MARLBOROUGH LINES LIMITED

THRESHOLD COMPLIANCE STATEMENT

AT THE ASSESSMENT DATE, 31 MARCH 2008

Pursuant to the Commerce Act (Electricity Distribution Thresholds) Notice 2004 and the Amendment Notice 2006

19 May 2008

Contents

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 Distribution Thresholds) Notice 2004 and the Amendment Notice 2006. This statement has not been prepared for any other purpose and Marlborough Lines expressly disclaims any liability to any other party who may rely on this statement for any other purpose.

1. Disclosure of Information Required (Clause 5(1) – The Price Path Threshold)

Marlborough Lines Limited does not comply with all requirements of the price path threshold at the assessment date 31 March 2008, as specified in the Commerce Act (Electricity Distribution Thresholds) 2004 and the Amendment Notice 2006.

Clause 5 (1) (a) The Notional Revenue of a distribution business at each assessment (calculated in accordance with the numerator of the left-hand side of the following expression) is not to exceed the Allowable Notional Revenue of the distribution business under the CPI-X price path at that assessment date (calculated in accordance with the denominator of the left-hand side of the following expression):

Test:	$\frac{NR_{2008}}{R_{2008}}$	≤ 1
Result:	\$14,492,987 / \$13,540,052	> 1
Result:	1.0704	> 1
Result:	Threshold is breached by \$952,935	

The company introduced 'posted discounts' from 1 April 2007. Whilst the company had in previous years paid discounts to consumers connected to the Network on a specific date in March each year, the quantum of those discounts had not been published prior to the commencement of that year.

Discount payments, based on the posted discount values were made to electricity retailers for crediting to individual consumers' accounts on 31 March 2008. The prices used in the above calculation are based on the post-discount prices.

The discount structure provided for differing discounts to be paid to consumers located in non-remote and remote areas of the company's network. Application of post-discount prices therefore requires the base volumes to be adjusted to reflect the volumes and consumer numbers in each of these two geographic regions.

Total consumer numbers connected to the network in each of the two geographic regions at 31 March 2003 are known, and hence the base volumes for fixed and demand related charges can be adjusted on the basis of actual consumer numbers and demands.

However, information regarding electricity consumption by consumers in each of the two geographic areas is not available for the year to March 2003 on which the threshold Base quantities are based. Hence, to comply with the Commissions threshold regime, some estimation of 2003 volumes by geographic region must be carried out.
To achieve this, the company has taken actual energy volumes by region for the 2007/2008

year and prorated the original base volume in accord with these actual 2007/2008 volumes. It is considered this is the only practical method available to estimate total volumes by region for the 2003 year.

Marlborough Lines increased line charge prices on 1 April 2002, 1 April 2003, 1 June 2004,1 May 2005 and 1 April 2007. Prices effective 1 April 2007 are those in effect on the assessment date 31 March 2008. These price increases followed an overall 24% reduction in prices effective 1 April 2001. Based on the quantities used in the calculation of Notional Revenue in the above, post-discount prices at 31 March 2008 are, on average, 7.2% lower than pre-discount prices applying on 31 March 2001.

Clause 5 (1) (b) The notional revenue of a distribution business at any time during an assessment period is not to exceed the greater of the Allowable Notional Revenue of the distribution business at the assessment date on which that assessment period ends and the Allowable Notional Revenue of the distribution business at the previous assessment date under this clause (or, if the previous assessment date is the reference date, under Clause 5 of the initial notice).

Test:	$\frac{NR_{Max}}{Max(R_{2007}, R_{2008})}$	≤ 1
Result:	\$14,492,987 / \$13,540,052	> 1
Result:	1.0704	> 1
Result:	Threshold is breached by \$952,935	

Supporting evidence is presented in Appendices A and B.

Marlborough Lines has breached the price path thresholds on each assessment date, primarily as a consequence of the 24% reduction in line prices effective 1 April 2001, with the introduction of the price path thresholds being based on prices at 8 August 2001. The company has made three administrative settlement offers to the Commerce Commission, in February 2005, July 2006 and June 2007 to date no substantive response has been received.

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
Power Factor charges

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 2004/05, Marlborough Lines market share is approximately 90%, compared to a market share of 100% in 1999/2000. We have no reason to believe this market share has materially changed in the past three years.

Disconnection and Reconnection
Where consumers request disconnection and reconnection for safety reasons, e.g. 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, and/or for non registration of new consumers are generally carried out by contractors external to MLL.

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 approximately 80% in 2007/08.

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 non-system 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 components of transmission charges have been included in pass through costs:

Connection charges
Interconnection charges
New investment charges

Loss Rental Rebates
EVA Credits
Avoided Transmission charges

Local body rates applying to system fixed assets: lines, cables, equipment, substation land and substation buildings, have also been passed through in accordance with the Gazette Notice, as have Electricity Commission levies.

2. Disclosure of Information Required (Clause 6(1)(a) and (b)– The Quality Threshold)

Marlborough Lines Limited does not comply with all requirements of the quality threshold at the assessment date 31 March 2008, as specified in the Commerce Act (Electricity Distribution Thresholds) Notice 2004 and the Amendment Notice 2006.

Clause 6 (1) (a) Interruption Duration (Class B and C)

Test:	$SAIDI_{2008} \le \left(\frac{SAIDI_{1999} + SAIDI_{2000} + SAIDI_{2001} + SAIDI_{2002} + SAIDI_{2003}}{5} \right)$		
Result:	264.24	>	196.30
Result:	SAIDI breaches the threshold by 67.94 minutes		

Supporting evidence is presented in Appendix C.

Clause 6 (1) (b) Interruption Frequency (Class B and C)

Test:	$SAIFI_{2008} \le \left(\frac{SAIFI_{1999} + SAIFI_{2000} + SAIFI_{2001} + SAIFI_{2002} + SAIFI_{2003}}{5} \right)$		
Result:	2.89	>	1.93
Result:	SAIFI breaches the threshold by 0.96 interruptions		

Supporting evidence is presented in Appendix C.

Policies and Procedures

Marlborough Lines operates a quality management system which meets the requirements of ISO9001:2000. Various ISO policies detail the procedures to be followed in establishing and recording for each interruption to supply: the number of consumers affected, the length of time and other information required for operational and regulatory uses.

Planned outages are recorded on a shutdown form and the regulatory data is recorded with the switching and other operational data. Marlborough Lines has 57 phone in devices located at strategic points on the network that which place a telephone call to a central processor each time the power supply state changes. Telephone or other messages direct from consumers regarding supply outages are recorded.

All of the above can represent the initial awareness of an outage. A fault job is created to account for the outage and the necessary corrective action undertaken. Upon completion a fault sheet or the original shutdown form is completed and reviewed within the fault and contracting teams.

Shutdown and fault sheets are sent to the Network Operations Manager for review before being entered to the outage database. Marlborough Lines maintains a 'connectivity model' from the grid exit point to each individual ICP. ICP's are 'attached' to distribution transformers and these transformers segmented into line sections between network switching points. The outage database accesses this model to calculate the number of consumers and therefore the consumer minutes associated with each outage. At the same time the financial job is updated and closed.

The regulatory and operational information is then available for review, use and reporting. Power alarms and telephone records and open fault jobs are reviewed to ensure all fault and shutdown forms have been captured.

Breach of SAIDI Threshold in 2008

The SAIDI threshold, based on the average SAIDI over the five years to March 2003, was breached by 67.94 minutes in the year to March 2008.

The total SAIDI for 2008 can be split into:

Interruption Type	**SAIDI 2008**	**SAIDI Average 1999 - 2003**	**2008 Increase over Average**
Class B – planned outages	100.35	62.37	60.90%
Class C – unplanned outages	163.89	133.93	22.37%

The 60.90% increase in planned outages when compared to the historic five year average reflects the increased number of new connections, capacity upgrades and old asset replacements carried out during the 2008 year, compared to activity in these areas over the five year period 1999 to 2003. Approximately 53 SAIDI minutes, slightly more than half the total planned outage SAIDI, were the result of such activities.

Regarding unplanned outages, there were 16 unplanned outages which resulted in SAIDI of 80.38 minutes, almost half of the total unplanned SAIDI. These 16 outages and their causes were:

Date	Cause	Location	Consumer Minutes	Unplanned SAIDI
13 October 2007	HV Switchgear failure	Rai valley	224,289	9.60
18 December 2007	Damaged insulator	Blenheim	151,096	6.47
20 September 2007	Damaged insulator	Transpower sub	147,815	6.33
26 March 2008	Asset related	Picton	127,745	5.47
14 February 2008	Conductor failure	Marlb. Sounds	100,390	4.30
2 April 2007	Cant find a cause	Rai Valley	84,014	3.60
27 April 2007	Possum	Picton	193,989	8.30
13 February 2008	Weather	Marlb. Sounds	161,942	6.93
27 May 2007	Weather	Marlb. Sounds	132,550	5.67
11 August 2007	Weather	Marlb. Sounds	65,286	2.79
26 December 2007	Lightning damage to switchgear	Picton	104,880	4.49
15 February 2008	Lightning – Protection Operated	Marlb. Sounds	98,790	4.23
29 January 2008	Crane damage at zone substation	Blenheim	97,384	4.17
28 February 2008	Bird?	Blenheim	65,408	2.80
29 March 2008	Vandalism	Marlb. Sounds	62,100	2.66
30 March 2008	Vandalism	Marlb. Sounds	60,030	2.57

It is apparent from the above that ten of these 16 events, accounting for 44.62 SAIDI minutes, were caused by matters beyond the direct control of Marlborough Lines. In addition 38.76 minutes occurred in the greater Marlborough Sounds where access time becomes a significant factor. It is pertinent to note that the unplanned outage SAIDI in 2008 of 163.89 minutes is less than the maximum during the five year ‘target’ period, with unplanned outages totalling 171.41 SAIDI minutes in 1999. Thus the outcome in 2008 was not an outlier in this regard.

The company has a large diesel generator which it uses to reduce the number of consumers affected by planned shutdowns. When a planned shutdown is needed for work on a spur line with no alternative means of supply, the generator is installed down-stream of the work area. The work area is then isolated on each side of that work area, and the generator run to provide supply to the consumers who would otherwise have their supply interrupted for the duration of the shutdown. In this way, only the consumers located in the immediate work area have supply off during the shutdown.

During 2007/08, the generator was installed on 7 occasions, running for a total of 57 hours. In this way, total consumer-minutes SAIDI for planned outages was reduced by 67 SAIDI minutes.

3. Consumer Communication (Clause 6 (1) (c))

Background

In accord with the provisions of the Commerce Act 2003 Marlborough Lines is required to:

(i) Properly advise consumers about the price-quality trade offs available to them in relation to the goods and services provided by the lines business; and

(ii) Consult with consumers about the quality of goods and services that they require, with reference to the prices of those goods and services.

Whilst this requirement is very clear there exist no definitive guidelines as to the content of this advice or the form that this consultation should take. The only available references for designing a programme to meet this requirement are to observe the efforts of other lines companies and the Commerce Commission's April 2005 document; 'Electricity Distribution Business Asset Management Plans and Consumer Engagement: Best Practice Recommendations'.

While this document is useful, its guidance is still high level and relatively observational in nature i.e. larger consumers have different requirements to smaller consumers and direct consultation is appropriate for larger consumers while broadcast (newsletter) type communications is appropriate for smaller consumers. Marlborough Lines has considered this information and settled on the methodology outlined below.

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.

Consumer Price – Quality Trade-Off Questions

Whilst in previous years the Company has consulted with various sector groups such as Federated Farmers and Chamber of Commerce, the 2008 consultation was limited to direct approach to the ten largest (by volume) consumers and circulation of a questionnaire included in the regular consumer newsletter to all consumers. Response to the questionnaire was also possible through a form on Marlborough Lines website.

Each of these groups was asked the following questions:

1. Are you satisfied with the quality and reliability of the electricity supply you currently receive? (Yes / No)

2. Would you be prepared to pay more for a more reliable electricity supply? (Yes / No)

3. Would you accept a lower level of electricity supply reliability for a lesser cost? (Yes / No)

4. Do you have any other comments to make?

The Major Consumers were also asked three further questions in relation to the price-quality trade-offs available to them and Marlborough Lines Asset Management Plan:

1. Are you aware of what is meant by price –quality trade offs? And how this relates to your electricity supply?

2. Are you aware that Marlborough Lines prepares and discloses an Asset Management Plan annually?

3. Would you like to receive a copy of the Asset Management Plan?

To deliver the direct interview questions an interview template was developed and a copy of this is attached in Annex A.

With regard to Mass Market Consumer communication it is relevant to note that Marlborough Lines posts a regular newsletter to all consumers. The last Consumer Consultation Threshold Compliance Statement was as at March 2006. All six consumer newsletters since then have carried segments encouraging consumers to make contact with Marlborough Lines regarding any power quality, reliability, or safety concerns they may have. These documents also offer advice on a range of supply related issues, including in particular the need to ensure trees are kept clear of overhead lines to avoid the dangers associated with vegetation coming into contact with live lines. The March 2008 issue goes further and directly describes the price – quality trade-off questionnaire.

Additionally, in March each year the company carries out a random telephone survey of 200 consumers to establish consumer satisfaction with the company and its performance. Subjects canvassed in these surveys include supply reliability, quality, faults service and supply restoration time.

Consumer Consultation Results

All of the Major Consumers were happy to participate in the consultation process.

At the time of writing this report the Mass Market response to the questionnaire has seen 814 responses in total. This represents a response rate of approximately 3.69% which is a statistically significant sample size.

As well as these direct consumer communication methods Marlborough Lines has several other mechanisms for indirect consumer communication through its operations and commercial transactions. These include consumer feedback from retailers, negotiated Use of System Agreements, negotiated Tariff schedules and Trust ownership.

Analysis of Consumer Consultation Results

Major Consumers and Interest Groups

All 10 of the Major Consumer respondents reported that they were satisfied overall with the quality and reliability of their electricity supply. There were some minor comments regarding specific operational issues, however comments were made that they had been dealt with in a timely and professional manner. Only one of the 10 respondents suggested that they would pay more for a more reliable electricity supply and this came with the caveat that the benefit would need to be there for the business. All 10 were not willing to accept a lower level of reliability as this would not practically suit their processing operations. A summary of the responses from these 10 larger consumers is provided in Appendix B.

The general comments received from this group focused on available capacity into the region and the future price path of electricity as their major concerns, the underlying issues here are the fact that electricity is a key input cost for their businesses and price rises or capacity issues limit growth opportunities.

In relation to the Asset Management Plan questions the responses were mixed, some were aware of the document, others weren't. Some recalled the same question from prior consultation. Copies of Marlborough Lines Asset Management Plan will be delivered to all parties that requested a copy, either electronically or as a hard copy.

Mass Market Consumers

The mail out and on-line questionnaire consisted of yes / no tick boxes with space for comments at the end of the questions, the responses to date have been analysed and the results are presented in Annex C.

In summary over 87% of respondents stating that they are satisfied with the quality and reliability of their power supply. Only 6% of respondents indicated that they would be prepared to pay more with 22% stating that they would accept a lower level of service (reliability) for a lower cost. Many of these returns were qualified however by the need for more information i.e. How much more would it cost? How much more reliable would the supply be? How would this work? And the reverse questions; How much lower cost? How much less reliable?

The general comments received on the cards span the entire range possible, with many expressing the same concerns as the major consumers and interest groups, including much support for the efforts of Marlborough Lines staff and management.

Consumer Consultation from Retailers

Contact was made with the call centres of the retailers operating on Marlborough Lines network to ascertain if their call logging systems contained data that would be relevant to the price – quality trade off discussion. The answers received varied but generally no solid data was available for a range of reasons:

- The systems are built for the Retailers so reclassifying calls for an individual Lines Company request was not possible.
- Privacy concerns were raised.

- Calls that concern the lines company equipment or network supplying the customer are passed on directly to Marlborough Lines, generally without the exact nature of the issue being recorded in the retailers system.
- The number of calls they receive that concern lines company equipment (outside of fault calls) are very low so their systems aren't setup to classify these calls. For example TrustPower receive approximately 10,000 calls per week and historically the number of non-fault network inquiries they field is only 5-6 calls per week across all of the lines company areas they operate within.

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.

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), and advertisements in local newspapers whenever prices change. Lower cost off-peak tariffs include 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 plus years, in response to consumer requests.

Consumer Consultation Through Trust Ownership

Marlborough Lines is a consumer trust owned company with members of the trust 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 regard to price - quality trade-offs.

CONSIDERATION OF CONSUMER CONSULTATION

Commercial Terms and Stakeholder Interaction

The results from this Consumer consultation process will be feedback directly into Marlborough Lines ongoing commercial term setting and stakeholder interaction processes just as information from previous surveys has been.

As always however this feedback is considered within Marlborough Lines operational environment i.e. consumer feedback is balanced against regulatory constraints and physical asset practicalities. For example, Marlborough Lines will consider what options are available to the minority group of consumers whom indicated that they would be interested in supply alternatives (either less or more supply reliability) however as almost all consumers share assets (and therefore share performance) at some level in Marlborough Lines network this is likely to not be practically deliverable in a cost effective manner.

Asset Management Planning

The results from this Consumer consultation process will be feedback directly into Marlborough Lines ongoing asset management planning process just as information from previous surveys has been.

Consumer feedback is utilised at many levels in this process for example at a high level consumers desire for improved reliability helps to set Marlborough Lines overall service level targets for system and consumer supply interruption frequency and duration (SAIDI, SAIFI, and CAIDI). At a lower level this consumer input is used to shape asset maintenance and replacement philosophies as well as to develop and analyse system reliability improvement initiatives. It is also the underlying driver behind the cost benefit analysis which is completed to rank and prioritise these reliability improvement projects.

Marlborough Lines asset management plan specifically highlights the link between consumer service expectations and its network strategic and operational goals. It also states its intention to pursue incremental improvement of its network performance as opposed to ‘step change’ solutions (which would involve significant additional cost) as it considers this best reflects the consumer feedback it has received.

CONCLUSIONS FROM CONSUMER CONSULTATION

Overall it seems fair for this consultative process to conclude that across all of Marlborough Lines stakeholder groups there is a very high level of satisfaction with the quality and reliability of the electricity supply service which Marlborough Lines is currently delivering. Equally it is fair to suggest that generally Marlborough Lines consumers are aware of the price – quality trade offs that are available to them and that they are not willing to pay more for a more reliable electricity supply or accept a lower level of supply reliability.

Annex A

Detailed interview notes, utilising the following standard template, were taken for all interviews and are available if required.

Major Electricity Consumers & Stakeholders Price/Quality Trade-off Interview Notes 2008

Company / Organisation:

Phone No:

Contact Person:

Position:

Date: March 2008

Interview Completed By: Trish Grammer

General Points:

- I'm calling on behalf of Marlborough Lines to discuss the quality and reliability of your power supply.
- We have to do this for two reasons; firstly to comply with the Commerce Act 2003 and secondly (and more importantly) we welcome and appreciate direct feedback from our larger consumers.
- In accord with the provisions of the Commerce Act 2003 Marlborough Lines is required to:
  (i) Properly advise consumers about the price-quality trade offs available to them in relation to the goods and services provided by the lines business; and
  (ii) Consult with consumers about the quality of goods and services that they require, with reference to the prices of those goods and services.
- As part of our compliance with this requirement we are calling to find out if there are any matters which you would like to see addressed and get your responses to a brief series of questions.
- We can complete the survey now over the phone (it will only take a few minutes), or alternatively I am happy to arrange a time to come and speak to you in person. Equally I can ring back if now is not a convenient time.

Price / Quality Trade-Off Points:

- Marlborough Lines has always sought to provide a high level of quality and reliability to all consumers commensurate with providing supply at reasonable cost.
- Whilst theoretically further expenditure can increase the reliability of the Marlborough Lines network considerable duplication of assets would be required at a significant cost. Even then events beyond our control – such as car accidents or lightning storms – could inhibit the provision of 100% reliability.

- Your electricity system is also dependent upon the transmission system owned and operated by Transpower. This transmission system typically conveys electricity from generation in Otago to Marlborough over several hundred kilometres. Again this is subject to events beyond their control which could inhibit the provision of 100% reliability.
- However despite these factors Marlborough Lines remains committed to improving the reliability and quality of your electricity supply.

Interview Questions:

1. Are you aware of what is meant by price – quality trade offs? And how this relates to your electricity supply? (Yes / No) Comments?

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2. Are you satisfied with the quality (i.e. voltage) and reliability (No. of outages) of the electricity supply you currently receive? (Yes / No) Comments?

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3. Would you be prepared to pay more for a more reliable electricity supply? (Yes / No) Comments?

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4. 4 Would you accept a lower level of electricity supply reliability for a lesser cost? (Yes / No) Comments?

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5. Do you have any other comments to make regarding quality and reliability?

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6. Are you aware that ML prepares and discloses an Asset Management Plan annually?

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7. Would you like to receive a copy of the Asset Management Plan? *{ Comment: Marlborough Lines would welcome any comments / input you may have regarding the Asset Management Plan}*

Thank you for the time in completing this interview and if at any time there are any issues in relation to your electricity supply we would be pleased to hear from you.

Annex B

Customer	Quality	Reliability	Cost
1.	No issues. Know who to go to for service if required. Generally prompt response.	OK, and believe they receive good service.	Increases difficult to handle as it is.
2.	Yes generally satisfied – there have been no recent issues that I'm aware of.	Supply has been fine.	Not prepared to pay more at all.
3.	Generally satisfied.	Concern about supply to the growing region in future.	Price too high as it is.
4.	Things are ok currently, not aware of any quality or reliability problems	No issues.	No reason to pay more when reliable enough already.
5.	Can't recall any issues. Generally satisfied.	No issues. Service reliable under pressure last winter. Some concern about increasing demand for power in the region.	Would need to quantify what benefits there would be. Cost significant already.
6.	Satisfied.	No issues.	Wouldn't wish to pay more.
7.	All ok at present.	Supply has been fine but wonder about growth pressures.	We can't afford it but if supply was guaranteed we may consider paying more.
8.	Generally satisfied and any problems have been rectified.	No issues.	Can't afford to pay more.
9.	Happy with quality and reliability.	No issues.	Price ok now for reliable supply. No reason for pay more.
10.	No issues. Satisfied with the service.	Supply has been fine.	Don't wish to pay more.

Annex C

The following analysis was based on the questionnaires returned from the Connections newsletter survey and website responses:

Question 1:	
Satisfaction	
Percentage of total respondents who answered question	98%
Of those, percentage of consumers who said yes	87%
Of those, percentage of consumer who said no	13%
Question 2:	
Pay more	
Percentage of total respondents who answered question	94%
Of those, percentage of consumers who said yes	6%
Of those, percentage of consumer who said no	94%
Question 3:	
Accept less	
Percentage of total respondents who answered question	94%
Of those, percentage of consumers who said yes	22%
Of those, percentage of consumer who said no	78%

Total sample 814

4. Auditor's Report on the Threshold Compliance Statement

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AUDITORS' REPORT ON THRESHOLD COMPLIANCE STATEMENT
To the readers of the threshold compliance statement of
Marlborough Lines Limited for the assessment period ended on 31 March 2008

We have examined the attached statement, which is a threshold compliance statement in respect of the price path threshold and the quality threshold prepared by Marlborough Lines Limited for assessment as at 31 March 2008 and dated 20 May 2008 for the purposes of information requirements set out in clause 7 of the Commerce Act (Electricity Lines Thresholds) Notice 2004 ("the Notice"). In this report the attached statement is called "the threshold compliance statement".

Directors' Responsibilities

Directors of Marlborough Lines Limited are responsible for the certification, confirming the compliance or otherwise, of the threshold compliance statement in accordance with the Notice.

Auditors' Responsibilities

It is our responsibility to express an independent opinion (in the form prescribed in the Notice) on the threshold compliance statement and report our opinion to you.

We conducted our audit in accordance with the Auditing Standards issued by the Institute of Chartered Accountants of New Zealand.

Basis of Opinion - Price Path Threshold and Quality Threshold: SAIDI and SAIFI Statistics for the Assessment Period ended 31 March 2008; and Quality Threshold: Customer Communication

Our audit included examination, on a test basis, of evidence relevant to the amounts and disclosures contained on pages 2 to 17 and Appendices A to C of the threshold compliance statement and which relate to:

- the price path threshold set out in clause 5 of the Notice; and
- the SAIDI and SAIFI statistics for the assessment period ended on 31 March 2008 which are relevant to those parts of the quality threshold that are set out in clauses 6(1)(a) and 6(1)(b) of the Notice.
- the customer communication part of the quality threshold set out in clause 6(1)(c) of the Notice.

It also included an assessment of the significant estimates and judgements, if any, made by Marlborough Lines Limited in the preparation of the threshold compliance statement and an assessment of whether the basis of preparation has been adequately disclosed.

We planned and performed our audit of the threshold compliance statement so as to obtain all the information and explanation which we considered necessary, including for the purpose of obtaining sufficient evidence to give reasonable assurance that the threshold compliance statement is free from material misstatements (whether caused by fraud or error), except that our work was limited in respect of the quality threshold: SAIDI and SAIFI statistics as explained below. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the threshold compliance statement.

PRICEWATERHOUSECOOPERS

AUDITORS' REPORT ON THRESHOLD COMPLIANCE STATEMENT
Marlborough Lines Limited

Basis of Opinion - Quality Threshold: SAIDI and SAIFI Statistics for the Years Ended 31 March 1999, 2000, 2001, 2002 and 2003.

In relation to the SAIDI and SAIFI statistics for the years ended 31 March 1999, 2000, 2001, 2002 and 2003 which are relevant to those parts of the quality threshold that are set out in clauses 6(1)(a) and 6(1)(b) of the Notice. We have undertaken procedures to provide reasonable assurance that:

- The amounts and disclosures in the threshold compliance statement relating to those statistics have been correctly taken from the information disclosed by Marlborough Lines Limited in accordance with the Electricity (Information Disclosure) Regulations 1999; and
- Those statistics have been calculated based on the source data provided to us. We have not performed audit procedures on the source data.

Relationship and Interests

We have no relationship with or interests in Marlborough Lines Limited other than in our capacities as auditors of the threshold compliance statements and in the provision of other professional advisory services. We are not aware of any relationships between our firm and Marlborough Lines Limited that, in our professional judgment, may reasonably be thought to impair our independence.

Opinions

Unqualified Opinion

We have obtained all the information and explanations we have required.

Price Path Threshold

In our opinion, having made all reasonable enquiry, to the best of our knowledge the amounts or details set out in the threshold compliance statement relating to the price path threshold set out in clause 5 of the Notice and related information have been prepared in accordance with the Notice, and give a true and fair view of the performance of Marlborough Lines Limited against that threshold for the assessment period ended on 31 March 2008.

Quality Threshold: SAIDI and SAIFI statistics

In our opinion, having made all reasonable enquiry, to the best of our knowledge:

a) The SAIDI and SAIFI statistics for the assessment period ended on 31 March 2008 which are relevant to those parts of the quality threshold that are set out in clauses 6(1)(a) and 6(1)(b) of the Notice and related information have been calculated or prepared in accordance with Marlborough Lines Limited's policies and procedures for recording SAIDI and SAIFI statistics as disclosed in the threshold compliance statement, and fairly represent the performance of Marlborough Lines Limited for the assessment period ended on 31 March 2008;

b) The SAIDI and SAIFI statistics for the years ended 31 March 1999, 2000, 2001, 2002 and 2003, which are relevant to those parts of the quality threshold that are set out in clauses 6(1)(a) and 6(1)(b) of the Notice, have been correctly taken from the information disclosed by Marlborough Lines Limited in accordance with the Electricity (Information Disclosure) Regulations 1999. Those statistics have been properly calculated based on the unaudited source data provided to us by Marlborough Lines Limited.

PRICEWATERHOUSECOOPERS

AUDITORS' REPORT ON THRESHOLD COMPLIANCE STATEMENT
Marlborough Lines Limited

Quality Threshold: Customer Communication

In our opinion, having made all reasonable enquiry, to the best of our knowledge the information set out in the threshold compliance statement relating to that part of the quality threshold that is set out in clause 6(1)(c) of the Notice has been prepared in accordance with the Notice, and gives a true and fair view of the performance of Marlborough Lines Limited against that part of the quality threshold for the assessment period ended on 31 March 2008.

Qualified Opinion

Our opinion is qualified as follows:

Quality Threshold: SAIDI and SAIFI statistics

The scope of our audit was subject to the following limitations:

- There is no independent evidence available for the period to support the completeness and accuracy of recorded faults; and
- Control over the completeness and accuracy of ICP data included in the SAIDI and SAIFI calculations is limited throughout the period.

Because of these limitations, there are no practical audit procedures that we could adopt to confirm independently that all outage and ICP data was properly recorded for the purposes of inclusion in the amounts or details set out in the quality threshold: SAIDI and SAIFI statistics.

In these respects alone we have not obtained all the information and explanations that we have required.

Because of the potential effect of the limitations in the evidence available to us, we are unable to form an opinion as to whether the amounts or details set out in the quality threshold: SAIDI and SAIFI statistics for the assessment period ended on 31 March 2008, together with the SAIDI and SAIFI statistics for the years ended 31 March 1999, 2000, 2001, 2002 and 2003, give a true and fair view of the performance of Marlborough Lines Limited against those parts of the quality threshold that are set out in clauses 6(1)(a) and 6(1)(b) of the Notice for the assessment period ended on 31 March 2008.

Our audit was completed on 20 May 2008 and our qualified and unqualified opinions are expressed as at that date.

PricewaterhouseCoopers

PricewaterhouseCoopers
Auckland
20 May 2008

5. Certification of Threshold Compliance Statement

We, David William Richard Dew and Kenneth John Forrest, being directors of Marlborough Lines Ltd certify that, having made all reasonable enquiry, to the best of our knowledge and belief, the attached threshold compliance statement of Marlborough Lines Ltd, and related information, prepared for the purposes of the Commerce Act (Electricity Distribution Thresholds) Notice 2004 complies with the requirements of that notice, except in the following respects:

Clause 5(1)(a) is breached by $952,935

Clause 5(1)(b) is breached by $952,935

Clause 6(1)(a) is breached by 67.94 minutes

Clause 6(1)(b) is breached by 0.96 interruption

KJ Forrest

KJ Forrest
19 May 2008

DWR Dew
19 May 2008

Appendix A

Marlborough Lines increased line charge prices on 1 April 2002, 1 April 2003, 1 June 2004,1 May 2005 and 1 April 2007. Prices effective 1 April 2007 are those in effect on the assessment date 31 March 2008. These price increases followed an overall 24% reduction in prices effective 1 April 2001.

The table below summarises the net notional revenue at the assessment date 31 March 2008:

	Year to 31 March 2008
Line charge revenue	$18,230,726
Less transmission charges	$3,940,702
Less avoided transmission charges	$57,521
Plus transmission loss rental rebates	$345,335
Less local authority rates on system assets	$39,296
Less Electricity Commission levies	$45,555
Net Notional Revenue	**$14,492,987**

Notional Revenue for the year ended 31 March 2008

Notional Revenue for the year ending 31 March 2008		
Term	Description	($)
$\Sigma P_{i,2008} Q_i$	Prices at 31 March 2008 multiplied by 31 March 2003 Base Quantities	18,230,726
K_{2008}	Transmission Charges for year ending 31 March 2008	3,652,888
	Rates for year ending 31 March 2008	39,296
	Electricity Commission Levies for year ending 31 March 2008	45,555
$NR_{2008} = \Sigma P_{i,2008} Q_i - K_{2008}$	Notional Revenue for the year ending 31 March 2008	14,492,987

Calculation of NR_{2008}

	Code	Area Type	Adjusted Base Volume 2003.04	Post Discount Price April 2007	Revenue at March 08 Prices
VARIABLE CHARGES					
Domestic Uncontrolled with Standard Fixed Charge	01	Non-Remote	78,521,187	4.115	3,231,147
Domestic Uncontrolled with Standard Fixed Charge	01	Remote	7,215,373	5.338	385,157
Domestic Uncontrolled with Low Fixed Charge up to 20kVA	11	Non-Remote	748,012	6.162	46,092
Domestic Uncontrolled with Low Fixed Charge above 20kVA	08	Non-Remote	14,069	8.667	1,219
Domestic 13hr Water & Space Heat Standard Fixed Charge	12	Non-Remote	41,707,223	2.350	980,120
Domestic 13hr Water & Space Heat Standard Fixed Charge	12	Remote	2,352,634	3.048	71,708
Domestic 13hr Water & Space Heat Low Fixed Charge up to 20kVA	16	Non-Remote	1,137,566	4.397	50,019
Domestic 13hr Water & Space Heat Low Fixed Charge above 20kVA	13	Non-Remote	640	6.902	44
Domestic 8hr Water & Space Heat Standard Fixed Charge	18	Non-Remote	8,565,622	0.942	80,688
Domestic 8hr Water & Space Heat Standard Fixed Charge	18	Remote	237,063	1.222	2,897
Domestic 8hr Water & Space Heat Low Fixed Charge up to 20kVA	17	Non-Remote	198,283	2.989	5,927
Domestic 8hr Water & Space Heat Low Fixed Charge above 20kVA	19	Non-Remote	-	5.494	-
Cashpower - CP3		Non-Remote	605,530	4.115	24,918
Domestic Pre-payment With Controlled Loads		Non-Remote	374,665	3.409	12,772
Non-Domestic Uncontrolled - up to 46kVA	02	Non-Remote	28,471,832	4.538	1,292,052
Non-Domestic Uncontrolled - up to 46kVA	02	Remote	1,815,255	5.338	96,898
Non-Domestic Uncontrolled - 47 to 70kVA	03	Non-Remote	15,692,198	3.587	562,879
Non-Domestic Uncontrolled - 47 to 70kVA	03	Remote	620,899	4.219	26,196
Non-Domestic Uncontrolled - 71 to 140kVA	04	Non-Remote	17,494,248	3.219	563,140
Non-Domestic Uncontrolled - 71 to 140kVA	04	Remote	588,484	3.559	20,944
Non-Domestic 13hr Water & Space Heat	22	Non-Remote	2,688,555	2.591	69,660
Non-Domestic 13hr Water & Space Heat	22	Remote	247,469	3.048	7,543
Non-Domestic 8hr Water & Space Heat	28	Non-Remote	746,013	1.039	7,751
Non-Domestic 8hr Water & Space Heat	28	Remote	26,276	1.222	321
Non-Domestic 20hr Non-Storage Space Heat - up to 46kVA	20	Non-Remote	247,920	3.587	8,893
Non-Domestic 20hr Non-Storage Space Heat - up to 46kVA	20	Remote	172,439	4.219	7,275
Non-Domestic 20hr Non-Storage Space Heat - 47 to 70kVA	30	Non-Remote	120,109	3.219	3,866
Non-Domestic 20hr Non-Storage Space Heat - 47 to 70kVA	30	Remote	-	3.786	-
Non-Domestic 20hr Irrigation Summer	96	Non-Remote	7,494,951	1.436	107,627
Non-Domestic 20hr Irrigation Summer	96	Remote	889,723	1.689	15,027
Non-Domestic 20hr Dryers May & Sept		Non-Remote	105,991	3.587	3,802
Non-Domestic 20hr Dryers May & Sept		Remote	-	4.219	-
Non-Domestic 20hr Dryers June to August		Non-Remote	117,317	4.538	5,324
Non-Domestic 20hr Dryers June to August		Remote	-	5.338	-
Non-Domestic 20hr Irrigation Winter	97	Non-Remote	665,669	13.010	86,604
Non-Domestic 20hr Irrigation Winter	97	Remote	26,815	15.302	4,103
Non-Domestic Above 140kVA LV Supply - Winter Day	05/1	Non-Remote	17,799,844	1.318	234,602
Non-Domestic Above 140kVA LV Supply - Winter Day	05/1	Remote	55,328	1.457	806
Non-Domestic Above 140kVA LV Supply - Winter Night	05/2	Non-Remote	6,739,844	0.082	5,527
Non-Domestic Above 140kVA LV Supply - Winter Night	05/2	Remote	20,198	0.091	18
Non-Domestic Above 140kVA LV Supply - Summer Day	06/1	Non-Remote	25,542,620	0.892	227,840
Non-Domestic Above 140kVA LV Supply - Summer Day	06/1	Remote	103,737	0.986	1,023
Non-Domestic Above 140kVA LV Supply - Summer Night	06/2	Non-Remote	9,161,806	0.082	7,513
Non-Domestic Above 140kVA LV Supply - Summer Night	06/2	Remote	30,776	0.091	28
Non-Domestic Above 140kVA HV by Consumer - Winter Day	45/1	Non-Remote	3,482,249	1.270	44,225
Non-Domestic Above 140kVA HV by Consumer - Winter Night	45/2	Non-Remote	1,261,480	0.077	971
Non-Domestic Above 140kVA HV by Consumer - Summer Day	46/1	Non-Remote	4,094,648	0.855	35,009
Non-Domestic Above 140kVA HV by Consumer - Summer Night	46/2	Non-Remote	1,341,555	0.077	1,033
Non-Domestic Above 140kVA HV MLL Owned - Winter Day	65/1	Non-Remote	2,692,454	1.270	34,194
Non-Domestic Above 140kVA HV MLL Owned - Winter Night	65/2	Non-Remote	1,146,842	0.077	883
Non-Domestic Above 140kVA HV MLL Owned - Summer Day	66/1	Non-Remote	5,467,633	0.855	46,748
Non-Domestic Above 140kVA HV MLL Owned - Summer Night	66/2	Non-Remote	2,458,866	0.077	1,893
Non-Domestic Unmetered Supplies		Non-Remote	253,973	4.538	11,525
Non-Domestic Unmetered Supplies		Remote	-	5.338	-
Street Lighting Local Authority Winter Day	81	Non-Remote	364,861	1.318	4,809
Street Lighting Local Authority Winter Night	82	Non-Remote	477,020	0.082	391
Street Lighting Local Authority Summer Day	83	Non-Remote	313,824	0.892	2,799
Street Lighting Local Authority Summer Night	84	Non-Remote	579,167	0.082	475
Street Lighting Private	85	Non-Remote	68,859	4.538	3,125
Total Energy			**303,367,614**		**8,448,052**
DEMAND CHARGES					
Non-Domestic Above 140kVA LV Supply - Winter Demand	WL	Non-Remote	86,183.56	17.894	1,542,169
Non-Domestic Above 140kVA LV Supply - Winter Demand	WL	Remote	500.00	19.786	9,893
Non-Domestic Above 140kVA LV Supply - Capacity Charge	AL	Non-Remote	24,772.00	3.268	971,459
Non-Domestic Above 140kVA LV Supply - Capacity Charge	AL	Remote	150.00	3.614	6,505
Non-Domestic Above 140kVA HV by Consumer - Winter Demand	WH	Non-Remote	12,926.74	16.406	212,076
Non-Domestic Above 140kVA HV by Consumer - Capacity Charge	AH	Non-Remote	3,165.00	2.996	113,788
Non-Domestic Above 140kVA HV MLL Owned - Winter Demand	WM	Non-Remote	9,882.80	17.271	170,686
Non-Domestic Above 140kVA HV MLL Owned - Capacity Charge	AM	Non-Remote	2,900.00	3.155	109,794
Total Demand Charges			**140,480.10**		**3,136,369.59**

Calculation of NR_{2008} Continued

FIXED CHARGES					
Domestic up to 20kVA	DS	Non-Remote	15,491	0.564	3,188,977
Domestic up to 20kVA	DS	Remote	1,834	0.590	394,952
Domestic Low Fixed Charge Option up to 20kVA	DL	Non-Remote	235	0.116	9,950
Domestic above 20kVA	DT	Non-Remote	377	1.113	153,154
Domestic above 20kVA	DT	Remote	49	1.302	23,286
Domestic Low Fixed Charge Option above 20kVA	DM	Non-Remote	5	0.116	212
Cashpower pre-payment Supplies	CP	Non-Remote	15	0.564	3,088
Non-Domestic up to 15kVA	NS	Non-Remote	1,027	0.921	345,241
Non-Domestic up to 15kVA	NS	Remote	215	0.941	73,845
Non-Domestic 16 to 30kVA	NH	Non-Remote	1	1.228	448
Non-Domestic 16 to 30kVA	NH	Remote	9	1.302	4,277
Non-Domestic 31 to 46kVA	NT	Non-Remote	1,297	1.842	872,012
Non-Domestic 31 to 46kVA	NT	Remote	41	2.025	30,304
Non-Domestic 47 to 70kVA	RT	Non-Remote	229	5.062	423,107
Non-Domestic 47 to 70kVA	RT	Remote	9	5.597	18,386
Non-Domestic 71 to 105kVA	RV	Non-Remote	64	9.007	210,404
Non-Domestic 71 to 105kVA	RV	Remote	1	9.959	3,635
Non-Domestic 106 to 140kVA	RX	Non-Remote	39	12.009	170,948
Non-Domestic 106 to 140kVA	RX	Remote	1	13.279	4,847
Non-Domestic 1 phase up to 140kVA	RF	Remote	1	9.959	3,635
Irrigation Capacity Charge - Customer Numbers	PK	Non-Remote	109		
Irrigation Capacity Charge - Customer Numbers	PK	Remote	7		
Irrigation Capacity Charge - Connected kW	PK kW	Non-Remote	6,800	0.068	168,776
Irrigation Capacity Charge - Connected kW	PK kW	Remote	481	0.075	13,167
Irrigation Capacity Charge - per kVA Supplied	PH kVA	Non-Remote		0.043	-
Irrigation Capacity Charge Minimum	PM	Non-Remote	140	1.553	79,358
Irrigation Capacity Charge Minimum	PM	Remote	1	1.685	615
Local Authority Streetlighting	ST	Non-Remote	1	260.351	95,028
Non Domestic above 140kVA	BF	Non-Remote	77	4.038	113,488
Non Domestic above 140kVA	BF	Remote	1	4.464	1,629
Unmetered Supplies up to 8kWh per day	US	Non-Remote	19	1.420	9,848
Unmetered Supplies up to 8kWh per day	US	Remote	6	1.528	3,346
Unmetered Supplies above 8kWh per day	UL	Non-Remote	19	1.965	13,627
Unmetered Supplies above 8kWh per day	UL	Remote	6	2.169	4,750
Kaikoura Unmetered Supplies up to 8kWh per day	UT	Remote	2	1.645	1,201
Kaikoura Unmetered Supplies above 8kWh per day	UK	Remote	1	2.286	834
Kaikoura Domestic up to 20kVA	DK	Remote	82	0.664	19,874
Kaikoura Domestic Above 20kVA	DU	Remote	3	1.448	1,586
Kaikoura Non-Domestic up to 15kVA	NK	Remote	22	1.058	8,496
Kaikoura Non-Domestic 31 to 46kVA	NU	Remote	10	2.245	8,194
Kaikoura Non-Domestic 47 to 70kVA	RU	Remote	1	6.885	2,513
Kaikoura Irrigation Minimum Charge	PN	Remote		1.870	-
Kaikoura Irrigation Capacity Charge - Customer Numbers	PS	Remote	1		
Kaikoura Irrigation Capacity Charge - Connected kW	PS kW	Remote	55	0.083	1,666
Power Factor Charges ToU Installations			11,573	7.150	82,747
Power Factor Charges Non-ToU Installations			10,007	0.235	2,352
Load Control Fees - Fixed Fee			4	1,200	4,800
Load Control Fees - Variable Fee			18,385	1.20	22,062
Waihopai Generation Line Charge			1	51,637.56	51,638
Total Fixed Charges			**21,448**		**6,646,304**
Total Fixed, Variable & Demand					**18,230,726.17**
Less Transmission Costs					3,652,888
Less Local Authority Rates					39,296
Less Electricity Commission Levies					45,555
Net Notional Revenue					**14,492,987**
Net Threshold Breach					**952,935**

Calculation of R_{2004}

	Code	Area Type	Line Price 1 April 2003	Adjusted Base Volume 2003/04	Revenue at 31 March 04 Prices
VARIABLE CHARGES					
Domestic Uncontrolled with Standard Fixed Charge	01	Non-Remote	3.663	78,521,187	2,876,231
Domestic Uncontrolled with Standard Fixed Charge	01	Remote	3.663	7,215,373	264,299
Domestic Uncontrolled with Low Fixed Charge up to 20kVA	11	Non-Remote	6.826	748,012	51,059
Domestic Uncontrolled with Low Fixed Charge above 20kVA	08	Non-Remote	3.663	14,069	515
Domestic 13hr Water & Space Heat Standard Fixed Charge	12	Non-Remote	2.275	41,707,223	948,839
Domestic 13hr Water & Space Heat Standard Fixed Charge	12	Remote	2.275	2,352,634	53,522
Domestic 13hr Water & Space Heat Low Fixed Charge up to 20kVA	16	Non-Remote	2.275	1,137,566	25,880
Domestic 13hr Water & Space Heat Low Fixed Charge above 20kVA	13	Non-Remote	2.275	640	15
Domestic 8hr Water & Space Heat Standard Fixed Charge	18	Non-Remote	0.964	8,565,622	82,573
Domestic 8hr Water & Space Heat Standard Fixed Charge	18	Remote	0.964	237,063	2,285
Domestic 8hr Water & Space Heat Low Fixed Charge up to 20kVA	17	Non-Remote	0.964	198,283	1,911
Domestic 8hr Water & Space Heat Low Fixed Charge above 20kVA	19	Non-Remote	0.964	-	-
Cashpower - CP3		Non-Remote	10.425	605,530	63,127
Domestic Pre-payment With Controlled Loads		Non-Remote	3.108	374,665	11,645
Non-Domestic Uncontrolled - up to 46kVA	02	Non-Remote	4.450	28,471,832	1,266,997
Non-Domestic Uncontrolled - up to 46kVA	02	Remote	4.450	1,815,255	80,779
Non-Domestic Uncontrolled - 47 to 70kVA	03	Non-Remote	3.115	15,692,198	488,812
Non-Domestic Uncontrolled - 47 to 70kVA	03	Remote	3.115	620,899	19,341
Non-Domestic Uncontrolled - 71 to 140kVA	04	Non-Remote	2.804	17,494,248	490,539
Non-Domestic Uncontrolled - 71 to 140kVA	04	Remote	2.804	588,484	16,501
Non-Domestic 13hr Water & Space Heat	22	Non-Remote	2.275	2,688,555	61,165
Non-Domestic 13hr Water & Space Heat	22	Remote	2.275	247,469	5,630
Non-Domestic 8hr Water & Space Heat	28	Non-Remote	0.964	746,013	7,192
Non-Domestic 8hr Water & Space Heat	28	Remote	0.964	26,276	253
Non-Domestic 20hr Non-Storage Space Heat - up to 46kVA	20	Non-Remote	3.115	247,920	7,723
Non-Domestic 20hr Non-Storage Space Heat - up to 46kVA	20	Remote	3.115	172,439	5,371
Non-Domestic 20hr Non-Storage Space Heat - 47 to 70kVA	30	Non-Remote	2.804	120,109	3,368
Non-Domestic 20hr Non-Storage Space Heat - 47 to 70kVA	30	Remote	2.804	-	-
Non-Domestic 20hr Irrigation Summer	96	Non-Remote	1.300	7,494,951	97,434
Non-Domestic 20hr Irrigation Summer	96	Remote	1.300	889,723	11,566
Non-Domestic 20hr Dryers May & Sept		Non-Remote	3.115	105,991	3,302
Non-Domestic 20hr Dryers May & Sept		Remote	3.115	-	-
Non-Domestic 20hr Dryers June to August		Non-Remote	4.450	117,317	5,221
Non-Domestic 20hr Dryers June to August		Remote	4.450	-	-
Non-Domestic 20hr Irrigation Winter	97	Non-Remote	11.066	665,669	73,663
Non-Domestic 20hr Irrigation Winter	97	Remote	11.066	26,815	2,967
Non-Domestic Above 140kVA LV Supply - Winter Day	05/1	Non-Remote	1.200	17,799,844	213,598
Non-Domestic Above 140kVA LV Supply - Winter Day	05/1	Remote	1.200	55,328	664
Non-Domestic Above 140kVA LV Supply - Winter Night	05/2	Non-Remote	0.158	6,739,844	10,649
Non-Domestic Above 140kVA LV Supply - Winter Night	05/2	Remote	0.158	20,198	32
Non-Domestic Above 140kVA LV Supply - Summer Day	06/1	Non-Remote	0.840	25,542,620	214,558
Non-Domestic Above 140kVA LV Supply - Summer Day	06/1	Remote	0.840	103,737	871
Non-Domestic Above 140kVA LV Supply - Summer Night	06/2	Non-Remote	0.158	9,161,806	14,476
Non-Domestic Above 140kVA LV Supply - Summer Night	06/2	Remote	0.158	30,776	49
Non-Domestic Above 140kVA HV by Consumer - Winter Day	45/1	Non-Remote	1.160	3,482,249	40,394
Non-Domestic Above 140kVA HV by Consumer - Winter Night	45/2	Non-Remote	0.153	1,261,480	1,930
Non-Domestic Above 140kVA HV by Consumer - Summer Day	46/1	Non-Remote	0.810	4,094,648	33,167
Non-Domestic Above 140kVA HV by Consumer - Summer Night	46/2	Non-Remote	0.153	1,341,555	2,053
Non-Domestic Above 140kVA HV MLL Owned - Winter Day	65/1	Non-Remote	1.160	2,692,454	31,232
Non-Domestic Above 140kVA HV MLL Owned - Winter Night	65/2	Non-Remote	0.153	1,146,842	1,755
Non-Domestic Above 140kVA HV MLL Owned - Summer Day	66/1	Non-Remote	0.810	5,467,633	44,288
Non-Domestic Above 140kVA HV MLL Owned - Summer Night	66/2	Non-Remote	0.153	2,458,866	3,762
Non-Domestic Unmetered Supplies		Non-Remote	-	253,973	-
Non-Domestic Unmetered Supplies		Remote	-	-	-
Street Lighting Local Authority Winter Day	81	Non-Remote	1.200	364,861	4,378
Street Lighting Local Authority Winter Night	82	Non-Remote	0.158	477,020	754
Street Lighting Local Authority Summer Day	83	Non-Remote	0.840	313,824	2,636
Street Lighting Local Authority Summer Night	84	Non-Remote	0.158	579,167	915
Street Lighting Private	85	Non-Remote	3.663	68,859	2,522
Total Energy				**303,367,614**	**7,654,407**
DEMAND CHARGES					
Non-Domestic Above 140kVA LV Supply - Winter Demand	WL	Non-Remote	14.575	86,183.56	1,256,125
Non-Domestic Above 140kVA LV Supply - Winter Demand	WL	Remote	14.575	500.00	7,288
Non-Domestic Above 140kVA LV Supply - Capacity Charge	AL	Non-Remote	2.662	24,772.00	791,317
Non-Domestic Above 140kVA LV Supply - Capacity Charge	AL	Remote	2.662	150.00	4,792
Non-Domestic Above 140kVA HV by Consumer - Winter Demand	WH	Non-Remote	13.363	12,926.74	172,740
Non-Domestic Above 140kVA HV by Consumer - Capacity Charge	AH	Non-Remote	2.441	3,165.00	92,709
Non-Domestic Above 140kVA HV MLL Owned - Winter Demand	WM	Non-Remote	14.067	9,882.80	139,021
Non-Domestic Above 140kVA HV MLL Owned - Capacity Charge	AM	Non-Remote	2.570	2,900.00	89,436
Total Demand Charges				**140,480.10**	**2,553,428**

Calculation of R_{2004} Continued

FIXED CHARGES					
Domestic up to 20kVA	DS	Non-Remote	0.566	15,491	3,200,286
Domestic up to 20kVA	DS	Remote	0.566	1,834	378,886
Domestic Low Fixed Charge Option up to 20kVA	DL	Non-Remote	0.150	235	12,866
Domestic above 20kVA	DT	Non-Remote	1.000	377	137,605
Domestic above 20kVA	DT	Remote	1.000	49	17,885
Domestic Low Fixed Charge Option above 20kVA	DM	Non-Remote	1.000	5	1,825
Cashpower pre-payment Supplies	CP	Non-Remote	0.566	15	3,099
Non-Domestic up to 15kVA	NS	Non-Remote	0.750	1,027	281,141
Non-Domestic up to 15kVA	NS	Remote	0.750	215	58,856
Non-Domestic 16 to 30kVA	NH	Non-Remote	1.000	1	365
Non-Domestic 16 to 30kVA	NH	Remote	1.000	9	3,285
Non-Domestic 31 to 46kVA	NT	Non-Remote	1.500	1,297	710,108
Non-Domestic 31 to 46kVA	NT	Remote	1.500	41	22,448
Non-Domestic 47 to 70kVA	RT	Non-Remote	4.123	229	344,621
Non-Domestic 47 to 70kVA	RT	Remote	4.123	9	13,544
Non-Domestic 71 to 105kVA	RV	Non-Remote	7.336	64	171,369
Non-Domestic 71 to 105kVA	RV	Remote	7.336	1	2,678
Non-Domestic 106 to 140kVA	RX	Non-Remote	9.781	39	139,233
Non-Domestic 106 to 140kVA	RX	Remote	9.781	1	3,570
Non-Domestic 1 phase up to 140kVA	RF	Remote	7.336	1	2,678
Irrigation Capacity Charge - Customer Numbers	PK	Non-Remote		109	-
Irrigation Capacity Charge - Customer Numbers	PK	Remote		7	-
Irrigation Capacity Charge - Connected kW	PK kW	Non-Remote	0.055	6,800	136,510
Irrigation Capacity Charge - Connected kW	PK kW	Remote	0.055	481	9,656
Irrigation Capacity Charge - per kVA Supplied	PH kVA	Non-Remote	0.055	-	-
Irrigation Capacity Charge Minimum	PM	Non-Remote	1.265	140	64,642
Irrigation Capacity Charge Minimum	PM	Remote	1.265	1	462
Local Authority Streetlighting	ST	Non-Remote	210.931	1	76,990
Non Domestic above 140kVA	BF	Non-Remote	3.288	77	92,409
Non Domestic above 140kVA	BF	Remote	3.288	1	1,200
Unmetered Supplies up to 8kWh per day	US	Non-Remote	1.106	19	7,670
Unmetered Supplies up to 8kWh per day	US	Remote	1.106	6	2,422
Unmetered Supplies above 8kWh per day	UL	Non-Remote	1.774	19	12,303
Unmetered Supplies above 8kWh per day	UL	Remote	1.774	6	3,885
Kaikoura Unmetered Supplies up to 8kWh per day	UT	Remote	1.358	2	991
Kaikoura Unmetered Supplies above 8kWh per day	UK	Remote	2.026	1	739
Kaikoura Domestic up to 20kVA	DK	Remote	0.720	82	21,550
Kaikoura Domestic Above 20kVA	DU	Remote	1.218	3	1,334
Kaikoura Non-Domestic up to 15kVA	NK	Remote	1.002	22	8,046
Kaikoura Non-Domestic 31 to 46kVA	NU	Remote	1.778	10	6,490
Kaikoura Non-Domestic 47 to 70kVA	RU	Remote	5.163	1	1,884
Kaikoura Irrigation Minimum Charge	PN	Remote	1.610	-	-
Kaikoura Irrigation Capacity Charge - Customer Numbers	PS	Remote		1	-
Kaikoura Irrigation Capacity Charge - Connected kW	PS kW	Remote	0.070	55	1,405
Power Factor Charges ToU Installations			-	11,573	-
Power Factor Charges Non-ToU Installations			-	10,007	-
Load Control Fees - Fixed Fee			1,200.00	4	4,800
Load Control Fees - Variable Fee			1.20	18,385	22,062
Waihopai Generation Line Charge			40,000	1	40,000
Total Fixed Charges				**21,448**	**6,023,796**
Total Fixed, Variable & Demand					**16,231,630.74**
Less Transmission Costs					3,036,854
Less Local Authority Rates					33,000
Less Electricity Commission Levies					
Net Notional Revenue					**13,161,777**

R2008

Allowable Notional Revenue under CPI -X price path		
Term	Description	($)
X	X Factor	2%
R_{2004}	Maximum Revenue at 31 March 2004 that would not have caused a breach under the Initial Notice	13,161,777
$(1+\Delta CPI_{2005})$	Average change in Consumer Price Index over 2004	1.0229
$(1\text{-}X)$	1-X Factor	0.98
R_{2005}	Allowable Notional Revenue under the CPI-X Price Path for the year ended 31 March 2005	13,193,950
$(1+\Delta CPI_{2006})$	Average change in Consumer Price Index over 2005	1.0304
$(1\text{-}X)$	1-X Factor	0.98
R_{2006}	Allowable Notional Revenue under the CPI-X Price Path for the year ended 31 March 2006	13,322,760
$(1+\Delta CPI_{2007})$	Average change in Consumer Price Index over 2006	1.0337
$(1\text{-}X)$	1-X Factor	0.98
R_{2007}	Allowable Notional Revenue under the CPI-X Price Path for the year ended 31 March 2007	13,495,702
$(1+\Delta CPI_{2008})$	Average change in Consumer Price Index over 2007	1.0238
$(1\text{-}X)$	1-X Factor	0.98
R_{2008}	Allowable Notional Revenue under the CPI-X Price Path for the year ended 31 March 2008	13,540,052
NR_{2008} / R_{2008}	Expression must be less than or equal to 1 to avoid breaching 5(1)(a)	1.0704
$R_{2008} - NR_{2008}$	Value of Compliance or (Breach)	(952,935)

For presentation purposes, the CIP has been presented to four decimal places, although for the calculation R_{2008} the full index (with no rounding) has been applied.

ΔCPI_{2005}			
Numerator		Denominator	
$CPI_{Q1,2004}$	928	$CPI_{Q1,2003}$	913
$CPI_{Q2,2004}$	935	$CPI_{Q2,2003}$	913
$CPI_{Q3,2004}$	941	$CPI_{Q3,2003}$	918
$CPI_{Q4,2004}$	949	$CPI_{Q4,2003}$	924
Total	3753	Total	3669
ΔCPI_{2005}	2.29%		

Source: Statistics New Zealand All Groups SE9A Index (Note this index was rebased to June 2006 -Consumers Price Index Review information paper published on 28 September 2006. The 2006 September quarter CPI was the first index published using the new base)

ΔCPI_{2006}			
Numerator		Denominator	
$CPI_{Q1,2005}$	953	$CPI_{Q1,2004}$	928
$CPI_{Q2,2005}$	962	$CPI_{Q2,2004}$	935
$CPI_{Q3,2005}$	973	$CPI_{Q3,2004}$	941
$CPI_{Q4,2005}$	979	$CPI_{Q4,2004}$	949
Total	3867	Total	3753
ΔCPI_{2006}	3.04%		

Source: Statistics New Zealand All Groups SE9A Index (Note this index was rebased to June 2006 -Consumers Price Index Review information paper published on 28 September 2006. The 2006 September quarter CPI was the first index published using the new base)

ΔCPI_{2007}			
Numerator		Denominator	
$CPI_{Q1,2006}$	985	$CPI_{Q1,2005}$	953
$CPI_{Q2,2006}$	1000	$CPI_{Q2,2005}$	962
$CPI_{Q3,2006}$	1007	$CPI_{Q3,2005}$	973
$CPI_{Q4,2006}$	1005	$CPI_{Q4,2005}$	979
Total	3997	Total	3867
ΔCPI_{2007}	3.37%		

Source: Statistics New Zealand All Groups SE9A Index (Note this index was rebased to June 2006 -Consumers Price Index Review information paper published on 28 September 2006. The 2006 September quarter CPI was the first index published using the new base)

ΔCPI_{2008}			
Numerator		Denominator	
$CPI_{Q1,2007}$	1010	$CPI_{Q1,2006}$	985
$CPI_{Q2,2007}$	1020	$CPI_{Q2,2006}$	1000
$CPI_{Q3,2007}$	1025	$CPI_{Q3,2006}$	1007
$CPI_{Q4,2007}$	1037	$CPI_{Q4,2006}$	1005
Total	4092	Total	3997
ΔCPI_{2008}	2.38%		

Appendix B

Clause 5(1)(b)
NR_{MAX}

Maximum Notional Revenue for the period 1 April 2007 to 31 March 2008. P x Q using 31 March 2008 Prices and 31 March 2003 Base Quantities if there has been no change in prices over this period, otherwise the prices which generate the maximum notional revenue over the period when using 31 March 2003 quantities		
Term	Description	($)
$\Sigma P_{Max} \quad Q_i$	Maximum Price Between 1 April 2007 and 31 March 2008 multiplied by 31 March 2003 Base Quantities	18,230,726
K_{2008}	Transmission Charges for year ending 31 March 2008	3,652,888
	Rates Charges for year ending 31 March 2008	39,296
	Electricity Commission Levies for year ending 31 March 2008	45,555
NR_{Max}	Maximum Notional Revenue for 1 April 2007 to 31 March 2008	14,492,987

Test for 5 (1) (b) - $(NR_{Max} / Max(R_{2007}, R_{2008})) \leq 1$

Notional Reveue during the period is not to exceed the maximum of the Allowable Notional Revenue at the end of the assessment period and the Allowable Notional Revenue at the end of the previous assessment period		
Term	Description	($)
NR_{Max}	Maximum Notional Revenue for 1 April 2007 to 31 March 2008	14,492,987
R_{2007}	Allowable Notional Revenue at 31 March 2007	13,495,702
R_{2008}	Allowable Notional Revenue at 31 March 2008	13,540,052
$Max(R_{2007}, R_{2008})$	Maximum of the Allowable Notional Revenue at 31 March 2007 and the Allowable Notional Revenue at 31 March 2008	13,540,052
$NR_{Max} / Max(R_{2007}, R_{2008})$	If expression is greater than 1, Clause 5 (1) (b) is breached	1.0704
$Max(R_{2007}, R_{2008}) - NR_{Max}$	Value of Compliance or (Breach)	(952,935)

Appendix C

SAIDI and SAIFI (Class B and Class C) for Years Ended 31 March 1999 – 2003 and 2008

Year	SAIDI (Interruption Duration)			SAIFI (Interruption Frequency)		
	Class B	Class C	Total	Class B	Class C	Total
1999	72.30	171.41	243.71	0.42	1.83	2.25
2000	69.83	103.56	173.39	0.31	1.22	1.53
2001	57.71	121.03	178.74	0.35	1.82	2.17
2002	37.88	148.01	185.89	0.24	1.63	1.87
2003	74.11	125.66	199.77	0.32	1.51	1.83
	Five Year Average SAIDI		**196.30**	**Five Year Average SAIFI**		**1.93**
2008	100.35	163.89	264.24	0.52	2.37	2.89

The historic 1999 to 2003 data in the above table differs from that publicly gazetted by Marlborough Lines during those years. The Electricity (Information Disclosure) Regulations 1999 repealed the Electricity (Information Disclosure) Regulations 1994. The 1994 Regulations defined total consumers as average number of consumers at the start and end of the year. However the 1999 Regulations merely defined “total consumers” as the number of network connection points, and were silent as to the time at which the total consumers was to be established.

For Information Disclosure for the 1999 to 2003 years, Marlborough Lines based total consumers on the total number at the end of each financial year, on the basis that had the legislature intent to retain the averaging process used in the 1994 Regulations, that same requirement would have been included in the 1999 Regulations.

However, the Commerce Act (Electricity Distribution Threshold) Notice 2004 and the Amendment Notice 2006 requires the use of historic data based on average consumer numbers at the start and end of each financial year. Since the information disclosed in those years was inconsistent with the requirement, the figures in the above table have been recalculated to reflect average consumer numbers.