

Nelson Electricity Limited

DEFAULT PRICE QUALITY PATH COMPLIANCE STATEMENT

FOR THE ASSESSMENT DATE 31 MARCH 2020

*Pursuant to the Electricity Distribution Services Default Price-Quality
Path Determination 2015*

30 June 2020

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1) Compliance with the Price Path (Clause 11.2(a)(i))

Nelson Electricity Limited complies with the price path at the assessment date, 31 March 2020, as specified in the *Electricity Distribution Services Default Price-Quality Path Determination 2015*.

Clause 8.3 - The notional revenue of a Non-exempt EDB in an Assessment Period must not exceed the allowable notional revenue for the Assessment Period.

Compliance is demonstrated in the following table. The table demonstrates that notional revenue derived using posted prices during the Assessment Period is less than the allowable notional revenue.

Test:	$NR_{2020} \leq ANR_{2020}$	
NR ₂₀₂₀ :	\$	6,855,255
ANR ₂₀₂₀ :	\$	6,897,408
Result:	0.9939 < 1	
Result:	Price Path has not been exceeded	

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

2) Compliance with the Quality Standards (Clause 11.2(a)(ii))

Nelson Electricity Limited does comply with all requirements of the quality standards at the assessment date, 31 March 2020, as specified in the *Electricity Distribution Services Default Price-Quality Path Determination 2015*.

2019 Reliability Assessment (9.1(a))

Clause 9.1(a) requires compliance with Clause 9.2: To comply with the annual reliability assessment for the current Assessment Period:

- a Non-exempt EDB's SAIDI Assessed Values for the Assessment Period must not exceed the SAIDI Limit specified in Schedule 4A; and
- a Non-exempt EDB's SAIFI Assessed Values for the Assessment Period must not exceed the SAIFI Limit specified in Schedule 4A.

Compliance is demonstrated in the following tables.

Clause 9.2(a) - A Non-exempt EDB's SAIDI Assessed Value for the Assessment Period must not exceed the SAIDI Limit specified in Schedule 4A.

Test:	$SAIDI_{Assess\ 2020} \leq SAIDI_{Limit}$
SAIDI _{Assess 2020}	6.29
SAIDI _{Limit}	22.23
Result:	0.2830 < 1
Result:	SAIDI Limit has not been exceeded

Clause 9.2(b) - A Non-exempt EDB's SAIFI Assessed Value for the Assessment Period must not exceed the SAIFI Limit specified in Schedule 4A.

Test:	$SAIFI_{Assess\ 2020} \leq SAIFI_{Limit}$
SAIFI _{Assess 2020}	0.024
SAIFI _{Limit}	0.241
Result:	0.0996 < 1
Result:	SAIFI Limit has not been exceeded

Prior Period Reliability Assessment (9.1(b))

Clause 9.1(b): A Non-exempt EDB must have complied with the annual reliability assessments in each of the two preceding Assessment Periods.

Compliance is demonstrated in the following tables.

Reliability Assessment for Period Ending 31 March 2019

SAIDI _{Assess 2019}	15.22	SAIFI _{Assess 2019}	0.099
SAIDI _{Limit}	22.23	SAIFI _{Limit}	0.241
	0.6847 < 1	Result:	0.4108 < 1
	SAIDI Limit has not been exceeded	Result:	SAIFI Limit has not been exceeded

Reliability Assessment for Period Ending 31 March 2018

SAIDI _{Assess 2018}	9.28	SAIFI _{Assess 2018}	0.089
SAIDI _{Limit}	22.23	SAIFI _{Limit}	0.241
	0.4175 < 1	Result:	0.3693 < 1
	SAIDI Limit has not been exceeded	Result:	SAIFI Limit has not been exceeded

Compliance Summary

Clause 9.1 A Non-exempt EDB must, in respect of each Assessment Period, either:

- (a) comply with the annual reliability assessment specified in clause 9.2 for that Assessment Period; or
- (b) have complied with the annual reliability assessment in each of the two preceding Assessment Periods

	SAIDI	SAIFI	Compliance
Compliance with 9.1(a)			
2020 Assessment Period	Does not exceed Limit	Does not exceed Limit	Complies
or			
Compliance with 9.1(b)			
2019 Assessment Period	Does not exceed Limit	Does not exceed Limit	Complies
2018 Assessment Period	Does not exceed Limit	Does not exceed Limit	Complies
Clause 9.1 Result:	<i>Complies with Quality Standard</i>		

- Clause 11.5(a) Not required due to complying with Clause 11.2(a)
- Clause 11.5(b) Not required due to complying with Clause 11.2(a)

Supporting evidence is presented in Appendices G and H.

3) Director Certification (Clause 11.3(a))

I, Michael John McCliskie, 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 2015 are true and accurate.

A handwritten signature in dark ink, appearing to read 'Michael', written in a cursive style.

30 June 2020

INDEPENDENT ASSURANCE REPORT

TO THE DIRECTORS OF NELSON ELECTRICITY LIMITED AND THE COMMERCE COMMISSION

The Auditor-General is the auditor of Nelson Electricity Limited (the company). The Auditor-General has appointed me, Nicole Dring, using the staff and resources of Deloitte Limited, to provide an opinion, on his behalf, on whether the Annual Compliance Statement for the year ended on 31 March 2020 on pages 2 to 5 and 10 to 28 has been prepared, in all material respects, in accordance with the Electricity Distribution Services Default Price-Quality Path Determination 2015 as amended by the *Electricity Distribution Services Default Price-Quality Path (Compliance Statement Due Date and Auditor's Report) Amendments Determination 2020*, issued by the Commerce Commission NZ on 9 April 2020 (the 'Determination as amended').

Opinion

In our opinion:

- as far as appears from an examination, the information used in the preparation of the Annual Compliance Statement has been properly extracted from the company's accounting and other records, and has been sourced, where appropriate, from its financial and non-financial systems; and
- the Annual Compliance Statement of the Company for the year ended on 31 March 2020, has been prepared, in all material respects, in accordance with the Determination, as amended.

In forming our opinion, we have obtained sufficient recorded evidence and all the information and explanations we have required.

Basis of opinion

We conducted our engagement in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised): *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and the Standard on Assurance Engagements 3100 (Revised): *Assurance Engagements on Compliance* issued by the New Zealand Auditing and Assurance Standards Board. Copies of these standards are available on the External Reporting Board's website.

These standards require that we comply with ethical requirements and plan and perform our assurance engagement to provide reasonable assurance about whether the Annual Compliance Statement has been prepared in all material respects in accordance with the Determination, as amended.

We have performed procedures to obtain evidence about the amounts and disclosures in the Annual Compliance Statement. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the Annual Compliance Statement, whether due to fraud or error or non-compliance with the Determination, as amended. In making those risk assessments, we considered internal control relevant to the company's preparation of the Annual Compliance Statement in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

In assessing the disclosures about compliance with the price path in clause 8 of the Determination, as amended, for the assessment period ended on 31 March 2020, our assurance engagement included examination, on a test basis, of evidence relevant to the amounts and disclosures contained on pages 2 to 5 and 10 to 28 of the Annual Compliance Statement.

In assessing the disclosures about compliance with the quality standards in clause 9 of the Determination, as amended, for the assessment period ended on 31 March 2020, our assurance engagement included examination, on a test basis, of evidence relevant to the amounts and disclosures contained on pages 2 to 5 and 10 to 28 of the Annual Compliance Statement.

Our assurance engagement also included assessment of the significant estimates and judgements, if any, made by the company in the preparation of the Annual Compliance Statement.

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

Scope and inherent limitations

Because of the inherent limitations of a reasonable assurance engagement, and the test basis of the procedures performed, it is possible that fraud, error or non-compliance may occur and not be detected.

We did not examine every transaction, adjustment or event underlying the Annual Compliance Statement nor do we guarantee complete accuracy of the Annual Compliance Statement. Also we did not evaluate the security and controls over the electronic publication of the Annual Compliance Statement.

The opinion expressed in this independent assurance report has been formed on the above basis.

Directors' responsibilities for the preparation of the Annual Compliance Statement

The directors of the company are responsible for the preparation of the Annual Compliance Statement in accordance with the Determination, as amended, 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.

Our responsibility for the Annual Compliance Statement

Our responsibility is to express an opinion on whether the Annual Compliance Statement has been prepared, in all material respects, in accordance with the Determination, as amended.

Independence and quality control

When carrying out the engagement, we complied with the Auditor-General's:

- independence and other ethical requirements, which incorporate the independence and ethical requirements of Professional and Ethical Standard 1 (Revised) issued by the New Zealand Auditing and Assurance Standards Board; and
- quality control requirements, which incorporate the quality control requirements of Professional and Ethical Standard 3 (Amended) issued by the New Zealand Auditing and Assurance Standards Board.

We also complied with the independent auditor requirements specified in the Determination, as amended.

The Auditor-General, and his employees, and Deloitte Limited and its partners and employees may deal with the Company on normal terms within the ordinary course of trading activities of the Company. Other than any dealings on normal terms within the ordinary course of business, this engagement¹, and the annual audit of the Company's financial statements, we have no relationship with or interests in the Company².

¹ If other relationships with, or interests in, the company exist this paragraph should be amended to include a reference to the other relationships with, or interests in, the company.

² Add "and its subsidiaries", where relevant.

Use of this report

This independent assurance report has been prepared solely for the directors of the Company and for the Commerce Commission for the purpose of providing those parties with reasonable assurance about whether the Annual Compliance Statement has been prepared, in all material respects, in accordance with the Determination, as amended. We disclaim any assumption of responsibility for any reliance on this report to any person other than the directors of the company or the Commerce Commission, or for any other purpose than that for which it was prepared.



Nicole Dring
Deloitte Limited
On behalf of the Auditor-General
Christchurch, New Zealand
30 June 2020

Appendix A – Price Path Compliance Calculation (Clause 11.4(c))

Price Path Inputs and Calculations for the Assessment Date 31 March 2020

Clause 8.4

Allowable Notional Revenue 31 March 2020		
Term	Description	Value \$
ANR_{2020}	Allowable Notional Revenue for year ending 31 March 2020	6,897,408

Clause 8.5

Notional Revenue for the year ending March 2019		
Term	Description	Value \$
$DP_{2020} * Q_{2018}$	Distribution Prices at 31 March 2020 multiplied by 31 March 2018 Base Quantities	6,855,255
NR_{2020}	Notional Revenue for the year ending 31 March 2020	6,855,255

Supported by P*Q
schedules presented in
Appendix B

Default Price Path Calculation for Period Ending 31 March 2020

- The allowable notional revenue for all Assessment Periods other than the first Assessment Period of a Regulatory Period or CPP Regulatory Period must be calculated in accordance with the formula -

$$ANR_t = (\sum_i DP_{i,t-1} Q_{i,t-2} + (ANR_{t-1} - NR_{t-1}))(1 + \Delta CPI_t)(1 - X)$$

where-

t	is the year in which the Assessment Period ends;
i	denotes each Distribution Price;
$DP_{i,t-1}$	is the i^{th} Distribution Price during any part of the Assessment Period ending the year prior to year t ;
$Q_{i,t-2}$	is the Quantity for the Assessment Period ending 2 years prior to year t corresponding to the i^{th} Distribution Price;
$ANR_{t-1} - NR_{t-1}$	is the difference between allowable notional revenue and notional revenue for the Assessment Period ending the year prior to year t ;
X	is the annual rate of change applicable to the Non-exempt EDB, as specified in Schedule 2; and
ΔCPI_t	is the derived change in the CPI to be applied for the Assessment Period ending in year t , being equal to:

$$\frac{CPI_{Dec,t-3} + CPI_{Mar,t-2} + CPI_{Jun,t-2} + CPI_{Sep,t-2}}{CPI_{Dec,t-4} + CPI_{Mar,t-3} + CPI_{Jun,t-3} + CPI_{Sep,t-3}} - 1$$

where-

$CPI_{q,t-n}$ is the CPI for the quarter year ending q in the 12 month period n years prior to year t .

From 31 March 2019 Default Price Quality Compliance Assessment

$$ANR_{2019} = \$6,811,551$$

$$NR_{2019} = \$6,699,411$$

ANR_{2020}	$=$	$(\sum DP_{2019} \times Q_{2018} + (ANR_{2019} - NR_{2019})) \times$	$(1 + CPI_{2020})$	\times	$(1 - X)$
ANR_{2020}	$=$	$\$6,681,535 + \$112,140 \times$	1.015269	\times	1
ANR_{2020}	$=$	$\$6,897,408$			
ANR_{2020}		$\$6,897,408$			
NR_{2020}	$=$	$\$6,855,255$			

Distribution Price - Total Pass Through Price Revenue Table using 31 March 2020 Prices and 2017/2018 Quantities

Number of Days:		365											
Tariff or Fee	Number of ICPs at 31/03/2018 From Registry	Billed kWh at 31/3/2018	Billed kVA at 31/3/2018	Billed Days at 31/3/2018	Total Pass Through Prices			Notional Distribution Revenue (\$)		Total Revenue (\$)			
					Fixed		Variable (c/kWh)	Fixed	Variable				
					\$/day	c/kVA/day					Other		
													DP, ₂₀₂₀ Q, ₂₀₁₈
Group 0													
Streetlights	1	981,013	-	365	221.2550				80,758				80,758
Unmetered Fixed	32	-	-	10,727	0.0700				751				751
Unmetered Capacity		-	1,969	-		65.7920			1,296				1,296
Builders Temp	13	-	-	5,306	0.6400				3,396				3,396
BT-kWh		5,088	-	-				6.5550	-	334			334
Group 1													
Fixed	3753	-	20,039,535	-		0.9700			194,383				194,383
Anytime		12,875,802	-	-				6.5550	-	844,009			844,009
Controlled		5,753,731	-	-				3.9700	-	228,423			228,423
Nightrate		466,065	-	-				2.5020	-	11,661			11,661
DG		74,405	-	-				0.5000	-	372			372
Group 2													
Fixed	5316	-	41,709,280	-		6.5200			2,719,445				2,719,445
Anytime		52,072,783	-	-				1.9980	-	1,040,414			1,040,414
Controlled		9,298,551	-	-				1.3170	-	122,462			122,462
Nightrate		928,895	-	-				1.0450	-	9,707			9,707
DG		157,301	-	-				0.5000	-	787			787
Time of Use													
Metered Installation Charge	91	-	-	32,950	1.2112				39,909				39,909
Energy		34,114,059	-	-				0.2790	-	95,178			95,178
Winter Demand		-	3,911,962	-		12.9960			508,399				508,399
Capacity Supply (Sum of kVA)		-	10,323,966	-		5.1000			526,522				526,522
Power Factor		-	4,821	-			6.5000		31,335				31,335
DG		-	-	-				0.5000	-	-			-
TOU Sealord													
Fixed	1	13,020,098	-	-			196,558.0000		196,558				196,558
Power Factor		-	-	-			6.5000		-				-
Direct Connection													
Energy		10,826,177	-	-				0.2790	-	30,205			30,205
Installation	2	-	-	730	1.2112				884				884
Winter Demand		-	679,238	-		12.9960			88,274				88,274
Capacity Supplied		-	1,423,500	-		5.1000			72,599				72,599
Power Factor		-	1,107	-			6.5000		7,195				7,195
Transpower Cold Storage		-	-	-					-				-
Transpower NMDHB		-	-	-					-				-
DG		-	-	-				0.5000	-	-			-
Σ DP, ₂₀₂₀ Q, ₂₀₁₈		9,209	140,342,264										6,855,255

Appendix B – Portion of Distribution and Pass-Through Prices (Clause 11.4(d))

Price Summary Table using 31 March 2020 Prices

Price Description	Type	PRICES			SPLIT %	
		Distribution Price (DP ₂₀₂₀)	Pass Through Price (PTP ₂₀₂₀)	Total (P ₂₀₂₀)	Distribution Price (DP ₂₀₂₀)	Pass Through Price (PTP ₂₀₂₀)
Group 0						
Streetlights	\$/Day	221.255	47.745	269.000	82%	18%
Unmetered Fixed	\$/Day	0.070	0.002	0.072	97%	3%
Unmetered Capacity	cents/kW/day	65.792	38.208	104.000	63%	37%
Builders Temp	\$/Day	0.640	0.022	0.662	97%	3%
BT-kWh	cents/kWh	6.555	2.255	8.810	74%	26%
Group 1						
Fixed	cents/kVA/day	0.970	0.030	1.000	97%	3%
Anytime	cents/kWh	6.555	2.255	8.810	74%	26%
Controlled	cents/kWh	3.970	1.300	5.270	75%	25%
Nightrate	cents/kWh	2.502	0.778	3.280	76%	24%
DG	cents/kWh	0.500	0.000	0.500	100%	0%
Group 2						
Fixed	cents/kVA/day	6.520	0.180	6.700	97%	3%
Anytime	cents/kWh	1.998	2.132	4.130	48%	52%
Controlled	cents/kWh	1.317	1.233	2.550	52%	48%
Nightrate	cents/kWh	1.045	0.735	1.780	59%	41%
DG	cents/kWh	0.500	0.000	0.500	100%	0%
Time of Use						
Metered Installation Charge	\$/Day	1.211	0.049	1.260	96%	4%
Energy	cents/kWh	0.279	0.921	1.200	23%	77%
Winter Demand	cents/kVA/day	12.996	6.904	19.900	65%	35%
Capacity Supply (Sum of kVA)	cents/kVA/day	5.100	0.180	5.280	97%	3%
Power Factor (kVAr)	\$/kVAr/month	6.500	0.000	6.500	100%	0%
DG	cents/kWh	0.500	0.000	0.500	100%	0%
TOU Sealord						
Fixed	\$/year	196,558	238,116	434,674	45%	55%
Power Factor (kVAr)	\$/kVAr/month	6.500	0.000	6.500	100%	0%
Direct Connection						
Energy	cents/kWh	0.279	0.021	0.300	93%	7%
Installation	\$/Day	1.211	0.049	1.260	96%	4%
Winter Demand	cents/kVA/day	12.996	0.424	13.420	97%	3%
Capacity Supplied	cents/kVA/day	5.100	0.180	5.280	97%	3%
Power Factor (kVAr)	\$/kVAr/month	6.500	0.000	6.500	100%	0%
Transpower Cold Storage	\$/year	0.000	46,113	46,113	0%	100%
Transpower NMDHB	\$/year	0.000	105,183	105,183	0%	100%

Appendix C – Methodology used to calculate Distribution and Pass-Through Prices (Clause 11.4(e))

In setting of prices Nelson Electricity attempts to provide consumers a smooth price path attempting to reduce annual variations while complying with the Electricity Distribution Services Default Price-Quality Path Determination 2015.

Distribution prices

Distribution Prices are set to recover indirect operating costs, direct operating costs, depreciation and cost of capital. The setting of the prices also takes into account historical charging practices and methodologies.

We recover our costs to serve each load group via our distribution prices. The cost allocation is based on the following:

- Operating Costs - Operational Expenditure Budget that covers both the planned and unplanned network R&M expenditure on the network. The Operational Expenditure Budget is split into the different asset types as per the Regulatory Asset Value of System Fixed Assets table groups. The asset group expenses are then allocated to each load group first based on whether the Group utilises that class of asset (eg Group 4 does not utilise the 400V network so does not contribute towards those associated costs) then through the assessed balance of each groups kWh consumption (60%) and Winter Demand contribution (40%). This percentage allocation attempts to provide a balance between a Group's peak demand utilisation and overall usage. Some re balancing is required for load group specific costs.
- Overhead Costs – Are apportioned by using two measures; the number of network connections and the maximum demand of the load group. This gives a balance of spreading overhead costs between the business of selling capacity and the number of consumers connected.
- Depreciation – This is apportioned by using the assessed depreciation using the NEL Regulatory Asset Base model as a base and follows the same rationale as Operating Costs (except without re-allocation of Load Group specific costs).
- Target Return - This is apportioned to load groups as per the Regulatory Asset Base % split per load group as per the rationale of the operating costs.

Pass-Through Prices

The Pass-Through prices as have been applied for the year ending 31 March 2020 include both the Pass-Through costs and Recoverable Costs as specified in the Electricity Distribution Services Default Price-Quality Path Determination 2015. The methodology to calculate the Pass-Through and Recoverable Costs differs and is described below.

Pass-Through Cost and setting of Price

Nelson Electricity forecasts Pass-Through costs (where not known at time of setting prices) based on the previous year's costs plus an adjustment based on the best information available. Typically the adjustment has been a growth factor linked to previous years historical change of costs. For example, the Electricity Authority

Levies were assessed to have a 2% increase and Local Authority Rates 2% (for the unknown period July 2019 – March 2020).

For the purposes of setting Prices, the forecasted Pass-Through costs also includes any Recoverable Cost (excluding transmission).

The costs are originally included in the setting of the Distribution Prices (so are allocated in the same manner as the Distribution Prices) then separated back out based on the percentage of Pass-Through (excluding transmission) divided by Distribution price. This then allocates the Pass-Through costs in a fair manner across all consumers.

Recoverable cost and Setting of Price

The major component in transmission costs (90%) is the Interconnection charge - Regional Coincident Peak Demand (RCPD) of the Top of the South Island. Transmission peaks are typically encountered during the winter period. Transmission costs are apportioned based on each group's influence. This is achieved through peak demand analysis of each Load Group. Groups 0, 1 and 2 currently recover transmission costs 100% via the kWh charge and Groups 3 and 4 via a mixture of winter control period demand charge (68%) and a kWh charge (32%).

The Nelson Electricity cost allocation methodology has remained relatively stable for a number of years but does from time to time have adjustments made to account for changes in Transmission Costs or the methodology used to determine Transmission Costs. When making changes to the allocation methodology Nelson Electricity attempts to align the allocation methodology with the way costs are incurred as far as is reasonable considering the practicalities of allocating these to the different Load groups.

Appendix D – Pass-Through Balance Assessment (Clauses 11.4(f), (g) and (k))

Nelson Electricity - Estimated Pass-Through Balance for Year Ending 31 March 2019 and 31 March 2020

		31 March 2019	31 March 2020
Actual Assessed Pass-Through Prices X Quantities		\$3,224,587	\$2,715,119
less			
Pass-Through Costs			
	Local Authority Rates	\$32,658	\$33,802.89
	Electricity Authority Levies	\$40,190	\$39,360.90
	Commerce Commission Levies	\$23,295	\$24,218.58
	Electricity and Gas Complaints Commissioner Scheme	\$4,966	\$5,143.97
		\$101,109	\$102,526
Recoverable Costs			
	Transmission	\$3,256,983	\$2,533,958
Schedule 5A	Energy Efficiency	\$0	\$0
Schedule 5B	Quality Incentive Adjustment	\$64,348	\$68,240
Schedule 5C	Claw Back	\$0	\$0
Schedule 5D	2013 - 2015 NPV Washup	\$0	\$0
Schedule 5E	Avoided transmission costs	\$0	\$0
Schedule 5F	Transmission Asset Wash-up Adj	\$0	\$0
Schedule 5G	Opex and Capex Incentive	\$0	\$0
Schedule 5H	Extended Reserve Allowance	\$0	\$0
Capex Washup		\$27,000	\$29,000
		\$3,348,331	\$2,631,198
Total		\$3,449,440	\$2,733,724
Equals (Over or Under Recovery)		-\$224,853	-\$18,605
plus			
Pass-Through Balance from Previous Period		\$189,539	-\$23,771
Cost of Debt			
	Risk Free Rate	4.09%	
	Debt Premium	1.65%	
	Debt Issuance Costs	0.35%	
		6.09%	6.09%
Pass-Through Balance x Cost of Debt		\$201,082	-\$25,219
Pass-Through Balance (Positive is over recovery)		-\$23,771	-\$43,824

Clause 11.4(f)

Pass-Through Cost Recovery Schedule for Assessment Period Ending 31 March 2020

Pass-Through Price Revenue Table using 31 March 2020 Prices and 2019/2020 Quantities

Number of Days:		366									
Tariff or Fee	Number of ICPs at 31/03/2020 From Registry	Billed kWh at 31/3/2020	Billed kVA at 31/3/2020	Billed Days at 31/3/2020	Distribution Charges				Notional Distribution Revenue (\$)		Total Revenue (\$)
					Fixed			Variable (c/kWh)	Fixed	Variable	
					\$/day	c/kVA/day	Other				PTP ₂₀₂₀ Q ₂₀₂₀
Group 0											
Streetlights	1	545,130	-	335	47.74500				15,995		15,995
Unmetered Fixed	36	-	-	4,686	0.00200				9		9
Unmetered Capacity		-	904	-		38.20800			345		345
Builders Temp	18	-	-	4,925	0.02200				108		108
BT-kWh		7,585	-	-				2.25500	-	171	171
Group 1											
Fixed	4,188	-	22,705,950	-		0.03000			6,812		6,812
Anytime		15,041,662	-	-				2.25500	-	339,189	339,189
Controlled		6,528,201	-	-				1.30000	-	84,867	84,867
Nightrate		458,020	-	-				0.77800	-	3,563	3,563
DG		119,529	-	-					-		-
Group 2		-	-								
Fixed	4,931	-	39,723,070	-		0.18000			71,502		71,502
Anytime		50,900,496	-	-				2.13200	-	1,085,199	1,085,199
Controlled		8,263,140	-	-				1.23300	-	101,885	101,885
Nightrate		821,591	-	-				0.73500	-	6,039	6,039
DG		229,275	-	-					-		-
Time of Use		-	-	-							
Metered Installation Charge	91	-	-	32,645	0.04880				1,593		1,593
Energy		33,444,310	-	-				0.92100	-	308,022	308,022
Winter Demand		-	3,807,181	-		6.90400			262,848		262,848
Capacity Supply (Sum of kVA)		-	10,479,216	-		0.18000			18,863		18,863
Power Factor (kVAr)		-	3,730	-					-		-
DG		-	-	-							
TOU Sealord		-	-	-							
Fixed	1	13,591,987	12	-			238,116		238,116		238,116
Power Factor (kVAr)		-	-	-					-		-
Direct Connection		-	-	-							
Energy		9,971,844	-	-				0.02100	-	2,094	2,094
Installation	2	-	-	732	0.04880				36		36
Winter Demand		-	710,772	-		0.42400			3,014		3,014
Capacity Supplied		-	1,340,900	-		0.18000			2,414		2,414
Power Factor (kVAr)		-	777	-					-		-
Transpower Cold Storage		-	1	-			57,840		57,840		57,840
Transpower NMDHB		-	12	-			104,597		104,597		104,597
DG		-							-		-
Σ PTP ₂₀₂₀ Q ₂₀₂₀	9,268	139,573,966									2,715,119

Pass-Through Cost Recovery Schedule for Assessment Period Ending 31 March 2019

Pass-Through Price Revenue Table using 31 March 2019 Prices and 2018/2019 Quantities

Number of Days:	365									
Tariff or Fee	Number of ICPs at 31/03/2019 From Registry	Billed kWh at 31/3/2019	Billed kVA at 31/3/2019	Billed Days at 31/3/2019	Distribution Charges			Notional Distribution Revenue (\$)		Total Revenue (\$)
					Fixed		Variable (c/kWh)	Fixed	Variable	
					\$/day	c/kVA/day				Other
Group 0										
Streetlights	1	787,776	-	365	60.50000			22,083		22,083
Unmetered Fixed	35	-	-	3,948	0.00070			3		3
Unmetered Capacity		-	1,992	-		46.75000		931		931
Builders Temp	10	-	-	3,748	0.00900			34		34
BT-kWh		11,486	-	-			2.74700	-	316	316
Group 1										
Fixed	3,984	-	21,258,449	-		0.01500		3,189		3,189
Anytime		14,156,978	-	-			2.74700	-	388,892	388,892
Controlled		6,179,045	-	-			1.55900	-	96,331	96,331
Nightrate		460,869	-	-			0.92600	-	4,268	4,268
DG		109,946	-	-				-		-
Group 2										
Fixed	5,108	-	40,632,008	-		0.08800		35,756		35,756
Anytime		52,105,626	-	-			2.68200	-	1,397,473	1,397,473
Controlled		8,712,294	-	-			1.52600	-	132,950	132,950
Nightrate		845,555	-	-			0.90600	-	7,661	7,661
DG		186,908	-	-				-		-
Time of Use		-	-	-						
Metered Installation Charge	91	-	-	33,184	0.02000			664		664
Energy		34,504,492	-	-			1.14500	-	395,076	395,076
Winter Demand		-	3,820,151	-		8.39200		320,587		320,587
Capacity Supply (Sum of kVA)		-	10,452,982	-		0.07000		7,317		7,317
Power Factor (kVA)		-	4,315	-				-		-
DG		-	-	-						
TOU Sealord		-	-	-						
Fixed	1	13,802,207	-	-			258,836	258,836		258,836
Power Factor (kVA)		-	-	-				-		-
Direct Connection		-	-	-						
Energy		11,200,721	-	-			0.00800	-	896	896
Installation	2	-	-	730	0.02000			15		15
Winter Demand		-	701,362	-		0.16000		1,122		1,122
Capacity Supplied		-	1,422,000	-		0.07000		995		995
Power Factor (kVA)		-	1,020	-				-		-
Transpower Cold Storage		-	1	-			40,135	40,135		40,135
Transpower NMDHB		-	1	-			109,058	109,058		109,058
DG		-						-		-
Σ PTP ₂₀₁₉ Q ₂₀₁₉	9,232	142,767,049								3,224,587

Appendix E – Pass-Through Costs (Clauses 11.4(i) and (j))

Commerce Act Electricity Distribution Services Default Price-Quality Path Determination 2015

Pass-Through and Recoverable Costs for the Assessment Date 31 March 2020

Pass Through and Recoverable Costs for year ending 31 March 2020				
K ₂₀₂₀ and V ₂₀₂₀	Actual (\$)	Forecast (\$)	Variance (\$)	Variance (%)
Recoverable Costs V₂₀₂₀				
Transmission	2,533,958	2,542,032	(8,075)	(0.32%)
Schedule 5A - Energy Efficiency	-	-	-	-
Schedule 5B - Quality Incentive Adjustment	68,240	68,240	-	-
Schedule 5C - Claw Back	-	-	-	-
Schedule 5D - NPV Washup Allowances	-	-	-	-
Schedule 5E - Avoided Transmission Costs	-	-	-	-
Schedule 5F - Transmission Asset Wash-up Adj	-	-	-	-
Schedule 5G - Opex and Capex Adjustment	-	-	-	-
Schedule 5H - Extended Reserve Allowance	-	-	-	-
Capex Washup	29,000	29,000	-	-
Pass-through Costs K₂₀₂₀				
Rates	33,803	33,417	386	1.14%
Electricity Authority Levies	39,354	40,728	(1,374)	(3.49%)
Commerce Act Levies	24,219	23,761	457	1.89%
EGCC	5,144	5,065	79	1.53%
Total Pass Through and Recoverable Costs	2,733,717	2,742,243	(8,526)	(0.31%)

Explanation:

The table above represents the variances between the forecast Pass-Through and Recoverable Costs versus the Actual Costs for the year ending 31 March 2020.

All cost variances are within acceptable limits.

Appendix F – Transmission Assets, Transactions and Restructuring of Prices (Clauses 11.2(d), 11.4(h) and 11.6 – 11.8)

Clauses 11.2(d)(i), 11.7 and 11.8 – Nelson Electricity Limited did not undertake a Restructure of its Prices that first applied during the current or preceding Assessment Period and therefore clauses 8.7 - 8.10 did not apply during the Assessment Period.

Clause 11.2(d)(ii) – Nelson Electricity Limited did not receive a transfer of transmission assets from Transpower that became system fixed assets, or transfer system fixed assets to Transpower during the Assessment Period.

Clauses 11.2(d)(iii)-(iv) and 11.6 – Nelson Electricity Limited did not participate in an Amalgamation, a Merger or Major Transaction for the Assessment Period. Clauses 10.1 – 10.4 therefore did not apply for the Assessment Period.

Clauses 11.4(h) Nelson Electricity Limited did not enter into any new investment contracts during the assessment period.

Appendix G – Quality Standard Compliance Calculations (Clauses 11.5(c), (d) and (f))

Quality Standard Compliance Calculations

Reliability Limits and Boundary Values

SAIDI and SAIFI Limits

SAIDI Limit 2015-2020 regulatory period	22.23
SAIFI Limit 2015-2020 regulatory period	0.241
SAIDI Unplanned Boundary Vanlue 2015-2020 regulatory period	2.699
SAIFI Unplanned Boundary Vanlue 2015-2020 regulatory period	0.033

SAIDI Limit 2010-2015 regulatory period	71.536
SAIFI Limit 2010-2015 regulatory period	1.126

Reliability Assessment Calculations (2020 Assessment Period)

SAIDI Assessed Values

Raw Data			Adjusted Data		
SAIDI _B	Planned SAIDI	11.46	SAIDI _B	Planned SAIDI multiplied by 0.5	5.73
SAIDI _C	Unplanned SAIDI	0.56	SAIDI _C	Normalised Unplanned SAIDI	0.56
SAIDI _{Assess (B+C)}					6.29

SAIFI Assessed Values

Raw Data			Adjusted Data		
SAIFI _B	Planned SAIFI	0.037	SAIFI _B	Planned SAIFI multiplied by 0.5	0.019
SAIFI _C	Unplanned SAIFI	0.006	SAIFI _C	Normalised Unplanned SAIFI	0.006
SAIFI _{Assess (B+C)}					0.024

Normalisation

Days Exceeding SAIDI Boundary Value within the 2019/20 Assessment Dataset

Date	Pre-Normalised unplanned SAIDI	Normalised unplanned SAIDI

Days Exceeding SAIFI Boundary Value within the 2019/20 Assessment Dataset

Date	Pre-Normalised unplanned SAIFI	Normalised unplanned SAIFI

Prior Period Assessed Values

Assessed SAIDI Value 2019

SAIDI ₂₀₁₉	15.22
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The sum of daily SAIDI values in the 1 April 2018 - 31 March 2019 Normalised Assessment Dataset

Assessed SAIFI Value 2018

SAIFI ₂₀₁₉	0.10
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The sum of daily SAIFI values in the 1 April 2018 - 31 March 2019 Normalised Assessment Dataset

Assessed SAIDI Value 2018

SAIDI ₂₀₁₈	9.28
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The sum of daily SAIDI values in the 1 April 2017 - 31 March 2018 Normalised Assessment Dataset

Assessed SAIFI Value 2018

SAIFI ₂₀₁₈	0.09
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The sum of daily SAIFI values in the 1 April 2017 - 31 March 2018 Normalised Assessment Dataset

Quality Incentive Calculations
Quality Incentive Adjustment (2020 Assessment Period)

Quality Incentive Adjustment		
Term	Description	Value \$
S_{SAIDI}	SAIDI Incentive	\$34,120
S_{SAIFI}	SAIFI Incentive	\$34,120
S_{TOTAL}	SAIDI Incentive plus SAIFI Incentive	\$68,240

SAIDI Incentive		
Term	Description	Value \$
<i>SAIDI Target</i>	SAIDI Target specified in DPP Determination	16.2056
<i>SAIDI Collar</i>	SAIDI incentive range Collar specified in DPP Determination	10.1810
<i>SAIDI Cap</i>	SAIDI incentive range Cap specified in DPP Determination	22.2302
<i>Starting Price MAR</i>	Maximum allowable revenue for 2015/16 year	\$6,824,000
REV_{RISK}	Revenue at (equal to 1% of MAR)	\$68,240
$SAIDI_{IR}$	SAIDI incentive rate per unit (equal to 50% of revenue at risk divided by Cap minus Target)	\$5,663
$SAIDI_{ASSESS}$	Assessed SAIDI value for purpose of incentive	6.29
S_{SAIDI}	SAIDI incentive adjustment assessment $SAIDI_{ASSESS}$ between SAIDI Collar and SAIDI Cap = $SAIDI_{IR}$ multiplied by (SAIDI target minus $SAIDI_{ASSESS}$), or $SAIDI_{ASSESS}$ below SAIDI Collar = 50% of REV_{RISK} , or $SAIDI_{ASSESS}$ above SAIDI Cap = -50% of REV_{RISK} .	\$34,120

SAIFI Incentive		
Term	Description	Value \$
<i>SAIFI Target</i>	SAIFI Target specified in DPP Determination	0.1751
<i>SAIFI Collar</i>	SAIFI incentive range Collar specified in DPP Determination	0.1091
<i>SAIFI Cap</i>	SAIFI incentive range Cap specified in DPP Determination	0.2411
<i>MAR</i>	Maximum allowable revenue for 2015/16 year	\$6,824,000
REV_{RISK}	Revenue at (equal to 1% of MAR)	\$68,240
$SAIFI_{IR}$	SAIFI incentive rate per unit (equal to 50% of revenue at risk divided by Cap minus Target)	\$516,970
$SAIFI_{ASSESS}$	Assessed SAIFI value for purpose of incentive	0.0242
S_{SAIFI}	SAIFI incentive adjustment assessment $SAIFI_{ASSESS}$ between SAIFI Collar and SAIFI Cap = $SAIFI_{IR}$ multiplied by (SAIFI target minus $SAIFI_{ASSESS}$), or $SAIFI_{ASSESS}$ below SAIFI Collar = 50% of REV_{RISK} , or $SAIFI_{ASSESS}$ above SAIFI Cap = -50% of REV_{RISK} .	\$34,120

Clause 11.5(d) - There were no recalculations of Limits, Boundary Values, Targets, Caps or Collars required for the assessment period.

Clause 11.5(f) – Description of the cause of each Major Event Day

There were no Major Event Days in the assessment period.

Appendix H – Policies and Procedures for Recording SAIDI and SAIFI (Clause 11.5(e))

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 number of outages on the Nelson Electricity network is 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 have 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 statistics 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 Network 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 number of outages on the Nelson Electricity network is 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 Network 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 Assessment disclosure.

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

Outage Statistics Reporting Flow Chart

