

NELSON ELECTRICITY LIMITED

THRESHOLD COMPLIANCE STATEMENT FOR THE FIRST ASSESSMENT DATE, 6 SEPTEMBER 2003

*Pursuant to the Commerce Act (Electricity Lines Thresholds)
Notice 2003*

Date 15 October 2003

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1. Disclosure of Information Required (Schedule 7)

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

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

Test:	$\Sigma P_{i2003} Q_{i0} - C_{T2003} - C_{R2003}$	\leq	$\Sigma P_{i0} Q_{i0} - C_{T2002} - C_{R2002}$
	4,966,538	\leq	4,742,922
Result:	Revenue at First Assessment date is greater than revenue at First Reference date by \$223,615 .		
	Threshold has been breached.		

Supporting evidence is presented in Appendices A and B

Explanation For Breach

Nelson Electricity has breached the first threshold assessment by \$223,615. This is not a fundamental or intentional breach. It is a simple technical breach because a small price increase to cover increased transmission costs from 1 April 2002, which was planned to be effective that date, was delayed until 1 May 2002.

For this one month period Nelson Electricity absorbed the additional transmission costs while line prices remained at the old rate. Consequently this has artificially established a minimum notional revenue that is lower than it would have otherwise been.

Electricity retailers requested that the price increase be delayed beyond 1 April 2002 as Nelson Electricity was unable to provide them the full 60 day notice for the pricing change as outlined in the Use of Systems Agreement. Nelson Electricity was unable to notify retailers of the pricing change within the 60 day period due to the late notification of the transmission price increases from Transpower.

Had the transmission cost increases been passed through from the day they were incurred Nelson Electricity would not have breached the threshold.

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

Test:	$\Sigma P_{i2003} Q_{i0}$	\leq	$\Sigma P_{i0} Q_{i0}$
	6,594,680	\leq	6,594,680
Result:	Revenue at Second Reference date is equal to revenue at Publication date.		
	Threshold has been breached.		

Supporting evidence is presented in Appendices C and D.

Notional Revenue:

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

- Electricity conveyance services under Use of Systems Agreements with electricity retailers.

Excluded Services:

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

- Interest income.
- Profit on sale of assets.
- Value of assets vested with Nelson Electricity Limited by consumers.
- Other miscellaneous income unrelated to the sale of electricity conveyancing services.

Pass Through Costs:

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

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

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

Disclaimer

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

2. Certification by Auditor in Relation to Threshold Compliance Statement



Auditor's Report

We have examined the attached statement, being a threshold compliance statement in respect of a price path threshold that was prepared by Nelson Electricity Limited for assessment on 6 September 2003 and dated 15 October 2003 for the purposes of information requirements set out in clause 7 of the Commerce Act (Electricity Lines Thresholds) Notice 2003 ("the Notice").

Directors' Responsibilities

Clause 7 of the Notice requires the Directors of Nelson Electricity Limited to prepare certificates that confirm the compliance, or otherwise, of Nelson Electricity Limited with the thresholds set out in clauses 4, 5 and 6 of that Notice.

Auditors' Responsibilities

It is our responsibility to express an independent opinion on the threshold compliance statements certified by the Directors and report our opinion to you.

Basis of Opinion

Our audit included examination, on a test basis, of evidence relevant to the amounts and disclosures in the attached threshold compliance statements. It also included assessment of the significant estimates and judgments, if any, made by the lines business in the preparation of the threshold compliance statements and assessment of whether the basis of preparation had been adequately disclosed.

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

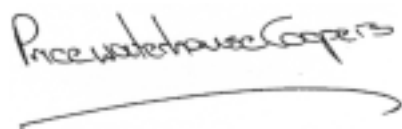
We have no relationship with or interests in Nelson Electricity Limited other than in our capacities as auditors of the threshold compliance statements, and in the provision of other professional advisory services. We are not aware of any relationships between our firm and Nelson Electricity Limited that, in our professional judgment, may reasonably be thought to impair our independence.

Unqualified Opinion

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

Our audit was completed on 15 October 2003 and our opinion is expressed as at that date.

PricewaterhouseCoopers

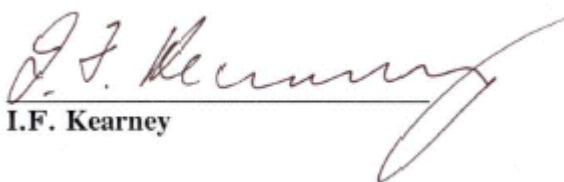
A handwritten signature of the firm PricewaterhouseCoopers, written in a cursive style. Below the signature is a long, horizontal, slightly curved line that spans the width of the text.

PricewaterhouseCoopers
Auckland
15 October 2003

3. Certification of Threshold Compliance Statement

We, Kenneth John Forrest and Ian Francis Kearney, being directors of Nelson Electricity Limited certify that, having made all reasonable enquiry, to the best of our knowledge and belief, the attached threshold compliance statement of Nelson Electricity Limited, and related information, prepared for the purposes of the Commerce Act (Electricity Lines Thresholds) Notice 2003 complies with the requirements of that notice:


Kenneth John Forrest


I.F. Kearney

15 October 2003

Appendix A

Notional Revenue at first Assessment Date

Minimum Revenue First Reference Date (8 August 2001 – 6 June 2003)	Transmission Charges 2002 (year of first reference date)	Rates 2002 (year of first reference date)	Minimum Notional Revenue First Reference Date (8 August 2001 – 6 June 2003)
$\Sigma P_{i0} Q_{i0}$	C_{T2002}	C_{R2002}	$\Sigma P_{i0} Q_{i0} - C_{T2002} - C_{R2002}$
6,349,654	1,601,148	5,584	4,742,922

Appendix A cont'd

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

Number of Days: 365

Tariff or Fee	Description	Number of ICPs at 31/03/03	kWh at 31/3/03	kVA at 31/3/03	Other Qty at 31/3/03	Total Charges			Other Fees/Charges Non Conveyance (\$) (Multiply by quantities as appropriate)	Notional Distribution Revenue (\$)		Notional Other Revenue (\$)	Total Revenue (\$)
						Fixed		Variable (c/kWh)		Fixed	Variable		
						\$/day	c/kVA/day						
Unmetered													
Streetlights		1				200.12					73,044		73,044
Unmetered Supply		9				0.40					1,314		1,314
Builders Temp		14				0.44					2,248		2,248
Residential Standard													
RS1		6994				0.63					1,608,270		1,608,270
RS2	3.492		31,196,138					3.372			1,051,934		1,051,934
RS3	1.888		18,613,715					1.768			329,090		329,090
RS4	0.945		2,554,965					0.825			21,078		21,078
Residential Economy													
RE1		120				0.48					21,024		21,024
RE2	6.2		685,741					5.372			36,838		36,838
RE3	3.3		432,395					1.768			7,645		7,645
RE4	1.62		68,374					0.825			564		564
Business Standard													
BS1		1180				1.00					430,700		430,700
BS2	3.49		23,487,663					3.37			791,534		791,534
Business Economy													
BE1		111				0.63					25,524		25,524
BE2	5.172		488,645					5.052			24,686		24,686
Business Night Saver													
BN1						1.00							
BN2	3.871		459,781					3.751			17,246		17,246
BN4	1.093							0.973					
Business Controlled													
BC3	1.857		767,729					1.737			13,335		13,335
BC4	2.093		216,386					1.973			4,269		4,269
BC9	1.093		640,241					0.973			6,230		6,230
Time of Use													
Metered Installation Charge		100									47,993		47,993
Energy	1.066		44,194,288			1.31					417,636		417,636
Winter Demand kW				5205			15.5699				295,800		295,800
Winter Demand kVA				6923			14.7890				373,704		373,704
Capacity Supply Group 3					5			614			3,069		3,069
Capacity Supply Group 4					3			1,008			3,025		3,025
Capacity Supply Group 5					9			1,608			14,469		14,469
Capacity Supply Group 6					11			2,017			22,186		22,186
Capacity Supply Group 7					38			3,186			121,071		121,071
Capacity Supply Group 8					12			4,385			52,614		52,614
Capacity Supply Group 9					11			7,308			80,383		80,383
Capacity Supply Group 10					7			10,961			76,729		76,729
Capacity Supply Group 11					3			14,615			43,845		43,845
Capacity Supply Group 12					1			21,923			21,923		21,923
TOU Group 6													
Fixed		1						104,000			104,000		104,000
Winter Demand				2629			20.1000				192,877		192,877
Energy			16,795,107								11,757		11,757
S P_{1.0} Q_{1.0}													
Total Other Charges													6,349,654

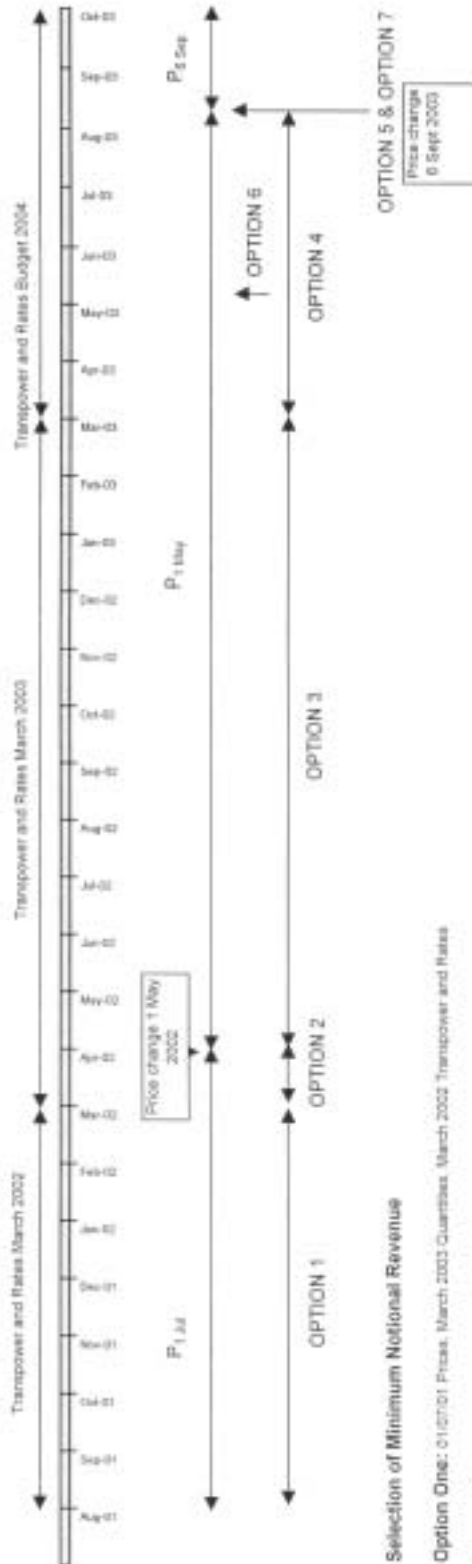
3,076,444

1,313,526

1,574,445

308,633

Nelson Electricity Limited - Selection of Minimum National Revenue and National Revenue at Second Reference Date



Selection of Minimum National Revenue

Option One: 01/07/01 Prices, March 2003 Quantities, March 2002 Transpower and Rates

$P_{1 Jul 01} \times Q_{Mar 03}$	=	6,349,654
$C_{Mar 02}$	=	1,265,040
$C_{Apr 02}$	=	6,248
Revenue	=	5,078,362

Option Two: 01/07/01 Prices, March 2003 Quantities, March 2002 Transpower and Rates

$P_{1 Jul 01} \times Q_{Mar 03}$	=	6,349,654
$C_{Mar 02}$	=	1,901,148
$C_{Apr 02}$	=	5,594
Revenue	=	4,742,912

First Reference Date Between 1 Apr 02 And 30 Apr 02

Option Three: 15/02 Prices, March 2003 Quantities, March 2003 Transpower and Rates

$P_{1 May 02} \times Q_{Mar 03}$	=	6,594,660
$C_{Mar 02}$	=	1,901,148
$C_{Apr 02}$	=	5,594
Revenue	=	4,987,918

Option Four: 15/02 Prices, March 2003 Quantities, Budget 2004 Transpower and Rates

$P_{1 May 02} \times Q_{Mar 03}$	=	6,594,660
$C_{Mar 03}$	=	1,524,142
$C_{Apr 03}$	=	4,952
Revenue	=	5,065,566

Revenue at Publication Date (6th June)

Option Five: 6/06/03 Prices, March 2003 Quantities, Budget 2004 Transpower and Rates

$P_{6 Sept 03} \times Q_{Mar 03}$	=	6,495,031
$C_{Mar 03}$	=	1,524,142
$C_{Apr 03}$	=	4,952
Revenue	=	4,965,937

Revenue at First Assessment Date (6th September)

Selection of National Revenue at Second Reference Date (Maximum Revenue between 7th June and 6th September)

Option Six: 1/05/02 Prices, March 2003 Quantities

F 1 May 02 x Q March 6,504,080 ← **Max Revenue falls between 7th June and 6th September**

Option Seven: 06/05/03 Prices, March 2003 Quantities

F 6 Sept 03 x Q March 6,405,031

Appendix B

Revenue First Assessment Date (6 September)	Budgeted Transmission Charges 31/03/2004	Budgeted Rates 31/03/2004	Notional Revenue at First Assessment Date (6 September)
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$\Sigma P_{i2003} Q_{i0}$	CT2003	CR2003	$\Sigma P_{i2003} Q_{i0} - CT_{2003} - CR_{2003}$
6,495,631	1,524,142	4,952	4,966,538

Appendix B cont'd

Price as at the First Assessment Date 6 September 2003

Number of Days: 365

Tariff or Fee	Description	Number of ICPs at 31/03/03	kWh at 31/3/03	kVA at 31/3/03	Other Qty at 31/3/03	Distribution Charges			Other Fees/Charges Non Conveyance (Multiply by quantities as appropriate)	Notional Distribution Revenue (\$)		Notional Other Revenue (\$)	Total Revenue (\$)
						\$/day	Fixed c/kVA/day	Other		Fixed	Variable		
													P _{12,2003} Q _{1,0}
Unmetered													-
Streetlights		1				200.12				73,044		-	73,044
Unmetered Supply		9				0.40				1,314		-	1,314
Builders Temp		14				0.44				2,248		-	2,248
Residential Standard													
RS1		6994				0.63				1,608,270		-	1,608,270
RS2			31,196,138					3.492		1,089,369		-	1,089,369
RS3			18,613,715					1.888		351,427		-	351,427
RS4			2,554,965					0.945		24,144		-	24,144
Residential Economy													
RE1		120				0.15				6,570		-	6,570
RE2			685,741					6.2		42,516		-	42,516
RE3			432,395					3.3		14,269		-	14,269
RE4			68,374					1.62		1,108		-	1,108
Business Standard													
BS1		1180				1.00				430,700		-	430,700
BS2			23,487,663					3.49		819,719		-	819,719
Business Economy													
BE1		111				0.63				25,524		-	25,524
BE2			488,645					5.172		25,273		-	25,273
Business Night Saver													
BN1						1.00				17,798		-	17,798
BN2			459,781					3.871		-		-	-
BN4								1.093		-		-	-
Business Controlled													
BC3			767,729					1.857		14,257		-	14,257
BC4			216,386					2.093		4,529		-	4,529
BC9			640,241					1.093		6,998		-	6,998
Time of Use													
Metered Installation Charge		100				1.31				47,993		-	47,993
Energy			44,194,288					1.066		471,111		-	471,111
Winter Demand kW				5205			15.5699			295,800		-	295,800
Winter Demand kVA				6923			14.7890			373,704		-	373,704
Capacity Supply Group 3					5			614		3,069		-	3,069
Capacity Supply Group 4					3			1,008		3,025		-	3,025
Capacity Supply Group 5					9			1,608		14,469		-	14,469
Capacity Supply Group 6					11			2,017		22,186		-	22,186
Capacity Supply Group 7					38			3,186		121,071		-	121,071
Capacity Supply Group 8					12			4,365		52,614		-	52,614
Capacity Supply Group 9					11			7,308		80,383		-	80,383
Capacity Supply Group 10					7			10,961		76,729		-	76,729
Capacity Supply Group 11					3			14,615		43,845		-	43,845
Capacity Supply Group 12					1			21,923		21,923		-	21,923
TOU Sealord													
Fixed		1						104,000		104,000		-	104,000
Winter Demand				2629			20.1000			192,877		-	192,877
Energy			16,795,107					0.07		11,757		-	11,757
S P_{1,0} Q_{1,0}													6,495,631
Total Other Charges													

Appendix C

Notional Revenue at Publication Date (6 June)

$\Sigma P_i Q_i$
6,594,680

Appendix C cont'd

Price as at the Publication Date 6 June 2003

365

Number of Days:

Tariff or Fee	Description	Number of ICPs at 31/03/03	kWh at 31/3/03	kVA at 31/3/03	Other Qty at 31/3/03	Total Charges			Other Fees/Charges Non Conveyance (\$) (Multiply by quantities as appropriate)	National Distribution Revenue (\$)		National Other Revenue (\$)	Total Revenue (\$)
						Fixed	Variable (c/kWh)	Other		Fixed	Variable		
Unmetered													
Streetlights		1				200.12				-	73,044	-	73,044
Unmetered Supply		9				0.40				1,314	-	-	1,314
Builders Temp		14				0.44				2,248	-	-	2,248
Residential Standard													
RS1		6994				0.63				1,608,270	-	-	1,608,270
RS2	3,492		31,196,138					3.572		-	1,114,326	-	1,114,326
RS3	1,888		18,613,715					1.968		-	366,318	-	366,318
RS4	0,945		2,554,965					1.025		-	26,188	-	26,188
Residential Economy													
RE1		120				0.15				6,570	-	-	6,570
RE2	6.2		685,741					6.28		-	43,065	-	43,065
RE3	3.3		432,395					3.381		-	14,619	-	14,619
RE4	1.62		68,374					1.7		-	1,162	-	1,162
Business Standard													
BS1		1180				1.00				430,700	-	-	430,700
BS2	3.49		23,487,663					3.57		-	838,510	-	838,510
Business Economy													
BE1		111				0.63				25,524	-	-	25,524
BE2	5.172		488,645					5.252		-	25,664	-	25,664
Business Night Saver													
BN1						1.00				-	-	-	-
BN2	3.871		459,781					3.951		-	18,166	-	18,166
BN4	1.093							1.173		-	-	-	-
Business Controlled													
BC3	1.857		767,729					1.937		-	14,871	-	14,871
BC4	2.093		216,386					2.173		-	4,702	-	4,702
BC9	1.093		640,241					1.173		-	7,510	-	7,510
Time of Use													
Metered Installation Charge		100				1.31				47,993	-	-	47,993
Energy	1.066		44,194,288					1.146		-	506,467	-	506,467
Winter Demand kW				5205			15.5699			295,800	-	-	295,800
Winter Demand kVA				6923			14.7890			373,704	-	-	373,704
Capacity Supply Group 3					5			614		3,069	-	-	3,069
Capacity Supply Group 4					3			1,008		3,025	-	-	3,025
Capacity Supply Group 5					9			1,608		14,469	-	-	14,469
Capacity Supply Group 6					11			2,017		22,186	-	-	22,186
Capacity Supply Group 7					38			3,186		121,071	-	-	121,071
Capacity Supply Group 8					12			4,385		52,614	-	-	52,614
Capacity Supply Group 9					11			7,308		80,383	-	-	80,383
Capacity Supply Group 10					7			10,961		76,729	-	-	76,729
Capacity Supply Group 11					3			14,615		43,845	-	-	43,845
Capacity Supply Group 12					1			21,923		21,923	-	-	21,923
TOU Sealord													
Fixed		1			1			104,000		104,000	-	-	104,000
Winter Demand				2629			20.1000			192,877	-	-	192,877
Energy			16,795,107					0.07		-	11,757	-	11,757
SP_{1,0}Q_{1,0}													
Total Other Charges													6,594,660

Appendix D

Maximum Notional Revenue Second Reference Date (5 June to 6 September)
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ΣPi2003 Q:0
6,594,680

Appendix D cont'd

Maximum Notional Revenue Between 5 June 2003 and 6 September 2003 (Second Reference Date)

365

Number of Days:

Tariff or Fee	Description	Number of ICPs at 31/03/03	kWh at 31/3/03	kVA at 31/3/03	Other Qty at 31/3/03	Total Charges			Other Fees/Charges Non Conveyance (\$) (Multiply by quantities as appropriate)	Notional Distribution Revenue (\$)		Notional Other Revenue (\$)	Total Revenue (\$)
						\$/day	c/kVA/day	Other		Fixed	Variable		
													P _{1,0} Q _{1,0}
Unmetered													
Streetlights		1				200.12				73,044			73,044
Unmetered Supply		9				0.40				1,314			1,314
Builders Temp		14				0.44				2,248			2,248
Residential Standard													
RS1		6994				0.63				1,608,270			1,608,270
RS2	3.492		31,196,138							1,114,326			1,114,326
RS3	1.888		18,613,715							366,318			366,318
RS4	0.945		2,554,965							26,188			26,188
Residential Economy													
RE1		120				0.15				6,570			6,570
RE2	6.2		685,741							43,065			43,065
RE3	3.3		432,395							14,619			14,619
RE4	1.62		68,374							1,162			1,162
Business Standard													
BS1		1180				1.00				430,700			430,700
BS2	3.49		23,487,663							838,510			838,510
Business Economy													
BE1		111				0.63				25,524			25,524
BE2	5.172		488,645							25,664			25,664
Business Night Saver													
BN1						1.00							
BN2	3.871		459,781							18,166			18,166
BN4	1.093												
Business Controlled													
BC3	1.857		767,729							14,871			14,871
BC4	2.093		216,386							4,702			4,702
BC9	1.093		640,241							7,510			7,510
Time of Use													
Metered Installation Charge		100				1.31				47,993			47,993
Energy	1.066		44,194,288							506,467			506,467
Winter Demand kW				5205		15.5699				295,800			295,800
Winter Demand kVA				6923		14.7890				373,704			373,704
Capacity Supply Group 3					5		614			3,069			3,069
Capacity Supply Group 4					3		1,008			3,025			3,025
Capacity Supply Group 5					9		1,608			14,469			14,469
Capacity Supply Group 6					11		2,017			22,186			22,186
Capacity Supply Group 7					38		3,186			121,071			121,071
Capacity Supply Group 8					12		4,385			52,614			52,614
Capacity Supply Group 9					11		7,308			80,383			80,383
Capacity Supply Group 10					7		10,961			76,729			76,729
Capacity Supply Group 11					3		14,615			43,845			43,845
Capacity Supply Group 12					1		21,923			21,923			21,923
TOU Sealand													
Fixed		1					104,000			104,000			104,000
Winter Demand				2629		20.1000				192,877			192,877
Energy			16,795,107							11,757			11,757
S P_{1,0} Q_{1,0}													6,594,680
Total Other Charges													

