

Waipa Networks Ltd

Line Charging Methodology - Standard

After allocating all costs to Non-Standard 11kV Customers according to the “Line Charging Methodology – Non Standard”, the remaining costs are allocated by the following methodology for all remaining customers who are classified as 400V Domestic, Non-Domestic and Standard 11kV customers.

Consumer Groups

- No distinction is made between those customers served from the Cambridge or Te Awamutu points of supply.
- Customers are classified into Domestic, Non-Domestic, or 11kV supply categories. Customers are split this way because 11kV customers either don't use the 400V network or use dedicated 400V assets and Domestic to comply with the Government requirement to offer small Domestic customers a 15 cents per day fixed charge.
- 11kV assets are allocated to customers on the basis of their estimated contribution to the demand on the 11kV system.
- 400V assets are allocated directly to individual 11kV customers where the company has supplied distribution assets.
- The remainder of the 400V assets are allocated on the basis of customer contribution to the total 400V demand.
- Ripple relay assets are allocated directly in the case of 11kV customers, and are averaged for other customers.

Statistics of Customer Groups

	Domestic	Non-Domestic	11kV	11kV Non Standard	Total
Units	137,025,011	115,435,301	16,161,058	51,745,498	320,366,868
Transformer kVA	104,730	81,137	4,177	14,500	204,544
11kV Demand	28,018	23,610	2,694	2,157	56,479
RC 11kV Assets	27,616,179	23,271,825	2,655,695	1,611,042	55,154,740
RC 400V Assets	25,391,697	19,737,806	335,000	-	45,464,503

Revenue Allocation

- The Transpower connection charges are allocated in proportion to assessed demand, and the remainder of the Transpower charges are allocated on a customer usage (unit) basis. All Transpower charges are recovered on a variable basis
- Maintenance is allocated in proportion to the capital value of the assets utilised and recovered on both variable and fixed charge basis.
- Operations and overheads are allocated in proportion to the capital value of the assets utilised and recovered on both variable and fixed charge basis.
- Depreciation is allocated in proportion to the capital value of the assets utilised and recovered on both variable and fixed charge basis.
- Cost of capital is allocated on variable unit consumption basis at the appropriate asset level.

	Domestic	Non-Domestic	11kV	11kV Non Standard	Total
Transmission Charges	2,610,611	2,199,467	291,675	407,175	5,508,928
Maintenance	1,618,148	1,333,509	114,274	35,443	3,101,375
Operations & Overheads	670,199	564,602	79,045	235,042	1,548,888
Depreciation	1,628,299	1,321,172	91,868	34,926	3,076,264
Cost of Capital	2,910,701	2,361,690	161,383	153,673	5,587,446
	<u>9,437,957</u>	<u>7,780,440</u>	<u>738,246</u>	<u>866,258</u>	<u>18,822,901</u>

	Domestic	Non-Domestic	11kV	11kV Non Standard	Total
Transmission Charges	28%	28%	40%	47%	29%
Maintenance	17%	17%	15%	4%	16%
Operations & Overheads.	7%	7%	11%	27%	8%
Depreciation	17%	17%	12%	4%	16%
Cost of Capital	31%	30%	22%	18%	30%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

Fixed and variable charging

- Government legislation has capped fixed line charges at 15 cents a day for Domestic customers using 8,000kWh or less per annum. This requirement has destroyed the integrity of the above pricing methodology and the company has set all domestic fixed line charges to 15c/day to avoid creating an opportunity for arbitrage.
- Fixed line charges for Non-Domestic customers have been set at 30 cents a day.
- The balance of the un-recovered fixed charges, calculated by the methodology, are recovered through uniform variable charges applied to both Domestic and Non-Domestic customers.

	Domestic	Non-Domestic	11kV	11kV Non Standard	Total
Fixed	955,661	1,049,662	352,711	866,258	3,224,292
Variable	8,482,296	6,730,779	385,535	-	15,598,610
	<u>9,437,957</u>	<u>7,780,440</u>	<u>738,246</u>	<u>866,258</u>	<u>18,822,901</u>

	Domestic	Non-Domestic	11kV	11kV Non Standard	Total
Fixed	10%	13%	48%	100%	17%
Variable	90%	87%	52%	0%	83%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

- Variable unit rates have been calculated to indicate the value of control to the network.
- A kVA capacity based charge is available to commercial customers:
 - Minimum capacity charge 70kVA
 - Revenue neutral with respect to average commercial customer on fixed daily charge
- This methodology applies to all 400V Domestic, Non-Domestic and Standard 11kV customers with effect from 1 April 2010.

Waipa Networks Ltd

Line Charging Methodology – Non Standard

Waipa Networks Methodology for Allocating TPNZ Charges

- Dedicated switching assets costs including maintenance and operation allocated 100% to the Customer.
- Other connection assets costs including maintenance and operation based on ratio of the Customers average 12 anytime Maximum Demands to the average 12 Anytime Maximum Demands at the relevant GXP at 11,000 volts.
- Interconnection costs are allocated on basis of coincident demand to the 100 peaks as defined by Transpower.
- All Transpower costs are recovered by a fixed monthly charge.

Waipa Networks Charges

- Charges are based on value of Distribution Network Assets, allocated for the sole or primary use of the Customer.
- Maintenance charges are based on the Optimised Replacement Value as used by the Company for all 11,000 volt assets.
- Operations costs are based on the Demand Ratios.
- Are charged as a fixed monthly fee.