

### **Price Changes 1 April 2013**

The final prices contained in the Pricing Schedule reflect increases in charges as a result of;

#### **a) Default Price Path (DPP) - P0 reset**

The Electricity Distribution Services Default Price-Quality Path Determination 2012 that regulates the allowable revenue of non-exempt electricity distributors (which includes Powerco), has set our maximum allowable revenue at \$246.4m for the 2013/14 pricing year.

Powerco has determined that this maximum allowable revenue corresponds to an average distribution price increase of around 1.8% for the 2013/14 pricing year (excluding the impact of Transmission charges). This is due in part to Powerco's current prices not recovering the maximum allowable revenue for previous years and therefore this movement is higher than indicated in the final determination<sup>1</sup>.

#### **b) Transmission Charges**

Powerco's pricing incorporates an allowance for transmission charges such as Transpower's connection and interconnection charges, as well as "avoided cost of transmission" charges. The most substantial components of these charges are Transpower's interconnection and connection charges.

For the pricing year ending 31 March 2014, Transpower has increased their charges to Powerco by an estimated 9.9% from the previous year. The result is that Transpower's interconnection charge has increased from \$90.66 per kW to \$99.44 per kW, while Transpower's connection charge, which is a smaller component and charged per GXP, has increased by approximately \$1.2m.

The increase in transmission charges has contributed 2.1% to the overall average price increase.

#### **c) Further Details**

Further details in regards to our pricing structures and changes implemented this year can be found in our Pricing Methodology Disclosure which can be located at the following location: <http://www.powerco.co.nz/Publications-and-Disclosures/Pricing-Schedules/Electricity/>

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<sup>1</sup> *Resetting the 2010-15 Default Price-Quality Paths for 16 Electricity Distributors*. Date: 30 November 2012.