

COMMERCE COMMISSION

Price Path and Quality Threshold Disclosure

In accordance with the

Commerce Act (Electricity Distribution Thresholds) Notice 2004

Assessment

As at 31 March 2007



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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 2007.

Customer communication pursuant to section 6 (1) (c) of the Notice was completed in the year ending 31 March 2006 and, evidence of compliance with this requirement was included in the disclosure for that year.

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 2007 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 2007 and the notional revenue of Westpower at the previous assessment date.

Statement of Compliance – Quality Threshold

This report confirms Westpower’s **partial 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 2007 **is less than** the five-year average SAIDI of Westpower to March 31 2003 and **complies**; and
- Pursuant to Section 6 (1) (b) of the Notice - Westpower’s SAIFI for the period of 12 months ending on 31 March 2007 **is not less than** the five-year average SAIFI of Westpower to March 31 2003 and **does not comply**.

Further detail is contained in Appendix Seven.

SAIFI Quality Threshold

This year, an error was detected in the way the SAIFI statistic had been derived, whereby an “average number of network connection points affected” was used in the numerator of the calculation, rather than “the number of network connection points affected” as required in the thresholds notice. This error, which only affected outages involving staged restoration, had gone undetected since 1999 meaning that the SAIFI

threshold values previously disclosed needed to be restated. Of necessity this restatement is based on upon current connection data, not the actual connections at that time. There will be no material difference as a result of this estimation.

For the avoidance of doubt, and to allow a ready comparison, Appendix Seven contains a full set of results for all years from 1999 to 2007 showing both the previously disclosed values and the restated figures used for this disclosure.

Using either computation, Westpower would still breach the SAIFI threshold for this disclosure.

The SAIFI threshold values for the years 31 March 1999 to 31 March 2003 have not been taken from the information disclosed by Westpower in accordance with the Electricity (Information Disclosure) Regulations 1999 as they have since been restated.

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

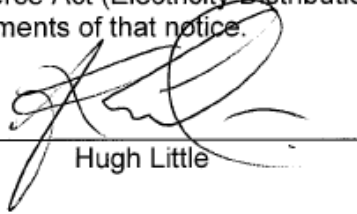
- The lease of transmission assets to Transpower for operation as part of the national grid. (Westpower owns a number of 66 kV transmission lines and substations on the West Coast, which are leased to Transpower for operational purposes.)
- Service connection and reconnection services which are provided 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.

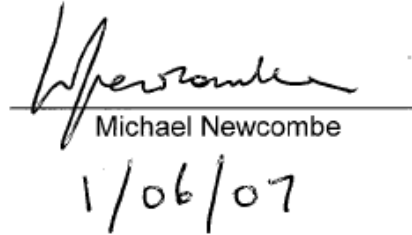
SCHEDULE 2

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



Michael Newcombe
1/06/07

APPENDIX ONE

Price Path Threshold Assessment – 31 March 2007

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

$$\frac{NR_{2007}}{R_{2007}} \leq 1$$

Now for Westpower,

$$\frac{NR_{2007}}{R_{2007}} = \frac{\$9,999,965.77}{\$10,232,966.58} = 0.977 \leq 1$$

Breach Test: Is LH side less than 1?

Test result: Westpower complies with the price threshold

| Component | Description | Source |
|---------------------|---|------------|
| NR_{2007} | is the notional revenue for the assessment period ending in calendar year 2007, being equal to $\sum P_{i,2007} Q_i - K_{2007}$ | Appendix 3 |
| i | denotes each price pertaining to every specified service; | Appendix 2 |
| $P_{i,2006}$ | is the i^{th} price at the reference date, 31 March 2006; | Appendix 2 |
| $P_{i,2007}$ | is the i^{th} price at the assessment date, 31 March 2007; | Appendix 2 |
| Q_i | is the base quantity corresponding to the i^{th} price for the year ending 31 March 2003; | Appendix 3 |
| K_{2007} | is the sum of all pass through costs for the assessment period ending on 31 March 2007 ; | 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_{2007} | is the allowable notional revenue under the CPI-X price path for the assessment period ending on 31 March 2007 ; | Appendix 5 |
| ΔCPI_{2007} | is the change in the consumer price index over the period between assessments | Appendix 6 |

APPENDIX TWO PRICE SCHEDULES

WESTPOWER LTD

DISTRIBUTION AND TRANSMISSION CHARGES 2006/2007

APPLICABLE 01 AUGUST 2006

ALL CHARGES SHOWN ARE EXCLUSIVE OF GST

CATEGORY 1 DOMESTIC

FIXED CHARGES:

DISTRIBUTION CHARGE - per 12 month period

WP1D

\$49.62

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 | 8229 | D | 7.444 | 1.552 | 8.996 |
| Controlled 17hr | 6543 | DC | 4.431 | 0.924 | 5.355 |
| Economy, day | 1884 | DD | 8.684 | 1.811 | 10.495 |
| Economy, night | 1884 | DE | 0.407 | 0.000 | 0.407 |
| Night only | 797 | DN | 2.109 | 0.000 | 2.109 |

CATEGORY 1 NON-DOMESTIC (For loads less than 15 kVA)

DISTRIBUTION CHARGE - per 12 month period

WP1N

\$194.83

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 | 1544 | N | 7.444 | 1.552 | 8.996 |
| Controlled 17hr | 250 | NC | 4.431 | 0.924 | 5.355 |
| Economy, day | 203 | ND | 8.684 | 1.811 | 10.495 |
| Economy, night | 203 | NE | 0.407 | 0.000 | 0.407 |
| Night only | 26 | NN | 2.109 | 0.000 | 2.109 |
| Priority Controlled | 5 | PC | 4.557 | 0.951 | 5.508 |

STREET LIGHTING:

FIXED CHARGES:

DISTRIBUTION CHARGE per 12 month period per light

WPSL

\$16.75

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 | 66 | SL | 4.139 | 0.403 | 4.542 |
| Under Verandah Lighting | 83 | SL | 4.139 | 0.403 | 4.542 |

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

\$21.98

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 | 501 | U1 | 6.401 | 1.373 | 7.774 |
| Non Domestic Controlled | 269 | U2 | 2.146 | 0.461 | 2.607 |
| Non Domestic Economy, day | 331 | U3N | 6.952 | 1.492 | 8.444 |
| Non Domestic Economy, night | 331 | U3L | 0.181 | 0.000 | 0.181 |
| Non Domestic Night | 19 | U5 | 0.807 | 0.000 | 0.807 |
| Priority Controlled | 12 | U6 | 4.537 | 0.974 | 5.511 |

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)

16

C2F

\$21.98

\$21.98

Peak charge. (per kW per year)

C2P

\$157.41

\$65.20

\$222.61

BULK (loads over 200kVA)

Fixed Annual Capacity Charge. (per kVA per year)

17

C3F

\$36.32

\$10.93

\$47.25

Peak charge. (per kW per year)

C3P

\$36.32

\$65.20

\$36.32

Coincident Peak Charge per kW per year

C3CP

\$65.20

\$65.20

| | | | | | |
|---|---|------|-----------------|----------------|-----------------|
| Large Bulk (loads over 2500kVA) | | | | | |
| Fixed Annual Capacity Charge: | 2 | C4F | \$27.24 | \$10.93 | \$38.17 |
| Peak charge. (per kW per year) | | C4P | \$27.24 | | \$27.24 |
| Transpower Coincident peak demand per kW per year | | C4CP | | \$65.20 | \$65.20 |
| Tranzrail Otira | | | | | |
| Fixed Annual Capacity Charge: | 1 | C5F | \$193.38 | \$99.99 | \$293.37 |
| Peak charge, per kW per year: | | C5P | \$36.32 | | \$36.32 |
| Transpower Coincident peak demand per kW per year | | C5CP | | \$65.20 | \$65.20 |
| Power Factor Charge | | | | | |
| Annual charge per kVA of assessed correction required to bring PF up to 0.95 | | C2PF | \$87.92 | | |
| 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 \$87.92 per kVA 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 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

SCHEDULE 2 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 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 | | |
|---|--|------|---------|--|--|

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

SCHEDULE 2

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 |

APPENDIX THREE

Notional Revenue Calculation

Notional Revenue at the Assessment Date and Prior Assessment Date

| Tariff (i) | Assessment Date - 31 March 2007 | | | Prior Assessment Date - 31 March 2006 | | |
|--------------------------------------|---------------------------------|-----------------------|------------------------|---------------------------------------|------------|------------------------|
| | $P_{i, 2007}$ | Q_i | $\sum P_{i, 2007} Q_i$ | $P_{i, 2006}$ | Q_i | $\sum P_{i, 2006} Q_i$ |
| Category 1 | | | | | | |
| D | 8.996 | 33,399,037 | \$3,004,577.37 | 8.628 | 33,399,037 | \$2,881,668.91 |
| DC | 5.355 | 15,475,081 | \$828,690.59 | 5.136 | 15,475,081 | \$794,800.16 |
| DE | 0.407 | 6,667,834 | \$27,138.08 | 0.399 | 6,667,834 | \$26,604.66 |
| DD | 10.495 | 8,382,605 | \$879,754.39 | 10.067 | 8,382,605 | \$843,876.85 |
| DN | 2.109 | 977,880 | \$20,623.49 | 2.068 | 977,880 | \$20,222.56 |
| N | 8.996 | 6,737,727 | \$606,125.92 | 8.628 | 6,737,727 | \$581,331.09 |
| NC | 5.355 | 537,344 | \$28,774.77 | 5.136 | 537,344 | \$27,597.99 |
| NE | 0.407 | 860,950 | \$3,504.07 | 0.399 | 860,950 | \$3,435.19 |
| ND | 10.495 | 1,547,435 | \$162,403.30 | 10.067 | 1,547,435 | \$155,780.28 |
| NN | 2.109 | 50,021 | \$1,054.94 | 2.068 | 50,021 | \$1,034.43 |
| PC | 5.508 | 10,682 | \$588.36 | 5.283 | 10,682 | \$564.33 |
| SL | 4.542 | 1,418,132 | \$64,411.56 | 4.526 | 1,418,132 | \$64,184.65 |
| WP1D | 49.620 | 9,857 | \$489,104.34 | \$49.92 | 9,857 | \$492,061.44 |
| WP1N | \$194.83 | 1,665 | \$324,391.95 | \$191.01 | 1,665 | \$318,031.65 |
| WPSL | \$16.75 | 3,232 | \$54,136.00 | \$16.42 | 3,232 | \$53,069.44 |
| Category 1 Subtotal | | | \$6,495,279.13 | | | \$6,264,263.63 |
| Category 2 | | | | | | |
| U1 | 7.774 | 22,687,520 | \$1,763,727.80 | 7.452 | 22,687,520 | \$1,690,673.99 |
| U2 | 2.607 | 5,085,011 | \$132,566.24 | 2.499 | 5,085,011 | \$127,074.42 |
| U3L | 0.181 | 7,216,222 | \$13,061.36 | 0.178 | 7,216,222 | \$12,844.88 |
| U3N | 8.444 | 16,208,264 | \$1,368,625.81 | 8.095 | 16,208,264 | \$1,312,058.97 |
| U5 | 0.807 | 189,341 | \$1,527.98 | 0.791 | 189,341 | \$1,497.69 |
| U6 | 5.511 | 486,348 | \$26,802.64 | 5.284 | 486,348 | \$25,698.63 |
| WP2N | 21.980 | 31,265 | \$687,204.70 | 21.550 | 31,265 | \$673,760.75 |
| Category 2 Subtotal | | | \$3,993,516.53 | | | \$3,843,609.33 |
| Category 2 Large | | | | | | |
| C2F | 21.98 | 1263 | \$ 27,760.74 | 21.55 | 1263 | \$27,225.82 |
| C2P | 222.61 | 1159.8 | \$ 258,183.08 | 206.41 | 1159.8 | \$239,394.32 |
| | | | \$285,943.82 | | | \$266,620.14 |
| Category 3 | | | | | | |
| C3P | \$ 36.32 | 7587 | \$275,559.84 | \$ 35.61 | 7587 | \$270,173.07 |
| C3CP | \$ 65.20 | 5754 | \$375,160.80 | \$ 52.08 | 5754 | \$299,668.32 |
| C3F | \$ 47.25 | 9566 | \$451,993.50 | \$ 44.97 | 9566 | \$430,172.79 |
| | | | \$1,102,714.14 | | | \$1,000,014.18 |
| Category 4 | | | | | | |
| C4P | \$ 27.24 | 5094 | \$138,760.56 | \$ 26.71 | 5094 | \$136,060.74 |
| C4P (Marginal) | \$ 36.32 | 713 | \$25,896.16 | \$ 35.61 | 713 | \$25,389.93 |
| C4CP | \$ 65.20 | 5290 | \$344,908.00 | \$ 52.08 | 5290 | \$275,503.20 |
| C4F | \$ 38.17 | 8082 | \$308,489.94 | \$ 36.08 | 8082 | \$291,598.56 |
| | | | \$818,054.66 | | | \$728,552.43 |
| Category 5 | | | | | | |
| C5P | \$ 36.32 | 430 | \$15,617.60 | \$ 35.61 | 430 | \$15,312.30 |
| C5CP | \$ 65.20 | 481 | \$31,361.20 | \$ 52.08 | 481 | \$25,050.48 |
| C5F | \$ 293.37 | 502 | \$147,271.74 | \$ 275.34 | 502 | \$138,220.68 |
| 031 | | | \$194,250.54 | | | \$178,583.46 |
| | | | $\sum P_{i, 2007} Q_i$ | | | $\sum P_{i, 2006} Q_i$ |
| SubTotal Revenue | | | \$12,889,758.82 | | | \$12,281,643.16 |
| Pass Through Charges | | | | | | |
| | | To 31 March 2007 | | To 31 March 2006 | | |
| Transmission | | \$ 2,838,437.45 | | \$ 2,297,861.16 | | |
| Rates | | \$ 32,533.06 | | \$ 37,943.95 | | |
| EC Levy | | \$ 18,822.54 | | \$ 14,524.32 | | |
| SubTotal Pass Through Charges | | \$2,889,793.05 | | \$2,350,329.43 | | |
| | | NR 2007 | | NR 2006 | | |
| Notional Revenue | | | \$9,999,965.77 | | | \$9,931,313.73 |

APPENDIX FOUR

Pass Through Cost Disclosure

| Pass Through Costs | | |
|---|------------------------|------------------------|
| Cost | Value | Last Year |
| Transpower | | |
| Connection Charges | \$ 377,553.81 | 324,699.56 |
| EVA Credits | -\$ 265,720.21 | -180,701.14 |
| New Investment Charge | \$ 113,708.69 | 66,769.18 |
| Transitional Charge | \$ - | - |
| Common Quality | \$ - | - |
| Connection Charge Sub Total | \$ 225,542.29 | \$ 210,767.60 |
| Interconnection | \$ 2,364,619.00 | \$ 1,977,726.53 |
| Loss and Constraint Rentals | -\$ 288,749.16 | -\$ 321,338.27 |
| Transpower Subtotal | \$ 2,301,412.13 | \$ 1,867,155.86 |
| Avoided Cost of Transmission | \$ 537,025.32 | \$ 430,705.30 |
| Rates (Accrued) | \$ 32,533.06 | \$ 37,943.95 |
| Electricity Commission Levy | \$ 18,822.54 | \$ 14,524.32 |
| Grand Total Pass Through Charges | \$ 2,889,793.05 | \$ 2,350,329.43 |

APPENDIX FIVE

Allowable Notional Revenue Calculation

Allowable Notional Revenue

Allowable notional revenue is defined as

$$\begin{aligned} R_{2007} &= R_{2006} * (1 + \Delta CPI_{2007}) * (1 - X) \\ &= \$10,000,125.65 * (1 + 3.362%) * (1 - 1%) \\ &= \$10,232,966.58 \end{aligned}$$

Where

$$\begin{aligned} R_{2006} &= \$10,000,125.65 \text{ from 2006 Theshold Disclosure} \\ \Delta CPI_{2007} &= 3.362\% \text{ from Appendix 6} \\ X &= 1\% \text{ from Commerce Commission Threshold Decisions - April 2004} \end{aligned}$$

APPENDIX SIX

CPI Factor Calculation

Based on Consumers Price Index SE9A

Published by Statistics New Zealand

CPI Adjustment

$$\begin{aligned}\Delta CPI_t &= \frac{CPI_{Q1,2006} + CPI_{Q2,2006} + CPI_{Q3,2006} + CPI_{Q4,2006}}{CPI_{Q1,2005} + CPI_{Q2,2005} + CPI_{Q3,2005} + CPI_{Q4,2005}} - 1 \\ &= \frac{985 + 1000 + 1007 + 1005}{953 + 962 + 973 + 979} - 1 \\ &= 0.03362 \\ &= 3.362\%\end{aligned}$$

APPENDIX SEVEN

Quality Threshold Compliance Assessment

Quality Statement at the Assessment Date **Clause 6 (1) (a) & 6 (1) (b)**

$$SAIDI_{2007} \leq \left[\frac{SAIDI_{1999} + SAIDI_{2000} + SAIDI_{2001} + SAIDI_{2002} + SAIDI_{2003}}{5} \right]$$

| | 1999 | 2000 | 2001 | 2002 | 2003 | Average | 2007 |
|-------|--------|--------|-------|--------|--------|----------------|--------------|
| SAIDI | 262.91 | 154.32 | 237.1 | 126.99 | 120.11 | 180.286 | 166.1 |

Westpower complies.

$$SAIFI_{2007} \leq \left[\frac{SAIFI_{1999} + SAIFI_{2000} + SAIFI_{2001} + SAIFI_{2002} + SAIFI_{2003}}{5} \right]$$

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|-------------------------------------|------|------|------|------|------|------|------|------|-------------|
| SAIFI (Previous Disclosures) | 2.06 | 1.34 | 2.65 | 1.34 | 0.92 | 2.4 | 3.23 | 1.38 | |
| Previous Benchmark | | | | | | 1.66 | 1.66 | 1.66 | |
| SAIFI (This Disclosure) | 2.00 | 1.53 | 3.28 | 1.74 | 1.45 | 2.97 | 3.24 | 1.78 | 2.97 |
| Amended Benchmark | | | | | | 2.00 | 2.00 | 2.00 | 2.00 |
| SAIFI Breach (Previous Disclosures) | | | | | | Yes | Yes | No | Yes |
| SAIFI Breach (This Disclosure) | | | | | | Yes | Yes | No | Yes |

Westpower does not comply.

As the above table shows, the conclusions made by the Company in the 2004, 2005 and 2006 Threshold Compliance Statements with respect to the SAIFI disclosure statistic were accurate. Westpower still breached in 2004 and 2005, but did not breach in 2006.

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 then 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.

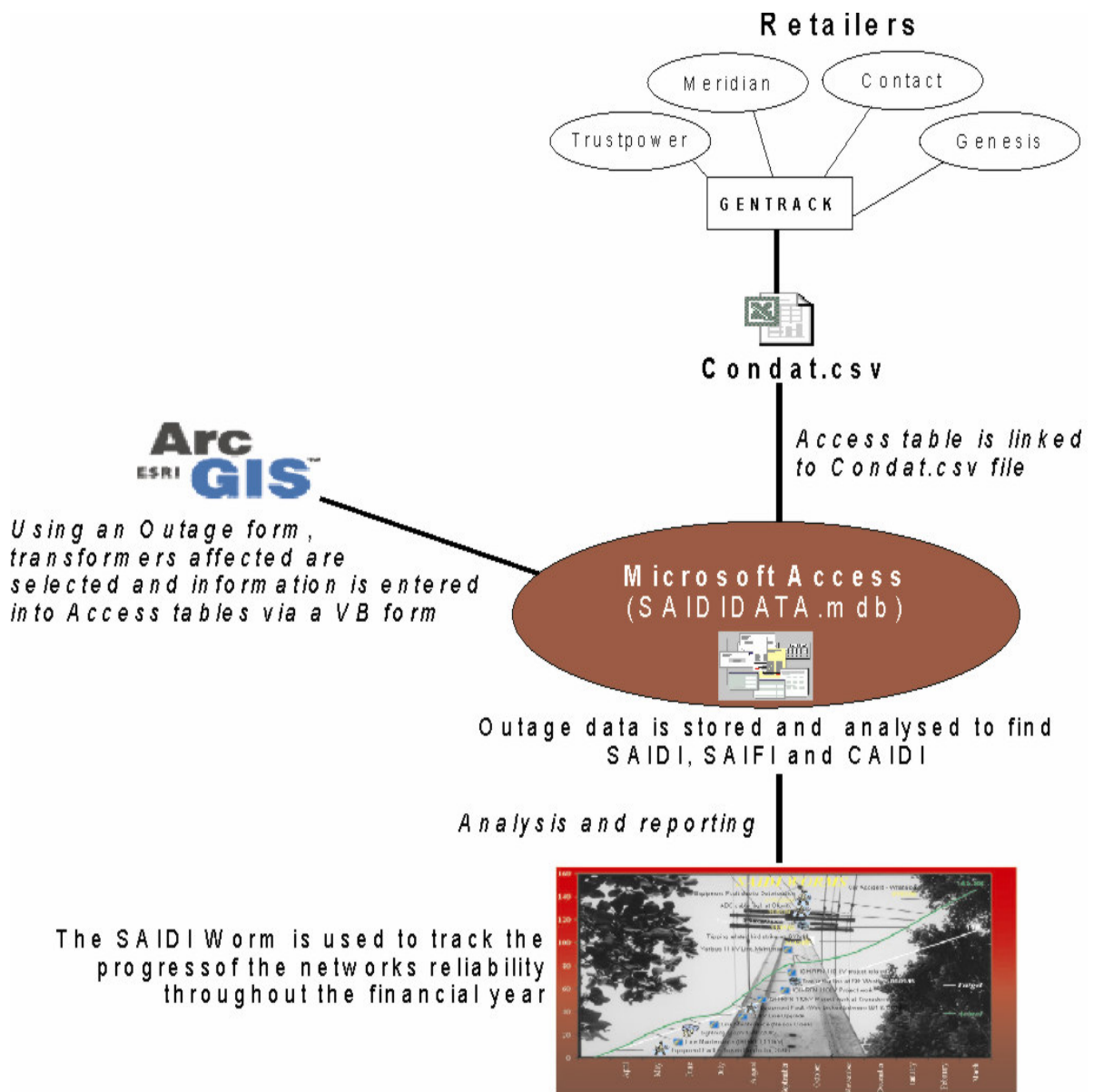
2 Data processing

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.



REPORT OF THE AUDITOR-GENERAL
TO THE READERS OF THE
THRESHOLD COMPLIANCE STATEMENT OF WESTPOWER LIMITED
FOR THE ASSESSMENT PERIOD ENDED ON 31 MARCH 2007

We have audited the attached statement, prepared by Westpower Limited for assessment as at 31 March 2007 and dated 1 June 2007. 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 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 Devan Menon of Audit New Zealand to carry out the audit.

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 1 to 18 of the threshold compliance statement and which relate to:

- the price path threshold set out in clause 5 of the Notice; and
- the SAIDI and SAIFI statistics for the assessment period ended on 31 March 2007 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 Westpower 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 Westpower 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 of the threshold compliance statement, we have carried out audit and assurance assignments for Westpower Limited.

Other than these assignments, we have no relationship with or interest in Westpower Limited.

OPINIONS

Unqualified opinion

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 Limited against that threshold for the assessment period ended on 31 March 2007.

Quality threshold: SAIDI statistic

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

- the SAIDI statistic for the assessment period ended on 31 March 2007 which is relevant to the part of the quality threshold that is set out in clause 6(1)(a) of the Notice and related information have been calculated and prepared in accordance with the Notice and in accordance with Westpower Limited's policies and procedures for recording SAIDI statistics as disclosed in the threshold compliance statement, and give a true and fair view of the performance of Westpower Limited for the assessment period ended on 31 March 2007;
- the SAIDI 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 clause 6(1)(a) of the Notice has been correctly taken from the information disclosed by Westpower 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 Westpower Limited; and
- the SAIDI statistic for the assessment period ended on 31 March 2007, together with the SAIDI statistics for the years ended 31 March 1999, 2000, 2001, 2002 and 2003, give a true and fair view of the performance of Westpower Limited against those parts of the quality threshold that are set out in clause 6(1)(a) of the Notice for the assessment period ended on 31 March 2007.

Quality Threshold: SAIFI Statistic

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

- the SAIFI statistic for the assessment period ended on 31 March 2007 which is relevant to the part of the quality threshold that is set out in clause 6(1)(b) of the Notice and related information have been calculated and prepared in accordance with the Notice and in accordance with Westpower Limited's policies and procedures for recording SAIFI statistics as disclosed in the threshold compliance statement, and give a true and fair view of the performance of Westpower Limited for the assessment period ended on 31 March 2007;
- the restated 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 clause 6(1)(b) of the Notice have been properly calculated based on the unaudited source data provided to us by Westpower Limited; and
- the SAIFI statistic for the assessment period ended on 31 March 2007, together with the restated 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 Limited against those parts of the quality threshold that are set out in clause 6(1)(b) of the Notice for the assessment period ended on 31 March 2007.

Qualified Opinion

Quality Threshold: SAIFI Statistic

The SAIFI statistics for the years ended 31 March 1999, 2000, 2001, 2002 and 2003 which are relevant to the part of the quality threshold that is set out in clause 6(1)(b) of the Notice have been restated for the reasons disclosed under the heading "SAIFI Quality Threshold" on Pages 3 and 4 of the threshold compliance statement. Because of this restatement, in our opinion, having made reasonable enquiry, to the best of our knowledge the restated 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 clause 6(1)(b) of the Notice, have not been taken from the information disclosed by Westpower Limited in accordance with the Electricity (Information Disclosure) Regulations 1999. The SAIFI statistics disclosed in Appendix Seven on Page 16 of the threshold compliance statement and labelled "SAIFI (Previous Disclosures)" and "Previous Benchmark" were not properly calculated.

The audit was completed on 1 June 2007 and our opinion is expressed as at that date.



Devan Menon
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand

Matters relating to the electronic presentation of the audited threshold compliance statement

This audit report relates to the threshold compliance statement of Westpower Limited for the year ended 31 March 2007 included on Westpower Limited's website. Westpower Limited's Board of Directors is responsible for the maintenance and integrity of the website. We have not been engaged to report on the integrity of the website. We accept no responsibility for any changes that may have occurred to the threshold compliance statement since it was initially presented on the website.

The audit report refers only to the threshold compliance statement named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the threshold compliance statement. 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 threshold compliance statement and the related audit report dated 1 June 2007 to confirm the information included in the audited statement presented on this website.

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