

ANNUAL PRICE SETTING COMPLIANCE STATEMENT

DEFAULT PRICE-QUALITY PATH
1 APRIL 2022 – 31 MARCH 2023
THIRD 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 small 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.

2. DATE PREPARED

This statement was prepared on 8 March 2022.

3. STATEMENT OF COMPLIANCE

3.1 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 2023.

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:

- a) The forecast allowable revenue for that assessment period; and
- b) 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 revenue from prices ₂₀₂₃	57,408
Forecast allowable revenue ₂₀₂₃	57,408
Forecast revenue from prices ₂₀₂₂ x (1+10%)	59,514
Result	Compliant with the price path

Table 1 - Statement of price path compliance for the assessment period ending 31 March 2023

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

3.2 CERTIFICATION

This Statement was certified in accordance with clause 11.2(c) of the Determination on 8 March 2022. A copy of the directors' certificate is included in Appendix A.

4. CALCULATION OF FORECAST REVENUE FROM PRICES

Forecast revenue from prices is calculated by multiplying prices as at 1 April 2022 by the forecast quantities as at 31 March 2023 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 calculated based on a numerical average of the annual average percentage growth in consumption, demand, and number of ICPs for each consumer group.

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

Term	Description	Value (\$'000)
$\Sigma P_{2022/23} * Q_{2022/23}$	Forecast prices between 1 April 2022 and 31 March 2023 multiplied by forecast quantities for the period ending 31 March 2023	57,408

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

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

5. CALCULATION OF FORECAST ALLOWABLE REVENUE

The 2023 assessment period is the third 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 = Forecast net allowable revenue (FNAR) + forecast pass-through and recoverable costs (FRPC) + opening wash up account balance (OWAB)

Alpine Energy's FAR for the 2023 assessment period is \$57.408 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 for the period ending 31 March 2023	44,365
Forecast pass-through costs	Forecast pass-through costs and forecast recoverable costs	424
Forecast recoverable costs	Forecast recoverable costs, excluding any recoverable cost that is a revenue wash-up drawn down amount	14,963
Opening wash-up account balance	Closing wash-up account balance for the previous assessment period	(2,344)
Pass-through balance allowance	The pass-through balance allowance for the third assessment period of the DPP regulatory period is nil as set out in Clause 4.2.	-
Total FAR		57,408

Table 3—Calculation of the forecast allowable revenue

The four components of the FAR for the assessment period ending 31 March 2023 are described in more detail below.

5.1 FORECAST NET ALLOWABLE REVENUE

The forecast net allowable revenue (FNAR) for the third assessment period is \$44.365 million. The FNAR is specified in Table 1.4.1 in Schedule 1.4 of the Determination.

5.2 FORECAST PASS-THROUGH AND RECOVERABLE COSTS

Alpine Energy's forecast recoverable and pass-through costs (FRPC) for the assessment period ending 31 March 2023 are \$15.387 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	133	Based on historical growth rates.
Commerce Act levies	86	
Electricity Authority levies	186	
Utilities Disputes levies	19	
Forecast recoverable costs		
IRIS incentive adjustment	329	Calculated in accordance with 3.1.3 (1) (a) of the Electricity Distribution Services Input Methodologies Determination 2012 (Input Methodologies).
Transpower transmission charges	13,396	As notified by Transpower in December each year.
New investment contract charges	1,338	
System operator services charges	10	
Avoided transmission charges - purchased assets	-	
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 54K93) or 53ZB(3) of the Commerce Act 1986.

Cost component	Value (\$'000)	Forecasting Methodology
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	(16)	We forecast the quality incentive adjustment in accordance with schedule 5B of the 2015 Determination.
Capex wash-up adjustment	(134)	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.
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	40	These costs are based on the prior year expenditure.
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	15,387	

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	2
Adjusted capex wash-up adjustment	$(\text{Capex wash-up adjustment} / (l-1)) \times (1 + r)^{(y + 0.5)}$	\$000	(134)

Table 5 - Calculation of capex adjustment for the assessment period ending 31 March 2023

5.3 OPENING WASH-UP ACCOUNT BALANCE

The opening wash-up account balance (OWAB) for the assessment period ending 31 March 2023 is negative \$2.344 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 2022, adjusted for the time-value of money. 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 2021	(2,158)
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	(Wash-up amount for previous period - Voluntary undercharging amount foregone for previous period) x (1+67th percentile estimate of post-tax WACC) ²	(2,344)

Table 6 - Closing wash-up account balance for the assessment period ending 31 March 2022

Term	Description	Value (\$000)
Opening wash-up account balance	Closing wash-up account balance from previous assessment period	(2,344)

Table 7 - Opening wash-up account balance for the assessment period ending 31 March 2022

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
8 March 2022



Linda Robertson
8 March 2022

APPENDIX B QUANTITY FORECASTING

B1 Forecast Quantities as at 31 March 2023

Calculating forecast revenue as at 31 March 2023 from prices effective 1 April 2022 requires Alpine Energy to prepare a forecast of quantities for the 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 to apply an escalator for each price. Alpine Energy has applied historical trends to the pricing areas.

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 as detailed in the Asset Management Plan. We estimated the average number of ICP's on the network to be 33,434 when setting the fixed charges for 2022/2023.

Variable volumes have historically increased by 1.1%. The assumption is that this trend will continue. Over the past 2 years we have seen an increase in single phase consumption primarily due to warmer temperatures. In addition, more irrigation has been required in the assessed and time-of-use price groups.

B3 Fixed and Variable Charges

Prices have fixed and variable volume components within each price category. These charges are based on forecast number of installation connection points and kWh consumption volumes.

Forecasts for the next pricing year and 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.

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 2022

The table below provides for each consumer group:

- forecast quantities for the assessment period ending 31 March 2023,
- unit prices (i.e., distribution plus pass-through and recoverable costs) for the assessment period, becoming effective 1 April 2022; and
- forecast revenue from prices for the assessment period ending 31 March 2023.

Price Category	Unit	Unit price (\$)	Forecast quantity	Forecast revenue (\$'000)
Fixed charges				
LOWHCA Fixed	\$/day	0.3000	2,228	244
LOWLCA Fixed	\$/day	0.3000	11,001	1,205
LOWUHCA Fixed	\$/day	0.3000	13	1
LOWULCA Fixed	\$/day	0.3000	45	5
015HCA Fixed	\$/day	1.5050	5,800	3,186
015LCA Fixed	\$/day	1.3654	11,189	5,576
015UHCA Fixed	\$/day	2.0972	32	25
015ULCA Fixed	\$/day	1.9367	36	26
360HCA Fixed	\$/day	6.1807	525	1,184
360LCA Fixed	\$/day	4.4840	743	1,216
360UHCA Fixed	\$/day	6.6626	14	34
360ULCA Fixed	\$/day	5.0756	13	23
ASSHCA Fixed	\$/day	2.0611	1,252	942
ASSLCA Fixed	\$/day	1.4259	403	210
TOU400HCA Fixed	\$/day	1.4657	35	19
TOU400LCA Fixed	\$/day	1.1694	95	41
TOU11HCA Fixed	\$/day	1.2215	6	3
TOU11LCA Fixed	\$/day	1.1845	4	2

Price Category	Unit	Unit price (\$)	Forecast quantity	Forecast revenue (\$'000)
Variable day charges				
LOWHCA Variable Day	\$/kWh	0.1018	11,186,292	1,139
LOWLCA Variable Day	\$/kWh	0.0962	51,290,815	4,932
LOWUHCA Variable Day	\$/kWh	0.1258	103,539	13
LOWULCA Variable Day	\$/kWh	0.1193	317,209	38
015HCA Variable Day	\$/kWh	0.0529	41,394,649	2,192
015LCA Variable Day	\$/kWh	0.0529	67,458,513	3,572
015UHCA Variable Day	\$/kWh	0.0529	424,085	22
015ULCA Variable Day	\$/kWh	0.0529	279,662	15
360HCA Variable Day	\$/kWh	0.0529	8,602,278	455
360LCA Variable Day	\$/kWh	0.0529	13,469,252	713
360UHCA Variable Day	\$/kWh	0.0529	551,812	29
360ULCA Variable Day	\$/kWh	0.0529	290,932	15
ASSHCA Variable Day	\$/kWh	0.0529	107,757,385	5,705
ASSLCA Variable Day	\$/kWh	0.0529	25,945,370	1,374
TOU400HCA Variable Day	\$/kWh	0.0165	16,916,536	280
TOU400LCA Variable Day	\$/kWh	0.0230	67,880,335	1,564
TOU11HCA Variable Day	\$/kWh	0.0287	20,154,092	579
TOU11LCA Variable Day	\$/kWh	0.0228	9,797,066	223
Variable night charges				
LOWHCA Variable Night	\$/kWh	0.0716	4,034,766	289
LOWLCA Variable Night	\$/kWh	0.0659	18,419,723	1,214
LOWUHCA Variable Night	\$/kWh	0.0956	37,572	4
LOWULCA Variable Night	\$/kWh	0.0891	116,068	10
015HCA Variable Night	\$/kWh	0.0227	14,777,519	335
015LCA Variable Night	\$/kWh	0.0227	23,957,787	544
015UHCA Variable Night	\$/kWh	0.0227	153,083	3
015ULCA Variable Night	\$/kWh	0.0227	100,043	2

Price Category	Unit	Unit price (\$)	Forecast quantity	Forecast revenue (\$'000)
360HCA Variable Night	\$/kWh	0.0227	3,059,559	69
360LCA Variable Night	\$/kWh	0.0227	4,754,433	108
360UHCA Variable Night	\$/kWh	0.0227	197,943	4
360ULCA Variable Night	\$/kWh	0.0227	103,717	2
ASSHCA Variable Night	\$/kWh	0.0227	38,949,303	884
ASSLCA Variable Night	\$/kWh	0.0227	8,701,636	197
TOU400HCA Variable Night	\$/kWh	0.0071	7,621,676	54
TOU400LCA Variable Night	\$/kWh	0.0099	31,104,743	307
TOU11HCA Variable Night	\$/kWh	0.0123	7,942,218	98
TOU11LCA Variable Night	\$/kWh	0.0098	4,523,596	44
Demand charges				
ASSHCA Demand	\$/kWday	0.1488	105,099	5,708
ASSLCA Demand	\$/kWday	0.0967	36,158	1,276
TOU400HCA Demand	\$/kWday	0.4178	7,577	1,155
TOU400LCA Demand	\$/kWday	0.2732	21,122	2,106
TOU11HCA Demand	\$/kWday	0.2431	6,699	594
TOU11LCA Demand	\$/kWday	0.3850	3,355	471
Direct billed customers				
Direct Billed Customer 1	\$/year	-	-	325
Direct Billed Customer 2	\$/year	-	-	3,868
Direct Billed Customer 3	\$/year	-	-	139
Direct Billed Customer 4	\$/year	-	-	625
Direct Billed Customer 5	\$/year	-	-	122
Direct Billed Customer 6	\$/year	-	-	47
Total forecast revenue from prices (P2022/23*Q2022/23)				57,408

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:		
o 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
o State the date on which the statement was prepared; and;	Clause 11.2(b)	Section 2
o 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-		
o 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
o 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
o 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
o 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