



Annual Price Setting Compliance Statement

Default Price-Quality Path

1 April 2020 – 31 March 2021 Assessment Period

9 April 2020

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1. Introduction

Alpine Energy Limited (Alpine) is subject to price-quality regulation under Part 4 of the Commerce Act 1986. The Commerce Commission has set a Default Price-Quality Path (DPP) which applies to Alpine from 1 April 2020.

This price-setting compliance statement is published in accordance with clause 11.1 of the 2020 DPP Determination, and applies to the first assessment period, commencing 1 April 2020 and ending 31 March 2021.

2. Date prepared

This statement was prepared on 9 April 2020.

3. Statement of compliance

As demonstrated in Table 1 below, and consistent with clause 8.3 of the 2020 DPP Determination Alpine has complied with the price path for the first assessment period.

Compliance with price path RY21		
<i>Forecast revenue from prices \leq Forecast allowable revenue</i>		
Forecast revenue from prices (\$000)	Forecast allowable revenue (\$000)	Compliance result
58,778	58,778	Compliant

Further information supporting forecast allowable revenue is included in Section 5 and Appendix A.

Further information supporting forecast revenue from prices is included in Section 6 and Appendix B.

4. Director's certification

A Director's certificate in the form set out in Schedule 6 of the 2020 DPP Determination is included in Appendix C.

5. Forecast allowable revenue

Alpine's forecast allowable revenue for the assessment period is determined in accordance with the maximum allowable revenue, forecast pass through and recoverable costs and the opening wash-up account and pass-through balance allowance.

Table 2 shows the derivation of forecast allowable revenue, consistent with the requirements of Schedule 1.5 of the 2020 DPP Determination.

Table 2

Forecast allowable revenue RY21		
Term	Description	Value (\$000)
Forecast net allowable revenue	<i>Forecast net allowable revenue as set out in Table 1.4.1 in Schedule 1.4 for the period ending 31 March 2021</i>	42,653
Forecast pass through costs	<i>Forecast pass-through costs and forecast recoverable costs</i>	380
Forecast recoverable costs	<i>Forecast recoverable costs, excluding any recoverable cost that is a revenue wash-up drawn down amount</i>	10,274
Opening wash-up account balance	<i>The opening wash-up account balance for the first assessment period of the DPP regulatory period is nil as set out in Schedule 1.7 (1)(a)</i>	-
Pass-through balance allowance	<i>(-1) ePTB (1+ 67th percentile post-tax WACC)</i>	5,471
Total		58,778

Appendix A shows the components of the forecast pass-through and recoverable costs and the pass-through balance allowance.

The methodology to derive the forecasts of the pass-through and recoverable costs is documented in Appendix A.

6. Forecast revenue from prices

Table 3 shows the forecast revenue from prices.

Table 3

Forecast revenue from prices RY21		
Term	Description	Value (\$000)
$\Sigma P_{2020/21} * Q_{2020/21}$	<i>Forecast prices between 1 April 2020 and 31 March 2021 multiplied by forecast quantities for the period ending 31 March 2021</i>	58,778

Appendix B shows the components of forecast revenue from prices.

The methodology to forecast the quantities associated with each price is documented in Appendix B.

Appendix A – Pass-through and recoverable costs

Forecast pass-through costs

Table 4

Forecast Pass-through Costs RY21		
Forecast pass-through costs	\$'000	Forecasting methodology
Rates on system fixed assets	118	Used historic charges in order to predict growth with charges for 2020/21
Commerce Act levies	103	Used historic charges in order to predict growth with charges for 2020/21
Electricity Authority levies	138	Used historic charges in order to predict growth with charges for 2020/21
Utilities Disputes levies	21	Used historic charges in order to predict growth with charges for 2020/21
Total forecast pass-through costs	380	

Alpine has forecast rates and levies in accordance with historical charges and applying an inflationary value to these costs.

Forecast recoverable costs

Forecast Recoverable Costs RY21		
Forecast recoverable costs	\$'000	Forecasting methodology
IRIS incentive adjustment	(2,270)	As per DPP Final Determination 27 November 2019
Transpower transmission charges	11,116	Transpower Invoice for coming year received December 2019 less over recovery for Transmission from YE 2019
New investment contract charges	1,235	Transpower Invoice for coming year received December 2019 less over recovery for Transmission from YE 2019
Quality incentive adjustment	140	As per DPP Annual Compliance Statement Pass through balance 2019
Fire and emergency NZ levies	53	Used historic charges in order to predict growth with charges for 2020/21
Total forecast recoverable costs	10,274	

Forecast recoverable costs include the IRIS adjustment calculated in accordance with the Input Methodology using the Commission's model, Transpower notice of charges for the pricing year, quality incentives calculated in accordance with the 2015 DPP Determination, pass through balances from the prior year and forecast FENZ levies.

Pass-through balance allowance**Table 6**

Pass-through balance allowance RY21		
Term	Description	Value (\$000)
ePTB	<i>An estimate of the pass-through balance as at 31 March 2020</i>	(5,249)
67th percentile estimate of post-tax WACC	<i>As per Clause 4.2</i>	4.23%
Pass-through balance allowance	<i>$-1 \times ePTB \times WACC$</i>	5,471

The pass-through balance was carried from the balance from the Default Price-Quality Path Compliance Statement 31 March 2019 plus any anticipated under-recovery for the 2020 year.

Appendix B – Forecast prices and quantities

Table 7 shows the forecast prices and quantities for the forecast revenue from prices for the first assessment period.

Forecast revenue from prices RY21				
Price Category	Unit	Unit price	Forecast quantity	Forecast revenue (\$000)
LOWHCA Fixed	\$/day	0.1500	1,863	102
LOWLCA Fixed	\$/day	0.1500	10,238	560
LOWUHCA Fixed	\$/day	0.1500	16	1
LOWULCA Fixed	\$/day	0.1500	37	2
015HCA Fixed	\$/day	1.4281	6,120	3,190
015LCA Fixed	\$/day	1.2883	12,415	5,838
015UHCA Fixed	\$/day	1.9293	34	24
015ULCA Fixed	\$/day	1.7718	42	27
360HCA Fixed	\$/day	6.0684	542	1,201
360LCA Fixed	\$/day	4.3791	768	1,227
360UHCA Fixed	\$/day	6.4524	15	35
360ULCA Fixed	\$/day	4.8826	16	28
ASSHCA Fixed	\$/day	1.9803	1,356	980
ASSLCA Fixed	\$/day	1.3510	417	206
TOU400HCA Fixed	\$/day	1.3909	38	19
TOU400LCA Fixed	\$/day	1.0963	102	41
TOU11HCA Fixed	\$/day	1.1475	6	3
TOU11LCA Fixed	\$/day	1.1110	4	2
LOWHCA Variable Day	\$/kWh	0.1209	6,701,403	810
LOWLCA Variable Day	\$/kWh	0.1152	35,814,639	4,125
LOWUHCA Variable Day	\$/kWh	0.1412	62,906	9
LOWULCA Variable Day	\$/kWh	0.1348	102,757	14
015HCA Variable Day	\$/kWh	0.0690	37,227,132	2,569
015LCA Variable Day	\$/kWh	0.0690	73,723,447	5,088
015UHCA Variable Day	\$/kWh	0.0690	225,238	16
015ULCA Variable Day	\$/kWh	0.0690	244,166	17
360HCA Variable Day	\$/kWh	0.0690	7,624,075	526
360LCA Variable Day	\$/kWh	0.0690	15,626,454	1,078

Table 7 (Continued)

Forecast revenue from prices RY21				
Price Category	Unit	Unit price	Forecast quantity	Forecast revenue (\$000)
360UHCA Variable Day	\$/kWh	0.0690	448,422	31
360ULCA Variable Day	\$/kWh	0.0690	252,490	17
ASSHCA Variable Day	\$/kWh	0.0690	80,838,929	5,579
ASSLCA Variable Day	\$/kWh	0.0690	27,805,315	1,919
TOU400HCA Variable Day	\$/kWh	0.0215	18,277,998	393
TOU400LCA Variable Day	\$/kWh	0.0191	76,110,084	1,452
TOU11HCA Variable Day	\$/kWh	0.0293	19,802,921	580
TOU11LCA Variable Day	\$/kWh	0.0229	10,666,077	245
LOWHCA Variable Night	\$/kWh	0.0814	3,085,132	251
LOWLCA Variable Night	\$/kWh	0.0757	16,488,024	1,249
LOWUHCA Variable Night	\$/kWh	0.1017	28,960	3
LOWULCA Variable Night	\$/kWh	0.0954	47,306	5
015HCA Variable Night	\$/kWh	0.0296	17,138,295	507
015LCA Variable Night	\$/kWh	0.0296	33,940,143	1,004
015UHCA Variable Night	\$/kWh	0.0296	103,693	3
015ULCA Variable Night	\$/kWh	0.0296	112,407	3
360HCA Variable Night	\$/kWh	0.0296	3,445,011	102
360LCA Variable Night	\$/kWh	0.0296	7,060,962	209
360UHCA Variable Night	\$/kWh	0.0296	202,624	6
360ULCA Variable Night	\$/kWh	0.0296	114,090	3
ASSHCA Variable Night	\$/kWh	0.0296	36,079,893	1,067
ASSLCA Variable Night	\$/kWh	0.0296	12,925,979	382
TOU400HCA Variable Night	\$/kWh	0.0092	7,998,540	74
TOU400LCA Variable Night	\$/kWh	0.0082	34,967,621	286
TOU11HCA Variable Night	\$/kWh	0.0126	7,527,424	95
TOU11LCA Variable Night	\$/kWh	0.0098	4,639,324	46
ASSHCA Demand	\$/kWday	0.1028	118,427	4,442
ASSLCA Demand	\$/kWday	0.0930	40,187	1,364
TOU400HCA Demand	\$/kWday	0.4194	8,876	1,359
TOU400LCA Demand	\$/kWday	0.2851	23,559	2,451
TOU11HCA Demand	\$/kWday	0.2484	6,153	558
TOU11LCA Demand	\$/kWday	0.3337	3,931	479
Direct Billed Customer 1	\$/day	444.9273		295
Direct Billed Customer 2	\$/day	2659.9131		3,101
Direct Billed Customer 3	\$/day	483.3442		51
Direct Billed Customer 4	\$/day	2169.2199		1,086
Direct Billed Customer 5	\$/day	84.5316		226
Direct Billed Customer 6	\$/day	95.0229		118
ΣP_{2020/21} * Q_{2020/21}				58,778

Price Setting Considerations

Calculating forecast revenue from prices requires Alpine Energy to prepare a forecast of connections and volumes for the year ahead before any consideration of the Covid-19 pandemic.

Installation Connection Points Growth Factor

Forecasts of connections are based on existing connections with a 1% growth on average. This is based on historical increases in network connections as detailed in the Asset Management Plan.

Fixed and Variable Charges

Prices have fixed and variable volume components within each price category. Alpine has applied the reduction of revenue under DPP3 to the variable component of prices.

These charges are based on forecast number of installation connection points and kWh consumption volumes. Forecasts for the next pricing year are based on average volumes from the preceding 12 months to generate the forecast as a starting point with an expected growth.

Forecasts within the various price categories are then applied to the high (HCA) and low cost (LCA) areas.

Demand Charges

Demand forecasts are calculated by determining the average volume (demand) for time-of-use customers over the previous calendar year.

Directly Billed Customers

Directly Billed Customer charges are based on a return on investment and annual demand charges.

Appendix C – Director's certificate

I, Stephen Richard Thompson, being a director of Alpine Energy Limited certify that, having made all reasonable enquiry, to the best of my/our knowledge and belief, the attached annual price-setting compliance statement of Alpine Energy Limited, and related information, prepared for the purposes of the *Electricity Distribution Services Default Price-Quality Path Determination 2020* has been prepared in accordance with all relevant requirements, and all forecasts used in the calculations for forecast revenue from prices and forecast allowable revenue are reasonable.



Stephen Richard Thompson

23 April 2020

Appendix D – Compliance References

The table below describes the Determination requirements and the section of this statement which addresses them:

Determination Clause	Requirement	Section of this document
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Price Path Summary

8.4	The forecast revenue from prices for each assessment period must not exceed the forecast allowable revenue for the assessment period	3
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Annual price-setting compliance statement

11.2 (a)	A statement indicating whether or not Alpine Energy has complied with the price path in clause 8 for the assessment period	3
11.2 (b)	The date on which the Statement was prepared	Cover page
11.2 (c)	A certificate in the form set out in Schedule 6, signed by at least one director	Appendix C
11.3 (a)	Calculation of its forecast revenue from prices together with supporting information for all components of the calculation	6
11.3 (b)	Calculation of its forecast allowable revenue together with supporting information for all components of the calculation	5
11.3 (c)	Any reasons for non-compliance with the price path	Not Applicable
11.3 (d)	Actions taken to mitigate any non-compliance and to prevent similar non-compliance in future assessment periods	Not Applicable