

# ALPINE ENERGY LIMITED

## THRESHOLD COMPLIANCE STATEMENT

FOR THE ASSESSMENT DATE, 31 MARCH 2006

*Pursuant to the Commerce Act (Electricity Distribution Thresholds) Notice 2004*

24 May 2006

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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 assessment date, 31 March 2006, as specified in the Commerce Act (Electricity Distribution Thresholds) Notice 2004.

**Clause 5 (1) (a)** The Notional Revenue of a distribution business at each assessment date (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):

<b>Test:</b>	$\frac{NR_{2006}}{R_{2006}} \leq 1$
<b>Result:</b>	1.0377 > 1
<b>Result:</b>	Threshold is breached by \$711,767

**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 Notional Revenue of the distribution business at the assessment date on which that assessment period ends and the 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).

<b>Test:</b>	$\frac{NR_{Max}}{Max(NR_{2005}, NR_{2006})} \leq 1$
<b>Result:</b>	\$19,605,608 / \$19,605,608 = 1
<b>Result:</b>	1.000 = 1
<b>Result:</b>	NR is equal. Threshold is not breached

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

Alpine Energy increased prices for the majority of customers on 1 April 2005, and for three large connections on 1 August 2005, 1 October 2005 and 1 February 2006, respectively.

Alpine Energy's maximum revenue occurred after the 1<sup>st</sup> of February 2006, making

$$\text{Max}(\text{NR}_{01/04/05 - 31/03/06}) = \text{NR}_{2006}$$

### **Explanation of Breach**

Alpine Energy Limited increased prices for all customers during the year commencing 1 April 2005, based on the CPI-X requirements and the pass through of estimated transmission charges. The breach is due to an unexpected decrease in transmission charges, from a level of \$7,909,788 in the 2005 year, to \$7,089,203 in 2006, largely due to high losses and constraints excess credits.

Alpine Energy intends to transparently pass the amount of the breach, plus interest, through to consumers on 20 June 2006.

### **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
- New investment charges
- Loss Rental Rebates
- EVA credits

Local body rates applying to system fixed assets: lines, cables, equipment, substation land and substation buildings, and Electricity Commission levies 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 comply with all requirements of the quality threshold at the assessment date, 31 March 2006, as specified in the Commerce Act (Electricity Lines Thresholds) Notice 2004.

Clause 6 (1) (a) Interruption Duration

<b>Test:</b>	$SAIDI_{2006} \leq \left( \frac{SAIDI_{1999} + SAIDI_{2000} + SAIDI_{2001} + SAIDI_{2002} + SAIDI_{2003}}{5} \right)$		
<b>Result:</b>	58.60	<	88.20
<b>Result:</b>	SAIDI does not breach threshold		

Supporting evidence is presented in Appendix D.

Clause 6 (1) (b) Interruption Frequency

<b>Test:</b>	$SAIFI_{2006} \leq \left( \frac{SAIFI_{1999} + SAIFI_{2000} + SAIFI_{2001} + SAIFI_{2002} + SAIFI_{2003}}{5} \right)$		
<b>Result:</b>	1.08	<	1.10
<b>Result:</b>	SAIFI does not breach the threshold		

Supporting evidence is presented in Appendix D.

Clause 6 (1) (c) Customer Communication

Test:

At least once during the period of 2 years ending 31 March 2006, a distribution business is to:

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

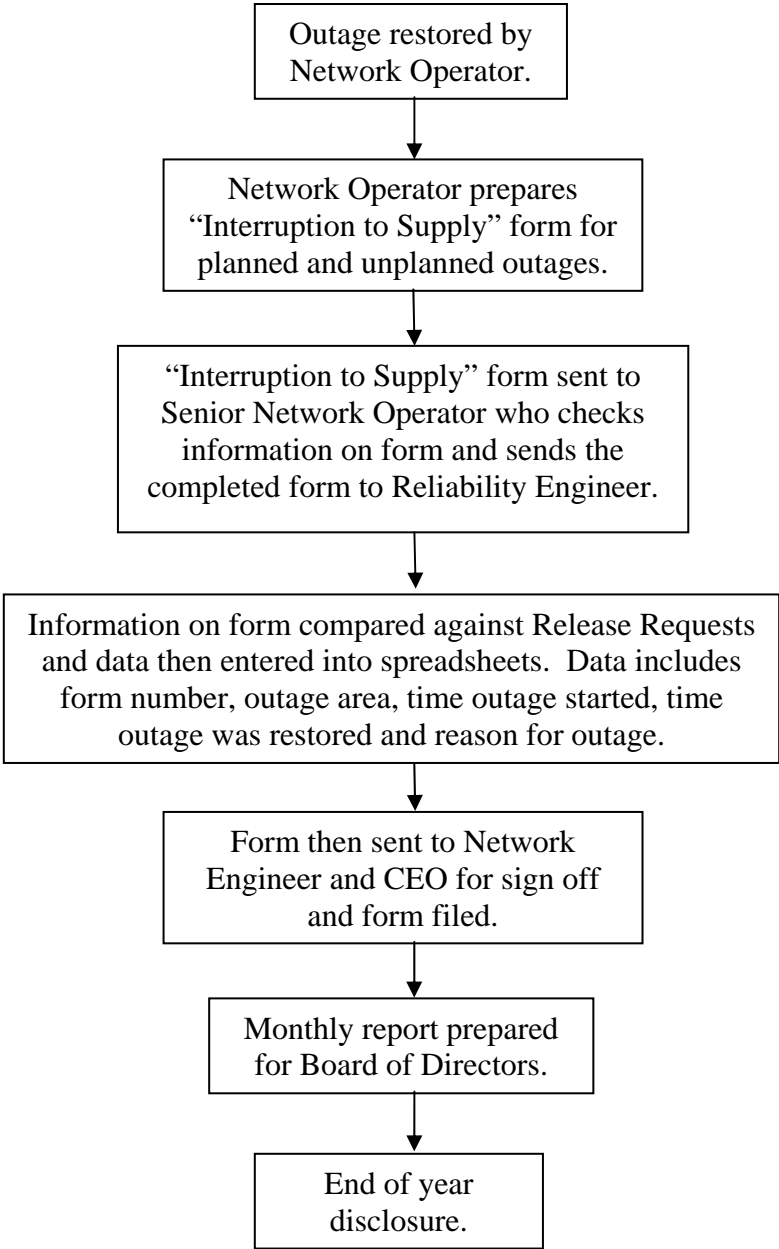
Result: Requirements for customer communication are met.

Supporting evidence is presented in Appendix E.

**3. Disclosure of Information Required (Clause 7(1)(a)(iii) – SAIDI and SAIFI policies and procedures)**

The following are the Policies and Procedures which Alpine Energy use for recording SAIDI and SAIFI statistics:

- All planned and unplanned outages 3.3kV and above are recorded.
- Outages less than 1 minute duration are still reported but do not affect SAIDI and SAIFI figures.
- Outages are recorded on an “Interruption to Supply” form by the Network Operator.
- The ICP data base is interrogated for customer numbers in the outage area.
- Monthly reports prepared for Board of Directors.



## REPORT OF THE AUDITOR-GENERAL

To the readers of the threshold compliance statement of Alpine Energy Limited for the assessment period ended on 31 March 2006

We have audited the attached statement, prepared by Alpine Energy Limited for assessment as at 31 March 2006 and dated 24 May 2006. The attached statement is a threshold compliance statement in respect of the price path threshold and the quality threshold, for the purposes of information requirements set out in clause 7 of the Commerce Act (Electricity Distribution Thresholds) Notice 2004 ("the Notice"). In this report the attached statement is called "the threshold compliance statement".

### Directors' Responsibilities

Directors of Alpine Energy Limited are responsible for the certification of the threshold compliance statement in accordance with the 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 audit the threshold compliance statement. It is the responsibility of the Auditor-General to express an independent opinion on the threshold compliance statement and report the opinion to you.

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

### Basis of Opinion - Price Path Threshold; Quality Threshold: SAIDI and SAIFI Statistics for the Assessment Period ended 31 March 2006; and Quality Threshold: Customer Communication

We conducted the audit in accordance with the Auditor-General's Auditing Standards which include the Auditing Standards issued by the Institute of Chartered Accountants of New Zealand.

The audit included examining, on a test basis, evidence relevant to the amounts and disclosures contained on pages 2 to 7 and Appendices A to E of the threshold compliance statement and which relate to:

- the price path threshold set out in clause 5 of the Notice;
- the SAIDI and SAIFI statistics for the assessment period ended on 31 March 2006 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
- 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 Alpine Energy 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 the 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.

**REPORT OF THE AUDITOR-GENERAL**

Alpine Energy 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 Alpine Energy 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**

In addition to the audit of the threshold compliance statement we have carried out other audit assignments for Alpine Energy Limited. This involved issuing an audit opinion on the annual financial statements for the year ended 31 March 2006 as well as audit certificates pursuant to the Electricity Information Disclosure Requirements 2004. We have also carried out other professional advisory services. Other than these assignments we have no relationship with or interests in Alpine Energy Limited.

**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 Alpine Energy Limited against that threshold for the assessment period ended on 31 March 2006.

***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 2006 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 Alpine Energy Limited's policies and procedures for recording SAIDI and SAIFI statistics as disclosed in the threshold compliance statement, and fairly represent the performance of Alpine Energy Limited for the assessment period ended on 31 March 2006;
- 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 Alpine Energy 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 Alpine Energy Limited.

**REPORT OF THE AUDITOR-GENERAL**

Alpine Energy 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 Alpine Energy Limited against that part of the quality threshold for the assessment period ended on 31 March 2006.

**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 2006, 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 Alpine Energy 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 2006.

Our audit was completed on 24 May 2006 and our qualified and unqualified opinions are expressed as at that date.



Maurice Noone  
On behalf of the Auditor-General  
Christchurch, New Zealand  
24 May 2006



PricewaterhouseCoopers

## 5. 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 Distribution Thresholds) Notice 2004 complies with the requirements of that notice:

Clause 5(1)(a) – Threshold breached


Clause 5(1)(b) – Threshold not breached

Clause 6(1)(a) – Threshold not breached

Clause 6(1)(b) – Threshold not breached



I J Bowan  
Director



D M D Cleverley  
Director

24 May 2006

## Appendix A

### Clause 5 (1) (a)

NR<sub>2006</sub>

Notional Revenue for the year ending 31 March 2006		
Term	Description	(\$)
$\Sigma P_{i,2006} Q_i$	Prices at 31 March 2006 multiplied by 31 March 2003 Base Quantities	26,822,388
$K_{2006}$	Transmission Charges for year ending 31 March 2006	7,089,203
	Rates for year ending 31 March 2006	60,242
	Electricity Commission Levies for year ending 31 March 2006	67,334
$NR_{2006} = \Sigma P_{i,2006} Q_i - K_{2006}$	Notional Revenue for the year ending 31 March 2006	19,605,608

NR<sub>2005</sub>

Notional Revenue for the year ending 31 March 2005 as disclosed in the 31 March 2005 Threshold Statement		
Term	Description	(\$)
$\Sigma P_{i,2005} Q_i$	Prices at 31 March 2005 multiplied by 31 March 2003 Base Quantities	25,932,278
$K_{2005}$	Transmission Charges for year ending 31 March 2005	7,909,788
	Rates for year ending 31 March 2005	64,480
	Electricity Commission Levies for year ending 31 March 2005	65,379
$NR_{2005} = \Sigma P_{i,2005} Q_i - K_{2005}$	Notional Revenue for the year ending 31 March 2005	17,892,631

R<sub>2004</sub>

Maximum Notional Revenue at the reference date which would not have caused the distribution business to breach the price path under the Initial Notice		
Term	Description	(\$)
$\Sigma P_{i,0} \times Q_{i,0}^{(1)}$	Prices at 6 September 2003 multiplied by 31 March 2003 Base Quantities	25,159,571
$C_{T2003}$	Budget Transmission Charges for year ending 31 March 2004	7,507,000
$C_{R2003}$	Budget Rates for year ending 31 March 2004	60,000
$R_{2004}$	Maximum Revenue at 31 March 2004 that would not have caused a breach under the Initial Notice	17,592,571

Note: All notation in the table above except R<sub>2004</sub> comes from the Initial Notice.

(1) Includes charges for new services supplied since 31 March 2003, for comparison purposes.

**Test for 5 (1) (a) - ( $NR_{2006} / R_{2006} \leq 1$ )**

Allowable Notional Revenue under CPI -X price path		
Term	Description	(\$)
$X$	X Factor	1%
$R_{2004}$	Maximum Revenue at 31 March 2004 that would not have caused a breach under the Initial Notice	17,592,571
$(1 + \Delta CPI_{2005})$	Average change in Consumer Price Index over 2004	1.0229
$(1-X)$	1-X Factor	0.99
$R_{2005(1)}$	Allowable Notional Revenue under the CPI-X Price Path for the year ended 31 March 2005	17,815,530
$R_C$	Revenue from new assets for existing customer	706,636
$R_{2005}$	Total Allowable Notional Revenue under the CPI-X Price Path for the year ended 31 March 2005	18,522,166
$(1 + \Delta CPI_{2006})$	Average change in Consumer Price Index over 2005	1.0304
$(1-X)$	1-X Factor	0.99
$R_{2006}$	Allowable Notional Revenue under the CPI-X Price Path for the year ended 31 March 2006	18,893,841
$NR_{2006} / R_{2006}$	Expression must be less than or equal to 1 to avoid breaching 5(1)(a)	1.0377
$R_{2006} - NR_{2006}$	Value of Compliance or (Breach)	(711,767)

$R_{2005(1)}$  - Notional revenue under CPI-X before addition of revenue from new assets for existing customer

For presentation purposes, the CPI Index has been presented to four decimal places, however, for the calculation of  $R_{2006}$ , the full index (with no rounding) has been applied.

$\Delta CPI_{2005}$			
Numerator		Denominator	
$CPI_{Q1,2004}$	1115	$CPI_{Q1,2003}$	1098
$CPI_{Q2,2004}$	1124	$CPI_{Q2,2003}$	1098
$CPI_{Q3,2004}$	1131	$CPI_{Q3,2003}$	1103
$CPI_{Q4,2004}$	1141	$CPI_{Q4,2003}$	1111
Total	4511	Total	4410
$\Delta CPI_{2005}$	2.29%		

Source: Statistics New Zealand All Groups SE9A Index

$\Delta CPI_{2006}$			
Numerator		Denominator	
$CPI_{Q1,2005}$	1146	$CPI_{Q1,2004}$	1115
$CPI_{Q2,2005}$	1156	$CPI_{Q2,2004}$	1124
$CPI_{Q3,2005}$	1169	$CPI_{Q3,2004}$	1131
$CPI_{Q4,2005}$	1177	$CPI_{Q4,2004}$	1141
Total	4648	Total	4511
$\Delta CPI_{2006}$	3.04%		

Source: Statistics New Zealand All Groups SE9A Index

## Appendix B

### Clause 5 (1) (b)

$NR_{Max}$

Maximum Notional Revenue for the period 1 April 2005 to 31 March 2006. Enter P x Q using 31 March 2006 Prices and 31 March 2003 Base Quantities if there has been no change in prices over this period, otherwise use prices which generate the maximum notion		
Term	Description	(\$)
$\Sigma P_{Max} Q_i$	Maximum Price Between 1 April 2005 and 31 March 2006 multiplied by 31 March 2003 Base Quantities	26,822,388
$K_{2006}$	Transmission Charges for year ending 31 March 2006	7,089,203
	Rates Charges for year ending 31 March 2006	60,242
	Electricity Commission Levies for year ending 31 March 2006	67,334
$NR_{Max}$	Maximum Notional Revenue for 1 April 2005 to 31 March 2006	19,605,608

**Test for 5 (1) (b) -  $(NR_{Max} / \text{Max}(NR_{2005}, NR_{2006})) \leq 1$**

Notional Revenue during the period is not to exceed the maximum of the Notional Revenue at the end of the assessment period and the Notional Revenue at the end of the previous assessment period		
Term	Description	(\$)
$NR_{Max}$	Maximum Notional Revenue for 1 April 2005 to 31 March 2006	19,605,608
$NR_{2005}$	Notional Revenue at 31 March 2005	17,892,631
$NR_{2006}$	Notional Revenue at 31 March 2006	19,605,608
$\text{Max}(NR_{2005}, NR_{2006})$	Maximum of the Notional Revenue at 31 March 2005 and the Notional Revenue at 31 March 2006	19,605,608
$NR_{Max} / \text{Max}(NR_{2005}, NR_{2006})$	If expression is greater than 1, Clause 5 (1) (b) is breached	1.0000
$\text{Max}(NR_{2005}, NR_{2006}) - NR_{Max}$	Value of Compliance or (Breach)	-

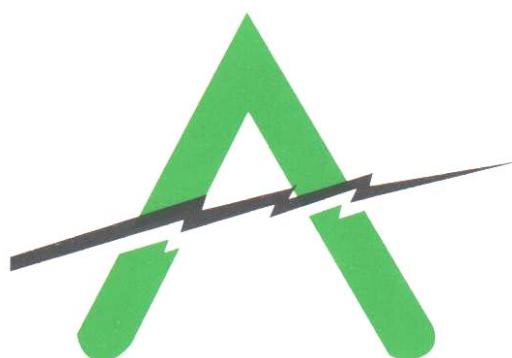


## Appendix D

Year	SAIDI (Interruption Duration)			SAIFI (Interruption Frequency)		
	Class B	Class C	Total	Class B	Class C	Total
1999	10	57	67.00	0.1	1.2	1.30
2000	15	32	47.00	0.1	0.7	0.80
2001	8	68	76.00	0.1	1.3	1.40
2002	19	50	69.00	0.2	0.8	1.00
2003	20	162	182.00	0.1	0.9	1.00
	<b>Five Year Average SAIDI</b>		<b>88.20</b>	<b>Five Year Average SAIFI</b>		<b>1.10</b>
2006	8.27	50.33	58.60	0.16	0.92	1.08

**Commerce Act**  
**(Electricity Distribution**  
**Thresholds) Notice 2004**

**Pursuant to Part 4A of  
the Commerce Act 1986**



**ALPINE ENERGY LIMITED**

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

## **Summary**

The purpose of this report is to disclose Alpine Energy Ltd's compliance with the requirements to consult with customers on the available price and supply quality trade offs as required by Sections 6(1)(c)(i) to 6(1)(c)(iv) of the Commerce Act (Electricity Distribution Thresholds) Notice 2004 dated 31 March 2004.

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# **1. Introduction**

## **1.1 Background**

The targeted control regime established under Part 4A of the Commerce Act 1986 and promulgated by the Commerce Act (Electricity Distribution Thresholds) Notice 2004 dated 31 March 2004 requires each lines company to properly consult with their customers on the options of price and supply quality available to those customers during the two year periods ending on 31 March 2006 and 31 March 2008 and to take those customers views into account when making asset management decisions. Alpine Energy has used, and will continue to use, its asset management plan as the primary means of taking these views into account when setting service levels.

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

## **1.2 Purpose of this document**

The purpose of this document is to provide a written statement pursuant to Section 7(1)(a)(ii) of the Notice that a customer consultation has been performed.

## **2. Consultation requirements**

### **2.1 Specific requirements**

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

- (a) Properly advise (or ensure that another person properly advises on its behalf) its customers (or another person that accurately reflects the interests of those customers) about the price and quality trade-offs available to them in relation to the goods and services provided by the distribution business.
- (b) Consult (or ensure that another person consults on its behalf) with those customers (or another person that accurately reflects the interests of those customers) about the quality of goods and services that they require, with reference to the price of those goods and services.
- (c) Properly consider the views expressed by customers during and after that consultation.
- (d) Adequately take these views into account when making asset management decisions.

### **2.2 Definition of quality**

As part of both the large customer survey and the mass-market survey undertaken Alpine Energy has asked customers to identify what is the most important aspect of electricity supply and then rank the descending order of importance from the following list of attributes...

- Answering the phone quickly when they called Alpine Energy.
- Keeping the power on all the time.
- Quick processing of applications for new connections.
- Advising on technical stuff.
- Getting the power back on quickly.
- No flicker or surge
- Sufficient notice of planned shutdowns.

Customer responses revealed the following...

- A clear majority of customers considered “continuity” to be the most important attribute.
- A reasonable majority considered “restoration” to be second most important.
- The third most important attribute was fairly evenly split between “no flicker”, “timely shutdown notices” and “restoration”.

Alpine Energy therefore believes interpreting “quality” as continuity and restoration is well justified, and uses the term “reliability” to embody both of these attributes.

The aspect of safety was not listed as an attribute as this is deemed by Alpine Energy as a mandatory quality provision of operating an electricity distribution network and not discretionary.

### **2.3 Definitions of large & small customers**

In its Customer Consultation for the period ending 31 March 2004 Alpine Energy consulted with its 25 largest customers (by energy consumption). This definition of “large” was accepted by the Commerce Commission in 2004 hence Alpine Energy adopted this definition again for 2006.

Accordingly, Alpine Energy’s other 29,138 customers are classified as “small” or “mass-market”.

### 3. Summary of compliance

This section provides supporting evidence that the requirements of bullet points (a) to (d) in Section 2.1 of this document have been complied with.

Compliance requirement	Large customer activities	Mass-market activities
<p>Properly advise (or ensure that another person properly advises on its behalf) its customers (or another person that accurately reflects the interests of those customers) about the price and quality trade-offs available to them in relation to the goods and services provided by the distribution business.</p>	<ul style="list-style-type: none"> <li>• Applicant for new high-voltage connections are presented with a range of options for component ratings, configurations and locations applicable to their intended load, along with applicable tariffs.</li> <li>• Page 27 of the 2005/06 AMP includes a summary of planned and actual SAIDI and SAIFI for the 2004/05 year, along with a statement of expected performance for fault call-outs and new connection applications.</li> </ul>	<ul style="list-style-type: none"> <li>• Applicants for new mass-market connections are presented with a range of options applicable for standard supplies, along with applicable tariffs.</li> <li>• Compilation of Alpine Energy's SCI requires intended quality (SAIDI, SAIFI and CAIDI) and price (total revenue) to be considered and approved by shareholder groups.</li> </ul>
<p>Consult (or ensure that another person consults on its behalf) with those customers (or another person that accurately reflects the interests of those customers) about the quality of goods and services that they require, with reference to the price of those goods and services.</p>	<ul style="list-style-type: none"> <li>• The 25 largest customers were surveyed to determine their preference from the following options...               <ul style="list-style-type: none"> <li>• Pay a bit less to receive a bit less reliability.</li> <li>• Pay about the same to receive about the same reliability.</li> <li>• Pay a bit more to receive a bit more reliability.</li> <li>• Pay a lot more to receive a lot more reliability.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• 500 mass-market customers were surveyed to determine their preference from the following options...               <ul style="list-style-type: none"> <li>• Pay a bit less to receive a bit less reliability.</li> <li>• Pay about the same to receive about the same reliability.</li> <li>• Pay a bit more to receive a bit more reliability.</li> <li>• Pay a lot more to receive a lot more reliability.</li> </ul> </li> <li>• Views were sought from retailers as to whether Alpine Energy was providing reliable and fairly priced infrastructure.</li> </ul>

		<ul style="list-style-type: none"> <li>The process of compiling the SCI provides for shareholders to instruct the directors to amend <i>inter alia</i> the quality (SAIDI, SAIFI and CAIDI) and price (revenue) if the shareholders are unhappy.</li> </ul>
Properly consider the views expressed by customers during and after that consultation.	<ul style="list-style-type: none"> <li>The views obtained by the large customer survey and the mass-market survey have been compiled into reports that are considered at chief executive level. The 3 Large Customers who indicating interest in increased reliability were unaware it already existed, one had chosen to sell their business, and the last will require further consultation.</li> <li>Contact with those customers who indicated a preference for improved reliability in the 2004 engagement process indicated reluctance to pay more for improved reliability.</li> </ul>	
Adequately take these views into account when making asset management decisions.	<ul style="list-style-type: none"> <li>The primary means of taking those views into account when making asset management decisions is through the "Setting The Service Levels" section in the AMP – suggest drawing heavily from the Customer Survey. It must be noted that the technical nature of electricity distribution and the service levels set by regulatory and technical constraints do not always permit customers views to be taken into account. Discussions with one customer resulted in their business electing to install a standby generation as the best price/quality solution.</li> </ul>	

## **4. Narrative descriptions of compliance**

### **4.1 New physical connections**

Alpine Energy connects about 350 new customers to its network every year, ranging from a 50W electric fence to a 30MW dairy factory. Alpine Energy engages with the intending customer or their agent to present possible options for the following issues...

- The physical location of the intended connection with respect to the existing network.
- The load required to be supplied, which in turn will influence the configuration and rating of components required.
- Configuration of components not directly influenced by the load, such as requirements to underground new works.
- Tariff options applicable to the above issues.

The preferences of the customer are incorporated into the final connection. Obviously the size of the intending load will dictate the extent of consultation and whether the options to the customer provided are standard or situation-specific.

#### **Reference**

AEL Network Connection Application Form

### **4.2 Tariff options**

Alpine Energy's standard mass-market tariff is the "015 Under 15kVA" which has about 25,000 customers. A low fixed charge is also offered which has about 2000 customers. The distribution and metering components of these tariffs are more described in the following table...

<b>Description</b>	<b>Fixed component</b>	<b>Variable components</b>	<b>Metering component</b>
Low fixed charge	\$37.60/year	Day – 3.4c/kWh Night – 2.32c/kWh	\$40.07/year
Under 15kVA	\$217.33/year	Day – 1.16c/kWh Night – 0.08c/kWh	\$40.07/year

#### **Reference**

- [www.alpineenergy.co.nz/csc0405.pdf](http://www.alpineenergy.co.nz/csc0405.pdf)

### **4.3 Large customer survey**

Alpine Energy repeated the 2004 survey of its 25 largest customers, but included several additional questions in addition to the simple price-quality trade-off question asked in 2004.

The results of the survey of large customers are broadly as follows...

- The most important aspect of electricity supply is continuity.
- The second most important aspect of electricity supply is restoration.
- The third most important aspect of electricity supply is no flicker closely followed by shutdown notices.
- Customer ratings of Alpine Energy's performance in the most important aspect of continuity have a distinct skew towards Excellent.
- Customer ratings of Alpine Energy's performance in the second most important aspect of restoration have a strong clustering around Very Good and Excellent.
- Just about all customers expressed a preference for paying about the same to receive about the same reliability.

#### **Reference**

- alpine-energy-consumer-survey-results-050406.doc

### **4.4 Mass-market survey**

Alpine Energy also surveyed 500 mass-market customers sampled on a pro-rata basis from the six GXP areas of the network, as follows...

<b>Market segment</b>	<b>Number in sample</b>
Albury	24
Studholme	60
Timaru	282
Tekapo	11

Temuka	102
Twizel	20

The results of the survey of mass-market customers are broadly as follows...

- The most important aspect of electricity supply in all six areas is continuity.
- The second most important aspect of electricity supply is restoration overall.
- The third most important aspect of electricity supply is no flicker closely followed by restoration and shutdown notices.
- Customer ratings of Alpine Energy's performance in the most important aspect of continuity have a distinct skew towards Very Good.
- Customer ratings of Alpine Energy's performance in the second most important aspect of restoration have a strong skewing around Very Good and Excellent.
- Just about all customers in all areas expressed a preference for paying about the same to receive about the same reliability.

#### **Reference**

- alpine-energy-consumer-survey-results-050406.doc

### **4.5 Retailer consultation**

The following retailers were contacted to discuss how reliable and how well priced Alpine Energy's network services are. The following responses were obtained...

- Contact Energy - Reasonable relationship and generally timely response to queries. Looking forward to transitioning from GXP to ICP pricing next year.
- TrustPower – data obtained from TrustPower indicates almost total satisfaction across the indices measured.
- Meridian Energy – the respondent simply said “fine” and ended the phone call.

## **4.6 Statement of corporate intent**

Alpine Energy's SCI is the principal governance mechanism, and includes a statement of intended quality (SAIDI, SAIFI and CAIDI) and price (total revenue).

As part of the process of approving the SCI there is provision for the shareholders to instruct the directors to amend any aspect of the SCI they are not happy with. One of these shareholders is the Lines Trust South Canterbury which is directly representative of customer views through the trustee election process.

### **Reference**

- Alpine Energy SCI ([www.alpineenergy.co.nz](http://www.alpineenergy.co.nz))

## **4.7 Asset management plan**

The 2005/06 provides a statement of expected rural and urban reliability measures arising from planned and unplanned events on both Alpine Energy's and Transpower's networks.

Levels of service take into account reliability and customer service standards which are monitored through internal systems. Areas of improved performance are also reviewed and should the standard not meet the customers requirements then formal complaints are referred to the EGCC for determination.

Price/quality trade offs have included one customer negotiation for the design of a distribution system bypass and direct Transpower connection. The economics resulted in the customer proceeding with the network feeder upgrade solution.

Security of supply has been contracted directly with our largest customer, while other consumers with sensitive supplies have installed standby generation as an effective price/quality decision based on business process requirements exceeding the reliability performance of an enhanced supply.

Recently an embedded network has been established where the developer used their cost of capital to fund the network while remaining network services are contracted to meet their price/quality requirements.

### **Reference**

- [www.alpineenergy.co.nz/amp0506.pdf](http://www.alpineenergy.co.nz/amp0506.pdf)