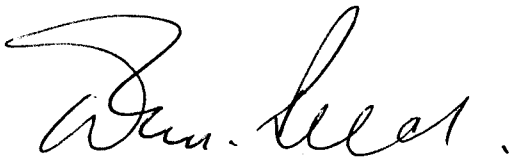


Waipa Networks Limited

FORM OF CERTIFICATION OF THRESHOLD COMPLIANCE STATEMENT

We, Diane Reed and Richard Kadziolka, 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 Lines Thresholds) Notice 2003 complies with the requirements of that notice.



Director

14 May 2004



Director

14 May 2004

Waipa Networks Limited

THRESHOLD COMPLIANCE STATEMENT

The following is prepared for the purpose of complying with the requirements of the Commerce Act (Electricity Lines Thresholds) Notice 2003 pursuant to section 57G and 57T of the commerce Act 1986 as published in the New Zealand Gazette on the 6 June 2003.

Price Path Threshold Assessment as at 31 March 2004

The following is required to be complied with for the second assessment of the price path threshold on the 31 March 2004:

- the notional revenue between 6 September 2003 and 31 March 2004 must be no greater than the notional revenue as at 6 September 2003.

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

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 notional revenue as at 6 September 2003 of \$8,495,613 was calculated using the tariffs effective at the 1 April 2003, less budgeted transmission charges and local authority rates for the year ended 31 March 2004. Therefore to comply with the price path threshold the notional revenue as at 31 March 2004 must be no greater than \$8,495,613.

There has been no change in tariffs between 6 September 2003 and 31 March 2004.

The 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.

Waipa Networks Limited has therefore complied with the price path threshold that notional revenue between 6 September 2003 and 31 March 2004 must be no greater than the notional revenue as at 6 September 2003.

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

Quality Threshold Assessment as at 31 March 2004

The following is required to be complied with for the quality threshold for the year ended on the 31 March 2004:

- the interruption duration (SAIDI) for the year ended 31 March 2004 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 2004 must be no greater than the five year average interruption frequency (SAIFI) for the years 1999 to 2003.
- We have communicated with the customers during the period 6 June 2003 to 31 March 2004.

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 2004 of 264 minutes is less than the 5 year average of 273 minutes.

Waipa Networks Limited has therefore complied with the SAIDI quality threshold as at 31 March 2004.

The SAIFI for the year ended 31 March 2004 of 4.39 interruptions per customer is greater than the 5 year average of 3.23 interruptions per customer.

Waipa Networks Limited has therefore not complied with the SAIFI quality threshold as at 31 March 2004.

There have been 14% more unplanned outages this year than on average. They have occurred closer to our Transpower points of supply and therefore each outage has on average affected more customers (43%) than previous years. As a consequence we have been able to restore supply, on average, sooner than previous years because the location of the fault has been closer to our faultman and depot. (CAIDI has reduced from 84 minutes to 60 minutes.)

Major storms In February contributed to the above average number of outages experienced by customers.

Whilst the Company has significantly reduced the number of planned outages to 31 March 2004 compared with previous years this has been more than offset by the number of system faults.

Despite exceeding the target for SAIFI we have managed to reduce SAIDI minutes and therefore consider that we have complied with the objective of the regulations. The level of service provided to our customers as measured by responding and fixing faults in a timely manner has improved, while the number of faults is beyond our control.

Customer Communication; Waipa Networks has complied with clause 6 (1) (e) by consulting with consumers using several methods including customer surveys, a complaints resolution process, monthly advertorials in local newspapers, meetings with consumer groups, and co-operation with electricity retailers. Details of this communication are included in Appendix II.

Waipa Networks has an active tree cutting programme and continually seeks to improve the service offered to customers through improved technology such as automatic re-closers and extensive use of live-line techniques. While making these improvements we have consistently retained low prices meaning our customers have enjoyed the benefits without the burden of increased costs.

WAIPA NETWORKS LIMITED

		Tariffs	Revenue	Tariffs	Revenue
		06-Sep-03	06-Sep-03	31-Mar-04	31-Mar-04
DOMESTIC					
COMBINED	68,106,844	4.37	2,976,269	4.37	2,976,269
CONTINUOUS	40,954,699	4.87	1,994,494	4.87	1,994,494
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	7.15	1,616
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	4.87	2,943,052
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	7.15	205,949
NIGHT	3,029,205	0.32	9,693	0.32	9,693
STREET LIGHTS	1,974,669	3.50	69,113	3.50	69,113
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	2.56	78,116
KVA DAY	4,883,413	3.24	158,223	3.24	158,223
KVA NIGHT	1,842,095	0.32	5,895	0.32	5,895
CAPACITY CHARGES	3,772	2.00	90,528	2.00	90,528
11kv CONTRACT					
DAY	9,140,851	2.50	228,521	2.50	228,521
NIGHT	3,205,048	0.50	16,025	0.50	16,025
SERVICE CHARGE	6	38.00	2,736	38.00	2,736
DEMAND CHARGE	3,823	2.30	105,515	2.30	105,515
MAJOR CUSTOMERS					
FIXED CHARGE	-	34,477.06	413,725	34,477.06	413,725
DEMAND CHARGE	14,400	3.79	654,912	3.79	654,912
DIVERSITY	3,813	(3.79)	(173,415)	(3.79)	(173,415)
CONSUMPTION	62,506,113	0.077	48,130	0.077	48,130
	302,887,074		11,636,343		11,636,343
NET TRANSMISSION CHARGES			3,060,730		3,060,730
LOCAL AUTHORITY RATES			80,000		80,110
NOTIONAL REVENUE	302,887,074		8,495,613		8,495,503

Customer Survey

Waipa Networks commissioned an independent survey of its connected consumers in September 2003. It was conducted by the National Research Bureau and had a sample size of 400 randomly selected customers. The Customers were questioned regarding a number of topics. Areas specifically relating to the requirement were:

1. Customer satisfaction with overall delivery of electricity.
2. Customer satisfaction with the number and length of outages.
3. Customer satisfaction with power fluctuations and surges.
4. Preference for undergrounding of urban overhead lines and the price customers were willing to pay to enable this.
5. Preference for a second Transpower line to Te Awamutu and the price customers were willing to pay to enable this.
6. Preference regarding lines maintenance cost sharing.

Topics 1-3 were included to identify any quality issues and trends that needed addressing. Topics 4 & 5 represented the specific price/quality tradeoffs being considered by the Company. Topic 6 related to the Company's ability to charge different groups of customers higher or lower prices depending on their individual requirements.

Waipa Networks analysed the results of the survey by Grid Exit Point, Feeder, Tariff, and All Customers. Where responses from a particular group of customers were significantly different to the whole group then these were noted and the results forwarded to the Network Asset Manager for consideration. Any issues that needed addressing were noted for future integration into the Asset Management Plan.

A survey of this nature is conducted every two years. The format generally remains the same, however topical issues are incorporated as required including any price/quality trade-offs being considered at the time.

Complaints Resolution Process

In addition to meeting Electricity Complaints Commission requirements, Waipa Networks Complaint Resolution Process ensures customer issues regarding quality are fully analysed for the purpose of improving customer service. Complaints are grouped according to type (e.g. Outages, Faults Service, etc), Grid Exit Point, and Feeder. Trends are identified and presented to the Management team for planning purposes.

Monthly Advertorials

Waipa Networks publishes a full page advertorial in the Cambridge and Te Awamutu local newspapers once a month. These newspapers are free and delivered to all homes and businesses within their circulation area. This is the predominant means of the Company communicating issues such as pricing options, lines maintenance, and company policy. Occasional questionnaires are included to allow feedback or gauge understanding of specific issues. The 2003 Customer survey indicated that nearly three quarters of customers who read the advertorial found it useful.

Discussions with Consumer Groups

While we have had no meeting in the period under review, in the past when there are specific groups of consumers that can be affected by asset management decisions the Company and the affected group(s) have met to discuss the relevant issues.

Our shareholder the Waipa Networks Trust whose beneficiaries are our connected consumers hold a public meeting (AGM) each year. At this meeting representatives from the Company make a presentation to consumers and the Chairman and the General Manager answer questions from the floor.

Co-Operation with Electricity Retailers

Due to customer growth in the Cambridge area the ripple control system required upgrading. This meant replacing the hot water relays (owned by Waipa Networks) for more than 6,000 homes and businesses in the Cambridge area. With contractors already going to be onsite the opportunity was identified to add a separate hot water meter to those properties that were currently on an All Inclusive tariff. The advantage to the customer would be an easy and less costly transition should they decide to switch to a Controlled tariff in the future. Meter owners TrustPower were consulted and the project was jointly undertaken.



**REPORT OF THE AUDITOR-GENERAL
TO THE READERS OF THE
THRESHOLD COMPLIANCE STATEMENT DATED 14 MAY 2004
OF WAIPA NETWORKS LIMITED**

We have examined the attached threshold compliance statement (the "Statement") in respect of a price path and quality thresholds that was prepared by Waipa Networks Limited for assessment on 31 March 2004 and dated 14 May 2004 for the purposes of information requirements set out in clause 7 of the Commerce Act (Electricity Lines Thresholds) Notice 2003 ("the Notice").

Directors' Responsibilities

Clause 7(1)(a) of the Notice requires the Directors of Waipa Networks Limited to prepare a Statement that reports the Waipa Networks Limited's compliance, or otherwise, with the thresholds set out in clauses 4, 5 and 6 of that 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 examine the Statement. It is the responsibility of the Auditor-General to express an independent opinion on the Statement prepared by the Directors and report that opinion to you.

The Auditor-General has appointed R Briggs of Audit New Zealand to undertake the examination.

Basis of Opinion

Our examination included reviewing, on a test basis, evidence relevant to the amounts and disclosures in the attached Statement. It also included assessment of the significant estimates and judgements, if any, made in the preparation of the Statement and assessment of whether the basis of preparation had been adequately disclosed.

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

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

Unqualified Opinion

We have obtained all the information and explanations we have required. In our opinion, having made all reasonable enquiry, to the best of our knowledge, the attached threshold compliance statement of Waipa Networks Limited, and related information has been prepared in accordance with the Notice, and gives a true and fair view of the performance of Waipa Networks Limited as required by the Notice against the thresholds set out in the Notice for assessment on 31 March 2004.

Our examination was completed on 14 May 2004 and our opinion is expressed as at that date.



R Briggs
Audit New Zealand
On behalf of the Auditor-General
Hamilton, New Zealand
14 May 2004

