

Nelson Electricity Limited

DEFAULT PRICE QUALITY PATH COMPLIANCE STATEMENT

FOR THE ASSESSMENT DATE 31 MARCH 2012

*Pursuant to the Electricity Distribution Services Default Price-Quality
Path Determination 2010*

12 June 2012

Contents

- 1) Compliance with the Price Path (Clause 11.1(a))
- 2) Compliance with the Quality Standards (Clause 11.1(a))
- 3) Director Certification (Clause 11.1(c))
- 4) Auditor's Report (Clause 11.2)

Supporting Information (Clause 11.1(b))

APPENDIX A	Price Path Compliance Calculations
APPENDIX B	Price and Quantity Schedules
APPENDIX C	Pass Through Costs
APPENDIX D	Quality Standard Compliance Calculations
APPENDIX E	Policies and Procedures for Recording SAIDI and SAIFI

1) Compliance with the Price Path (Clause 11.1(a))

Nelson Electricity Limited does comply with the price path at the assessment date, 31 March 2012, as specified in the *Electricity Distribution Services Default Price-Quality Path Determination 2010*.

Clause 8.4 - The notional revenue (NR_t) of a Non-exempt EDB at any time during the Assessment Period must not exceed the allowable notional revenue (R_t) for the Assessment Period.

Compliance is demonstrated in the following tables. The first table demonstrates that notional revenue derived using posted prices at the end of the Assessment Period is less than allowable notional revenue. The second table demonstrates that the maximum notional revenue during the Assessment Period does not exceed allowable notional revenue thus illustrating that at no time during the Assessment Period is the price path breached.

Test:	$\frac{NR_{2012}}{R_{2012}} \leq 1$
NR ₂₀₁₁ :	\$ 6,640,054
R ₂₀₁₁ :	\$ 6,841,980
Result:	0.9705 < 1
Result:	Price Path has not been breached

Test:	$\frac{NR_{Max}}{R_{2012}} \leq 1$
NR _{Max} :	\$ 6,640,054
R ₂₀₁₁ :	\$ 6,841,980
Result:	0.9705 < 1
Result:	Price Path has not been breached

Supporting evidence is presented in Appendices A, B and C.

2) Compliance with the Quality Standards (Clause 11.1(a))

Nelson Electricity Limited does comply with all requirements of the quality standards at the assessment date, 31 March 2012, as specified in the *Electricity Distribution Services Default Price-Quality Path Determination 2010*.

Clause 9.2 - A Non-exempt EDB's Assessed Values for an Assessment Period must not exceed its Reliability Limits for that Assessment Period.

Compliance is demonstrated in the following tables. The first table demonstrates compliance with the SAIDI Limit and the second table compliance with the SAIFI limit.

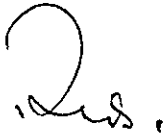
Test:	$\frac{SAIDI_{Assess.2012}}{SAIDI_{Limit}} \leq 1$
SAIDI _{Assess 2012}	55.291
SAIDI _{Limit}	71.536
Result:	0.7729 < 1
Result:	SAIDI Limit has not been breached

Test:	$\frac{SAIFI_{Assess.2012}}{SAIFI_{Limit}} \leq 1$
SAIFI _{Assess 2012}	0.650
SAIFI _{Limit}	1.126
Result:	0.5772 < 1
Result:	SAIFI Limit has not been breached

Supporting evidence is presented in Appendices D and E.

3) Director Certification (Clause 11.1(c))

I Paul Donald LeGros, being director of Nelson Electricity Limited certify that, having made all reasonable enquiry, to the best of my knowledge and belief, the attached Annual Compliance Statement of Nelson Electricity Limited, and related information, prepared for the purposes of the *Electricity Distribution Services Default Price-Quality Path Determination 2010* are true and accurate.



Paul Donald Le Gros

12 June 2012



4. Auditor's Report (Clause 11.2)

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF THE ANNUAL COMPLIANCE STATEMENT OF NELSON ELECTRICITY LIMITED FOR THE ASSESSMENT PERIOD ENDED ON 31 MARCH 2012

The Auditor-General is the auditor of Nelson Electricity Limited (the company). The Auditor-General has appointed me, Michael Wilkes, using the staff and resources of Deloitte, to provide an opinion, on her behalf, on the company's Annual Compliance Statement for the assessment period ended on 31 March 2012 on pages 2 to 3 and 7 to 14 regarding compliance with the Electricity Distribution Default Price-Quality Path Determination 2010.

We have audited the Annual Compliance Statement in respect of the default price-quality path prepared by the company for the assessment period ended on 31 March 2012 and dated 12 June 2012 for the purposes of clause 11 of the Electricity Distribution Default Price-Quality Path Determination 2010 (the Determination).

Directors' Responsibilities

The Directors of the company 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 the International Standards on Auditing, International Standards on Auditing (New Zealand) and the New Zealand Institute of Chartered Accountants Standard on Assurance Engagements 3100: *Compliance Engagements*. Those standards require that we comply with ethical and quality control requirements and plan and perform the audit to obtain reasonable assurance about whether the Annual Compliance Statement has been prepared in accordance with the Determination and 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.

In relation to the price path set out in clause 8 of the Determination, our audit included examination, on a test basis, of evidence relevant to the amounts and disclosures contained on pages 2 and 7 to 11 of the Annual Compliance Statement.

In relation to the SAIDI and SAIFI statistics for the Reference Period and the Assessment period ended on 31 March 2012, including the calculation of the Reliability Limits and the Assessed Values, which are relevant to the quality standards set out in clause 9 of the Determination, our audit included examination, on a test basis, of evidence relevant to the amounts and disclosures contained on pages 3 and 12 to 14 of the Annual Compliance Statement.

Deloitte.

Our audit also included assessment of the significant estimates and judgements, if any, made by the company in the preparation of the Annual Compliance Statement and whether adequate information has been disclosed in accordance with clause 11.1(b) of the Determination.

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

Limitations and Use of this Independent Auditor's Report

This independent auditor's report has been prepared solely for the Directors of Nelson Electricity Limited 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 Nelson Electricity Limited 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.

Independence

We have no relationship with, or interests in the company other than in our capacities as auditors of the Annual Financial Statements and auditors pursuant to the Electricity Distribution (Information Disclosure Requirements) 2008 on behalf of the Auditor-General.

Opinion

In our opinion, the Annual Compliance Statement of Nelson Electricity Limited for the Assessment Period ended on 31 March 2012, has been prepared, in all material respects, in accordance with the Determination.

Our audit was completed on 12 June 2012 and our opinion is expressed as at that date.



Michael Wilkes

Deloitte

On behalf of the Auditor-General

Christchurch, New Zealand

Appendix A – Price Path Compliance Calculations (Clause 11.1(b)(i))

Clause 8.4

Notional Revenue for the year ending March 2012		
Term	Description	Value \$
$P_{2012} * Q_{2010}$	Prices at 31 March 2012 multiplied by 31 March 2010 Base Quantities	9,109,938
K_{2012}	Transmission Charges for year ending 31 March 2012	2,413,506
	Avoided Transmission Charges for year ending 31 March 2012	-
	Rates for year ending 31 March 2012	22,623
	Electricity Authority Levies for year ending 31 March 2012	24,080
	Commerce Act Levies for year ending 31 March 2012	9,675
NR_{2011}	Notional Revenue for the year ending 31 March 2012	6,640,054

Supported by P*Q schedules presented in Appendix B

Maximum Notional Revenue for the year ending March 2012		
Term	Description	Value \$
$P_{Max} * Q_{2010}$	Maximum Prices between 1 April 2011 and 31 March 2012 multiplied by 31 March	9,109,938
K_{2012}	Transmission Charges for year ending 31 March 2012	2,413,506
	Avoided Transmission Charges for year ending 31 March 2012	-
	Rates for year ending 31 March 2012	22,623
	Electricity Authority Levies for year ending 31 March 2012	24,080
	Commerce Act Levies for year ending 31 March 2012	9,675
NR_{Max}	Notional Revenue for the year ending 31 March 2012	6,640,054

Supported by P*Q schedules presented in Appendix B

Clause 8.5

Allowable Notional Revenue 2012		
Term	Description	Value \$
$P_{2011} * Q_{2010}$	Prices at 31 March 2011 multiplied by 31 March 2010 Base Quantities	8,926,755
K_{2011}	Transmission Charges for year ending 31 March 2011	2,454,993
	Avoided Transmission Charges for 2011	-
	Rates for year ending 31 March 2011	20,571
	Electricity Commission Levies for year ending 31 March 2011	20,312
	Commerce Act Levies for year ending 31 March 2011	15,437
$R_{t-1} - NR_{t-1}$	Allowable notional revenue 2011 less the notional revenue 2011	306,881
X	X Factor	-
$(1 + \Delta CPI_{2012})$	Average change in Consumer Price Index	1.0178
R_{2012}	Allowable Notional Revenue under the CPI-X Price Path for the year ending 31 March 2012	6,841,980

Supported by P*Q schedules presented in Appendix B

ΔCPI_{2012}			
Numerator		Denominator	
$CPI_{Dec2009}$	1093	$CPI_{Dec2008}$	1072
$CPI_{Mar2010}$	1097	$CPI_{Mar2009}$	1075
$CPI_{Jun2010}$	1099	$CPI_{Jun2009}$	1081
$CPI_{Sep2010}$	1111	$CPI_{Sep2009}$	1095
Total	4400	Total	4323
ΔCPI_{2012}			1.78%

Appendix B – Price and Quantity Schedules (Clause 11.1(b)(i))

Revenue Table using 31 March 2012 Prices and 2009/2010 Quantities

Number of Days:		365		Distribution Charges			Notional Distribution Revenue (\$)		Total Revenue (\$)	
Tariff or Fee	Number of ICPS at 31/03/2010	kWh at 31/3/2010	kVA at 31/3/2010	Fixed			Variable (c/kWh)	Fixed	Variable	P ₂₀₁₂ Q ₂₀₁₀
				\$/day	c/kVA/day	Other				
Group 0										
Streetlights	1			242.60				88,549		88,549
Unmetered Fixed	27			0.05069				500		500
Unmetered Capacity			1,850		87.123			588		588
Builders Temp	22			0.52				4,176		4,176
BT-kWh		15,476					7.60	-	1,176	1,176
Group 1										
Fixed	1730		25,950		1.00			94,718		94,718
Anytime		5,484,975					7.60	-	416,858	416,858
Controlled		2,807,626					4.60	-	129,151	129,151
Nightrate		305,343					2.90	-	8,855	8,855
Group 2										
Fixed	7128		145,625		4.40			2,338,738		2,338,738
Anytime		59,843,239					4.78	-	2,860,507	2,860,507
Controlled		14,639,666					3.02	-	442,118	442,118
Nightrate		1,786,123					2.09	-	37,250	37,250
Time of Use										
Metered Installation Charge	98			1.10				39,347		39,347
Energy		47,070,587					1.64	-	771,958	771,958
Winter Demand			13,676		17.92			894,520		894,520
Capacity Supply Group 3	4			1.85				2,701		2,701
Capacity Supply Group 4	1			3.04				1,110		1,110
Capacity Supply Group 5	7			4.84				12,366		12,366
Capacity Supply Group 6	8			6.07				17,724		17,724
Capacity Supply Group 7	37			9.59				129,513		129,513
Capacity Supply Group 8	14			13.20				67,452		67,452
Capacity Supply Group 9	12			22.00				96,360		96,360
Capacity Supply Group 10	10			33.00				120,450		120,450
Capacity Supply Group 11	3			44.00				48,180		48,180
Capacity Supply Group 12	1			66.00				24,090		24,090
Capacity Supply Group 13	1			88.00				32,120		32,120
Power Factor			681			66.12		45,028		45,028
TOU Sealord										
Fixed	1							369,953		369,953
Power Factor			210			66.12		13,885		13,885
										9,109,938



Revenue Table using 31 March 2011 Prices and 2009/2010 Quantities

Number of Days:		365						Notional Distribution Revenue (\$)		Total Revenue (\$)	
Tariff or Fee	Number of ICPs at 31/03/2010	kWh at 31/3/2010	kVA at 31/3/2010	Distribution Charges			Variable (c/kWh)	Fixed	Variable	P ₂₀₁₁	Q ₂₀₁₀
				Fixed							
				\$/day	c/kVA/day	Other					
Group 0											
Streelights	1			236.64				86,375			86,375
Unmetered Fixed	27			0.0493				486			486
Unmetered Capacity			1,850		84.9320			574			574
Builders Temp	22			0.50				4,015			4,015
BT-kWh		15,476					7.50	-	1,161		1,161
Group 1											
Fixed	1730		25,950		1.00			94,718			94,718
Anytime		5,484,975					7.40	-	405,888		405,888
Controlled		2,807,626					4.50	-	126,343		126,343
Nightrate		305,343					2.80	-	8,550		8,550
Group 2											
Fixed	7128		145,625		4.30			2,285,584			2,285,584
Anytime		59,843,239					4.67	-	2,791,986		2,791,986
Controlled		14,639,666					2.95	-	431,211		431,211
Nightrate		1,786,123					2.09	-	37,250		37,250
Time of Use											
Metered Installation Charge	98			1.08				38,453			38,453
Energy		47,070,587					1.60	-	753,953		753,953
Winter Demand			13,676		17.52			874,553			874,553
Capacity Supply Group 3	4			1.81				2,637			2,637
Capacity Supply Group 4	1			2.97				1,083			1,083
Capacity Supply Group 5	7			4.73				12,085			12,085
Capacity Supply Group 6	8			5.93				17,327			17,327
Capacity Supply Group 7	37			9.37				126,596			126,596
Capacity Supply Group 8	14			12.90				65,919			65,919
Capacity Supply Group 9	12			21.50				94,170			94,170
Capacity Supply Group 10	10			32.25				117,713			117,713
Capacity Supply Group 11	3			43.00				47,085			47,085
Capacity Supply Group 12	1			64.50				23,543			23,543
Capacity Supply Group 13	1			86.00				31,390			31,390
Power Factor			681			64.56		43,965			43,965
TOU Sealord											
Fixed	1					388,586		388,586			388,586
Power Factor			210			64.56		13,558			13,558
Σ P₂₀₁₁ Q₂₀₁₀											8,926,755

Appendix C – Pass Through Costs (Clause 11.1(b)(ii))

Pass Through Costs for year ending March 2012				
K 2011	Actual (\$)	Forecast (\$)	Variance (\$)	Variance (%)
Transmission	2,413,506	2,447,602	(34,096)	(1.41)%
Avoided Transmission	-	-	-	-
Rates	22,965	21,896	1,069	4.66%
Electricity Authority Levies	24,080	26,024	(1,944)	(8.07)%
Commerce Act Levies	9,675	8,843	832	8.6%
Total Pass Through Costs	2,470,226	2,504,365	(34,139)	(1.38)%

* There are no significant variances from forecast.

SAIDI Limit

μ_{SAIDI}	46.3026	The average annual SAIDI Value in the Normalised Reference Dataset
σ_{SAIDI}	25.2338	The standard deviation of daily SAIDI Values in the Normalised Reference Dataset multiplied by $\sqrt{365}$
$SAIDI_{Limit} = \mu_{SAIDI} + \sigma_{SAIDI}$	71.5364	SAIDI Limit Value

SAIFI Limit

μ_{SAIFI}	0.6853	The average annual SAIFI Value in the Normalised Reference Dataset
σ_{SAIFI}	0.4404	The standard deviation of daily SAIFI Values in the Normalised Reference Dataset multiplied by $\sqrt{365}$
$SAIFI_{Limit} = \mu_{SAIFI} + \sigma_{SAIFI}$	1.1256	SAIFI Limit Value

Reliability Assessment Calculations

Event Days exceeding SAIDI Boundary Value within the Assessment Dataset

Date	Pre-Normalised SAIDI	Pre-Normalised SAIFI	Normalised SAIDI	Normalised SAIFI
14-Feb-12	54.34	1.00	46.16	0.5477
			-	-
			-	-
			-	-
			-	-
			-	-
			-	-
			-	-

Assessed SAIDI Value

$SAIDI_{2012}$	55.29	The sum of daily SAIDI Values in the 1 April 2011 - 31 March 2012 Normalised Assessment Dataset
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Assessed SAIFI Value

$SAIFI_{2012}$	0.65	The sum of daily SAIFI Values in the 1 April 2011 - 31 March 2012 Normalised Assessment Dataset
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Appendix E – Policies and Procedures for Recording SAIDI and SAIFI (Clause 11.1(b)(v))

Nelson Electricity Limited follows the procedure “NEL Network System Outage Statistics” to record SAIDI and SAIFI statistics. The procedure covers the collection of customer numbers, the assessments required to assess the numbers of customers affected, the times outages occur and where the data is to be stored.

Wherever possible outage times are collected from an accurate electronic source, the SCADA being the preferred source, other sources are from phone records from the Nelson Electricity call centre, fault forms received from the Nelson Electricity fault contractor or referring to written switching instructions.

Calculations of customer minutes are prepared on the switching record for each individual outage based on switching times and ICP records. The customer minutes for each event are then added to the SAIDI/SAIFI Spreadsheet which summarises all events for the year and is used to calculate the annual SAIDI and SAIFI. The numbers of outages on the Nelson Electricity network are low compared to other Electricity Line Companies and so it is a relatively easy task to manage these data requirements. A hard copy summary of each outage is held on file.

NEL Network System Outage Statistics Procedure

Background:

Nelson Electricity has to collect and record accurate information regarding all transmission, sub-transmission and 11kV outages. The methods and information used has to be robust as the information is used in the disclosure of both SAIDI and SAIFI statistics as part of the Quality Threshold disclosure.

Purpose:

To ensure all information used in the outage statistic information is as accurate as possible. Evidence of outage times and consumer numbers must also be collected.

Scope:

Applies to all outages both planned and unplanned regarding transmission, sub-transmission and 11kV.

Procedure:

The Asset Manager is responsible for the collection, assessment and reporting of all network outage statistics. The information used in the assessments can be from many sources:

- ICP Database
- New Connections
- SCADA system
- Fault forms
- Call Care (fault call reports)
- Control room switching instructions

These sources of information are all valid and defensible sources of information.

ICP Database and New Connections:

The ICP Database and New Connections are updated as ICPs are added and removed from the network. The Business Systems Administrator ensures that these databases are maintained and accurate.

SCADA System:

The SCADA System installed in 2004 has a detailed reporting function. All reports are time stamped. This gives accurate timings of any 33kV or 11kV feeder outages and restoration times.

Fault Forms:

Fault forms provided by the NEL fault provider contain times of fault and restoration times recorded from the contractors who were working on the fault. This source of information is used if there are no other sources.

Call Care:

All fault calls are initially answered by the NEL answer phone service provided by Call Care. All calls are logged and time stamped and all faults reported to NEL the next day. This source of information is used as NEL receives calls as soon as an outage occurs.

Control Room Switching Instructions:

The switching instructions are a valuable source of information. This is used mainly for the restoration times especially when backfeeding areas in the restoration phase.

The Asset Manager uses all these sources to evaluate the outage statistics in the SAIDI Stats Spreadsheet.

Calculations of customer minutes are prepared on the switching record for each individual outage based on switching times and ICP records. The customer minutes for each event are then added to the SAIDI/SAIFI Spreadsheet which summarises all events for the year and is used to calculate the annual SAIDI and SAIFI. The numbers of outages on the Nelson Electricity network are low compared to other Electricity Line Companies and so it is a relatively easy task to manage these data requirements. A hard copy summary of each outage is held on file.

The Asset Manager reports to the General Manager all individual unplanned outage statistics and provides monthly summaries, which are used and reported to NEL Directors.

The outage statistics are also collected and accumulated for the year from 1 April – 31 March the following year. This accumulated result is used in all the information disclosures including the Quality Threshold disclosure.

The Business System Administrator audits the results to ensure process and results are accurate.

Outage Statistics Reporting Flow Chart

