

COMMERCE COMMISSION

Price Path and Quality Threshold Disclosure

In accordance with the

Commerce Act (Electricity Distribution Thresholds) Notice 2004

Assessment

As at 31 March 2006



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Introduction

This disclosure is intended to fulfill the requirements of the Price Path and Quality Threshold Disclosures under the Commerce Act (Electricity Distribution Thresholds) Notice 2004 (“*the Notice*”) and in particular satisfy the requirements of sections 5 (1) (a), 5 (1) (b), 6 (1) (a) and 6 (1) (b) of that notice.

This represents Westpower’s position as at the Assessment Date of 31 March 2006.

Customer communication pursuant to section 6 (1) (c) of the Notice has been completed in the year ending 31 March 2006 and, as such, evidence of compliance with this requirement is included as Appendix 9.

Statement of Compliance – Price Path Threshold

This report confirms Westpower’s **compliance** with the price path threshold and includes evidence to such effect. In particular

- Pursuant to Section 5 (1) (a) of the Notice - Westpower’s notional revenue from electricity delivery services as at 31 March 2006 does not exceed the allowable notional revenue of Westpower at that date; and
- Pursuant to Section 5 (1) (b) of the Notice - Westpower’s notional revenue at any time during the assessment period does not exceed the greater of the notional revenue of Westpower at the assessment date of 31 March 2006 and the notional revenue of Westpower at the previous assessment date.

Statement of Compliance – Quality Threshold

This report confirms Westpower’s **compliance** with the quality threshold and includes evidence to such effect. In particular

- Pursuant to Section 6 (1) (a) of the Notice - Westpower’s SAIDI for the period of 12 months ending on 31 March 2006 **is less than** the five-year average SAIDI of Westpower to March 31 2003; and
- Pursuant to Section 6 (1) (b) of the Notice - Westpower’s SAIFI for the period of 12 months ending on 31 March 2006 **is less than** the five-year average SAIFI of Westpower to March 31 2003.

Background

The attached appendices contain the detailed calculations and working data needed to satisfy the threshold equations contained in the Notice.

Westpower has had to make a number of assumptions in deriving this data and these are discussed in detail below.

1. Transpower HVDC injection charges have been excluded from the calculations as these are passed directly through to TrustPower Generation without markup.
2. Transpower Loss and Constraint Rental Rebates received from Transpower (the “Transpower Rebates”) were retained by Westpower.
3. The Power Factor Charge (Tariff Code C2PF) has been introduced to encourage customers with motor loads to improve their power factor, but as this has not yet been charged to any customers, it has been excluded from the Notional Revenue calculation.


Excluded Services

- The lease of transmission assets to Transpower for operation as part of the national grid. (Westpower owns a number of 66 kV transmission lines and substations on the West Coast, which are leased to Transpower for operational purposes.)
- Service connection and reconnection services which are provided at no charge.
- Capital contributions provided by new consumers who require extensions to Westpower’s network to connect additional load.
- Interest income.
- Profit on sale of assets.
- Income from Westpower’s wholly owned contracting subsidiary which acts on an arms length basis in a competitive environment.

SCHEDULE 2

FORM OF CERTIFICATION OF THRESHOLD COMPLIANCE STATEMENT

We, Hugh Little and Michael John Newcombe, being directors of Westpower Limited, certify that, having made all reasonable enquiry, to the best of our knowledge and belief, the attached threshold compliance statement of Westpower Limited, and related information, prepared for the purposes of the Commerce Act (Electricity Distribution Thresholds) Notice 2004 complies with the requirements of that notice.



Hugh Little



Mike Newcombe

Date: 12/5/06

APPENDIX ONE

Price Path Threshold Assessment – 31 March 2006

The following equation must hold true to demonstrate compliance with the price path threshold

$$\frac{NR_{2006}}{R_{2006}} \leq 1$$

Now for Westpower,

$$\frac{NR_{2006}}{R_{2006}} = \frac{\$9,931,313.73}{\$10,000,125.65} = 0.993 \leq 1$$

Breach Test: Is LH side less than 1?

Test result: Westpower complies with the price threshold

Component	Description	Source
NR_{2006}	is the notional revenue for the assessment period ending in calendar year 2005, being equal to $SP_{i,2005}Q_i - K_{2005}$	Appendix 3
i	denotes each price pertaining to every specified service;	Appendix 2
$P_{i,2005}$	is the i^{th} price at the reference date, 31 March 2005;	Appendix 2
$P_{i,2006}$	is the i^{th} price at the assessment date, 31 March 2006;	Appendix 2
Q_i	is the base quantity corresponding to the i^{th} price for the year ending 31 March 2003;	Appendix 3
K_{2006}	is the sum of all pass through costs for the assessment period ending on 31 March 2006 ;	Appendix 4
R_{2006}	is the allowable notional revenue under the CPI-X price path for the assessment period ending on 31 March 2006 ;	Appendix 5
R_{2005}	is the allowable notional revenue under the CPI-X price path for the assessment period ending on 31 March 2005 ;	Appendix 5
$?CPI_{2006}$	is the change in the consumer price index over the period between assessments	Appendix 6

APPENDIX TWO PRICE SCHEDULES

Westpower Ltd PRICE SCHEDULE Effective from 01 AUGUST 2005

ALL CHARGES SHOWN ARE EXCLUSIVE OF GST

CATEGORY 1 DOMESTIC		CODES			
FIXED CHARGES:					
DISTRIBUTION CHARGE- per 12 month period		WP1D			\$49.92
UNIT CHARGES (VARIABLE):					
Tariff Name	No of customers	Tariff code	Westpower Distribution (cents per unit)	Trans Power Transmission (cents per unit)	Total Variable Line Charges (cents per unit)
Domestic 24hr	8223	D	7.297	1.331	8.628
Controlled 17hr	6522	DC	4.344	0.792	5.136
Economy, day	1899	DD	8.514	1.553	10.067
Economy, night	1899	DE	0.399	0.000	0.399
Night only	564	DN	2.068	0.000	2.068
CATEGORY 1 NON-DOMESTIC (For loads less than 15 kVA)					
DISTRIBUTION CHARGE - per 12 month period		WP1N			\$191.01
UNIT CHARGES (VARIABLE):					
Tariff Name		Tariff code	Westpower Distribution (cents per unit)	Trans Power Transmission (cents per unit)	Total Variable Line Charges (cents per unit)
24 HR	1497	N	7.297	1.331	8.628
Controlled 17hr	245	NC	4.344	0.792	5.136
Economy, day	204	ND	8.514	1.553	10.067
Economy, night	204	NE	0.399	0.000	0.399
Night only	24	NN	2.068	0.000	2.068
Priority Controlled	5	PC	4.468	0.815	5.283
STREET LIGHTING:					
FIXED CHARGES:					
DISTRIBUTION CHARGE per 12 month period per light		WPSL			\$16.42
UNIT CHARGES (VARIABLE):					
Tariff Name			Westpower Distribution (cents per unit)	Trans Power Transmission (cents per unit)	Total Variable Line Charges (cents per unit)
Public Lighting	66	SL	4.164	0.362	4.526
Under Verandah Lighting	85	SL	4.164	0.362	4.526
CATEGORY 2					
FOR LOAD GREATER THAN 15 KVA and UP TO 200 KVA					
FIXED CHARGES:					
DISTRIBUTION CHARGE - per 12 month period per Notional Unit of Demand		WP2N			\$21.55
UNIT CHARGES (VARIABLE):					
Tariff Name		Tariff code	Westpower Distribution (cents per unit)	Trans Power Transmission (cents per unit)	Total Variable Line Charges (cents per unit)
Non Domestic 24hr	499	U1	6.275	1.178	7.452
Non Domestic Controlled	275	U2	2.104	0.395	2.499
Non Domestic Economy, day	330	U3N	6.816	1.279	8.095
Non Domestic Economy, night	330	U3L	0.178	0.000	0.178
Non Domestic Night	21	U5	0.791	0.000	0.791
Priority Controlled	14	U6	4.449	0.835	5.284
CATEGORY 2 (TIME OF USE METERING)					
FOR LOAD GREATER THAN 100 KVA and UP TO 200 KVA					
Fixed Annual Capacity Charge. (per kW per year)	15	C2F	\$21.55		21.550
Peak charge. (per kW per year)		C2P	\$154.33	\$52.08	\$206.41
BULK (loads over 200kVA)					
Fixed Annual Capacity Charge. (per kVA per year)	17	C3F	\$35.61	\$9.37	\$44.97
Peak charge. (per kW per year)		C3P	\$35.61		\$35.61
Coincident Peak Charge per kW per year		C3CP		\$52.08	\$52.08

Large Bulk (loads over 2500kVA)

Fixed Annual Capacity Charge:	2	C4F	\$26.71	\$9.37	\$36.08
Peak charge. (per kW per year)		C4P	\$26.71		\$26.71
Transpower Coincident peak demand per kW per year		C4CP		\$52.08	\$52.08

Tranzrail Otira

Fixed Annual Capacity Charge:	1	C5F	\$189.59	\$85.75	\$275.34
Peak charge, per kW per year:		C5P	\$35.61		\$35.61
Transpower Coincident peak demand per kW per year		C5CP		\$52.08	\$52.08

Power Factor Charge

Annual charge per kVAr of assessed correction required to bring PF up to 0.95		C2PF	\$86.19		
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Transpower Rental Adjustment

Adjustment based on actual Transpower Losses and Constraints rebates
(Applicable to category 3 , 4 & 5 only)

031

Note:

All charges are exclusive of GST.
Capacity Charge is assessed on the basis of the measured demand, mains size, LV fuses or transformer capacity.

An additional \$86.19 per kVAr per annum of equivalent corrective capacitance applies if the installation power factor is required to be improved to 0.95.

Total Line Charges include the following:

Distribution Charge
Distribution Unit Charges (Westpower)
Transmission Unit Charges (Transpower)

- 1 A unit is a kilowatt hour (kWh).
- 2 All fixed charges are attributable to Westpower only.
- 3 The Notional Unit of Demand (NUD) is an assessment of the system capacity provided for the customer and is based on factors such as measured or transformer capacity. In general 1 NUD = 1 kVA.
- 4 The Large Bulk tariff is only available to existing loads as at 1 March 2002.
- 5 Standard Peak charges are charged and reset monthly

LOSS FACTORS

The following loss factors are to be used by Retailers to multiply the kWh recorded on the half-hour meter at each Connected Customer's Installation in order to determine the Electricity Retailer's responsibility for the purchase of kWh within the Distribution Network.

Supply at 11kV (1.05%)	05
Supply at 400V (1.08%)	08

Westpower Ltd

PRICE SCHEDULE

EFFECTIVE FROM 1 APRIL 2004

ALL CHARGES SHOWN ARE EXCLUSIVE OF GST

CATEGORY 1 DOMESTIC	CODES	TARIFF 2004
FIXED CHARGES:		
DISTRIBUTION CHARGE DOMESTIC - per 12 month period	WP1D	\$48.65

UNIT CHARGES (VARIABLE):					
Tariff Name	No of customers	Tariff code	Westpower Distribution (cents per unit)	Trans Power Transmission (cents per unit)	Total Variable Line Charges (cents per unit)
Domestic 24hr	8016	D	7.112	1.268	8.379
Controlled 17hr	6504	DC	4.233	0.755	4.988
Economy, day	1912	DD	8.297	1.479	9.776
Economy, night	1912	DE	0.389	0.000	0.389
Night only	447	DN	2.015	0.000	2.015

CATEGORY 1 NON-DOMESTIC (For loads less than 15 kVA)	CODES	TARIFF 2004
DISTRIBUTION CHARGE NON -DOMESTIC - per 12 month period	WP1N	\$186.15

UNIT CHARGES (VARIABLE):					
Tariff Name	No of customers	Tariff code	Westpower Distribution (cents per unit)	Trans Power Transmission (cents per unit)	Total Variable Line Charges (cents per unit)
24 HR	1479	N	7.112	1.268	8.379
Controlled 17hr	246	NC	4.233	0.755	4.988
Economy, day	208	ND	8.297	1.479	9.776
Economy, night	208	NE	0.389	0.000	0.389
Night only	23	NN	2.015	0.000	2.015
Priority Controlled	5	PC	4.354	0.776	5.131

STREET LIGHTING:					
FIXED CHARGES:					
DISTRIBUTION CHARGE per 12 month period per light	WPSL				\$16.00

UNIT CHARGES (VARIABLE):					
Tariff Name	No of customers	Tariff code	Westpower Distribution (cents per unit)	Trans Power Transmission (cents per unit)	Total Variable Line Charges (cents per unit)
Public Lighting	65		4.058	0.345	4.403
Under Verandah Lighting	90		4.058	0.345	4.403

CATEGORY 2	CODES	TARIFF 2004
FOR LOAD GREATER THAN 15 KVA and UP TO 200 KVA		
FIXED CHARGES:		
DISTRIBUTION CHARGE - per 12 month period per Notional Unit of Demand	WP2N	\$21.00

UNIT CHARGES (VARIABLE):					
Tariff Name	No of customers	Tariff code	Westpower Distribution (cents per unit)	Trans Power Transmission (cents per unit)	Total Variable Line Charges (cents per unit)
Non Domestic 24hr	498	U1	6.115	1.122	7.237
Non Domestic Controlled	281	U2	2.051	0.376	2.427
Non Domestic Economy, day	335	U3N	6.642	1.218	7.861
Non Domestic Economy, night	335	U3L	0.173	0.000	0.173
Non Domestic Night	20	U5	0.771	0.000	0.771
Priority Controlled	13	U6	4.335	0.795	5.131

CATEGORY 2 (TIME OF USE METERING)					
FOR LOAD GREATER THAN 100 KVA and UP TO 200 KVA					
Fixed Annual Capacity Charge. (per kW per year)	9	C2F	\$21.00		\$21.00
Peak charge. (per kW per year)		C2P	\$150.40	\$49.60	\$200.00

BULK (loads over 200kVA)					
Fixed Annual Capacity Charge. (per kVA per year)	15	C3F	\$34.70	\$8.92	\$43.62
Peak charge. (per kW per year)		C3P	\$34.70		\$34.70
Coincident Peak Charge per kW per year		C3CP		\$49.60	\$49.60

Large Bulk (loads over 2500kVA)	1				
Fixed Annual Capacity Charge:		C4F	\$26.03	\$8.92	\$34.95
Peak charge. (per kW per year)		C4P	\$26.03		\$26.03
Transpower Coincident peak demand per kW per year		C4CP		\$49.60	\$49.60
Tranzrail Otira	1				
Fixed Annual Capacity Charge:		C5F	\$184.77	\$81.66	\$266.43
Peak charge, per kW per year:		C5P	\$34.70		\$34.70
Transpower Coincident peak demand per kW per year		C5CP		\$49.60	\$49.60
Power Factor Charge					
Annual charge per kVAr of assessed correction required to bring PF up to 0.95		C2PF	\$84.00		
Transpower Rental Adjustment		031			
Adjustment based on actual Transpower Losses and Constraints rebates (Applicable to category 3 , 4 & 5 only)					

Note:

All charges are exclusive of GST.
Capacity Charge is assessed on the basis of the measured demand, mains size, LV fuses or transformer capacity.

An additional \$84.00 per kVAr per annum of equivalent corrective capacitance applies if the installation power factor is required to be improved to 0.95.

Total Line Charges include the following:
Distribution Charge
Distribution Unit Charges (Westpower)
Transmission Unit Charges (Transpower)

- 1 A unit is a kilowatt hour (kWhr).
- 2 All fixed charges are attributable to Westpower only.
- 3 The Notional Unit of Demand (NUD) is an assessment of the system capacity provided for the customer and is based on factors such as measured loads or transformer capacity. In general 1 NUD = 1 kVA.
- 4 The Large Bulk tariff is only available to existing loads as at 1 March 2002.
- 5 Standard Peak charges are charged and reset monthly

APPENDIX THREE

Notional Revenue Calculation

Notional Revenue at the Assessment Date and Prior Assessment Date

Tariff (i)	Assessment Date - 31 March 2006			Prior Assessment Date - 31 March 2005		
	$P_{i,2006}$	Q_i	$\sum P_{i,2006} Q_i$	$P_{i,2005}$	Q_i	$\sum P_{i,2005} Q_i$
Category 1						
D	8.628	33,399,037	\$2,881,668.91	8.379	33,399,037	\$2,798,644.11
DC	5.136	15,475,081	\$794,800.16	4.988	15,475,081	\$771,869.44
DE	0.399	6,667,834	\$26,604.66	0.389	6,667,834	\$25,954.18
DD	10.067	8,382,605	\$843,876.85	9.776	8,382,605	\$819,493.22
DN	2.068	977,880	\$20,222.56	2.015	977,880	\$19,703.43
N	8.628	6,737,727	\$581,331.09	8.379	6,737,727	\$564,582.15
NC	5.136	537,344	\$27,597.99	4.988	537,344	\$26,801.76
NE	0.399	860,950	\$3,435.19	0.389	860,950	\$3,351.20
ND	10.067	1,547,435	\$155,780.28	9.776	1,547,435	\$151,279.05
NN	2.068	50,021	\$1,034.43	2.015	50,021	\$1,007.88
PC	5.283	10,682	\$564.33	5.131	10,682	\$548.06
SL	4.526	1,418,132	\$64,184.65	4.403	1,418,132	\$62,435.62
WP1D	\$49.92	9,857	\$492,061.44	\$48.65	9,857	\$479,587.41
WP1N	\$191.01	1,665	\$318,031.65	\$186.15	1,665	\$309,939.75
WPSL	\$16.42	3,232	\$53,069.44	\$16.00	3,232	\$51,707.69
Category 1 Subtotal			\$6,264,263.63			\$6,086,904.94
Category 2						
U1	7.452	22,687,520	\$1,690,673.99	7.237	22,687,520	\$1,641,820.20
U2	2.499	5,085,011	\$127,074.42	2.427	5,085,011	\$123,396.27
U3L	0.178	7,216,222	\$12,844.88	0.173	7,216,222	\$12,508.12
U3N	8.095	16,208,264	\$1,312,058.97	7.861	16,208,264	\$1,274,077.61
U5	0.791	189,341	\$1,497.69	0.771	189,341	\$1,460.45
U6	5.284	486,348	\$25,698.63	5.131	486,348	\$24,952.89
WP2N	21.550	31,265	\$673,760.75	21.000	31,265	\$656,565.00
Category 2 Subtotal			\$3,843,609.33			\$3,734,780.53
Category 2 Large						
C2F	21.55	1263 \$	27,225.82	21	1263 \$	26,530.96
C2P	206.41	1159.8 \$	239,394.32	200	1159.8 \$	231,960.00
			\$266,620.14			\$258,490.96
Category 3						
C3P	\$ 35.61	7587	\$270,173.07	\$ 34.70	7587	\$263,268.90
C3CP	\$ 52.08	5754	\$299,668.32	\$ 49.60	5754	\$285,398.40
C3F	\$ 44.97	9566	\$430,172.79	\$ 43.62	9566	\$417,259.00
			\$1,000,014.18			\$965,926.30
Category 4						
C4P	\$ 26.71	5094	\$136,060.74	\$ 26.03	5094	\$132,596.82
C4P (Marginal)	\$ 35.61	713	\$25,389.93	\$ 34.70	713	\$24,730.57
C4CP	\$ 52.08	5290	\$275,503.20	\$ 49.60	5290	\$262,384.00
C4F	\$ 36.08	8082	\$291,598.56	\$ 34.95	8082	\$282,454.00
			\$728,552.43			\$702,165.39
Category 5						
C5P	\$ 35.61	430	\$15,312.30	\$ 34.70	430	\$14,921.00
C5CP	\$ 52.08	481	\$25,050.48	\$ 49.60	481	\$23,857.60
C5F	\$ 275.34	502	\$138,220.68	\$ 266.43	502	\$133,625.00
031						
			\$178,583.46			\$172,403.60
			$\sum P_{i,2006} Q_i$			$\sum P_{i,2005} Q_i$
SubTotal Revenue			\$12,281,643.16			\$11,920,671.72
Pass Through Charges						
		To 31 March 2006			To 31 March 2005	
Transmission			\$ 2,297,861.16			\$ 2,184,334.00
Rates			\$ 37,943.95			\$ 39,935.90
EC Levy			\$ 14,524.32			\$ 17,105.00
SubTotal Pass Through Charges			\$2,350,329.43			\$2,241,374.90
			NR_{2006}			NR_{2005}
Notional Revenue			\$9,931,313.73			\$9,679,296.82

APPENDIX FOUR

Pass Through Cost Disclosure

Pass Through Costs		
Cost	Value	Last Year
Transpower		
Connection Charges	\$ 324,699.56	323,505
EVA Credits	-\$ 180,701.14	-
New Investment Charge	\$ 66,769.18	33,241
Transitional Charge	\$ -	-
Common Quality	\$ -	-
Connection Charge Sub Total	\$ 210,767.60	\$ 356,746.00
Interconnection	\$ 1,977,726.53	\$ 1,580,015.00
Loss and Constraint Rentals	-\$ 321,338.27	-\$ 173,663.00
Transpower Subtotal	\$ 1,867,155.86	\$ 1,763,098.00
Avoided Cost of Transmission	\$ 430,705.30	\$ 421,236.00
Rates (Accrued)	\$ 37,943.95	\$ 39,935.90
Electricity Comission Levy	\$ 14,524.32	\$ 17,105.00
Grand Total Pass Through Charges	\$ 2,350,329.43	\$ 2,241,374.90

APPENDIX FIVE

Allowable Notional Revenue Calculation

Allowable Notional Revenue

Allowable notional revenue is defined as

$$\begin{aligned} R_{2006} &= R_{2005} * (1 + \Delta CPI_{2006}) * (1 - X) \\ &= \$9,803,405.57 * (1 + 3.037%) * (1 - 1\%) \\ &= \$10,000,125.65 \end{aligned}$$

Where

$$\begin{aligned} R_{2005} &= \$9,803,405.57 \text{ from 2005 Theshold Disclosure} \\ \Delta CPI_{2006} &= 3.037\% \text{ from Appendix 6} \\ X &= 1\% \text{ from Commerce Commission Threshold Decisions - April 2004} \end{aligned}$$

APPENDIX SIX

CPI Factor Calculation

Based on Consumers Price Index SE9A

Published by Statistics New Zealand

CPI Adjustment

$$\begin{aligned}\Delta CPI_t &= \frac{CPI_{Q1,2005} + CPI_{Q2,2005} + CPI_{Q3,2005} + CPI_{Q4,2005}}{CPI_{Q1,2004} + CPI_{Q2,2004} + CPI_{Q3,2004} + CPI_{Q4,2004}} - 1 \\ &= \frac{1146 + 1156 + 1169 + 1177}{1115 + 1124 + 1131 + 1141} - 1 \\ &= 0.03037 \\ &= 3.037\%\end{aligned}$$

APPENDIX SEVEN

Quality Threshold Compliance Assessment

Quality Statement at the Assessment Date	Clause 6 (1) (a) & 6 (1) (b)
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$$SAIDI_{2006} \leq \left[\frac{SAIDI_{1999} + SAIDI_{2000} + SAIDI_{2001} + SAIDI_{2002} + SAIDI_{2003}}{5} \right]$$

	1999	2000	2001	2002	2003	Average	2006
SAIDI	262.91	154.32	237.1	126.99	120.11	180.286	145.87

Westpower complies.

$$SAIFI_{2006} \leq \left[\frac{SAIFI_{1999} + SAIFI_{2000} + SAIFI_{2001} + SAIFI_{2002} + SAIFI_{2003}}{5} \right]$$

	1999	2000	2001	2002	2003	Average	2006
SAIFI	2.06	1.34	2.65	1.34	0.92	1.662	1.38

Westpower complies.

APPENDIX EIGHT

Policy and Procedure for recording SAIDI and SAIFI statistics

1 Data Collection

At the time of an outage, there are two categories of notification that may occur, Alarm/Operator and Informant/Customer. These notifications trigger the recording part of the process.

Alarm/Operator If a circuit-breaker opens, an alarm will trigger on the SCADA system and the operator (if on duty) will notify the retailer. If the operator is not on duty than the alarm will trigger a pager and the on-call operator will be called in.

Informant/Customer If a circuit-breaker has not opened and the cause of the outage is localised to a distribution transformer (for example) this will not cause an alarm on the SCADA system. The fault will generally be forwarded to the retailer from the effected consumer.

Details of the outage will then be passed on from the retailer to Call-Care, who will notify Electronet Services. ENS will initiate any work required to fix the fault. The Control Room operator completes a hard copy outage form, recording data such as the time of an outage, time of restoration, cause, type of repair, network location

Data used for network connectivity is stored within the ENS. This data is configured to allow top-down reporting of isolation points, transformers and ICPs.

The Location and Transformer data is acquired as follows;

- 1) Location data and equipment data (transformers) is manually input into Westpower's Electrical Network System, which is viewable and editable.

The Customer data is acquired as follows;

- 1) Customer information is provided by the retailers (e.g. Trustpower, Meridian) and stored in Westpower's **Gentrack** system.
- 2) Selected data such as ICP numbers, retailer numbers and site numbers are automatically updated in the form of a CSV file every night in order to keep up-to-date with the latest customer numbers which directly affect the final SAIDI and SAIFI results.

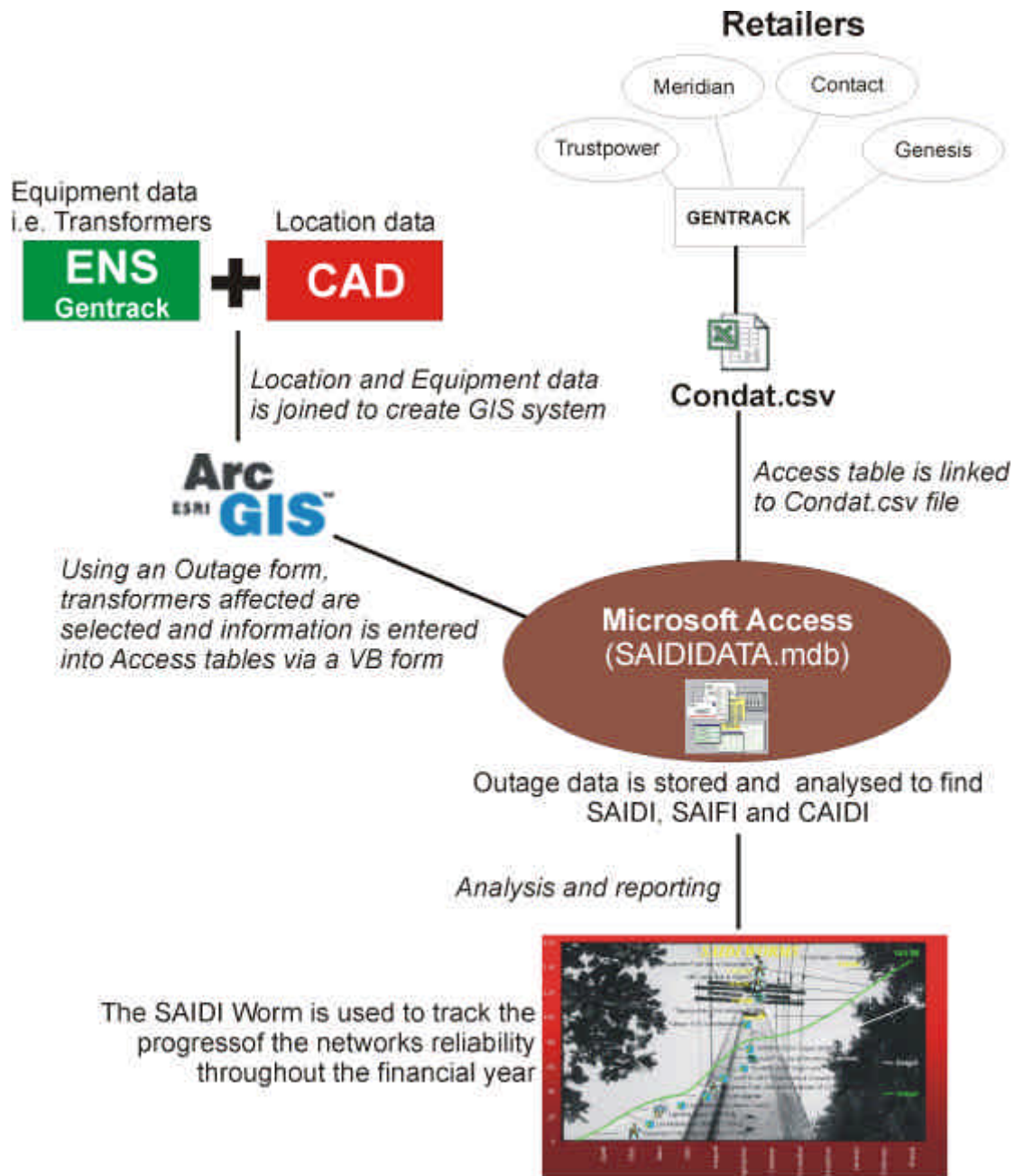
2 Data processing

Westpower's GIS mapping system graphically represents the network and allows for accurate analysis of data. This is updated regularly from Westpower's CAD system.

The CAD system is a graphical interface, which is used by the Lines Surveyor to take a model snapshot of the physical network.

Using the GIS, transformer sites affected by an outage are selected. A link between ICP's and transformers allows collation of installations per switching operation. This install information along with outage times, dates etc...are entered into an Access database via an electronic (VBA) form. ICPs' are linked to a table in Access via a CSV file which is updated daily.

The Performance Indicators are disclosed in the company annual report and Information Disclosure documents for each period, which are posted on the company website.



**Pursuant to the Commerce Act (Electricity
Lines Thresholds) Notice 2004**



**Disclosure of compliance with quality
threshold 6(1)c and the associated audit
and certification requirements**

Summary

The purpose of this report is to disclose Westpower Ltd's compliance with the requirements to consult with consumers on the available price and supply quality trade offs as required by Sections 6(1)(c) of the Commerce Act (Electricity Lines Thresholds) Notice 2004 dated 31 March 2004.

Officer for enquiries

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Introduction

1.1 Background

The electricity line prices threshold regime established under Part 4A of the Commerce Act 1986 and promulgated by the Commerce Act (Electricity Lines Thresholds) Notice 2004 dated 31 March 2004 requires each lines company to properly consult with their consumers on the options of price and supply quality available to those consumers during the two year periods ending on 31 March 2006 and 31 March 2008 and to take those consumers views into account when making asset management decisions. Westpower has used, and will continue to use, its asset management plan as the primary means of taking these views into account when setting service levels.

Section 7(1) of the Notice broadly defines the process of disclosure, auditing and director certification that is required to verify that such consultation has occurred.

1.2 Purpose of this document

The purpose of this document is to...

- Provide a written statement pursuant to Section 7(1)(a)(ii) of the Notice that a consumer consultation has been performed.
- Present an auditors report of the written statement pursuant to Section 7(1)(b) of the Notice.
- Present a directors certificate certifying that the above aspects comply pursuant to Section 7(1)(c) of the Notice.

2. Consumer consultation activity

2.1 Consultation requirements

The consumer consultation requirements are defined in Section 6(1)(c) of the Notice, and broadly require a lines company to....

- Properly advise its consumers about the price and quality trade-offs available.
- Consult with those consumers on those trade-offs.
- Properly consider the views expressed by consumers.
- Take those views into account when making asset management decisions.

2.2 Consultation methodology

Westpower has followed the recommendations laid out in Tables 7.1(a), 7.1(b), 7.2(a) and 7.2(b) of the PB Associates report dated April 2005.

2.3 Definition of large & small consumers

In its Consumer Consultation for the period ending 31 March 2004 Westpower consulted with its 25 largest consumers (by energy consumption) on the basis that these were the only consumers for whom it was realistic to offer a choice of price and supply quality. This definition of “large” was accepted by the Commerce Commission in 2004 hence Westpower intends to adopt this definition again for 2006.

Accordingly, Westpower’s other consumers are classified as “small”. Notwithstanding this definition of small, Westpower has also attempted to consult the following three representative groups...

- GreyPower (both Greymouth and Hokitika).
- Federated Farmers (Greymouth).
- West Coast Development Trust.

2.4 Consultation with small consumers

As per Table 7.1(a) of the PB Associates report, Westpower provides the following classes of information to its small consumers by the following means...

Information to be provided to small consumers	Means of providing information to small consumers
Definition of service levels offered in various network areas.	<ul style="list-style-type: none"> • Definitions are listed on the website • Advertisements in the local newspaper
Actual service levels compared to target levels.	<ul style="list-style-type: none"> • Distribution charges are listed on the website. • Comparison of actual and target service levels are contained in the disclosure documents on the website.
Details of how consumers can present their views to Westpower.	<ul style="list-style-type: none"> • Phone, fax and email details are on the website. • Westpower's phone number is listed in the on-line white pages. • Through the Westpower board of trustees

As per Table 7.1(b) of the PB Associates report, Westpower obtains the following classes of information from its small consumers by the following means...

Information to be obtained from small consumers	Means of obtaining information from small consumers
Consumer satisfaction levels.	<ul style="list-style-type: none"> • Engagement with representative community groups such as GreyPower and Federated Farmers.
General desire for change to service levels.	<ul style="list-style-type: none"> • Consult with consumer to ensure appropriate solutions are met
Frequency and type of complaints received.	<ul style="list-style-type: none"> • Engagement initiated by customers through 0800 number, fax or mail (i.e. Callcare)
Requests for service level changes by individuals or groups.	<ul style="list-style-type: none"> • Requests are generally received from the Retailer for Service level changes

2.5 Consultation with large consumers

As per Table 7.2(a) of the PB Associates report, Westpower provides the following classes of information to its large consumers by the following means...

Information to be provided to large consumers	Means of providing information to large consumers
Definition of service levels offered.	<ul style="list-style-type: none"> • Performance indicator targets, which are available on the website
Actual performance against service level targets.	<ul style="list-style-type: none"> • Distribution charges are listed on the website. • Comparison of actual and target service levels are contained in the disclosure documents on the website.
Price and quality of supply options available.	<ul style="list-style-type: none"> • Regular contact with the Westpower Asset Manager.
Details of how consumers can present their views to Westpower.	<ul style="list-style-type: none"> • Phone, fax and email details are on the website. • Westpower's phone number is listed in the on-line white pages.

As per Table 7.2(b) of the PB Associates report, Westpower obtains the following classes of information from its large consumers by the following means...

Information to be obtained from large consumers	Means of obtaining information from large consumers
Consumer satisfaction levels.	<ul style="list-style-type: none"> • Two-yearly engagement with large consumers by an independent advisor. • Through regular discussions with the Westpower Asset Manager.
General desire for change to service levels.	<ul style="list-style-type: none"> • Two-yearly engagement with large consumers by an independent advisor. • Through regular discussions with Westpower's assets manager.
Frequency and type of complaints received.	<ul style="list-style-type: none"> • Direct consultation with consumer and distributor • Through Call Care answer service
Requests for service level changes by individuals or	<ul style="list-style-type: none"> • Consultation direct between consumer and distributor

groups.	• Survey of top 25 consumers
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In addition to generally providing the above information to its large consumers', Westpower has used an independent consultant to work through the questionnaire included in Appendix A to this document.

Consumer responses specifically in regard to alternative price and supply quality options were as follows (Question 3)...

No.	Consumer	Industry sector	2004 Response	2006 Response
1	A	Primary processing	Supply is reliable for the majority of the time – might be interested after considering likely costs and costs of lost production.	Prepared to pay about the same to receive about the same reliability.
2	B	Primary processing	Existing reliability is okay, but would consider additional reliability if the price was acceptable.	Didn't accept invitation to participate.
3	C	Mining	Not particularly happy with existing reliability, as even fleeting losses of supply cause plant to trip and shutdown. Would certainly consider additional reliability with cost-benefit parameters, and recognises that a no-break solution would be required.	Didn't accept invitation to participate.
4	D	Primary processing	Certainly no problems with existing supply reliability. As continuity is not critical, and their own plant is not 100% reliable, they would not be interested in additional reliability.	Prepared to pay about the same to receive about the same reliability.

5	E	Primary processing	Existing supply reliability is acceptable, and any interest in additional reliability would be strongly driven by its costs.	Would consider paying a bit more to receive a bit more reliability.
6	F	Primary processing	Lights are staying on well – always had good service from Westpower. Wouldn't be interested in additional reliability due to high reliability of existing supply.	Prepared to pay about the same to receive about the same reliability.
7	G	Healthcare	Happy enough with existing reliability, but might be interested in additional reliability depending on price. Recognises that increasing the capacity of their existing generator might be a better option.	Prepared to pay about the same to receive about the same reliability.
8	H	Mining	Very happy with existing supply reliability, but could be interested if production increases. Critical time for restoration is currently about 4 hours in order to	Didn't accept invitation to participate.

			pump out water ingress, so if water ingress rate increases significantly they might need to consider additional reliability.	
9	I	Hospitality	Brief comment that "lights are staying on", but declined to participate any further.	Prepared to pay about the same to receive about the same reliability.
10	J	Infrastructure operator	Happy enough with supply reliability. Would be interested in additional reliability, but recognises that the isolated location and rugged terrain would make a second supply prohibitively expensive.	Prepared to pay about the same to receive about the same reliability.
11	K	Primary processing	Not totally happy with existing reliability, but wouldn't be prepared to pay for additional reliability.	Might be prepared to pay a bit more to receive a bit more reliability.
12	L	Hospitality	Happy with existing reliability. As they have gas cooking and a generator, they would not be interested in additional reliability.	Prepared to pay about the same to receive about the same reliability.

13	M	Primary processing	Reliability is generally good, and wouldn't be prepared to pay for additional reliability.	Didn't accept invitation to participate.
14	N	Food retail	Reliability is hardly ever a problem. The existing premise has a generator (which is now under-sized) and battery backup so would not be interested in additional reliability at this site. Might consider such an arrangement for their new premise.	Didn't accept invitation to participate.
15	O	Hospitality	Declined to participate.	Declined to participate.
16	P	Light manufacturing	No particular problem with reliability, but could be interested in additional reliability subject to cost due to electro-intensive nature of their business.	Prepared to pay about the same to receive about the same reliability.
17	Q	Primary processing	Lights are staying on alright – go off occasionally in bad weather but that is part of life. Not interested in additional reliability, but	Prepared to pay about the same to receive about the same reliability.

			could be interested in reduced reliability in return for lower line charges.	
18	R	Aged care	Reliability is good – only ever have occasional problems. As they have a standby generator and emergency lighting they would not be interested in paying for additional reliability.	Prepared to pay about the same to receive about the same reliability.
19	S	Primary processing	Existing power supply is reliable. Additional reliability would be useful from an operations point of view, but would be subject to financial decisions made by corporate.	Prepared to pay about the same to receive about the same reliability.
20	T	Primary processing	No problem with existing reliability. Would be interested in additional reliability, but not sure about having to pay more for it.	Didn't accept invitation to participate.
21	U	Primary processing	Happy with existing supply reliability, but declined to participate any further.	Prepared to pay about the same to receive about the same reliability.

22	V	Hospitality	Reliability is very good, so wouldn't be interested in paying for additional reliability.	Prepared to pay about the same to receive about the same reliability.
23	W	Hospitality	Present manager has had three outages in two weeks – even fleeting loss of supply is a major inconvenience as clocks have to be reset, gas hot-water cylinders shutdown etc. Hence continuous supply would be subject to price	Might be prepared to pay a bit more to receive a bit more reliability.
24	X	Hospitality	Reliability of supply is fine – Westpower do a fine job of fault restoration. Wouldn't be interested in additional reliability.	Prepared to pay about the same to receive about the same reliability.
25	Y	Food retail	Happy enough with reliability – as they have a generator, they would not be interested in additional reliability.	Prepared to pay about the same to receive about the same reliability.

Retailer's names have been withheld for confidentiality reasons.

2.6 Consultation with representative groups

Consultation with representative community groups around the following question “are Westpower providing reliable and appropriately priced community infrastructure” has revealed the following...

- Grey Power (Greymouth) indicated that they are not aware of any reliability issues, but the increasing overall costs of electricity are an on-going concern.
- GreyPower (Hokitika) indicated that reliability is fine but was concerned about the fixed daily charges that retailers are charging and how confusing this was.
- Federated Farmers indicated a general satisfaction with supply reliability with only isolated complaints.
- West Coast Development Trust expressed some concern that capacity limitations could limit future mining opportunities.

2.7 Consultation with retailers

- Recent data from retailer #1 indicated total satisfaction with Westpower’s reliability (and a number of other service attributes).
- Retailer #2 simply said Westpower are “doing fine”.

2.8 Processes for acting on these responses

Westpower has adopted the following processes for acting on consumer responses.

- Westpower’s AMP includes the consumer consultation phase in all major decisions concerning capacity and supply security.
- Westpower will continue discussions with those consumers who have indicated that they may be interested in alternative options of price and supply quality.

Appendix A – Consumer questionnaire

1. Importance of electricity service components

There are many components of electricity service which are provided by Westpower which include the following. Without thinking about how well Westpower does any of the following, please tell me which two components of your electricity supply are most important...

- (a) Answering the phone quickly.
- (b) Keeping the power on all the time.
- (c) Quick processing of applications for new connections.
- (d) Advising on stuff like energy efficiency
- (e) Getting the power back on quickly.
- (f) No flicker or surges.
- (g) Sufficient notice of a planned shutdown.

2. Westpower's performance

Thinking about the components of electricity service discussed above, can you please use the words Poor, Average, Good, Very Good or Excellent to describe how well Westpower does each of the following things.

- (a) Answering the phone quickly.
- (b) Keeping the power on all the time.
- (c) Quick processing of applications for new connections.
- (d) Advising on stuff like energy efficiency or new appliances.
- (e) Getting the power back on quickly.
- (f) No flicker or surges.
- (g) Sufficient notice of a planned shutdown.

3. Alternative reliability and prices

Now I would like to talk about possible alternatives to the reliability of your present electricity supply and the amount you pay for that supply. Please tell me which of the following alternatives you would prefer...

- (a) Pay a bit less to have a bit less reliability.
- (b) Pay about the same to have about the same reliability.
- (c) Pay a bit more to have a bit more reliability.
- (d) Pay a lot more to have a lot more reliability.

4. Power flicker

Now I would like to talk some more about power flicker.

Using the words Never, Rarely, Sometimes or Often please tell me how often you personally notice power flicker.

Using the words Never, Rarely, Sometimes or Often please tell me how often power flicker is a problem for your business.

To help us understand how well the community understand power flicker, can you please tell me which of the following might cause power flicker.

- (a) Trees hitting power lines.
- (b) Switching on Westpower's network.
- (c) Other consumers' equipment.
- (d) A consumers' own equipment.
- (e) Animals or birds hitting power lines.

REPORT OF THE AUDITOR-GENERAL

**TO THE READERS OF THE
THRESHOLD COMPLIANCE STATEMENT OF WESTPOWER LTD FOR THE
ASSESSMENT PERIOD ENDED ON 31 MARCH 2006**

We have audited the attached statement, prepared by Westpower Ltd for assessment as at 31 March 2006 and dated 12 May 2006. 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 Westpower Ltd 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 Tony Uttley of Audit New Zealand to carry out the audit.

Basis of opinion

We conducted the audit in accordance with the Auditor-General's Auditing Standards which include 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 1 to 34 of 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 2006 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
- the customer communication part of the quality threshold set out in clause 6(1)(c) of the Notice.

It also included assessment of the significant estimates and judgments, if any, made by Westpower Ltd 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 Westpower Ltd 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

Other than in our capacity as auditor acting on behalf of the Auditor-General, we have no relationship with or interests in Westpower Ltd.

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 Westpower Ltd against that threshold for the assessment period ended on 31 March 2006.

Quality threshold: SAIDI and SAIFI statistics

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

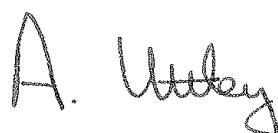
- . the SAIDI and SAIFI statistics for the assessment period ended on 31 March 2006 which are relevant to those parts of the quality threshold that are set out in clauses 6(1)(a) and 6(1)(b) of the Notice and related information have been calculated and prepared in accordance with the Notice and in accordance with Westpower Ltd'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 Westpower Ltd for the assessment period ended on 31 March 2006;

- 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 Westpower Ltd 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 Westpower Ltd;
- the SAIDI and SAIFI statistics for the assessment period ended on 31 March 2006, 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 Westpower Ltd 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 2006.

Quality threshold: customer communication

In our opinion, having made all reasonable enquiry, to the best of our knowledge the information set out in the threshold compliance statement relating to that part of the quality threshold that is set out in clause 6(1)(c) of the Notice has been prepared in accordance with the Notice, and gives a true and fair view of the performance of Westpower Ltd against that part of the quality threshold for the assessment period ended on 31 March 2006.

The audit was completed on 12 May 2006 and our opinion is expressed as at that date.



Tony Uttley
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand

This audit report relates to the Threshold Compliance Statement of Westpower Ltd for the year ended 31 March 2006 included on Westpower Ltd's website. The company's Board is responsible for the maintenance and integrity of the Westpower Ltd website. We have not been engaged to report on the integrity of the Westpower Ltd website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 12 May 2006 to confirm the information included in the audited financial statements presented on this web site.

Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.