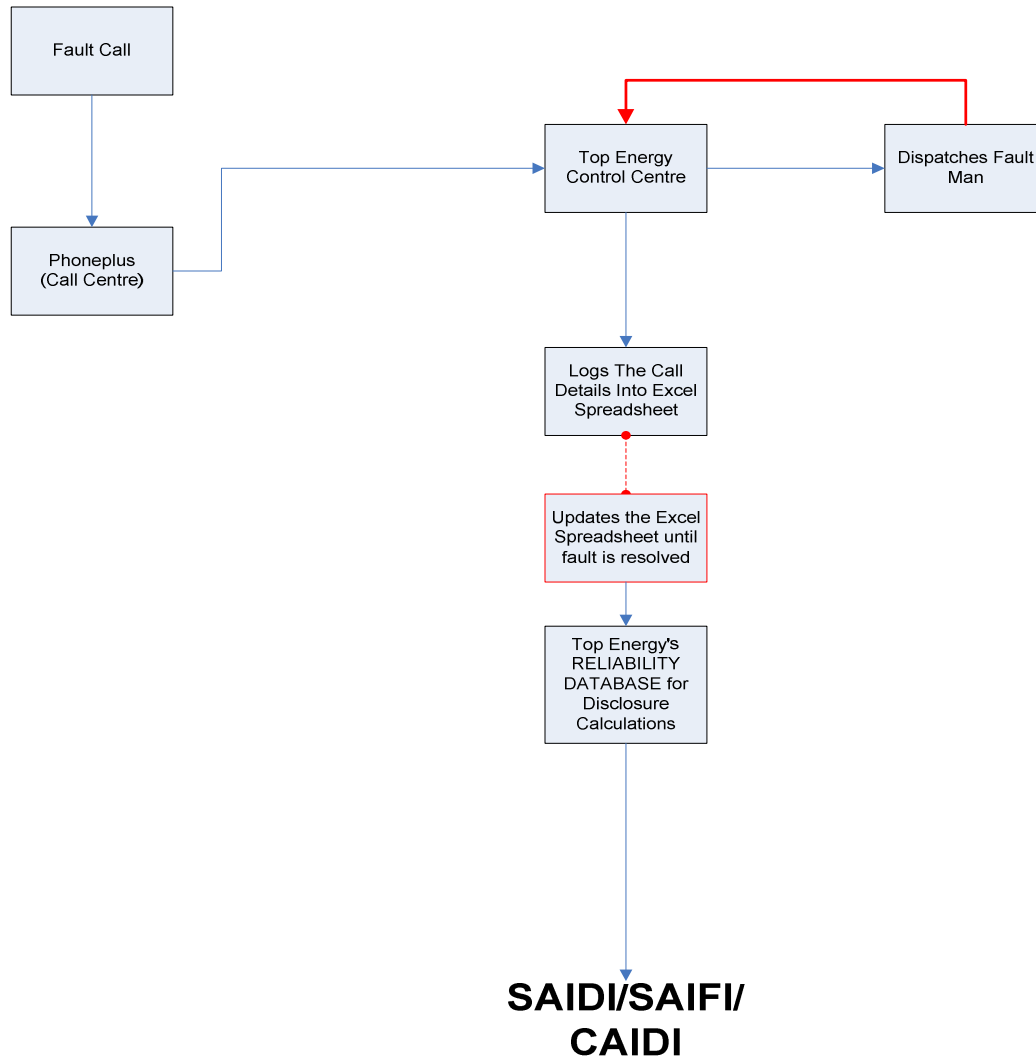
Clause 6 (1) (b) Interruption Frequency (Class B&C)

<b>Test:</b>	$SAIFI_{2006} \leq \left( \frac{SAIFI_{1999} + SAIFI_{2000} + SAIFI_{2001} + SAIFI_{2002} + SAIFI_{2003}}{5} \right)$
<b>Result:</b>	5.57 < 6.48
<b>Result:</b>	SAIFI does not breach the threshold

Supporting evidence is presented in Appendix C.

Clause 7 (a) (iii) Procedures used for recording SAIDI and SAIFI statistics

Top Energy Limited records data for network performance from its network Control Room source. The following flow diagram outlines the business process that results in the recording of quality performance statistics.



**Top Energy Faults Management Process**

## **Recording Interruptions:**

Any interruption in supply is recorded by the Control room operators:

- Planned outages – are managed by the Control room that (1) schedule the work with the Fault man in the field, and (2) conduct the switching on the network. These details are recorded on a 'Switching procedure sheet'.
- Unplanned outages - are initiated by a fault call received by our in house Call Centre (*PHONEplus*). A Call Detail record is completed by the Call Centre operative who identifies key information about the interruption, such as: Time, fault description, name & contact details of the caller. Subsequently the Control room will despatch the Fault man, log the fault, and conduct any switching that is required. All HV faults are recorded electronically via the SCADA system which provides an accurate record of the timing of the outage.

For either type of outage the Control room operator records the following information which is entered into an Excel database:

- Geographic area affected
- Substation reference number
- Feeder affected
- Interruption class type – A,B,C or D

As a part of managing the restoration of supply the Control Room records the times that the customer is without power. This may involve recording the time for both (1) Partial restoration and (2) Complete restoration. Where there is an intermittent fault which is immediately restored, for instance where a recloser trips and then restores supply a second later, and then an interruption is not recorded. The Control Room works on a rostered basis with 3 operators manning on site from 7 am to 9pm for five days a week. Outside of these hours a Standby roster is used.

### **Consumer Numbers:**

In the absence of a fully integrated GIS & ICP database of our network it is not possible to determine the exact number of customers affected by the fault. Top Energy uses a model which estimates the customers affected by monitoring the demand immediately before and after the interruption. To determine the total number of consumers on our network the Company maintains an ICP database which is based on the industry maintained MARIA equivalent.

### **Reliability Database:**

On a monthly basis the Excel database of all interruptions is reviewed for reasonableness by the Network Manager who imports the data to the Reliability Access Database. Graphs and a summary monthly report of reliability statistics form part of the Network Managers report to the Board of directors. On a six monthly basis the statistics are summarised and reported as part of the Company's Financial Report, with comparison against targets set in the Company's Statement of Corporate Intent.

## **Customer Communication (Clause 6(1)(c))**

### **Background**

The electricity line prices threshold regime established under Part 4A of the Commerce Act 1986 and promulgated by the Commerce Act (Electricity Lines Thresholds) Notice 2004 dated 31 March 2004 requires each lines company to properly consult with their consumers on the options of price and supply quality available to those consumers during the two year periods ending on 31 March 2006 and 31 March 2008 and to take those consumers views into account when making asset management decisions. Top Energy has used, and will continue to use, its asset management plan as the primary means of taking these views into account when setting service levels.

Section 7(1) of the Notice broadly defines the process of disclosure, auditing and director certification that is required to verify that such consultation has occurred.

### **Purpose of this document**

The purpose of this document is to...

- Provide a written statement pursuant to Section 7(1)(a)(ii) of the Notice that a consumer consultation has been performed.

### **Consumer consultation activity**

#### **Consultation requirements**

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

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

#### **Consultation methodology**

Top Energy has followed the recommendations laid out in Tables 7.1(a), 7.1(b), 7.2(a) and 7.2(b) of the PB Associates report dated April 2005. Top Energy has consulted with the following classes of consumers...

- By using a phone bureau (*PHONEplus*) to consult with a random sample of 1,011 mass market consumers.
- By using a specialist energy consultant to engage by phone with the 12 largest consumers.

## **Properly Advising on Price Quality Trade Off**

### **Quality**

Top Energy considers quality to be, and measures it as, the number of outages experienced by consumers and the duration of those outages.

There are other issues which could be considered, such as voltage, but these things are covered by Statute or Regulation. We have received a total of 2 voltage complaints over the previous 12 months year ending 31 March 2006.

### **New Connections**

#### **Mass Market**

When dealing with new customers requiring a high voltage extension to the network it is normal practice for Top Energy to offer alternatives for the provision of supply.

Those trade offs represent the price/quality trade off. For example, customers will be able to consider and receive price and quality information on, overhead/underground, two and three phase options if appropriate. Similarly the kVA required is discussed so that the customer can choose the optimum capacity to meet both their longer term plans and their financial constraints.

#### **Large Customers**

Top Energy endeavors to visit its largest customers on an annual basis to firstly gain insights into their key business processes, future strategic plans for the operations and to discuss price and supply quality issues.

There is acknowledgement from customers that there has been a general improvement in the level of service provided compared to previous years. However any further enhancement or improvement to the level of service is not accepted if the customer has to make a contribution towards the capital cost of improving the system.

## **Customer Survey**

Top Energy contracted PHONE*plus* to carry out a perception study that investigated among other things our customers' satisfaction with the current levels of reliability and their interest in trading off price and quality. It gave them an opportunity to consider price quality trade-offs.

### Consumer Trust Engagement

Top Energy is owned by a consumer trust. The strong support for this form of ownership indicates that customers see the Trust as a vehicle for them to influence the price and quality of the services delivered. The Trust is provided with price and quality information informally through specific questions resulting from customer enquiries as well as formally through the Statement of Corporate Intent which is agreed between the Board and the Trust. The Asset Management Plan, financial statements and pricing information are also available to the Trust (and customers) via the Top Energy website.

## **Consultation**

### New Connections

When dealing with new customers requiring a high voltage extension to the network it is normal practice for Top Energy to offer alternatives for the provision of supply. Customers will be able to consider overhead, underground, two and three phase options if appropriate. Similarly the kVA required is discussed so that the customer can choose the optimum capacity to meet both their longer term plans and their financial constraints.

Large industrial customers are consulted and can also make informed choices about reliability.

### Consumer Trust Engagement

The Trust deed and structure ensure that customers have formal processes to review the budgets, tariffs, reliability, the Asset Management Plan and the community relationships of the Company. The Trust holds public meetings on a regular basis to

allow consumers to have an input on all matters including the performance of the Company.

### **Consideration of Customer Views**

#### New Connections

Top Energy ensures that new and changed connections are designed with the customer's input so that price and quality trade-offs are considered in an informed way and to establish a successful long term relationship. This is evident through new connections agreements entered into.

#### Customer Survey

##### Mass Market

Top Energy commissioned a call bureau to phone a sample of 1,011 mass-market customers distributed across Top Energy's network as follows...

<b>Area</b>	<b>Number of customers</b>
Kerikeri	360
Kaitaia	250
Paihia	201
Kaikohe	200
<b>Total</b>	<b>1,011</b>

The broad conclusions of this survey are as follows from the 473 (47%) valid responses.

The aspect of electricity supply most valued by customers is continuity of supply. In this key area of continuity of supply Top Energy's performance is rated Good, Very Good or Excellent by most customers. While the second most important aspect of electricity supply is restoration of supply. The third most important aspect is fairly evenly split between no flicker and timely shutdown notices (refer to Appendix E for questionnaire).

In order to provide a simple and unambiguous indication of the relationship and between quality and price from customers' points of view they were asked the following questions

Would you be prepared to.

- (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.

A clear majority of mass-market customers would prefer to pay about the same to receive about the same reliability as per the results in the table below.

Mass market responses to this question were as follows (473 replies)...

<b>Preference</b>	<b>Number</b>	<b>Percentage</b>
Pay a bit less to receive a bit less reliability.	50	10.6%
Pay about the same to receive about the same reliability.	364	77.0%
Pay a bit more to receive a bit more reliability.	49	10.4%
Pay a lot more to receive a lot more reliability.	10	2.1%

#### Large Customers

Top Energy's 12 largest customers by energy consumption were asked to work through a detailed questionnaire (refer to Appendix E). Only 5 valid customer responses were received, 4 customers didn't respond to the invitation to participate, 2 customers declined to participate while 1 customer asked for the interview to be terminated (before the price and supply question was reached). However all 5 valid customer responses indicated a preference for "paying about the same to receive about the same reliability."

The Company believes that the positive responses from the Customer Survey have resulted from the significant reduction in outages achieved over the last several years. It would, however, be inappropriate to rest on the Company's laurels in the future. The customer responses make it quite clear that there is no appetite for reliability improvement programmes that will impact on the tariffs.

## **Consumer Trust Engagement**

Annually and after consideration of the responses from customers, service levels are established and inserted into the new Statement of Corporate Intent. This document is negotiated between the directors of the Company the Trustees and finally adopted. The performance of the Company is measured, reported publicly in the annual report and reviewed at the Company's Annual General Meeting. This information is also published and presented at the Trust's annual public meeting, at which they report to the consumers/beneficiaries.

## **Impact of Customer Views on Asset Management Decisions.**

One of the major issues impacting on service level performance for Top Energy is the rural nature of much of our area. This results in a significant challenge in dealing with tree and other vegetation interference with the lines. After considering the price sensitivity information gleaned from the customer perception survey it has been decided to maintain the current level of expenditure on vegetation control. The new regulations will increase the ongoing maintenance cost but we would hope to slowly reduce the expenditure on initial clearance costs.

Top Energy operates a predominantly radial based distribution system. The use of radio controlled systems has allowed Top Energy to reduce the number of people affected by faults that do occur in rural/remote areas. Because of the relatively low cost of this option compared to the service level improvements achieved as a result, the Top Energy Asset Management Plan will continue to extend this programme while significant improvements can be achieved.

Similarly, the use of live line techniques has had a major impact on the number of planned outages since its introduction and will continue to be used and expanded where gains can be made at reasonable cost.

## New Connections

Direct consultation with a major customer has resulted in the customer funding a dedicated high voltage supply to improve the level of security at their site.

## Customer Survey

The Customers clearly did not want price increases. This limits the company's ability to change its approach to major rebuilds or investment in ring feeds. The Asset Management Plan retains its focus on maintaining the existing network at present standards and using low cost technologies to mitigate the impact of outages rather than prevent them altogether.

## Conclusion

Top Energy has demonstrated that it complies with both the letter and the intent of the regulations through the key processes of:

- Direct consultation with customers over new and altered connection requirements
- Direct involvement by the Top Energy Trust in setting the Statement of Corporate Intent
- Repeated surveys of customer satisfaction and preferences, and
- Transfer of price quality trade-off preferences into the Asset Management Plan and Asset management activity.

These key processes combine to ensure that customer preferences are appropriately responded to.

## *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 2004. This statement has not been prepared for any other purpose and Top Energy Limited expressly disclaims any liability to any other party who may rely on this statement for any other purpose.*

### 3. Auditor's Report on the Threshold Compliance Statement (Clause 7(1)(b))



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Auckland, New Zealand  
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#### **REPORT OF THE AUDITOR-GENERAL**

To the readers of the threshold compliance statement of Top Energy Limited for the assessment period ended on 31 March 2006

We have audited the attached statement, prepared by Top Energy Limited for assessment as at 31 March 2006 and dated 24 May 2006. The attached statement is a threshold compliance statement in respect of the price path threshold and the quality threshold, for the purposes of information requirements set out in clause 7 of the Commerce Act (Electricity Distribution Thresholds) Notice 2004 ("the Notice"). In this report the attached statement is called "the threshold compliance statement".

#### **Directors' Responsibilities**

Directors of Top Energy Limited are responsible for the certification of the threshold compliance statement in accordance with the 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 audit the threshold compliance statement. It is the responsibility of the Auditor-General to express an independent opinion on the threshold compliance statement and report the opinion to you.

The Auditor-General has appointed Graeme Pinfold of PricewaterhouseCoopers to undertake the audit.

#### **Basis of Opinion - Price Path Threshold; Quality Threshold: SAIDI and SAIFI Statistics for the Assessment Period ended 31 March 2006; and Quality Threshold: Customer Communication**

We conducted the audit in accordance with the Auditor-General's Auditing Standards which include the Auditing Standards issued by the Institute of Chartered Accountants of New Zealand.

The audit included examining, on a test basis, evidence relevant to the amounts and disclosures contained on pages 2 to 17 and Appendices A to E of the threshold compliance statement and which relate to:

- the price path threshold set out in clause 5 of the Notice;
- the SAIDI and SAIFI statistics for the assessment period ended on 31 March 2006 which are relevant to those parts of the quality threshold that are set out in clauses 6(1)(a) and 6(1)(b) of the Notice.

It also included an assessment of the significant estimates and judgements, if any, made by Top Energy 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 the 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 Top Energy 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**

In addition to the audit of the threshold compliance statement we have carried out other audit assignments for Top Energy Limited. This involved issuing an audit opinion on the annual financial statements for the year ended 31 March 2006 as well as audit certificates pursuant to the Electricity Information Disclosure Requirements 2004. We have also carried out other professional advisory services. Other than these assignments we have no relationship with or interests in Top Energy Limited.

**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 Top Energy Limited against that threshold for the assessment period ended on 31 March 2006.

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

In our opinion, having made all reasonable enquiry, to the best of our knowledge:

- a) The SAIDI and SAIFI statistics for the assessment period ended on 31 March 2006 which are relevant to those parts of the quality threshold that are set out in clauses 6(1)(a) and 6(1)(b) of the Notice and related information have been calculated or prepared in accordance with Top Energy Limited's policies and procedures for recording SAIDI and SAIFI statistics as disclosed in the threshold compliance statement;
- 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, are 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 Top Energy Limited. The SAIDI and SAIFI statistics in the threshold compliance statement differ in certain instances from the previously disclosed statistics as a result of the correction of immaterial errors in the calculation of those statistics.

**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 Top Energy Limited against that part of the quality threshold for the assessment period ended on 31 March 2006.

**Qualified Opinion**

Our opinion is qualified as follows:

**Quality Threshold: SAIDI and SAIFI statistics**

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

- There is no independent evidence available for the period to support the completeness and accuracy of recorded faults; and
- As explained on page 10 of the threshold compliance statement, the SAIDI and SAIFI calculations for the period are based on estimated ICPs affected by each outage, and there are no detailed records available to verify the accuracy of ICP estimates used in those calculations.

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.

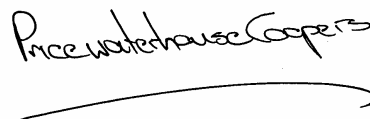
Because of the potential effect of the limitations in the evidence available to us, we are unable to form an opinion as to whether:

- the SAIDI and SAIFI statistics for the assessment period ended on 31 March 2006 which are relevant to those parts of the quality threshold that are set out in clauses 6(1)(a) and 6(1)(b) of the Notice and related information fairly represent the performance of Top Energy Limited for the assessment period ended on 31 March 2006; and
- the amounts or details set out in the quality threshold: SAIDI and SAIFI statistics for the assessment period ended on 31 March 2006, together with the SAIDI and SAIFI statistics for the years ended 31 March 1999, 2000, 2001, 2002 and 2003, give a true and fair view of the performance of Top Energy Limited against those parts of the quality threshold that are set out in clauses 6(1)(a) and 6(1)(b) of the Notice for the assessment period ended on 31 March 2006.

Our audit was completed on 24 May 2006 and our qualified and unqualified opinions are expressed as at that date.



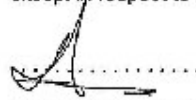
GR Pinfold  
On behalf of the Auditor-General  
Auckland, New Zealand  
24 May 2006



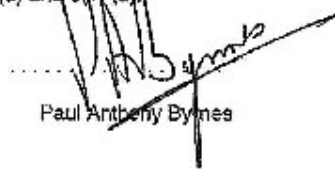
PricewaterhouseCoopers

**4. Certification of Threshold Compliance Statement**

We, Jack Peter Poutsma and Paul Anthony Byrnes, being directors of Top Energy Limited certify that, having made all reasonable enquiry, to the best of our knowledge and belief, the attached threshold compliance statement of Top Energy Limited, and related information, prepared for the purposes of the Commerce Act (Electricity Distribution Thresholds) Notice 2004 complies with the requirements of that notice, except in respect to the following clauses 5(1) (a) and 8(1) (a).



Jack Peter Poutsma



Paul Anthony Byrnes

24 May 2006

## Appendix A1

### Clause 5 (1) (a)

**NR<sub>2006</sub>**

Notional Revenue for the year ending 31 March 2006		
Term	Description	(\$)
$\Sigma P_{i,2006} Q_i$	Prices at 31 March 2006 multiplied by 31 March 2003 Base Quantities	20,201,957
$K_{2006}$	Transmission Charges for year ending 31 March 2006	4,786,677
	Rates for year ending 31 March 2006	12,120
	Electricity Commission Levies for year ending 31 March 2006	31,841
$NR_{2006} = \Sigma P_{i,2006} Q_i - K_{2006}$	Notional Revenue for the year ending 31 March 2006	15,371,319

**NR<sub>2005</sub>**

Notional Revenue for the year ending 31 March 2005 as disclosed in the 31 March 2005 Threshold Statement		
Term	Description	(\$)
$\Sigma P_{i,2005} Q_i$	Prices at 31 March 2005 multiplied by 31 March 2003 Base Quantities	19,468,796
$K_{2005}$	Transmission Charges for year ending 31 March 2005	5,236,449
	Rates for year ending 31 March 2005	11,617
	Electricity Commission Levies for year ending 31 March 2005	29,950
$NR_{2005} = \Sigma P_{i,2005} Q_i - K_{2005}$	Notional Revenue for the year ending 31 March 2005	14,190,780

**R<sub>2004</sub>**

Maximum Notional Revenue at the reference date which would not have caused the distribution business to breach the price path under the Initial Notice		
Term	Description	(\$)
$\Sigma P_{i,0} x Q_{i,0}$	Prices at 6 September 2003 multiplied by 31 March 2003 Base Quantities	18,898,123
$C_{T2003}$	Budget Transmission Charges for year ending 31 March 2004	4,756,358
$C_{R2003}$	Budget Rates for year ending 31 March 2004	10,700
$R_{2004}$	Maximum Revenue at 31 March 2004 that would not have caused a breach under the Initial Notice	14,131,065

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

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

Allowable Notional Revenue under CPI -X price path		
Term	Description	(\$)
$X$	X Factor	0%
$R_{2004}$	Maximum Revenue at 31 March 2004 that would not have caused a breach under the Initial Notice	14,131,065
$(1 + \Delta CPI_{2005})$	Average change in Consumer Price Index over 2004	1.0229
$(1-X)$	1-X Factor	1.00
$R_{2005}$	Allowable Notional Revenue under the CPI-X Price Path for the year ended 31 March 2005	14,454,702
$(1 + \Delta CPI_{2006})$	Average change in Consumer Price Index over 2005	1.0304
$(1-X)$	1-X Factor	1.00
$R_{2006}$	Allowable Notional Revenue under the CPI-X Price Path for the year ended 31 March 2006	14,893,694
$NR_{2006} / R_{2006}$	Expression must be less than or equal to 1 to avoid breaching 5(1)(a)	1.0321
$R_{2006} - NR_{2006}$	Value of Compliance or (Breach)	(477,625)

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

$\Delta CPI_{2005}$			
Numerator		Denominator	
$CPI_{Q1,2004}$	1115	$CPI_{Q1,2003}$	1098
$CPI_{Q2,2004}$	1124	$CPI_{Q2,2003}$	1098
$CPI_{Q3,2004}$	1131	$CPI_{Q3,2003}$	1103
$CPI_{Q4,2004}$	1141	$CPI_{Q4,2003}$	1111
Total	4511	Total	4410
$\Delta CPI_{2005}$	2.29%		

Source: Statistics New Zealand All Groups SE9A Index

$\Delta CPI_{2006}$			
Numerator		Denominator	
$CPI_{Q1,2005}$	1146	$CPI_{Q1,2004}$	1115
$CPI_{Q2,2005}$	1156	$CPI_{Q2,2004}$	1124
$CPI_{Q3,2005}$	1169	$CPI_{Q3,2004}$	1131
$CPI_{Q4,2005}$	1177	$CPI_{Q4,2004}$	1141
Total	4648	Total	4511
$\Delta CPI_{2006}$	3.04%		

Source: Statistics New Zealand All Groups SE9A Index

## Appendix A 2

<b><math>\Sigma P_{i,2005} Q_i</math> Prices at 31 March 2006 multiplied by 31 March 2003 Base Quantities</b>									
Tariff or Fee	Description	Number of ICPs at 31/03/03	kWh or kw or kvarh for 31/03/03	kVA for 31/03/03	Other Qty for 31/03/03	Line Tariff			Total Revenue (\$)
						Fixed		Variable (c/kwh)	
						\$/day	\$/kVA		$\Sigma P_{i,2005} Q_i$
<b>Non Time of Use</b>		25542				0.15			1,398,425
UC	Uncontrolled		55,175,747					9.40	5,186,520
PC	Partly Controlled		128,649,299					6.80	8,748,152
FC	Fully Controlled		9,217,653					3.40	313,400
Day	Partly Controlled Day		13,345,471					7.40	987,565
NGT	Night		6,165,165					1.50	92,477
CAP150	Capacity	69	5,348,561			4.00		7.40	496,534
<b>Time of Use</b>		55				7.00			140,312
00:00 - 04:00			1,887,795					0.10	1,888
04:00 - 08:00			3,088,718					0.10	3,089
08:00 - 12:00			4,795,011					4.90	234,956
12:00 - 16:00			4,857,661					6.30	306,033
16:00 - 20:00			4,143,808					9.40	389,518
20:00 - 24:00			2,822,827					3.20	90,330
<b>Industrial</b>									
0000984310TEBBE				11,000			86.65		953,112
00009840000TE210						1,184.02			432,167
000984200TE817						517.18			188,771
<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 < 500 Watts					184	0.27			18,032
Pole mounted streetlight					898	0.07			21,552
<b><math>\Sigma P_{i,2005} Q_i</math></b>									<b>20,201,957</b>

### Appendix A 3

<b><math>\Sigma P_{i,0} Q_{i,0}</math> Prices at 6 September 2003 multiplied by 31 March 2003 Base Quantities</b>									
Tariff or Fee	Description	Number of ICPs at 31/03/03	kWh or kw or kvarh for 31/03/03	kVA for 31/03/03	Other Qty for 31/03/03	Line Tariff		Total Revenue (\$)  <b><math>P_{i,0} Q_{i,0}</math></b>	
						Fixed			Variable (c/kwh)
						\$/day	\$/kVA		
<b>Non Time of Use</b>		25542				0.15		1,398,425	
UC	Uncontrolled		55,175,747				8.70	4,800,290	
PC	Partly Controlled		128,649,299				6.30	8,104,906	
FC	Fully Controlled		9,217,653				3.10	285,747	
Day	Partly Controlled Day		13,345,471				6.90	920,838	
NGT	Night		6,165,165				1.40	86,312	
CAP150	Capacity	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	
	04:00 - 08:00		3,088,718				0.10	3,089	
	08:00 - 12:00		4,795,011				4.70	225,366	
	12:00 - 16:00		4,857,661				4.60	223,452	
	16:00 - 20:00		4,143,808				8.00	331,505	
	20:00 - 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 < 500 Watts				184	0.27		18,032	
	Pole mounted streetlight *				898	0.07		21,552	
<b><math>\Sigma P_{i,0} Q_{i,0}</math></b>								<b>18,898,123</b>	

\* The Income from Pole Mounted Streetlights of \$21,552 was omitted in error from revenue at the First assessment date this has been corrected in the above schedule.

## Appendix B

### Clause 5 (1) (b)

$NR_{Max}$

Maximum Notional Revenue for the period 1 April 2005 to 31 March 2006. Enter P x Q using 31 March 2006 Prices and 31 March 2003 Base Quantities if there has been no change in prices over this period, otherwise use prices which generate the maximum notion		
Term	Description	(\$)
$\Sigma P_{Max} Q_i$	Maximum Price Between 1 April 2005 and 31 March 2006 multiplied by 31 March 2003 Base Quantities	20,201,957
$K_{2006}$	Transmission Charges for year ending 31 March 2006	4,786,677
	Rates Charges for year ending 31 March 2006	12,120
	Electricity Commission Levies for year ending 31 March 2006	31,841
$NR_{Max}$	Maximum Notional Revenue for 1 April 2005 to 31 March 2006	15,371,319

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

Notional Revenue during the period is not to exceed the maximum of the Notional Revenue at the end of the assessment period and the Notional Revenue at the end of the previous assessment period		
Term	Description	(\$)
$NR_{Max}$	Maximum Notional Revenue for 1 April 2005 to 31 March 2006	15,371,319
$NR_{2005}$	Notional Revenue at 31 March 2005	14,190,780
$NR_{2006}$	Notional Revenue at 31 March 2006	15,371,319
$\text{Max}(NR_{2005}, NR_{2006})$	Maximum of the Notional Revenue at 31 March 2005 and the Notional Revenue at 31 March 2006	15,371,319
$NR_{Max} / \text{Max}(NR_{2005}, NR_{2006})$	If expression is greater than 1, Clause 5 (1) (b) is breached	1.0000
$\text{Max}(NR_{2005}, NR_{2006}) - NR_{Max}$	Value of Compliance or (Breach)	(0)

**Appendix C**  
 Historic SAIDI and SAIFI (Class B and C)

Year	SAIDI (Interruption Duration)			SAIFI (Interruption Frequency)		
	Class B	Class C	Total	Class B	Class C	Total
1999	160	611	770.80	1.30	8.40	9.70
2000	181	295	475.80	1.30	5.50	6.80
2001	79	252	330.50	0.50	4.50	5.00
2002	44	286	329.70	0.30	4.40	4.70
2003	37	378	415.30	0.30	5.90	6.20
	<b>Five Year Average SAIDI</b>		<b>464.42</b>	<b>Five Year Average SAIFI</b>		<b>6.48</b>
2006	22.30	499.80	522.10	0.14	5.43	5.57

## Appendix D



18 May 2006

2006

The Chief Executive  
Top Energy Limited  
PO Box 248  
Station Road  
Kaitiaki

Dear Sir

### **Metering, Disconnection & Reconnection Services**

In Contact's view, metering, disconnection and reconnection services currently provided by Top Energy Limited to Contact Energy in respect to existing and new customer connections are services that relate to a contestable market place, and there exists effective competition for said services in the Top Energy Limited distribution area.

Yours sincerely  
for CONTACT ENERGY LIMITED

A handwritten signature in black ink, appearing to read 'Phil Hawkey'.

Phil Hawkey  
Commercial Manager

CONTACT ENERGY LIMITED

PO Box 624 Wellington  
New Zealand  
[www.contact.co.nz](http://www.contact.co.nz)

## **Appendix E**

### **Mass Market & Large Consumer Questionnaire**

#### *Part A – Top Energy as a company*

##### **A1. Top Energy identity & ownership**

**A1.1** Please tell me which companies sell electricity in your district...

- (a) Mighty River Power.
- (b) Northpower.
- (c) Contact Energy.
- (d) TrustPower.
- (e) Top Energy.
- (f) GenesisPower.
- (g) Solid Energy.
- (h) King Country Energy

(i) Meridian Energy.

(j) Energex.

**A1.2** Please tell me which company owns the poles and wires in your district...

(a) Contact Energy.

(b) The Lines Company.

(c) Meridian Energy.

(d) Top Energy.

(e) Mighty River Power.

(f) King Country Energy.

(g) Vector.

(h) Genesis Power.

(i) Transfield.

(j) TrustPower.

**A1.3** Can you please tell me who owns a company called Top Energy.

(a) The government.

(b) A big American power company.

(c) A consumer trust.

(d) The council.

(e) A bunch of rich people.

**A1.4** During the last year you should've received a cheque for about \$200. Who sent you this cheque.

(a) Contact Energy.

- (b) The Council.
- (c) King Country Energy.
- (d) The Government.
- (e) Meridian Energy.
- (f) TrustPower.
- (g) Top Energy.
- (h) Genesis Power.
- (i) Top Energy Consumer Trust.
- (j) Mighty River Power.

**A1.5** What was this payment for.

- (a) A reward for buying my electricity from the same retailer.
- (b) My share of the profits from Top Energy.
- (c) A hand-out from the council.
- (d) An incentive to keep buying my electricity from the same retailer.
- (e) A hand-out from the government.

## **A2. Top Energy activities**

**A2.1** Please tell me which of the following activities you think Top Energy is involved in...

- (a) Selling electricity.
- (b) Electrical contracting.
- (c) Meter reading.
- (d) Owning and operating the poles and wires.

- (e) Generating electricity at Ngawha.
- (f) Selling natural gas.
- (g) Operating a call center business called PhonePlus.

### **A3. Top Energy community involvement**

**A3.1** Please tell me which of the following community activities you think Top Energy sponsors...

- (a) Electricity rescue helicopter.
- (b) Northern districts cricket.
- (c) Northland junior rugby.
- (d) Water safe.
- (e) Historic places trust.
- (f) Young entrepreneur program.
- (g) School-to-work scholarships.
- (h) Young farmer of the year award.
- (i) Far North science & technology fair.
- (j) Tall poppy business awards

**A3.2** Using the phrases Poor, Average, Good, Very Good and Excellent please tell me how well you think Top Energy does the following...

- (a) Runs the electricity network.
- (b) Looks after its customers.
- (c) Supports the local community.
- (d) Contributes to the local economy.

- (e) Advocates for local growth and development.
- (f) Cares about the environment.

## Part B – Top Energy’s supply reliability

### **B1. Importance of electricity service components**

**B1.1** There are many components of electricity service, some which are provided by your electricity retailer and other which are provided by Top Energy. Some of the aspects provided by Top Energy include the following...

- (a) Supply reliability – how often the power goes off.
- (b) Supply restoration – how quickly the power comes back on.
- (c) Supply quality – how often the power flickers or surges.
- (d) Call center speed of response – how quickly does the call center answer your call.
- (e) Call center helpfulness – can your inquiry be answered then and there on the phone.
- (f) Technical complaints – how quickly and how well are proven technical complaints dealt with.
- (g) Shutdown notification – advising you in advance when the power will be switched off.

Without thinking about how well Top Energy does any of the above, please tell me which item you see as most important, second most important, and so on.

**B1.2** One of the key aspects of electricity service that Top Energy has no control over is the delivery of your power bill by your electricity retailer (which then pays Top Energy for using the wires to deliver your electricity). Some of the features of the power bill will be...

- (a) Format – how easy is it to see exactly what you have been charged for and over what period.
- (b) Total amount owing – how easy is to see how much you owe and how of this amount is GST.

- (c) Accuracy – does it have any mistakes in it.
- (d) Billing period – is the billing period too long

Without thinking about how well your retailer does any of the above, please tell me which item you see as most important, second most important, and so on.

**B1.3** Using the phrases Poor, Average, Good, Very Good and Excellent can you now please tell me how well your electricity retailer does each of the four items above.

## **B2. Top Energy's supply reliability**

**B2.1** Now I would like to go back to the questions on Top Energy's reliability of electricity supply. Using the phrases Poor, Average, Good, Very Good and Excellent please tell me how well Top Energy does each of the following things.

- (a) Supply reliability – how good are Top Energy at keeping the power on.
- (b) Supply restoration – how quick are Top Energy at getting the power back on.
- (c) Supply quality – how often does the power flicker or surge.
- (d) Call center speed of response – how quickly does the call center answer your call.
- (e) Call center helpfulness – can your inquiry be answered then and there on the phone.
- (f) Technical complaints – how quickly and how well are proven technical complaints dealt with.
- (g) Shutdown notification – advising you in advance when the power will be switched off.

**B2.2** Now I would like to talk in a bit more detail about when the lights go off.

- (a) Are you happy enough with how often the power goes off.

- (b) Are you happy enough with how long the power goes off for.

**B2.3** Please tell which of the following things might cause your power to go off...

- (a) Storms.
- (b) Animals or birds climbing into power lines.
- (c) Cars hitting poles.
- (d) Trees hitting power lines.
- (e) Other customers' equipment.
- (f) Generators breaking down.

**B2.4** Please tell which of the following things might cause your power to flicker or surge...

- (a) Storms.
- (b) Animals or birds climbing into power lines.
- (c) Cars hitting poles.
- (d) Trees hitting power lines.
- (e) Other customers' equipment.
- (f) Switching on the network.

### **B3. Alternative reliability and prices**

**B3.1** 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...

- (e) Pay a bit less to have a bit less reliability.
- (f) Pay about the same to have about the same reliability.

- (g) Pay a bit more to have a bit more reliability.
- (h) Pay a lot more to have a lot more reliability.

**If answered (c) or (d) to B3.1**

**B3.2** Depending on how much extra you could be prepared to pay, Top Energy could do one or both of two things to improve the reliability of your electricity supply.

- (a) Spend more on maintenance so the power stays on but faults take about the same time to fix.
- (b) Build back-up lines so that even though the power will go off about the same it will come back on quicker. This option would probably give you less minutes of lost supply per year.

Would you be prepared to pay a bit more to have the first option above or a lot more to have the second option above, or would you be prepared to pay a lot more to have both.

Part C – your experience with Top Energy

**C1.1** Please tell me when you last made contact with Top Energy.

- (a) In the last six months.
- (b) Six months to a year ago.
- (c) One to two years ago.
- (d) Longer than two years ago.
- (e) Never – **bring survey to a close.**

**C1.2** Please tell me why you made contact with Top Energy.

- (a) My power was off.
- (b) My power was flickering too much.
- (c) I wanted a new connection.
- (d) I had a problem with my bill.
- (e) I needed to know about getting my trees cut back from the power lines.
- (f) I needed some technical advice.
- (g) I needed some electrical contracting work doing.
- (h) I had a complaint to make.
- (i) Other – please explain.

**C1.3** Please tell me how you made contact with Top Energy.

- (a) I phoned into the call center.
- (b) I wrote to the company.
- (c) I phoned a person directly.
- (d) I visited their offices.
- (e) I made contact through the website or by email.
- (f) I talked to a Top Energy person in the street.
- (g) Other – please explain.

**C1.3** Using the phrases Poor, Average, Good, Very Good and Excellent please tell me how well you think Top Energy did the following things when you made contact with them.

- (a) Acknowledged my inquiry promptly.
- (b) Made me feel cared for.
- (c) Tried to understand my position.
- (d) Clearly explained their position.
- (e) Gave me a clear and straight answer regardless of whether I liked their answer.

Did what they said they would do