

Buller Electricity Limited

Regulation of Electricity Lines Business

Targeted Control Regime

Threshold Compliance Statement

as at Assessment Date

31st March 2009

Buller Electricity Limited

1. Title

This notice is in compliance with the Commerce Act (Electricity Distribution Thresholds) Notice 2004

2. Commencement

This notice came into force on 1st April 2004

3. Interpretation

In this notice, unless the context otherwise requires –

assessment means assessment under section 57h(a) of the Act

assessment date means a date at which distribution businesses are to be assessed against a threshold, being 31 March of each of the years 2005 to 2009 inclusive

assessment period means the period of 12 months ending on an assessment date

avoided transmission charge means, in relation to a distribution business, any expense (including the cost of capital) of the distribution business that arises from any generation or other activity which substitutes for use of the transmission system

base quantity means, for the purpose of calculating the revenue of a distribution business, the annual quantity (kWh, kVA etc) corresponding to a price

initial notice means the Commerce Act (Electricity Lines Thresholds) Notice 2003

notional revenue means, in relation to a distribution business, revenue less pass-through costs

pass-through costs, for any assessment period, means –

- (a) the transmission charges, rates and Electricity Commission levies paid or payable by the distribution business for that assessment period –

but does not include –

- (b) any amounts described in paragraph (a) if the distribution business demonstrates beyond reasonable doubt that those amounts were passed on transparently to its customers and/or electricity retailers

price means –

- (a) a posted price in nominal terms (such as a tariff, fee or charge) or a component thereof, that a distribution business charges in relation to a specified service (and

which may include discounts, provided those discounts are disclosed in accordance with Part 6 of the Requirements) –

but does not include –

(b) any amounts described in paragraph (b) of the definition of pass-through costs

rates, in relation to a distribution business, means the rates on system fixed assets (as defined in the Requirements) paid or payable by the distribution business to a territorial local authority under the Rating Powers Act 1988 or the Local Government (Rating) Act 2002

reference date means 31st March 2004

Requirements means the Electricity Information Disclosure Requirements 2004 or any successor requirements published by the Commission under section 57T of the Act

revenue, in relation to a distribution business, means the summation, across all prices, of the product of price and base quantity

4. Price Path Threshold

notional revenue at each assessment date: the notional revenue of a distribution business at each assessment date (calculated in accordance with the numerator of the left-hand side of the following expression) **is not to exceed** the allowable notional revenue of the distribution business under the CPI–X price path at that assessment date (calculated in accordance with the denominator of the left-hand side of the following expression):

$$\frac{NR_t}{R_t} \leq 1$$

where:

t denotes the calendar year during which the assessment date occurs

NR_t is the notional revenue for the assessment period ending in the calendar year t , being equal to $\sum_i P_{i,t}Q_i - K_t$

i denotes each price pertaining to every specified service

$P_{i,t}$ is the i^{th} price at the assessment date occurring in the calendar year t

Q_i is the base quantity corresponding to the i^{th} price for the year ending 31 March 2003

K_t is the sum of all pass-through costs for the assessment period ending in the calendar year t

R_t is the allowable notional revenue under the CPI – X price path at the assessment date occurring in the calendar year t , being equal to $R_{t-1} (1 + \Delta CPI_t)(1 - X)$, where the initial value for the price path, at the reference date, is R_{2004}

- X is the “X factor” value specified in Schedule 1 for the distribution business
- R_{2004} is the maximum notional revenue at the reference date which would not have caused the distribution business to breach the price path threshold under the initial notice at that date, using the same base quantities used to determine NR_t
- ΔCPI_t is the average change in the consumer price index over the calendar year that ends during the assessment period (calculated in accordance with the following expression)

$$\Delta CPI_t = \frac{CPI_{Q1,t-1} + CPI_{Q2,t-1} + CPI_{Q3,t-1} + CPI_{Q4,t-1}}{CPI_{Q1,t-2} + CPI_{Q2,t-2} + CPI_{Q3,t-2} + CPI_{Q4,t-2}} - 1$$

where $CPI_{Qj,y}$ is the consumer price All Groups Index SE9A figure published by Statistics New Zealand for the quarter j in the calendar year y

5. Notional Revenue at the Second Assessment Date

5.1. Notional Revenue at the Assessment Date 31st March 2009

$$\frac{NR_t}{R_t} = 0.973$$

the *notional revenue* at the assessment date (calculated in accordance with the numerator of the left-hand side of the above expression) **does not to exceed** the *allowable notional revenue* under the CPI – X price path at the assessment date (calculated in accordance with the denominator of the left-hand side of the above expression)

5.2. Notional Revenue during the Assessment Period to 31st March 2009

$$\frac{NR_{tmax}}{R_t} = 0.973$$

the *notional revenue* during the assessment period (calculated in accordance with the numerator of the left-hand side of the above expression) **does not to exceed** the *allowable notional revenue* under the CPI – X price path at the assessment date (calculated in accordance with the denominator of the left-hand side of the above expression)

6. Quality Threshold

6.1. Interruption Duration Factor:

The **SAIDI** of the distribution business for the assessment period *is not to exceed* the five-year average **SAIDI** of the distribution business to 31st March 2003 (calculated in accordance with the right-hand side of the following expression):

$$SAIDI_j \leq \left(\frac{SAIDI_{1999} + SAIDI_{2000} + SAIDI_{2001} + SAIDI_{2002} + SAIDI_{2003}}{5} \right)$$

where:

j denotes the calendar year in which the assessment date occurs

$SAIDI_{\text{year}}$ is the sum of **SAIDI** class B and **SAIDI** class C, for that year, where **SAIDI** for a particular class is calculated by dividing the sum obtained by adding together the interruption duration factors for all interruptions within that particular interruption class for the period of 12 months ending on 31 March in that year by the average of the total number of network connection points at the beginning of that year and the total number of network connection points at the end of that year

6.1.1. Result of the Interruption Duration Threshold

$$SAIDI_{2009} = 281 \leq \left(\frac{382 + 365 + 314 + 290 + 366}{5} \right)$$

$$SAIDI_{2009} = 281 \leq 343$$

The Interruption Duration Factor at the Assessment date *does not exceed* the five-year average of the distribution company.

6.2. Interruption Frequency Factor:

The **SAIFI** of the distribution business for the assessment period *is not to exceed* the five-year average **SAIFI** of the distribution business to 31st March 2003 (calculated in accordance with the right-hand side of the following expression):

$$SAIFI_j \leq \left(\frac{SAIFI_{1999} + SAIFI_{2000} + SAIFI_{2001} + SAIFI_{2002} + SAIFI_{2003}}{5} \right)$$

where:

j denotes the calendar year in which the assessment date occurs

$SAIFI_{year}$ is the sum of **SAIFI** class B and **SAIFI** class C, for that year, where **SAIFI** for a particular class is calculated by dividing the sum obtained by adding together the number of network connection points affected by each interruption within that particular interruption class for the period of 12 months ending on 31 March in that year by the average of the total number of network connection points at the beginning of that year and the total number of network connection points at the end of that year

6.2.1. Result of the Interruption Frequency Threshold

$$SAIFI_{2009} = 1.52 \leq \left(\frac{3.30 + 3.10 + 2.14 + 1.84 + 1.86}{5} \right)$$

$$SAIFI_{2009} = 1.52 \leq 2.45$$

The Interruption Frequency Factor at the Second Assessment date *does not exceed* the five-year average of the lines company

7. Conclusion

Buller Electricity Limited *complies* with the Commerce Act (Electricity Distribution Thresholds) Notice 2004 with regard to *price* thresholds and *quality* thresholds.

M J McSherry
Chief Executive
Buller Electricity Limited

27th April 2009



BULLER ELECTRICITY LIMITED

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DIRECTORS' CERTIFICATE ON THRESHOLD COMPLIANCE STATEMENT

We, FRANCIS THOMAS DOOLEY and KEVIN FREDRICK POYNTER being directors of BULLER ELECTRICITY LIMITED certify that, having made all reasonable enquiry, to the best of our knowledge and belief, the attached threshold compliance statement of Buller Electricity Limited and related information, prepared for the purposes of the Commerce Act (Electricity Distribution Thresholds) Notice 2004 complies with the requirements of that notice:

At the Assessment Date the company is compliant with the price thresholds and compliant with the quality thresholds as detailed in the Threshold Compliance Statement.

The Directors certify that this explanation of compliance is accurate in all material respects.

Francis Thomas DOOLEY

Kevin Fredrick POYNTER

Date:

27th April 2009



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REPORT OF THE AUDITOR-GENERAL

TO THE READERS OF THE THRESHOLD COMPLIANCE STATEMENT OF BULLER ELECTRICITY LIMITED FOR THE ASSESSMENT PERIOD ENDED ON 31 MARCH 2009

We have audited the attached statement, prepared by Buller Electricity Limited for assessment as at 31 March 2009 and dated 27 April 2009. The attached statement is a threshold compliance statement in respect of the price path threshold and the quality threshold, for the purposes of information requirements set out in clause 7 of the Commerce Act (Electricity Distribution Thresholds) Notice 2004 (the Notice). In this report the attached statement is called "the threshold compliance statement".

Directors' Responsibilities

Directors of Buller Electricity Limited are responsible for certification of the threshold compliance statement in accordance with the Notice.

Auditor's Responsibilities

Section 15 of the Public Audit Act 2001 and clause 7(1)(b) of the Notice require the Auditor-General to audit the threshold compliance statement. It is the responsibility of the Auditor-General to express an independent opinion on the threshold compliance statement and report the opinion to you.

The Auditor-General has appointed Alex Skinner, using the staff and resources of KPMG, to carry out the audit, on his behalf.

Basis of Opinion

We conducted the audit in accordance with the Auditing Standards issued by the Institute of Chartered Accountants of New Zealand.

The audit included examining, on a test basis, evidence relevant to the amounts and disclosures contained on pages 2 to 6 of the threshold compliance statement and pages 2 to 11 of the information supporting the threshold compliance statement which relate to:

- the price path threshold set out in clause 5 of the Notice;
- the SAIDI and SAIFI statistics for the assessment period ended on 31 March 2009 which are relevant to those parts of the quality threshold that are set out in clauses 6(1)(a) and 6(1)(b) of the Notice;

It also included assessment of the significant estimates and judgments, if any, made by Buller Electricity Limited in the preparation of the threshold compliance statement and assessment of whether the basis of preparation has been adequately disclosed.

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



In relation to the SAIDI and SAIFI statistics for the years ended 31 March 1999, 2000, 2001, 2002 and 2003 which are relevant to those parts of the quality threshold that are set out in clauses 6(1)(a) and 6(1)(b) of the Notice, we have undertaken procedures to provide reasonable assurance that:

- the amounts and disclosures in the threshold compliance statement relating to those statistics have been correctly taken from the information disclosed by Buller Electricity Limited in accordance with the Electricity (Information Disclosure) Regulations 1999; and
- those statistics have been calculated based on the source data provided to us. We have not performed audit procedures on the source data.

Independence

In addition to the audit, we have carried out an audit related assignment for Buller Electricity Limited. This involved issuing an audit opinion on the annual financial statements for the year ended 31 March 2009 as well as audit certificates pursuant to the Electricity Information Disclosure Requirements 2004. We have also performed taxation assignments for Buller Electricity Limited. Other than those assignments, we have no relationship with or interest in Buller Electricity Limited

Unqualified Opinion

We have obtained all the information and explanations we have required.

Price Path Threshold

In our opinion, having made all reasonable enquiry, to the best of our knowledge the amounts and details set out in the threshold compliance statement relating to the price path threshold set out in clause 5 of the Notice and related information have been prepared in accordance with the Notice, and give a true and fair view of the performance of Buller Electricity Limited against that threshold for the assessment period ended on 31 March 2009.

Quality Threshold: SAIDI and SAIFI Statistics

In our opinion, having made all reasonable enquiry, to the best of our knowledge:

- the SAIDI and SAIFI statistics for the assessment period ended on 31 March 2009 which are relevant to those parts of the quality threshold that are set out in clauses 6(1)(a) and 6(1)(b) of the Notice and related information have been calculated and prepared in accordance with the Notice and in accordance with Buller Electricity Limited's policies and procedures for recording SAIDI and SAIFI statistics as disclosed in the threshold compliance statement, and give a true and fair view of the performance of Buller Electricity Limited for the assessment period ended on 31 March 2009;
 - the SAIDI and SAIFI statistics for the years ended 31 March 1999, 2000, 2001, 2002 and 2003, which are relevant to those parts of the quality threshold that are set out in clauses 6(1)(a) and 6(1)(b) of the Notice, have been correctly taken from the information disclosed by Buller Electricity Limited in accordance with the Electricity (Information Disclosure) Regulations 1999. Those statistics have been properly calculated based on the unaudited source data provided to us by Buller Electricity Limited;
 - the SAIDI and SAIFI statistics for the assessment period ended on 31 March 2009, together with the SAIDI and SAIFI statistics for the years ended 31 March 1999, 2000, 2001, 2002 and
-



2003, give a true and fair view of the performance of Buller Electricity Limited against those parts of the quality threshold that are set out in clauses 6(1)(a) and 6(1)(b) of the Notice for the assessment period ended on 31 March 2009.

The audit was completed on 27 April 2009 and our opinion is expressed as at that date.

A handwritten signature in black ink, appearing to read 'Alex S.', with a large, sweeping flourish at the end.

Alex Skinner
KPMG
On behalf of the Auditor-General
Christchurch, New Zealand

Buller Electricity Limited

Regulation of Electricity Lines Business

Targeted Control Regime

Information Supporting the Threshold Compliance Statement

as at Assessment Date

31st March 2009

Detail of Excluded Services

1. Overview

The Commerce Act (Electricity Distribution Thresholds) Notice 2004 allows for a range of services provided by the distribution company to be excluded from their Notional Revenue. Buller Electricity Limited provides a number of services that fall into this category.

2. Contestable Services to Consumers

2.1. Connection Services

Connections to the Buller Electricity Limited network are contestable with any person deemed to be competent able to provide connection services. The most recent connection made by persons other than Buller Electricity Limited occurred during September 2003.

2.2. Network Extensions

Extensions to the Buller Electricity Limited network are contestable with any person deemed competent able to provide extension work. The most recent extensions made by persons other than Buller Electricity Limited occurred during September 2003.

3. Contestable Services to Energy Retailers

3.1. Reconnection Services

Buller Electricity Limited provides this service on a contestable basis to all energy retailers using the Buller Electricity Limited network.

3.2. Meter Reading Services

Buller Electricity Limited provides this service on a contestable basis to one energy retailer using the Buller Electricity Limited network.

4. Other Contestable Services

Holcim NZ Limited, a large industrial consumer in the Buller region, is in a unique situation in that it is not connected to the local distribution network, namely Buller Electricity Limited. Whilst directly connected to Transpower's network, Holcim NZ does not have a contract with Transpower for transmission services. In the absence of a contract, Transpower will claim this consumer does not receive transmission services and equally the distribution company does not recognise this consumer, as it is not connected to its network.

4.1. Line Services

Transpower has total responsibility for the physical delivery of line services for the supply of electricity, as the consumer is totally independent of the local network. Due to the lack of a contract, Buller Electricity Limited has offered to manage a transmission contract on behalf of the consumer in return of an annual fee. Provision of this service is contestable and should rightly be with Transpower, but equally, any competent person or organisation could manage this contract.

The consumer also has the ability to choose its provider of line services. This is possible, as Buller Electricity Limited has made an offer to the consumer to take supply from a new substation to be built by Buller Electricity Limited in the vicinity of the consumer's premises. The consumer will make a decision in the near future on their preferred line service provider, based purely on price and performance, which defines the consumer as receiving a fully contestable service.

4.2. Revenue for Services

Buller Electricity Limited contends this consumer receives a contestable service by way of a management contract fee and by choice of provision of line services and is therefore excluded from the notional revenue calculations in Buller Electricity Limited's Statement of Compliance.

4.3. Cost of Services

Buller Electricity Limited must also remove any portion of transmission charges applicable to this consumer as this service is not a "specified service". The consumer's load is 93% of the total load at the grid exit point so this amount has been removed from the transmission charges in Buller Electricity Limited's Statement of Compliance.

4.4. Statement of Methodology

The removal of revenue and costs defined in 4.2 and 4.3 above does not alter to any material extent, Buller Electricity Limited's position in relation to its compliance with the thresholds as the revenue largely equates to the costs. It has been excluded for completeness and the avoidance of doubt and to highlight the anomaly that exists.

Detail of Distribution Charges - Variable Charges

| Buller Electricity Limited | | | | | |
|---------------------------------------|-------------------|------------------|------------------|------------------|------------------|
| Variable Charges | Sales Data | Allowable | 31-Mar-09 | Allowable | 31-Mar-09 |
| | 31-Mar-03 | Revenue | Published | Notional | Notional |
| Load Group 1 | kWh | ¢ per kWh | ¢ per kWh | Revenue | Revenue |
| Domestic Uncontrolled | 8,842,651 | 7.72 | 8.76 | 682,527 | 774,607 |
| Domestic Controlled (First 400) | 2,807,523 | 3.47 | 3.94 | 97,515 | 110,671 |
| Domestic Controlled (Balance) | 920 | 3.47 | 3.94 | 32 | 36 |
| Domestic Day - All Year | 230,211 | 9.28 | 10.54 | 21,374 | 24,257 |
| Domestic Night - All Year | 597,058 | 2.32 | 2.63 | 13,825 | 15,690 |
| Domestic Water & Storage Heating 16 | 446,486 | 3.47 | 3.94 | 15,508 | 17,600 |
| Domestic Storeheat 10 | 759,206 | 3.47 | 3.94 | 26,370 | 29,928 |
| Domestic Super Economy 12 | 2,162 | 3.47 | 3.94 | 75 | 85 |
| Domestic Economy 14 | 4,023 | 3.47 | 3.94 | 140 | 159 |
| Domestic Priority 22 | 3,234 | 6.12 | 6.95 | 198 | 225 |
| Domestic Continuous 20 | 983 | 6.12 | 6.95 | 60 | 68 |
| | 13,694,457 | | | 857,624 | 973,326 |
| Load Group Low User | | | | | |
| 24 Hour Supply | 1,891,313 | 11.84 | 12.47 | 223,979 | 235,800 |
| Controlled Supply | 555,019 | 7.60 | 8.00 | 42,166 | 44,392 |
| All Inclusive Rate | 1,786,706 | 10.24 | 10.78 | 183,024 | 192,684 |
| Day Rate | 91,353 | 13.41 | 14.12 | 12,249 | 12,895 |
| Night Rate | 272,687 | 6.44 | 6.78 | 17,560 | 18,486 |
| | 4,597,078 | | | 478,978 | 504,257 |
| Load Group 2 | | | | | |
| Commercial Anytime | 4,526,809 | 7.72 | 8.76 | 349,405 | 396,544 |
| Commercial Special | 93,480 | 7.72 | 8.76 | 7,215 | 8,189 |
| Commercial Night 2400 - 0800 | 1,544,245 | 2.32 | 2.63 | 35,758 | 40,582 |
| Controlled Water & Storage Heating 16 | 669,458 | 3.47 | 3.94 | 23,253 | 26,390 |
| Commercial Anytime Unmetered | 51,893 | 7.72 | 8.76 | 4,005 | 4,546 |
| Lighting | 793,326 | 5.95 | 6.76 | 47,237 | 53,610 |
| Commercial Day 0800 - 2400 | 2,645,253 | 9.28 | 10.54 | 245,595 | 278,728 |
| Unmetered | 11,748 | 9.28 | 10.54 | 1,091 | 1,238 |
| Underverandah Lighting | (3,750) | 5.95 | 6.76 | (223) | (253) |
| | 10,332,462 | | | 713,336 | 809,572 |

Detail of Distribution Charges - Variable Charges – continued

| | Sales Data 31-Mar-03 kWh | Allowable Revenue ¢ per kWh | 31-Mar-09 Published ¢ per kWh | Allowable Notional Revenue | 31-Mar-09 Notional Revenue |
|---------------------|--------------------------------|-----------------------------------|-------------------------------------|----------------------------------|----------------------------------|
| Load Group 3 | | | | | |
| Summer Day | 1,635,511 | 7.06 | 8.01 | 115,418 | 130,989 |
| Winter Day | 319,806 | 7.06 | 8.01 | 22,569 | 25,613 |
| Summer Night | 591,411 | 1.65 | 2.38 | 9,782 | 14,050 |
| Winter Night | 154,828 | 1.65 | 2.38 | 2,561 | 3,678 |
| | 2,701,556 | | | 150,329 | 174,331 |
| Load Group 4 | | | | | |
| Summer Day | 1,271,087 | 7.06 | 8.01 | 89,700 | 101,802 |
| Winter Day | 275,655 | 7.06 | 8.01 | 19,453 | 22,077 |
| Summer Night | 479,200 | 1.65 | 2.38 | 7,926 | 11,385 |
| Winter Night | 159,616 | 1.65 | 2.38 | 2,640 | 3,792 |
| | 2,185,558 | | | 119,719 | 139,056 |
| Load Group 5 | | | | | |
| Summer Day | 2,705,488 | 7.06 | 8.01 | 190,926 | 216,684 |
| Winter Day | 1,156,920 | 7.06 | 8.01 | 81,644 | 92,658 |
| Summer Night | 1,094,367 | 1.65 | 2.38 | 18,101 | 25,999 |
| Winter Night | 595,488 | 1.65 | 2.38 | 9,849 | 14,147 |
| | 5,552,263 | | | 300,520 | 349,489 |
| | | | | | |
| Sub Totals | 39,063,374 | | | 2,620,506 | 2,950,031 |
| | | | | | |

Detail of Distribution Charges - Fixed Charges

| Buller Electricity Limited | | | | | |
|------------------------------------|----------------------|------------------|------------------|------------------|------------------|
| Fixed Charges | Sales Data | Allowable | 31-Mar-09 | Allowable | 31-Mar-09 |
| | 31-Mar-03 | Revenue | Published | Notional | Notional |
| | kWh | ¢ per kWh | ¢ per kWh | Revenue | Revenue |
| Load Group 1 | Customers | \$ | \$ | | |
| Domestic Line Charge | 1,442 | 1.10 | 1.00 | 580,360 | 526,330 |
| Remote Signals | | | | | |
| | | | | 580,360 | 526,330 |
| Load Group Low User | Customers | \$ | \$ | | |
| Domestic Line Charge | 2,043 | 0.17 | 0.15 | 123,337 | 111,854 |
| | | | | 123,337 | 111,854 |
| Load Group 2 | Customers | \$ | \$ | | |
| Builders Temporary Supply | 42 | - | - | | |
| Commercial Line Charge | 611 | 1.10 | 1.00 | 245,908 | 223,015 |
| Underverandah Lighting | 122 | 13.23 | 12.00 | 19,326 | 17,527 |
| Remote Signals/Distribution Charge | | | | 1,959 | 1,386 |
| | | | | 267,193 | 241,928 |
| Load Group 3 | kVA/Customers | \$ | \$ | | |
| Commercial Line Charge | 43 | 4.41 | 4.00 | 69,225 | 62,780 |
| Maximum Demand Charge | 1,430 | - | - | | |
| Distribution Charge | - | | | 3,124 | 2,210 |
| Remote Signals | - | | | | |
| | | | | 72,349 | 64,990 |
| Load Group 4 | kVA/Customers | \$ | \$ | | |
| Commercial Line Charge | 10 | 16.54 | 15.00 | 60,370 | 54,750 |
| Maximum Demand Charge | 1,036 | - | - | | |
| Distribution Charge | - | | | 10,054 | 7,113 |
| | | | | 70,424 | 61,863 |

Detail of Distribution Charges - Fixed Charges - continued

| | Sales Data 31-Mar-03 kWh | Allowable Revenue ¢ per kWh | 31-Mar-09 Published ¢ per kWh | Allowable Notional Revenue | 31-Mar-09 Notional Revenue |
|------------------------|--------------------------------|-----------------------------------|-------------------------------------|----------------------------------|----------------------------------|
| Load Group 5 | kVA/Customers | \$ | \$ | | |
| Commercial Line Charge | 5 | 38.59 | 35.00 | 70,432 | 63,875 |
| Maximum Demand Charge | 2,581 | - | - | | |
| Distribution Charge | - | | | 8,280 | 5,857 |
| | | | | 78,712 | 69,732 |
| | | | | | |
| Sub Total | | | | 1,192,375 | 1,076,697 |

| | Allowable Notional Revenue | 31-Mar-09 Notional Revenue |
|--------------|----------------------------------|----------------------------------|
| | | |
| Total | 3,812,880 | 4,026,728 |

Summary of Distribution Charges

| | $\sum_i P_{i,2009} Q_{i0}$ | C_{T2009} | C_{AT2009} | C_{R2009} | C_{L2009} | Notional Revenue |
|-------------|--|-------------|--------------|-------------|-------------|----------------------------|
| NR_{2009} | 4,026,728 | 710,728 | 404,882 | 3,214 | 9,318 | 2,898,586 |
| | | | | | | |
| | $\sum_i P_{i,2008} CPI_{2008} Q_{i,0}$ | C_{T2008} | C_{AT2008} | C_{R2008} | C_{L2008} | Notional Allowable Revenue |
| R_{2009} | 3,812,880 | 825,892 | | 8,388 | | 2,978,600 |

| | ΔCPI_{2009} | $(1 + \Delta CPI_{2009})$ | $(1 - X)$ | $(1 + \Delta CPI_{2009})(1 - X)$ | R_{2008} | $R_{2008}(1 + \Delta CPI_{2008})(1 - X)$ |
|------------|---------------------|---------------------------|-----------|----------------------------------|------------|--|
| | | | | | | |
| R_{2009} | 3.96% | 103.96% | 99.00% | 102.92% | 2,894,011 | 2,978,600 |

$$\Delta CPI_t = \frac{CPI_{Q1,t-1} + CPI_{Q2,t-1} + CPI_{Q3,t-1} + CPI_{Q4,t-1}}{CPI_{Q1,t-2} + CPI_{Q2,t-2} + CPI_{Q3,t-2} + CPI_{Q4,t-2}} - 1$$

$$\Delta CPI_{2009} = \frac{1044 + 1061 + 1077 + 1072}{1010 + 1020 + 1025 + 1037} - 1 = 3.96\%$$

$$\frac{NR_{2009}}{R_{2009}} = \frac{2,898,586}{2,978,600} = 0.973$$

where:

$\sum_i P_{i,2009} Q_{i0}$ is the sum of the i^{th} price in the assessment period and the quantities in 2003

$\sum_i P_{i,2008} CPI_{2009} Q_{i,0}$ is the sum of i^{th} price in 2008, the price adjustment factor CPI_{2009} and the quantities in 2003

CPI_{2009} is the allowable increase to R_{2008} being equal to $(1 + \Delta CPI_t)(1 - X)$

C_{T2009} is the transmission charge for the purpose of supplying connection and interconnection services, EV adjustments, new investment assets, system operator services and loss and constraint rentals

C_{AT2009} is the cost of avoiding transmission charges

C_{R2009} is rates paid to the territorial local authority

C_{L2009} is Electricity Commission levies

X is the X Factor for Buller Electricity Limited set at 1%

Summary of Transpower Charges

| Year Ending | New Investment Charge | Connection Charge | Interconnection Charge | Rental Rebates | EVA Credits | Voltage Support | Total |
|-------------|-----------------------|-------------------|------------------------|----------------|-------------|-----------------|---------|
| March 2009 | 53,002 | 349,134 | 459,601 | (151,009) | 0 | 0 | 710,728 |

The figures above represent the total annual cost of transmission to consumers after the removal of costs associated with Holcim NZ Limited. This is consistent with the costs and income methodology throughout this Compliance Statement.

Summary of Avoided Transmission Charges

The Commerce Act (Electricity Distribution Thresholds) Notice 2004 allows for avoided transmission costs to be included with transmission costs as pass-through costs when calculating notional revenue. Avoided transmission costs are defined in the interpretations as any expense (including the cost of capital) of the distribution business that arises from any activity which substitutes for the use of the transmission system. Buller Electricity Limited has built a new substation to substitute for a Transpower grid exit point connection. The replacement cost of this asset has been impaired 36% as its full capacity and value allows for the inclusion of the Holcim load which has been excluded from these calculations. The annual expense of this avoided transmission cost is calculated using the same formulae Transpower uses to calculate its annual cost of providing a connection asset. Five components make up this expense:

- the asset component being the cost of capital applied to the asset value
- the maintenance component being the cost of maintaining the asset
- the operating component being the cost of operating the asset
- annual depreciation
- administration

| Asset Value | Assets Component | Maintenance Component | Operating Component | Depreciation at 2.5% | Administration Charge | Annual Cost |
|-------------|------------------|-----------------------|---------------------|----------------------|-----------------------|-------------|
| \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| 3,260,985 | 225,986 | 68,210 | 16,353 | 81,525 | 12,808 | 404,882 |

The asset value above represents the optimised adjusted value of the substation asset as at 1st April 2006. The optimisation is due to the non-connection of Holcim to the substation. This is consistent with the costs and income methodology throughout this Compliance Statement.

The Asset Component represents the cost of capital for this project at 6.93% as set by the Transpower.

Maintenance and operating costs are based on the rates used by Transpower in its calculation of transmission charges.

The standard economic life of the asset is calculated in accordance with the ODV Handbook dated 31st August 2004 to give a depreciation rate of 2.5%

The administration rate covers the head office costs associated with ownership of this asset.

Detail of Interruptions - Class B & C

| | Class B | Class C | Total |
|-----------------------|---------|---------|-------|
| SAIDI ₁₉₉₉ | 148 | 234 | 382 |
| SAIDI ₂₀₀₀ | 218 | 147 | 365 |
| SAIDI ₂₀₀₁ | 173 | 141 | 314 |
| SAIDI ₂₀₀₂ | 136 | 154 | 290 |
| SAIDI ₂₀₀₃ | 222 | 144 | 366 |

| | Class B | Class C | Total |
|-----------------------|---------|---------|-------|
| SAIFI ₁₉₉₉ | 0.91 | 2.39 | 3.30 |
| SAIFI ₂₀₀₀ | 0.95 | 2.15 | 3.10 |
| SAIFI ₂₀₀₁ | 0.71 | 1.43 | 2.14 |
| SAIFI ₂₀₀₂ | 0.45 | 1.39 | 1.84 |
| SAIFI ₂₀₀₃ | 0.54 | 1.32 | 1.86 |

| | | | |
|----------------|-----|-----|------|
| Σ SAIDI | 897 | 819 | 1716 |
|----------------|-----|-----|------|

| | | | |
|----------------|------|------|-------|
| Σ SAIFI | 3.56 | 8.68 | 12.24 |
|----------------|------|------|-------|

| | | | |
|--------------------------|-----|-----|------------|
| SAIDI _{average} | 179 | 164 | 343 |
|--------------------------|-----|-----|------------|

| | | | |
|--------------------------|------|------|-------------|
| SAIFI _{average} | 0.71 | 1.74 | 2.45 |
|--------------------------|------|------|-------------|

| | | | |
|-----------------------|----|-----|------------|
| SAIDI ₂₀₀₉ | 99 | 182 | 281 |
|-----------------------|----|-----|------------|

| | | | |
|-----------------------|------|------|-------------|
| SAIFI ₂₀₀₉ | 0.40 | 1.12 | 1.52 |
|-----------------------|------|------|-------------|

Buller Electricity Limited

Targeted Control Regime

Information Supporting the Threshold Compliance Statement

5. Buller Electricity Limited

5.1. Price Thresholds

Buller Electricity Limited is cognisant of the high cost of supply of line services in the Buller region and is alert to any possibilities of reducing these costs. By far the greatest cost is for transmission services that, in the Buller region, are more than twice the national average. Buller Electricity Limited was not successful in having Transpower reduce transmission costs by using realistic optimisation principals for transmission pricing so preceded with construction of the optimised system to reduce connection charges and hence lower overall transmission costs.

Transmission costs will be further reduced in coming years by the operation of diesel generators at Kongahu in the Karamea area. The cost of avoiding these transmission charges occurred last year but the benefits will not be realised until winter 2009, when typically the maximum demands for the setting of transmission charges are realised. For this reason, these costs of avoiding transmission charges are not included in this Statement.

5.2. Quality Thresholds

Some distribution companies have suffered unusual weather patterns this year causing electricity outages more often and for longer periods of time. As a result, their asset performance figures are distorted when compared with averages from previous years. Some companies may seek relief from poor asset performance due to these unusual weather conditions and highlight these phenomena in their Threshold Compliance Statements so, potentially, they can be removed from future performance comparisons.

On the other hand, Buller Electricity Limited has had three exceptionally good years of asset performance due to the lack of lightning strikes normally experienced in this region. This weather pattern is unusual, particularly when the neighbouring province has had more than average electrical storms and Buller normally follows the same weather pattern. However, this year very high winds disrupted supply on several occasions. The biggest disruption to supply occurred on 30th July 2008 when high winds disrupted power for several days. Since then the company has managed its supply outages to remain within the quality thresholds for the year.

6. Conclusion

Buller Electricity Limited complies with the Commerce Act (Electricity Line Thresholds) Notice 2004 at the assessment date 31st March 2009.

M J McSherry
Chief Executive
Buller Electricity Limited

27th April 2009

Buller Electricity Limited

Regulation of Electricity Lines Business

Targeted Control Regime

Policies & Procedures used for Recording the

SAIDI and SAIFI Statistics

as at Assessment Date

31 March 2009

Faults

Procedure No: 004

Procedure Name: **Equipment Outage Reporting**

Issue No: 2

Authorised By: A Hawes

Date: 24/2/06

Checked By: D Ross

Date: 24/2/06

PURPOSE

To provide accurate and consistent database reporting and recording of all equipment outages affecting 11kV and 33kV reticulation as per Disclosure regulations 1995.

APPLICATION

- Field Staff
- Fault Co-ordinator's
- Network Clerk
- Business Analyser
- Network Supervisor
- Operations Manager

DEFINITIONS

Nil

PROCEDURE

Charges

- All costs associated with formatting the form are charged to Buller Electricity Limited as part of the fault job number issued.
- Printing of the forms, updating forms, imputing form information into the database and producing outage information for disclosure is all part of administration charges.

Update of spare blank equipment outage forms

Tasked to: Network Clerk

Backup: Operations Manager

Form 260 is to be on green paper and the tables (form 262) are to be on the reverse.
Form 260 can be obtained from: Form filing cabinet, Contracting Clerk

Completion of Equipment Outage Forms

An equipment outage form shall be completed for each 33kV, 11kV and 400V reticulation outage affecting consumers.

Field Staff

Field staff are to request a form from the Network Clerk before completing the form. The Network Clerk will issue unique outage number and keep a register of the numbers issued to and date.

Complete the following areas on the form:

1. Job number.
2. Date: this is the date of the start of the outage.
3. Recorded by: name of the person filling out the form (not signature).
4. Description: general description of the outage.
5. Location: general area of the outage. E.g. Birchfield, Russell St - Westport, Market Cross.
6. Section number: List the section number or numbers. E.g. Sec 42 to sec 1067 inclusive.
7. Voltage: write the voltage of the fuse or the highest voltage affected, select from table on form 260.
E.g. 11kV fuse blown, write 11kV
Rebuild a two-pole substation, write 11kV
Replace a 33kV Recloser, write 33kV.
8. Phasing: write single phase or three phases.
9. Fuse Link failure: Tick which fuse link failed, facing the open fuse or link record Red, Yellow, Blue from left to right. If a circuit breaker locked out, find from event logger which phase or phases were affected. If no event logger, tick all three phases. If fuse, links, ABS, sectionalisers, or circuit breakers are being opened to isolate power to consumers then tick all three phases.
10. Owner planned or unplanned: list the type of outage. E.g. BU is for Buller Unplanned.
11. Fault Category: List the fault category number. Select from the table on form 260, reverse. For a detailed description of the fault categories refer to appendix A.
12. Line or Cable: tick the box appropriate to the outage. Tick only one box.
13. Substations: List the substations affected or list the relevant section numbers that will show the substations affected or list Isolation points. E.g. between ABS 3 and end of line Sub 1. Use form 261 if additional space is required, remember to number the pages.
14. Report time: fill in the time (in 24hr clock) the outage was recorded to Buller Electricity Limited. For planned outages fill in the time power went off.
15. Time found: fill in the time (in 24hr clock) the fault was found. For planned outages fill in the time that switching restoration commenced.
16. Time restored: Fill in the time (in 24hr clock) the power was restored.
17. Notes: this can be used for additional information. E.g. Defect notice issued or weather bad.
18. Page 1 of #: write the numbers of pages that make up this outage. E.g. 1 of 2 or 1 of 3, next page could be 2 of 2 or 2 of 3 (when additional form no 261 is being used)

Reverse side of Form 260

Complete all fault details; this is for BEL information only.

Interrupting Device

Write the BEL ID number of the interrupting device that opened E.g. Fuses 64, Sectionliser 3. If the fuses are not number record the location or sub number they supply. In the comments section record any relevant information such as 2 trippings both earth fault on Rec 2.

Equipment Failure

Record the equipment that failed

- Cracked **HV insulator**, caused the breaker to open
- **Conductor** on ground from car accident caused the breaker to open
- **Transformer** fault caused the HV fuse to open

Tick the equipment highest voltage.

Weather

Record the conditions at the time of fault; tick one only.

All other information on reverse side is used for reference to complete the front page.

On completion of the form send to the Operations Manager. In his absence send to Network Supervisor. Supervisor.

Operations Manager to Complete:

Tasked: Operations Manager

Back-up: Network Supervisor.

1. Disclosure:
Tick disclosure if: The voltage is 11kV or greater and more than 3 consumers are isolated or more than one 11kV fuse is out on a three phase system affecting more than 3 consumers.
2. Customers affected: List estimated number of customers from isolation records.
3. Area List one of the following from the rear of form 260. Obtain classification from isolation records.
4. The feeder associated with the outage.
5. Send form to Network Clerk.

Input form information to database

Tasked: Network Clerk

Back-up: Operations Manager

Enter information into the excel database using the correct feeder sheet and the issued unique identification number. The numbering system shall be unique for each financial year and start at 1st April ending 31st March, each number will have the last 2 digits of the year as the suffix E.G. 00-1, 00-2, 00-3 for the 2000 year or 01-1, 01-2, 01-3 etc. Write this number on the form in the space available at the top right hand corner of form 260.

File form in folder marked Outage Recordings and appropriate financial year.

Cross checking for non completed faults

Tasked: Network Clerk

Back-up: Operations Manager

To confirm all faults are recorded the following checks shall be made:

1. Check daily timesheets for fault jobs and cross-reference against completed forms
2. Check Energy Trader outage statistics and cross reference against completed forms
3. Check completed switching sheets to confirm fault record completed

If any fault has been missed request record update from the Contracting department via memo.

FLOW CHART

Nil

REFERENCES

Nil

ATTACHMENTS

Nil

Select **ONE** item from each of the following Tables

| Weather (select one only) | | Type | Description | Area Classification | Area Description |
|------------------------------|-------------|------|------------------------|------------------------|---------------------|
| Clear | Rain / Wind | BP | Buller Planned | U | Urban |
| Wind | Lightning | BU | Buller Unplanned | R | Rural |
| Rain | Snow | BEL | Very Extreme Event | RR | Rural - Remote |
| | | TP | Transpower Planned | | |
| | | TU | Transpower Unplanned | | |
| | | SP | Solid Energy Planned | | |
| | | SU | Solid Energy Unplanned | | |

| Fault Category | Description | Feeder No | Feeder Name | Feeder No | Feeder Name |
|----------------|----------------------|-----------|----------------------|-----------|----------------------|
| 0 | Unknown/Other | 10 | Cape Foulwind 11kV | 32 | Nga – Kng 33kV |
| 1 | Planned Shutdown | 12 | Carters Beach 11kV | 34 | Rob – Nga 33kV CCT 2 |
| 2 | Loss of Bulk Supply | 14 | Meyville Bay 11kV | 38 | Ripple Plant 33kV |
| 3 | Tree Contact | 20 | Adderley 11kV | 40 | Waimangaroa 11kV |
| 4 | Lightning | 22 | Russell 11kV | 42 | Seddonville 11kV |
| 5 | Defective Equipment | 23 | Derby 11kV | 60 | Little Wanganui 11kV |
| 6 | Adverse Weather | 25 | Pakington 11kV | 62 | Karamea 11kV |
| 7 | Adverse Environment | 26 | Domett 11kV | | |
| 8 | Human Element | 28 | Whareatea 11kV | | |
| 9 | Foreign Interference | 30 | Rob – Nga 33kV CCT 1 | | |

Voltage (Select ONE i.e. Highest Voltage) 110kV 33kV 11kV LV Circuit Type (Select ONE) LINE CABLE

Fuse Failures Only : (Tick boxes as applicable)

No of Line Phases
 Single Three

Fuse Links which Failed
 R Y B

Office Use Only :

Non Disclosure Disclosure Print

Disclosure Guidelines :

1. Only interruptions arising from incidents at voltages of 3.3kV or greater are Disclosed.
2. Operation of a single HV Fuse supplying a three-phase transformer is not Disclosed.
3. Operation of 11kV Fuse supplying equal too or less than three customers is not Disclosed.

FAULT DETAILS (Only if Outage caused by Fault)

Interrupting Device (Tick ONE)

| Type | BEL ID | Comments |
|--|--------|----------|
| <input type="checkbox"/> Fuse | | |
| <input type="checkbox"/> Sectionlizer | | |
| <input type="checkbox"/> Circuit Breaker | | |

Equipment Failure – (tick **ONE** asset that caused interrupting device to operate.)

| Code | | | | |
|--|--------------------------------------|--------------------------------------|------------------------------------|--|
| <input type="checkbox"/> Circuit Breaker | <input type="checkbox"/> Fuse – Base | <input type="checkbox"/> Transformer | <input type="checkbox"/> Conductor | |
| <input type="checkbox"/> Sectionlizer | <input type="checkbox"/> Fuse | <input type="checkbox"/> Guy | <input type="checkbox"/> Cable | |
| <input type="checkbox"/> ABS | <input type="checkbox"/> Pole | <input type="checkbox"/> Arrestor | <input type="checkbox"/> Insulator | |
| <input type="checkbox"/> Link | <input type="checkbox"/> Crossarm | <input type="checkbox"/> Joint | | |

NOTES :

