

Default Price-Quality Path

Annual Price Setting Compliance Statement

1 April 2024 – 31 March 2025 Assessment Period

28 March 2024

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1. Introduction

Nelson Electricity Limited is subject to price-quality regulation under Part 4 of the Commerce Act 1986. The Commerce Commission has set a Default Price-Quality Path (DPP) which applies to Nelson Electricity Limited.

This price-setting compliance statement is published in accordance with clause 11.1 of the 2020 DPP Determination and applies to the fifth assessment period, commencing 1 April 2024 and ending 31 March 2025.

2. Date Prepared

This statement was prepared on 28 March 2024.

3. Statement of Compliance

As demonstrated in Table 1 below, and consistent with clause 8.4 of the 2020 DPP Determination Nelson Electricity Limited has complied with the price path for the fifth assessment period.

Table 1

Compliance with price path RY25		
<i>Forecast revenue from prices ≤ Forecast allowable revenue</i>		
Forecast revenue from prices (\$000)	Forecast allowable revenue (\$000)	Compliance result
9,169	9,190	Compliant

Further information supporting forecast allowable revenue is included in Section 5 and Appendix A.

Further information supporting forecast revenue from prices is included in Section 6 and Appendix B.

4. Director’s Certification

A Director’s certificate in the form set out in Schedule 6 of the 2020 DPP Determination is included as Appendix C.

5. Forecast Allowable Revenue

Table 2 shows the derivation of forecast allowable revenue being consistent with the requirements of 8.4 of the 2020 DPP Determination.

Table 2

Forecast allowable revenue RY25		
8.4(a) - Forecast Allowable Revenue Calculation as per Schedule 1.5		
Term	Description	Value (\$000)
Forecast net allowable revenue	<i>Forecast net allowable revenue as set out in Table 1.4.1 in Schedule 1.4 for the period ending 31 March 2025</i>	5,954
Forecast pass through costs	<i>Forecast pass-through costs and forecast recoverable costs</i>	120
Forecast recoverable costs	<i>Forecast recoverable costs, excluding any recoverable cost that is a revenue wash-up drawn down amount</i>	2,516
Opening wash-up account balance	<i>The opening wash-up account balance for the third assessment period of the DPP regulatory period as set out in Schedule 1.7 (2)</i>	651
Pass-through balance allowance	<i>The Pass-through balance allowance for the third assessment period of the DPP regulatory period is nil as set out in Clause 4.2</i>	
Total		9,242
8.4(b) - Forecast revenue from prices for the previous assessment period x (1 + limit on annual percentage increase in forecast revenue from prices)		
Term	Description	Value (\$000)
Previous assessment forecast revenue	Forecast revenue from prices, Assessment Three	8,354
Maximum allowable increase	Limit on annual percentage increase in forecast revenue from prices	10%
Max allowable revenue increase		9,190
Forecast allowable revenue RY25		
Term	Description	Value (\$000)
Forecast Allowable Revenue	Lesser of 8.4(a) or 8.4(b)	9,190

Appendix A shows the components of the forecast pass-through and recoverable costs, and the pass-through balance allowance.

The methodology to derive the forecasts of the pass-through and recoverable costs is documented in Appendix A.

6. Forecast Revenue from Prices

Table 3 shows forecast revenue from prices.

Table 3

Forecast revenue from prices RY25		
Term	Description	Value (\$000)
$\Sigma P_{2024/25} * Q_{2024/25}$	<i>Forecast prices between 1 April 2024 and 31 March 2025 multiplied by forecast quantities for the period ending 31 March 2025</i>	9,169

Appendix B shows the components of forecast revenue from prices.

The methodology to forecast the quantities associated with each price is documented in Appendix B.

Appendix A – Pass-through and Recoverable Costs

Forecast pass-through costs

Table 4

Forecast Pass-through Costs RY24		
Forecast pass-through costs	-\$000	Forecasting methodology
Rates on system fixed assets	42	Based on Council media Release by 7.2%
Commerce Act levies	31	Based on historical costs multiplied by 5%
Electricity Authority levies	41	Based on historical costs multiplied by 4.6%
Utilities Disputes levies	6	Based on historical costs multiplied by 5%
Total forecast pass-through costs	120	

Explanation

Where pass-through costs are not known at the time of preparing this statement, the cost estimates are based on publicly announced changes or default to a 5.0% increase.

Forecast recoverable costs

Table 5

Forecast Recoverable Costs RY25		
Forecast recoverable costs	-\$000	Forecasting methodology
IRIS incentive adjustment	(66)	Commerce Commission IRIS Model
Transpower transmission charges	2,530	As notified by transmission service providers
New investment contract charges	-	
System operator services charges	-	
Avoided transmission charges - purchased assets	-	
Distributed generation allowance	-	
Claw-back	-	
Catastrophic event allowance	-	
Extended reserves allowance	-	
Quality incentive adjustment	(3)	From 2023 Default Price Quality Path Compliance Statement
Transmission asset wash-up adjustment	-	
Reconsideration event allowance	-	
Quality standard variation engineers fee	-	
Urgent project allowance	-	
Fire and emergency NZ levies	33	Based on historical costs multiplied by 5%
Capex Washup	22	Commerce Commission Capex Washup Template
Innovation project allowance	-	
Total forecast recoverable costs	2,516	

Explanation

All Recoverable Costs, except Fire and Emergency NZ Levies, are known in advance of preparing this statement.

IRIS Incentive Adjustment

This is set using the outcome of the Commerce Commission Model “Calculations-of-IRIS-recoverable-costs-for-DPP3-EDB-DPP3-final-determination-27-November-2019.xlsx”.

Transpower Transmission Charge

Nelson Electricity derives transmission services through both Transpower and Network Tasman (on a transmission pass-through basis). Both parties provide Nelson Electricity with schedule of charges which are combined for this statement.

Quality Incentive Adjustment

This adjustment is derived from the outcome of the Quality Incentive assessment included in the Nelson Electricity Default Price Quality Path Compliance Statement for the Assessment Date 31 March 2022.

Fire and Emergency NZ Levies

The levies for Material Damage and Business Interruption are set 1 October annually. The forecast amount is based on the current year end total multiplied by 5%. A nominal amount is included for vehicles.

Pass-through balance allowance

Does not apply for Assessment Period 3 onwards.

Washup Account Balance

Table 6

Opening Wash-up Account Balance Allowance RY25		
Term	Description	Value (\$000)
WU ₂₀₂₃	Washup Amount RY23	600
67th percentile estimate of post-tax WACC	As per Clause 4.2	4.23%
Opening Wash-up Account Balance	$WU_{2023} \times (1 + WACC)^2$	651

Appendix B – Forecast Prices and Quantities

Total Revenue Table using 31 March 2025 Prices and 2024/2025 Quantities

Number of Days:		365									
Tariff or Fee	Number of ICPs at 31/03/2025	Billed kWh at 31/3/2025	Billed kVA at 31/3/2025	Billed Days at 31/3/2025	Distribution Charges				Notional Distribution Revenue (\$)		Total Revenue (\$) P _{,2025} Q _{,2025}
					Fixed			Variable (c/kWh)	Fixed	Variable	
					\$/day	c/kVA/day	Other				
Group 0											
Streetlights	1	583,740	-	365	249.00	0.00	0.00	0.00	90,885	-	90,885
Unmetered Fixed	37	-	-	13,505	0.20	0.00	0.00	0.00	2,701	-	2,701
Unmetered Capacity		-	10,220	-	0.00	110.00	0.00	0.00	11,242	-	11,242
Builders Temp	8	-	-	2,920	1.00	0.00	0.00	0.00	2,920	-	2,920
BT-kWh		3,975	-	-	0.00	0.00	0.00	8.50	-	338	338
Group 1 (Standard)											
Fixed	510	-	2,726,550	-	0.00	4.00	0.00	0.00	109,062	-	109,062
Anytime		1,748,735	-	-	0.00	0.00	0.00	5.60	-	97,929	97,929
Controlled		803,090	-	-	0.00	0.00	0.00	3.20	-	25,699	25,699
Nightrate		74,926	-	-	0.00	0.00	0.00	2.70	-	2,023	2,023
DG		50,552	-	-	0.00	0.00	0.00	0.50	-	253	253
Group 1P (Peak/Off-Peak)											
Fixed	3,859	-	20,711,925	-	0.00	4.00	0.00	0.00	828,477	-	828,477
Peak		3,162,158	-	-	0.00	0.00	0.00	6.20	-	196,054	196,054
Off Peak		2,855,101	-	-	0.00	0.00	0.00	4.70	-	134,190	134,190
Controlled		5,647,193	-	-	0.00	0.00	0.00	3.20	-	180,710	180,710
Nightrate		284,785	-	-	0.00	0.00	0.00	2.70	-	7,689	7,689
Default		7,786,944	-	-	0.00	0.00	0.00	5.60	-	436,069	436,069
DG		456,186	-	-	0.00	0.00	0.00	0.50	-	2,281	2,281
Group 2 (Standard)											
Fixed	849	-	7,745,784	-	0.00	7.90	0.00	0.00	611,917	-	611,917
Anytime		8,639,787	-	-	0.00	0.00	0.00	3.20	-	276,473	276,473
Controlled		1,137,725	-	-	0.00	0.00	0.00	0.66	-	7,509	7,509
Nightrate		246,367	-	-	0.00	0.00	0.00	0.22	-	542	542
DG		64,423	-	-	0.00	0.00	0.00	0.50	-	322	322
Group 2P (Peak/Off-Peak)											
Fixed	4,008	-	31,500,531	-	0.00	7.90	0.00	0.00	2,488,542	-	2,488,542
Peak		7,188,205	-	-	0.00	0.00	0.00	3.50	-	251,587	251,587
Off Peak		5,483,890	-	-	0.00	0.00	0.00	2.60	-	142,581	142,581
Controlled		6,451,431	-	-	0.00	0.00	0.00	0.66	-	42,579	42,579
Nightrate		360,783	-	-	0.00	0.00	0.00	0.22	-	794	794
Default		27,125,560	-	-	0.00	0.00	0.00	3.20	-	868,018	868,018
DG		459,334	-	-	0.00	0.00	0.00	0.50	-	2,297	2,297
Group 2R (Remote - Fringed Hill)											
Fixed	4	-	21,900	-	0.00	15.00	0.00	0.00	3,285	-	3,285
Anytime		51,698	-	-	0.00	0.00	0.00	3.20	-	1,654	1,654
Time of Use											
Metered Installation Charge	84	-	-	30,660	1.60	0.00	0.00	0.00	49,056	-	49,056
Energy		31,100,500	-	-	0.00	0.00	0.00	1.10	-	342,106	342,106
Winter Demand		-	3,557,290	-	0.00	15.00	0.00	0.00	533,594	-	533,594
Capacity Supply (Sum of kVA)		-	10,143,715	-	0.00	6.60	0.00	0.00	669,485	-	669,485
Power Factor (kVAr)		-	2,772	-	0.00	0.00	7.00	0.00	19,404	-	19,404
DG		16,528	-	-	0.00	0.00	0.00	0.50	-	83	83
TOU Sealord											
Fixed	1	13,281,086	-	-	0.00	0.00	421,136.00	0.00	421,136	-	421,136
Power Factor (kVAr)		-	-	-	0.00	0.00	7.00	0.00	-	-	-
					0.00	0.00	0.00	0.50			
Direct Connection											
Energy		9,266,687	-	-	0.00	0.00	0.00	0.22	-	20,387	20,387
Installation	2	-	-	730	1.60	0.00	0.00	0.00	1,168	-	1,168
Winter Demand		-	610,645	-	0.00	13.00	0.00	0.00	79,384	-	79,384
Capacity Supplied		-	1,241,000	-	0.00	4.60	0.00	0.00	57,086	-	57,086
Power Factor (kVAr)		-	564	-	0.00	0.00	7.00	0.00	3,948	-	3,948
Transpower Cold Storage		-	1	-	0.00	0.00	50,092.00	0.00	50,092	-	50,092
Transpower NMDHB		-	1	-	0.00	0.00	95,534.00	0.00	95,534	-	95,534
DG		276	-	-	0.00	0.00	0.00	0.50	-	1	1
Σ P_{,2025} Q_{,2025}	9,363	133,284,366							6,128,917	3,040,167	9,169,085

Table 7 shows the forecast prices and quantities for the forecast revenue from prices for the fourth assessment period.

Price Category Quantity Forecasts

The annual forecasts of connections, connected capacity, energy volumes and demand by consumer group are apportioned into price category level quantities using historic billing splits within the consumer groups.

2024 Assessment Period

The introduction of new Peak/Off-Peak categories in Load Groups 1 and 2 in April 2023 has meant that total quantities have been allocated to each pricing category based on as-billed quantities for the 9 months billing data available April 2023 – December 2023. and the January 2024 – March 2024 apportioned based on as-billed quantities for the period January 2023 – March 2023 and with allocations to pricing categories based on as-billed proportions for the 9 months April 2023 – December 2023.

2025 Assessment Period

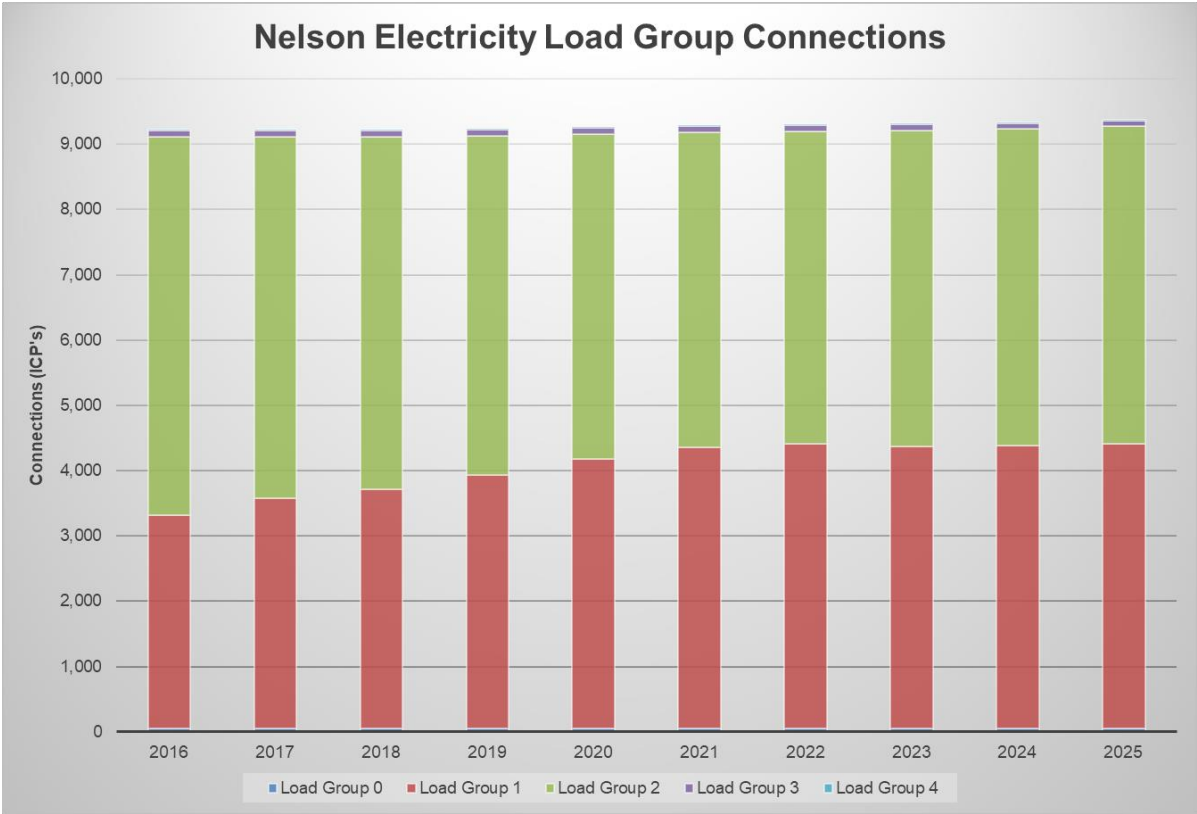
Estimated quantities for the 2025 assessment period have been assessed based on the as-billed quantity assessments for the period 1 January 2023 to 31 December 2023 to get a full years as-billed data. Network load consumption and consumer numbers between Load Groups have remained relatively flat through the year so it was deemed that utilising those quantities (with minor adjustments for new connections and minor consumption changes) was appropriate. Given the January 2023 – March 2023 data was under the old pricing regime, those quantities have been allocated to the new pricing codes that were introduced in April 2023 based on the actual billed proportions.

Other adjustments compared to previous years are:

- The typical migration of 200 domestic consumers per year shifting to the Low Fixed Charge option from Load Group 2 to Load Group 1 ceased since 2021. The number of consumers switching from Load Group 2 to Load Group 1 is being offset by the same number switching from Load Group 1 to Load Group 2. The quantity forecast is based on no migration.
- The quantity assessment also accounts for changes in connection numbers. There are 30 new connections factored into this assessment in Load Groups 1 and 2. The capacity and volume assessments used for these new connections is based on average domestic consumer connection size and consumptions for each Load Group.

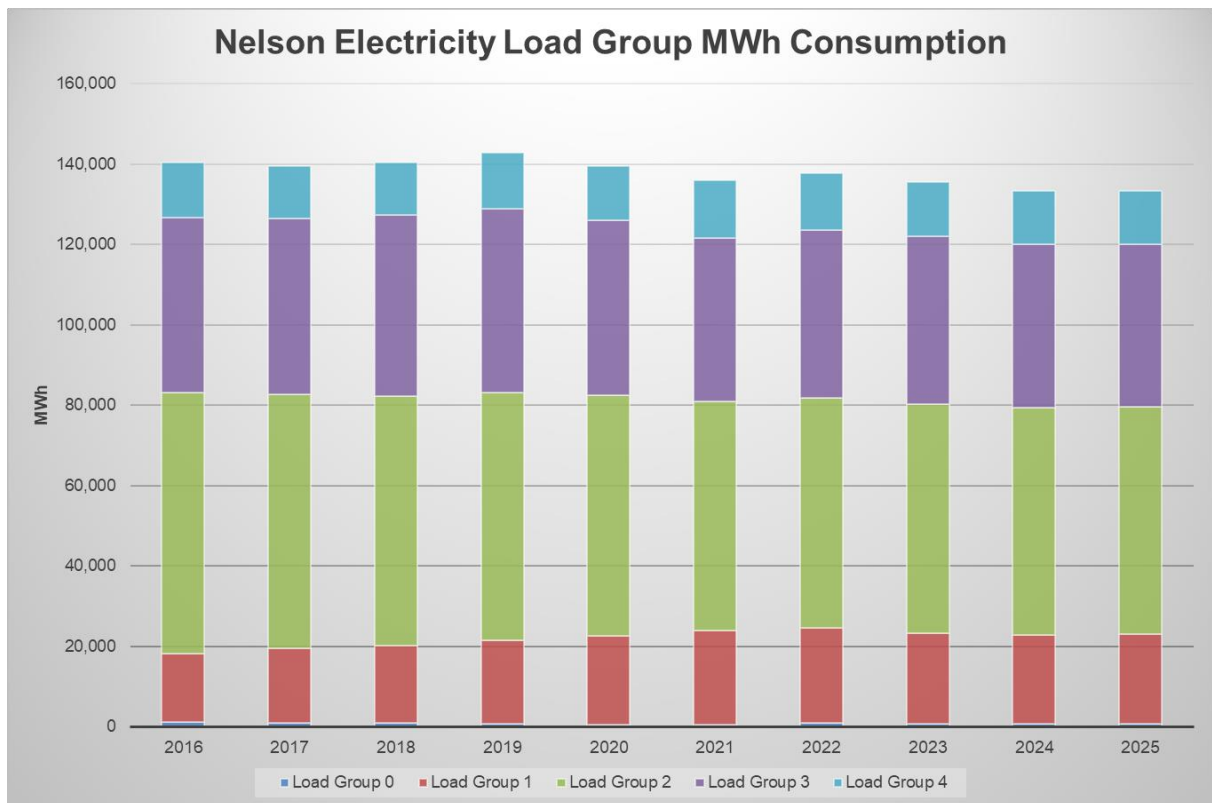
The following graphs demonstrate the Load Group quantity changes. All quantities are in alignment with expectation when considering the 2 factors above with Load Groups 1 and 2.

Quantity Graphs – Load Groups Combined



	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Load Group 0	51	50	48	47	50	53	52	49	50	46
Load Group 1	3,268	3,523	3,667	3,888	4,127	4,305	4,356	4,325	4,339	4,369
Load Group 2	5,795	5,536	5,400	5,192	4,978	4,821	4,785	4,832	4,841	4,861
Load Group 3	93	93	95	93	93	92	91	90	85	86
Load Group 4	1	1	1	1	1	1	1	1	1	1
Total	9,207	9,203	9,210	9,221	9,249	9,272	9,285	9,297	9,316	9,363

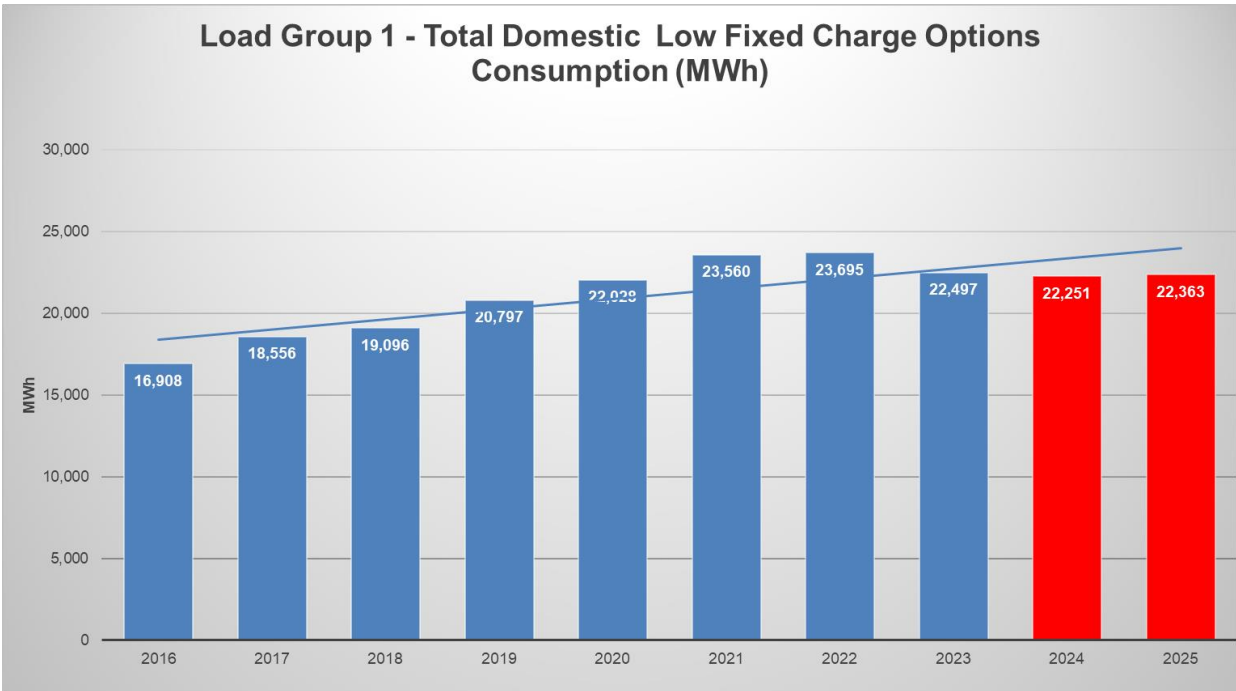
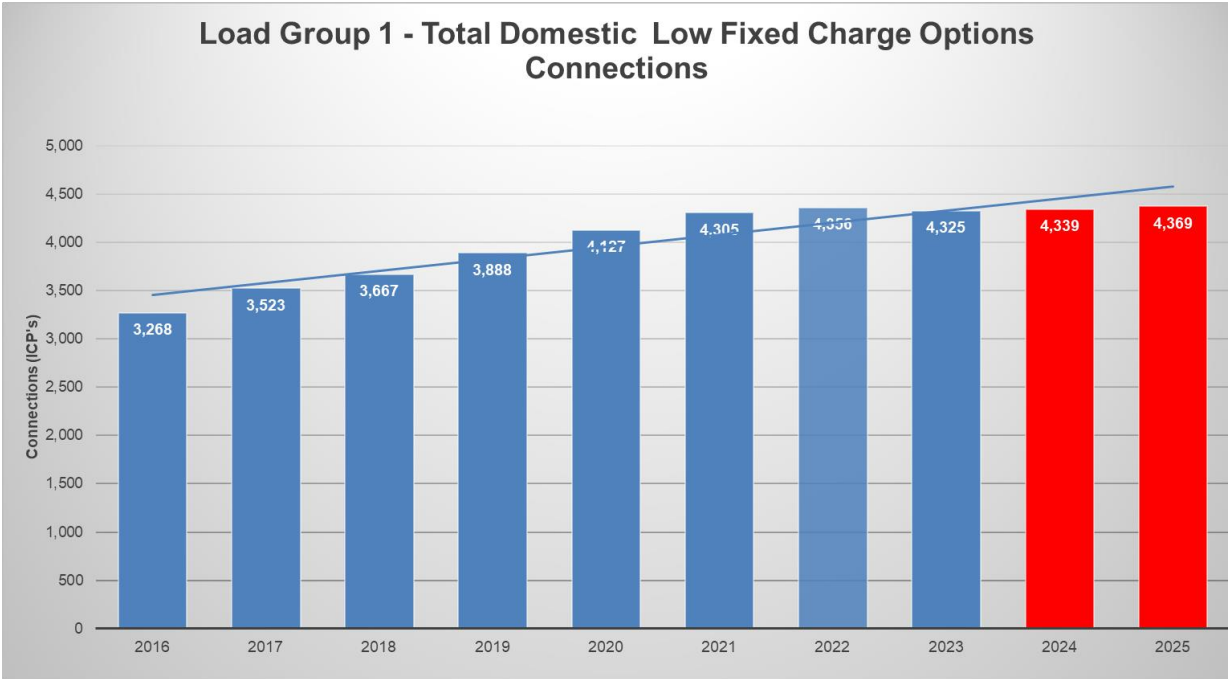
Quantity data from Information Disclosure - Schedule 8 for Periods 2015 - 2023. As Billed data used as base for forecasting 2024 and 2025.

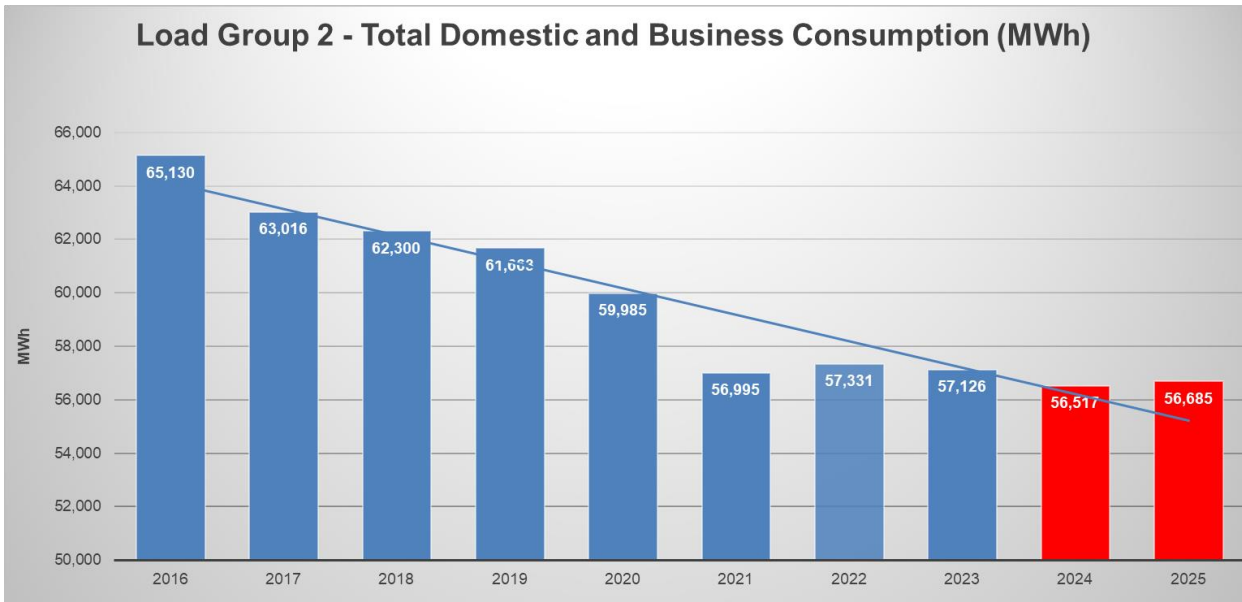
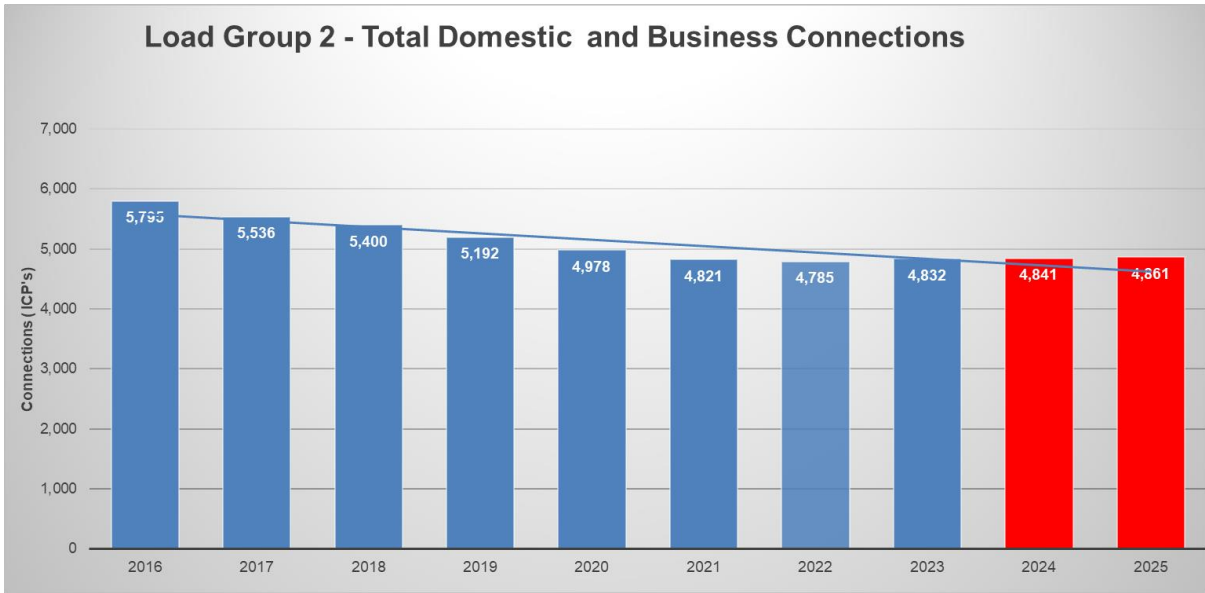


Nelson Electricity Consumption (MWh)										
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Load Group 0	1,196	1,053	986	799	553	463	894	687	685	687
Load Group 1	16,908	18,556	19,096	20,797	22,028	23,560	23,695	22,497	22,251	22,363
Load Group 2	65,130	63,016	62,300	61,663	59,985	56,995	57,331	57,126	56,517	56,685
Load Group 3	43,383	43,887	44,940	45,705	43,416	40,648	41,669	41,798	40,652	40,367
Load Group 4	13,708	13,095	13,020	13,802	13,592	14,245	14,066	13,348	13,281	13,281
Total	140,325	139,607	140,342	142,767	139,574	135,910	137,655	135,456	133,386	133,384

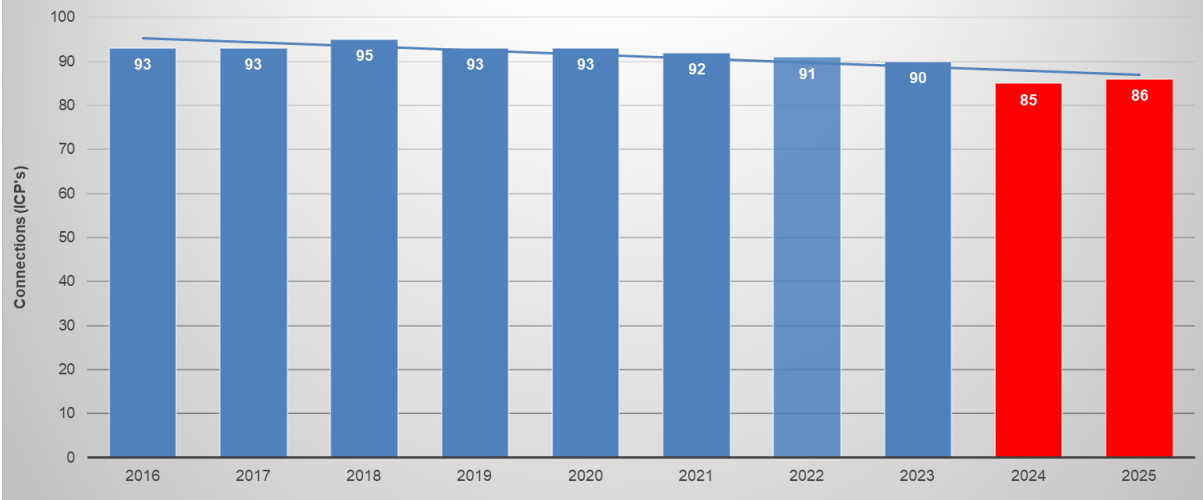
Quantity data from Information Disclosure - Schedule 8 for Periods 2015 - 2023. As Billed data used as base for forecasting 2024 and 2025.

Quantity Graphs – Individual Load Groups

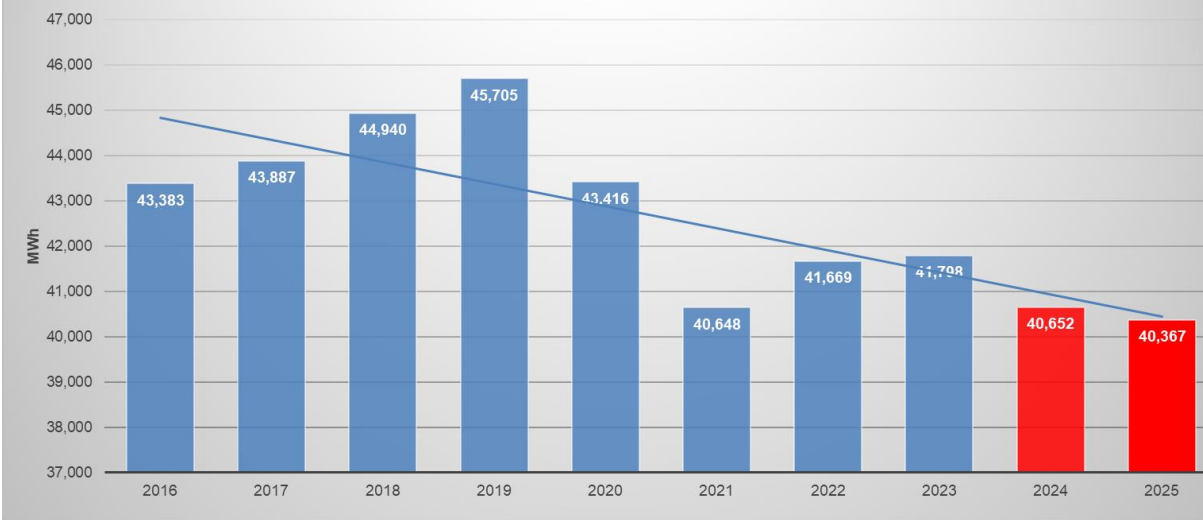




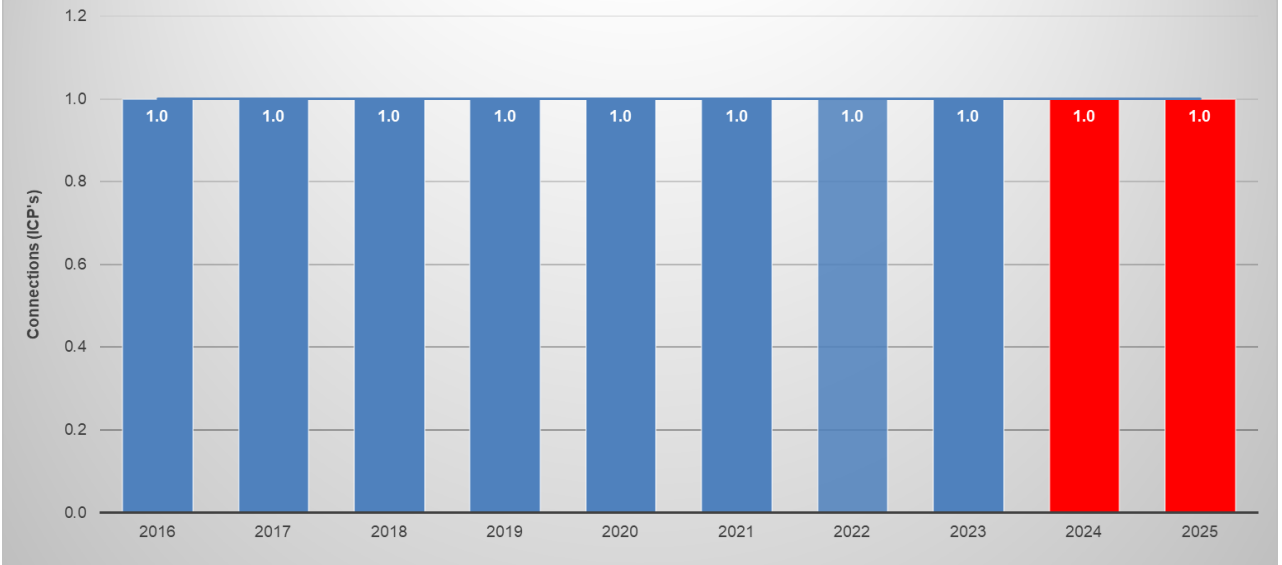
Load Group 3 - Large Business Connections



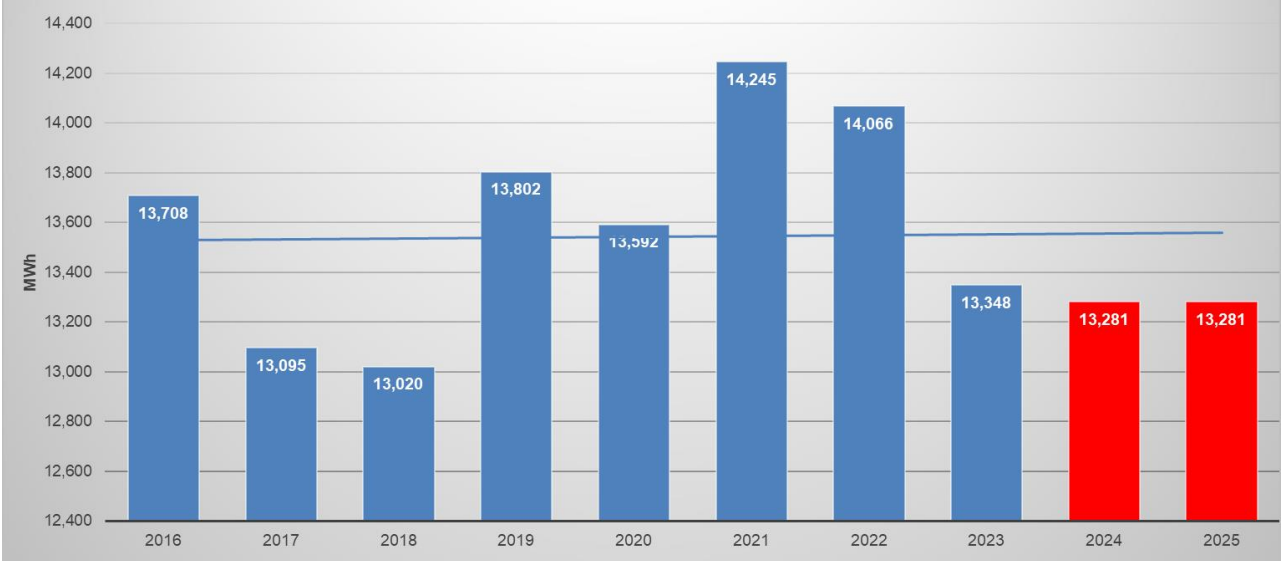
Load Group 3 - Large Business Consumption (MWh)



Load Group 4 - Large Business Connections



Load Group 4 - Large Business Consumption (MWh)



Appendix C – Director’s Certificate

**In accordance with the Commerce Act
Electricity Distribution Services Default Price-Quality Path Determination 2020**

SCHEDULE 6

Nelson Electricity Limited - Certificate for Annual Price-Setting Compliance Statement

Clause 11.2(c)

We, Oliver Rupert Kearney and Timothy James Cosgrove, being directors of Nelson Electricity Limited certify that, having made all reasonable enquiry, to the best of our knowledge and belief, the attached annual price-setting compliance statement of Nelson Electricity Limited, and related information, prepared for the purposes of the *Electricity Distribution Services Default Price-Quality Path Determination 2020* has been prepared in accordance with all relevant requirements, and all forecasts used in the calculations for forecast revenue from prices and forecast allowable revenue are reasonable.

Signed 

Signed 

Date 28 March 2024

Date 28 March 2024