

HORIZON ENERGY DISTRIBUTION LIMITED

DEFAULT PRICE QUALITY PATH COMPLIANCE STATEMENT

FOR THE ASSESSMENT DATE 31 MARCH 2013

*Pursuant to the Commerce Act (Electricity Distribution Default Price-
Quality Path) Determination 2010*

27 MAY 2013

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1) Compliance with the Price Path (Clause 11.1(a))

Horizon Energy Distribution Limited (“Horizon Energy”) does comply with the price path at the assessment date, 31 March 2013, as specified in the *Commerce Act (Electricity Distribution Default Price-Quality Path) Determination 2010*.

Clause 8.4 - The notional revenue (NR_i) of a Non-exempt EDB at any time during the Assessment Period must not exceed the allowable notional revenue (R_i) for the Assessment Period.

Compliance is demonstrated in the following tables. The first table demonstrates that notional revenue derived using posted prices at the end of the Assessment Period is less than allowable notional revenue. The second table demonstrates that the maximum notional revenue during the Assessment Period does not exceed allowable notional revenue thus illustrating that at no time during the Assessment Period is the price path breached.

Test:	$\frac{NR_{2013}}{R_{2013}} \leq 1$
NR_{2013} :	\$ 20,869,861
R_{2013} :	\$ 21,036,766
Result:	0.9921 < 1
Result:	<i>Price Path has not been breached</i>

Test:	$\frac{NR_{Max}}{R_{2013}} \leq 1$
NR_{Max} :	\$ 20,869,861
R_{2013} :	\$ 21,036,766
Result:	0.9921 < 1
Result:	<i>Price Path has not been breached</i>

Supporting evidence is presented in Appendices A, B and C.

Follow up to the 2011/12 Unintentional Price Path Breach

Background

Horizon Energy did not comply with the price path at the assessment date, 31 March 2012, as specified in the *Commerce Act (Electricity Distribution Default Price-Quality Path) Determination 2010*. Horizon Energy breached the price path by \$645,686, this breach had subsequently been carried forward as a negative revenue differential under the allowable notional revenue calculation.

Remedy of the Price Path Breach

Prior to 31 March 2012 in calculating the estimated allowable notional revenue for the assessment period ending 31 March 2013 (when setting the 2012/13 prices), Horizon Energy had allowed for an estimated 2012 revenue differential of -\$472,390.

Subsequent to the setting of the 2012/13 prices and following the end of the assessment period ending 31 March 2012, it transpired that Horizon Energy had inadvertently breached its price path by \$645,686, this being \$173,296 more than had been previously estimated.

Within the Default Price-Quality Path Compliance Statement for the assessment date 31 March 2012 Horizon Energy has communicated the reasons behind this inadvertent breach. Including the comment that a residual amount of -\$173,296 within the 2012 revenue differential that was not able to be identified until the finalisation of avoided transmission costs in April 2012, would flow through in the 2013 revenue differential adjustment used to determine the allowable notional revenue for the assessment period ending 31 March 2013 when setting the 2013/14 prices.

Subsequent Events

Subsequent and more recently to the above, Horizon Energy has reassessed the forecast price path calculation for the assessment period ending 31 March 2013, when setting the 2013/14 pricing, following the finalising of 2013/14 avoided transmission costs in January 2013. This has resulted in a \$436,908 increase in avoided transmission costs between the 2012/13 forecast and the 2012/13 actual.

However due to the remaining -\$173,296 difference (residual amount) between the previously estimated 2012 revenue differential of -\$472,390 and the actual 2012 revenue differential of -\$645,686, the \$436,908 resulting from the aforementioned 2013 avoided transmission costs variance has reduced accordingly.

2013 Compliant Position

Horizon Energy does comply with the price path at the assessment date, 31 March 2013, as specified in the *Commerce Act (Electricity Distribution Default Price-Quality Path) Determination 2010*, with “headroom” of \$166,905. This follows the above events, including the inclusion of the -\$645,686 actual 2012 revenue differential.

Increase in planned “Headroom”

Following the inadvertent breach of its price path for the year ended 31 March 2012, Horizon Energy has provided \$420,000 “headroom” where the estimated 2014 notional revenue is lower than the estimated 2014 allowable notional revenue for setting 2013/14 prices. This is to allow for the continued forecasting risk within avoided transmission and other pass-through costs.

2) Compliance with the Quality Standards (Clause 11.1(a))

Horizon Energy does comply with all requirements of the quality standards at the assessment date, 31 March 2013, as specified in the *Commerce Act (Electricity Distribution Default Price-Quality Path) Determination 2010*.

Clause 9.2 - A Non-exempt EDB's Assessed Values for an Assessment Period must not exceed its Reliability Limits for that Assessment Period.

Compliance is demonstrated in the following tables. The first table demonstrates compliance with the SAIDI Limit and the second table compliance with the SAIFI limit.

Test:	$\frac{SAIDI_{Assess\ 2013}}{SAIDI_{Limit}} \leq 1$	
SAIDI _{Assess 2013}	191.6029	
SAIDI _{Limit}	220.0583	
	0.8707	< 1
Clause 9.1(a) Result:	<i>Does not Exceed Limit</i>	

Test:	$\frac{SAIFI_{Assess\ 2013}}{SAIFI_{Limit}} \leq 1$	
SAIFI _{Assess 2013}	2.2956	
SAIFI _{Limit}	2.3962	
	0.9580	< 1
Clause 9.1(a) Result:	<i>Does not Exceed Limit</i>	

Supporting evidence is presented in Appendices D and E.

Prior Period Reliability Assessment (9.1(b))

Clause 9.1.(b) requires: compliance with annual reliability assessments for the two immediately preceding extant Assessment Periods

SAIDI _{Assess 2012}	174.6412	SAIFI _{Assess 2012}	2.2389
SAIDI _{Limit}	220.0583	SAIFI _{Limit}	2.3962
0.7936	< 1	0.9343	< 1
	<i>Does not Exceed Limit</i>		<i>Does not Exceed Limit</i>

Compliance Summary

Clause 9.1 (A) Non-exempt EDB must, in respect of each Assessment Period, either:

- (a) comply with the annual reliability assessment specified in clause 9.2; or
- (b) have complied with those annual reliability assessments for the two immediately preceding extant Assessment Periods

	SAIDI	SAIFI	Compliance
Compliance with 9.1(a)	Does not Exceed Limit	Does not Exceed Limit	✔ <i>Complies</i>
or			
Compliance with 9.1(b)	Does not Exceed Limit	Does not Exceed Limit	✔ <i>Complies</i>
Clause 9.1 Result:	✔ <i>Complies with Quality Standard</i>		

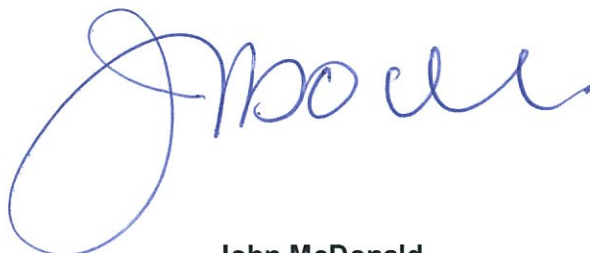
3) Director Certification (Clause 11.2(c))

Director Certification (Clause 11.2(c))

We, Robert Tait and John McDonald, being directors of Horizon Energy Distribution Limited certify that, having made all reasonable enquiry, to the best of our knowledge and belief, the attached Annual Compliance Statement of Horizon Energy Distribution Limited and related information, prepared for the purposes of the *Commerce Act (Electricity Distribution Default Price-Quality Path) Determination 2010* are true and accurate.



Robert Tait



John McDonald

27 May 2013

4) Auditor's Report (Clause 11.2)



Independent Auditors' Report

To the Commissioners of the New Zealand Commerce Commission and the
Directors of Horizon Energy Distribution Limited

Assurance Report on the Annual Compliance Statement of Horizon Energy Distribution Limited for the Assessment Period ended on 31 March 2013

We have completed the assurance engagement in respect of the attached Annual Compliance Statement prepared by Horizon Energy Distribution Limited for the Assessment Period ended 31 March 2013 and dated 27 May 2013 for the purposes of clause 11 of the *Commerce Act (Electricity Distribution Default Price-Quality Path) Determination 2010* ("the Determination").

Directors' Responsibilities

The Directors of Horizon Energy Distribution Limited are responsible for the preparation of the Annual Compliance Statement in accordance with the Determination and for such internal control as the Directors determine is necessary to enable the preparation of an Annual Compliance Statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities

Our responsibility is to express an opinion on the Annual Compliance Statement based on our independent assurance procedures. We conducted our engagement in accordance with ISAE (NZ) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information and SAE 3100 *Compliance Engagements*. Those standards require that we comply with ethical requirements and plan and perform the engagement to obtain reasonable assurance about whether the Annual Compliance Statement complies with the Determination, in all material respects.

An independent assurance engagement involves performing procedures to obtain evidence about the amounts and disclosures in the Annual Compliance Statement. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Annual Compliance Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the Annual Compliance Statement in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

In relation to the price path set out in clause 8 of the Determination, our procedures included examination, on a test basis, of evidence relevant to the amounts and disclosures contained on pages 2 and 3 of the Annual Compliance Statement.



Independent Auditors' Report **Horizon Energy Distribution Limited**

In relation to the SAIDI and SAIFI statistics for the Reference Period and the Assessment Period ended on 31 March 2013, including the calculation of the Reliability Limits and the Assessed Values, which are relevant to the quality standards set out in clause 9 of the Determination, our procedures included examination, on a test basis, of evidence relevant to the amounts and disclosures contained on pages 4 and 5 of the Annual Compliance Statement.

Our assurance engagement also included assessment of the significant estimates and judgments, if any, made by Horizon Energy Distribution Limited in the preparation of the Annual Compliance Statement and whether adequate information has been disclosed in accordance with clause 11.1(b) of the Determination.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We have no relationship with or interests in Horizon Energy Distribution Limited other than in our capacities as auditors of the annual financial statements, auditors pursuant to the Electricity Distribution (Information Disclosure) Requirements 2008 and in the provision of other professional advisory services. These services have not impaired our independence as auditors of the entity.

Use of Report

This report has been prepared for the Directors of Horizon Energy Distribution Limited and the Commissioners of the New Zealand Commerce Commission in accordance with the Determination and is provided solely to assist these parties in establishing that compliance requirements have been met. Our report should not be used for any other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility for any reliance on this report to anyone other than the addressees, or for any purpose other than that for which it was prepared.

Inherent Limitations

Because of the inherent limitations in evidence gathering procedures and Horizon Energy Distribution Limited's compliance systems, it is possible that fraud, error or non-compliance may occur and not be detected. As the procedures performed for this engagement were not performed continuously throughout the period and were undertaken on a test basis, our assurance engagement cannot be relied on to detect all instances where Horizon Energy Distribution Limited may not have complied with the Determination. The opinion expressed in this report has been formed on the above basis.

Opinion

In our opinion, the Annual Compliance Statement of Horizon Energy Distribution Limited for the Assessment Period ended on 31 March 2013, has been prepared, in all material respects, in accordance with the Determination.

Our audit was completed on 31 May 2013 and our opinion is expressed as at that date.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers' in a cursive, flowing script.

PricewaterhouseCoopers
Auckland, New Zealand

Appendix A – Price Path Compliance Calculations (Clause 11.1(b)(i))

Notional Revenue for the year ending March 2013		
Term	Description	Value \$
$P_{2013} * Q_{2011}$	Prices at 31 March 2013 multiplied by 31 March 2011 Base Quantities	29,863,527
K_{2013}	Transmission Charges for year ending 31 March 2013	5,026,748
	Avoided Transmission Charges for year ending 31 March 2013	3,720,914
	Rates for year ending 31 March 2013	126,621
	Electricity Authority Levies for year ending 31 March 2013	70,252
	Commerce Act Levies for year ending 31 March 2013 + 1/5 of Commerce Act Levies for year ending 31 March 2010	49,131
NR_{2013}	Notional Revenue for the year ending 31 March 2013	20,869,861

Supported by P*Q schedules presented in Appendix B

Maximum Notional Revenue for the year ending March 2013		
Term	Description	Value \$
$P_{Max} * Q_{2011}$	Maximum Prices between 1 April 2012 and 31 March 2013 multiplied by 31 March 2011 Base Quantities	29,863,527
K_{2013}	Transmission Charges for year ending 31 March 2013	5,026,748
	Avoided Transmission Charges for year ending 31 March 2013	3,720,914
	Rates for year ending 31 March 2013	126,621
	Electricity Authority Levies for year ending 31 March 2013	70,252
	Commerce Act Levies for year ending 31 March 2013 + 1/5 of Commerce Act Levies for year ending 31 March 2010	49,131
NR_{Max}	Notional Revenue for the year ending 31 March 2013	20,869,861

Supported by P*Q schedules presented in Appendix B

Allowable Notional Revenue 2013		
Term	Description	Value \$
$P_{2012} * Q_{2011}$	Maximum Prices between 1 April 2011 and 31 March 2012 multiplied by 31 March 2011 Base Quantities	28,843,351
K_{2012}	Transmission Charges for year ending 31 March 2012	4,927,470
	Avoided Transmission Charges for 2012	2,919,128
	Rates for year ending 31 March 2012	115,690
	Electricity Commission Levies for year ending 31 March 2012	74,588
	Commerce Act Levies for year ending 31 March 2012 + 1/5 of Commerce Act Levies for year ending 31 March 2010	47,410
$R_{2012} - NR_{2012}$	Revenue Differential for year ending 31 March 2012	(645,686)
X	X Factor	0
$(I + \Delta CPI_{2013})$	Average change in Consumer Price Index	1.0459
R_{2013}	Allowable Notional Revenue under the CPI-X Price Path for the year ending 31 March 2013	21,036,766

Supported by P*Q schedules presented in Appendix B

ΔCPI_{2013}			
Numerator		Denominator	
$CPI_{Dec2010}$	1137	$CPI_{Dec2009}$	1093
$CPI_{Mar2011}$	1146	$CPI_{Mar2010}$	1097
$CPI_{Jun2011}$	1157	$CPI_{Jun2010}$	1099
$CPI_{Sep2011}$	1162	$CPI_{Sep2010}$	1111
Total	4602	Total	4400
ΔCPI_{2013}	4.59%		

Revenue Differential 2012		
Term	Description	Value \$
R_{2012}	Allowable Notional Revenue under the CPI-X Price Path for the year ending 31 March 2012	20,410,487
NR_{2012}	Notional Revenue for the year ending 31 March 2012	21,056,173
$R_{2012} - NR_{2012}$	Allowable Notional Revenue less Notional Revenue for the year ending 31 March 2012	(645,686)

Appendix B – Price and Quantity Schedules (Clause 11.1(b)(i))

Horizon P X Q SCHEDULE
Prices at 31 March 2013
Period: Annual
365 Days

Consumer Groups	BASE QUANTITIES 31 March 2011			2012/13 Tariffs				Regulatory Revenue (P X Q)				
	ICPs	Ave Capacity/ MD per ICP	kWh	Line Charges		Pass Through		Line Charges		Pass Through		Total Revenue (\$)
				Fixed \$ per day	Variable c/kWh	Fixed \$ per day	Variable c/kWh	Fixed \$ per day	Variable c/kWh	Fixed \$ per day	Variable c/kWh	
RETAIL												
DOMESTIC (Low Fixed Charge)												
LUDU	8,986		44,288,755	-	8.853	0.150	0.832	-	3,920,883	491,984	368,482	4,781,349
LUDR	4,298		21,448,453	-	8.853	0.150	0.832	-	1,898,832	235,316	178,451	2,312,598
SDU	2,898		28,378,163	0.357	6.280	0.539	-	377,624	1,782,149	570,138	-	2,729,911
SDR	2,410		25,774,736	0.357	6.280	0.539	-	314,035	1,618,653	474,131	-	2,406,820
NSDU	240		720,380	0.864	5.341	0.346	-	75,686	38,475	30,310	-	144,471
NSDR	143		366,568	0.864	5.341	0.346	-	45,096	19,578	18,059	-	82,734
TOTAL DOMESTIC	18,975		120,977,055					812,442	9,278,571	1,819,937	546,934	12,457,884
GENERAL												
Specials												
U/Verandah Lights	23		-	\$0.462/day	-	\$0.021/day	-	3,878	-	176	-	4,055
Electric Fence	21		-	\$0.539/day	-	\$0.022/day	-	4,131	-	169	-	4,300
Lanark	-		-	\$293.83/mth	-	(\$302.47)/mth	-	-	-	-	-	-
Street Lights	22	2,251,438	-	3.882 \$/light/mth	-	0.782 \$/light/mth	-	214,240	-	43,157	-	257,397
Telecom - PCM 24 hour	68		-	\$41.606/mth	-	\$9.841/mth	-	33,950	-	8,030	-	41,981
Telecom - controlled	18		-	\$17.897/mth	-	\$3.288/mth	-	3,866	-	710	-	4,576
Total Specials	152		2,251,438					260,066	-	52,242	-	312,308
Capacity Groups												
N1U	712		3,522,655	0.864	5.341	0.346	-	224,536	188,145	89,918	-	502,600
N1R	1,144		3,139,798	0.864	5.341	0.346	-	360,772	167,697	144,476	-	672,944
N2U	808		13,287,617	1.040	5.338	0.861	-	306,717	709,293	253,926	-	1,269,936
N2R	1,922		23,895,411	1.078	7.145	0.861	-	756,249	1,707,327	604,017	-	3,067,594
N3U	271		9,633,754	0.198	5.666	2.148	-	19,585	545,848	212,469	-	777,903
N3R	295		12,413,111	1.014	6.794	2.148	-	109,182	843,347	231,286	-	1,183,815
N4U	60		3,169,068	0.098	5.933	4.828	-	2,146	188,021	105,733	-	295,900
N4R	43		2,535,270	0.279	6.437	4.828	-	4,379	163,195	75,775	-	243,350
NSU	32	167 kVA	2,504,515	-	5.997	\$3.655c/kVA/day	-	-	150,196	71,376	-	221,572
NSR	27	186 kVA	1,722,405	-	6.906	\$3.655c/kVA/day	-	-	118,949	67,171	-	186,120
UCC	9		-	(0.250)	-	-	-	(821)	-	-	-	(821)
RCC	92		-	(0.250)	-	-	-	(8,395)	-	-	-	(8,395)
Total Capacity Groups	5,415		75,823,604					1,774,351	4,782,018	1,856,149	-	8,412,518
Network Maximum Demand (NMD)												
NMD - Variable	156	-	42,819,695	-	3.641	-	-	-	1,559,065	-	-	1,559,065
NMD - Capacity	156	227 kVA	-	\$0.849/kVA/mth	-	\$0.571/kVA/mth	-	360,808	-	242,664	-	603,472
NMD - Maximum Demand	156	147 kW	-	\$3.940/kW/mth	-	\$2.650/kW/mth	-	1,082,480	-	728,064	-	1,810,543
Total NMD	156		42,819,695					1,443,288	1,559,065	970,727	-	3,973,080
TOTAL GENERAL	5,723		120,894,737					3,477,704	6,341,083	2,879,118	-	12,697,906
TOTAL RETAIL	24,698		241,871,792					4,290,146	15,619,654	4,699,056	546,934	25,155,790
MAJORS - REGULATED												
Customers												
Fonterra (BoPE)	1		-	\$34,006.45/mth	-	\$11,240.65/mth	-	408,077	-	134,888	-	542,965
Fonterra Lipid & Distillery	1		-	\$3,640.49/mth	-	\$5,050.67/mth	-	43,686	-	60,608	-	104,294
SCA Hygiene (TP)	1		-	\$4,344.68/mth	-	\$73,270.49/mth	-	52,136	-	879,246	-	931,382
CHH Whakatane (TP)	1		-	\$17,743.69/mth	-	\$147,448.30/mth	-	212,924	-	1,769,380	-	1,982,304
Kaingarua Timberlands (TP)	1		-	\$19,240.77/mth	-	\$10,172.77/mth	-	230,889	-	122,073	-	352,962
CHH - Kawerau (TP)	1		-	\$1,918.75/mth	-	\$18,258.69/mth	-	23,025	-	219,104	-	242,129
Norske Skog Oxidation Ponds (TP)	1		-	\$7,152.03/mth	-	\$17,089.49/mth	-	85,824	-	205,074	-	290,898
Sequal Investments	1		-	\$8,612.60/mth	-	\$5,884.77/mth	-	103,351	-	70,617	-	173,968
Fonterra Assets	1		-	\$1,250.00/mth	-	-	-	15,000	-	-	-	15,000
GDL Breaker Contract	1		-	\$585.00/mth	-	\$0.00/mth	-	7,020	-	-	-	7,020
BOPE TG1 & TG2	1		-	\$5,401.12/mth	-	\$0.00/mth	-	64,813	-	-	-	64,813
TOTAL MAJORS - REGULATED	11							1,246,747	-	3,460,990	-	4,707,737
GRAND TOTAL	24,709		241,871,792					5,536,893	15,619,654	8,160,046	546,934	29,863,527

Horizon Energy P X Q SCHEDULE
Prices at 31 March 2012
Period: Annual
365 Days

Consumer Groups	BASE QUANTITIES 31 March 2011			2011/12 Tariffs				Regulatory Revenue (P X Q)				
	ICPs	Ave Capacity/ MD per ICP	kWh	Line Charges		Pass Through		Line Charges		Pass Through		Total Revenue (\$)
				Fixed	Variable	Fixed	Variable	Fixed	Variable			
				\$ per day	c/kWh	\$ per day	c/kWh	\$ per day	c/kWh			
RETAIL												
DOMESTIC												
LUDU	8,986		44,288,755	-	8.3780	0.1500	1.2060	-	3,710,512	491,984	534,122	4,736,618
LUDR	4,298		21,448,453	-	8.3780	0.1500	1.2060	-	1,796,951	235,316	258,668	2,290,935
SDU	2,898		28,378,163	0.2390	6.3470	0.5180	0.4640	252,807	1,801,162	547,925	131,675	2,733,569
SDR	2,410		25,774,736	0.2390	6.3470	0.5180	0.4640	210,236	1,635,922	455,659	119,595	2,421,412
NSDU	240		720,380	0.7790	6.7180	0.1920	-	68,240	48,395	16,819	-	133,455
NSDR	143		366,568	0.7790	6.7180	0.1920	-	40,660	24,626	10,021	-	75,307
TOTAL DOMESTIC	18,975		120,977,055					571,944	9,017,569	1,757,723	1,044,060	12,391,296
GENERAL												
Specials												
U/Verandah Lights	23			\$0.125/day	-	\$0.021/day	-	1,049	-	176	-	1,226
Electric Fence	21			\$0.291/day	-	\$0.042/day	-	2,231	-	322	-	2,552
Lanark				\$264.66/mth	-	(\$264.66)/mth	-	-	-	-	-	-
Street Lights	22		2,251,438	3.656 \$/light/mth	-	0.830 \$/light/mth	-	201,767	-	45,806	-	247,573
Telecom - PCM 24 hour	68			\$34.907/mth	-	\$7.762/mth	-	28,484	-	6,334	-	34,818
Telecom - controlled	18			\$13.490/mth	-	\$3.189/mth	-	2,914	-	689	-	3,603
Total Specials	152		2,251,438					236,445		53,327		289,772
Capacity Groups												
N1U	712		3,522,655	0.9360	6.0820	0.2500	-	243,248	214,248	64,970	-	522,466
N1R	1,144		3,139,798	0.8480	8.4400	0.2500	-	354,091	264,999	104,390	-	723,480
N2U	808		13,287,617	0.5920	5.0470	0.8590	-	174,593	670,626	253,336	-	1,098,555
N2R	1,922		23,895,411	1.1100	6.6000	0.8590	-	778,698	1,577,097	602,614	-	2,958,410
N3U	271		9,633,754	0.0950	5.0250	2.4540	-	9,397	484,096	242,737	-	736,230
N3R	295		12,413,111	0.1290	6.6200	2.4540	-	13,890	821,748	264,234	-	1,099,872
N4U	60		3,169,068	0.3440	5.1500	3.4530	-	7,534	163,207	75,621	-	246,361
N4R	43		2,535,270	0.0680	6.5200	3.4530	-	1,067	165,300	54,195	-	220,562
N5U	32	167 kVA	2,504,515	-	5.7400	2.700 c/kVA/day	0.2270	-	143,759	52,727	5,685	202,171
N5R	27	186 kVA	1,722,405	-	6.5190	2.700 c/kVA/day	0.0110	-	112,284	49,620	189	162,093
UCC	9		-	(0.3900)	-	-	-	(1,281)	-	-	-	(1,281)
RCC	92		-	(0.3900)	-	-	-	(13,096)	-	-	-	(13,096)
Total Capacity Groups	5,415		75,823,604					1,568,140	4,617,363	1,764,445	5,875	7,955,823
Network Maximum Demand (NMD)												
NMD - Variable	156		42,819,695	-	3.5970	-	-	-	1,540,224	-	-	1,540,224
NMD - Capacity	156	227 kVA		\$0.810/kVA/mth	-	\$0.588/kVA/mth	-	344,234	-	249,888	-	594,122
NMD - Maximum Demand	156	147 kW		\$3.757/kW/mth	-	\$2.725/kW/mth	-	1,032,202	-	748,669	-	1,780,871
Total NMD	156		42,819,695					1,376,436	1,540,224	998,557		3,915,218
TOTAL GENERAL	5,723		120,894,737					3,181,021	6,157,588	2,816,329	5,875	12,160,812
TOTAL RETAIL	24,698		241,871,792					3,752,965	15,175,157	4,574,052	1,049,935	24,552,108
MAJORS												
Customers												
Fonterra (BoPE)	1			\$30,495.23/mth		\$9,286.32/mth		365,943	-	111,436	-	477,379
Fonterra Lipid & Distillery	1			\$3,640.49/mth		\$5,050.67/mth		43,686	-	60,608	-	104,294
SCA Hygiene (TP)	1			\$4,360.35/mth	-	\$61,847.51/mth		52,324	-	742,170	-	794,494
CHH Whakatane (TP)	1			\$17,109.80/mth	-	\$131,566.35/mth		205,318	-	1,578,796	-	1,784,114
Kaingaroa Timberlands (TP)	1			\$22,033.61/mth	-	\$7,702.09/mth		264,403	-	92,425	-	356,828
CHH - Kawerau (TP)	1			\$3,263.72/mth	-	\$19,331.25/mth		39,165	-	231,975	-	271,140
Norske Skog Oxidation Ponds (TP)	1			\$7,038.88/mth	-	\$14,467.17/mth		84,467	-	173,606	-	258,073
Sequal Investments	1			\$8,612.60/mth		\$4,659.35/mth		103,351	-	55,912	-	159,263
Forterra Assets	1			\$1,250.00/mth		\$0.00/mth		15,000	-	-	-	15,000
GDL Breaker Contract	1			\$585.00/mth		\$0.00/mth		7,020	-	-	-	7,020
TG1 & TG2	1			\$5,303.17/mth		\$0.00/mth		63,638	-	-	-	63,638
TOTAL MAJORS	11							1,244,314		3,046,929		4,291,243
GRAND TOTAL	24,709		241,871,792					4,997,279	15,175,157	7,620,981	1,049,935	28,843,351

Remapped base March 2011 quantities:

The 2011 quantities have been mapped to the new tariff structure introduced effective from 1 April 2011. These quantities, in total, are consistent with those used to derive allowable notional revenue (as shown in the table overleaf) however as the structure of our tariffs changed from 1 April 2011 they have had to be remapped to match the tariffs which now apply to each of those ICPs. It is noted that in implementing our new tariff structure we were able to improve the allocation of ICPs to consumer groups and accordingly a small number of ICPs have moved between domestic, special, capacity and maximum demand consumer groups.

Appendix C – Pass Through Costs (Clause 11.1(b)(ii))

Pass Through Costs for year ending March 2013				
K ₂₀₁₃	Actual (\$)	Forecast (\$)	Variance (\$)	Variance (%)
Transmission	5,026,748	5,026,747	0	0.0%
Avoided Transmission	3,720,914	3,284,006	436,908	11.7%
Rates	126,621	121,999	4,622	3.6%
Electricity Authority Levies	70,252	80,203	(9,950)	(14.2%)
Commerce Act Levies	49,131	47,453	1,678	3.4%
Total Pass Through Costs	8,993,666	8,560,408	433,258	4.8%

Avoided Transmission

When setting distribution prices for the forthcoming year Horizon Energy is exposed to higher forecasting risk than many Electricity Distribution Businesses (“EDBs”) with regard to transmission charges, as approximately 40% of Horizon Energy’s transmission charges relate to six avoided transmission supply agreements with embedded generators.

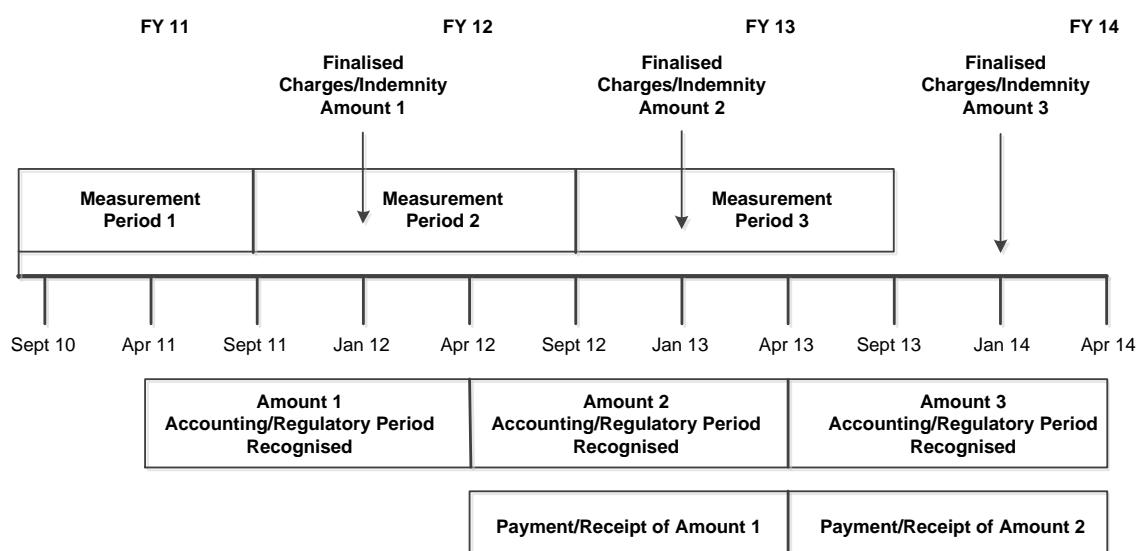
Under the New Zealand equivalents to International Reporting Standards (“NZ IFRS”) Horizon Energy is required to expense the costs associated with agreements that:

- a) Relate to avoided transmission supply which has occurred within the current reporting period; and
- b) Horizon Energy has contractual provisions securing the obligation on the third party; and
- c) The value of the benefit can be calculated reliably.

Three of the six generation contracts meet these criteria within the year that the generation benefit can be reliably determined. As all of these agreements are linked back to the Transmission Pricing Methodology (“TPM”) the value of the avoided transmission charge/indemnity rebates can only be determined upon the release of the Transpower pricing information.

The timetable to determine the avoided transmission charges are as follows:

Avoided Transmission/CSA Indemnity Determination



Following the release of the Transpower pricing information, usually in November, the charges owing for these three contracts can be calculated. The final amounts are usually determined in January of the following year after an agreement is reached with the generator. Any excess avoided transmission charges recovered by Horizon Energy are deducted from next years' allowable notional revenue. There is a clear timing disconnect between the requirements of NZ IFRS and the TPM which adds to the increased forecasting risks of the business.

In setting the distribution prices for 2012/13 Horizon Energy forecast total avoided transmission charges of \$3,284,006, and incurred costs of \$3,720,914, leading to the variance of \$436,908.

Rates

The Rates were \$4,622 above forecast.

Electricity Authority Levies

The Electricity Authority Levies variance of \$9,950 includes the \$9,698 credit note received from the Electricity Authority for 2011/12 levies.

Commerce Act Levies

The Commerce Act Levies were \$1,678 above forecast.

SAIDI Limit

μ_{SAIDI}	181.4480	The average annual SAIDI Value in the Normalised Reference Dataset
σ_{SAIDI}	38.6103	The standard deviation of daily SAIDI Values in the Normalised Reference Dataset multiplied by $\sqrt{365}$
$SAIDI_{Limit} = \mu_{SAIDI} + \sigma_{SAIDI}$	220.0583	SAIDI Limit Value

SAIFI Limit

μ_{SAIFI}	2.0487	The average annual SAIFI Value in the Normalised Reference Dataset
σ_{SAIFI}	0.3476	The standard deviation of daily SAIFI Values in the Normalised Reference Dataset multiplied by $\sqrt{365}$
$SAIFI_{Limit} = \mu_{SAIFI} + \sigma_{SAIFI}$	2.3962	SAIFI Limit Value

Reliability Assessment Calculations (2013 Assessment Period)**Event Days exceeding SAIDI Boundary Value within the 2013 Assessment Dataset**

Date	Pre-Normalised SAIDI	Pre-Normalised SAIFI	Normalised SAIDI	Normalised SAIFI
NIL			-	-
			-	-
			-	-
			-	-
			-	-
			-	-
			-	-
			-	-
			-	-
			-	-

Assessed SAIDI Value 2013

$SAIDI_{2013}$	191.6029	The sum of daily SAIDI Values in the 1 April 2012 - 31 March 2013 Normalised Assessment Dataset
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Assessed SAIFI Value 2013

$SAIFI_{2013}$	2.2956	The sum of daily SAIFI Values in the 1 April 2012 - 31 March 2013 Normalised Assessment Dataset
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Prior Period Assessed Values**Assessed SAIDI Value 2012**

$SAIDI_{2012}$	174.6412	The sum of daily SAIDI Values in the 1 April 2011 - 31 March 2012 Normalised Assessment Dataset
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Assessed SAIFI Value 2012

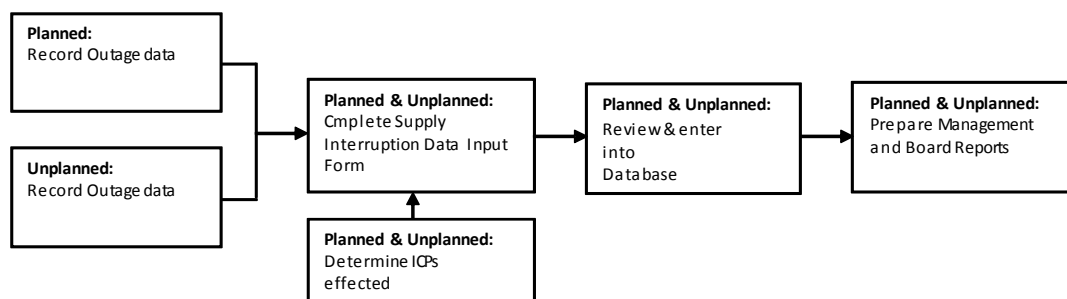
$SAIFI_{2012}$	2.2389	The sum of daily SAIFI Values in the 1 April 2011 - 31 March 2012 Normalised Assessment Dataset
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Appendix E – Policies and Procedures for Recording SAIDI and SAIFI (Clause 11.1(b)(v))

Horizon Energy captures outage data following planned and unplanned outages. Control Room staff follow a written procedure to record network outage data. This data is then entered into a database to facilitate fortnightly, monthly and yearly reporting.

Capture of Statistical Information

The procedures followed to capture statistical information for planned outages and unplanned outages (less than 24 hours notice) are very similar and rely on the accurate recording of the timing and sequence of operations carried out on the network. The following diagram sets out the procedural flow for the recording of planned and unplanned outage data. Each flow is also discussed in detail below.



Planned Outages – Initial Recording of Outage Data

The sequence of operations for all planned outages are recorded on a Network Switching Schedule

This schedule records:

- Outage dates
- Outage location and equipment
- Outage type
- Switching instructions
- Mechanism for notification of outages
- Issuing of permits
- The exact time of each operation from the SCADA screen

Unplanned Outages – Initial Recording of Outage Data

The sequence of operations for all unplanned outages are recorded on an unplanned outage instruction sheet, similar details as above are recorded as the instructions are carried out.

Planned and Unplanned Outages – Supply Interruption Data Input Form

Following the completion of the switching, information is transferred to a Supply Interruption Data Input Form. Relevant switching operations are recorded along with customer numbers (discussed below) and length of time before restoration. This data is used to calculate the SAIDI and SAIFI impact of the outage.

Planned and Unplanned Outages – Customer Numbers

Customer numbers (ICPs) for both unplanned and planned outages are sourced from the Network Management System (NMS) database. ICPs are counted between isolation points on the network to determine the impact of an outage. The NMS database is updated regularly to the national registry with new and disconnected customers.

Planned and Unplanned Outages – Collation of Data

On completion of the Supply Interruption Data Input form it is entered into the Horizon Energy Support Systems Database. The information is reviewed for accuracy and completeness before it is reported against. This database contains data for all outages in the current year and prior years.

Planned and Unplanned Outages – Management and Board Reports

From the database reports are generated containing statistics for year to date on SAIDI and SAIFI. This is provided to management and the Board of Directors to drive performance and network improvements.

Disclaimer

The information presented in this Default Price-Quality Path Compliance Statement has been prepared solely for the purpose of complying with the requirements of the Commerce Act (Electricity Distribution Default Price-Quality Path) Determination 2010. This statement has not been prepared for any other purpose and Horizon Energy Distribution Limited expressly disclaims any liability to any other party who may rely on this statement for any other purpose.