

ALPINE ENERGY LIMITED

THRESHOLD COMPLIANCE STATEMENT

FOR THE ASSESSMENT DATE, 31 MARCH 2008

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

19 May 2008

Contents

- 1) Disclosure of Information Required (Clause 7(1)(a)(i) – The Price Path Threshold)
- 2) Disclosure of Information Required (Clause 7(1)(a)(ii) – The Quality Threshold)
- 3) Disclosure of Information Required (Clause 7(1)(a)(iii) – SAIDI and SAIFI policies and procedures)
- 4) Auditor’s Report on the Threshold Compliance Statement (Clause 7(1)(b))
- 5) Certification of the Threshold Compliance Statement (Clause 7(1)(c))

APPENDIX A – Information supporting the Price Path Threshold, Clause 5 (1) a

APPENDIX B – Information supporting the Price Path Threshold, Clause 5 (1) b

APPENDIX C – Price and Quantity Schedules for the Price Path Threshold

APPENDIX D – SAIDI and SAIFI Statistics

APPENDIX E – Compliance with quality threshold 6(1)c

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

Alpine Energy Limited does 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) 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 right-hand side of the following expression):

Test:	$\frac{NR_{2008}}{R_{2008}}$	≤ 1
Result:	\$19,026,646 / \$19,595,873	< 1
Result:	0.9710	< 1
Result:	Threshold is not breached	

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).

Test:	$\frac{NR_{Max}}{Max(R_{2007}, R_{2008})}$	≤ 1
Result:	\$19,026,646 / \$19,595,873	< 1
Result:	0.9710	< 1
Result:	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 2007, and for three large connections on 1 August 2007, 1 October 2007 and 1 February 2008, respectively.

Alpine Energy's maximum revenue occurred after the 1st of February 2008, making

$$\text{Max}(\text{NR}_{01/04/07 - 31/03/08}) = \text{NR}_{2008}$$

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

Clause 6 (1) (a) Interruption Duration

Test:	$SAIDI_{2008} \leq \left(\frac{SAIDI_{1999} + SAIDI_{2000} + SAIDI_{2001} + SAIDI_{2002} + SAIDI_{2003}}{5} \right)$		
Result:	149.50	>	88.20
Result:	SAIDI breaches the threshold by 61.3 minutes		

Supporting evidence is presented in Appendix D.

Clause 6 (1) (b) Interruption Frequency

Test:	$SAIFI_{2008} \leq \left(\frac{SAIFI_{1999} + SAIFI_{2000} + SAIFI_{2001} + SAIFI_{2002} + SAIFI_{2003}}{5} \right)$		
Result:	1.68	>	1.10
Result:	SAIFI breaches the threshold by 0.58 interruptions		

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 2008, 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.

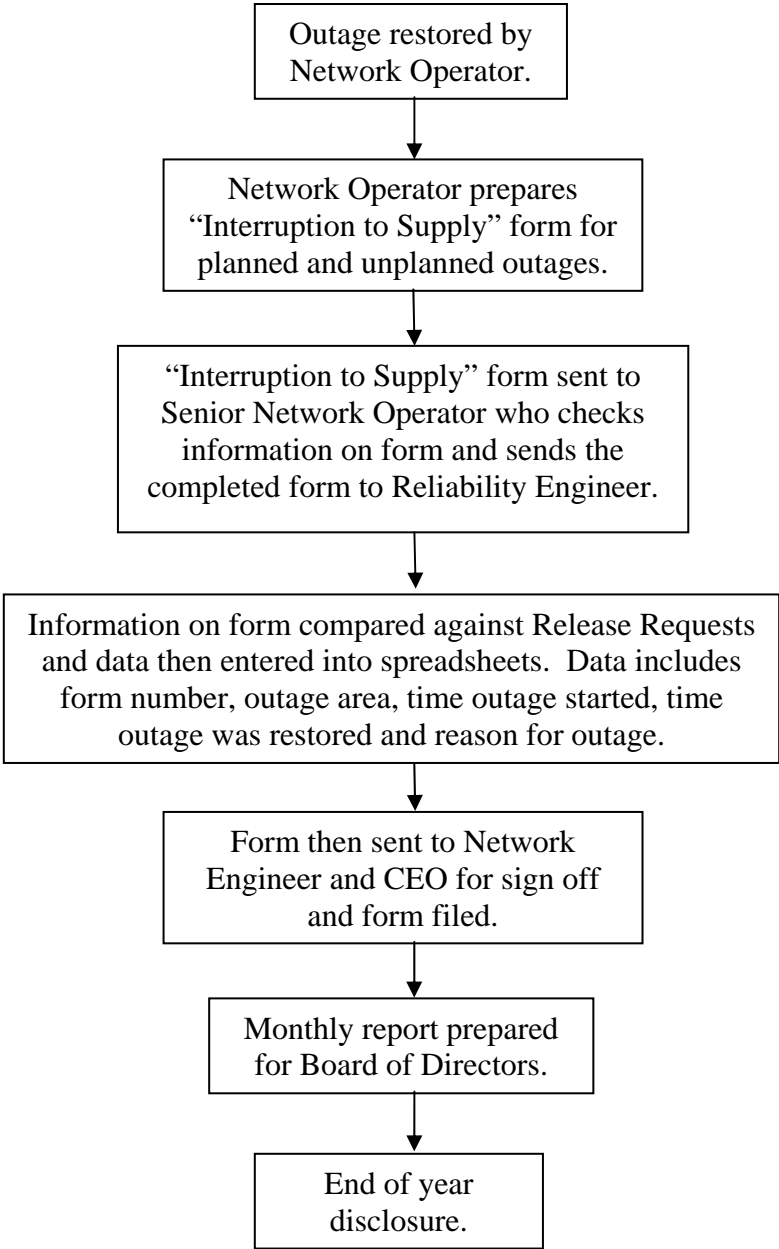
Result: Requirements for customer communication are met.

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 2008

We have audited the attached statement, prepared by Alpine Energy Limited for assessment as at 31 March 2008 and dated 19 May 2008. 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, confirming the compliance or otherwise, 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 Robert Harris 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 2008; 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; 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 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.

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 2008 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 2008.

Quality Threshold: SAIDI and SAIFI statistics

In our opinion, having made all reasonable enquiries, 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 Alpine Energy Limited's policies and procedures for recording SAIDI and SAIFI statistics as disclosed in the threshold compliance statement; and
- 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 enquiries, 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 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;
- Control over the completeness and accuracy of ICP data included in the SAIDI and SAIFI calculations is limited throughout the period; and
- The SAIDI calculations for some planned outages during the period are based on planned, rather than actual, switching times. There are no detailed records available to verify the accuracy of the switching times used in those calculations.

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 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 2008.

Our audit was completed on 19 May 2008 and our qualified and unqualified opinions are expressed as at that date.



Robert Harris
On behalf of the Auditor-General
Christchurch, New Zealand
19 May 2008

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 except for :

Clause 6(1)(a) – Threshold breached

Clause 6(1)(b) – Threshold breached



I J Bowan
Director



D M D Cleverley
Director

19 May 2008

Appendix A

Clause 5 (1) (a) NR2008

Notional Revenue for the year ending 31 March 2008		
Term	Description	(\$)
$\sum P_{i,2008} Q_i$	Prices at 31 March 2008 multiplied by 31 March 2003 Base Quantities	27,675,341
K_{2008}	Transmission Charges for year ending 31 March 2008	8,507,072
	Rates for year ending 31 March 2008	56,757
	Electricity Commission Levies for year ending 31 March 2008	84,866
$NR_{2008} = \sum P_{i,2008} Q_i - K_{2008}$	Notional Revenue for the year ending 31 March 2008	19,026,646

R₂₀₀₄

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	(\$)
$\sum P_{i,0} x Q_{i,0}$	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 R₂₀₀₄ comes from the Initial Notice.

Test for 5 (1) (a) - $(NR_{2008} / R_{2008} \leq 1)$

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
$(1 + \Delta CPI_{2007})$	Average change in Consumer Price Index over 2006	1.0337
$(1-X)$	1-X Factor	0.99
R_{2007}	Allowable Notional Revenue under the CPI-X Price Path for the year ended 31 March 2007	19,334,398
$(1 + \Delta CPI_{2008})$	Average change in Consumer Price Index over 2007	1.0238
$(1-X)$	1-X Factor	0.99
R_{2008}	Allowable Notional Revenue under the CPI-X Price Path for the year ended 31 March 2008	19,595,873
NR_{2008} / R_{2008}	Expression must be less than or equal to 1 to avoid breaching 5(1)(a)	0.9710
$R_{2008} - NR_{2008}$	Value of Compliance or (Breach)	569,227

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

ΔCPI_{2005}			
Numerator		Denominator	
<i>CPI</i> _{Q1,2004}	928	<i>CPI</i> _{Q1,2003}	913
<i>CPI</i> _{Q2,2004}	935	<i>CPI</i> _{Q2,2003}	913
<i>CPI</i> _{Q3,2004}	941	<i>CPI</i> _{Q3,2003}	918
<i>CPI</i> _{Q4,2004}	949	<i>CPI</i> _{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	
<i>CPI</i> _{Q1,2005}	953	<i>CPI</i> _{Q1,2004}	928
<i>CPI</i> _{Q2,2005}	962	<i>CPI</i> _{Q2,2004}	935
<i>CPI</i> _{Q3,2005}	973	<i>CPI</i> _{Q3,2004}	941
<i>CPI</i> _{Q4,2005}	979	<i>CPI</i> _{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	
<i>CPI</i> _{Q1,2006}	985	<i>CPI</i> _{Q1,2005}	953
<i>CPI</i> _{Q2,2006}	1000	<i>CPI</i> _{Q2,2005}	962
<i>CPI</i> _{Q3,2006}	1007	<i>CPI</i> _{Q3,2005}	973
<i>CPI</i> _{Q4,2006}	1005	<i>CPI</i> _{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	
<i>CPI</i> _{Q1,2007}	1010	<i>CPI</i> _{Q1,2006}	985
<i>CPI</i> _{Q2,2007}	1020	<i>CPI</i> _{Q2,2006}	1000
<i>CPI</i> _{Q3,2007}	1025	<i>CPI</i> _{Q3,2006}	1007
<i>CPI</i> _{Q4,2007}	1037	<i>CPI</i> _{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	(\$)
$\Sigma P_{Max} Q_i$	Maximum Price Between 1 April 2007 and 31 March 2008 multiplied by 31 March 2003 Base Quantities	27,675,341
K_{2008}	Transmission Charges for year ending 31 March 2008	8,507,072
	Rates Charges for year ending 31 March 2008	56,757
	Electricity Commission Levies for year ending 31 March 2008	84,866
NR_{Max}	Maximum Notional Revenue for 1 April 2007 to 31 March 2008	19,026,646

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

Notional Revenue 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	19,026,646
R_{2007}	Allowable Notional Revenue at 31 March 2007	19,334,398
R_{2008}	Allowable Notional Revenue at 31 March 2008	19,595,873
$\text{Max}(R_{2007}, R_{2008})$	Maximum of the Allowable Notional Revenue at 31 March 2007 and the Allowable Notional Revenue at 31 March 2008	19,595,873
$NR_{Max} / \text{Max}(R_{2007}, R_{2008})$	If expression is greater than 1, Clause 5 (1) (b) is breached	0.9710
$\text{Max}(R_{2007}, R_{2008}) - NR_{Max}$	Value of Compliance or (Breach)	569,227

Appendix C

Price x Quantity at 31/03/2008

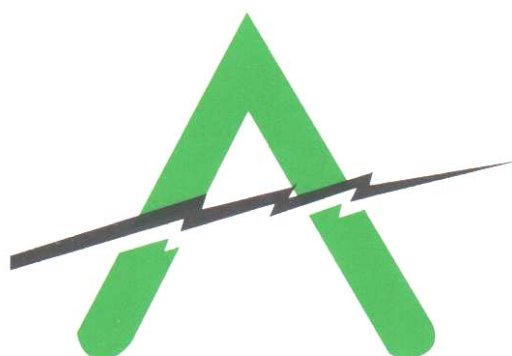
Tariff or Fee	Description	Number of ICPs at 31/03/03	Day kWh	Night kWh	Total kWh	kW	Winter kWh	Transmission Tariff (Individual Customers Only)	Transmission and Distribution Charges					Notional Transmission Revenue (\$)	Notional Distribution Revenue (\$)		Total Revenue (\$) P _{1,0} Q _{1,0}	
									Fixed	Fixed			Day Variable (c/kwh)		Night Variable (c/kwh)	Fixed		Variable
									\$/year	\$/year	\$/kW/year	winter kWh c/kWh/year						
Fixed Charges																		
LOW	Low Fixed Charge	362																
008	Under 8 kVA	380																
015	Under 15 kVA	25,852																
360	3 x 60A	670																
ASS	Over 15kVA Assessed	895				62,298												
TN1	TOU 400V	143				29,539	29,354,220											
TR1	TOU 400V Remote	2				1,130	1,859,772											
TN2	11kV < 3000 kW	7				5,582	6,386,612											
TR3	TOU 11kV > 3000 kW	1				4,228	5,067,377											
IND	OP	1						160,208	136,218					160,208	136,218		296,426	
IND	AL	1						211,588	123,217					211,588	123,217		334,805	
IND	FO	1						1,538,169	1,124,550					1,538,169	1,124,550		2,662,719	
	FO - New Assets (R _c)							212,382	532,580					212,382	532,580		744,962	
IND	SA	1						37,181	57,347					37,181	57,347		94,528	
Variable Charges																		
Mass Market																		
LOW	Low Fixed Charge																	
Total kWh Low Fixed Charge			1,021,675	413,464	1,435,139													
008	Under 8 kVA																	
015	Under 15 kVA																	
360	3 x 60A																	
ASS	Over 15kVA Assessed																	
Total kWh All other MM			238,368,114	96,465,590	334,833,704											9,747,508	9,747,508	
Σ P_{1,095} Q_{1,095}																		
																27,675,341		

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
	Five Year Average SAIDI		88.20	Five Year Average SAIFI		1.10
2008	62.32	87.18	149.50	0.30	1.38	1.68

Commerce Act (Electricity Distribution Thresholds) Notice 2004

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



ALPINE ENERGY LIMITED

**Evidence of activities undertaken to
comply with the consumer engagement
criteria of quality threshold 6(1)c**

Summary

The purpose of this report is to present evidence of the activities that Alpine Energy Ltd has undertaken during the two year period ending 31st March 2008 to comply with the requirements to consult with consumers 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.

Contents

Summary	19
Contents	19
1. Introduction	20
2. Consultation requirements	21
3. Summary of compliance	23
4. Narrative descriptions of compliance	25

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 consumers on the options of price and supply quality available to those consumers during the two year periods ending on 31 March 2006 and 31 March 2008 and to take those consumers 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 demonstrate pursuant to Section 7(1)(a)(ii) of the Notice that a consumer consultation has been performed.

2. Consultation requirements

2.1 Specific requirements

The consumer 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 consumers (or another person that accurately reflects the interests of those consumers) 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 consumers (or another person that accurately reflects the interests of those consumers) 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 consumers during and after that consultation.
- (d) Adequately take these views into account when making asset management decisions.

2.2 Definition of quality

Alpine Energy has defined quality as a combination of continuity and restoration, which is justified by the following argument.

As part of Top 25, Top 26 - 125 and the mass-market surveys undertaken Alpine Energy has asked consumers to identify what is the most important aspect of electricity supply, the second most important, and the third most important 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 matters.
- Getting the power back on quickly.

- No flicker or surge
- Sufficient notice of planned shutdowns.

Consumer responses revealed the following...

- A clear majority of consumers considered “continuity” to be the most important attribute.
- A reasonable majority considered “restoration” to be second most important.

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

2.3 Definitions of large & small consumers

Alpine Energy has progressively increased the scope of its consumer surveys over the last 4 years as follows...

Period ending	Scope of survey
31 st March 2004	<ul style="list-style-type: none"> • Top 25 consumers only.
31 st March 2006	<ul style="list-style-type: none"> • Top 25 consumers. • Random sample of 500 mass market consumers.
31 st March 2008	<ul style="list-style-type: none"> • Top 25 consumers only. • Random sample of 30 from consumers ranked 26 to 125. • Random sample of 500 mass market consumers

This has obviously required Alpine Energy to define what is meant by “large” and “small” consumers. In its consumer consultation for the period ending 31st March 2004 Alpine Energy consulted with its 25 largest consumers (by energy consumption). This definition of “large” was accepted by the Commerce Commission in 2004 hence Alpine Energy adopted this definition again for 2006 and classified its other 29,150 consumers as “small” or “mass-market”. In 2008, due to the inclusion of a new random sample of the Top 26 – 125 consumers, the definition of mass market has been accordingly adjusted.

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	Top 25 consumer activities	Top 26 – 125 activities	Mass-market activities
<p>Properly advise (or ensure that another person properly advises on its behalf) its consumers (or another person that accurately reflects the interests of those consumers) 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"> • 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. • Page 59 of the 2007/17 AMP includes a summary of planned and actual SAIDI and SAIFI for the 2006/07 year, along with a statement of expected performance for fault call-outs and new connection applications. 	<ul style="list-style-type: none"> • Applicant for new high-voltage connections are presented with an option for component ratings, configurations and locations applicable to their intended load, along with applicable tariffs. • Supply security options are discussed along with cost for enhanced supply to allow customers an informed choice on price/quality. 	<ul style="list-style-type: none"> • Applicants for new mass-market connections are presented with a range of options applicable for standard supplies, along with applicable tariffs. • 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.
<p>Consult (or ensure that another person consults on its behalf) with those consumers (or another person that accurately reflects the interests of those consumers) 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"> • This market segment was surveyed to determine their preference from the following options... <ul style="list-style-type: none"> • Pay a bit less to receive a bit less reliability. • Pay about the same to receive about the same reliability. • Pay a bit more to 	<ul style="list-style-type: none"> • This market segment was surveyed to determine their preference from the following options... <ul style="list-style-type: none"> • Pay a bit less to receive a bit less reliability. • Pay about the same to receive about the same reliability. • Pay a bit more to receive 	<ul style="list-style-type: none"> • This market segment was surveyed to determine their preference from the following options... <ul style="list-style-type: none"> • Pay a bit less to receive a bit less reliability. • Pay about the same to receive about the same reliability. • Pay a bit more to

	<p>receive a bit more reliability.</p> <ul style="list-style-type: none"> • Pay a lot more to receive a lot more reliability. 	<p>a bit more reliability.</p> <ul style="list-style-type: none"> • Pay a lot more to receive a lot more reliability. 	<p>receive a bit more reliability.</p> <ul style="list-style-type: none"> • Pay a lot more to receive a lot more reliability. • Views were sought from retailers as to whether Alpine Energy was providing reliable and fairly priced infrastructure. • 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. One shareholder (Lines Trust South Canterbury) is considered to strongly reflect consumer preferences.
<p>Properly consider the views expressed by consumers during and after that consultation.</p>	<ul style="list-style-type: none"> • The views obtained by the large consumer survey and the mass-market survey have been compiled into reports that are considered at chief executive level. Consumers' response has shown general acceptance of service levels, however AEL will continue to contact customers and work through any concerns or issues. • Contact with those consumers who indicated a preference for improved reliability in the 2008 engagement process. 		
<p>Adequately take these views into account when making asset management decisions.</p>	<ul style="list-style-type: none"> • 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 Consumer 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 consumers views to be taken into account. 		

4. Narrative descriptions of compliance

4.1 New physical connections

Alpine Energy connects about 350 new consumers to its network every year. The strong growth in the rural economy has provided a large number of dairy shed and irrigation connections. Alpine Energy engages with the intending consumer 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 consumer 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 consumer provided are standard or situation-specific.

Reference

- Application for Network Connection forms are used for standard connections.

4.2 Tariff options

Alpine Energy's standard mass-market tariff is the "015 Under 15kVA" which has about 23,900 consumers. A low fixed charge is also offered which has about 3,350 consumers. The distribution and metering components of these tariffs are more described in the following table...

Description	Fixed component	Variable components	Metering component
Low fixed charge	\$38.53	Day – 3.49c/kWh Night – 2.38c/kWh	\$44.08/year
Under 15kVA	\$222.76/year	Day – 1.19c/kWh Night – 0.08c/kWh	\$44.08/year

Charges from 1 April 2008 contain a strong price signal for customers to retain use of load control services. An additional fixed transmission charge now applies to consumers, in the Low Fixed, under 15kVA and 3 x 60 load groups, for provision of electric water heating that cannot be controlled by Alpine Energy via a ripple relay.

Reference

- www.alpineenergy.co.nz/LineCharges0408.pdf

4.3 Top 25 consumer survey

Alpine Energy repeated the 2004 and 2006 surveys of its Top 25 consumer. The results of the survey of large consumers 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.
- Consumer ratings of Alpine Energy's performance in the most important aspect of continuity have a distinct skew towards Excellent.
- Consumer 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 consumers expressed a preference for paying about the same to receive about the same reliability.

Reference

- 2008-alpine-consumer-survey-results-110108.doc

4.4 Top 26 – 125 consumer survey

Alpine also surveyed a random sample of 30 consumers from its Top 26 – 125 consumers in a similar manner to the Top 25 consumers. The results of the survey of large consumers 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.
- Consumer ratings of Alpine Energy’s performance in the most important aspect of continuity have a distinct skew towards Excellent.
- Consumer 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 consumers expressed a preference for paying about the same to receive about the same reliability.

Reference

- 2008-alpine-consumer-survey-results-110108.doc

4.5 Mass-market survey

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

Market segment	Number in sample
Albury	24
Studholme	60
Timaru	282
Tekapo	11
Temuka	102
Twizel	20

The results of the survey of mass-market consumers 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.
- Consumer ratings of Alpine Energy’s performance in the most important aspect of continuity have a distinct skew towards Very Good.

- Consumer ratings of Alpine Energy's performance in the second most important aspect of restoration have a strong skewing around Good towards Very Good.
- Just about all consumers in all areas expressed a preference for paying about the same to receive about the same reliability.

Reference

- 2008-alpine-consumer-survey-results-110108.doc

4.5 Retailer consultation

The following retailers were contacted to discuss how reliable and how well priced Alpine Energy's network services are:- Contact Energy, TrustPower, Meridian Energy, Mighty River Power, Genesis Energy.

Only TrustPower provided a response:- the data obtained from them indicates almost total satisfaction across the indices measured.

Reference

- 2008-alpine-retailer-feedback-240108.doc

4.6 Statement of Corporate Intent

Alpine Energy's Statement of Corporate Intent (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 consumer views through the trustee election process. The other three shareholders are local district councils, or associated holding companies. These shareholders also provide an opportunity for consumer input into their annual and long-term plans.

Reference

- Alpine Energy Statement of Corporate Intent

4.7 Asset Management Plan

The 2007/08 asset management plan 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.

The service targets for various customer segments provides an expected reliability level across industrial, CBD, small town and rural groups.

Alpine Energy managed a large storm event in 2006 which imparted lengthy interruptions for some customers. Since this event, planned work has necessitated further outages to bring the network back to its previous performance levels and this has been generally accepted by our customers as confirmed by the importance placed on supply reliability.

Reference

- AEL 2007/17 Asset Management Plan (website)