

# ALPINE ENERGY LIMITED

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

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

21 May 2004

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

Alpine Energy 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:	$\Sigma P_{12004} Q_{i0} - C_{T2004} - C_{R2004}$	$\leq$	$\Sigma P_{i0} Q_{i0} - C_{T2003} - C_{R2003}$
	18,225,100	$>$	17,376,252
Result:	Revenue at Third Reference date exceeds revenue at First Assessment date by \$848,848.		
	Threshold is breached.		

Supporting evidence is presented in Appendices A and B.

**Explanation of Breach at Third Reference Date 31 March 2004**

Alpine Energy Limited has a breach of the price path threshold; the notional revenue at the third reference date has exceeded the notional revenue at the first assessment date by \$848,848.

Alpine Energy Limited has maintained the same prices for the period 1 June 2001 to 31 March 2004, apart from some small contractual increases for three customers. The breach is due to an unexpected decrease in transmission charges, from a budgeted March 2004 level of \$7,507,000 to the actual March 2004 charges of \$6,662,502, the difference being \$844,498. In addition there was a small difference of \$4,350 between the budget and actual figures for rates.

A fairer comparison is between the notional revenue of \$17,900,535 at 1 April 2002 prices, (using actual March 2003 transmission charges of \$6,833,423 and rates of \$45,452) and the notional revenue of \$18,225,100 at 1 April 2003 prices (using actual March 2004 transmission charges of \$6,662,502 and rates of \$55,650). In that case the breach is \$324,565. (Appendix C shows the Selection of Minimum Notional Revenue table compiled for the first reference date. Option Four in that table becomes the minimum notional revenue if Option Seven is updated with actual rather than budget figures).

Alpine Energy has determined that it is not in the best interest of consumers to make a short term price reduction, when increases in Alpine Energy's prices over the next five years will not be inconsistent with the Purpose Statement of subpart 1 of Part 4A of the Commerce Act. In addition, transmission charges for 2004-05 will be at least \$730,000 greater than for 2003-04, with the elimination of the economic value adjustment. To compensate for the over recovery of transmission charges of \$324,565 (as calculated above) in 2003-04, Alpine Energy undertakes not to apply a general increase in prices before 1<sup>st</sup> December 2004.

#### **Notional Revenue:**

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

- Fixed and variable line function services

#### **Excluded Services:**

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

- Non-conveyance revenues including:
  - Metering
  - Interest
  - Rent
  - Profit on sale of assets
- The value of assets vested in Alpine Energy Limited on behalf of customers.

### **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
- Frequency charges
- Voltage support charges
- New investment charges
- EVA adjustments
- Loss Rental Rebates

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.

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

Alpine Energy Limited does not comply 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

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

119 > 88

Result:

Class B and Class C SAIDI for the twelve months ending on the Second Assessment date exceeds the five year average Class B and Class C SAIDI (1999 – 2003) by 31.

Threshold is breached.

Supporting evidence is presented in Appendix D.

This includes the report on the Timaru Substation cable basement fire on 15 December as reported to the Alpine Energy Board. This extreme single outage contributed 37 minutes to the annual SAIDI of 119 minutes and caused Alpine Energy to breach the threshold. The incident is explained in Appendix D. The possibility of such an incident is noted in the Asset Management Plan:

“The main areas of concern are the City, Grasmere, Victoria and Hunt Street substations. Fires in cable basements or trenches are unlikely, but could typically lead to an outage of up to 24 hours.”

The Timaru Transpower substation supplying Grasmere Street has a similar (but larger) cable basement to the Grasmere Street Substation, i.e. it is standard industry practice.

Clause 6 (1) (b) Interruption Frequency

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

$$1.63 > 1.10$$

Result:

Class B and Class C SAIFI for the twelve months ending on the Second Assessment date exceeds the five year average Class B and Class C SAIFI (1999 – 2003) by 0.53.

Threshold is breached.

Supporting evidence is presented in Appendix D.

SAIFI has increased as a result of the increased SAIDI explained above.

## 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.

### **Definition of Quality**

Quality of electricity supply includes safety, reliability and technical issues of voltage and frequency which are well regulated. Basically it must be fit for purpose.

### **Review Period**

Alpine Energy Limited (“Alpine Energy”) has included customer engagement processes that have occurred outside the review period, 6 June 2003 to 31 March 2004. Alpine Energy considers the results of these processes in its asset management strategy and accordingly has included such processes in this statement.

### **Customer Engagement**

#### **Customer Surveys**

Alpine Energy used Utility Consultants from Hamilton to survey the “Top 20” customers, who contribute some 57MW to the Alpine Energy ADMD (**After Diversity Maximum Demand**) of about 100MW.

The survey provided the opportunity for Alpine Energy’s top 20 customers to consider the potential for price and quality options. Whilst no specific price or quality options were

provided at this point, price and quality was a key aspect as evident through the responses summarised in Appendix E.

The consultation process was undertaken by telephone during February and March 2004.

Results are attached at Appendix E – actual company names are not disclosed for commercial reasons. Alpine Energy concludes that whilst customers are generally happy with quality and price trade-offs, consistent with the quality and financial targets in the Asset Management Plan (AMP) (available at [www.alpineenergy.co.nz](http://www.alpineenergy.co.nz)) there is opportunity for further consultation on specific customer solutions.

Alpine Energy will continue discussions with customers on the issue of price and supply quality. Over the next six months Alpine Energy will contact the survey customers who have indicated that they would consider increased reliability.

This “Top Customer Survey” has been undertaken in addition to ongoing customer consultation processes which AEL considers with all operational matters:

### **Shareholder Engagement**

#### The Alpine Energy Mission Statement

To ensure continuing commercial success by:

- Providing safe, efficient, reliable and cost-effective energy delivery
- Encouraging the use of and utilising water resources to support the production and consumption of electricity
- Providing asset management services.

Bullet point one clearly states the Company’s goal which incorporates price/quality trade offs and is a key strategic consideration of our shareholders. The shareholders of Alpine Energy, Timaru District Holdings Ltd, Mackenzie District Council, Waimate District Council and LineTrust South Canterbury are representatives of the Alpine Energy’s customers. These shareholders are in close contact with the customers connected to the Alpine Energy network.

These shareholders are provided with price and quality information through informal and formal mechanisms.

The informal mechanisms include the availability of the AMP and pricing information. This information includes financial, price and quality information and is available on Alpine Energy's website ([www.alpineenergy.co.nz](http://www.alpineenergy.co.nz)).

The formal mechanism is through the Statement of Corporate Intent ("SCI"), the Annual Report (which are both available on Alpine Energy's website – [www.alpineenergy.co.nz](http://www.alpineenergy.co.nz)) and through monthly performance reports. These statements includes both financial targets and quality targets.

The Directors report back formally to the shareholders each year with the Annual Report. This measures performance against budget and targets. In addition a brief operating summary is also reported back to Shareholders after each Board meeting . Finally the Shareholders are consulted annually on the SCI.

Alpine Energy implicitly considers the views of the Shareholders in relation to price and quality issues through the formal process of approving the SCI.

Alpine Energy reflects the combined views of Shareholders and Alpine Energy through reflecting financial and performance targets from the SCI into the AMP. The AMP provides the basis of the implementation of Alpine Energy's asset management planning strategy.

### **New or Upgraded Connection Contracts**

Some 350 new customers sign up to be connected to the Alpine Energy's network each year – they range in size from those with a 50 watt electric fence unit to a 30,000kW dairy factory. The process to connect a new customer or a customer requiring an upgrade on the Alpine Energy network is:

- (i) Meet and consult with the customer (or his agent) to advise them of the options available to connect on to the Alpine Energy network. This will consider:
  - The physical location of the new connection relative to the existing network.
  - The load requirements of the customer appropriate to the Alpine Energy line charge options – does the customer need a single phase 15kVA or a three phase 600kVA supply? Each option has different annual line charges.

- The physical requirements to connect the customers load to the network – overhead lines, underground cables, location of transformer etc.
  - Commercial/payment options.
- (ii) After this consultation – which is usually held at the customer’s site, Alpine Energy drafts a written proposal for the customer to consider. This will include a physical description of the work to be done, commercial details relating to any costs or capital contributions along with the electrical capacity to be provided.
- (iii) The customer will then either accept, modify, or reject the proposal. Some projects proceed quickly, others will be negotiated and changed and others are delayed or cancelled.
- (iv) For larger customers, engineering and commercial options are agreed with individual contracts. Price and quality are tradeable issues and discussions can occur over a period of several months. The end result is a formal document agreed between the parties covering all commercial, engineering and quality matters.

### **Contractual Agreements with Retailers**

The price/quality relationship with most customers is covered through Use of System Agreements (UOSAs) with the Retailers on the Alpine Energy network.

The UOSA is available on the Alpine Energy website providing customers with price and quality information. In addition price and quality information was provided to retailers during the consultation process to agree the UOSA. Section 12 on Line Function Services and Schedule 6 on Line Function Service Standards include Quality Standards. Schedule 1 includes pricing information.

As Alpine Energy have had no price increases since 1999 the UOSA has not been updated recently – there is also a move to an industry standard UOSA. Again the UOSA is part of a consult, consider and agree process as the retailer is a representative of the customers using the Alpine Energy network.

Retailers forward all of their quality safety issues to Alpine Energy to respond to, in most cases the customers will come direct to Alpine Energy.

## **Conclusion**

At a macro level Alpine Energy's 2004 AMP (to be released in June 2004) has been modified to include the customer consultation phase in all major decisions concerning capacity and supply security. Expects are include below:

*“Levels of service and reliability are set by the asset owner in consultation with NSL, and are based on customer's expectations, and on the planned outages required to complete the planned and projected capital works program.*

*Customer expectations are determined from formal customer surveys, and also from unsolicited correspondence or conversations with customers.”*

SAIDI target levels are detailed in the AMP along with capital and operating and maintenance costs from the SCI which has been agreed by the shareholders representing the customers.

Alpine Energy acknowledges that the AMP process is a slowly evolving process due to the 50-60 year lives of most network assets.

At a micro level Alpine has demonstrated compliance through the following specific processes:

- Customer surveys
- Shareholder engagement
- New and changed connections
- Contractual arrangements with retailers

## *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 Alpine Energy Limited expressly disclaims any liability to any other party who may rely on this statement for any other purpose.*

**REPORT OF THE AUDITOR-GENERAL  
TO THE READERS OF THE  
THRESHOLD COMPLIANCE STATEMENT DATED 21 MAY 2004  
OF ALPINE ENERGY LIMITED**

We have examined the attached statement, being a threshold compliance statement (“the Statement”) in respect of price path and quality thresholds that were prepared by Alpine Energy Limited for assessment on 31 March 2004 and dated 21 May 2004 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(1)(a) of the Notice requires the Directors of Alpine Energy Limited to prepare a Statement that reports Alpine Energy Limited’s compliance, or otherwise, with the thresholds set out in clauses 4, 5 and 6 of that Notice.

**Auditor’s Responsibilities**

Section 15 of the Public Audit Act 2001 and clause 7(1)(b) of the Notice require the Auditor-General to examine the Statement. It is the responsibility of the Auditor-General to express an independent opinion on the Statement prepared by the Directors and report that opinion to you.

The Auditor-General has appointed Maurice Noone of PricewaterhouseCoopers to undertake the examination.

**Basis of Opinion**

Our examination included reviewing, on a test basis, evidence relevant to the amounts and disclosures in the attached Statement. It also included an assessment of the significant estimates and judgements, if any, made in the preparation of the Statement and assessment of whether the basis of preparation had been adequately disclosed.

We planned and performed our examination so as to obtain all the information and explanations which we considered necessary except that our work was limited in respect of the quality (SAIDI and SAIFI) thresholds as explained below. 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 capacities as auditor acting on behalf of the Auditor-General and tax advisors, we have no relationship with or interest in Alpine Energy Limited.

**Unqualified Opinions**

We have obtained all the information and explanations we have required in relation to the price path threshold and the quality (customer communication) threshold.

***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 attached threshold compliance statement of Alpine Energy Limited relating to the price path threshold prepared pursuant to 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 Alpine Energy Limited as required by the Notice against the thresholds set out in the Notice of Assessment on 31 March 2004.

***Quality (Customer Communication) Threshold***

In our opinion, having made all reasonable enquiry, to the best of our knowledge the quality (customer communication) threshold prepared pursuant to clause 6(1)(c) 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 Alpine Energy Limited as required by the Notice against the thresholds set out in the Notice of Assessment on 31 March 2004.

**Qualified Opinion**

***Quality (SAIDI and SAIFI) Threshold***

Control over the completeness and accuracy of outage and ICP records prior to being recorded by the Company is limited, and there are no practical audit procedures that we could adopt to confirm independently that all outages and the associated ICP numbers were properly recorded for the purposes of inclusion in the amounts or details set out in the SAIDI and SAIFI quality threshold compliance statements prepared pursuant to clauses 6(a) and 6(b) of the Notice.


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

Because of the potential effect of the limitation in the evidence available to us, we are unable to form an opinion as to whether the amounts or details set out in the SAIDI and SAIFI quality threshold compliance statements prepared pursuant to clauses 6(a) and 6(b) 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 Alpine Energy Limited as required by the Notice against the quality thresholds set out in the Notice of Assessment on 31 March 2004.

Our examination was completed on 21 May 2004 and our unqualified and qualified opinions are expressed as at that date.



Maurice Noone  
On behalf of the Auditor-General  
Christchurch, New Zealand  
21 May 2004



PricewaterhouseCoopers

#### 4. Certification of Threshold Compliance Statement

We, Ian James Bowan and Donald Murray Douglas Cleverley, being directors of Alpine Energy Limited certify that, having made all reasonable enquiry, to the best of our knowledge and belief, the attached threshold compliance statement of Alpine Energy Limited, and related information, prepared for the purposes of the Commerce Act (Electricity Lines Thresholds) Notice 2003 complies with the requirements of that notice except in the following respects:

Clause 5(1)(c) – Threshold breached  
Clause 6(1)(a) – Threshold breached  
Clause 6(1)(b) - Threshold breached



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Director

21 May 2004



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Director

## Appendix A

### 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)
$\sum P_{i2004} Q_{i0}$	$C_{T2004}$	$C_{R2004}$	$\sum P_{i2004} Q_{i0} - C_{T2004} - C_{R2004}$
\$24,943,252	\$6,662,502	\$55,650	\$18,225,100

Alpine Energy Limited has maintained the same prices for the period 1 April 2003 to 31 March 2004. The price x quantity schedule is shown in appendix B.

## 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)
$\Sigma P_{i0} Q_{i0}$	$C_{T2003}$	$C_{R2003}$	$\Sigma P_{i0} Q_{i0} - C_{T2003} - C_{R2003}$
\$24,943,252	\$7,507,000	\$60,000	\$17,376,252

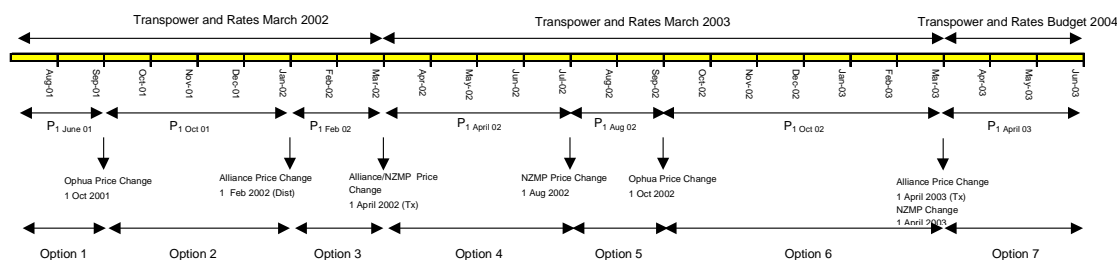
**Appendix B**

Price x Quantity at first assessment date

Tariff or Fee	Description	Number of ICPs at 31/03/03	Day kWh	Night kWh	Total kWh	kW	Winter kWh	Transmission and Distribution Charges				National Transmission Revenue (\$)	Notional Distribution Revenue (\$)		Total Revenue (\$)		
								Fixed		Variable (c/kwh)			Fixed	Variable			
								\$/year	\$/kV/year	Winter kWh c/kWh/year	Day Variable (c/kwh)					Night Variable (c/kwh)	
<b>Fixed Charges</b>																	
LOW	Low Fixed Charge	362															
008	Under 8 kVA	380												13,213			13,213
015	Under 15 kVA	26,852												56,240			56,240
360	3 x 60A	670												5,454,772			5,454,772
ASS	Over 15kVA Assessed	895												515,230			515,230
TN1	TOU 400V	143												2,243,080			2,243,080
TR1	TOU 400V Remote	2												3,459,033			3,459,033
TN2	11kV < 3000kW	7												174,980			174,980
TR3	TOU 11kV > 3000 kW	1												530,393			530,393
IND	OP	1												486,898			486,898
IND	AL	1												144,659			144,659
IND	P - A	1												104,372			104,372
IND	P - B	1												838,793			838,793
IND	P - C	1												215,654			215,654
IND	P - D	1												119,353			119,353
IND	P - E	1												330,566			330,566
IND	P - F	1												7,857			7,857
IND	P - G	1												38,888			38,888
IND	P - H	1												14,472			14,472
IND	P - I	1												12,150			12,150
<b>Variable Charges</b>																	
<b>Mass Market</b>																	
LOW	Low Fixed Charge																
<b>Total kWh Low Fixed Charge</b>			1,021,675	413,464	1,435,139									5.95	2.44		70,878
008	Under 8 kVA																
015	Under 15 kVA																
360	3 x 60A																
ASS	Over 15kVA Assessed																
<b>Total kWh All other IMI</b>			238,385,114	36,465,530	334,833,704									3.77	0.26		9,237,288
<b>S P, Q, R</b>																	
<b>Total Other Charges</b>																	<b>24,943,252</b>

# Appendix C

## Selection of Minimum Notional Revenue



### Selection of Minimum Notional Revenue

**Option One:** 1 June 2001 Prices, March 2003 Quantities, March 2002 Transpower and Rates

$P_{1 \text{ June } 01} \times Q_{\text{Mar}03}$	=	24,747,509
$C_{T2002}$	=	5,439,455
$C_{R2002}$	=	-
<b>Revenue</b>	=	19,308,054

**Option Two:** 1 October 2001 Prices, March 2003 Quantities, March 2002 Transpower and Rates

$P_{1 \text{ Oct } 01} \times Q_{\text{Mar}03}$	=	24,756,864
$C_{T2002}$	=	5,439,455
$C_{R2002}$	=	-
<b>Revenue</b>	=	19,317,409

**Option Three:** 1 Feb 2002 Prices, March 2003 Quantities, March 2002 Transpower and Rates

$P_{1 \text{ Feb } 02} \times Q_{\text{Mar}03}$	=	24,758,750
$C_{T2002}$	=	5,439,455
$C_{R2002}$	=	-
<b>Revenue</b>	=	19,319,295

**Option Four:** 1 April 2002 Prices, March 2003 Quantities, March 2003 Transpower and Rates

$P_{1 \text{ April } 02} \times Q_{\text{Mar}03}$	=	24,779,410
$C_{T2003}$	=	6,833,423
$C_{R2003}$	=	45,452
<b>Revenue</b>	=	17,900,535

**Option Five:** 1 August 2002 Prices, March 2003 Quantities, March 2003 Transpower and Rates

$P_{1 \text{ Aug } 02} \times Q_{\text{Mar}03}$	=	24,805,886
$C_{T2003}$	=	6,833,423
$C_{R2003}$	=	45,452
<b>Revenue</b>	=	17,927,011

**Option Six:** 1 October 2002 Prices, March 2003 Quantities, March 2003 Transpower and Rates

$P_{1 \text{ Oct } 02} \times Q_{\text{Mar}03}$	=	24,807,653
$C_{T2003}$	=	6,833,423
$C_{R2003}$	=	45,452
<b>Revenue</b>	=	17,928,778

**Option Seven:** 1 April 2003 Prices, March 2003 Quantities, March 2004 Transpower and Rates

$P_{1 \text{ April } 03} \times Q_{\text{Mar}03}$	=	24,943,252
$C_{T2004}$	=	7,507,000
$C_{R2004}$	=	60,000
<b>Revenue</b>	=	17,376,252

← First Reference Date Between 1 April 2003 And 6 June 2003

## Appendix D

### 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	10	57	67
2000	15	32	47
2001	8	68	76
2002	19	50	69
2003	20	162	182
Five Year Average SAIDI			88
2004	12	107	119

Year Ended 31 March	SAIFI (Interruption Frequency)		
	Class B	Class C	Total
1999	0.10	1.20	1.30
2000	0.10	0.70	0.80
2001	0.10	1.30	1.40
2002	0.20	0.80	1.00
2003	0.10	0.90	1.00
Five Year Average SAIFI			1.10
2004	0.14	1.49	1.63

#### Extract from the January 2004 Alpine Energy Board Report:

The outage in Timaru on 15 December was the most significant Timaru outage in the last 40 years, with 9,000 customers without power for up to three hours as a result of a cable fault in the basement of the Grasmere Street Substation. The outage is outlined in the 16/12/03 memo to Directors:

- “12.30 p.m. Selwyn Street Feeder (500 customers) tripped at the Grasmere Street Substation.
- 1.30 p.m. Fault located as a cable joint on fire in the cable basement below the substation. Normally a cable joint fault in the ground does not cause further damage – a cable fault in a switch or transformer can cause local damage.
- 1.45 p.m. Fire Service requested that the entire basement be isolated before they could attend to the fire – this required us to turn off all of the inner city supplied from Grasmere Street (9,000 customers) – agreed, as we needed to limit any damage in the basement.
- 3.00 p.m. Alternate supplies switched for Hunt and Victoria Street Substations (6,000 customers), bypassing Grasmere Street Substation. This requires coordinated switching with staff at Grasmere Street, Transpower, Hunt Street and Victoria Street substations.
- 4.00 p.m. Fire Service allowed us to re-enter the basement after it was ventilated and made safe for access.
- 5.00 p.m. Supply restored to Grasmere Street Substation after one faulty cable and one suspect cable were isolated – 700 customers in the Waimataitai area still off.
- 6.30 p.m. All supplies restored after the suspect cable was checked as OK and relivened.”

Appendix E

**Commerce Act (Electricity Lines  
Thresholds) Notice 2003**

**Pursuant to Sections 57G and  
57T of the Commerce Act 1986**



**ALPINE ENERGY LIMITED**

**Disclosure of compliance with quality  
threshold 6(1)e**

# **1. Introduction**

The electricity line price thresholds regime established by Gazette Notice #62 dated 6 June 2003 pursuant to Sections 57G and 57T of the Commerce Act 1986 requires each lines company to properly consult with their customers on the options of price and supply quality available to those customers by 31 March 2004 and to take those customers views into account when making asset management decisions.

Section 7(1) of this Notice defines the process of disclosure, auditing and director certification that is required to verify that such consultation has occurred.

## **2. Customer consultation activity**

### **2.1 Consultation requirements**

The customer consultation requirements are defined in Section 6(1)(e) of the Notice, and broadly require a lines company to....

- Properly advise its customers about the price and quality trade-offs available.
- Consult with those customers on these trade-offs.
- Properly consider the views expressed by customers.
- Take those views into account when making asset management decisions.

### **2.2 Consultation methodology & justification**

Based on Utility Consultants Ltd discussions with the Commerce Commission in June and July 2003 that the Commission was not expecting lines companies to consult with “mum & dad” customers (and which has been subsequently supported by Sections 87 to 89 of the Targeted Control Regime Threshold Decisions document dated 23 December 2003), Alpine Energy considers that engaging with its 20 largest customers would fulfil this requirement (some of which includes multiple ICP’s).

These 20 customers all have maximum demands greater than 500kW at a single site, which is taken as a cut-off point for the consultation. The basis for justifying such a cut-off point is that these customers represent about 57MW of maximum demand from an after diversity system maximum demand of about 100MW.

Each of these 20 customers was surveyed by Utility Consultants Ltd of Hamilton to provide an independent view.

## **2.3 Customer response to consultation**

<b>Customer</b>	<b>Response</b>
Customer 1	Very happy with existing supply reliability, and receiving great advice and service from Networks South to install additional capacity and security.
Customer 2	Happy with existing reliability, so wouldn't be interested in additional reliability. Recognises the scope of assets that would be involved.
Customer 3	Reasonably happy with existing reliability, which has improved in recent years. Might be interested in additional reliability depending on price, but unsure of whether 2 <sup>nd</sup> supply into site is still in service.
Customer 4	Happy with current reliability. Agreed to accept a lesser standard of reliability after fully understanding the risks.
Customer 5	Generally happy with existing supply reliability, and wouldn't be prepared to pay more for additional reliability
Customer 6	Declined to participate
Customer 7	Very happy with existing reliability. Benefit from Alpine's existing cable configuration around the Washdyke area, so wouldn't be prepared to pay for any more reliability.
Customer 8	Generally happy with existing reliability, except for a long wide-spread fault that created operational difficulties. Would not be interested in paying for additional reliability – philosophically opposed to paying any more.
Customer 9	Very happy with existing supply reliability – only 1 outage in the last year, and that was not critically disruptive. Wouldn't be interested in paying for additional reliability.
Customer 10	Happy with existing reliability (from two feeders), unlikely to consider additional reliability.
Customer 11	Happy with existing reliability – recognises that some loss of supply is inevitable. Not prepared to pay for additional reliability.
Customer 12	Happy with existing supply reliability. Two on-site generators supply key services during outages. Not prepared to pay for additional reliability.
Customer 13	Generally happy except for long outage late last year – expects high reliability, as plant processes are critical. Could be interested in additional reliability depending on likely cost and improvement in reliability.
Customer 14	Very happy with existing reliability – notes there

	have been some outages but seem very rare. Unlikely to want additional reliability.
Customer 15	Happy with existing reliability, so would not be interested in paying for additional reliability.
Customer 16	Happy with existing reliability, so would not be interested in paying for additional reliability. Expressed concern that line charges are greater than energy charges.
Customer 17	Reasonably happy with existing reliability, but would like to discuss options for additional reliability.
Customer 18	Happy with supply reliability apart from a major prolonged outage in 2003 (but recognises that it is difficult to escape the consequences of a major substation fault). Has a back-up generator on site, but this over-loaded due to internal modifications.
Customer 19	Generally happy with reliability, but increasing load has heightened their concern over reliability. Currently investigating options for increasing reliability including generation.
Customer 20	Generally happy with reliability, and wouldn't be prepared to pay more for additional reliability. Not happy with the way Genesis bundles the charges.
Customer 21	Happy with existing supply reliability, so wouldn't be interested in additional reliability.

## **2.4 Processes for acting on these responses**

Alpine Energy has adopted the following processes for acting on customer responses.

- Alpine Energy's 2004 asset management plan (AMP) has been modified to include the customer consultation phase in all major decisions concerning capacity and supply security.
- Alpine Energy will continue discussions with customers on the issue of price and supply quality. Over the next six months AEL will contact the survey customers who have indicated that they would consider increased reliability.