



GAS DISTRIBUTION SERVICES DEFAULT PRICE-QUALITY PATH 2014

20 NOVEMBER 2014

Disclaimer: This document has been prepared to comply with the Commerce Act (Gas Distribution Services Default Price-Quality Path) Determination 2013. The information in this document has been prepared with all care and diligence, in good faith. Any reliance on the information contained in this document, actual or purported, is at the user's own risk.

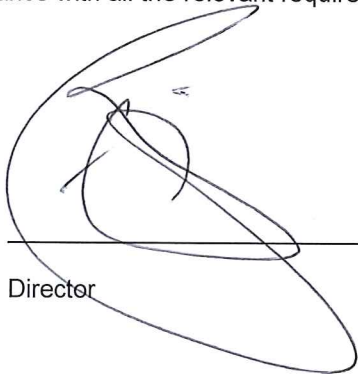


Directors' Certificate

Directors' Certification for the Default Price-Quality Path Compliance Statement

For the Period 1 July 2013 to 30 September 2014

I, John Loughlin, being a director of Powerco Limited, certify that, having made all reasonable enquiry, to the best of my knowledge and belief, the attached Compliance Statement of Powerco Limited, and related information, prepared for the purposes of the Gas Distribution Services Default Price-Quality Path Determination 2013 has been prepared in accordance with all the relevant requirements.



Director

19 November 2014

Date

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1 SUMMARY

Powerco Limited's gas distribution business ("Powerco") is subject to regulation under the Commerce Act 1986. Pursuant to the requirements of this Act, the Commerce Commission ("Commission") has set a default price-quality path ("DPP") which applies to all non-exempt gas distribution businesses ("GDBs") including Powerco.

The default price-quality path requirements are set out in the Gas Distribution Services Default Price-Quality Path Determination 2013 ("the Determination"). During the regulatory Period, Powerco must comply with the requirements of the Determination, in particular:

- a) the price path specified in clause 8; and
- b) the quality path specified in clause 9.

Clause 11 of the Determination requires Powerco to provide an Annual Compliance Statement ("Statement") to the Commission and disclose information relevant to the Assessment of its performance against allowable notional revenue ("the price path") and against prescribed reliability standards for the time taken to respond to emergency calls.

As required by clause 11.2(a) of the Determination, this Statement confirms that Powerco has complied with the price path in clause 8 of the Determination and the quality standards in clause 9 of the Determination for the first Assessment Period being 1 July 2013 to 30 September 2014. This statement was prepared on 20 November 2014.

Powerco is available to assist the Commission with its review of this Statement and will provide any additional information the Commission may request.

Powerco completed this Statement on 20 November 2014. A copy is available at Powerco's principal office (Powerco, Level 2, 84 Liardet Street New Plymouth). The Statement is published on Powerco's website (www.powerco.co.nz) and additional copies can be provided on request.

2 ASSESSMENT AGAINST THE PRICE PATH

This compliance statement is for the First Assessment Period under the DPP regulatory period. The First Assessment Period is for the 15 month period from 1 July 2013 to 30 September 2014. The fifteen month period compliance period facilitates the transition from a July to June assessment period under the Gas Authorisation (the “Authorisation”)¹ to an October to September assessment period for compliance under the DPP.

The result for the first assessment period therefore compares notional revenue for the last quarter of the 2013 pricing period (October 2012 to September 2013) and the full 2014 pricing period to allowable notional revenue for the same period.

The Determination specifies the maximum allowable revenue (“MAR”) Powerco may earn for the 2013 pricing period. The allowable notional revenue for the 2014 pricing period is derived from the MAR and allows Powerco to increase its prices for the 2014 pricing period by the change in the consumer price index (CPI) stipulated in the “all Groups Index SE9A” as published by Statistics New Zealand, less the rate of change for gas distribution businesses (“X factor”) specified in Schedule 2 of the Determination. The X factor is set at zero.

Powerco has complied with the price path for the Assessment Period 1 July 2013 to 30 September 2014 as demonstrated in Table 1.

For presentation purposes, the tables set out in section 2.1 are aggregates of the price and quantity information for each price group. More detailed information is contained in Appendix A of this Statement.

2.1 SUMMARY OF PRICING COMPLIANCE INFORMATION

Clause 8.4 of the Determination states that to demonstrate compliance with the price path,

“The notional revenue (NR_i) of the GDB must not exceed the allowable notional revenue (ANR_i) for the Assessment Period.”

For the first assessment period the compliance test is adjusted to account for the 15 month assessment period as stated in the formula—

$$0.25 \times ANR_{2013} + ANR_{2014} \geq 0.25 \times NR_{2013} + NR_{2014}$$

As demonstrated by the calculation in table 1, Powerco complies with the price path for the Assessment Period.

¹ Commerce Act (Powerco Natural Gas Services) Authorisation 2008

Table 1 – Compliance with the price path²

DPP Requirement	Allowable Notional Revenue	Is greater than or equal to	Notional revenue
DPP Expression	$0.25 \times \text{ANR}_{2013} + \text{ANR}_{2014}$	\geq	$0.25 \times \text{NR}_{2013} + \text{NR}_{2014}$
Powerco Result (\$000)	\$61,131	\geq	\$61,045

2.2 ANALYSIS OF NOTIONAL REVENUE AND ALLOWABLE NOTIONAL REVENUE

The DPP is based on a regulatory period stretching from 1 July 2013 to 30 September 2017. At the beginning of the regulatory period, the Commerce Commission (the “Commission”) considers the returns it expects each GDB, subject to price-quality regulation, to earn in the regulatory period. The maximum allowable revenue for the first Assessment year of the regulatory Period is set by the Commission following the rules set under the regulatory framework. The Maximum Allowable Revenue (MAR) setting Powerco’s price path for the current regulatory Period was established in 2013 and used to determine the Allowable Notional Revenue for the 2013 year and derive the allowable notional revenue for the 2014 year

The test for compliance with the price path is shown in tables 2 and 3 where the compliance test for the first assessment period is based on the 2013 and 2014 years.

Table 2 – Calculating Powerco’s Allowable Notional Revenue

Powerco’s Allowable Notional Revenue for the first assessment period—	
$0.25 \times \text{ANR}_{2013} = 0.25 \times \frac{\text{MAR}}{\Delta D} + \text{ANR}_{2014} = (\text{ANR}_{2013} \times \text{CPR}_{2012}) \times (1 + \Delta \text{CPI}_{2014}) \times (1 - X)$	
(1) Calculation Components ANR_{2013}	Amount (\$000)
MAR is the maximum allowable revenue specified for Powerco in Table 1 of Schedule 1 of the Determination.	48,620
ΔD is the change in constant price revenue for the Period 1 October 2011 to 30 September 2013 as specified for Powerco in Table 2 of Schedule 3 of the Determination.	1.002

² The figures in the pricing tables are in thousands of dollars. The underlying calculations are based on more detailed numbers (i.e. to more decimal places than shown in this document). This may cause rounding inconsistencies or discrepancies. These discrepancies do not affect the overall compliance calculations which are based on the more detailed information.

MAR to be applied to the first assessment period, i.e. $ANR_{2013} = 0.25 \times \frac{MAR}{\Delta D}$	12,131
(2) Calculation Components ANR_{2014}	Amount (\$000)
ANR_{2013}	\$48,523
CPR_{2012} is one plus the constant price revenue growth for the pricing period ending in 2012. The constant price revenue growth is specified in Table 2 of Schedule 3 of the Determination.	1.001
ΔCPI_{2014} is the derived change in the CPI between June 2012 and March 2013. $1 + \Delta CPI_{2014}$ is to be applied for the pricing period ending in 2014.	0.00883
X is the rate of change as specified in Schedule 2 of the Determination. This is stated to be zero. $1 - X$ is to be applied for the pricing period ending in 2014	1
$ANR_{2014} = (ANR_{2013} \times CPR_{2012}) \times (1 + \Delta CPI_{2014}) \times (1 - X)$	\$49,001
Total ANR for the first assessment period ($0.25 \times ANR_{2013} + ANR_{2014}$)	\$61,131

Table 3³ – Calculating Powerco’s Notional Revenue

Powerco’s Notional Revenue for the first assessment period—	
$0.25 \times NR_{2013} = 0.25 \times (\sum P_{i,2013} Q_{2011} - K_{2013} - V_{2013}) + NR_{2014} = (\sum P_{i,2014} Q_{2012} - K_{2014} - V_{2014})$	
(1) Calculation Components NR_{2013}	Amount (\$000)
$(\sum P_{i,2013} Q_{2011})$ is the notional revenue for the Assessment Period ended 30 September 2013, which is the sum of all the products of 2013 prices for each lines service and the corresponding quantities for the year ended September 2011.	\$46,286
K_{2013} is the sum of all pass-through costs for the pricing period and is nil for the pricing period ending in 2013 as specified in clause 8.5(a) of the determination.	\$0
V_{2013} is the sum of all recoverable costs for the pricing period and is nil for the pricing period ended in 2013 as specified in clause 8.5(a) of the	0

³ The figures in the pricing tables are in thousands of dollars. The underlying calculations are based on more detailed numbers (i.e. to more decimal places than shown in this document). This may cause rounding inconsistencies or discrepancies. These discrepancies do not affect the overall compliance calculations which are based on the more detailed information.

determination.	
Total NR ₂₀₁₃ applied to the first assessment period, i.e. 0.25 x NR ₂₀₁₃	\$11,571
(2) Calculation Components NR ₂₀₁₄	Amount (\$000)
$(\sum P_{i,2014} Q_{2012})$ is the notional revenue for the Assessment Period ended 30 September 2013, which is the sum of all the products of 2013 prices for each lines service and the corresponding quantities for the year ending September 2011.	\$50,048
K ₂₀₁₄ is the sum of all pass-through costs for the pricing period determined in accordance with Schedule 5 of the Determination.	\$574
V ₂₀₁₄ is the sum of all recoverable costs for the pricing period determined in accordance with Schedule 5 of the Determination.	0
Total NR ₂₀₁₄ = $(\sum P_{i,2013} Q_{2011} - K_{2013} - V_{2013})$	\$49,474
Total NR for the first assessment period (0.25 x NR ₂₀₁₃ + NR ₂₀₁₄)	\$61,045

2.2.1 PASS-THROUGH COSTS AND RECOVERABLE COSTS

The Determination allows for the inclusion of pass-through and recoverable costs in pricing if they are ascertainable at the time prices are set and have not been previously recovered or will not be able to be recovered other than through prices.

Pass-through costs included in pricing under the DPP include—

- Any pass-through costs incurred under the gas authorisation (the “Authorisation”) and not included previously in pricing. The Authorisation provided an allowance for pass-through costs and any amounts incurred above or below this allowance are included in prices;
- rates on system fixed assets;
- Gas Act levies;
- Commerce Act levies;
- Electricity and Gas Complaints Commissioner Scheme levies; and
- Levies under the Commerce (Levy for Control of Natural Gas Services) Regulations 2005.

2.2.1.1 PASS-THROUGH COSTS INCLUDED IN PRICING

Powerco sets draft pricing in April each year and pricing is finalised in July to take effect on 1 October of that year. Costs known or ascertainable to the point pricing is finalised may be included in pricing. Powerco has included most pass-through costs ascertainable as at 30 June 2013 in 2014 pricing.

The first assessment period under the DPP included the requirement that pass-through costs must be nil for the 2013 pricing period⁴ and that Powerco pass-through the following costs in the 2014 pricing period—

1. Costs incurred during the Authorisation period⁵ not previously recovered; and
2. pass-through costs incurred between July 2012 and June 2013 calculated as if the Authorisation continued until June 2013.

The only exception to this requirement is if the inclusion of these costs would result in price shocks to consumers. In this case, the amounts may be smoothed over the remainder of the DPP regulatory period.⁶ Powerco considered it could not pass through all costs incurred through to June 2013 in the 2014 pricing period and did not include \$80,192 of pass-through costs incurred. These costs will be included in pricing in the 2015 to 2017 pricing periods.

Table 4 provides a summary of pass-through costs incurred in the period to June 2013 and a summary of those used to calculate Powerco's notional revenue in the first assessment period including the amount of the time value of money adjustment applied to the pass-through costs. A more detailed breakdown of the costs included in 2014 pricing is provided in Appendix B to this document.

Table 4 – Pass-through costs Summary

Authorisation Cost type	Total costs Incurred	Total Included in 2014 Prices	Remaining Authorisation costs to be included in 2015-2017 pricing
Rates	\$2,590,266	\$2,590,266	\$0
Commerce Act levies	\$1,026,466	\$646,274	\$380,192
EGCC Levies	\$83,746	\$83,746	\$0
Audit fees	\$20,000	\$20,000	\$0
Less Allowance	(\$3,114,654)	(\$2,814,654)	(\$300,000)
Total Costs	\$605,824	\$525,632	\$80,192
Time Value of Money Adjustment	\$55,824	\$48,328	\$7,496
Total costs included in pricing	\$661,648	\$573,960	\$87,688

2.2.1.2 RECOVERABLE COSTS INCLUDED IN PRICING

The Determination allows for the inclusion of the certain recoverable costs. Powerco did not include any recoverable costs in pricing for the first assessment period.

2.3 PRICE RESTRUCTURING

Powerco has not restructured its pricing during the first assessment period.

⁴ Gas Distribution Services Default Price-Quality Path Determination 2013, clause 8.5(a)

⁵ The Authorisation period commenced on 1 January 2009 and ended on 1 July 2012.

⁶ The Regulatory Period under the DPP commenced on 1 July 2013 and ends on 30 September 2017.

3 ASSESSMENT AGAINST THE QUALITY PATH

3.1 SUMMARY OF QUALITY PATH COMPLIANCE INFORMATION

The quality standard under the determination requires Powerco to respond to 80% of emergencies within 60 minutes and all emergencies within 3 hours. An emergency is defined under the DPP as being—

- An unplanned escape or ignition of gas that requires the active involvement⁷ of any emergency service (eg fire service or ambulance); or
- An unplanned disruption in the supply of gas that affects more than five ICPs; or
- An evacuation of a premises as the result of escape or ignition of gas.

Emergencies may be excluded from the dataset if the Commission has granted an exclusion in writing. Powerco has not requested any emergencies be excluded from the dataset for the first assessment period.

Powerco has complied with the reliability assessment response times to emergencies (RTE) as demonstrated in Table 7.

Table 7 – Reliability results for the first assessment period

DPP Requirement	Formulae	Powerco Result	Outcome
The total number of emergencies in the assessment period where Powerco's RTE was ≤ 60 minutes divided by the total number of emergencies in the assessment period.	$\frac{RTE_{60}}{RTE_t} \geq 0.80$	$\frac{15}{16} = .94$	Complies with the quality standard
The total number of emergencies in the assessment period where Powerco's RTE was ≤ 180 minutes, less any emergencies exempted from the dataset, and divided by the total number of emergencies in the assessment period.	$\frac{RTE_{180}}{RTE_t, RTE_{excl}} = 1$	$\frac{16}{16 - 0} = 1$	Complies with the quality standard

The assessed results are calculated from a dataset that covers the Period 1 July 2013 to 30 September 2014. The incident data and calculations for the response times to emergencies are included in appendix D of this document.

3.2 RELIABILITY POLICIES AND PROCEDURES

⁷ Active involvement includes actions such as establishing safety cordons, the use of fire fighting equipment or providing medical or first aid treatment.

3.2.1 RECORDING EMERGENCY EVENTS

Each event affecting the gas distribution system reported to Powerco is recorded in Powerco's TVD system by personnel in Powerco's Network Operations Centre ("NOC"). Data recorded includes:

- If the event is planned or unplanned
- Time of call
- Time of arrival of personnel onsite
- If emergency services are involved
- If premises are evacuated
- If Powerco's assets are involved
- Number of connections affected
- Event closure codes

The process of collecting and reviewing data for the calculation of the response time to emergencies metric is illustrated in flow diagrams held in appendix C of this document.

3.2.1.1 INITIAL RECORDING AND RESPONSE

At the time of the call there are some factors that may not be apparent. Included in these are an accurate count of customers affected, the type of equipment that has failed, and confirmation that a gas leak has occurred. Similarly, the site may be evacuated after the initial call to NOC and Powerco is not advised of the evacuation.

Accordingly, Powerco initially classifies any call received from an emergency service as an emergency event. This is independent of any further action that the emergency service may or may not take.

Following the event, the responding field operative will call in any relevant event data to NOC. It may not be until this point that a job meets one of the three criteria to be classified as an emergency. Conversely, it may be the case that an initial factor such as a reported smell of gas is not confirmed on site.

3.2.1.2 POST EVENT PAPERWORK

The field operative also records event data on a datasheet. This acts as a further record of the event details and can tell a more complete story than the data recorded in TVD. These forms are scanned into the Powerco file system by a service provider administrator. The paperwork and TVD details are checked on an on-going basis by the administrator. This check typically verifies closure codes, customer counts, and times entered on the paperwork. If the TVD record is incorrect a request is made for NOC to update TVD with the correct data and a record is kept of these requests.

3.2.1.3 REGULAR EMERGENCY RESPONSE CHECKS AND REPORTING

The asset performance engineer checks TVD times and fields that are not visible to the service provider. These checks are completed on a weekly basis by reporting data from the TVD system using Business Objects software. Any required changes are approved by the asset performance manager and notified to NOC. The dispatch team in NOC ensure the TVD system is updated. A record of any requested change to the original data is held in Powerco's file manager system as well as within the TVD audit log.

This information is further extracted from the database through the Business Objects reporting tool on a monthly basis and the percentage of emergencies responded to within 60 minutes and within 180 minutes is calculated for the current month and on a cumulative financial year basis. These figures

are compared to Powerco's internal targets and reported to the gas management team monthly. The cumulative results are reported in the management report to the Board as required.

The TVD reports and calculations were established as part of project GRRR in response to the 2008 Gas Authorisation. These are covered in more detail in 394S096 Gas Quality Indicator Reporting Standard. The time taken to respond to an emergency is calculated as being the difference between the time stamped entry of the initial call to NOC and TVD entry to the time recorded by the field operative as the on-site time.

3.2.1.4 PREPARATION FOR DISCLOSURE

The DPP definition of emergency is narrower than that used by Powerco for internal reporting. Therefore the results from internal reporting are filtered to only select emergency events as defined in the DPP. As an example, any events that are not associated with Powerco distribution assets or minor faults where no emergency response was required are removed.

3.2.1.5 ESCALATION OF EXCEPTIONS

The asset performance engineer confirms Powerco remains compliant with the quality standard each week once the TVD checks have been completed. Any confirmed instance where the response time is greater than 180 minutes, or it is possible that less than 80% of emergencies have been responded to within 60 minutes, must be reported immediately to the –

- Gas asset performance manager
- Gas operations manager
- GM Gas
- Regulatory Accountant
- GM Regulation and Government relations

4 AMALGAMATIONS, MERGERS, ACQUISITIONS AND ASSET TRANSFERS

Powerco has not completed any amalgamations, mergers or acquisitions in the period 1 July 2013 to 30 September 2014, or transferred assets from or to another GDB that has resulted in a change of consumers or other parties supplied with gas distribution services during this assessment period.



AUDITOR'S REPORT ON ANNUAL COMPLIANCE STATEMENT

To the Directors of Powerco Limited (Powerco).

We have audited the information on pages 4 to 12 and 15 to 22, Sections 1, 2, 3 and 4 and the related Appendices A to E of the Annual Compliance Statement in respect of the default price-quality path prepared by Powerco for the period 1 July 2013 to 30 September 2014 (the Assessment Period) and dated 19 November 2014 for the purposes of clause 11 of the Gas Distribution Services Default Price-Quality Path Determination 2013 (the Determination).

Directors' Responsibilities

The Directors of Powerco are responsible for the preparation of the Annual Compliance Statement in accordance with the Determination and for such internal control as the Directors determine is necessary to enable the preparation of an Annual Compliance Statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express an opinion on the Annual Compliance Statement based on our audit. We conducted our audit in accordance with International Standards on Auditing, International Standards on Auditing (New Zealand) and Standard on Assurance Engagements 3100: *Compliance Engagements*. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Annual Compliance Statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Annual Compliance Statement. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Annual Compliance Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the Annual Compliance Statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the Annual Compliance Statement.

In relation to the price path set out in clause 8 of the Determination, our audit included an examination, on a test basis, of evidence relevant to the amounts and disclosures contained on pages 4 to 12 and 15 to 22 of the Annual Compliance Statement.

In relation to the Quality Path Compliance Information for the Assessment Period ended on 30 September 2014 our audit included an examination, on a test basis, of evidence relevant to the amounts and disclosures contained on pages 4 to 12 and 15 to 22 of the Annual Compliance Statement.

Our audit also included an assessment of the significant estimates and judgments, if any, made by Powerco in the preparation of the Annual Compliance Statement and assessment of whether the basis of preparation has been adequately disclosed.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We have no relationship with or interests in Powerco, other than in our capacity as auditor.



Opinion

In our opinion, the Annual Compliance Statement of Powerco for the Assessment Period ended on 30 September 2014, has been prepared, in all material respects, in accordance with the Determination.

Limitations and Use of this Independent Assurance Report

This independent assurance report has been prepared solely for the Directors of Powerco and the Commissioners of the New Zealand Commerce Commission in accordance with the Determination. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the Directors of Powerco and the Commissioners, or for any purpose other than that for which it was prepared.

Because of the inherent limitations in evidence gathering procedures, it is possible that fraud, error or non-compliance may occur and not be detected. As the procedures performed for this engagement are not performed continuously throughout the assessment period and the procedures performed in respect of the company's compliance with the Determination are undertaken on a test basis, our engagement cannot be relied on to detect all instances where the company may not have complied with the Determination. Our opinion has been formed on the above basis.

Our audit was completed on 19 November 2014 and our opinion is expressed as at that date.

A handwritten signature in black ink that reads "Deloitte".

Chartered Accountants
Wellington, New Zealand

This audit report relates to the Annual Compliance Statement in respect of the default price-quality path prepared by Powerco Limited for the period 1 July 2013 to 30 September 2014 included on Powerco Limited's website. Powerco Limited's Board of Directors is responsible for the maintenance and integrity of Powerco's website. We have not been engaged to report on the integrity of Powerco Limited's website. We accept no responsibility for any changes that may have occurred to the Annual Compliance Statement since they were initially presented on the website.

The audit report refers only to the Annual Compliance Statement named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the Annual Compliance Statement. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited Annual Compliance Statement and related audit report dated 19 November 2014 to confirm the information included in the audited Annual Compliance Statement presented on this website.

6 APPENDIX A –NOTIONAL REVENUE SCHEDULE

Allowable notional revenue for the first assessment period is derived from the maximum allowable revenue stated for Powerco in Schedule 1 of the Determination and following the calculations specified in Schedule 3 of the determination. This calculation is specified in section 2 of this document.

The schedules below provide the price and quantity information used in the calculation of notional revenue for the first assessment period. The first schedule refers to the 2013 pricing period (1 October 2012 to 30 September 2013) and the second schedule refers to the 2014 pricing period (1 October 2013 to 30 September 2014).⁸

⁸ The figures in the pricing tables are in thousands of dollars. The underlying calculations are based on more detailed numbers (i.e. to more decimal places than shown in this document). This may cause rounding inconsistencies or discrepancies. These discrepancies do not affect the overall compliance calculations which are based on the more detailed information

Schedule 1 – 2013 Pricing Period

Hawkes Bay		2013 Pricing Year (Oct 2012-Sept 2013)						
		Price t		Quantity t-2		Fixed Revenue	Variable Revenue	Total Revenue (\$)
		Fixed (\$/day)	Variable (\$/GJ)	Avg no of ICPs	Vol (GJ)			
Load Group								
2G06	-	15.0627	1,213	14,621	-	220,228	220,228	
2G11	0.5001	4.4177	3,374	107,426	615,878	474,577	1,090,455	
2G12	0.9518	3.8188	140	34,269	48,637	130,868	179,505	
2G14	2.8002	3.1678	79	61,828	80,744	195,860	276,604	
2G16	3.3122	3.1121	71	125,339	85,836	390,069	475,905	
2G18	5.9088	3.0175	7	21,817	15,097	65,832	80,929	
2G30	19.80	0.0270	5	419,747	36,127	11,325	47,452	
2G40	52.84	0.3164	24	1,373,600	447,840	434,612	882,452	
Total Hawkes Bay			4,913	2,158,648	1,330,158	1,923,371	3,253,529	

Manawatu		2013 Pricing Year (Oct 2012-Sept 2013)						
		Price t		Quantity t-2		Fixed Revenue	Variable Revenue	Revenue (\$)
		Fixed (\$/day)	Variable (\$/GJ)	Avg no of ICPs	Vol (GJ)			
Load Group								
3G06	-	15.3419	5,443	68,548	-	1,051,659	1,051,659	
3G11	0.5001	4.5873	15,489	477,771	2,827,308	2,191,681	5,018,989	
3G12	1.0556	3.8528	307	75,981	118,285	292,738	411,023	
3G14	3.1998	3.7411	90	65,894	105,113	246,514	351,627	
3G16	4.1753	3.6477	78	144,622	118,871	527,537	646,408	
3G18	7.6102	3.2291	14	40,854	38,888	131,923	170,811	
3G30	18.95	2.7480	13	97,408	83,001	267,673	350,675	
3G40	28.85	1.6341	27	675,135	277,635	1,103,268	1,380,903	
Total Manawatu			21,461	1,646,214	3,569,101	5,812,994	9,382,095	

Wellington		2013 Pricing Year (Oct 2012-Sept 2013)						
		Price t		Quantity t-2		Fixed Revenue	Variable Revenue	Revenue (\$)
		Fixed (\$/day)	Variable (\$/GJ)	Avg no of ICPs	Vol (GJ)			
Load Group								
4G06	-	16.4619	7,640	94,215	-	1,550,952	1,550,952	
4G11	0.5001	5.9540	20,912	883,432	3,817,203	5,259,957	9,077,160	
4G12	0.7765	5.8231	365	96,244	103,449	560,441	663,890	
4G14	5.5315	5.6012	114	88,829	230,166	497,552	727,718	
4G16	7.9882	4.9961	76	128,233	221,593	640,666	862,259	
4G18	11.4142	4.8267	13	31,614	54,160	152,593	206,753	
4G30	6.75	1.6192	81	243,410	195,284	394,140	589,424	
4G40	16.28	0.6206	16	405,555	91,121	251,680	342,801	
Total Wellington			29,217	1,971,534	4,712,976	9,307,981	14,020,957	

Hutt Valley		2013 Pricing Year (Oct 2012-Sept 2013)						
		Price t		Quantity t-2		Fixed Revenue	Variable Revenue	Revenue (\$)
		Fixed (\$/day)	Variable (\$/GJ)	Avg no of ICPs	Vol (GJ)			
Load Group								
5G06	-	16.0170	5,116	74,386	-	1,191,443	1,191,443	
5G11	0.5001	5.5083	23,028	818,137	4,203,451	4,506,544	8,709,995	
5G12	0.6888	5.2471	622	113,244	156,378	594,203	750,581	
5G14	4.4926	5.1433	143	116,942	234,491	601,468	835,959	
5G16	7.9882	4.1772	42	114,926	122,459	480,067	602,526	
5G18	12.4219	4.0050	15	33,400	68,010	133,766	201,776	
5G30	5.40	1.3581	22	93,879	43,393	127,495	170,887	
5G40	22.92	1.4460	17	326,253	142,195	471,771	613,967	
Total Hutt Valley			29,005	1,691,167	4,970,377	8,106,757	13,077,134	

Taranaki		2013 Pricing Year (Oct 2012-Sept 2013)						
		Price t		Quantity t-2		Fixed Revenue	Variable Revenue	Revenue (\$)
		Fixed (\$/day)	Variable (\$/GJ)	Avg no of ICPs	Vol (GJ)			
Load Group								
6G06	-	14.7836	4,986	68,281	-	1,009,439	1,009,439	
6G11	0.5001	3.6071	12,596	391,094	2,299,230	1,410,715	3,709,945	
6G12	1.6251	3.1351	176	61,347	104,396	192,328	296,724	
6G14	3.8838	1.4833	127	120,063	180,034	178,089	358,123	
6G16	5.5169	1.4366	28	55,581	56,383	79,847	136,230	
6G18	9.0161	1.3956	16	57,446	52,654	80,172	132,826	
6G30	3.93	3.7407	7	14,566	10,039	54,487	64,526	
6G40	77.58	0.4135	19	740,170	538,021	306,053	844,075	
Total Taranaki			17,955	1,508,547	3,240,757	3,311,131	6,551,888	

Total Distribution Services			102,551	8,976,109	17,823,371	28,462,233	46,285,604
0.25 of total notional revenue assigned to the first assessment period							11,571,401

Schedule 2 – 2014 Pricing Period

Hawkes Bay		2014 Pricing Year (Oct 2013-Sept 2014)						
		Price t		Quantity t-2		Fixed Revenue	Variable Revenue	Total Revenue (\$)
		Fixed \$/day	Variable (\$/GJ)	Avg no of ICPs	Vol (GJ)			
Load Group								
2G06	-	16.5371	1,223	15,360	-	254,010	254,010	
2G11	0.5445	4.6615	3,417	111,800	680,986	521,161	1,202,147	
2G12	1.0566	3.9630	147	42,667	56,846	169,090	225,936	
2G14	3.0977	3.3948	77	59,645	87,300	202,482	289,783	
2G16	3.8540	3.2119	69	128,260	96,796	411,955	508,751	
2G18	7.0734	3.2371	6	25,583	15,533	82,815	98,348	
2G30	19.9368	0.2839	4	20,928	29,188	5,941	35,129	
2G40	59.6022	0.2389	25	1,771,971	479,917	423,404	903,321	
Total Hawkes Bay			4,968	2,176,215	1,446,566	2,070,859	3,517,425	

Manawatu		2014 Pricing Year (Oct 2013-Sept 2014)						
		Price t		Quantity t-2		Fixed Revenue	Variable Revenue	Revenue (\$)
		Fixed \$/day	Variable (\$/GJ)	Avg no of ICPs	Vol (GJ)			
Load Group								
3G06	-	16.5757	5,664	71,585	-	1,186,565	1,186,565	
3G11	0.5445	4.7001	15,273	481,944	3,043,811	2,265,184	5,308,995	
3G12	1.1665	3.9976	315	86,571	134,484	346,081	480,566	
3G14	3.4688	3.8838	84	63,428	106,646	246,344	352,990	
3G16	4.5115	3.8252	75	130,100	123,164	497,654	620,818	
3G18	8.1828	3.3945	12	40,057	35,939	135,971	171,910	
3G30	25.9667	2.7107	13	106,986	84,236	290,007	374,243	
3G40	33.1351	1.6292	28	681,437	300,966	1,110,196	1,411,162	
Total Manawatu			21,464	1,662,107	3,829,246	6,078,002	9,907,249	

Wellington		2014 Pricing Year (Oct 2013-Sept 2014)						
		Price t		Quantity t-2		Fixed Revenue	Variable Revenue	Revenue (\$)
		Fixed \$/day	Variable (\$/GJ)	Avg no of ICPs	Vol (GJ)			
Load Group								
4G06	-	18.2766	7,724	100,752	-	1,841,395	1,841,395	
4G11	0.5495	6.0789	21,015	921,925	4,226,636	5,604,268	9,830,904	
4G12	0.8321	5.9468	387	115,079	116,578	684,355	800,933	
4G14	5.6291	5.7230	112	85,198	230,120	487,587	717,706	
4G16	8.1874	5.1125	68	114,811	200,428	586,973	787,401	
4G18	12.5911	4.9416	13	36,555	58,926	180,639	239,565	
4G30	10.8767	1.6988	83	279,852	230,173	475,418	705,591	
4G40	18.7790	0.6530	15	353,327	71,341	230,709	302,050	
Total Wellington			29,417	2,007,499	5,134,202	10,091,343	15,225,545	

Hutt Valley		2014 Pricing Year (Oct 2013-Sept 2014)						
		Price t		Quantity t-2		Fixed Revenue	Variable Revenue	Revenue (\$)
		Fixed \$/day	Variable (\$/GJ)	Avg no of ICPs	Vol (GJ)			
Load Group								
5G06	-	17.8325	5,038	80,159	-	1,429,433	1,429,433	
5G11	0.5495	5.8496	23,296	844,639	4,685,384	4,940,773	9,626,157	
5G12	0.7850	5.5231	596	116,257	171,236	642,104	813,340	
5G14	4.9854	5.6210	141	109,199	257,277	613,811	871,088	
5G16	8.1874	4.5370	41	116,573	122,861	528,892	651,752	
5G18	12.5804	4.3930	12	30,769	55,253	135,166	190,420	
5G30	9.0408	1.3462	24	103,779	54,624	139,708	194,333	
5G40	40.7331	1.7060	16	272,229	119,266	464,410	583,677	
Total Hutt Valley			29,164	1,673,603	5,465,901	8,894,298	14,360,199	

Taranaki		2014 Pricing Year (Oct 2013-Sept 2014)						
		Price t		Quantity t-2		Fixed Revenue	Variable Revenue	Revenue (\$)
		Fixed \$/day	Variable (\$/GJ)	Avg no of ICPs	Vol (GJ)			
Load Group								
6G06	-	15.7672	5,021	69,031	-	1,088,430	1,088,430	
6G11	0.5445	3.8893	12,567	401,564	2,504,523	1,561,813	4,066,336	
6G12	1.6882	3.3291	177	61,728	108,770	205,502	314,271	
6G14	3.9669	1.7170	120	116,943	171,370	200,792	372,161	
6G16	5.6144	1.6509	29	55,949	57,638	92,364	150,002	
6G18	9.1445	1.6058	15	48,991	50,203	78,671	128,874	
6G30	9.2487	3.7144	7	15,772	10,155	58,585	68,740	
6G40	78.2633	0.3900	19	779,924	544,243	304,185	848,428	
Total Taranaki			17,955	1,549,904	3,446,902	3,590,341	7,037,243	

Total Distribution Services			102,968	9,069,327	19,322,817	30,724,844	50,047,661	
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7 APPENDIX B – PASS-THROUGH COSTS INCLUDED IN PRICING

Pass-through costs included in 2014 pricing consisted of Authorisation costs incurred through to June 2013. A breakdown of the costs incurred, the pricing period in which the costs were paid, and the calculation of the time value of money adjustment are included in table 8. The time value of money adjustment is calculated following the guidance provided under clause 9(a) of Schedule 5 of the Determination.

The allowance for the Authorisation was based on a July to June year. This has been converted to the October to September pricing year in Table 8 to facilitate the calculation of the time value of money adjustment which is to be based on payments made in each pricing period.

Table 8 – Pass-through costs showing the period incurred and paid, and time value of money applied⁹

Pass through Costs included in the 2014 pricing period							
Cost type	Costs Incurred	Pricing Period costs were paid (year ending September)		Costs Incurred	Pricing Period costs were paid (year ending September)		Total Authorisation Costs included in 2014 Prices
	July 2011 to June 2012	2011	2012	July 2012 to June 2013	2012	2013	
Local Authority Rates							
Allowance in Authorisation	1,244,000	311,000	933,000	1,244,000	311,000	933,000	2,488,000
Actual Amount	1,264,657	294,623	970,035	1,325,609	356,419	969,190	2,590,266
Increase (decrease) from allowance	20,657	-16,377	37,035	81,609	45,419	36,190	102,266
Previously claimed? (Y/N)	N	N	N	N	N	N	N
Difference claimed	20,657	-16,377	37,035	81,609	45,419	36,190	102,266
Levy under the Commerce Act							
Allowance in Authorisation	300,000	75,000	225,000				300,000
Actual Amount	646,274	161,611	484,662				646,274
Increase (decrease) from allowance	346,274	86,611	259,662				346,274
Previously claimed? (Y/N)	N	N	N				N
Difference claimed	346,274	86,611	259,662				346,274
					To be included in 2015-2017 prices		
Electricity and Gas Complaints levy							
Allowance in Authorisation	13,327	3,332	9,995	13,327	3,332	9,995	26,654
Actual Amount	40,526	0	40,526	43,220	0	43,220	83,746
Increase (decrease) from allowance	27,199	-3,332	30,531	29,893	-3,332	33,224	57,092
Previously claimed? (Y/N)	N	N	N	N	N	N	N
Difference claimed	27,199	-3,332	30,531	29,893	-3,332	33,224	57,092
Audit fees							
Allowance in Authorisation	0	0	0	0	0	0	0
Actual Amount	20,000	0	20,000	0	0	0	20,000
Increase (decrease) from allowance	20,000	0	20,000	0	0	0	20,000
Previously claimed? (Y/N)	N	N	N	N	N	N	N
Difference claimed	20,000	0	20,000	0	0	0	20,000
Total to be recovered	414,130	66,902	347,228	111,502	42,088	69,414	525,632
Adjustment recognising the Time Value of Money							
Rate of return		5.38%	5.38%		5.38%	5.38%	
Invoices above paid in pricing period							
Rates	1,264,657	204,937	1,059,721	1,325,609	277,849	1,047,760	2,590,266
Commerce Act levies	646,274	161,611	484,662	0	0	0	646,274
EGCC Levies	40,526	0	40,526	43,220	0	43,220	83,746
Audit fees	20,000	0	20,000	0	0	0	20,000
Less Allowance	-1,557,327	-389,332	-1,167,995	-1,257,327	-314,332	-942,995	-2,814,654
Total subject to TVM	414,130	-22,784	436,914	111,502	-36,483	147,984	525,632
Period recovered in prices		2014	2014		2014	2014	
Time value of money adjustment		-3,879	48,277		-4,031	7,962	48,328
Total costs included in pricing	458,528	-26,662	485,190	115,432	-40,514	155,946	573,960

⁹ The figures in the pricing tables are in thousands of dollars. The underlying calculations are based on more detailed numbers (i.e. to more decimal places than shown in this document). This may cause rounding inconsistencies or discrepancies. These discrepancies do not affect the overall compliance calculations which are based on the more detailed information.

8 APPENDIX C –RECORDING THE RESPONSE TIME TO EMERGENCIES STATISTICS

The process of collecting and reviewing data for the calculation of the response time to emergencies metric is in diagram 1 and diagram 2 below. Diagram 1 describes the process steps to collect interruption information and recording response time to emergencies. Diagram 2 describes the review process undertaken to ensure the information recorded is correct.

Diagram 1: Collecting information and recording the response time to emergencies

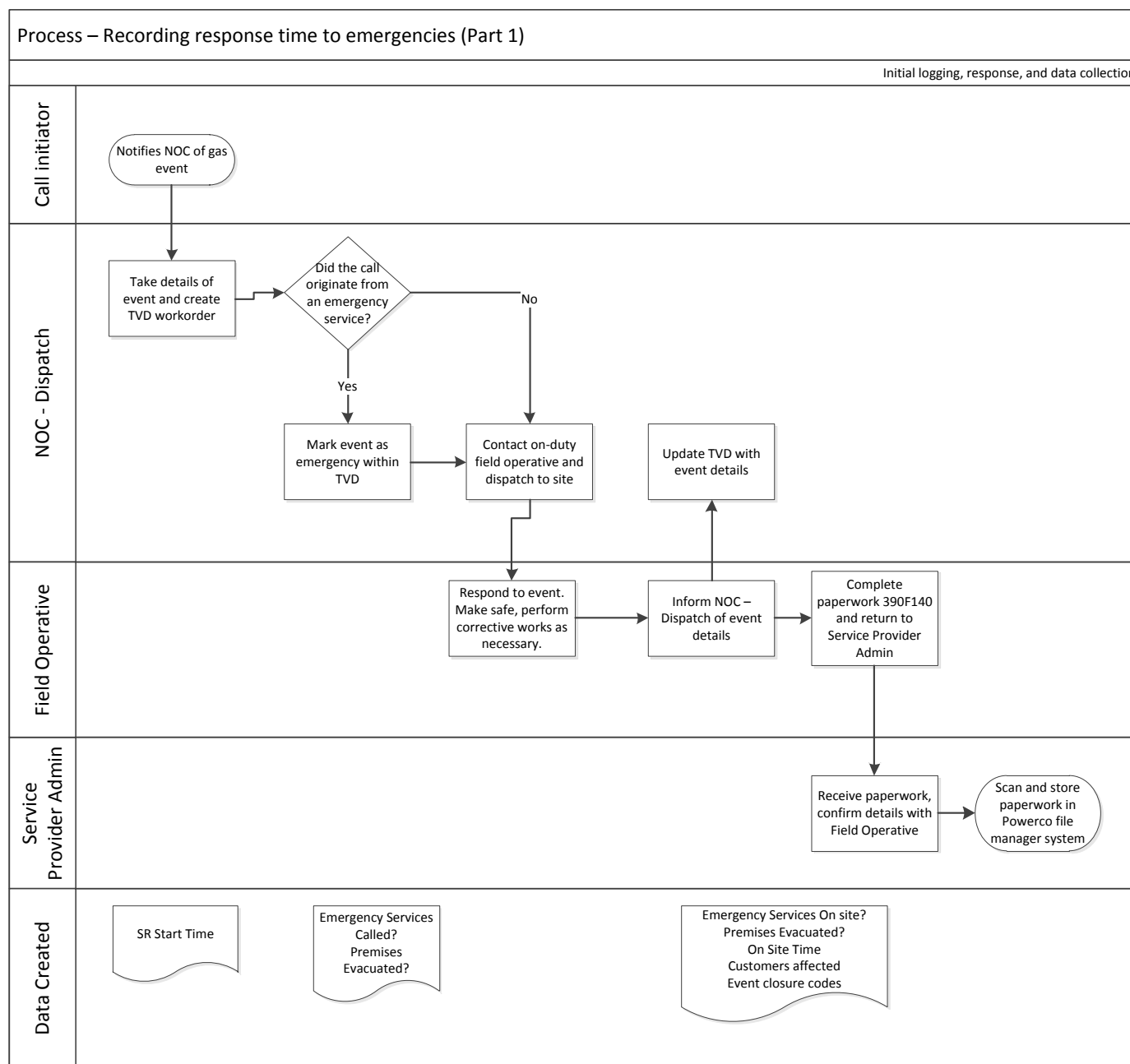
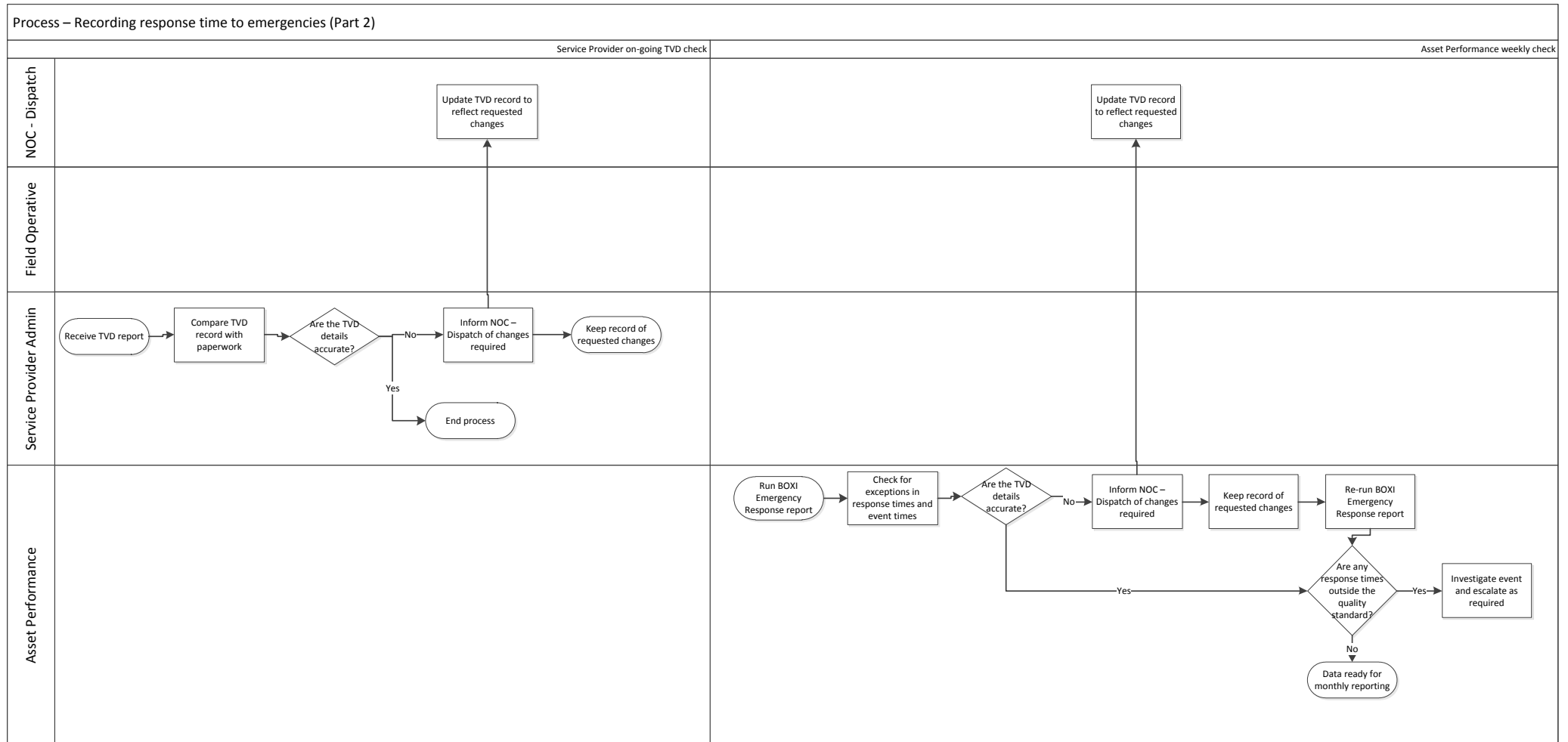


Diagram 2: reviewing information used to calculate the response time to emergencies



9 APPENDIX D – INCIDENT DATA

Total Events:	16
Active involvement of emergency services:	9
Evacuation Events:	6
Emergency & Evacuation:	4
Customers Affected > 5:	5
# Responded to within 1Hr:	15
# Responded to within 3Hr:	16
% Responded to within 1Hr:	94%
% Responded to within 3Hr:	100%

Work Order ID	Active involvement of emergency services?	Premises Evacuated?	# Customers Affected	Time emergency is reported	On Site Time	Time from when emergency is reported to OnSite Time	1.Equipment	2. Reason	3. Action
8344969		Y	1	02/07/2013 13:59:55	02/07/2013 14:15:00	0:15:05	M - MP/Medium Pressure	A - Leak Class 1	T - Third Party Damage
8388383	Y	Y	1	24/09/2013 08:55:46	24/09/2013 09:06:00	0:10:14	S - Service Pipe	A - Leak Class 1	T - Third Party Damage
8397990	Y	Y	1	06/10/2013 18:57:30	06/10/2013 19:20:00	0:22:30	S - Service Pipe	A - Leak Class 1	T - Third Party Damage
8386057			6	19/09/2013 08:25:28	19/09/2013 08:27:00	0:01:32	M - MP/Medium Pressure	B - Leak Class 2	E - Equipment Repair/Replace
8535191			9	14/07/2014 08:31:17	14/07/2014 08:31:00	0:00:00	D - DRS/District Regulator Station	E - Equipment Fault	E - Equipment Repair/Replace
8477815			8	24/03/2014 15:28:17	24/03/2014 15:50:00	0:21:43	M - MP/Medium Pressure	R - Public Reported Escape/Smell	T - Third Party Damage
8502073	Y	Y	1	08/05/2014 09:10:06	08/05/2014 09:40:00	0:29:54	S - Service Pipe	R - Public Reported Escape/Smell	T - Third Party Damage
8396489			8	02/10/2013 09:27:25	02/10/2013 09:30:00	0:02:35	S - Service Pipe	C - Leak Class 3	E - Equipment Repair/Replace
8375518		Y	0	31/08/2013 09:38:37	31/08/2013 10:00:00	0:21:23	S - Service Pipe	R - Public Reported Escape/Smell	E - Equipment Repair/Replace
8461719	Y	Y	0	24/02/2014 09:42:27	24/02/2014 09:55:00	0:12:33	M - MP/Medium Pressure	R - Public Reported Escape/Smell	Y - No Fault
8429684			7	04/12/2013 09:39:46	04/12/2013 09:45:00	0:05:14	L - LP/Low Pressure	A - Leak Class 1	T - Third Party Damage
8503395	Y		1	12/05/2014 11:45:01	12/05/2014 11:49:00	0:03:59	S - Service Pipe	A - Leak Class 1	T - Third Party Damage
8397198	Y		0	03/10/2013 16:52:37	03/10/2013 16:58:00	0:05:23	D - DRS/District Regulator Station	R - Public Reported Escape/Smell	T - Third Party Damage
8454426	Y		1	01/02/2014 12:31:30	01/02/2014 13:47:00	1:15:30	S - Service Pipe	R - Public Reported Escape/Smell	T - Third Party Damage
8499955	Y		1	03/05/2014 08:02:42	03/05/2014 08:15:00	0:12:18	S - Service Pipe	R - Public Reported Escape/Smell	T - Third Party Damage
8544765	Y		1	10/09/2014 14:17:37	10/09/2014 14:35:00	0:17:23	S - Service Pipe	R - Public Reported Escape/Smell	E - Equipment Repair/Replace

10 APPENDIX E– COMPLIANCE REFERENCES

Clause	Requirement	Section
Aggregate Pricing		
8.4	Notional revenue for the assessment period must not exceed the allowable notional revenue for the assessment period	2.1
Quality		
9	Powerco must respond to emergency calls within an hour at least 80% of the time, and respond to all emergency calls within 3 hours except in instances where the Commission has confirmed the emergency call may be excluded from the quality calculation	3.1
Amalgamations, Mergers and Acquisitions		
10.1	If Powerco completes an amalgamation, merger or acquisition with another GDB subject to a DPP then the ANR and NR, and the total number of emergencies of the GDBs are summed.	4
10.2	If Powerco completes a transaction that involves a transfer of assets to or from another GDB subject to a DPP or customised price path that results in any consumer being supplied by a different GDB the GDB must increase or decrease the ANR and NR for the assessment period following the requirements specified in Schedule 6 of the Determination	4
10.4	If Powerco completes a transaction that increases/decreases the value of its regulatory investment value by more than 10% or increases/decreases its revenue recovered through prices by more than 10% in the assessment period, Powerco must notify the Commission within 30 days of the completion of the transaction	4
Annual Compliance Statement		
11.1	An Annual Compliance Statement must be provided to the Commerce Commission within 50 working days of each assessment period and be publicly available on Powerco's website. The compliance statement must include:	
11.2(a)	A Statement regarding compliance with the price path and quality standards.	1
11.2(b)	state the date on which the statement was prepared	1
11.2(c)	include a certificate in the form set out in Schedule 7 of the determination, signed by at least one Director of Powerco.	P.2
11.2(d)	be accompanied by a report on the Compliance Statement that is signed by an Auditor and is in the form set out in Schedule 8 of the Determination.	5
11.3(a)	Demonstrate whether Powerco has complied with the price path including: The amount of ANR and the amount of NR (including prices, quantities and units of measurement associated with the numeric data). Any other relevant data, information and calculations should also be included; The amounts of pass-through and recoverable costs that were used to calculate ANR and NR and supporting data, information and calculations used to determine those amounts including when each pass-through cost and recoverable cost amount was paid and the period to which those costs relate; and if Powerco has not complied with the price path, the reasons for the non-compliance	2.1, 2.2 and Appendix A 2.2.1 N/A
11.3(b)	Demonstrate whether Powerco has complied with the quality path including: relevant incident data and calculations; a description of policies and procedures which Powerco has used for recording the RTE statistics for the assessment period; a list of all emergencies that the Commission has determined may be excluded from Powerco's RTE values, and any exclusion requests that are pending a decision by the Commission for the Assessment Period; If Powerco has not complied with a quality standard, the reasons for not meeting the quality standard; and Where a quality standard has not been met, for each Emergency which exceeded the RTE for the quality standard, a description of the emergency including the nature, cause and location and the number of consumers affected by the Emergency.	Appendix B 3.2 3.1 N/A N/A
11.4 (a)	If Powerco has restructured its prices during a pricing period, the compliance statement must state the applicable pricing period in which the restructure of prices has occurred.	2.3
11.4(b)	If Powerco has restructured its prices during a pricing period, and there is no quantity for t-2 that relates to a restructured price, Powerco must provide information demonstrating how it has complied with the price path in clause 8.	2.3
11.5	State whether or not Powerco has been involved in an amalgamation, merger, acquisition or transfer of assets during the assessment period and whether Powerco has subsequently complied with clause 10 of the Determination including any information or calculations that are reasonably required to demonstrate compliance with that clause.	4