

# OTAGONET JOINT VENTURE

## THRESHOLD COMPLIANCE STATEMENT

FOR THE ASSESSMENT DATE, 31 MARCH 2009

*Pursuant to the Commerce Act (Electricity Distribution Thresholds) Notice  
2004  
and Amendment Notice 2006*

19 MAY 2009

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### CONTENTS

- 1) Disclosure of Information Required (Clause 7(1)(a)(i) – The Price Path Threshold)
  - a) Notional revenue at each assessment date – (Clause 5(1)(a))
  - b) Notional revenue during each assessment period – (Clause 5(1)(b))
- 2) Disclosure of Information Required (Clause 7(1)(a)(ii) – The Quality Threshold)
  - a) Interruption duration – SAIDI (Clause 6(1)(a))
  - b) Interruption frequency – SAIFI (Clause 6(1)(b))
- 3) Disclosure of Information Required (Clause 7(1)(a)(iii) – Policies and Procedures for Recording SAIDI and SAIFI)
- 4) Auditors' Report on Threshold Compliance Statement (Clause 7(1)(b))
- 5) Certification of Threshold Compliance Statement (Clause 7(1)(c))

<b>APPENDIX A</b>	Notional revenue at the 31 March 2009 assessment date
<b>APPENDIX B</b>	Allowable notional revenue under the CPI-X price path at the 31 March 2009 assessment date
<b>APPENDIX C</b>	Maximum notional revenue during the assessment period
<b>APPENDIX D</b>	SAIDI and SAIFI statistics (Explanation of Breach of Quality Threshold (SAIDI/SAIFI))

**1. DISCLOSURE OF INFORMATION REQUIRED  
(CLAUSE 7(1)(a)(i) - THE PRICE PATH THRESHOLD)**

OtagoNet Joint Venture (OJV) does not comply with all requirements of the price path threshold at the 31 March 2009 assessment date as specified in the Commerce Act (Electricity Distribution Thresholds) Notice 2004 and Amendment Notice 2006 (The Notice).

**Clause 5 (1) (a) 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):

<b>Test:</b>	$\frac{NR_{2009}}{R_{2009}} \leq 1$
<b>Result:</b>	\$19,109,909 / \$10,179,481 > 1
<b>Result:</b>	1.8773 > 1
<b>Result:</b>	Threshold is breached by \$8,930,428

The OtagoNet Joint Venture increased its line charges on 1 July 2005 following a three year price freeze with further increases on 1 April 2006, 1 April 2007 and 1 April 2008. The price increases on 1 April 2008 are those in effect on the assessment date 31 March 2009.

The high level reasons for OtagoNet increasing its prices which resulted in the price path breach for the assessment period ended 31 March 2009 are:

- OtagoNet’s network assets are amongst some of the oldest in the country and there is a need to reinvest in the network assets in the long term interest of the stakeholders.
- The past levels of Return on Investment and prices were unsustainably low and could result in the revenue streams being insufficient to sustain the value of the network

Supporting evidence is presented in Appendices A and B.

**Clause 5 (1) (b) notional revenue during each assessment period.** The notional revenue of a distribution business at any time during an assessment period is not to exceed the greater of the Allowable Notional Revenue of the distribution business at the assessment date on which that assessment period ends and the Allowable Notional Revenue of the distribution business at the previous assessment date under this clause (or, if the previous assessment date is the reference date, under clause 5 of the initial Notice).

<b>Test:</b>	$\frac{NR_{Max}}{Max(R_{2008}, R_{2009})}$	$\leq 1$
<b>Result:</b>	\$19,109,909 / \$10,179,481	$> 1$
<b>Result:</b>	1.8773	$> 1$
<b>Result:</b>	Threshold is breached by \$8,930,428	

Supporting evidence is presented in Appendix C.

## **NOTIONAL REVENUE**

The following information used in determining the calculation of notional revenue of OJV in accordance with The Notice is disclosed.

### **1. GOODS AND SERVICES**

Goods and services included in the calculation of notional revenue of OJV include charges to electricity retailers or customers for the conveyance of electricity services.

### **2. EXCLUDED SERVICES**

The following are excluded services for the calculation of notional revenue:

- (a) Connection, disconnection, or reconnection services: OJV obtains no revenue from these services as other parties perform them.
- (b) “Non conveyance” goods and services: OJV obtains no revenue from the provision of energy use monitoring, consultancy or the provision of information not directly related to the provision of electricity distribution as it does not carry out such services.
- (c) Asset additions that are uneconomic to supply: OJV is required to make additions to the network for newly connected customers. The cost of any uneconomic portion of the network addition is borne by the consumer. In all cases the costs of constructing the network addition for the new connection are incurred using independent contractors in a competitive market.
- (d) Other miscellaneous revenue: miscellaneous revenue such as rent, interest and gain on sale of assets are excluded, as they are non-conveyancing revenue.

### **3. PASS THROUGH COSTS**

The following costs have been included in the calculation of notional revenue:

#### **(a) TRANSMISSION CHARGES:**

These include embedded generator avoided transmission charges, Transpower Connection, Interconnection charges less Loss Constraint Excess Payments.

#### **(b) RATES:**

Territorial Local Authority rates applying to system fixed assets including lines, cables, equipment and substation land and buildings.

#### **(c) ELECTRICITY COMMISSION LEVIES.**

## 2. DISCLOSURE OF INFORMATION REQUIRED (CLAUSE 7(1)(a)(ii) – THE QUALITY THRESHOLD)

OJV does not comply with all requirements of the quality threshold at the 31 March 2009 assessment date, as specified in The Notice.

### a. INTERRUPTION DURATION – SAIDI CLAUSE 6 (1) (a)

<b>TEST:</b>	$SAIDI_{2009} \leq \left( \frac{SAIDI_{1999} + SAIDI_{2000} + SAIDI_{2001} + SAIDI_{2002} + SAIDI_{2003}}{5} \right)$
	270.32 minutes > 249.30 minutes
<b>RESULT:</b>	Class B and Class C SAIDI for the twelve months ending on the Assessment Date, 31 March 2009 is greater than the five year average Class B and Class C SAIDI (1999 – 2003) by 21.02 minutes.
	The Threshold is breached.

Supporting evidence is presented in Appendix D.

### b. INTERRUPTION FREQUENCY – SAIFI - CLAUSE 6 (1) (b)

<b>TEST:</b>	$SAIFI_{2009} \leq \left( \frac{SAIFI_{1999} + SAIFI_{2000} + SAIFI_{2001} + SAIFI_{2002} + SAIFI_{2003}}{5} \right)$
	2.81 times > 2.38 times
<b>RESULT:</b>	Class B and Class C SAIFI for the twelve months ending on the Assessment Date, 31 March 2009 is greater than the five year average Class B and Class C SAIFI (1999 – 2003) by 0.43 times.
	The Threshold is breached.

Supporting evidence is presented in Appendix D.

### **3. DISCLOSURE OF INFORMATION REQUIRED (CLAUSE 7(1)(a)(iii) - POLICIES AND PROCEDURES FOR RECORDING SAIDI AND SAIFI)**

OJV contracts PowerNet to manage its network via an Outsourcing Agreement.

PowerNet has a number of ISO 9002 procedures that govern the operational processes that surround the interruption, restoration and quality of supply to its customers. These procedures document the process by which managing, recording and reporting of outages is performed by PowerNet. This is carried out by following a series of flow charts, documents, forms and instructions contained within the following procedures:

- PNM 65 – Planned Outages
- PNM 69 – Network Faults, Defects and Supply Complaints
- PNM 71 – Use of Operating Orders

Key items within these procedures that relate to the recording and reporting of SAIDI and SAIFI statistics include:

- Responsibilities for recording faults and outages at the system control operator level through to reviewing and reporting of faults and outages daily by management, weekly at operations meetings and monthly at board meetings.
- Methods by which notification of planned and unplanned outages are identified and captured from various sources such as customers, network equipment, contractors, Transpower, the public or emergency services.
- The use of Operating Orders for planned maintenance and unplanned fault restoration and how the information from these orders flow through to the Outage Reporting System in the form of duration of outages and number of customers affected.
- The recording of all faults and outages, however for the reporting of SAIDI and SAIFI only the inclusion of outages of a duration exceeding one minute or affecting more than three customers is recorded.
- The method of calculating SAIDI and SAIFI for outages which are progressively restored.
- The preparation, retention and archiving of supporting records and data.

#### *Disclaimer*

*The information presented in this Threshold Compliance Statement has been prepared solely for the purpose of complying with the requirements of the Commerce Act (Electricity Distribution Thresholds) Notice 2004 and Amendment Notice 2006. This statement has not been prepared for any other purpose and OtagoNet Joint Venture expressly disclaims any liability to any other party who may rely on this statement for any other purpose.*

## **AUDITORS' REPORT ON THRESHOLD COMPLIANCE STATEMENT**

To the readers of the threshold compliance statement of OtagoNet Joint Venture Limited for the assessment period ended on 31 March 2009

We have examined the attached statement, which is a threshold compliance statement in respect of the price path threshold and the quality threshold prepared by OtagoNet Joint Venture Limited for assessment as at 31 March 2009 and dated 19 May 2009 for the purposes of information requirements set out in clause 7 of the Commerce Act (Electricity Lines Thresholds) Notice 2004 ("the Notice"). In this report the attached statement is called "the threshold compliance statement".

### **Directors' Responsibilities**

Directors of OtagoNet Joint Venture Limited are responsible for the certification, confirming the compliance or otherwise, of the threshold compliance statement in accordance with the Notice.

### **Auditors' Responsibilities**

It is our responsibility to express an independent opinion (in the form prescribed in the Notice) on the threshold compliance statement and report our opinion to you.

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

### **Basis of Opinion - Price Path Threshold and Quality Threshold: SAIDI and SAIFI Statistics for the Assessment Period ended 31 March 2009; and Quality Threshold: Customer Communication**

Our audit included examination, on a test basis, of evidence relevant to the amounts and disclosures contained on pages 2 to 6 and Appendices A to D 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 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 an assessment of the significant estimates and judgements, if any, made by OtagoNet Joint Venture Limited in the preparation of the threshold compliance statement and an assessment of whether the basis of preparation has been adequately disclosed.

We planned and performed our audit of the threshold compliance statement so as to obtain all the information and explanation which we considered necessary, including for the purpose of obtaining sufficient evidence to give reasonable assurance that the threshold compliance statement is free from material misstatements (whether caused by fraud or error), except that our work was limited in respect of the quality threshold: SAIDI and SAIFI statistics as explained below. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the threshold compliance statement.

**AUDITORS' REPORT ON THRESHOLD COMPLIANCE STATEMENT**

OtagoNet Joint Venture Limited

**Basis of Opinion - Quality Threshold: SAIDI and SAIFI Statistics for the Years Ended 31 March 1999, 2000, 2001, 2002 and 2003.**

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 OtagoNet Joint Venture 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.

**Relationship and Interests**

We have no relationship with or interests in OtagoNet Joint Venture Limited other than in our capacities as auditors of the threshold compliance statements and in the provision of other professional advisory services. We are not aware of any relationships between our firm and OtagoNet Joint Venture Limited that, in our professional judgment, may reasonably be thought to impair our independence.

**Opinions**

**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 or 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 OtagoNet Joint Venture 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:

- a) 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 or prepared in accordance with OtagoNet Joint Venture Limited's policies and procedures for recording SAIDI and SAIFI statistics as disclosed in the threshold compliance statement, and fairly represent the performance of OtagoNet Joint Venture Limited for the assessment period ended on 31 March 2009;
- b) 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 OtagoNet Joint Venture 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 OtagoNet Joint Venture Limited.

**AUDITORS' REPORT ON THRESHOLD COMPLIANCE STATEMENT**  
OtagoNet Joint Venture Limited

**Qualified Opinion**

Our opinion is qualified as follows:

***Quality Threshold: SAIDI and SAIFI statistics***

The scope of our audit was subject to the following limitations:

- There is no independent evidence available for the period to support the completeness and accuracy of recorded faults; and
- Control over the completeness and accuracy of ICP data included in the SAIDI and SAIFI calculations is limited throughout the period.

Because of these limitations, there are no practical audit procedures that we could adopt to confirm independently that all outage and ICP data was properly recorded for the purposes of inclusion in the amounts or details set out in the quality threshold: SAIDI and SAIFI statistics.

In these respects alone we have not obtained all the information and explanations that we have required.

Because of the potential effect of the limitations in the evidence available to us, we are unable to form an opinion as to whether the amounts or details set out in the quality threshold: 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 OtagoNet Joint Venture 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.

Our audit was completed on 19 May 2009 and our qualified and unqualified opinions are expressed as at that date.



PricewaterhouseCoopers  
Christchurch  
19 May 2009

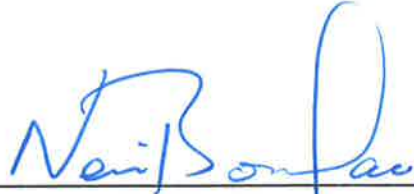
## 5. CERTIFICATION OF THRESHOLD COMPLIANCE STATEMENT

We, Cameron Andrew McCulloch and Neil Douglas Boniface, being Directors of companies which are parties to the OtagoNet Joint Venture certify that, having made all reasonable enquiry, to the best of our knowledge and belief, the attached threshold compliance statement of OtagoNet Joint Venture and related information, prepared for the purposes of the Commerce Act (Electricity Distribution Thresholds) Notice 2004 and Amendment Notice 2006 complies with the requirements of that notice, except for Clauses 5(1)(a) and 5(1)(b), 6(1)(a) and 6(1)(b).



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**Cameron Andrew McCulloch**



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**Neil Douglas Boniface**

19 May 2009

## Appendix A

### Clause 5 (1) (a)

### Notional Revenue at Assessment Date (31 March 2009):

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

$\sum P_{i,t}Q_i$ :

Fixed Charges	31-Mar-03								
	Number	Average kVA	Rate \$/kVA	Total Fixed Charge					
Domestic	10,534	10	\$ 41.92	\$ 4,415,853					
10% Fixed Charge Option	188		\$ -	\$ -					
Commercial	3,732	15.69	\$ 69.86	\$ 4,090,070					
Unmetered	82	1	\$ 172.27	\$ 14,126					
Streetlights	9	215,021 Watts	0.322	\$ 69,237					
<b>Total</b>	<b>14,545</b>			<b>\$ 8,589,286</b>					
<b>Variable Charges</b>									
	Annual Day kWh's	Annual Night kWh's	Day \$/kWh	Night \$/kWh's	Total Day \$	Total Night \$	Total Variable		
Domestic, Commercial, Unmetered & Streetlights	108,929,811	44471197	0.093	0.0108	\$ 10,130,472	\$ 480,289			
10% Fixed Charge Option	452,431	153573	0.16356	0.01803	\$ 74,000	\$ 2,769			
					\$ 10,204,472	\$ 483,058	<b>\$ 10,687,530</b>		
<b>Total Fixed &amp; Variable</b>								<b>\$ 19,276,816</b>	
<b>Maximum Demand Customers</b>									
Fixed Charges	Number	Total Capacity kVA	Rate \$/kVA	Total	Total Fixed				
	35	12475	\$ 33.96	\$ 423,651					
		Maximum Demand	\$/kVA						
	35	7714 kVA	\$ 28.74	\$ 221,700.36	\$ 645,351				
Variable Charges	kWh	\$/kWh	Total	Total Variable					
Summer Day	9,101,810	0.0297	\$ 270,324						
Winter Day	5,691,233	0.0567	\$ 322,693						
All Nights	5247071	0.0044	\$ 23,087	\$ 616,104					
<b>Total Fixed &amp; Variable</b>								<b>\$ 1,261,455</b>	
<b>Bulk &amp; Generator</b>									
	Total MD kW	Rate \$/kW	Total Annual Line Charge						
Bulk Customers	27073	\$ 75.85	\$ 2,053,414						
Generator			\$ 441,427						
Macraes Line Contract			\$ 117,000						
<b>Total Bulk &amp; Generator</b>								<b>\$ 2,611,841</b>	
$\sum P_{12009}Q_i$								<b>\$ 23,150,112</b>	

$K_{2009}$

Transmission (31 March 2009)	\$ 3,952,086
Rates (31 March 2009)	\$ 49,405
Electricity Commission Levies (31 March 2009)	\$ 38,712
$NR_{2009} = SP_{2009}Q_i - K_{2009}$	\$ 19,109,909



<i>DCPI</i> <sub>2005</sub>			
Numerator		Denominator	
<i>CPI</i> <sub>Q1,2004</sub>	928	<i>CPI</i> <sub>Q1,2003</sub>	913
<i>CPI</i> <sub>Q2,2004</sub>	935	<i>CPI</i> <sub>Q2,2003</sub>	913
<i>CPI</i> <sub>Q3,2004</sub>	941	<i>CPI</i> <sub>Q3,2003</sub>	918
<i>CPI</i> <sub>Q4,2004</sub>	949	<i>CPI</i> <sub>Q4,2003</sub>	924
Total	3753	Total	3669
$\Delta CPI$ <sub>2005</sub>	2.28945%		

$\Delta CPI$ <sub>2006</sub>			
Numerator		Denominator	
<i>CPI</i> <sub>Q1,2005</sub>	953	<i>CPI</i> <sub>Q1,2004</sub>	928
<i>CPI</i> <sub>Q2,2005</sub>	962	<i>CPI</i> <sub>Q2,2004</sub>	935
<i>CPI</i> <sub>Q3,2005</sub>	973	<i>CPI</i> <sub>Q3,2004</sub>	941
<i>CPI</i> <sub>Q4,2005</sub>	979	<i>CPI</i> <sub>Q4,2004</sub>	949
Total	3867	Total	3753
$\Delta CPI$ <sub>2006</sub>	3.038%		

$\Delta CPI$ <sub>2007</sub>			
Numerator		Denominator	
<i>CPI</i> <sub>Q1,2006</sub>	985	<i>CPI</i> <sub>Q1,2005</sub>	953
<i>CPI</i> <sub>Q2,2006</sub>	1000	<i>CPI</i> <sub>Q2,2005</sub>	962
<i>CPI</i> <sub>Q3,2006</sub>	1007	<i>CPI</i> <sub>Q3,2005</sub>	973
<i>CPI</i> <sub>Q4,2006</sub>	1005	<i>CPI</i> <sub>Q4,2005</sub>	979
Total	3997	Total	3867
$\Delta CPI$ <sub>2007</sub>	3.37%		

$\Delta CPI$ <sub>2008</sub>			
Numerator		Denominator	
<i>CPI</i> <sub>Q1,2007</sub>	1010	<i>CPI</i> <sub>Q1,2006</sub>	985
<i>CPI</i> <sub>Q2,2007</sub>	1020	<i>CPI</i> <sub>Q2,2006</sub>	1000
<i>CPI</i> <sub>Q3,2007</sub>	1025	<i>CPI</i> <sub>Q3,2006</sub>	1007
<i>CPI</i> <sub>Q4,2007</sub>	1037	<i>CPI</i> <sub>Q4,2006</sub>	1005
Total	4092	Total	3997
$\Delta CPI$ <sub>2008</sub>	2.38%		

$\Delta CPI$ <sub>2009</sub>			
Numerator		Denominator	
<i>CPI</i> <sub>Q1,2008</sub>	1044	<i>CPI</i> <sub>Q1,2007</sub>	1010
<i>CPI</i> <sub>Q2,2008</sub>	1061	<i>CPI</i> <sub>Q2,2007</sub>	1020
<i>CPI</i> <sub>Q3,2008</sub>	1077	<i>CPI</i> <sub>Q3,2007</sub>	1025
<i>CPI</i> <sub>Q4,2008</sub>	1072	<i>CPI</i> <sub>Q4,2007</sub>	1037
Total	4254	Total	4092
$\Delta CPI$ <sub>2009</sub>	3.96%		

Term	Description	(\$)
<i>X</i>	X Factor Assigned to OJV	-1%
<i>R</i> <sub>2004</sub>	Maximum Revenue at 31 March 2004 that would not have caused a breach under the initial Notice	8,353,203
$(1 + DCPI_{2005})$	Average change in Consumer Price Index over 2004	1.0229
$(1 - X)$	1-X Factor Assigned	1.01
<i>R</i> <sub>2005</sub>	Allowable Notional Revenue under the CPI-X Price Path for the year ended 31 March 2005	8,629,958

## Appendix C

### Clause 5 (1) (b)

#### Maximum Notional Revenue for the period 1 April 2008 to 31 March 2009.

The notional revenue of a distribution business at any time during an assessment period is not to exceed the greater of the allowable notional revenue of the distribution business at the assessment date on which that assessment period ends and the notional revenue of the distribution business at the previous assessment date under this clause.

$SP_{MAX} Q_{1,K}$

$\Sigma P_{max} Q_1$

Fixed Charges	31-Mar-03		Rate	Total Fixed					
	Number	Average	S/kVA	Charge					
		kVA							
Domestic	10,534	10	\$ 41.92	\$ 4,415,853					
10% Fixed Charge Option	188		\$ -	\$ -					
Commercial	3,732	15.69	\$ 69.86	\$ 4,090,070					
Unmetered	82	1	\$ 172.27	\$ 14,126					
Streetlights	9	215,021	0.322	\$ 69,237					
<b>Total</b>	<b>14,545</b>			<b>\$ 8,589,286</b>					
<b>Variable Charges</b>									
	Annual Day	Annual Night	Day	Night	Total Day	Total Night	Total		
	kWh's	kWh's	S/kWh	S/kWh's	\$	\$	Variable		
Domestic, Commercial, Unmetered & Streetlights	108,929,811	44471197	0.093	0.0108	\$ 10,130,472	\$ 480,289			
10% Fixed Charge Option	452,431	153573	0.16356	0.01803	\$ 74,000	\$ 2,769			
					\$ 10,204,472	\$ 483,058	\$ 10,687,530		
<b>Total Fixed &amp; Variable</b>								<b>\$ 19,276,816</b>	
<b>Maximum Demand Customers</b>									
Fixed Charges	Number	Total Capacity	Rate	Total	Total Fixed				
		kVA	S/kVA	\$					
	35	12475	33.96	\$ 423,651					
		Annual Demand	Rate						
	35	7714 kVA	S/kVA	\$ 28.74	\$ 221,700.36	\$ 645,351			
Variable Charges	kWh	S/kWh	Total	Total Variable					
Summer Day	9,101,810	0.0297	\$ 270,324						
Winter Day	5,691,233	0.0567	\$ 322,693						
All Nights	5247071	0.0044	\$ 23,087	\$ 616,104					
<b>Total Fixed &amp; Variable</b>								<b>\$ 1,261,455</b>	
<b>Bulk &amp; Generator</b>									
	Total MD	Rate	Total Annual						
	kW	S/kW	Line Charge						
Bulk Customers	27073	\$ 75.85	\$ 2,053,414						
Generator			\$ 441,427						
Macraes Line Contract			\$ 117,000						
<b>Total Bulk &amp; Generator</b>								<b>\$ 2,611,841</b>	
$\Sigma P_{2009} Q_1$								<b>\$ 23,150,112</b>	

$K_{2009}$

Transmission (31 March 2009)	\$ 3,952,086
Rates (31 March 2009)	\$ 49,405
Electricity Commission Levies (31 March 2009)	\$ 38,712
$NR_{2009} = SP_{2009} Q_1 - K_{2009}$	\$ 19,109,909

Term	Description	(\$)
$SP_{MAX} Q_i$	Maximum Price Between 1 April 2008 and 31 March 2009 multiplied by 31 March 2003 Base Quantities	23,150,112
$K_{2009}$	Transmission Charges for year ending 31 March 2009	3,952,086
	Rates Charges for year ending 31 March 2009	49,405
	Electricity Commission Levies for year ending 31 March 2009	38,712
$R_{MAX}$	Maximum Notional Revenue for 1 April 2008 to 31 March 2009	19,109,909

Notional Revenue during the period is not to exceed the maximum of the Allowable Notional Revenue at the end of the assessment period and the Allowable Notional Revenue at the end of the previous assessment period

Term	Description	(\$)
$NR_{Max}$	Maximum Notional Revenue for 1 April 2008 to 31 March 2009	19,109,909
$R_{2008}$	Allowable Notional Revenue at 31 March 2008	9,694,879
$R_{2009}$	Allowable Notional Revenue at 31 March 2009	10,179,481

## Appendix D

**OtagoNet Joint Venture  
Commerce Act (Electricity Distribution Thresholds) Notice 2004 and Amendment Notice 2006  
Quality Inputs and Calculations for the  
Assessment Date 31 March 2009**

Year	SAIDI (Interruption Duration)			SAIFI (Interruption Frequency)		
	Class B	Class C	Total	Class B	Class C	Total
1999	119.80	220.80	340.60	0.87	1.58	2.45
2000	143.60	177.20	320.80	0.65	1.97	2.62
2001	64.00	133.40	197.40	0.48	1.95	2.43
2002	65.50	106.40	171.90	0.31	1.45	1.76
2003	54.00	161.80	215.80	0.29	2.33	2.62
<b>Five Year Average</b>	<b>89.38</b>	<b>159.92</b>	<b>249.30</b>	<b>0.52</b>	<b>1.86</b>	<b>2.38</b>
2004	59.00	395.40	454.40	0.29	2.87	3.16
2005	75.80	98.00	173.80	0.45	1.27	1.72
2006	174.09	133.07	307.16	0.76	1.98	2.75
2007	293.42	176.82	470.24	1.31	2.21	3.53
2008	187.57	315.83	503.40	0.81	2.29	3.10
2009	163.62	106.70	270.32	0.72	2.09	2.81

### EXPLANATION OF BREACH OF QUALITY THRESHOLD (SAIDI / SAIFI)

OJV has not complied with all of the requirements of the quality threshold for the assessment period ended 31 March 2009 as specified in The Notice.

### PLANNED OUTAGES

The non-compliance is due to breaches in the thresholds for both SAIDI and SAIFI and is primarily due to the level of planned outages (Class B). The SAIDI and SAIFI for planned outages were 83% and 38% above the five year averages respectively.

As for the 2005/06 to 2007/2008 years the increase in the planned outages is due to the level of the capital works programme for the year. The average capital expenditure dating back to the 2000/01 year was \$2.5 million, including new connection work. This is significantly below the depreciation of \$3.5m throughout the same period. The OJV network is already in the lower quartile of distribution businesses when measuring the percentage of the network assets life remaining. Further continuation of capital expenditure at levels below depreciation would see this situation worsen and jeopardise the long term condition and quality for the network.

The capital works programme has been increased to above \$7.0 million as detailed in the ten year Asset Management Plan. This is an increase of 180% on the average capital spend of \$2.5 million in the period 2000/01 - 2004/05.

Consequently both SAIDI and SAIFI for planned outages increased above the levels that have occurred in the 2000/01 – 2004/05 period. The 2008/09 planned SAIDI of 164 minutes is above the 2000/01 - 2004/05 average of 64 minutes (exceeded by 100 minutes). Similarly, the planned SAIFI of 0.72 times is above the 2000/01 - 2004/05 average of 0.36 times (exceeded by 0.36 times).

With similar levels of capital work programmed for future years OJV is expecting to see planned SAIDI and SAIFI exceed the five year threshold average. At the same time we expect to see some improvement in the unplanned outages due to improvements in the reliability of the network. The decrease in the unplanned SAIDI and SAIFI is not expected to be at a level which will exceed the increase in the planned SAIDI and SAIFI. As a consequence OJV will most probably breach the quality threshold in future years although ongoing consideration will be given to live line working wherever practical.

Where it is cost effective every attempt is made to carry out planned work resulting in minimal or no disruption to customers supply, however there are a number of factors, some peculiar to the OJV area, which prevent this occurring:

- In some cases as the network dictates the condition of conductors, cross arms and poles has deteriorated to a level where live line work cannot be carried out safely.
- The network is largely radial in nature due to the geography of the region and this offers limited opportunity to back feed customers as there are few ring feeds available.
- The shortage of qualified line mechanics places a premium on live line work which takes considerably longer to complete than when supply is disconnected.

The view of the OJV Governing Committee to take a medium to long term view to managing the asset and as such considers it necessary to ensure appropriate maintenance and capital expenditure (as outlined in the Asset Management Plan) takes place for future growth and strengthening of the ageing network. This has resulted in a breach in the quality threshold for 2008/09 and is likely to result in further quality breaches in the short term.