

MARLBOROUGH LINES LIMITED

THRESHOLD COMPLIANCE STATEMENT FOR THE SECOND ASSESSMENT DATE, 31 MARCH 2004

*Pursuant to the Commerce Act (Electricity Lines Thresholds) Notice
2003*

20 May 2004

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1. Disclosure of Information Required (Clause 7(1)(a)(i) – The Price Path Threshold)

Marlborough Lines Limited does not comply with all requirements of the price path threshold at the second assessment date, as specified in the Commerce Act (Electricity Lines Thresholds) Notice 2003.

Clause 5 (1) (c) Notional Revenue from the First Assessment Date (6 September 2003) to the Second Assessment Date (31 March 2004).

Test:	$\Sigma P_{i2004} Q_{i0} - C_{T2004} - C_{R2004}$	\leq	$\Sigma P_{i0} Q_{i0} - C_{T2003} - C_{R2003}$
	13,492,048	\leq	13,161,777

Result: Revenue at Third Reference date exceeds revenue at First Assessment date by \$330,271.
Threshold is breached.

Supporting evidence is presented in Appendices A and B.

Notional Revenue:

In accordance with the Gazette Notice, the following sources of revenue have been included in the calculation of notional revenue:

- Revenue from line charges
- Revenue for load control fees paid by Retailers

Excluded Services:

In accordance with the Gazette Notice the following sources of revenue have been excluded from the calculation of notional revenue:

Connection of New Installations

This service is fully contestable. There are at least three other organisations offering this service to electricity Retailers on a district wide basis, and others offering the service in specific areas, eg. Marlborough Sounds. Based on ICP's connected during 2002/03, Marlborough Lines market share is approximately 93%, compared to a market share of 100% in 1999/2000.

Marlborough Lines does most of this type of work for the incumbent Retailer, TrustPower, under the terms of a negotiated Retail Services Agreement. TrustPower have advised they use Marlborough Lines contractors primarily for this work in the Marlborough area "*because they have in the past provided a reasonable service at a competitive price*".

Disconnection and Reconnection

Where consumers request disconnection and reconnection for safety reasons, eg. house painting in vicinity of service main entry point, this service is provided free of charge by the network, provided reasonable notice is given.

Disconnections and reconnections at the request of a Retailer because of non-payment of electricity accounts is carried out almost exclusively by Marlborough Lines, for both the incumbent Retailer, TrustPower, and the other major Retailer, Meridian. The conditions and prices for this service to TrustPower is part of the negotiated Retail Services Agreement with them. These two Retailers supply the vast majority of consumers in the Marlborough area.

The main reason for Marlborough Lines doing the majority of this type of work is that other Contractors operating in Marlborough seem uninterested in offering to perform this service, primarily we believe because of the abuse the Contractor regularly receives from effected consumers when disconnecting supply in such instances.

If the price charged for this service were required to be reduced, Marlborough Lines would cease to offer this service to Retailers, who would then have to find alternative

contractors willing to carry out this work. Approximately 585 such disconnections were carried out in the 2002/03 financial year.

Inspection Services

Inspection services are fully contestable and effective competition from at least three other organisations offering this service is available to consumers. Marlborough Lines' market share has fallen from close to 100% in 1999 to 94% in 2002/03.

This current market share estimate is based on actual inspections carried out on new installations connected to Marlborough Lines' system during July and October 2002 and February 2003, totalling 120 of the 480 new connections made in the 2002/03 year.

Meter and Control Relay Installation

There are at least eight other organisations offering a service to electricity Retailers for the installation of new and replacement of existing meters and ripple control relays.

It is estimated that Marlborough Lines' market share for this service is approximately 10%. However it is impossible to accurately establish this market share since Retailers do not provide information on the quantum of any meter and relay replacement programmes in effect.

Other Miscellaneous Income

Miscellaneous revenue such as rent, interest on temporary investments, gain on sale of surplus assets, purchasing discounts from suppliers and sale of scrap are excluded as they are Non Conveyance revenue.

Pass Through Costs:

In accordance with the Gazette Notice, the following have been included in pass through costs:

- Transmission charges
- Connection charges
- Interconnection charges
- Frequency charges to February 2004
- Voltage support charges to February 2004
- New investment charges
- EVA adjustments
- Loss Rental Rebates
- Avoided Transmission and Grid Operating charges

Local body rates applying to system fixed assets: lines, cables, equipment, substation land and substation buildings.

2. Disclosure of Information Required (Clause 7(1)(a)(ii) – The Quality Threshold)

Marlborough Lines Limited complies with all requirements of the quality threshold at the second assessment date, as specified in the Commerce Act (Electricity Lines Thresholds) Notice 2003.

Clause 6 (1) (a) Interruption Duration

$$\text{Test: } SAIDI_{2004} \leq \left(\frac{SAIDI_{1999} + SAIDI_{2000} + SAIDI_{2001} + SAIDI_{2002} + SAIDI_{2003}}{5} \right)$$

$$193.7 \leq 196.30$$

Result: Class B and Class C SAIDI for the twelve months ending on the Second Assessment date is less than the five year average Class B and Class C SAIDI (1999 – 2003) by 2.6. Threshold is not breached.

Supporting evidence is presented in Appendix C.

Clause 6 (1) (b) Interruption Frequency

$$\text{Test: } SAIFI_{2004} \leq \left(\frac{SAIFI_{1999} + SAIFI_{2000} + SAIFI_{2001} + SAIFI_{2002} + SAIFI_{2003}}{5} \right)$$

$$1.73 \leq 1.93$$

Result: Class B and Class C SAIFI for the twelve months ending on the Second Assessment date is less than the five year average Class B and Class C SAIFI (1999 – 2003) by 0.20. Threshold is not breached.

Supporting evidence is presented in Appendix C.

Clause 6 (1) (e) Customer Communication

Test - from Publication Date (6 June 2003) to Second Assessment Date (31 March 2004):

- i) to properly advise (or ensure that another person properly advises on its behalf) its customers about the price-quality trade offs available to them in relation to the goods and services provided by the lines businesses; and
- ii) to consult (or ensure that another person consults on its behalf) with its customers about the quality of goods and services that they require, with reference to the prices of those goods and services; and
- iii) to properly consider the views expressed by customers during and after that consultation; and
- iv) to adequately take these views into account when making its asset management decisions.

Result: Requirements for customer communication are met.

The Notice does not define “quality”. Marlborough Lines has adopted the approach that quality includes:

- The reliability of supply, both in terms of momentary fluctuations and longer-term interruptions.
- Compliance with the electricity regulations in terms of standards of voltage and frequency.

Marlborough Lines has engaged with customers regarding price and quality trade off through the following mechanisms:

TRUST

Marlborough Lines is a consumer trust owned company, members of the trust are directly elected by consumers.

Trust members have the opportunity through the Statement of Corporate Intent process to raise any issues regarding any or all aspects of the company’s operations.

The Statement of Corporate Intent includes comment on the company’s objectives in relation to both price and quality.

Additionally, both formal and informal meetings are held with Trust members throughout the year, to discuss any matters the Trust members wish to raise. At no

time since the Trust establishment in 1993 has any trustee made any comment in this regard to price:quality trade-offs.

LARGE CUSTOMERS

Marlborough Lines has contacted the ten largest (by annual volume) consumers connected to its network to establish if any of these consumers have any concerns regarding the price and/or quality of supply to their installations. In total, these ten consumers account for approximately 15% of the total energy conveyed by the network. The results of this survey are attached in Appendix D.

Whilst this consultation with these large consumers took place after 31 March, it is considered appropriate to include the results of that consultation given the company's commitment to ongoing and regular discussion with the larger consumers connected to its network. Whilst these discussions have generally in the past concentrated more on quality and reliability, the latest consultation included consideration of price related issues.

It is pertinent that only one of these larger consumers expressed any interest in an increased cost for improved reliability, and then only if Marlborough Lines could guarantee a totally reliable supply, ie. with no outages. Further discussions will be held with this consumer prior to finalising the 2004 Asset Management Plan. However given that the company is unable to guarantee a totally reliable supply from Transpower, it appears likely at this stage this consumer's hypothetical ideal cannot be met.

Other issues raised by these larger consumers will be addressed in the 2004 Asset Management Plan, as they have been in previous Asset Management Plans. The company will however communicate specific details contained in the Asset Management Plan individually to these consumers.

UoSA

Marlborough Lines operates under an interposed Use of System Agreement arrangement, whereby consumers contract with their electricity Retailer for delivered energy. Thus, these Retailers are the consumer representatives in this regard

The company's Use of System Agreements with Retailers trading on its network require one month's consultation on price changes prior to a two-month notice period. The Use of System Agreement's negotiated with those Retailers incorporates requirements with respect to all aspects of the quality of supply to consumers. At no stage since the signing of those Use of System Agreements in 1999 has any Retailer raised any issues regarding any trade off between price and quality indicating that Retailers are satisfied with current price and quality levels.

TARIFFS

Marlborough Lines offers a direct price quality trade off through the use of controlled and uncontrolled tariffs. Customers are advised of these tariffs through publication on the website (www.marlboroughlines.co.nz). Lower cost off-peak tariffs includes controlled water and space heating, night rate heating, controlled non-storage heating and summer only irrigation. These tariffs have been developed over the past 30+ years, in response to consumer requests.

OTHER MECHANISMS

Marlborough Lines has ISO 9001 certification covering all aspects of the company's activities.

The ISO 9001 standard requires six monthly external audits of compliance with the procedures adopted to attain certification. Part of this audit process requires the company to show that it has communicated with its customers to establish their level of satisfaction with the products and services supplied by the company. The ISO standard is designed to ensure continuous improvement in customer satisfaction of services provided by a certified company.

During 2003/04 two independent consumer surveys were carried out to comply with this requirement, in September 2003 and March 2004.

These telephone surveys canvas the views of 200 Marlborough electricity consumers – 170 domestic consumers (aged 20+) and 30 commercial business managers. The surveys measure satisfaction over a range of performance measures, attitudes towards the company and consumer preferences regarding company ownership and electricity industry regulation.

The margin of error on the sample of 200 interviews is +/-3.5% at the 95% confidence level.

A summary table below lists the views of those surveyed in each of the two surveys with respect to aspects related to the quality and reliability of supply. Whilst no specific question regarding any trade-off between price and quality was included in either of these two surveys, the company is firmly of the view that the overwhelming satisfaction (either satisfied or very satisfied) with the quality of supply provided, together with the fact that no adverse comment has been received on a recently announced 12% line charge increase to take effect from 1 June 2004 reinforces the company's view that consumers are generally satisfied with price/quality trade-off.

Reliability of your power supply in general

	Total 2003		Total 2004		Marlborough Resident 20+ 2003		Marlborough Resident 20+ 2004		Commercial Manager 2003		Commercial Manager 2004	
1 Very dissatisfied												
2 Dissatisfied	4	2%	2	1%	2	1%	2	1%	2	6%		
3 Neutral	6	3%	10	5%	6	4%	10	6%				
4 Satisfied	67	33%	63	32%	60	35%	55	32%	7	23%	8	27%
5 Very satisfied	124	62%	125	63%	102	60%	103	61%	22	71%	22	73%
	201		200		170		170		31		30	

The quality of your power supply you receive

	Total 2003		Total 2004		Marlborough Resident 20+ 2003		Marlborough Resident 20+ 2004		Commercial Manager 2003		Commercial Manager 2004	
1 Very dissatisfied												
2 Dissatisfied	5	2%	3	1.50%	3	1.76%	2	1.18%	2	6.45%	1	3.33%
3 Neutral	11	5%	14	7.00%	9	5.29%	12	7.06%	2	6.45%	2	6.67%
4 Satisfied	59	29%	69	34.50%	51	30.00%	58	34.12%	8	25.81%	11	36.67%
5 Very satisfied	126	63%	114	57.00%	107	62.94%	98	57.65%	19	61.29%	16	53.33%
	201		200		170		170		31		30	

The number of faults or power stoppages you experience

	Total 2003		Total 2004		Marlborough Resident 20+ 2003		Marlborough Resident 20+ 2004		Commercial Manager 2003		Commercial Manager 2004	
1 Very dissatisfied	3	1.56%	2	1.06%	2	1.23%	1	0.63%	1	3.33%	1	3.33%
2 Dissatisfied	6	3.13%	12	6.35%	6	3.70%	12	7.55%				
3 Neutral	18	9.38%	14	7.41%	16	9.88%	11	6.92%	2	6.67%	3	10.00%
4 Satisfied	72	37.50%	69	36.51%	62	38.27%	58	36.48%	10	33.33%	11	36.67%
5 Very satisfied	93	48.44%	92	48.68%	76	46.91%	77	48.43%	17	56.67%	15	50.00%
	192		189		162		159		30		30	

The service provided when you report a fault

	Total 2003		Total 2004		Marlborough Resident 20+ 2003		Marlborough Resident 20+ 2004		Commercial Manager 2003		Commercial Manager 2004	
1 Very dissatisfied	2	2.90%			2	3.33%						
2 Dissatisfied			1	1.85%			1	1.96%				
3 Neutral			1	1.85%			1	1.96%				
4 Satisfied	23	33.33%	23	42.59%	19	31.67%	21	41.18%	4	44.44%	2	66.67%
5 Very satisfied	44	63.77%	29	53.70%	39	65.00%	28	54.90%	5	55.56%	1	33.33%
	69		54		60		51		9		3	

The length of time it takes to restore power after a fault or power stoppage

	Total 2003		Total 2004		Marlborough Resident 20+ 2003		Marlborough Resident 20+ 2004		Commercial Manager 2003		Commercial Manager 2004	
1 Very dissatisfied												
2 Dissatisfied	1	0.74%	3	2.10%			3	2.46%	1	7.14%		
3 Neutral	11	8.09%	9	6.29%	9	7.38%	8	6.56%	2	14.29%	1	4.76%
4 Satisfied	58	42.65%	72	50.35%	53	43.44%	59	48.36%	5	35.71%	13	61.90%
5 Very satisfied	66	48.53%	59	41.26%	60	49.18%	52	42.62%	6	42.86%	7	33.33%
	136		143		122		122		14		21	

Reliability of the company's network in Blenheim was 100% for all but 355 consumers who were without supply because of unplanned outages for an average of 44.59 minutes each as a consequence of eight single events. These outages contributed 0.5% of total SAIDI.

Four of these events can be attributed to specific causes whilst the reason for the other four outages is not known. Price/quality trade-off considerations are not applicable in practical terms relative to the outages experienced. Improvement cannot be achieved without incurring significant and unrealistic expenditure.

Again in the company's rural and remote rural network the issues of price/quality trade-off are typically such that increased quality can only be achieved at substantially increased costs. Further it is relevant that even in the company's remote areas the reliability of supply is such that no consumer has opted to install a back-up power supply.

In practical terms it is unrealistic to contemplate a lower price being offered for a lesser quality of supply.

ASSET MANAGEMENT PLAN

The company's 2003 Asset Management Plan includes a table of target supply restoration times following unplanned outages in the network. The table below lists the target performances for the 2002/03 year, and it is currently envisaged the same targets will be included in the 2004 Asset Management Plan:

Description	Target Restoration
Urban Blenheim <0.5 hours	75%
Urban Other <1.5 hours	75%
Rural <4 hours	75%
Remote rural <8 hours	75%
Number of planned interruptions	<150
Number of unplanned interruptions	<160

The company has received no comment from consumers regarding the target performance levels included in the 2003 Asset Management Plan. And in all cases, restoration of supply was better than target in 2003.

The above targets have been developed around the concept of continuous incremental improvement while recognising that in the more remote areas, it is not realistic to expect improvements to reliability without significant expenditure, which is unlikely to be justified on a cost:benefit basis. And in this regard, it is perhaps salient that no consumer has ever requested information on any matter pertaining to the Asset Management Plan.

Disclaimer

The information presented in this Threshold Compliance Statement has been prepared solely for the purpose of complying with the requirements of the Commerce Act (Electricity Lines Thresholds) Notice 2003. This statement has not been prepared for any other purpose and Marlborough Lines Limited expressly disclaims any liability to any other party who may rely on this statement for any other purpose.

3. Auditor's Report on the Threshold Compliance Statement

To the readers of the threshold compliance statement of Marlborough Lines Limited.

We have examined the attached statement, being a threshold compliance statement in respect of a price path and quality threshold that was prepared by Marlborough Lines Limited for assessment on 31 March 2004 and dated [insert date] for the purposes of information requirements set out in clause 7 of the Commerce Act (Electricity Lines Thresholds) Notice 2003 ("the Notice").

Directors' Responsibilities

Clause 7 of the Notice requires the Directors of Marlborough Lines Limited to prepare certificates that confirm the compliance, or otherwise, of Marlborough Lines Limited with the thresholds set out in clauses 4, 5 and 6 of that Notice.

Auditor's Responsibilities

It is our responsibility to express an independent opinion on the threshold compliance statements certified by the Directors and report our opinion to you.

Basis of Opinion

Our audit included examination, on a test basis, of evidence relevant to the amounts and disclosures in the attached threshold compliance statement. It also included assessment of the significant estimates and judgments, if any, made by the lines business in the preparation of the threshold compliance statement and assessment of whether the basis of preparation had been adequately disclosed.

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

Other than in our capacity as auditor we have no relationship with or interests in [insert lines business name] other than our capacity as auditor/other than our capacity as auditor and [insert relationship and/or interests including statement verifying that no conflict of interest exists].

Unqualified Opinion

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

OR

Qualified Opinion

Our opinion is qualified as follows:

[Insert the nature of the qualification together with the impact on the threshold compliance statement].

Our audit was completed on [insert date] and our opinion is expressed as at that date.

PricewaterhouseCoopers
[Address]

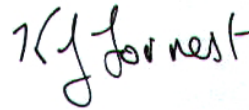
[Date]

4. Certification of Threshold Compliance Statement

We, David Scott Ferraby and Kenneth John Forrest, being directors of Marlborough Lines Limited certify that, having made all reasonable enquiry, to the best of our knowledge and belief, the attached threshold compliance statement of Marlborough Lines Limited, and related information, prepared for the purposes of the Commerce Act (Electricity Lines Thresholds) Notice 2003 complies with the requirements of that notice:



DS Ferraby
Chairman



KJ Forrest
Managing Director

20 May 2004

Appendix A

Marlborough Lines had increases to line charge prices on 1 April 2002 and 1 April 2003. Prices effective 1 April 2003 are those in effect on 31 March 2004, the second assessment date. These two price increases followed an overall 24% reduction in prices effective 1 April 2001.

The table below summarises the net notional revenue at the third reference date:

	Year to 31 March 2004
Line charge revenue	16,231,631
Less transmission charges	(2,859,390)
Less avoided transmission charges	(45,600)
Less transmission grid operating charges	(312,987)
Less avoided transmission grid operating charges	(10,568)
Plus transmission loss rental rebates	524,537
Less local authority rates on system assets	(35,574)
Net Notional Revenue	13,492,048

Notional Revenue at the Third Reference Date

Maximum Revenue Third Reference Date (6 September 2003 – 31 March 2004)	Transmission Charges 2004 (year ended 31 March 2004)	Rates 2004 (year ended March 2004)	Maximum Notional Revenue Third Reference Date (6 September 2003 – 31 March 2004)
$\Sigma P_{i2004} Q_{i0}$	C_{T2004}	C_{R2004}	$\Sigma P_{i2004} Q_{i0} - C_{T2004} - C_{R2004}$
16,231,631	2,704,008	35,574	13,492,048

Details of the make-up of the Revenue as above are provided on the following page.

	Quantity 2002.03	Price effective 01-Apr-03	Revenue Third Reference Date
VARIABLE ENERGY BASED CHARGES			
Standard Domestic Uncontrolled	85,750,629	3.663	3,141,046
Low User Domestic Uncontrolled	748,012	6.826	51,059
Domestic Controlled Water & Space Heating	45,198,063	2.275	1,028,256
Domestic Controlled Water & Space Heating Night Only	9,000,968	0.964	86,769
Pre-Payment All Inclusive Energy	605,530	10.425	63,127
Domestic Pre-payment With Controlled Loads	374,665	3.108	11,645
Standard Non-Domestic Uncontrolled	30,287,087	4.450	1,347,775
Medium Non-Domestic Uncontrolled	16,313,097	3.115	508,153
Large Non-Domestic Uncontrolled	18,082,732	2.804	507,040
Non-Domestic Controlled Water & Space Heating	2,936,024	2.275	66,795
Non-Domestic Controlled Water & Space Heating Night Only	772,289	0.964	7,445
Controlled Small Non-Domestic 20 hour Non-Storage	420,359	3.115	13,094
Controlled Large Non-Domestic 20 hour Non-Storage	120,109	2.804	3,368
Irrigation Summer only	8,384,674	1.300	109,001
Dryers May & September	105,991	3.115	3,302
Dryers June to August	117,317	4.450	5,221
Irrigation Winter Consumption	692,484	11.066	76,630
Group 4 Non-Domestic LV Supply - Winter Day	17,855,172	1.200	214,262
Group 4 Non-Domestic LV Supply - Winter Night	6,760,042	0.158	10,681
Group 4 Non-Domestic LV Supply - Summer Day	25,646,357	0.840	215,429
Group 4 Non-Domestic LV Supply - Summer Night	9,192,582	0.158	14,524
Group 4 Non-Domestic HV Supply by Consumer - Winter Day	3,482,249	1.160	40,394
Group 4 Non-Domestic HV Supply by Consumer - Winter Night	1,261,480	0.153	1,930
Group 4 Non-Domestic HV Supply by Consumer - Summer Day	4,094,648	0.810	33,167
Group 4 Non-Domestic HV Supply by Consumer - Summer Night	1,341,555	0.153	2,053
Group 4 Non-Domestic HV Supply MLL Owned - Winter Day	2,692,454	1.160	31,232
Group 4 Non-Domestic HV Supply MLL Owned - Winter Night	1,146,842	0.153	1,755
Group 4 Non-Domestic HV Supply MLL Owned - Summer Day	5,467,633	0.810	44,288
Group 4 Non-Domestic HV Supply MLL Owned - Summer Night	2,458,866	0.153	3,762
Unmetered Supplies	253,973	-	-
Street Lighting Territorial Local Authority Winter Day	364,861	1.200	4,378
Street Lighting Territorial Local Authority Winter Night	477,020	0.158	754
Street Lighting Territorial Local Authority Summer Day	313,824	0.840	2,636
Street Lighting Territorial Local Authority Summer Night	579,167	0.158	915
Street Lighting Private	68,859	3.663	2,522
Total Energy	303,367,614		7,654,407
DEMAND CHARGES			
Group 4 Non-Domestic LV Supply - Winter Demand	86,683.56	14.575	1,263,413
Group 4 Non-Domestic LV Supply - Anytime Demand	24,922.00	31.944	796,108
Group 4 Non-Domestic HV Supply by Consumer - Winter Demand	12,926.74	13.363	172,740
Group 4 Non-Domestic HV Supply by Consumer - Anytime Demand	3,165.00	29.292	92,709
Group 4 Non-Domestic HV Supply MLL Owned - Winter Demand	9,882.80	14.067	139,021
Group 4 Non-Domestic HV Supply MLL Owned - Anytime Demand	2,900.00	30.840	89,436
Total Demand Charges			2,553,428
FIXED CHARGES			
Standard Domestic up to 20kVA	17,325	0.566	3,579,172
Low User Domestic up to 20kVA	235	0.150	12,866
Cashpower pre-payment Supplies	15	0.566	3,099
Domestic Above 20kVA	431	1.000	157,315
Combined Domestic & Non-Domestic Up to 15kVA	-	-	-
Combined Domestic & Non-Domestic Above 15kVA	-	-	-
Non-Domestic up to 15kVA	1,242	0.750	339,998
Non-Domestic 16 to 30kVA	10	1.000	3,650
Non-Domestic 31 to 46kVA	1,338	1.500	732,555
Non-Domestic 47 to 70kVA	238	4.123	358,165
Non-Domestic 71 to 105kVA	65	7.336	174,047
Non-Domestic 106 to 140kVA	40	9.781	142,803
Non-Domestic 1phase to 140kVA	1	7.336	2,678
Irrigation Capacity Charge - Customer Numbers	116	-	-
Irrigation Capacity Charge - Connected kW	7,281	0.055	146,166
Irrigation Capacity Charge Minimum	141	1.265	65,103
L A Streetlight	1	210.931	76,990
Non-Domestic Above 140kVA	78	3.288	93,609
Unmetered Supplies up to 8kWh per day	25	1.106	10,092
Unmetered Supplies above 8kWh per day	25	1.774	16,188
Kaikoura Unmetered Supplies up to 8kWh per day	2	1.358	991
Kaikoura Unmetered Supplies above 8kWh per day	1	2.026	739
Kaikoura Domestic up to 20kVA	82	0.720	21,550
Kaikoura Domestic Above 20kVA	3	1.218	1,334
Kaikoura Non-Domestic up to 15kVA	22	1.002	8,046
Kaikoura Non-Domestic 31 to 46kVA	10	1.778	6,490
Kaikoura Non-Domestic 47 to 70kVA	1	5.163	1,885
Kaikoura Irrigation Minimum Charge	-	1.610	-
Kaikoura Irrigation Capacity Charge - Customer Numbers	1	-	-
Kaikoura Irrigation Capacity Charge - Connected kW	55	0.070	1,405
Load Control Fees - Fixed Fee	4	1,200.000	4,800
Load Control Fees - Variable Fee	18,385	1.200	22,062
Waihopai Generation Line Charge	1	40,000.000	40,000
Total Fixed Charges			6,023,796
Total Fixed, Variable & Demand	303,367,614		16,231,631
Less Transmission Costs			2,704,008
Less Local Authority Rates			35,574
NET NOTIONAL REVENUE			13,492,048

Appendix B

Notional Revenue at the First Assessment Date

Revenue First Assessment Date (6 September 2003)	Budgeted Transmission Charges for year ended 31/03/2004	Budgeted Rates for year ended 31/03/2004	Notional Revenue at First Assessment Date (6 September 2003)
$\Sigma P_{i0} Q_{i0}$	C_{T2003}	C_{R2003}	$\Sigma P_{i0} Q_{i0} - C_{T2003} - C_{R2003}$
16, 231, 631	3,036,854	33,000	13,161,777

The \$16,231,631 total revenue above is the same as for the Notional Revenue at the Third Reference Date, since prices at that time were the same as those applying on the First Assessment Date.

Budgeted transmission charges for the year to 31 March 2004, with comparisons to the actual charges for that year were:

	Budget for Year to 31 March 2004	Actual for Year to 31 March 2004
Transmission charges	2,954,694	2,859,390
Avoided transmission charges	40,456	45,600
Grid operating charges	328,954	312,987
Avoided grid operating charges	12,750	10,568
Loss rental rebates	(300,000)	(524,537)
Total	3,036,854	2,704,008

It is possible to predict with some degree of certainty the Transmission and Avoided Transmission charges. However, Grid Operating Charges and Loss Rental Rebates are to a large extent dictated by matters totally outside the control of a distributor.

Appendix C

SAIDI and SAIFI (Class B and Class C) for Years Ended 31 March 1999 - 2004

Year Ended 31 March	SAIDI (Interruption Duration)		
	Class B	Class C	Total
1999	72.30	171.41	243.71
2000	69.83	103.56	173.39
2001	57.71	121.03	178.74
2002	37.88	148.01	185.89
2003	74.11	125.66	199.77
Five Year Average SAIDI			196.30
2004	52.5	141.2	193.7

Year Ended 31 March	SAIFI (Interruption Frequency)		
	Class B	Class C	Total
1999	0.42	1.83	2.25
2000	0.31	1.22	1.53
2001	0.35	1.82	2.17
2002	0.24	1.63	1.87
2003	0.32	1.51	1.83
Five Year Average SAIFI			1.93
2004	0.34	1.39	1.73

The Electricity (Information Disclosure) Admendment Regulations 2000 removed the earlier requirement for “total consumers” to be the average of the consumer numbers at the start and end of the financial year. For Information Disclosure in 2000 to 2003, Marlborough Lines therefore based all data using consumer numbers as part of the calculation on the actual consumers at the end of the financial year.

The Electricity Distribution Thresholds Notice 2004 requires the SAIDI and SAIFI for all years, 1999 to 2004, to be calculated using average consumer numbers. Marlborough Lines has therefore recalculated the data for 2000 to 2003 to meet these requirements. The data in the tables above therefore differs marginally from that gazetted.

The Electricity (Information Disclosure) Regulations also required Marlborough Lines, as 51% owner of OtagoNet, to consolidate in its 2003 disclosed information, the Marlborough and Otago networks. The Commerce Commission was subsequently provided with individual data for the two networks.

The 2003 data in the above tables in that in respect of the Marlborough network only, and hence differs from that disclosed in the Gazette for that year.

Appendix D

	Quality	Reliability	Cost
Customer 1	Had voltage problems, but these have been addressed and resolved.	High winds in the area lead to a number of outages, but accept this is difficult to overcome.	Would not want to meet any further costs to improve reliability.
Customer 2	Totally satisfied, has no issues with quality, reliability or cost.		
Customer 3	No comments.	Had an outage late last year, which caused problems with machinery. Would like a more reliable supply.	Would only be interested in paying more if that lead to a totally reliable supply, ie. no outages at all.
Customer 4	Generally satisfied – had a small quality issue which Marlborough Lines investigated but could not find cause.	Satisfied with current levels.	Would prefer to see lower costs and no annual discount – but generally satisfied with price/quality.
Customer 5	High winds lead to a number of momentary fluctuations.	No issues.	Would not want to pay more for improved quality – electricity is their main expense (cool store).
Customer 6	No issues.	No issues.	Concerned to have Marlborough Lines ensure sufficient capacity in system to meet load growth.
Customer 7	<p>Momentary fluctuations not such a problem – but outages lead to wasted product and financial loss. Have had more outages over last year.</p> <p><i>(MLL comment: Transpower are addressing an issue with non-auto reclose of their feeder OCB's, the primary cause of increased outages in this supply.)</i></p>	See quality.	<p>Most concerned with lack of transmission capacity to top of the South Island. Believe Transpower must invest to provide more capacity.</p> <p><i>(MLL comment: This consumer has several installations throughout the country, including larger ones in the Nelson region.)</i></p>
Customer 8	No issues.	No issues.	No issues.
Customer 9	Generally reasonable. Because they are on a rural line the impact of the wildlife interfering with lines in rural areas impacts on their businesses. However most of the times the outages from wildlife occur at night and there is little impact during the day. Most outages which occur during the day can be attributed to Transpower.	Generally satisfied.	Very difficult question to answer. Would rather be assured that money is being applied to the maintenance and upkeep of the resources used to supply their operations.