

Annual Price-Setting Compliance Statement

Default Price-Quality Path
1 April 2024 - 31 March 2025
Fifth Assessment Period

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1. Purpose

This annual price-setting compliance statement (Statement) states Alpine Energy Limited's (Alpine Energy) compliance with price-quality regulation as per clauses 11.2 and 11.3 of the Electricity Distribution Services Default Price-Quality Path Determination 2020 (the Determination).

1.1 Disclaimer

Information disclosed in this Statement has been prepared solely for the purposes of the Determination. The information in this Statement should not be used for any other purpose than that intended under the Determination.

For presentation purposes, some figures in this Statement have been rounded. This may cause minor discrepancies when aggregating some of the figures provided; however, these discrepancies do not affect the overall compliance calculations, which are based on more detailed figures.

1.2. Date Prepared

This statement was prepared on 5 February 2024.

2. Statement of Compliance

2.1 Compliance with the Price Path

Alpine Energy has complied with the price path in clause 8.4 of the Determination for the assessment period ending 31 March 2025.

Clause 8.4 of the Determination requires that, for the second to fifth assessment periods, to comply with the price path for an assessment period, a non-exempt Electricity Distribution Business's (EDB's) forecast revenue from prices for that assessment period must not exceed the lesser of:

- The forecast allowable revenue for that assessment period; and
- The amount determined in accordance with the following formula:

The forecast revenue from prices for the previous assessment period x (1 + limit on annual percentage increase in forecast revenue from prices)

Compliance is established in Table 1 below, which demonstrates that forecast revenue from prices for the assessment period does not exceed the forecast allowable revenue for that assessment period.

Calculation components	Amount (\$'000)
Forecast allowable revenue 2025 [see Section 4 below]	77,308
Maximum allowable forecast revenue from prices [Forecast revenue from prices 2024 x (1+10%)] ¹	69,463
Forecast revenue from prices 2025 [see Section 3 below]	69,463
Result	Compliant with the price path

Table 1 - Statement of price path compliance for the assessment period ending 31 March 2025

This Statement provides the detail about the prices and assumptions that underpin Alpine Energy's forecasts.

¹ The forecast revenue from prices as published in the DPP Annual Price-Setting Compliance Statement for the fourth assessment period was \$63.149 million. Refer to Alpine Energy Limited's website for details: https://www.alpineenergy.co.nz/__data/assets/pdf_file/0031/18958/Alpine-Energy-Limited-Annual-Price-Setting-Compliance-Statement-RY24.pdf

2.2 Certification

This Statement was certified in accordance with clause 11.2(c) of the Determination on 5 February 2024. A copy of the Directors' Certificate is included in Appendix A.

3. Calculation of Forecast Revenue From Prices

Forecast revenue from prices is calculated by multiplying prices as at 1 April 2024 by the forecast quantities as at 31 March 2025 for each of the consumer groups. The Determination requires that the forecasts are demonstrably reasonable.

The forecast quantities are derived by escalating the prior years' actual quantities by the growth assumption for each consumer group. The growth assumptions are based on the long-term historic growth trends of consumption, demand, and number of ICPs for each pricing category and consumer group.

A summary of Alpine Energy's forecast revenue from prices is included in table 2 below:

Term	Description	Value (\$'000)
$\Sigma P_{2024/25} * Q_{2024/25}$	Forecast prices between 1 April 2024 and 31 March 2025 multiplied by forecast quantities for the period ending 31 March 2025	69,463

Table 2 – Summary of Alpine Energy's forecast revenue from prices

Supporting calculations of the forecast revenue from prices are included in Appendix B. Appendix C provides full tables of forecast revenue from prices for each consumer group.

4. Calculation of Forecast Allowable Revenue

The 2025 assessment period is the fifth assessment period of the regulatory period (2021 – 2025). In accordance with the Determination, the forecast allowable revenue (FAR) for this assessment period has been determined using the following formula:

$FAR = \text{Forecast net allowable revenue (FNAR)} + \text{forecast pass-through and recoverable costs (FRPC)} + \text{opening wash up account balance (OWAB)}$

Alpine Energy's FAR for the 2025 assessment period is \$77.308 million. The calculation of FAR is provided in Table 3 below.

Term	Description	Value (\$'000)
Forecast net allowable revenue	Forecast net allowable revenue as set out in Table 1.4.1 in Schedule 1.4 of the Determination for the period ending 31 March 2025	46,157
Forecast pass-through costs	Forecast pass-through costs and forecast recoverable costs	443
Forecast recoverable costs	Forecast recoverable costs, excluding any recoverable cost that is a revenue wash-up drawn down amount	17,710
Opening wash-up account balance	Closing wash-up account balance for the previous assessment period	12,997
Pass-through balance allowance	The pass-through balance allowance for the fifth assessment period of the DPP regulatory period is nil as set out in Clause 4.2 of the Determination	-
Total FAR		77,308

Table 3 – Calculation of the forecast allowable revenue

The four components of the FAR for the assessment period ending 31 March 2025 are described in more detail below.

4.1 Forecast Net Allowable Revenue

The forecast net allowable revenue (FNAR) for the fifth assessment period is \$46.157 million. The FNAR is specified in Table 1.4.1 in Schedule 1.4 of the Determination.

4.2 Forecast Pass-Through and Recoverable Costs

Alpine Energy's forecast recoverable and pass-through costs (FRPC) for the assessment period ending 31 March 2025 are \$18.153 million. The Determination requires a demonstrably reasonable forecast of pass-through and recoverable costs. The forecast values and the methodologies that Alpine Energy has applied to forecast pass-through and recoverable costs are outlined in Table 4 below. In Alpine Energy's opinion, all the methods deliver demonstrably reasonable forecasts of pass-through and recoverable costs.

Cost component	Value (\$'000)	Forecasting Methodology
Forecast pass-through costs		
Rates on system fixed assets	115	Based on the actual rates for the past two financial years adjusted for forecast consumer price index (CPI).
Commerce Act levies	147	Increased the most recent levies received by forecast CPI.
Electricity Authority levies	158	Based on the actual levies received for the past two financial years and adjusted for forecast CPI.
Utilities Disputes levies	23	Based on the actual levies received for the past two financial years and adjusted for forecast CPI.
Forecast recoverable costs		
IRIS incentive adjustment	3,403	Calculated in accordance with 3.1.3 (1) (a) of the Electricity Distribution Services Input Methodologies Determination 2012 (Input Methodologies).
Transpower transmission charges	13,138	As notified by Transpower in December each year.
New investment contract charges	1,278	
System operator services charges	12	Based on contractual monthly amount payable, increased for forecast CPI as stipulated in the contract with the NZX.
Avoided transmission charges - purchased assets	-	Forecast as zero as Alpine Energy does not currently have any avoided transmission cost.
Distributed generation allowance	-	Forecast as zero as Alpine Energy has not historically incurred costs, paid, nor received avoided transmission charges arising from distributed generation.
Claw-back	-	Forecast as zero as Alpine Energy does not expect to have claw-back applied by the Commerce Commission under sections 54K(3) or 53ZB(3) of the Commerce Act 1986.
Catastrophic event allowance	-	Forecast as zero as Alpine Energy does not expect to have a catastrophic event during the disclosure year.
Extended reserves allowance	-	Forecast as zero as Alpine Energy has not applied to the Commerce Commission for an allowance, per Schedule 5.2 of the Determination, in the disclosure year.
Quality incentive adjustment	(71)	Forecast in accordance with the quality incentive adjustment set out in schedule 5B of the 2015 Determination.
Capex wash-up adjustment	(138)	Calculated in accordance with clause 3.3.3(1)(p) of the Input Methodologies. Refer to Table 5 below for calculations.
Transmission asset wash-up adjustment	-	Forecast as zero as Alpine Energy does not intend to purchase any transmission assets during the coming assessment period.
Reconsideration event allowance	-	Forecast as zero as Alpine Energy has not applied to the Commerce Commission for an allowance in the disclosure year.
Quality standard variation engineers' fee	-	Forecast as zero as Alpine Energy has not applied to the Commerce Commission for a quality standard variation in the assessment period.

Cost component	Value (\$'000)	Forecasting Methodology
Urgent project allowance	-	Forecast as zero as Alpine Energy has not had an urgent project as defined in the Input Methodologies.
Fire and emergency NZ levies	87	These costs are based on the prior year's levies.
Innovation project allowance	-	Forecast as zero as Alpine Energy has not applied to the Commerce Commission for an innovation project allowance, per Schedule 5.3 of the Determination, in the disclosure year.
Total forecast pass-through and recoverable costs	18,153	

Table 4 - Forecast pass-through and recoverable costs and forecast methodologies applied

The capex wash-up adjustment is calculated as set out in Table 5 below.

Term	Description	Units	Value
Capex wash-up adjustment	Difference between the revenues for a DPP regulatory period using actual values of commissioned assets for a prior regulatory period and the revenues using forecast commissioned assets applied by the Commission when setting prices	\$000	(498)
l	Number of disclosure years in the DPP regulatory period	years	5
r	Cost of debt applying to the DPP regulatory period	%	2.92%
y	Number of disclosure years preceding the disclosure year in question in the DPP regulatory period	years	4
Adjusted capex wash-up adjustment	$(\text{Capex wash-up adjustment} / (l-1)) \times (1 + r)^{(y + 0.5)}$	\$000	(142)

Table 5 - Calculation of capex adjustment for the assessment period ending 31 March 2025

4.3 Opening Wash-Up Account Balance

The opening wash-up account balance (OWAB) for the assessment period ending 31 March 2025 is \$12.997 million.

The OWAB is calculated in accordance with Schedule 1.7 of the Determination and represents the closing wash-up balance for the assessment period ended 31 March 2023, adjusted for the time-value of money and any voluntary undercharging. The calculations are shown in Tables 6 and 7 below.

Term	Description	Value (\$000)
Wash-up amount for previous assessment period	Wash-up amount for the assessment period ending 31 March 2023	11,963
Voluntary undercharging amount foregone for previous assessment period	Amount of voluntary undercharging in the first assessment period which is foregone from future revenues	-
67th percentile estimate of post-tax WACC		4.23%
Closing wash-up account balance	$(\text{Wash-up amount for previous period} - \text{voluntary undercharging amount foregone for previous period}) \times (1 + 67\text{th percentile estimate of post-tax WACC})^2$	12,997

Table 6 - Closing wash-up account balance for the assessment period ending 31 March 2024

Term	Description	Value (\$000)
Opening wash-up account balance	Closing wash-up account balance from previous assessment period	12,997

Table 7 - Opening wash-up account balance for the assessment period ending 31 March 2025

In forecasting the revenue from prices for the assessment period starting 1 April 2024, we were unable to draw down the full opening wash-up account balance. We could only draw down \$5.153 million due to the 10% limit on the annual percentage increase in forecast revenue from prices as restricted by the Determination.

Appendix A: Directors' Certificate for the Annual Price-Setting Compliance Statement

We, Warren McNabb and Linda Robertson, being Directors of Alpine Energy Limited certify that, having made all reasonable enquiry, to the best of 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.



Warren McNabb
5 February 2024



Linda Robertson
5 February 2024

Appendix B: Quantity Forecasting

B1 Forecast Quantities as at 31 March 2025

Calculating forecast revenue as at 31 March 2025 from prices effective 1 April 2024 requires Alpine Energy to prepare a forecast of quantities for the full assessment period. Alpine Energy prices have both fixed and variable components; accordingly, prices are set on numbers of installation connection points (ICPs), consumption (kWh), and demand (kW).

Forecasts of ICPs and consumption use a top-down approach for each consumer group. The forecasts for ICPs, consumption, and demand are determined using the prior year connections and then applying an escalation factor for each variable. Alpine Energy has applied historical trends to arrive at growth rates aligned with the observed long-term growth.

B2 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, analysing the trends for each pricing category, to arrive at the estimate for growth in the number of total ICPs. We estimated the average number of active ICP's on the network to be 33,831 when setting the fixed charges for 2024/2025.

Variable volume growth is notoriously volatile on Alpine Energy's network, with changes to agricultural irrigation volumes dominating the outcome. Our forecast is based on an analysis of volumes for each pricing category, and an expectation of average irrigation volumes, with low growth expectations for all customer categories. As a result, the volumes for 2024/2025 are forecast to be 9.3% higher than the five-year average volume delivered to customers, with a monthly profile aligned with historic trends and an average irrigation scenario. A warmer winter and a wetter summer than expected could result in lower volumes than forecast, and vice versa.

B3 Fixed and Variable Charges

Aligning with the regulatory expectation of a move towards more cost reflective prices for EDBs in general, and the introduction of the new Transmission Pricing Methodology that has no variable component present, Alpine Energy has kept the fixed prices 80% of revenue from fixed and demand prices. As a predominantly fixed cost business, this pricing methodology is significantly better aligned with the cost structure of a distribution business.

The phasing out of the Low Fixed Cost Regulations will allow prices to continue to trend towards less reliance on revenue from variable charges, improving the ability of the pricing structure to generate revenue very close to budget, with less risk of variances because of changing rainfall patterns and warming winters. It will also result in more customers paying a distribution charge closer aligned with the actual cost of the service.

B4 Demand Charges

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

B5 Directly Billed Customers

Directly Billed Customer charges are based on the terms and conditions of their conveyance agreements.

Appendix C: Prices and Forecast Quantities for Prices Effective 1 April 2024

The table below provides for each consumer group:

- forecast quantities for the assessment period ending 31 March 2025;
- unit prices (i.e., distribution plus pass-through and recoverable costs) for the assessment period, becoming effective 1 April 2024; and
- forecast revenue from prices for the assessment period ending 31 March 2025.

Price Category	Unit	Unit price (\$)	Forecast quantity	Forecast revenue (\$'000)
Fixed charges				
LOWHCA Fixed	\$/day	0.6000	2,393	524
LOWLCA Fixed	\$/day	0.6000	11,092	2,429
LOWUHCA Fixed	\$/day	0.6000	18	4
LOWULCA Fixed	\$/day	0.6000	43	9
015HCA Fixed	\$/day	2.9301	5,902	6,312
015LCA Fixed	\$/day	2.6954	11,339	11,156
015UHCA Fixed	\$/day	2.9966	37	40
015ULCA Fixed	\$/day	2.7619	37	37
360HCA Fixed	\$/day	10.1398	541	2,003
360LCA Fixed	\$/day	9.1464	757	2,526
360UHCA Fixed	\$/day	10.3455	14	53
360ULCA Fixed	\$/day	9.3521	17	58
ASSHCA Fixed	\$/day	6.5052	1,347	3,198
ASSLCA Fixed	\$/day	6.0127	428	940
TOU400HCA Fixed	\$/day	6.4137	36	84
TOU400LCA Fixed	\$/day	6.0684	99	219
TOU11HCA Fixed	\$/day	6.1587	5	11
TOU11LCA Fixed	\$/day	5.8307	4	9
Variable day charges				
LOWHCA Variable Day	\$/kWh	0.1113	10,566,911	1,176
LOWLCA Variable Day	\$/kWh	0.1015	44,398,008	4,506
LOWUHCA Variable Day	\$/kWh	0.1137	104,722	12
LOWULCA Variable Day	\$/kWh	0.1039	231,931	24
015HCA Variable Day	\$/kWh	0.0167	40,884,440	683
015LCA Variable Day	\$/kWh	0.0167	70,038,252	1,170
015UHCA Variable Day	\$/kWh	0.0167	412,477	7
015ULCA Variable Day	\$/kWh	0.0167	242,910	4
360HCA Variable Day	\$/kWh	0.0167	8,063,931	135
360LCA Variable Day	\$/kWh	0.0167	15,727,155	263
360UHCA Variable Day	\$/kWh	0.0167	446,421	7
360ULCA Variable Day	\$/kWh	0.0167	330,957	6
ASSHCA Variable Day	\$/kWh	0.0167	88,576,316	1,479
ASSLCA Variable Day	\$/kWh	0.0167	28,594,668	478
TOU400HCA Variable Day	\$/kWh	0.0093	16,943,323	158

Price Category	Unit	Unit price (\$)	Forecast quantity	Forecast revenue (\$'000)
TOU400LCA Variable Day	\$/kWh	0.0093	70,309,318	654
TOU11HCA Variable Day	\$/kWh	0.0092	45,428,148	418
TOU11LCA Variable Day	\$/kWh	0.0092	9,855,204	91
Variable night charges				
LOWHCA Variable Night	\$/kWh	0.0991	4,528,676	449
LOWLCA Variable Night	\$/kWh	0.0893	19,027,718	1,699
LOWUHCA Variable Night	\$/kWh	0.1015	44,881	5
LOWULCA Variable Night	\$/kWh	0.0917	99,399	9
015HCA Variable Night	\$/kWh	0.0045	17,521,903	79
015LCA Variable Night	\$/kWh	0.0045	30,016,394	135
015UHCA Variable Night	\$/kWh	0.0045	176,776	1
015ULCA Variable Night	\$/kWh	0.0045	104,104	0
360HCA Variable Night	\$/kWh	0.0045	3,455,970	16
360LCA Variable Night	\$/kWh	0.0045	6,740,209	30
360UHCA Variable Night	\$/kWh	0.0045	191,323	1
360ULCA Variable Night	\$/kWh	0.0045	141,839	1
ASSHCA Variable Night	\$/kWh	0.0045	37,961,278	171
ASSLCA Variable Night	\$/kWh	0.0045	12,254,858	55
TOU400HCA Variable Night	\$/kWh	0.0016	7,252,293	12
TOU400LCA Variable Night	\$/kWh	0.0016	31,844,252	51
TOU11HCA Variable Night	\$/kWh	0.0015	17,450,872	26
TOU11LCA Variable Night	\$/kWh	0.0015	4,271,402	6
Demand charges				
ASSHCA Demand	\$/kW/day	0.2195	114,147	9,145
ASSLCA Demand	\$/kW/day	0.1946	38,918	2,764
TOU400HCA Demand	\$/kW/day	0.5529	7,183	1,450
TOU400LCA Demand	\$/kW/day	0.4983	22,536	4,099
TOU11HCA Demand	\$/kW/day	0.5203	12,348	2,345
TOU11LCA Demand	\$/kW/day	0.4640	3,605	611
Direct billed customers				
Direct Billed Customer 1	\$/year	-	-	338
Direct Billed Customer 2	\$/year	-	-	4,072
Direct Billed Customer 3	\$/year	-	-	160
Direct Billed Customer 4	\$/year	-	-	672
Direct Billed Customer 5	\$/year	-	-	134
Direct Billed Customer 6	\$/year	-	-	47
Total forecast revenue from prices (P2024/25*Q2024/25)				69,463

Appendix D: Compliance with the Determination

This schedule demonstrates how this Statement complies with the Determination.

Determination requirement	Determination Reference	Statement Reference
Clause 11(2)		
The 'annual price-setting compliance statement' must-		
State whether or not the non-exempt EDB has:		
In respect of the second to fifth assessment periods of the DPP Regulatory Period, complied with the price path in clause 8.4 for the assessment period;	Clause 11.2(a)(ii)	Table 1
State the date on which the statement was prepared; and	Clause 11.2(b)	Section 2
Include a certificate in the form set out in Schedule 6, signed by at least one Director of the non-exempt EDB.	Clause 11.2(c)	Appendix A
Clause 11(3)		
The 'annual price-setting compliance statement' must include the following information-		
The non-exempt EDB's calculation of its forecast revenue from prices together with supporting information for all components of the calculation;	Clause 11.3(a)	Section 4, Appendix B and Appendix C
The non-exempt EDB's calculation of its forecast allowable revenue together with supporting information for all components of the calculation;	Clause 11.3(b)	Section 5
If the non-exempt EDB has not complied with the price path, the reasons for the non-compliance; and	Clause 11.3(c)	Not applicable
If the non-exempt EDB has not complied with the price path, any actions taken to mitigate any non-compliance and to prevent similar non-compliance in future assessment periods.	Clause 11.3(d)	Not applicable



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