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Commerce Act (Electricity Distribution Thresholds) Notice 2004

**Joint Threshold Compliance
Statement for Vector and
Wellington Electricity**

Section 1 - Price Path Threshold

20 May 2009

Price path threshold assessment as at 31 March 2009

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Introduction

- 1.1 This threshold compliance statement ("the Statement") is submitted by Vector Limited ("Vector") and Wellington Electricity Lines Limited (WELL) pursuant to s7(1)(a) of the Commerce Act (Electricity Distribution Thresholds) Notice 2004 ("the Notice").
- 1.2 The Notice relates to the performance of electricity lines businesses as part of the Commerce Commission's ("the Commission") development and operation of a regulatory regime for such businesses, pursuant to Part 4A of the Commerce Act 1986.
- 1.3 The Notice requires lines businesses to publicly disclose information relevant to the assessment of their performance against the thresholds.
- 1.4 This section of the Statement pertains to the requirements of the Commission's price path threshold for the 31 March 2009 assessment date.
- 1.5 Vector and WELL, along with other lines businesses, are required to demonstrate that notional revenue calculated in accordance with the Notice has not increased by more than CPI-X (Vector and WELL both have an X factor of zero) and changes in pass through costs, for the period from 1 April 2008 to 31 March 2009.
- 1.6 In this Statement Vector and WELL demonstrate that they have complied with the price path threshold requirements.
- 1.7 Tables contained in the Statement are aggregates of the attached appendices that reflect the price multiplied by the appropriate quantity for each pricing category.
- 1.8 For presentation purposes some numbers in this document have been rounded. In most cases calculations are based on more detailed numbers (i.e. to more decimal places than shown in this document). This may cause small discrepancies or rounding inconsistencies when aggregating some of the information presented in this document. These discrepancies do not affect the overall compliance calculations which have been based on the more detailed information.

Sale of the Wellington network

- 1.9 On 24 July 2008, Vector completed the sale of the Wellington electricity distribution network (Wellington Electricity Lines Limited, (WELL)) to Hong Kong Electric Holdings Limited and Cheung Kong Infrastructure Holdings Limited (CKI). Vector continues to own and operate the Auckland and Northern (Waitemata) electricity distribution networks (referred to collectively in this document as the Auckland Regional networks).

- 1.10 As a result of the sale Vector and WELL have adopted an approach to enable Vector and WELL to jointly demonstrate their compliance with the price path threshold and separately demonstrate compliance with the quality threshold for the year ended 31 March 2009. For the year ended 31 March 2010 Vector and WELL will separately demonstrate compliance with the price and quality thresholds. The approach adopted has been further detailed in the relevant sections of this compliance statement.
- 1.11 Some sections of this threshold compliance statement differ from previous years as calculations and their components have been split into the Auckland, Northern and Wellington electricity distribution networks.

Exclusions

- 1.12 Only a subset of Vector's and WELL's services are relevant to the Commission's consideration under the Notice; namely electricity distribution goods or services or services directly related to electricity distribution.
- 1.13 Accordingly, as provided for in the Notice (definition of 'specified services'), Vector and WELL have excluded a range of services from this Statement. Where services related to electricity distribution are excluded, Vector and WELL have complied with the regulations by demonstrating that there is workable or effective competition for the provision of those services.
- 1.14 Without prejudice to future compliance statements, Vector and WELL have taken a conservative approach to service exclusions. For example some services provided to large consumers and charter payments that could be considered for exclusion have not been excluded. We reserve our right to justify further service exclusions to the Commission in the future.

Disclaimer

- 1.15 The information contained in this Statement has been prepared for the express purpose of complying with the requirements of the Notice. This statement has not been prepared for any other purpose. Vector Limited and Wellington Electricity Lines Limited each expressly disclaim any liability to any other party who may rely on this statement for any other purpose.
- 1.16 Representations in this statement made by Vector Limited relate solely to the services offered on the electricity distribution networks in the Auckland and Northern (Waitemata) region and the services offered on the Wellington electricity distribution network for the period up to and including 24 July 2008. Vector Limited

is not responsible or liable for information or services relating to the Wellington network in the period after 24 July 2008.

- 1.17 Representations in this statement made by Wellington Electricity Lines Limited relate solely to the services offered on the electricity distribution network in the Wellington region for the period after 24 July 2008. Wellington Electricity lines Limited is not responsible or liable for information or services relating to the Wellington Network in the period prior to 24 July 2008, nor to any other network area in this Statement.

Statement of compliance

- 2.1 As required by s7(1)(a) of the Notice, the Statement:
- (a) provides evidence in the form of revenues, notional revenues, prices, base quantities, pass-through costs, units of measurement associated with all numeric data, list of excluded services (and the reasons and supporting evidence for excluding these services);
 - (b) provides evidence in the form of SAIDI and SAIFI statistics, relevant information from asset management plans, and other data, information, and calculations that confirm Vector's non-compliance with the reliability criteria (s6(1)(a) and (b)) due primarily to reasons outside Vector's reasonable control;
 - (c) provides a description of policies and procedures used by Vector to record SAIDI and SAIFI statistics; and
 - (d) includes such other information as Vector and WELL consider is sufficient to enable the Commission to properly determine whether or not the thresholds have been breached.

Public disclosure

- 2.2 As required by s7(1), Vector has disclosed and published the Statement on the Internet, including:
- (a) a report on the Statement signed by Vector and WELL's auditor (KPMG), as required by s7(1)(b) of the Notice ("the Auditor's Report"); and
 - (b) a certificate duly signed by two Directors of Vector and WELL, as required by s7(1)(c) of the Notice ("the Certificate").
- 2.3 As required by s7(8), Vector and WELL hereby advise the Uniform Resource Locator ("URL") for accessing the Statement, the Auditor's Report and the Certificate to be;

<http://www.vector.co.nz/disclosures/electricity-disclosures/thresholds>
<http://www.welectricity.co.nz/corporate/disclosures.html>

- 2.4 Copies of the Statement (containing the Auditor's Report and the Certificate) are available from either;

Vector, 101 Carlton Gore Road, Newmarket, Auckland, or
WELL, Level 2, 75 The Esplanade, Petone, New Zealand.

Price path threshold requirement (s5(1)(a) of the Notice)

- 3.1 As required by s5(1)(a), in order to demonstrate compliance with the price path threshold, lines businesses are required to demonstrate that their notional revenue at the assessment date has not exceeded the allowable notional revenue under the CPI-X price path at that assessment date.
- 3.2 For the year ended 31 March 2009, Vector and WELL have demonstrated compliance with the price path threshold in a single compliance statement. This joint approach is necessary as:
- (a) Sub-year compliance calculations are not meaningful because CPI and pass-through costs are calculated on an annual basis; and
 - (b) Vector rebalanced its tariffs on 1 April 2008 as required in an administrative settlement agreement between Vector and the Commission. On a disaggregated basis measurement against the CPI-0 cap is meaningless because overall increases on the Auckland Regional networks were offset against reductions on the Wellington network.
- 3.3 Although this compliance statement has demonstrated aggregate compliance with the price path thresholds by determining total notional revenue for all networks *NR₂₀₀₉*, Vector and WELL have also provided a breakdown of notional revenue for the Auckland Regional networks *NR_{2009,AKL}* and the Wellington network *NR_{2009,WGN}*.

3.4 As outlined in the calculation below, Vector and WELL comply with the price path threshold.

| Notice Requirement | Actual notional revenue divided by allowable notional revenue at the assessment date | Is not to exceed | One |
|--------------------|--|------------------|-----|
| Notice expression | $\frac{NR_{2009,AKL} + NR_{2009,WGN}}{R_{2009}}$ | ≤ | 1 |
| Vector Result | $\frac{\$318,815,872 + \$80,364,609}{\$410,550,479} = 0.9723$ | ≤ | 1 |

3.5 The summary calculation of NR_{2009} and R_{2009} is provided below.

| Vector and WELL's Allowable Notional Revenue, $R_{2009} = R_{2008}(1 + \Delta CPI_{2009})(1 - X)$ | |
|---|----------------------------|
| Calculation Components | Amount |
| R_{2008} – is the allowable notional revenue under the CPI-X price path at 31 March 2008 | \$394,915,976 |
| ΔCPI_{2009} – the average change in the consumer price index over the calendar year that ends during the assessment period (calculated in accordance with the following expression): $\Delta CPI_{2009} = \frac{CPI_{Q1,2008} + CPI_{Q2,2008} + CPI_{Q3,2008} + CPI_{Q4,2008}}{CPI_{Q1,2007} + CPI_{Q2,2007} + CPI_{Q3,2007} + CPI_{Q4,2007}} - 1$ Where CPI_{Qjy} is the consumer price All Groups Index SE9A figure published by Statistics New Zealand for the quarter j in the calendar year y | $(4254/4092) - 1 = 3.96\%$ |
| X – is the "X factor" value specified in Schedule 1 of the Notice for the distribution business, subject to clause 5(3) | 0 |
| Total Allowable Notional Revenue as at 31 March 2009 | \$410,550,479 |

| Vector and WELL's Actual Notional revenue, $NR_{2009} = \sum P_{i,2009} Q_i - K_{2009}$ | |
|---|----------------------|
| Calculation Components | Amount |
| $\sum P_{i,2009} Q_i$ – the sum of the prices as at 31 March 2009 multiplied by the corresponding base quantities for the year ending 31 March 2003 | \$566,487,620 |
| K_{2009} – the sum of all pass-through costs for the assessment period | (\$167,307,138) |
| Total Actual Notional Revenue as at 31 March 2009 | \$399,180,482 |



- 3.6 For the year ending 31 March 2010, Vector and WELL will make independent pricing decisions to ensure compliance with the CPI-0 requirement and hence will report their compliance separately. The allowable revenue (R_t) will be allocated between WELL and Vector in order to make the comparison to notional revenue NR_t for each electricity lines business.
- 3.7 The 2010 compliance statement will allocate the total allowable notional revenue (R_{2009}) by network based on a pro-rata share of the notional revenue for the year ending 31 March 2009 (NR_{2009}). This will allow $R_{2009,AKL}$ and $R_{2009,WGN}$ to be escalated by CPI_{2010} and each business to apply the CPI-0 allowance to create R_{2010} for each network:

$$\text{WELL: } \frac{NR_{2010,WGN}}{R_{2010,WGN}} \leq 1 \quad \text{Vector: } \frac{NR_{2010,AKL}}{R_{2010,AKL}} \leq 1$$

Where $R_{2010,WGN}$ and $R_{2010,AKL}$ are determined on the following basis;

$$R_{2010,WGN} = \left(R_{2009} \times \frac{NR_{2009,WGN}}{NR_{2009,AKL} + NR_{2009,WGN}} \right) (1 + \Delta CPI_{2010}) (1 - 0)$$

$$R_{2010,AKL} = \left(R_{2009} \times \frac{NR_{2009,AKL}}{NR_{2009,AKL} + NR_{2009,WGN}} \right) (1 + \Delta CPI_{2010}) (1 - 0)$$

- 3.8 This approach ensures that the outcome of the sale process would be the same as if Vector had not sold the Wellington network and continued to comply with the CPI-X threshold across its three networks.

Second price path threshold requirement (s5(1)(b) of the Notice)

- 4.1 Under s5(1)(b), 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.
- 4.2 Vector and WELL comply with s5(1)(b) of the Notice as Vector and WELL's notional revenue throughout the assessment period does not exceed the allowable notional revenue of \$410,550,479 at the assessment date.

Specified Services

- 5.1 To demonstrate compliance all prices for specified services multiplied by the appropriate base quantities need to be summed.
- 5.2 The tables below set out all assessable revenue sources for Vector and WELL with the corresponding notional revenues for the relevant date.

| Description | | Appendix | Year-ended 31 March 2009 |
|-------------|--|----------|-----------------------------|
| 5.3 | Auckland residential and small commercial notional revenue. | AKL1 | \$197,557,438 |
| 5.4 | Northern residential and commercial notional revenue. | AKL2 | \$142,114,826 |
| 5.5 | Northern small industrial and non-standard notional revenue. | AKL3 | \$7,804,585 |
| 5.6 | Auckland non-standard notional revenue. | AKL4 | \$9,967,244 |
| 5.7 | Auckland commercial and industrial notional revenue (excluding on-peak). | AKL5 | \$54,215,232 |
| 5.8 | Auckland and Northern on-peak notional revenue. | AKL7 | \$30,425,172 |
| 5.9 | Wellington residential and commercial notional revenue. | WGN2 | \$98,058,869 |
| 5.10 | Wellington small industrial and non-standard notional revenue. | WGN3 | \$18,563,234 |
| 5.11 | Wellington utility rate notional revenue | WGN6 | \$2,033,545 |
| 5.12 | Wellington on-peak notional revenue. | WGN7 | \$5,747,475 |
| 5.13 | Total Specified Services | | \$566,487,620 |

Pass-Through Costs

- 6.1 The table below provides the break down of pass-through costs incurred by Vector and WELL over the assessment period.

| Description | Year to 31 March 2009 |
|-----------------------|----------------------------------|
| | (million) Actual |
| Transmission | \$160.813 |
| Utility Rates Summary | \$5.276 |
| EC Levy Summary | \$1.218 |
| Total | \$167.307 |

- 6.2 The transmission quantities are the sum of actual charges paid or payable for the year ending 31 March 2009.
- 6.3 The total cost of utility rates charged to Vector and WELL and applicable to the electricity business for the year ending 31 March 2009 are the total expensed in the financial year to 31 March 2009.
- 6.4 The EC Levies include all applicable components (Common Quality, Registry and Consumer, Transmission, Other Activities and MACQS Reform invoice lines) paid or payable for the year ending 31 March 2009.

Excluded Services

- 7.1 Vector and WELL operate in the instantaneous reserves market. The market is fully contestable and income is derived as a result of a competitive tendering process and is not associated with the conveyance of electricity.
- 7.2 The following activities are excluded services in accordance with paragraph (e) of the definition of specified services s3(1) as these income sources are not related to electricity distribution and/or are non conveyance activities:
- (a) Vector Gas: Vector's Gas Business, which is a separate business that includes Vector's gas distribution network in Auckland and the gas distribution and transmission networks formerly operating as NGC.
 - (b) Vector Communications: Vector's Telecommunication Network, which is a separate business operating high bandwidth fibre optic communication networks.
 - (c) Vector's electricity, telecommunications and gas training institute Utilitech, which offers technical and safety training across a wide range of markets (and in competition to other training providers).
 - (d) Vector's energy metering services formerly operating as NGC and the joint venture between Vector and Siemens which are both energy (gas and electricity) metering service providers.
 - (e) Stream: 70% owned by Vector, providing time-of-use metering and metering information services to commercial and industrial organisations for the purposes of improved energy management opportunities for businesses.
 - (f) Treescape: 50% owned by Vector, providing vegetation management and tree trimming services to third parties, including territorial authorities.
 - (g) Advertising revenue generated through the ownership of billboards, where Vector provides public display space to advertising companies at selected properties.
 - (h) Electrical work carried out at the request of consumers on their property.
 - (i) Use of network poles by third parties e.g. Telecommunication companies (noting that there are options available to network operators other than use of Vector or WELL's poles).
 - (j) Miscellaneous other revenue, for example, rentals received from properties, profit on sale of assets and interest received.

7.3 The following activities are excluded services in accordance with paragraph (d) of the definition of specified services s3(1) as these income sources are derived from clearly contestable activities for the provision of which there is workable or effective competition:

- (a) Management services to other companies, such as the provision of Linelogix, a product used to provide proactive outage notification by retailers to their customers;
- (b) Rental income from generator hire, where Vector or WELL sources and provides stand-by generation;
- (c) Where requested by consumers, any income from sourcing power quality equipment;
- (d) Call centre management of fault calls for some retailers;
- (e) MARIA registry management service for embedded network operators; and
- (f) Miscellaneous other revenue, for example, value added services from products like MIDEL transformer fluid.

7.4 The following activities are excluded services in accordance with paragraph (i) of the definition of specified services s3(1) as they are contestable activities for the provision of which there is workable or effective competition:

- (a) Connections services;
- (b) Disconnection services; and
- (c) Reconnection services.

Vector and WELL allow other suitably trained and authorised service providers to undertake connection, disconnection and reconnection services.

7.5 Vector and WELL receive income from parties requiring network extensions or alterations, reflecting the level of investment undertaken by Vector or WELL. This has been excluded from the price path threshold compliance calculation because;

- (a) Vector or WELL contributes to the total cost of the extension. Assets are vested in Vector or WELL on behalf of consumers, but consumers can also elect to own the works or vest them in a third party. Examples of such situations include shopping malls, retirement villages, and residential subdivisions. Additionally, third parties can select the contractors to construct the works; and

- (b) Consumers may choose to contract with a third party to construct and maintain such assets, rather than providing Vector or WELL with a contribution. Therefore, workable or effective competition exists for such services and customer contributions are appropriately excluded. (Refer also to the Commerce Commission Investigation Ref J5131, which is publicly available).

Appendix AKL1 Auckland residential and small commercial notional revenue

- For each price plan or load group the base quantity (number of end consumers or annual energy of all consumers) was retrieved from the appropriate information systems for the year ending 31 March 2003.
- Prices applicable for the assessment period have been taken from Vector's published price schedules.
- Base quantities were multiplied by the price applicable to the price plan or load group to determine the notional revenue for the assessment period.
- Residential embedded networks in the Auckland Vector network previously owned by UnitedNetworks now charged at Vector Auckland rates are incorporated into the Vector base quantities below (refer to the 2007 Threshold Compliance Statement for more detail on the background to this issue).
- Commercial and Industrial embedded networks in the Auckland Vector network previously owned by UnitedNetworks are shown separately in Appendix AKL5.
- In all other respects the notional revenue has been determined consistent with previous threshold compliance statements.

| Appendix AKL1 Auckland residential and small commercial notional revenue THRESH1.0 a-B A,G,W.xls | | | | | | | |
|--|-----------------------|-----------------------|-------------------|-------------|---------------------|------------|---------------------------|
| Sum (\$) | | | | | | | 197,557,438 |
| Network | 2002/2003 Charge Type | 2002/2003 Tariff Code | Base Quantity (Q) | Base Q Unit | 2008/2009 Price (P) | Price Unit | P*Q Notional Revenue (\$) |
| VEC | Variable | RR-V | 1,704,627,536 | kWh | 0.0725 | \$/kWh | 123,585,496 |
| VEC | Variable | RE-V | 132,024,682 | kWh | 0.0847 | \$/kWh | 11,182,491 |
| VEC | Variable | SS-V | 147,839,855 | kWh | 0.0674 | \$/kWh | 9,964,406 |
| VEC | Variable | SM-V | 569,828,744 | kWh | 0.0591 | \$/kWh | 33,676,879 |
| VEC | Fixed | RR-F | 223,061 | ICPs | 0.1500 | \$/day | 12,212,590 |
| VEC | Fixed | RE-F | 34,259 | ICPs | 0.1500 | \$/day | 1,875,680 |
| VEC | Fixed | SS-F | 16,640 | ICPs | 0.2386 | \$/day | 1,449,161 |
| VEC | Fixed | SM-F | 13,307 | ICPs | 0.7434 | \$/day | 3,610,735 |

Appendix AKL2 Northern residential and commercial notional revenue

- For each price plan or load group the base quantity (number of end consumers or annual energy of all consumers) was retrieved from the appropriate information systems for the year ending 31 March 2003.
- Prices applicable for the assessment period have been taken from Vector's published price schedules.
- On 1 April 2008 Vector restructured price structures on the Northern network for commercial ICPs to align price structures between the Northern, Auckland and Wellington networks. Northern commercial structures were rationalised by combining some capacity based load groups together into simplified capacity groups. These capacity groups were then categorised depending on how each capacity group connects to the network, either to the low voltage network or directly to a transformer.
- Base quantities have been mapped to prices at the assessment date. During the base quantity period, no ICPs were identified which would have been eligible for transformer pricing. All quantities have been mapped to the appropriate low voltage load group (low voltage pricing is generally more expensive than transformer pricing).
- Base quantities were multiplied by the price applicable to the load group to determine the notional revenue for the assessment period.
- Restructures have also been applied to small industrial ICPs outlined in Appendix AKL3. As a result 3 ICPs previously on small industrial pricing have been moved to commercial tariffs. Base quantities have been updated to reflect the addition of these ICPs.
- In all other respects the notional revenue has been determined consistent with previous threshold compliance statements.

| Appendix AKL2 | | | | | | | |
|--|-------------|-----------------------|---------------|-------------|-----------------|------------|------------------|
| Northern residential and commercial notional revenue | | | | | | | |
| THRESH2.2 a-8 W.mdb/q2009,1 P*Q | | | | | | | |
| Sum (\$) | | | | | | | 142,114,826 |
| Network | Charge Type | 2002/2003 Tariff Code | Base Quantity | Base Q Unit | 2008/2009 Price | Price Unit | Notional Revenue |
| UNW | Fixed | 08W | 938 | ICPs | 0.4550 | \$/day | 155,778 |
| UNW | Fixed | 09W | 2 | ICPs | 1.2026 | \$/day | 878 |
| UNW | Fixed | 20W | 9 | ICPs | 1.2026 | \$/day | 3,951 |
| UNW | Fixed | 21W | 1 | ICPs | 1.2026 | \$/day | 439 |
| UNW | Fixed | 22W | 3 | ICPs | 5.3150 | \$/day | 5,820 |
| UNW | Fixed | 23W | 8,372 | ICPs | 1.2026 | \$/day | 3,674,881 |
| UNW | Fixed | 24W | 1,340 | ICPs | 1.2026 | \$/day | 588,192 |
| UNW | Fixed | 25W | 309 | ICPs | 5.3150 | \$/day | 599,452 |
| UNW | Fixed | 26W | 272 | ICPs | 5.3150 | \$/day | 527,673 |
| UNW | Fixed | W01 | 16 | ICPs | 0.0000 | \$/day | 0 |
| UNW | Fixed | W02 | 119 | ICPs | 0.0000 | \$/day | 0 |
| UNW | Fixed | W11 | 54,132 | ICPs | 0.1500 | \$/day | 2,963,727 |
| UNW | Fixed | W12 | 113,880 | ICPs | 0.1500 | \$/day | 6,234,930 |
| UNW | Fixed | W13 | 123 | ICPs | 0.1500 | \$/day | 6,734 |
| UNW | Fixed | W14 | 5 | ICPs | 0.1500 | \$/day | 274 |
| UNW | Fixed | W15 | 5,199 | ICPs | 0.4550 | \$/day | 863,424 |
| UNW | Fixed | W16 | 4,253 | ICPs | 0.4550 | \$/day | 706,317 |
| UNW | Fixed | W17 | 19 | ICPs | 0.4550 | \$/day | 3,155 |
| UNW | Fixed | W27 | 26 | ICPs | 1.2026 | \$/day | 11,413 |
| UNW | Fixed | W28 | 77 | ICPs | 9.8791 | \$/day | 277,652 |
| UNW | Fixed | W29 | 19 | ICPs | 9.8791 | \$/day | 68,512 |

| Network | Charge Type | 2002/2003 Tariff Code | Base Quantity | Base Q Unit | 2008/2009 Price | Price Unit | Notional Revenue |
|---------|-------------|-----------------------|---------------|-------------|-----------------|------------|------------------|
| UNW | Variable | 08W_N/A | 1,711,850 | kWh | 0.0575 | \$/kWh | 98,431 |
| UNW | Variable | 09W_N/A | 27,010 | kWh | 0.0474 | \$/kWh | 1,280 |
| UNW | Variable | 11W/TAIC | 37,865 | kWh | 0.0797 | \$/kWh | 3,018 |
| UNW | Variable | 12W/TAIC | 200 | kWh | 0.0797 | \$/kWh | 16 |
| UNW | Variable | 13W/TAIC | 20,152 | kWh | 0.0439 | \$/kWh | 885 |
| UNW | Variable | 20W/TAIC | 76,944 | kWh | 0.0474 | \$/kWh | 3,647 |
| UNW | Variable | 21W/TAIC | 364 | kWh | 0.0474 | \$/kWh | 17 |
| UNW | Variable | 22W/TAIC | 6,766 | kWh | 0.0463 | \$/kWh | 313 |
| UNW | Variable | 23W/TAIC | 181,474,819 | kWh | 0.0474 | \$/kWh | 8,601,906 |
| UNW | Variable | 24W/TAIC | 71,963,289 | kWh | 0.0474 | \$/kWh | 3,411,060 |
| UNW | Variable | 25W/TAIC | 24,208,991 | kWh | 0.0463 | \$/kWh | 1,120,876 |
| UNW | Variable | 26W/TAIC | 24,358,179 | kWh | 0.0463 | \$/kWh | 1,127,784 |
| UNW | Variable | DEFT/NTH | 3,079 | kWh | 0.1588 | \$/kWh | 489 |
| UNW | Variable | W01/24UC | 81,854 | kWh | 0.1588 | \$/kWh | 12,998 |
| UNW | Variable | W02/24UC | 15,304,737 | kWh | 0.1588 | \$/kWh | 2,430,392 |
| UNW | Variable | W11/AICO | 301,115,912 | kWh | 0.0797 | \$/kWh | 23,998,938 |
| UNW | Variable | W11/NITE | 74,207 | kWh | 0.0186 | \$/kWh | 1,380 |
| UNW | Variable | W12/AICO | 1,006,462,690 | kWh | 0.0797 | \$/kWh | 80,215,076 |
| UNW | Variable | W12/NITE | 2,022,039 | kWh | 0.0186 | \$/kWh | 37,610 |
| UNW | Variable | W13/24UC | 1,133,614 | kWh | 0.1037 | \$/kWh | 117,556 |
| UNW | Variable | W13/CTRL | 85,084 | kWh | 0.0439 | \$/kWh | 3,735 |
| UNW | Variable | W14/24UC | 20,616 | kWh | 0.1037 | \$/kWh | 2,138 |
| UNW | Variable | W14/CTRL | 16,359 | kWh | 0.0439 | \$/kWh | 718 |
| UNW | Variable | W15/AICO | 16,295,728 | kWh | 0.0575 | \$/kWh | 937,004 |
| UNW | Variable | W15/NITE | 2,580 | kWh | 0.0575 | \$/kWh | 148 |
| UNW | Variable | W16/AICO | 47,553,080 | kWh | 0.0575 | \$/kWh | 2,734,302 |
| UNW | Variable | W16/NITE | 1,945 | kWh | 0.0575 | \$/kWh | 112 |
| UNW | Variable | W17/24UC | 242,390 | kWh | 0.0575 | \$/kWh | 13,937 |
| UNW | Variable | W17/CTRL | 1,988 | kWh | 0.0575 | \$/kWh | 114 |
| UNW | Variable | W27/24UC | 5,885,716 | kWh | 0.0474 | \$/kWh | 278,983 |
| UNW | Variable | W27/CTRL | 14,062 | kWh | 0.0474 | \$/kWh | 667 |
| UNW | Variable | W28/24UC | 10,170,726 | kWh | 0.0201 | \$/kWh | 204,432 |
| UNW | Variable | W28/CTRL | 146,087 | kWh | 0.0201 | \$/kWh | 2,936 |
| UNW | Variable | W28TTAIC | 752,251 | kWh | 0.0201 | \$/kWh | 15,120 |
| UNW | Variable | W29/24UC | 1,956,859 | kWh | 0.0201 | \$/kWh | 39,333 |
| UNW | Variable | W29TTAIC | 212,446 | kWh | 0.0201 | \$/kWh | 4,270 |



Appendix AKL3 Northern small industrial and non-standard notional revenue

- On 1 April 2008 Vector restructured price structures in the Northern network for small industrial ICPs to align price structures between the Northern, Auckland and Wellington networks. Northern small industrial structures were changed from a spreadsheet based calculation of individual prices per ICP to published rationalised fixed, variable, capacity and demand charges. Pricing for these ICPs was disaggregated into two options depending on how the ICP connects to the network, either to the low voltage network or directly to a transformer.
- Prior to the restructure of tariffs on 1 April 2008, prices were calculated each year based on individual ICP consumption history for the calendar year prior to the effective date of the tariffs. Consistent with this approach and for the purposes of demonstrating compliance with the weighted average price cap for small industrial ICPs, Vector used base quantity information for the year ending 31 December 2002. Under the new methodology from 1 April 2008, Vector has updated the base quantity information for the period ending on 31 March 2003 by using the last 9 months of the original data and reporting 3 months of additional data.
- When updating base quantity information, Vector identified that three ICPs switched from small industrial load groups to commercial load groups during the period from 1 January 2003 and 31 March 2003. Vector has removed the base quantities for these 3 ICPs from Appendix AKL3 and included them in Appendix AKL2.
- There are three ICPs whose prices have not been restructured and whose notional revenues have been calculated in the same manner as the previous threshold compliance statements.

Appendix AKL3
Northern small industrial and non-standard notional revenue
THRESH1.0 a-B A,G,W.xls

| Sum (\$) | | | | | | | | 7,804,585 |
|----------|-----------------------|-----------------------|-------------------|-------------|---------------------|------------|---------------------------|-----------|
| Network | 2002/2003 Charge Type | 2002/2003 Tariff Code | Base Quantity (Q) | Base Q Unit | 2008/2009 Price (P) | Price Unit | P*Q Notional Revenue (\$) | Details |
| UNW | | 40W | 298 | ICPs | | | | |
| UNW | | 40W | 298,243,811 | kWh | | | 7,171,898 | NTH3.2 |
| UNW | | 60W | 3 | ICPs | | | | |
| UNW | | 60W | 25,608,491 | kWh | | | 632,687 | NTH3.3 |

Appendix AKL4 Auckland non standard notional revenue

- Vector's non-standard contracts fall into four categories:
 1. Fixed Contract Charge
 2. Standard Charges less Fixed Discount
 3. Street lighting
 4. Embedded generation
- Non-standard notional revenues for the Auckland ICs have been calculated in the same manner as the previous threshold compliance statements.

Appendix AKL4
Auckland non standard notional revenue
THRESH1.0 a-8 A,G,W.xls

| Sum (\$) | | | | | | | 9,967,244 |
|----------|-----------------------|-------------|-------------------|-------------|---------------------|------------|--------------------------|
| Network | 2002/2003 Charge Type | Contract No | Base Quantity (Q) | Base Q Unit | 2008/2009 Price (P) | Price Unit | P*Q Notional Revenue [€] |
| VEC | Fixed Contract | 1005 | 12 | months | 9,243 | \$/month | 110,918 |
| VEC | Fixed Contract | 1006 | 12 | months | 90,759 | \$/month | 1,089,104 |
| VEC | Fixed Contract | 1007 | 12 | months | 149,246 | \$/month | 1,790,957 |
| VEC | Fixed Contract | 1004 | 12 | months | 20,018 | \$/month | 240,213 |
| VEC | Fixed Contract | 1004 | 12 | months | 16,373 | \$/month | 196,480 |
| VEC | Fixed Contract | 1027 | 12 | months | 219,439 | \$/month | 2,633,270 |
| VEC | Fixed Contract | 1027 | 12 | months | 10,653 | \$/month | 127,834 |
| VEC | Fixed Contract | 1002 | 12 | months | 44,703 | \$/month | 536,440 |
| VEC | Fixed Contract | 1012 | 12 | months | 52,826 | \$/month | 633,917 |
| VEC | Discount on Standard | 1031 | 12 | months | - | \$/month | 0 |
| VEC | Discount on Standard | 1032 | 12 | months | - | \$/month | 0 |
| VEC | Discount on Standard | 1032 | 12 | months | - | \$/month | 0 |
| VEC | Discount on Standard | 1032 | 12 | months | - | \$/month | 0 |
| VEC | Streetlighting | 1020B | 12 | months | 15,612 | \$/month | 187,344 |
| VEC | Streetlighting | 1020B | 12 | months | 15,612 | \$/month | 187,344 |
| VEC | Streetlighting | 1020B | 12 | months | 15,612 | \$/month | 187,344 |
| VEC | Streetlighting | 1020B | 12 | months | 15,612 | \$/month | 187,344 |
| VEC | Streetlighting | 1020B | 12 | months | 15,612 | \$/month | 187,344 |
| VEC | Streetlighting | 1020B | 12 | months | 15,612 | \$/month | 187,344 |
| VEC | Streetlighting | 1020B | 12 | months | 15,612 | \$/month | 187,344 |
| VEC | Streetlighting | 1021A | 12 | months | 87,047 | \$/month | 1,044,561 |
| VEC | Streetlighting | 1021A | 12 | months | - | \$/month | 0 |
| VEC | Streetlighting | 1021A | 12 | months | - | \$/month | 0 |
| VEC | Streetlighting | 1021A | 12 | months | - | \$/month | 0 |
| VEC | Streetlighting | 1021A | 12 | months | - | \$/month | 0 |
| VEC | Embedded Generation | 1034 | 12 | months | 5,400 | \$/month | 64,800 |



Appendix AKL5 Auckland commercial and industrial notional revenue (excluding on-peak)

- As per Appendix AKL1, the calculations for commercial and industrial consumers on the ex-UnitedNetworks embedded networks are shown in this appendix.
- There have been no structural changes to the charges for these ICPs and notional revenue has been determined consistent with previous threshold compliance statements.

Appendix AKL5

Auckland commercial and industrial notional revenue (excluding on-peak)
THRESH1.0 a-B A,G,W

| Sum (\$) | | | | | | | | 54,215,232 |
|----------|-----------------------|-----------------------|-------------------|-------------|---------------------|------------|---------------------------|------------|
| Network | 2002/2003 Charge Type | 2002/2003 Tariff Code | Base Quantity (Q) | Base Q Unit | 2008/2009 Price (P) | Price Unit | P*Q Notional Revenue (\$) | Details |
| VEC | TX | | 763 | ICP | | | | AKL5.2 |
| VEC | TX | | 4,834,947 | kVA | | | 2,787,979 | AKL5.2 |
| VEC | TX | | 2,466,644 | kVA | | | 13,890,657 | AKL5.2 |
| VEC | TX | | 890,951,454 | kWh | | | 10,861,095 | AKL5.2 |
| VEC | TX Derived | | 90 | ICP | | | | AKL5.3 |
| VEC | TX Derived | | 218,617 | kVA | | | 137,515 | AKL5.3 |
| VEC | TX Derived | | 33,493 | kVA | | | 0 | AKL5.3 |
| VEC | TX Derived | | 7,388,471 | kWh | | | 443,026 | AKL5.3 |
| VEC | LV3 | | 1939 | ICP | | | | AKL5.4 |
| VEC | LV3 | | 4,278,879 | kVA | | | 2,972,683 | AKL5.4 |
| VEC | LV3 | | 1,901,016 | kVA | | | 10,701,835 | AKL5.4 |
| VEC | LV3 | | 596,109,751 | kWh | | | 7,634,407 | AKL5.4 |
| VEC | LV3 Derived | | 750 | ICP | | | | AKL5.5 |
| VEC | LV3 Derived | | 1,085,320 | kVA | | | 907,548 | AKL5.5 |
| VEC | LV3 Derived | | 305,081 | kVA | | | 0 | AKL5.5 |
| VEC | LV3 Derived | | 61,373,806 | kWh | | | 3,527,891 | AKL5.5 |
| VEC | Ex Embedded TX | | 18 | ICP | | | | AKL5.6 |
| VEC | Ex Embedded TX | | 4,843 | kVA | | | 41,855 | AKL5.6 |
| VEC | Ex Embedded TX | | 32,478 | kVA | | | 170,163 | AKL5.6 |
| VEC | Ex Embedded TX | | 9,683,701 | kWh | | | 138,578 | AKL5.6 |

Appendix AKL7 Auckland and Northern on-peak notional revenue

- On-peak pricing was introduced on 1 April 2006. Please refer to the 2007 threshold compliance statement for a synopsis on the issues associated with the introduction of new base quantities related to the new on-peak pricing structure.
- There have been no structural changes to the charges for these ICPs and notional revenue has been determined consistent with previous threshold compliance statements.

Appendix AKL7
Auckland and Northern on-peak notional revenue
THRESH1.0 a-B A,G,W.xls

| Sum (\$) | | | | | | | | 30,425,172 |
|----------|-----------------------|-----------------------|-------------------|-------------|---------------------|------------|---------------------------|------------|
| Network | 2002/2003 Charge Type | 2002/2003 Tariff Code | Base Quantity (Q) | Base Q Unit | 2008/2009 Price (P) | Price Unit | P*Q Notional Revenue (\$) | |
| VEC | Variable | ALI60_24UC | 656,579,705 | kWh | 0.0014 | \$/kWh | 919,212 | |
| VEC | Demand | ALI60_DOPC | 1,009,028 | kW | 13.7311 | \$/kW | 13,855,066 | |
| VEC | Demand | ALI60_DOPU | 497,554 | kW | 14.2304 | \$/kW | 7,080,391 | |
| VEC | Demand | ALI60_DOPR | 146 | kW | 17.3511 | \$/kW | 2,540 | |
| VEC | Connection | ALI60_CAPH | 2,285,686 | kVA-month | 0.0268 | \$/kVA/day | 1,868,288 | |
| VEC | Reactive | ALI60_PWRF | 253,660 | kVAr | 7 | \$/kVAr | 1,775,621 | |
| UNW | Variable | WLI60_24UC | 168,187,577 | kWh | 0.0012 | \$/kWh | 201,825 | |
| UNW | Demand | WLI60_DOPC | 213,370 | kW | 9.8122 | \$/kW | 2,093,631 | |
| UNW | Demand | WLI60_DOPU | 130,743 | kW | 10.198 | \$/kW | 1,333,317 | |
| UNW | Demand | WLI60_DOPR | 34,343 | kW | 12.1628 | \$/kW | 417,712 | |
| UNW | Connection | WLI60_CAPH | 252,000 | kVA-month | 0.0286 | \$/kVA/day | 219,219 | |
| UNW | Connection | WLI60_CAPT | 444,000 | kVA-month | 0.0286 | \$/kVA/day | 386,243 | |
| UNW | Reactive | WLI60_PWRF | 36,872 | kVAr | 7.0000 | \$/kVAr | 272,107 | |

Appendix WGN2 Wellington residential and commercial notional revenue

- For each price plan or load group the base quantity (number of end consumers or annual energy of all consumers) was retrieved from the appropriate information systems for the year ending 31 March 2003.
- Prices applicable for the assessment period have been taken from Vector or WELL's published price schedules.
- On 1 April 2008 Vector restructured price structures in the Wellington network for commercial ICPs to align price structures between the Northern, Auckland and Wellington networks. Wellington commercial structures were rationalised by combining some capacity based load groups together into simplified capacity groups. These capacity groups were then categorised depending on how each capacity group connects to the network, either to the low voltage network or directly to a transformer.
- Base quantities have been mapped to prices at the assessment date. During the base quantity period, no ICPs were identified which would have been eligible for transformer pricing. All quantities have been mapped to the appropriate low voltage load group (low voltage pricing is generally more expensive than transformer pricing).
- Base quantities were multiplied by the price applicable to the load group to determine the notional revenue for the assessment period.
- In all other respects the notional revenue has been determined consistent with previous threshold compliance statements.

| Appendix WGN2 | | | | | | | |
|--|-------------|-----------------------|---------------|-------------|-----------------|------------|------------------|
| Wellington residential and commercial notional revenue | | | | | | | |
| THRESH2.2 a-8 G.mdb/q2009,1 P*Q | | | | | | | |
| Sum (\$) | | | | | | | 98,058,869 |
| Network | Charge Type | 2002/2003 Tariff Code | Base Quantity | Base Q Unit | 2008/2009 Price | Price Unit | Notional Revenue |
| UNG | Fixed | 08G | 160 | ICPs | 0.3910 | \$/day | 22,834 |
| UNG | Fixed | 09G | 2 | ICPs | 1.0114 | \$/day | 738 |
| UNG | Fixed | 11G | 1 | ICPs | 0.1201 | \$/day | 44 |
| UNG | Fixed | 20G | 1 | ICPs | 1.0114 | \$/day | 369 |
| UNG | Fixed | G01 | 52 | ICPs | -0.0014 | \$/day | -27 |
| UNG | Fixed | G02 | 65 | ICPs | -0.0014 | \$/day | -33 |
| UNG | Fixed | G11 | 49,475 | ICPs | 0.1201 | \$/day | 2,168,811 |
| UNG | Fixed | G12 | 83,848 | ICPs | 0.1201 | \$/day | 3,675,603 |
| UNG | Fixed | G13 | 3,521 | ICPs | 0.1201 | \$/day | 154,348 |
| UNG | Fixed | G14 | 2,508 | ICPs | 0.1201 | \$/day | 109,942 |
| UNG | Fixed | G15 | 2,041 | ICPs | 0.3910 | \$/day | 291,281 |
| UNG | Fixed | G16 | 1,412 | ICPs | 0.3910 | \$/day | 201,514 |
| UNG | Fixed | G17 | 5 | ICPs | 0.3910 | \$/day | 714 |
| UNG | Fixed | G18 | 1 | ICPs | 0.3910 | \$/day | 143 |
| UNG | Fixed | G20 | 11,271 | ICPs | 1.0114 | \$/day | 4,160,814 |
| UNG | Fixed | G21 | 201 | ICPs | 1.0114 | \$/day | 74,201 |
| UNG | Fixed | G22 | 94 | ICPs | 5.8695 | \$/day | 201,383 |
| UNG | Fixed | G23 | 87 | ICPs | 5.8695 | \$/day | 186,386 |
| UNG | Fixed | G24 | 9 | ICPs | 8.3738 | \$/day | 27,508 |
| UNG | Fixed | G26 | 6 | ICPs | 8.3738 | \$/day | 18,339 |

| Network | Charge Type | 2002/2003 Tariff Code | Base Quantity | Base Q Unit | 2008/2009 Price | Price Unit | Notional Revenue |
|---------|-------------|-----------------------|---------------|-------------|-----------------|------------|------------------|
| UNG | Variable | 01G/AICO | 63,500 | kWh | 0.1146 | \$/kWh | 7,277 |
| UNG | Variable | 02G/AICO | 6,635 | kWh | 0.1146 | \$/kWh | 760 |
| UNG | Variable | 08G_N/A | 292,000 | kWh | 0.0484 | \$/kWh | 14,133 |
| UNG | Variable | 09G_N/A | 60,590 | kWh | 0.0336 | \$/kWh | 2,036 |
| UNG | Variable | 10G/24UC | 2,226 | kWh | 0.0649 | \$/kWh | 144 |
| UNG | Variable | 10G/CT17 | 872 | kWh | 0.0649 | \$/kWh | 57 |
| UNG | Variable | 10G/CTUD | 1,526 | kWh | 0.0649 | \$/kWh | 99 |
| UNG | Variable | 10G/NITE | 1,600 | kWh | 0.0140 | \$/kWh | 22 |
| UNG | Variable | 10G/T24U | 56,265 | kWh | 0.0649 | \$/kWh | 3,652 |
| UNG | Variable | 11G/TAIC | 162,245 | kWh | 0.0649 | \$/kWh | 10,530 |
| UNG | Variable | 12G/TAIC | 5,677 | kWh | 0.0649 | \$/kWh | 368 |
| UNG | Variable | 20G/CT17 | 6,607 | kWh | 0.0336 | \$/kWh | 222 |
| UNG | Variable | 20G/CTUD | 10,190 | kWh | 0.0336 | \$/kWh | 342 |
| UNG | Variable | 20G/NITE | 27,630 | kWh | 0.0336 | \$/kWh | 928 |
| UNG | Variable | 20G/T24U | 13,946,794 | kWh | 0.0336 | \$/kWh | 468,612 |
| UNG | Variable | G01/24UC | 2,842,456 | kWh | 0.1146 | \$/kWh | 325,745 |
| UNG | Variable | G02/24UC | 15,574,116 | kWh | 0.1146 | \$/kWh | 1,784,794 |
| UNG | Variable | G11/AICO | 177,498,228 | kWh | 0.0649 | \$/kWh | 11,519,635 |
| UNG | Variable | G11/NITE | 3,712,478 | kWh | 0.0140 | \$/kWh | 51,975 |
| UNG | Variable | G11/PROJ | 93,355,081 | kWh | 0.0649 | \$/kWh | 6,058,745 |
| UNG | Variable | G12/AICO | 513,028,975 | kWh | 0.0649 | \$/kWh | 33,295,580 |
| UNG | Variable | G12/NITE | 12,007,991 | kWh | 0.0140 | \$/kWh | 168,112 |
| UNG | Variable | G12/PROJ | 247,099,978 | kWh | 0.0649 | \$/kWh | 16,036,789 |
| UNG | Variable | G13/24UC | 24,532,704 | kWh | 0.0824 | \$/kWh | 2,021,495 |
| UNG | Variable | G13/CTRL | 6,402,736 | kWh | 0.0386 | \$/kWh | 247,146 |
| UNG | Variable | G13/NITE | 1,240,823 | kWh | 0.0140 | \$/kWh | 17,372 |
| UNG | Variable | G14/24UC | 8,566,756 | kWh | 0.0824 | \$/kWh | 705,901 |
| UNG | Variable | G14/CTRL | 2,522,718 | kWh | 0.0386 | \$/kWh | 97,377 |
| UNG | Variable | G14/NITE | 1,510,998 | kWh | 0.0140 | \$/kWh | 21,154 |
| UNG | Variable | G15/AICO | 10,046,912 | kWh | 0.0484 | \$/kWh | 486,271 |
| UNG | Variable | G15/NITE | 15,352 | kWh | 0.0484 | \$/kWh | 743 |
| UNG | Variable | G16/AICO | 21,626,530 | kWh | 0.0484 | \$/kWh | 1,046,724 |
| UNG | Variable | G16/NITE | 8,801 | kWh | 0.0484 | \$/kWh | 426 |
| UNG | Variable | G17/24UC | 32,193 | kWh | 0.0484 | \$/kWh | 1,558 |
| UNG | Variable | G17/CTRL | 7,188 | kWh | 0.0484 | \$/kWh | 348 |
| UNG | Variable | G18/24UC | 1,443 | kWh | 0.0484 | \$/kWh | 70 |
| UNG | Variable | G18/CTRL | 752 | kWh | 0.0484 | \$/kWh | 36 |
| UNG | Variable | G20/24UC | 263,881,648 | kWh | 0.0336 | \$/kWh | 8,866,423 |
| UNG | Variable | G20/CTRL | 1,287,221 | kWh | 0.0336 | \$/kWh | 43,251 |
| UNG | Variable | G20/CTUD | 6,817,876 | kWh | 0.0336 | \$/kWh | 229,081 |
| UNG | Variable | G20/CTUN | 549,402 | kWh | 0.0336 | \$/kWh | 18,460 |
| UNG | Variable | G20/NITE | 2,797,915 | kWh | 0.0336 | \$/kWh | 94,010 |
| UNG | Variable | G20/PROJ | 83,450,150 | kWh | 0.0336 | \$/kWh | 2,803,925 |
| UNG | Variable | G20TAIC | 9,471 | kWh | 0.0336 | \$/kWh | 318 |
| UNG | Variable | G21/24UC | 4,397,698 | kWh | 0.0336 | \$/kWh | 147,763 |
| UNG | Variable | G22/24UC | 3,115,756 | kWh | 0.0397 | \$/kWh | 123,696 |
| UNG | Variable | G22/CTUD | 82,906 | kWh | 0.0397 | \$/kWh | 3,291 |
| UNG | Variable | G22/NITE | 45,262 | kWh | 0.0397 | \$/kWh | 1,797 |
| UNG | Variable | G23/24UC | 554,952 | kWh | 0.0397 | \$/kWh | 22,032 |
| UNG | Variable | G24/24UC | 464,742 | kWh | 0.0165 | \$/kWh | 7,668 |
| UNG | Variable | G26/24UC | 307,090 | kWh | 0.0165 | \$/kWh | 5,067 |



Appendix WGN3 Wellington small industrial and non-standard notional revenue

- On 1 April 2008 Vector restructured price structures on the Wellington network for small industrial ICPs to align price structures between the Northern, Auckland and Wellington networks. Wellington small industrial structures were changed from multiple options based on metering voltage, capacity, and transformer ownership to published rationalised fixed, variable, capacity and demand charges. Pricing for these ICPs was disaggregated into two options depending on how the ICP connects to the network, either to the low voltage network or directly to a transformer.
- Base quantity information was able to be mapped directly between the old and new price structures.
- During the year, one ICP had new non-standard pricing applied. The base quantities for this ICP have been removed from the base quantities for small industrial ICPs. The notional revenue for this ICP has been calculated separately consistent with non-standard notional revenue calculations on the Northern and Auckland networks.

Appendix WGN3
Wellington small industrial and non-standard notional revenue
THRESH1.0 a-B A,G,W.xls

| Sum (\$) | | | | | | | | |
|----------|-----------------------|-----------------------|-------------------|-------------|---------------------|------------|---------------------------|------------|
| | | | | | | | | 18,563,234 |
| Network | 2002/2003 Charge Type | 2002/2003 Tariff Code | Base Quantity (Q) | Base Q Unit | 2008/2009 Price (P) | Price Unit | P*Q Notional Revenue (\$) | Details |
| UNG | | G40-G49 & 60G | 632 | ICPs | | | | |
| UNG | | G40-G49 & 60G | 518,322,039 | kWh | | | 18,024,870 | WGN3.1 |
| UNG | | 60G | 1 | ICPs | | | 538,364 | WGN3.2 |

Appendix WGN6 Wellington utility rate notional revenue

- Several territorial local authorities in the greater Wellington region introduced a utility rate levy from 1 July 2002.
- Due to the timing of their introduction, and in light of ongoing increases as other councils seek to introduce these, a levy was introduced by Vector such that the utility rates cost would be recovered transparently through a separate fixed daily charge applied to each point of connection to the network.
- As shown in the calculation below, there have been no structural changes to the charges for these ICPs and notional revenue has been determined consistent with previous threshold compliance statements.

| Appendix WGN6 Wellington utility rate notional revenue THRESH1.0 a-8 A,G,W.xls | | | | | | | |
|--|-----------------------|------------------------|-------------------|-------------|---------------------|------------|---------------------------|
| Sum (\$) | | | | | | | 2,033,545 |
| Network | 2002/2003 Charge Type | 2002/2003 Tariff Code | Base Quantity (Q) | Base Q Unit | 2008/2009 Price (P) | Price Unit | P*Q Notional Revenue (\$) |
| UNG | Fixed | Council Utility Charge | 186,333 | Connection | 0.0299 | \$/day | 2,033,545 |



Appendix WGN7 Wellington on-peak notional revenue

- On-peak pricing was introduced on 1 April 2006. Please refer to the 2007 threshold compliance statement for a synopsis on the issues associated with the introduction of new base quantities related to the new on-peak pricing structure.
- There have been no structural changes to the charges for these ICPs and notional revenue has been determined consistent with previous threshold compliance statements.

Appendix WGN7
Wellington on-peak notional revenue
THRESH1.0 a-b A,G,W.xls

| Sum (\$) | | | | | | | | 5,747,475 |
|----------|-----------------------|-----------------------|-------------------|-------------|---------------------|------------|---------------------------|-----------|
| Network | 2002/2003 Charge Type | 2002/2003 Tariff Code | Base Quantity (Q) | Base Q Unit | 2006/2009 Price (P) | Price Unit | P*Q Notional Revenue (\$) | |
| UNG | Fixed | GLI60_FIXD | 10,220 | days | 0.0067 | \$/day | 68 | |
| UNG | Variable | GLI60_24UC | 165,963,908 | kWh | 0.0011 | \$/kWh | 182,560 | |
| UNG | Demand | GLI60_DOPC | 249,823 | kW | 9.4624 | \$/kW | 2,363,928 | |
| UNG | Demand | GLI60_DOPU | 214,529 | kW | 9.8525 | \$/kW | 2,113,649 | |
| UNG | Connection | GLI60_CAPH | 49,000 | kVA-month | 0.0238 | \$/kVA/day | 34,748 | |
| UNG | Connection | GLI60_CAPT | 846,900 | kVA-month | 0.0238 | \$/kVA/day | 613,085 | |
| UNG | Reactive | GLI60_PWRF | 62,777 | kVar | 7.0000 | \$/kVar | 439,437 | |



To the readers of the threshold compliance statement of Vector Limited and Wellington Electricity Lines Limited for the assessment year ended on 31 March 2009.

We have examined the attached statement in sections 1, being a threshold compliance statement in respect of the price path threshold prepared by Vector Limited and Wellington Electricity Lines Limited for assessment as at 31 March 2009 and dated 20 May 2009 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 Vector Limited and Wellington Electricity Lines Limited are responsible for the certification of the threshold compliance statement in accordance with the Notice.

Auditor's Responsibilities

It is our responsibility to express an independent opinion 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 for the Assessment Year ended 31 March 2009

Our audit included examination, on a test basis, of evidence relevant to the amounts and disclosures contained in Section 1 pages 3 to 27 of the threshold compliance statement and which relate to the price path threshold set out in clause 5 of the Notice.

It also included assessment of the significant estimates and judgments, if any, made by Vector Limited and Wellington Electricity Lines 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 our audit of the threshold compliance statement so as to obtain all the information and explanations 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. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the threshold compliance statement.

Relationship and Interests

Partners and employees of our firm may deal with Vector Limited and/or Wellington Electricity Lines Limited on normal terms within the ordinary course of trading activities of the business of the Company or Group. This has not impaired our independence as auditors. The firm has no other relationship with or interests in Vector Limited or any of its subsidiaries and Wellington Electricity Lines Limited or any of its subsidiaries.



Opinions

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 Vector Limited and Wellington Electricity Lines Limited against the threshold for the assessment year ended on 31 March 2009.

Our audit was completed on 20 May 2009 and our opinion is expressed as at that date.

KPMG

Auckland