

Waipa Networks Limited

FORM OF CERTIFICATION OF THRESHOLD COMPLIANCE STATEMENT

We, Diane Reed and Richard Francis, being directors of Waipa Networks Limited certify that, having made all reasonable enquiry, to the best of our knowledge and belief, the attached threshold compliance statement of Waipa Networks Limited, and related information, prepared for the purposes of the Commerce Act (Electricity Distribution Thresholds) Notice 2004 complies with the requirements of that notice.



Director

13 May 2005



Director

13 May 2005

Waipa Networks Limited

THRESHOLD COMPLIANCE STATEMENT

The following is prepared for the purpose of complying with the requirements of the Commerce Act (Electricity Distribution Thresholds) Notice 2004 pursuant to section 57G and 57T of the commerce Act 1986 as published in the New Zealand Gazette on the 31 March 2004.

Price Path Threshold Assessment as at 31 March 2005

The following is required to be complied with for the assessment of the price path threshold on the 31 March 2005:

- the notional revenue as at 31 March 2005 must be no greater than the allowable notional revenue under the CPI-X price path as at 31 March 2005.
- the notional revenue during the assessment period must not exceed the greater of the allowable notional revenue under the CPI-X price path as at 31 March 2005 and the allowable notional revenue as at 31 March 2004.

Notional revenue is calculated as revenue of specified services less transmission charges, local authority rates and Electricity Commission Levies.

In relation to Waipa Networks Limited Specified Services are all goods and services that are directly related to provision of electricity distribution, this includes the provision, operation and maintenance of electricity works that facilitate the conveyance of electricity from embedded generators and Transpower substations to customers.

The following services are excluded from the above as there is effective competition for the provision of these services.

- Connection, disconnection and reconnection services.
- Transformers supplied to 11kV customers.

The allowable notional revenue under the CPI-X price path as at 31 March 2005 is calculated as follows:

Allowable Notional Revenue as at 31 March 2004 adjusted by the CPI-X factor for the year ended 31 December 2004.

The allowable notional revenue as at 31 March 2004 of \$8,495,503 was calculated using the tariffs effective at 1 April 2003 and actual transmission charges and local authority rates for the year ended 31 March 2004 as disclosed in the Threshold Compliance Statement as at 31 March 2004.

The CPI adjustment is calculated as the average change in the consumer price index over the calendar year ended 31 December 2004.

This is calculated using the following data:

	2003	2004
1 st Quarter	1098	1115
2 nd Quarter	1098	1124
3 rd Quarter	1103	1131
4 th Quarter	1111	1141

Therefore the CPI adjustment is 2.29%.

Waipa Networks' X factor is -1%, therefore the calculation of the allowable notional revenue is $\$8,495,503 \times 1.0229 \times 1.01 = \$8,776,951$.

The greater of the allowable notional revenue as at 31 March 2005 (\$8,776,951) and the allowable notional revenue as at 31 March 2004 (\$8,495,503) is the allowable notional revenue as at 31 March 2005.

The notional revenue as at 31 March 2005 of \$8,375,661 was calculated using the tariffs effective from 1 July 2004 and actual transmission charges, local authority rates and Electricity Commission levies for the year ended 31 March 2005.

Waipa Networks Limited has therefore complied with the price path threshold that notional revenue as at 31 March 2005 must be no greater than the allowable notional revenue as at 31 March 2005.

During the assessment period 1 April 2004 to 31 March 2005 there was one change in tariffs effective from 1 July 2004.

The notional revenue as at 1 April 2004 of \$7,995,442 was calculated using the tariffs effective at 1 April 2004 and actual transmission charges, local authority rates and Electricity Commission levies for the year ended 31 March 2005.

The notional revenue as at 1 July 2004 and 31 March 2005 of \$8,375,661 was calculated using the tariffs effective at 1 July 2004 and actual transmission charges, local authority rates and Electricity Commission levies for the year ended 31 March 2005.

Waipa Networks Limited has therefore complied with the price path threshold that notional revenue between 1 April 2004 and 31 March 2005 must not exceed the greater of the allowable notional revenue under the CPI-X price path as at 31 March 2005 and the notional revenue as at 31 March 2004.

Detailed information on prices and revenue are included in Appendix I.

Quality Threshold Assessment as at 31 March 2005

The following is required to be complied with for the quality threshold for the year ended on the 31 March 2005:

- the interruption duration (SAIDI) for the year ended 31 March 2005 must be no greater than the five year average interruption duration (SAIDI) for the years 1999 to 2003.
- the interruption frequency (SAIFI) for the year ended 31 March 2005 must be no greater than the five year average interruption frequency (SAIFI) for the years 1999 to 2003.

SAIDI is the average number of minutes that our customers have lost power for planned and unplanned outages originating within our network.

SAIFI is the average number of times that our customers have lost power for planned and unplanned outages originating within our network.

The five year average figures have been calculated below using the information previously disclosed pursuant to the Electricity (Information Disclosure) Regulations 1999 and the Electricity (Information Disclosure) Amendment Regulations 2000 for unplanned and planned outages.

	SAIDI	SAIFI
1999	242	3.24
2000	293	2.85
2001	245	3.29
2002	349	3.24
2003	236	3.55
Average	273	3.23

The SAIDI for the year ended 31 March 2005 of 162 minutes is less than the five year average of 273 minutes.

Waipa Networks Limited has therefore complied with the SAIDI quality threshold as at 31 March 2005.

The SAIFI for the year ended 31 March 2005 of 3.09 interruptions per customer is less than the 5 year average of 3.23 interruptions per customer.

Waipa Networks Limited has therefore complied with the SAIFI quality threshold as at 31 March 2005.

WAIPA NETWORKS LIMITED

		Tariffs	Revenue	Tariffs	Revenue
		01-Apr-04	01-Apr-04	01-Jul-04	01-Jul-04
DOMESTIC					
COMBINED	68,106,844	4.37	2,976,269	4.51	3,071,619
CONTINUOUS	40,954,699	4.87	1,994,494	5.03	2,060,021
CONTROLLED	20,761,646	1.00	207,616	1.00	207,616
CONTROLLED - 8	1,684,355	0.32	5,390	0.32	5,390
DAY	22,601	7.15	1,616	7.39	1,670
NIGHT	132,420	0.32	424	0.32	424
FIXED DAILY CHARGE	15,173	0.15	830,722	0.15	830,722
NON DOMESTIC					
CONTINUOUS	60,432,284	4.87	2,943,052	5.03	3,039,744
CONTROLLED	17,671,096	1.00	176,711	1.00	176,711
CONTROLLED - 8	607,929	0.32	1,945	0.32	1,945
DAY	2,880,410	7.15	205,949	7.39	212,862
NIGHT	3,029,205	0.32	9,693	0.32	9,693
STREET LIGHTS	1,974,669	3.50	69,113	3.61	71,286
FIXED DAILY CHARGE	5,294	0.30	579,693	0.30	579,693
UNMETERED DAILY CHARGE	13	1.00	4,745	1.00	4,745
KVA CAPACITY CONTRACT					
KVA ANYTIME	3,051,396	2.56	78,116	2.76	84,219
KVADAY	4,883,413	3.24	158,223	3.98	194,360
KVA NIGHT	1,842,095	0.32	5,895	0.32	5,895
CAPACITY CHARGES	3,772	2.00	90,528	2.53	114,518
11kv CONTRACT					
DAY	9,140,851	2.50	228,521	2.70	246,803
NIGHT	3,205,048	0.50	16,025	0.32	10,256
SERVICE CHARGE	6	38.00	2,736	38.00	2,736
DEMAND CHARGE	3,823	2.30	105,515	2.95	135,334
MAJOR CUSTOMERS					
FIXED CHARGE	-	35,850.58	430,207	36,262.92	435,155
DEMAND CHARGE	14,400	4.22	729,216	4.22	729,216
DIVERSITY	3,813	(4.22)	(193,090)	(4.22)	(193,090)
CONSUMPTION	62,506,113	-	-	-	-
	302,887,074		11,659,324		12,039,543
TRANSMISSION CHARGES			3,538,828		3,538,828
LOCAL AUTHORITY RATES			79,247		79,247
ELECTRICITY COMMISSION LEVY			45,807		45,807
NOTIONAL REVENUE			<u>7,995,442</u>		<u>8,375,661</u>
	<u>302,887,074</u>		<u>11,659,324</u>		<u>12,039,543</u>



**REPORT OF THE AUDITOR-GENERAL
TO THE READERS OF THE
THRESHOLD COMPLIANCE STATEMENT DATED 13 MAY 2005
OF WAIPA NETWORKS LIMITED**

We have audited the attached statement, prepared by Waipa Networks Limited for assessment as at 31 March 2005 and dated 13 May 2005. 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 Waipa Networks Limited are responsible for certification of the threshold compliance statement in accordance with the Notice.

Auditors' 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 M G Taris 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 5 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 2005 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 Waipa Networks 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 Waipa Networks 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

Other than in our capacity acting on behalf of the Auditor-General, we have no relationship with or interest in Waipa Networks Limited.

Unqualified opinion

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

Price path threshold

In our opinion, having made all reasonable enquiry, to the best of our knowledge the amounts and details set out in the threshold compliance statement relating to the price path threshold set out in clause 5 of the Notice and related information have been prepared in accordance with the Notice, and give a true and fair view of the performance of Waipa Networks Limited against that threshold for the assessment period ended on 31 March 2005.

Quality threshold: SAIDI and SAIFI statistics

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

Note: Section 103(2) of the Commerce Act 1986 provides that no person shall attempt to deceive or knowingly mislead the Commission in relation to any matter before it. It is an offence to contravene section 103(2) and any person who does so is liable on summary conviction to a fine not exceeding \$10,000 in the case of an individual or \$30,000 in the case of a body corporate.



- ▲ the SAIDI and SAIFI statistics for the assessment period ended on 31 March 2005 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 Waipa Networks Limited's policies and procedures for recording SAIDI and SAIFI statistics as disclosed in the threshold compliance statement, and give a true and fair view of the performance of Waipa Networks Limited for the assessment period ended on 31 March 2005;
- ▲ 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 Waipa Networks 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 Waipa Networks Limited;
- ▲ the SAIDI and SAIFI statistics for the assessment period ended on 31 March 2005, 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 Waipa Networks 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 2005.

The audit was completed on 13 May 2005 and our opinion is expressed as at that date.



M.G Jarvis
Audit New Zealand
On behalf of the Auditor-General
Hamilton, New Zealand

