

# HORIZON ENERGY DISTRIBUTION LIMITED

## DEFAULT PRICE QUALITY PATH COMPLIANCE STATEMENT

FOR THE ASSESSMENT DATE 31 MARCH 2015

*Pursuant to the Electricity Distribution Services Default Price-Quality  
Path Determination 2012*

12 MAY 2015

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### Contents

- 1) Compliance with the Price Path (Clause 11.2(a))
- 2) Compliance with the Quality Standards (Clause 11.2(a))
- 3) Director Certification (Clause 11.3(m))
- 4) Auditor's Report (Clause 11.6)

### Supporting Information (Clause 11.2(b))

APPENDIX A	Price Path Compliance Calculations
APPENDIX B	Price and Quantity Schedules
APPENDIX C	Pass Through and Recoverable Costs
APPENDIX D	Restructuring of Prices and Transactions involving Non-exempt EDBs
APPENDIX E	Quality Standard Compliance Calculations
APPENDIX F	Policies and Procedures for Recording SAIDI and SAIFI

## 1) Compliance with the Price Path (Clause 11.2(a))

Horizon Energy Distribution Limited does comply with the price path at the assessment date, 31 March 2015, as specified in the *Electricity Distribution Services Default Price-Quality Path Determination 2012*.

**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 table, which demonstrates that notional revenue during the Assessment Period does not exceed allowable notional revenue.

Test:	$\frac{NR_{2014/15}}{R_{2014/15}} \leq 1$
$NR_{2014/15}$ :	\$ 21,337,187
$R_{2014/15}$ :	\$ 21,511,131
Result:	0.9919 < 1
Result:	<i>Price Path has not been breached</i>

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

## Compliance with the Quality Standards (Clause 11.2(a))

Horizon Energy Distribution Limited does comply with all requirements of the quality standards at the assessment date, 31 March 2015, as specified in the *Electricity Distribution Services Default Price-Quality Path Determination 2012*.

### 2015 Reliability Assessment (9.1(a))

**Clause 9.1(a) requires compliance with 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.

Test:	$\frac{SAIDI_{Assess\ 2014/15}}{SAIDI_{Limit}} \leq 1$	
SAIDI <sub>Assess 2014/15</sub>	172.8575	
SAIDI <sub>Limit</sub>	220.0583	
	0.7855	< 1
<b>Clause 9.1(a) Result:</b>	<i>Does Not Exceed Limit</i>	

Test:	$\frac{SAIFI_{Assess\ 2014/15}}{SAIFI_{Limit}} \leq 1$	
SAIFI <sub>Assess 2014/15</sub>	1.9815	
SAIFI <sub>Limit</sub>	2.3962	
	0.8269	< 1
<b>Clause 9.1(a) Result:</b>	<i>Does Not Exceed Limit</i>	

Supporting evidence is presented in Appendices E and F.

**Prior Period Reliability Assessment (9.1(b))**

**Clause 9.1(b)** Compliance with annual reliability assessments for the two immediately preceding extant Assessment Periods.

Compliance is demonstrated in the following tables.

SAIDI <sub>Assess 2013/14</sub>	186.3412	SAIFI <sub>Assess 2013/14</sub>	1.7721
SAIDI <sub>Limit 2013/14</sub>	220.0583	SAIFI <sub>Limit 2013/14</sub>	2.3962
0.8468	< 1	0.7395	< 1
<i>Does Not Exceed Limit</i>		<i>Does Not Exceed Limit</i>	

SAIDI <sub>Assess 2012/13</sub>	191.6029	SAIFI <sub>Assess 2012/13</sub>	2.2956
SAIDI <sub>Limit 2012/13</sub>	220.0583	SAIFI <sub>Limit 2012/13</sub>	2.3962
0.8707	< 1	0.9580	< 1
<i>Does Not Exceed Limit</i>		<i>Does not Exceed Limit</i>	

**Compliance Summary**

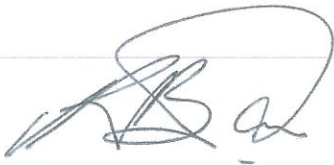
**Clause 9.1** A Non-exempt EDB must, in respect of each Assessment Period, either:

- (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
<b>Compliance with 9.1(a)</b>	Does Not Exceed Limit	Does Not Exceed Limit	<b>Complies</b>
or			
<b>Compliance with 9.1(b)</b>			<b>Complies</b>
2013/14 Assessment Period	Does Not Exceed Limit	Does Not Exceed Limit	<i>Complies</i>
2012/13 Assessment Period	Does Not Exceed Limit	Does not Exceed Limit	<i>Complies</i>
<b>Clause 9.1 Result:</b>	<b>Complies with Quality Standard</b>		

## Director Certification (Clause 11.3(m))

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 *Electricity Distribution Services Default Price-Quality Path Determination 2012* are true and accurate.



**Robert Tait**



**John McDonald**

12 May 2015



## **Independent Reasonable Assurance report to the Directors of Horizon Energy Distribution Limited on the Default Price-Quality Path Annual Compliance Statement**

We have performed our reasonable assurance engagement in respect of the attached Annual Compliance Statement prepared by Horizon Energy Distribution Limited for the Assessment Period ended 31 March 2015 and dated 12 May 2015 for the purposes of clause 11 of *the Commerce Act (Electricity Distribution Default Price-Quality Path) Determination 2012* (“the Determination”).

### ***Directors’ responsibilities***

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

### ***Auditor’s qualifications***

We are qualified as an auditor as defined in the Determination.

### ***Auditor’s responsibilities***

Our responsibility is to express a conclusion on the Annual Compliance Statement based on our reasonable assurance engagement. We conducted our reasonable assurance engagement in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* (ISAE (NZ) 3000 and Standard on Assurance Engagements 3100 *Compliance Engagement* (SAE 3100). Those standards require that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance about whether the Annual Compliance Statement has been prepared, in all material respects, in accordance with the Determination.

An 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 conclusion on the effectiveness of the entity’s internal control. An assurance engagement also includes evaluating the appropriateness of policies used and the reasonableness of estimates, as well as evaluating the overall presentation of the Annual Compliance Statement.

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



In relation to the SAIDI and SAIFI statistics for the Reference Period and the Assessment Period ended on 31 March 2015, 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 3 and 4 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 assessment of whether adequate information has been disclosed in accordance with clause 11 of the Determination.

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

### ***Restriction of use of our report***

Our report is 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. 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 for which it was prepared.

### ***Independence***

Our firm has also provided other services to Horizon Energy Distribution Limited such as the annual audit and half-year review of the financial statements, auditors pursuant to the Electricity Distribution Information Disclosure Determination 2012 and taxation compliance services and advice. Partners and employees of our firm may also deal with Horizon Energy Distribution Limited on normal terms within the ordinary course of trading activities of the business of Horizon Energy Distribution Limited. These matters have not impaired our independence as auditors of Horizon Energy Distribution Limited for this engagement. The firm has no other relationship with, or interest in, Horizon Energy Distribution Limited.

### ***Conclusion***

In our opinion, the Annual Compliance Statement of Horizon Energy Distribution Limited for the assessment period ended on 31 March 2015, has been prepared, in all material respects, in accordance with the Determination.

Our assurance engagement was completed on 12 May 2015 and our conclusion is expressed as at that date.

KPMG  
Auckland

## Appendix A – Price Path Compliance Calculations (Clause 11.3 (a))

Notional Revenue 2014/15		
Term	Description	Value \$
$\Sigma P_{2014/15} * Q_{2012/13}$	Prices at 31 March 2015 multiplied by 31 March 2013 Base Quantities	31,686,038
$K_{2014/15}$	Rates on system fixed assets for year ending 31 March 2015	183,948
	Commerce Act levies for year ending 31 March 2015 + 1/5 of Commerce Act levies for year ending 31 March 2010	67,616
	Electricity Authority levies for year ending 31 March 2015	90,003
	EGCC levies for year ending 31 March 2015	8,918
$V_{2014/15}$	Transpower transmission charges for year ending 31 March 2015	6,134,142
	Transpower New Investment Contract charges for the year ending 31 March 2015	-
	System Operator charges for year ending 31 March 2015	-
	Avoided transmission charges resulting from purchase of Transpower assets for year ending 31 March 2015	-
	Avoided transmission charges resulting from connection of distributed generation for year ending 31 March 2015	4,526,221
	Claw-back applied under sections 54k(3) or 53ZB(3) of the Act	(661,996)
	Indirect Transmission Charges for the year ending 31 March 2015	-
$NR_{2014/15}$	Notional Revenue for the year ending 31 March 2015	21,337,187

Supported by P\*Q schedules presented in Appendix B

Supported by calculation shown on page 8



Clawback 2014/15		
Term	Description	Value \$
<i>MAR</i> <sub>2012/13</sub>	Maximum allowable revenue for the 2012/13 under 2012 DPP Determination	20,650,000
$\varphi$	Line charge revenue for the disclosure year 2013 less actual Pass-through Costs and actual Recoverable Costs and Indirect Transmission Charges for 2012/13	21,240,957
<i>K</i> <sub>2012/13</sub>	Sum of all Pass-Through Costs for year ending 31 March 2013	258,014
<i>V</i> <sub>2012/13</sub>	Sum of all Recoverable Costs and Indirect Charges for year ending 31 March 2013	8,627,062
<i>r</i>	Interest rate to be applied for the under- and over-recovery	5.84%
<i>Clawback</i> <sub>2014/15</sub>	Claw-back amount to be treated as Recoverable Costs for the Fifth Assessment Period	(661,996)

Allowable Notional Revenue 2014/15		
Term	Description	Value \$
$\Sigma P_{2013/14} * Q_{2012/13}$	Maximum Prices between 1 April 2013 and 31 March 2014 multiplied by 31 March 2013 Base Quantities	30,168,399
$K_{2013/14}$	Rates on system fixed assets for year ending 31 March 2014	135,483
	Commerce Act levies for year ending 31 March 2014 + 1/5 of Commerce Act levies for year ending 31 March 2010	62,834
	Electricity Authority levies for year ending 31 March 2014	60,145
	EGCC levies for year ending 31 March 2014	9,389
$V_{2013/14}$	Transpower transmission charges for year ending 31 March 2014	5,561,028
	Transpower new Investment Contract charges for the year ending 31 March 2014	-
	System Operator charges for year ending 31 March 2014	-
	Avoided transmission charges resulting from purchase of Transpower assets for year ending 31 March 2014	-
	Avoided transmission charges resulting from connection of distributed generation for year ending 31 March 2014	3,068,807
$R_{2013/14} - NR_{2013/14}$	Revenue differential for year ending 31 March 2014	34,724
$X$	X Factor	0%
$(1 + \Delta CPI_{2013/14})$	Average change in Consumer Price Index	1.0097
$R_{2013/14}$	Allowable Notional Revenue under Equation 1 for the year ending 31 March 2014	21,511,131

Supported by P\*Q schedules presented in Appendix B

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

Horizon P X Q SCHEDULE  
Prices at 31 March 2014  
Period: Annual  
365 Days

Consumer Groups	BASE QUANTITIES 31 March 2013			2013/14 Tariffs				(P2014 X Q2013)				
	ICPs	Ave Capacity/ MD per ICP	kWh	Distribution Prices		Pass-Through Prices		Distribution Revenue		Pass-Through Revenue		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	
<b>RETAIL DOMESTIC</b>												
LUDU	8,043		41,888,718	-	8.687	0.150	1.362	-	3,638,873	440,354	570,524	4,649,752
LUDR	3,858		20,401,413	-	8.687	0.150	1.362	-	1,772,271	211,226	277,867	2,261,363
SDU	3,964		29,766,976	0.998	3.876	0.505	-	1,443,966	1,153,768	730,664	-	3,328,399
SDR	2,959		26,277,359	0.998	3.876	0.505	-	1,077,875	1,019,510	545,418	-	2,641,803
NSDU	331		1,123,163	1.189	2.031	0.376	-	143,649	22,811	45,426	-	211,887
NSDR	398		1,025,377	1.189	2.031	0.376	-	172,726	20,825	54,622	-	248,173
<b>TOTAL DOMESTIC</b>	<b>19,553</b>		<b>120,483,006</b>					<b>2,838,216</b>	<b>7,627,059</b>	<b>2,027,710</b>	<b>848,392</b>	<b>13,341,376</b>
<b>GENERAL SPECIALS</b>												
U/Verandah Lights	22			\$0.521/day		\$0.019/day		4,184	-	153	-	4,336
Electric Fence	19			\$0.531/day		\$0.019/day		3,682	-	132	-	3,814
Lanark	1			\$293.83/mth		(\$302.47)/mth		3,526	-	(3,630)	-	(104)
Street Lights	22	4,632 street lights	2,201,583	4.025 \$/light/mth		0.673 \$/light/mth		223,726	-	37,408	-	261,134
Telecom - PCM 24 hour	84			\$41.861/mth		\$8.556/mth		42,196	-	8,624	-	50,820
Telecom - controlled	17			\$23.395/mth		\$2.852/mth		4,773	-	582	-	5,354
<b>TOTAL SPECIALS</b>	<b>165</b>		<b>2,201,583</b>					<b>282,006</b>		<b>43,269</b>		<b>325,554</b>
<b>CAPACITY GROUPS</b>												
NIU	573		3,138,916	1.189	2.031	0.375		248,673	63,751	78,429	-	390,854
NIR	857		2,933,408	1.189	2.031	0.375		371,925	59,578	117,302	-	548,805
NZU	800		13,177,231	1.075	4.534	0.938		313,900	597,456	273,896	-	1,185,252
NZR	1,848		25,055,239	1.404	6.612	0.938		947,026	1,656,652	632,700	-	3,236,378
NSU	257		9,702,688	1.743	3.670	1.875		169,864	356,088	182,728	-	708,680
NDR	307		13,807,599	2.960	4.566	1.875		331,683	630,455	210,103	-	1,172,241
NAU	57		2,875,656	3.173	4.735	3.751		66,014	136,162	78,040	-	280,216
NAR	41		2,576,015	3.556	4.532	3.751		53,216	116,745	56,134	-	226,094
NSU	32	171 kVA	2,459,182	2.695c/kVA/day	3.984	3.240c/kVA/day		53,698	97,974	64,557	-	216,228
NSR	27	180 kVA	1,351,796	3.473c/kVA/day	5.921	3.240c/kVA/day		61,519	80,040	57,391	-	198,950
UCC	11		-	-	-	-		-	-	-	-	-
RCC	82		-	-	-	-		-	-	-	-	-
<b>TOTAL CAPACITY GROUPS</b>	<b>4,902</b>		<b>77,077,710</b>					<b>2,617,517</b>	<b>3,794,901</b>	<b>1,751,280</b>		<b>8,163,698</b>
<b>NETWORK MAXIMUM DEMAND (NMD)</b>												
NMD - Variable			43,877,160									
NMD - Capacity	152	241 kVA		\$0.701/kVA/mth	3.148	\$0.507/kVA/mth		308,660	1,381,253	223,239	-	1,381,253
NMD - Maximum Demand	152	160 kVA		\$3.197/kW/mth		\$2.312/kW/mth		930,213	-	672,710	-	1,602,923
<b>TOTAL NMD</b>	<b>152</b>		<b>43,877,160</b>					<b>1,238,873</b>	<b>1,381,253</b>	<b>895,949</b>		<b>3,516,075</b>
<b>TOTAL GENERAL</b>	<b>5,219</b>		<b>123,156,453</b>					<b>4,138,477</b>	<b>5,176,154</b>	<b>2,690,497</b>		<b>12,005,128</b>
<b>TOTAL RETAIL</b>	<b>24,772</b>		<b>243,639,459</b>					<b>6,976,693</b>	<b>12,803,213</b>	<b>4,718,207</b>	<b>848,392</b>	<b>25,346,505</b>
<b>MAJOR CUSTOMERS</b>												
Fonterra (BoPE)	1			\$29,689.15/mth		\$10,225.62/mth		356,270	-	122,707	-	478,977
Fonterra Lipid & Distillery	1			\$3,640.50/mth		\$5,050.67/mth		43,698	-	60,608	-	104,294
SCA Hygiene (TP)	1			\$1,692.73/mth		\$68,294.79/mth		20,313	-	819,537	-	839,850
CHH Whakatane (TP)	1			\$13,390.84/mth		\$178,009.65/mth		160,690	-	2,136,116	-	2,296,806
Kaingaroa Timberlands (TP)	1			\$14,879.42/mth		\$10,662.07/mth		178,553	-	127,945	-	306,498
CHH - Kawerau (TP)	1			\$2,586.16/mth		\$22,514.66/mth		31,034	-	270,176	-	301,210
Norske Skog Oxidation Ponds (TP)	1			\$4,888.01/mth		\$18,341.38/mth		58,656	-	220,097	-	278,753
Sequal Investments	1			\$5,318.79/mth		\$5,362.12/mth		63,825	-	64,345	-	128,171
Fonterra Assets	1			\$1,250.00/mth				15,000	-	-	-	15,000
GDL Breaker Contract	1			\$585.00/mth				7,020	-	-	-	7,020
Nova Energy TG1 & TG2	1			\$5,442.96/mth				65,316	-	-	-	65,316
<b>TOTAL MAJOR CUSTOMERS</b>	<b>11</b>							<b>1,000,363</b>		<b>3,821,532</b>		<b>4,821,894</b>
<b>GRAND TOTAL</b>	<b>24,783</b>		<b>243,639,459</b>					<b>7,977,056</b>	<b>12,803,213</b>	<b>8,539,739</b>	<b>848,392</b>	<b>30,168,399</b>

Horizon P X Q SCHEDULE  
Prices at 31 March 2015  
Period: Annual  
365 Days

Consumer Groups	BASE QUANTITIES 31 March 2013			2014/15 Tariffs				(P2015 X Q2013)				
	ICPs	Ave Capacity/ MD per ICP	kWh	Distribution Prices		Pass-Through Prices		Distribution Revenue		Pass-Through Revenue		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	
<b>RETAIL DOMESTIC</b>												
LUDU	8,043		41,888,718		8.599	0.150	1.947	-	3,602,011	440,354	815,573	4,857,938
LUDR	3,858		20,401,413		8.599	0.150	1.947	-	1,754,318	211,226	397,216	2,362,759
SDU	3,964		29,766,976	0.915	3.996	0.670	-	1,323,877	1,189,488	969,396	-	3,482,761
SDR	2,959		26,277,359	0.915	3.996	0.670	-	988,232	1,050,043	723,623	-	2,761,899
NSDU	331		1,123,163	1.241	2.484	0.475	-	149,931	27,899	57,387	-	235,218
NSDR	398		1,025,377	1.241	2.484	0.475	-	180,280	25,470	69,003	-	274,754
<b>TOTAL DOMESTIC</b>	<b>19,553</b>		<b>120,483,006</b>					<b>2,642,320</b>	<b>7,649,230</b>	<b>2,470,990</b>	<b>1,212,789</b>	<b>13,975,329</b>
<b>GENERAL SPECIALS</b>												
UVVerandah Lights	22			\$0.562/day		\$0.024/day		4,513	-	193	-	4,706
Electric Fence	19			\$0.572/day		\$0.024/day		3,967	-	166	-	4,133
Lanark	1			\$293.83/mth		(\$302.47)/mth		3,526	-	(3,630)	-	(104)
Street Lights	22	4.632 street lights	2,201,583	4.041 \$/light/mth		0.819 \$/light/mth		224,615	-	45,523	-	270,138
Telecom - PCM 24 hour	84			\$42.921/mth		\$10.845/mth		43,264	-	10,932	-	54,196
Telecom - controlled	17			\$24.603/mth		\$3.615/mth		5,019	-	737	-	5,756
<b>TOTAL SPECIALS</b>	<b>165</b>		<b>2,201,583</b>					<b>284,904</b>		<b>53,922</b>		<b>338,826</b>
<b>CAPACITY GROUPS</b>												
N1U	573		3,138,916	1.241	2.484	0.475		259,549	77,971	99,344	-	436,863
N1R	857		2,933,408	1.241	2.484	0.475		388,191	72,866	148,582	-	609,639
N2U	800		13,177,231	0.948	4.851	1.174		276,816	639,227	342,808	-	1,258,851
N2R	1,848		25,055,239	1.415	7.090	1.174		954,446	1,776,416	791,886	-	3,522,749
N3U	257		9,702,688	1.462	3.888	2.377		142,479	377,240	231,651	-	751,369
N3R	307		13,807,599	2.805	4.461	2.377		314,314	615,957	266,355	-	1,196,626
N4U	57		2,875,656	2.902	5.063	4.754		60,376	145,594	98,907	-	304,878
N4R	41		2,576,015	3.599	4.665	4.754		53,859	120,171	71,144	-	245,174
N5U	32	171 kVA	2,459,182	2.628c/kVA/day	4.324	4.080c/kVA/day		52,363	106,335	81,294	-	239,991
N5R	27	180 kVA	1,351,796	3.516c/kVA/day	7.010	4.080c/kVA/day		62,280	94,761	72,271	-	229,312
UCC	11		-					-	-	-	-	-
RCC	82		-					-	-	-	-	-
<b>TOTAL CAPACITY GROUPS</b>	<b>4,902</b>		<b>77,077,710</b>					<b>2,564,673</b>	<b>4,026,539</b>	<b>2,204,241</b>		<b>8,795,453</b>
<b>NETWORK MAXIMUM DEMAND (NMD)</b>												
NMD - Variable			43,877,160		2.999				1,315,876	-	-	1,315,876
NMD - Capacity	152	241 kVA		\$0.624/kVA/mth		\$0.629/kVA/mth		274,756	-	276,957	-	551,713
NMD - Maximum Demand	152	160 kVA		\$2.833/kW/mth		\$2.854/kW/mth		824,302	-	830,413	-	1,654,715
<b>TOTAL NMD</b>	<b>152</b>		<b>43,877,160</b>					<b>1,099,058</b>	<b>1,315,876</b>	<b>1,107,370</b>		<b>3,522,304</b>
<b>TOTAL GENERAL</b>	<b>5,219</b>		<b>123,156,453</b>					<b>3,948,635</b>	<b>5,342,415</b>	<b>3,365,533</b>		<b>12,656,583</b>
<b>TOTAL RETAIL</b>	<b>24,772</b>		<b>243,639,459</b>					<b>6,590,956</b>	<b>12,991,644</b>	<b>5,836,522</b>	<b>1,212,789</b>	<b>26,631,911</b>
<b>MAJOR CUSTOMERS</b>												
Fonterra (BoPE)	1			\$31,434.33/mth		\$6,060.33/mth		377,212	-	72,724	-	449,936
Fonterra Lipid & Distillery	1			\$3,640.50/mth		\$5,050.67/mth		43,686	-	60,608	-	104,294
SCA Hygiene (TP)	1			\$1,645.24/mth		\$85,032.49/mth		19,743	-	1,020,390	-	1,040,133
CHH Whakatane (TP)	1			\$13,826.22/mth		\$184,652.76/mth		165,915	-	2,215,833	-	2,381,748
Kaingaroa Timberlands (TP)	1			\$15,142.00/mth		\$10,195.59/mth		181,704	-	122,347	-	304,051
CHH - Kawerau (TP)	1			\$2,169.68/mth		\$26,225.73/mth		26,036	-	314,709	-	340,745
Norske Skog Oxidation Ponds (TP)	1			\$4,766.54/mth		\$13,282.27/mth		57,198	-	159,387	-	216,586
Sequal Investments	1			\$5,067.24/mth		\$5,633.32/mth		60,807	-	67,600	-	128,407
Fonterra 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
Nova Energy TG1 & TG2	1			\$5,517.32/mth		\$0.00/mth		66,208	-	-	-	66,208
<b>TOTAL MAJOR CUSTOMERS</b>	<b>11</b>							<b>1,020,529</b>		<b>4,033,598</b>		<b>5,054,127</b>
<b>GRAND TOTAL</b>	<b>24,783</b>		<b>243,639,459</b>					<b>7,611,485</b>	<b>12,991,644</b>	<b>9,870,120</b>	<b>1,212,789</b>	<b>31,686,038</b>

## Appendix C – Pass Through & Recoverable Costs (Clause 11.3(b - e))

Pass Through Costs for year ending March 2015				
K <sub>2014/15</sub>	Actual (\$)	Forecast (\$)	Variance (\$)	Variance (%)
Rates on system fixed assets	183,948	144,761	39,187	27.1%
Commerce Act levies	67,616	71,454	(3,838)	(5.4%)
Electricity Authority levies	90,003	78,485	11,518	14.7%
EGCC levies	8,918	10,000	(1,082)	(10.8%)
Total Pass Through Costs	350,485	304,700	45,785	15.0%

### Rates on System Fixed Assets

The rates on system fixed assets were \$39,187 above forecast.

### Commerce Act Levies

The Commerce Act levies were \$3,838 below forecast.

### Electricity Authority Levies

The Electricity Authority levies were \$11,518 above forecast.

### Electricity and Gas Complaints Commissioner Scheme Levies

The Electricity and Gas Complaints Commissioner scheme levies were \$1,082 below forecast.

Recoverable Costs and Indirect Transmission for year ending March 2015				
V <sub>2014/15</sub>	Actual (\$)	Forecast (\$)	Variance (\$)	Variance (%)
Transpower transmission charges	6,134,142	10,331,757	(4,197,615)	(40.6%)
New Investment Contract charges	-	-	-	0.0%
System Operator charges	-	-	-	0.0%
Avoided transmission charges - Transpower asset purchase	-	-	-	0.0%
Avoided transmission charges - distributed generation	4,526,221	375,000	4,151,221	1107.0%
Indirect Transmission Charges	-	-	-	0.0%
Total Recoverable Costs	10,660,363	10,706,757	(46,394)	(0.4%)

### Transpower Transmission Charges

Transmission charges payable to Transpower decreased as a result of the Prudent Discount Agreement effective 1 April 2014.

### Avoided Transmission Charges – Distributed Generation

Charges payable to Nova Energy and Trustpower as a result of the Prudent Discount Agreement were originally forecast as charges payable to Transpower.

Forecast charges of \$375,000 for Nova Energy's distributed generation at TG1 has actual charge of \$328,611 leading to a \$46,389 variance.

**Appendix D – Restructuring of Prices and Transactions involving Non-Exempt EDBs  
(Clause 11.3((f) – (g), (j) and(k))**

**Clauses 11.3 ((f) – (g))** - Horizon Energy Distribution Limited did not restructure its Prices that applied during the Assessment Period and therefore clauses 8.5 and 8.6 did not apply during the Assessment Period.

**Clauses 11.3 ((j) & (k))** - Horizon Energy Distribution Limited did not enter into transactions resulting in an amalgamation or Merger and did not enter into transactions resulting in Consumers being supplied by a different EDB. Clause 10 therefore did not apply for the Assessment Period.

## Appendix E – Quality Standard Compliance Calculations (Clause 11.3(h))

### Reliability Data (Before Normalisation)

Year	SAIDI (Interruption Duration)			SAIFI (Interruption Frequency)		
	Class B	Class C	Total	Class B	Class C	Total
2005	21.69	331.05	352.74	0.11	2.37	2.48
2006	30.22	156.97	187.19	0.16	1.88	2.04
2007	15.85	140.09	155.94	0.12	1.73	1.85
2008	26.74	121.64	148.38	0.15	1.48	1.63
2009	11.03	123.22	134.25	0.06	2.18	2.24
	Reference Period Total SAIDI		<b>978.50</b>	Reference Period Total SAIFI		<b>10.24</b>
	Reference Period Average SAIDI		<b>195.70</b>	Reference Period Average SAIFI		<b>2.05</b>
2011	14.74	162.67	177.41	0.12	2.27	2.39
2012	12.28	162.36	174.64	0.15	2.09	2.24
2013	32.06	159.54	191.60	0.17	2.13	2.30
2014	16.46	181.52	197.98	0.12	1.65	1.77
2015	25.88	146.97	172.86	0.22	1.76	1.98

### Reliability Limit Calculations (using Reference Period Dataset)

<b>SAIDI Boundary Calculations</b>		
$\alpha_{SAIDI}$	-0.6496	The average of the natural logarithm (ln) of each daily SAIDI Value in the non-zero data set
$\beta_{SAIDI}$	1.6827	The standard deviation of the natural logarithm (ln) of each daily SAIDI Value in the non-zero data set
$B_{SAIDI} = e^{(\alpha_{SAIDI} + 2.5 \cdot \beta_{SAIDI})}$	35.0673	SAIDI Boundary Value

<b>SAIFI Boundary Calculations</b>		
$\alpha_{SAIFI}$	-5.1523	The average of the natural logarithm (ln) of each daily SAIFI Value in the non-zero data set
$\beta_{SAIFI}$	1.7665	The standard deviation of the natural logarithm (ln) of each daily SAIFI Value in the non-zero data set
$B_{SAIFI} = e^{(\alpha_{SAIFI} + 2.5 \cdot \beta_{SAIFI})}$	0.4789	SAIFI Boundary Value

<b>Event Days exceeding SAIDI Boundary Value within the Reference Dataset</b>				
Date	Pre-Normalised SAIDI	Pre-Normalised SAIFI	Normalised SAIDI	Normalised SAIFI
17-Jul-04	72.3165	0.2595	35.0673	0.2595
18-Jul-04	69.0793	0.1000	35.0673	0.1000
			-	-
			-	-
			-	-
			-	-
			-	-
			-	-
			-	-
			-	-





## Prior Period Assessed Values

### **Assessed SAIDI Value 2013/14**

SAIDI<sub>2013/14</sub>

186.3412

The sum of daily SAIDI Values in the 1 April 2013 - 31 March 2014 Normalised Assessment Dataset

### **Assessed SAIFI Value 2013/14**

SAIFI<sub>2013/14</sub>

1.7721

The sum of daily SAIFI Values in the 1 April 2013 - 31 March 2014 Normalised Assessment Dataset

### **Assessed SAIDI Value 2012/13**

SAIDI<sub>2012/13</sub>

191.6029

The sum of daily SAIDI Values in the 1 April 2012 - 31 March 2013 Normalised Assessment Dataset

### **Assessed SAIFI Value 2012/13**

SAIFI<sub>2012/13</sub>

2.2956

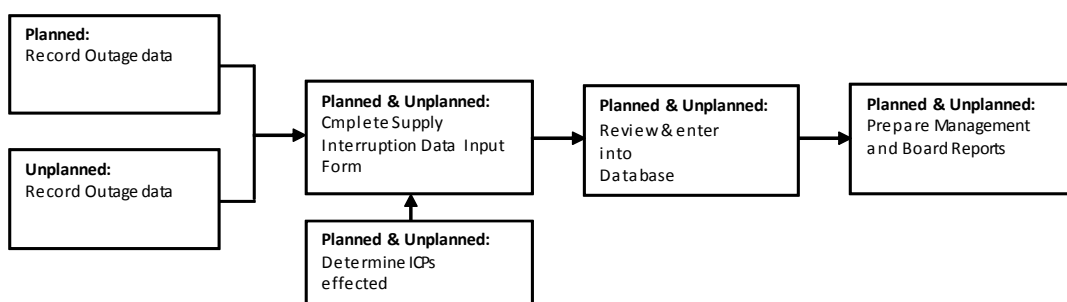
The sum of daily SAIFI Values in the 1 April 2012 - 31 March 2013 Normalised Assessment Dataset

## Appendix F – Policies and Procedures for Recording SAIDI and SAIFI (Clause 11.3(i))

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 Electricity Distribution Services Default Price-Quality Path Determination 2012. 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.*