

Scanpower Limited  
Threshold Compliance Statement

For the Assessment Date 31 March 2009

Pursuant to the Commerce Act (Electricity Distribution  
Thresholds) Notice 2004 and Amendment Notice 2006

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**Prepared: 17<sup>th</sup> May 2009**

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**1. Disclosure of Information Required (Clause 7(1)(a)(i))  
Compliance with the Price Path Threshold**

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Scanpower does comply with all requirements of the price path threshold at the assessment date 31 March 2009, as specified in the Commerce Act (Electricity Distribution Thresholds) Notice 2004 and Amendment Notice 2006.

**Clause 5 (1) (a) Notional Revenue at the Assessment Date 31 March 2009**

*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 left-hand side of the following expression):*

<b>Test:</b>	$NR_{2009} / R_{2009} \leq 1$
<b>Result:</b>	$\$4,144,809 / \$4,231,091 < 1$
	$0.9796 < 1$
<b>Conclusion:</b>	The Threshold is not breached.

Supporting evidence is presented in Appendix A.

**Clause 5 (1) (b) Notional Revenue During each Assessment Period**

*The notional revenue of a distribution business at any time during an assessment period is not to exceed the greater of Allowable Notional Revenue of the distribution business at the assessment date on which that assessment period ends and the Allowable 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).*

<b>Test:</b>	$NR_{Max} / \text{Max}(R_{2008}, R_{2009}) \leq 1$
<b>Result:</b>	$\$4,144,809 / \$4,231,091 < 1$
	$0.9796 < 1$
<b>Conclusion:</b>	The Threshold is not breached.

Supporting evidence is presented in Appendix B.

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## Notional Revenue

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In accordance with the Gazette Notice and its definition of “*Specified Services*”, the following sources of revenue have been included in the calculation of notional revenue:

- i) All network charge revenue as per Scanpower’s published pricing schedule (including fixed daily network charges, variable kwh / kva charges, winter maximum demand charges and monthly administration charges).

## Excluded Services

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In accordance with the Gazette Notice, the definition of “*Specified Services*” therein and associated sub clauses covering excluded services, the following sources of revenue have been excluded from the calculation of notional revenue:

### *Non-Conveyance Goods and Services (as per “Specified Services” sub clause (e) )*

- i) ***Retail Appliance Sales, Servicing and Wiring***

Revenue in this category is derived from Scanpower’s retail electrical appliance sales business. Scanpower owns and operates a “100% Electric” store in Dannevirke. Local competitors include Leader & Watt, The Warehouse and Harvey Norman.

An additional component of this revenue relates to appliance servicing and repair services operated by a small team of Scanpower technicians. The majority of this work is commissioned under supplier warrantee.

- ii) ***Contracting Revenue***

Scanpower operates a contracting division which provides a range of services including boring and trenching, elevated platform vehicle hire, repoling, and undergrounding of electrical and communications services. Customers include main contractors, members of the public, other lines companies, and Telecom to whom Scanpower provides undergrounding and pole replacement services. This work is generally obtained through tender processes and is competitive in nature.

- iii) ***Interest Income***

This is interest revenue derived from short term cash deposits and fixed interest securities.

- iv) ***Field Service Contract Revenues - “Connection, disconnection or reconnection services” (as per “Specified Services” sub clause (i) )***

Scanpower provides disconnection and reconnection services under subcontract to DELTA Utilities. Attached to this document in Appendix D is a written statement from DELTA confirming that there is effective competition for the provision of these services in the Scanpower network area. There has been no change in the circumstances of this contract since this letter was written.

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(v) ***Meter Reading***

During the 2003/2004 financial year Scanpower won a contract to provide meter reading services in the Southern and Central Hawkes Bay area. This is under contract to DELTA Utilities who is the main meter reading contractor to Meridian Energy in the North Island.

The meter reading contract was won under competitive tender conditions and therefore regarded as contestable / excluded income. Correspondence from DELTA confirming this is provided in Appendix E. There has been no change in the circumstances of this contract since this letter was written.

(vi) ***Treesmart Division***

During the 2005/2006 financial year Scanpower established an operating division to provide tree felling and vegetation management services in the Southern and Central Hawkes Bay region. Customers to date include Department of Conservation, United Group, and Tararua District Council. All such contract work is unrelated to the network distribution business.

(vii) ***Provision of Cold Storage Services***

During the past financial year, Scanpower acquired a former freezing works facility at Oringi. It has utilised this facility to establish an operating division specialising in the provision of chilled and frozen storage (trading as “Oringi Cold Stores”). All revenue from this business is unrelated to the network distribution business.

(viii) ***Sale and Installation of Solar Equipment***

Scanpower is now involved in the sale and installation of solar water heating equipment, trading under the brand “Skyreach Solar”. All revenue from this business is unrelated to the network distribution business.

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**Pass Through Costs**

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In accordance with the Gazette Notice, the following components of transmission charges have been included in pass through costs: connection / interconnection / new investment charges, loss rental rebates, and EVA adjustments.

In addition to this, local body rates applying to system fixed assets: lines, cables, equipment, substation land and substation buildings, have been passed through in accordance with the Gazette Notice, as have levies invoiced to Scanpower by the Electricity Commission.

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## 2. Disclosure of Information Required (Clause 7(1)(a)(ii)) Compliance with the Quality Threshold

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Scanpower does comply with all requirements of the quality threshold at the assessment date 31 March 2009, as specified in the Commerce Act (Electricity Distribution Thresholds) Notice 2004 and Amendment Notice 2006.

### Clause 6 (1) (a) Interruption Duration

*The SAIDI of a distribution business for each assessment period is not to exceed the five-year average SAIDI of the distribution business to 31 March 2003 (calculated in accordance with the right-hand side of the following expression):*

<b>Test:</b>	$SAIDI_{2009} \leq \left( \frac{SAIDI_{1999} + SAIDI_{2000} + SAIDI_{2001} + SAIDI_{2002} + SAIDI_{2003}}{5} \right)$		
<b>Result:</b>	35.57	≤	82.93
<b>Conclusion:</b>	The threshold is not breached.		

Supporting evidence is provided in Appendix C.

### Clause 6 (1) (b) Interruption Frequency

*The SAIFI of a distribution business for each assessment period is not to exceed the five-year average SAIFI of the distribution business to 31 March 2003 (calculated in accordance with the right-hand side of the following expression):*

<b>Test:</b>	$SAIFI_{2009} \leq \left( \frac{SAIFI_{1999} + SAIFI_{2000} + SAIFI_{2001} + SAIFI_{2002} + SAIFI_{2003}}{5} \right)$		
<b>Result:</b>	0.89	≤	0.92
<b>Conclusion:</b>	The threshold is not breached.		

Supporting evidence is provided in Appendix C.

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### **3. Disclosure of Information Required (Clause 7(1)(a)(iii)) Description of Policies and Procedures for Recording SAIDI and SAIFI Statistics**

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Provided below is a description of Scanpower's policies and procedures for recording SAIDI and SAIFI statistics. These are the policies and procedures relevant to the current assessment year.

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#### ***Extract from Scanpower Internal Policy Document***

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##### *1.0 Introduction and Purpose*

- 1.1 The purpose of this document is to describe Scanpower policies and procedures for the recording and calculation of network reliability performance statistics, so as to comply with the reporting requirements of the Commerce Act (Electricity Distribution Thresholds) 2004, and the Electricity Information Disclosure Requirements 2004.
- 1.2 Scanpower uses the three international standard measures of SAIDI, SAIFI, and CAIDI for this purpose. In particular, Class B (planned shutdown caused by Distributor) and Class C (Unplanned shutdown caused by Distributor) events form the basis of the reliability performance thresholds.
- 1.3 Historically, Scanpower has based outage recording practices on the manual released by the Electricity Supply Association in 1993 entitled "Reliability Performance Measurement".
- 1.4 Over time, policies have evolved which comply with modern regulatory requirements and reflect improvements in technology and network automation.
- 1.5 By way of background, Scanpower takes supply from national grid operator Transpower at a voltage of 11kV. No step up power transformation occurs, hence there are only two system voltages, 11kV and low voltage (LV).

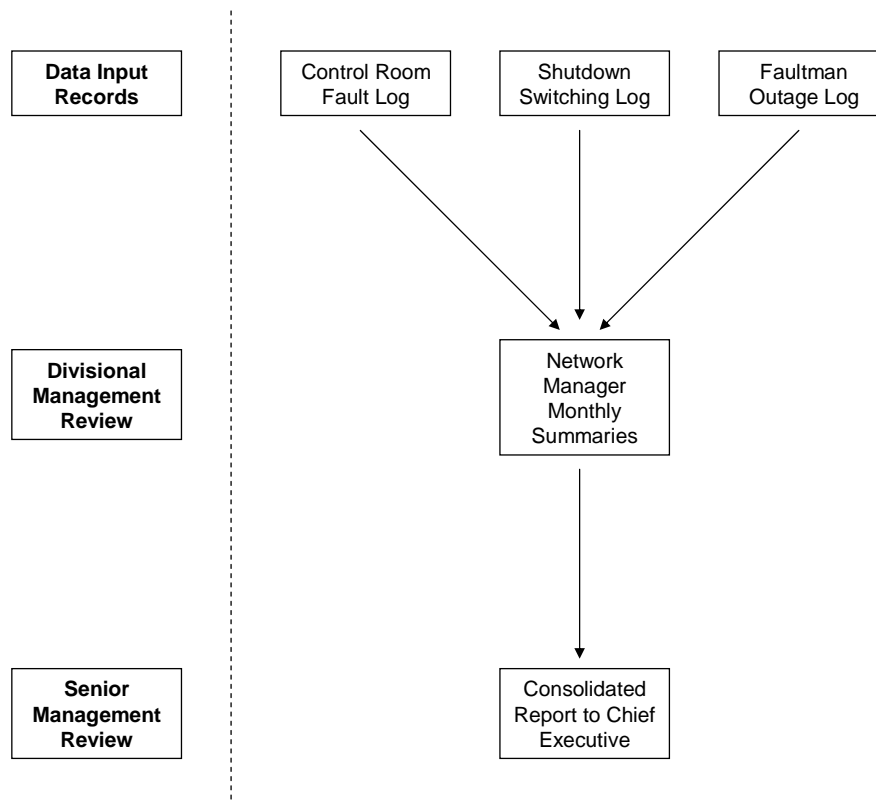
##### *2.0 Policies for Data Assembly*

- 2.1 All interruptions arising from incidents at 11kV are included.
- 2.2 For interruptions occurring at LV, only those affecting more than 1 ICP are included.
- 2.3 Voltage fluctuations and momentary interruptions of less than one minute are not included. Part power faults are also not included.
- 2.4 Interruptions at LV affecting more than 1 ICP, where the incident is caused by a failure of customer owned equipment, such as service lines, are not included. In addition to this, interruptions arising from a customer request (e.g. for tree trimming or house painting) are excluded, as are interruptions arising from disconnection at the request of the customer's electricity retailer, or disconnections for the purpose of isolating an unsafe installation.

- 2.5 When determining the number of customers interrupted, this shall be measured by the number of ICPs experiencing a loss of supply. Therefore, “customer” for the purposes of reliability performance reporting is treated as a single ICP.
- 2.6 Where possible, the number of ICPs interrupted by an incident shall be calculated using the NCS Network Asset Database system. This provides the functionality to extract the number of ICPs residing on a given line section(s).
- 2.7 The database is maintained in real time and is periodically reconciled to the National Registry. It is therefore considered to be an accurate source of ICP information.
- 2.8 For minor faults occurring at LV, where it is not possible to use the NCS system (as the number of ICPs affected does not comprise an entire line section), the Faultman attending the incident shall record the number of ICPs interrupted. It is noted that in some cases this may require an estimate, however for such faults the number of ICPs will be very small.
- 2.9 For calculation purposes, the total number of ICPs is defined as the average of the count at the beginning and end of the year. These totals will be obtained from an interrogation of the National Registry at the relevant dates. Decommissioned ICPs will be excluded for performance measurement purposes.

### 3.0 *Outage Recording Procedures*

- 3.1 The following diagram provides an overview of outage reporting procedures and information flows.



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3.2 There are three sources of data that are collated for the purposes of calculating reliability performance measures:

3.3 Control Room Fault Log (Unplanned Outages)

This log is to be maintained by duty engineers, and is to be kept in the Network Control room. All switching that occurs in relation to unplanned outages is recorded here.

The following information must be recorded on the Control Room Fault Log:

- Event date and time
- Feeder / location description
- Air break switch, circuit breaker and / or ISO numbers
- Open / close times and checks
- Restoration time

The Network Manager will ensure that all duty engineers are aware of their requirement to complete the Control Room Fault Log, and maintain regular reviews for completeness of information.

3.4 Faultman Activity Records (Unplanned Outages)

Scanpower faultmen are required to maintain a weekly activity register. This includes documentation of all call outs and jobs completed.

Duty faultmen are engaged in a number of activities including planned connection and disconnection, relay faults and network faults.

Where an unplanned outage is resolved by the faultman without reference to the duty engineer, it will not be recorded in the Control Room Fault Log. Therefore the faultman's weekly activity register will be the only place where the fault is recorded. It should be noted that such faults are relatively uncommon and affect only a small number of customers.

The Network Manager will review all of the weekly activity registers prepared by the faultmen, and where applicable identify all unplanned network outages and incorporate these into centralised records (electronic, spreadsheet based).

3.5 Planned Shutdown Switching Records

In the case of all planned shutdown events, Scanpower prepares and maintains switching instructions. These are used as the basis for calculating planned outage performance statistics.

Again, these are to be reviewed on a monthly basis and recorded in the central fault recording spreadsheet.

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- 3.6 Having collated the monthly data, the Network Manager will ensure these are entered into the outage reporting spreadsheet, which forms the basis of a monthly report to the Chief Executive and Board.
  - 3.7 At each review stage, outage data is assessed for completeness and reasonableness, and sign off given.
  - 3.8 At each year end, the completed outage spreadsheets will form the basis for regulatory reporting and threshold performance assessment.

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#### 4. Disclosure of Information Required (Clause 7(1)(a)(iv)) Other Information Relevant to Historic Threshold Compliance / Breach

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*Follow Up Commentary on Threshold Breach Under Clause 5 (1) (a) – Notional Revenue at the Assessment Date 31 March 2006*

##### **Background**

At the assessment date 31 March 2006, Scanpower breached the price threshold under clause 5 (1) (a) by \$464,722. This represented a relatively significant breach at 12% of allowable notional revenue at the time of \$3,846,064.

The cause of the breach was a large drop in transmission charges for the period ending 31 March 2006. Transpower costs for the 2006 year were \$1,059,893 in comparison to \$1,663,909 for the period ending 31 March 2005.

This reduction occurred as a result of a change in Transpower pricing methodology relating to the Woodville-Redclyffe 110kv circuit. This was previously treated as a spur line, and hence all costs were met by Scanpower. Due to load increases in the Hawkes Bay area, this line section is now notionally treated as a core grid asset, with costs now being shared as per Transpower's pricing methodology.

Upon notification of this price decrease, the Scanpower Board considered network pricing options, and decided to implement a price freeze (i.e. no change in network charges) until such time as the breach was discharged.

##### **Updated Breach Discharge Forecast**

At the assessment date 31 March 2009, Scanpower did not breach the price threshold under clause 5 (1) (a). As intended, this has had the effect of further reducing the breach amount incurred in previous years.

As an update to the forecast provided in the 2008 threshold compliance statement, the following actual and forecast figures are provided for the Commission's information:

<b>Actual Threshold Position - 31 March 2008</b>		
$\Sigma P_{i,2008} Q_i$	Prices at 31 March 2008 multiplied by 31 March 2003 base quantities	\$5,387,124
$K_{2008}$	Pass Through Cost - Transmission to 31 March 2008	\$1,389,455
	Pass Through Cost - Rates to 31 March 2008	\$3,599
	Pass Through Cost - EC Levies to 31 March 2008	\$12,217
$NR_{2008} = \Sigma P_{2008} Q_i - K_{2008}$	<b>Notional Revenue for Year Ending 31 March 2008</b>	<b>\$3,981,853</b>
$R_{2008}$	Estimated Allowable Notional Revenue	\$4,069,963
	<b>Magnitude of Breach</b>	<b>-\$88,110</b>
	Brought Forward Cumulative Breach	\$433,428
	<b>Cumulative Value of Breaches at 31 March 2008</b>	<b>\$345,318</b>

<b>Actual Threshold Position - 31 March 2009</b>		
$\Sigma P_{i,2009} Q_i$	Prices at 31 March 2009 multiplied by 31 March 2003 base quantities	\$5,541,329
$K_{2009}$	Pass Through Cost - Transmission to 31 March 2009	\$1,382,886
	Pass Through Cost - Rates to 31 March 2009	\$3,687
	Pass Through Cost - EC Levies to 31 March 2009	\$9,947
$NR_{2009} = \Sigma P_{2009} Q_i - K_{2009}$	<b>Notional Revenue for Year Ending 31 March 2009</b>	<b>\$4,144,809</b>
$R_{2009}$	Actual Allowable Notional Revenue	\$4,231,091
	<b>Magnitude of Breach</b>	<b>-\$86,282</b>
	Brought Forward Cumulative Breach	\$345,318
	<b>Cumulative Value of Breaches at 31 March 2009</b>	<b>\$259,036</b>

As is evident from the above analysis, at the end of the current threshold period (to 31 March 2009) the cumulative breach has not been fully discharged with a residual amount of \$259,036 remaining. It had been Scanpower's intention, through its pricing decisions, to reach the point of zero cumulative breach as at this date. A key factor why this result was not achieved was very high loss rental rebates during the current year. The following table illustrates the unusual magnitude of LRR received in 2009.

<b>Year</b>	<b>LRR</b>
2009	\$280,569
2008	\$80,288
2007	\$112,452
2006	\$146,103
2005	\$98,436

The average LRR for the previous four years was \$109,320 and had been budgeted at \$109,696 in Scanpower's internal planning models. Had actual LRR for 2009 been in line with budgeted expectations, the residual cumulative breach would have been \$88,163. This amount is considered relatively immaterial given the period of time involved since the 2006 breach and the impact of variables such as the CPI.

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**5. Disclosure of Information Required (Clause 7(1)(a)(v))**  
**Date of Statement Preparation**

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This threshold compliance statement was prepared on 17<sup>th</sup> May 2009.

***Disclaimer***

*The information presented in this Threshold Compliance Statement has been prepared solely for the purpose of complying with the requirements of the Commerce Act (Electricity Distribution Thresholds) Notice 2004 and Amendment Notice 2006. This statement has not been prepared for any other purpose and Scanpower Limited expressly disclaims any liability to any other party who may rely on this statement for any other purpose.*

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**6. Disclosure of Information Required (Clause 7(1)(b))**  
**Auditor's Report on the Threshold Compliance Statement (Clause 7(1)(b))**

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**AUDITORS' REPORT ON THRESHOLD COMPLIANCE STATEMENT**

To the readers of the Threshold Compliance Statement of Scanpower Limited for the assessment period ended on 31 March 2009

We have examined the attached statement, which is a Threshold Compliance Statement in respect of the price path threshold and the quality threshold prepared by Scanpower Limited for assessment as at 31 March 2009 and dated 18 May 2009 for the purposes of information requirements set out in clause 7 of the Commerce Act (Electricity Lines Thresholds) Notice 2004 ("the Notice"). In this report the attached statement is called "the Threshold Compliance Statement".

**Directors' Responsibilities**

Directors of Scanpower Limited are responsible for the certification, confirming the compliance or otherwise, of the Threshold Compliance Statement in accordance with the Notice.

**Auditors' Responsibilities**

It is our responsibility to express an independent opinion (in the form prescribed in the Notice) on the Threshold Compliance Statement and report our opinion to you.

We conducted our audit in accordance with the Auditing Standards issued by the Institute of Chartered Accountants of New Zealand.

**Basis of Opinion – Price Path Threshold and Quality Threshold: SAIDI and SAIFI Statistics for the Assessment Period ended 31 March 2009; and Quality Threshold: Customer Communication**

Our audit included examination, on a test basis, of evidence relevant to the amounts and disclosures contained on pages 2 to 13 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 2009 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

It also included an assessment of the significant estimates and judgements, if any, made by Scanpower 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 our 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 Scanpower 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**

We have no relationship with or interests in Scanpower Limited other than in our capacities as auditors of the threshold compliance statements and in the provision of other professional advisory services. We are not aware of any relationships between our firm and Scanpower Limited that, in our professional judgment, may reasonably be thought to impair our independence.

**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 Scanpower Limited against that threshold for the assessment period ended on 31 March 2009.

**Quality Threshold: SAIDI and SAIFI statistics**

In our opinion, having made all reasonable enquiry, to the best of our knowledge:

- a) The SAIDI and SAIFI statistics for the assessment period ended on 31 March 2009 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 Scanpower Limited's policies and procedures for recording SAIDI and SAIFI statistics as disclosed in the threshold compliance statement, and fairly represent the performance of Scanpower Limited for the assessment period ended on 31 March 2009;
- 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 Scanpower 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 Scanpower Limited.

**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:

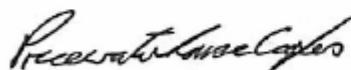
- There is no independent evidence available for the period to support the completeness and accuracy of recorded faults;
- Control over the completeness and accuracy of ICP data included in the SAIDI and SAIFI calculations is limited throughout the period.

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 2009, 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 Scanpower 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 2009.

Our audit was completed on 18 May 2009 and our qualified and unqualified opinions are expressed as at that date.



PricewaterhouseCoopers  
Auckland  
18 May 2009

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**7. Disclosure of Information Required (Clause 7(1)(c))**  
**Certification of Threshold Compliance Statement**

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We, Michael Dodson and Allan Benbow, being Directors of Scanpower Limited certify that, having made all reasonable enquiry, to the best of our knowledge and belief, the attached threshold compliance statement of Scanpower Limited, and related information, prepared for the purposes of the Commerce Act (Electricity Distribution Thresholds) Notice 2004 complies with the requirements of that notice.



**Christine Donald**



**Allan Benbow**

## Appendix A Notional Revenue at the Assessment Date 31 March 2009

Notional Revenue for the year ending 31 March 2009		
Term	Description	(\$)
$\Sigma P_{i,2009} Q_i$	Prices at 31 March 2009 multiplied by 31 March 2003 Base Quantities	\$5,541,329
$K_{2009}$	Transmission Charges for year ending 31 March 2009	\$1,382,886
	Rates for year ending 31 March 2009	\$3,687
	Electricity Commission Levies for year ending 31 March 2009	\$9,947
$NR_{2009} = \Sigma P_{i,2009} Q_i - K_{2009}$	Notional Revenue for the year ending 31 March 2009	\$4,144,809

### Calculation of $\Sigma P_{i,2009} Q_i$

Code	Description	$P_{i,2009}$	$Q_i$	$P_{i,2009} Q_i$
D1/10	Fixed daily supply charge (standard domestic per day)	0.1500	1,663,128	\$249,469
D1/23	Variable network charge (standard domestic day units per kwh)	0.0670	44,198,467	\$2,961,297
D1/24	Variable network charge (standard domestic night units per kwh)	0.0450	13,840,545	\$622,825
C1/40	Fixed daily supply charge (standard commercial per day)	0.7487	454,237	\$340,087
C1/28	Variable network charge (standard commercial day units per kwh)	0.0670	NA	NA
C1/29	Variable network charge (standard commercial night units per kwh)	0.0450	NA	NA
C1.2/11	Fixed daily supply charge (small commercial 2kva per day)	0.4225	164,956	\$69,694
C1.2/46	Variable network charge (small commercial 2 kva day units per kwh)	0.0670	NA	NA
C1.2/47	Variable network charge (small commercial 2 kva night units per kwh)	0.0450	NA	NA
C1.5/13	Fixed daily supply charge (small commercial 5 kva per day)	0.5593	141,691	\$79,248
C1.5/51	Variable network charge (small commercial 5 kva day units per kwh)	0.0670	NA	NA
C1.5/52	Variable network charge (small commercial 5 kva night units per kwh)	0.0450	NA	NA
C3/50	Fixed supply charge (large commercial category C3 per installed kva per month)	2.5668	16,780	\$43,071
C3/57	Variable network charge (large commercial category C3 day units per kwh)	0.0449	2,195,792	\$98,591
C3/58	Variable network charge (large commercial category C3 night units per kwh)	0.0299	776,421	\$23,215
C3/133	Corporate services charge C3 commercial category (per month)	7.3796	166	\$1,225
C4/60	Fixed supply charge (large commercial category C4 per installed kva per month)	2.5668	28,760	\$73,821
C4/73	Variable network charge (large commercial category C4 day units per kwh)	0.0411	4,311,653	\$177,209

Code	Description	P <sub>i,2009</sub>	Q <sub>i</sub>	P <sub>i,2009</sub> Q <sub>i</sub>
C4/74	Variable network charge (large commercial category C4 night units per kwh)	0.0143	1,225,628	\$17,526
C4/65	Maximum demand charge - peak kva per month	4.2780	5,833	\$24,954
C4/134	Corporate services charge C4 commercial category (per month)	7.3796	94	\$694
C5/70	Fixed supply charge (large commercial category C5 per installed kva per month)	2.5668	11,700	\$30,032
C5/78	Variable network charge (large commercial category C5 day units per kwh)	0.0411	4,001,386	\$164,457
C5/79	Variable network charge (large commercial category C5 night units per kwh)	0.0143	1,976,668	\$28,266
C5/75	Maximum demand charge - peak kva per month	4.2780	2,660	\$11,379
C5/135	Corporate services charge C5 commercial category (per month)	7.3796	24	\$177
C6/71	Fixed supply charge (large commercial category C6 per installed kva per month)	4.0641	37,200	\$151,185
C6/82	Variable network charge (large commercial category C6 day units per kwh)	0.0244	11,212,025	\$273,573
C6/83	Variable network charge (large commercial category C6 night units per kwh)	0.0078	4,637,179	\$36,170
C6/85	Maximum demand charge - peak kva per month	3.9293	8,311	\$32,656
C6/136	Corporate services charge C6 commercial category (per month)	7.3796	12	\$89
12	Public lighting network supply charge (per fitting per month)	1.0695	12,240	\$13,091
18	Telecom boxes (per month per box)	22.1387	0	\$0
19	Electric fences (monthly charge to incumbent)	6.4170	12	\$77
98	Electric fences (monthly charge - fed from distribution line)	8.5560	0	\$0
NA	Building Services Temporary (3 months max)	56.1488	0	\$0
NA	Building Services Temporary (per month after 3 months)	24.0638	0	\$0
NA	"River Recorder Charge" to Incumbent (fixed per month)	8.0000	12	\$96
NA	Load Control Charge to Incumbent (per day)	47.0000	365	\$17,155
NA	Fixed Administration Charge (metering, inspection, revenue protection) per month	0.00	12	\$0
				<b><u>\$5,541,329</u></b>

### Calculation of K<sub>2009</sub> (Pass Through Costs)

Pass through costs for the period comprise:

- Transmission charges (CT<sub>2009</sub>)
- Local authority rates (CR<sub>2009</sub>)
- Electricity Commission Levies (CE<sub>2009</sub>)

Summary workings for each of these values are provided below.

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## Calculation of CT<sub>2009</sub>

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- Transpower charges are calculated on the basis of actual, monthly invoiced amounts.

Description	April	May	June	July	August	September
Connection Charges	\$39,181	\$39,181	\$39,181	\$39,181	\$39,181	\$39,181
Interconnection Charges	\$80,913	\$80,913	\$80,913	\$80,913	\$80,913	\$80,913
New Investment Charges (11kV Breaker)	\$1,166	\$1,166	\$1,166	\$1,166	\$1,166	\$1,166
New Investment Charges (DVK transformers)	\$16,912	\$16,912	\$16,912	\$17,511	\$17,511	\$17,511
<b>Total Monthly Transpower Charges</b>	<b>\$138,172</b>	<b>\$138,172</b>	<b>\$138,172</b>	<b>\$138,771</b>	<b>\$138,771</b>	<b>\$138,771</b>
Loss and Constraint Incomes	\$8,646	\$23,003	\$54,717	\$68,725	\$37,944	\$58,949
<b>Net Monthly Transpower Charges</b>	<b>\$129,526</b>	<b>\$115,169</b>	<b>\$83,455</b>	<b>\$70,046</b>	<b>\$100,827</b>	<b>\$79,822</b>

Description	October	November	December	January	February	March
Connection Charges	\$39,181	\$39,181	\$39,181	\$39,181	\$39,181	\$39,181
Interconnection Charges	\$80,913	\$80,913	\$80,913	\$80,913	\$80,913	\$80,913
New Investment Charges (11kV Breaker)	\$1,166	\$1,166	\$1,166	\$1,166	\$1,166	\$1,166
New Investment Charges (DVK transformers)	\$17,511	\$17,511	\$17,511	\$17,511	\$17,511	\$17,511
<b>Total Monthly Transpower Charges</b>	<b>\$138,771</b>	<b>\$138,771</b>	<b>\$138,771</b>	<b>\$138,771</b>	<b>\$138,771</b>	<b>\$138,771</b>
Loss and Constraint Incomes	\$6,263	\$4,570	\$6,495	\$3,589	\$2,996	\$4,673
<b>Net Monthly Transpower Charges</b>	<b>\$132,508</b>	<b>\$134,201</b>	<b>\$132,276</b>	<b>\$135,182</b>	<b>\$135,775</b>	<b>\$134,098</b>

<b>TOTAL TRANSMISSION COSTS 2009</b>	<b>\$1,382,886</b>
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## Calculation of CR<sub>2009</sub>

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- Rates costs are calculated on an invoice basis. Invoices are received from Tararua District Council and Horizons Regional Council.

District Council Rates for Period 1 July 2007 to 30 June 2008 <i>(per Tararua District Council Invoice - 1 August 2007)</i>	\$484.50
Net of GST	\$430.67
Per Month	\$35.89
District Council Rates for Three Months April 2008 to June 2008 Inclusive	<b>\$107.67</b>

District Council Rates for Period 1 July 2008 to 30 June 2009 <i>(per Tararua District Council Invoice - 1 August 2008)</i>	\$484.50
Net of GST	\$430.67
Per Month	\$35.89
District Council Rates for Nine Months 1 July 2008 to 31 March 2009 Inclusive	<b>\$323.00</b>

Regional Council Rates for Period 1 July 2007 to 30 June 2008 <i>(Per Horizons Regional Council invoice - 13 August 2007)</i>	\$3,645.24
Net of GST	\$3,240.21
Per Month	\$270.02
Regional Council Rates for Three Months April 2008 to June 2008 Inclusive	<b>\$810.05</b>

Regional Council Rates for Period 1 July 2008 to 30 June 2009 <i>(Per Horizons Regional Council invoice - 11 August 2008)</i>	\$3,669.54
Net of GST	\$3,261.81
Per Month	\$271.82
Regional Council Rates for Nine Months July 2008 to March 2009 Inclusive	<b>\$2,446.36</b>

Total Network Rates Cost for Period 1 April 2008 to 31 March 2009	<b><u>\$3,687.08</u></b>
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## Calculation of CE<sub>2009</sub>

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- Electricity Commission costs are calculated on an invoice basis.

Month	Invoice Total
April 2008	\$1,029.68
May 2008	\$1,027.09
June 2008	\$934.52
July 2008	\$874.05
August 2008	\$870.49
September 2008	\$845.39
October 2008	\$846.46
November 2008	\$813.25
December 2008	\$828.98
January 2009	\$814.69
February 2009	\$246.57
March 2009	\$815.93
<b>TOTAL</b>	<b>\$ 9,947.10</b>

## Calculation of $R_{2009}$ (Allowable Notional Revenue Under CPI – X Price Path)

Allowable Notional Revenue under CPI -X price path		
Term	Description	(\$)
$X$	X Factor	0%
$R_{2004}$	Maximum Revenue at 31 March 2004 that would not have caused a breach under the Initial Notice	3,649,127
$(I + \Delta CPI_{2005})$	Average change in Consumer Price Index over 2004	1.0229
$(I - X)$	1-X Factor	1.00
$R_{2005}$	Allowable Notional Revenue under the CPI-X Price Path for the year ended 31 March 2005	3,732,701
$(I + \Delta CPI_{2006})$	Average change in Consumer Price Index over 2005	1.0304
$(I - X)$	1-X Factor	1.00
$R_{2006}$	Allowable Notional Revenue under the CPI-X Price Path for the year ended 31 March 2006	3,846,064
$(I + \Delta CPI_{2007})$	Average change in Consumer Price Index over 2006	1.0337
$(I - X)$	1-X Factor	1.00
$R_{2007}$	Allowable Notional Revenue under the CPI-X Price Path for the year ended 31 March 2007	3,975,500
$(I + \Delta CPI_{2008})$	Average change in Consumer Price Index over 2007	1.0238
$(I - X)$	1-X Factor	1.00
$R_{2008}$	Allowable Notional Revenue under the CPI-X Price Path for the year ended 31 March 2008	4,069,963
$(I + \Delta CPI_{2009})$	Average change in Consumer Price Index over 2008	1.0396
$(I - X)$	1-X Factor	1.00
$R_{2009}$	Allowable Notional Revenue under the CPI-X Price Path for the year ended 31 March 2009	4,231,091
$NR_{2009} / R_{2009}$	Expression must be less than or equal to 1 to avoid breaching 5(1)(a)	0.9796
$R_{2009} - NR_{2009}$	Value of Compliance or (Breach)	86,282

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.

<i>ΔCPI<sub>2005</sub></i>			
Numerator		Denominator	
<i>CPI<sub>Q1,2004</sub></i>	928	<i>CPI<sub>Q1,2003</sub></i>	913
<i>CPI<sub>Q2,2004</sub></i>	935	<i>CPI<sub>Q2,2003</sub></i>	913
<i>CPI<sub>Q3,2004</sub></i>	941	<i>CPI<sub>Q3,2003</sub></i>	918
<i>CPI<sub>Q4,2004</sub></i>	949	<i>CPI<sub>Q4,2003</sub></i>	924
Total	3753	Total	3669
<i>ΔCPI<sub>2005</sub></i>		<b>2.29%</b>	

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)

<i>ΔCPI<sub>2006</sub></i>			
Numerator		Denominator	
<i>CPI<sub>Q1,2005</sub></i>	953	<i>CPI<sub>Q1,2004</sub></i>	928
<i>CPI<sub>Q2,2005</sub></i>	962	<i>CPI<sub>Q2,2004</sub></i>	935
<i>CPI<sub>Q3,2005</sub></i>	973	<i>CPI<sub>Q3,2004</sub></i>	941
<i>CPI<sub>Q4,2005</sub></i>	979	<i>CPI<sub>Q4,2004</sub></i>	949
Total	3867	Total	3753
<i>ΔCPI<sub>2006</sub></i>		<b>3.04%</b>	

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)

<i>ΔCPI<sub>2007</sub></i>			
Numerator		Denominator	
<i>CPI<sub>Q1,2006</sub></i>	985	<i>CPI<sub>Q1,2005</sub></i>	953
<i>CPI<sub>Q2,2006</sub></i>	1000	<i>CPI<sub>Q2,2005</sub></i>	962
<i>CPI<sub>Q3,2006</sub></i>	1007	<i>CPI<sub>Q3,2005</sub></i>	973
<i>CPI<sub>Q4,2006</sub></i>	1005	<i>CPI<sub>Q4,2005</sub></i>	979
Total	3997	Total	3867
<i>ΔCPI<sub>2007</sub></i>		<b>3.37%</b>	

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)

<i>ΔCPI<sub>2008</sub></i>			
Numerator		Denominator	
<i>CPI<sub>Q1,2007</sub></i>	1010	<i>CPI<sub>Q1,2006</sub></i>	985
<i>CPI<sub>Q2,2007</sub></i>	1020	<i>CPI<sub>Q2,2006</sub></i>	1000
<i>CPI<sub>Q3,2007</sub></i>	1025	<i>CPI<sub>Q3,2006</sub></i>	1007
<i>CPI<sub>Q4,2007</sub></i>	1037	<i>CPI<sub>Q4,2006</sub></i>	1005
Total	4092	Total	3997
<i>ΔCPI<sub>2008</sub></i>		<b>2.38%</b>	

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)

<i>ΔCPI<sub>2009</sub></i>			
Numerator		Denominator	
<i>CPI<sub>Q1,2008</sub></i>	1044	<i>CPI<sub>Q1,2007</sub></i>	1010
<i>CPI<sub>Q2,2008</sub></i>	1061	<i>CPI<sub>Q2,2007</sub></i>	1020
<i>CPI<sub>Q3,2008</sub></i>	1077	<i>CPI<sub>Q3,2007</sub></i>	1025
<i>CPI<sub>Q4,2008</sub></i>	1072	<i>CPI<sub>Q4,2007</sub></i>	1037
Total	4254	Total	4092
<i>ΔCPI<sub>2009</sub></i>		<b>3.96%</b>	

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)

## Calculation of $R_{2004}$

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	(\$)
$\Sigma P_{i,0} \times Q_{i,0}$	Prices at 6 September 2003 multiplied by 31 March 2003 Base Quantities	5,112,423
$C_{T2003}$	Budget Transmission Charges for year ending 31 March 2004	1,461,096
$C_{R2003}$	Budget Rates for year ending 31 March 2004	2,200
$R_{2004}$	Maximum Revenue at 31 March 2004 that would not have caused a breach under the initial Notice	3,649,127

## Calculation of $\Sigma P_{i,0} \times Q_{i,0}$

Code	Description	$P_{i,0}$	$Q_{i,0}$	$P_{i,0}Q_{i,0}$
D1/10	Fixed daily supply charge (standard domestic per day)	\$0.1500	1,663,128	\$249,469
D1/23	Variable network charge (standard domestic day units per kwh)	\$0.0600	44,198,467	\$2,651,908
D1/24	Variable network charge (standard domestic night units per kwh)	\$0.0400	13,840,545	\$553,622
C1/40	Fixed daily supply charge (standard commercial per day)	\$0.7000	454,237	\$317,966
C1/28	Variable network charge (standard commercial day units per kwh)	\$0.0600	NA	NA
C1/29	Variable network charge (standard commercial night units per kwh)	\$0.0400	NA	NA
C1.2/11	Fixed daily supply charge (small commercial 2kva per day)	\$0.3950	164,956	\$65,158
C1.2/46	Variable network charge (small commercial 2 kva day units per kwh)	\$0.0600	NA	NA
C1.2/46	Variable network charge (small commercial 2 kva night units per kwh)	\$0.0400	NA	NA
C1.5/13	Fixed daily supply charge (small commercial 5 kva per day)	\$0.5230	141,691	\$74,104
C1.5/51	Variable network charge (small commercial 5 kva day units per kwh)	\$0.0600	NA	NA
C1.5/52	Variable network charge (small commercial 5 kva night units per kwh)	\$0.0400	NA	NA
C3/50	Fixed supply charge (large commercial category C3 per installed kva per month)	\$2.4000	16,780	\$40,272
C3/57	Variable network charge (large commercial category C3 day units per kwh)	\$0.0420	2,195,792	\$92,223
C3/58	Variable network charge (large commercial category C3 night units per kwh)	\$0.0280	776,421	\$21,740
C3/133	Corporate services charge C3 commercial category (per month)	\$6.9000	166	\$1,145
C4/60	Fixed supply charge (large commercial category C4 per installed kva per month)	\$2.4000	28,760	\$69,024
C4/73	Variable network charge (large commercial category C4 day units per kwh)	\$0.0384	4,311,653	\$165,567
C4/74	Variable network charge (large commercial category C4 night units per kwh)	\$0.0134	1,225,628	\$16,423
C4/65	Maximum demand charge - peak kva per month	\$4.0000	5,833	\$23,332
C4/134	Corporate services charge C4 commercial category (per month)	\$6.9000	94	\$649

Code	Description	P <sub>1,0</sub>	Q <sub>10</sub>	P <sub>1,0</sub> Q <sub>10</sub>
C5/70	Fixed supply charge (large commercial category C5 per installed kva per month)	\$2.4000	11,700	\$28,080
C5/78	Variable network charge (large commercial category C5 day units per kwh)	\$0.0384	4,001,386	\$153,653
C5/79	Variable network charge (large commercial category C5 night units per kwh)	\$0.0134	1,976,668	\$26,487
C5/75	Maximum demand charge - peak kva per month	\$4.0000	2,660	\$10,640
C5/135	Corporate services charge C5 commercial category (per month)	\$6.9000	24	\$166
C6/71	Fixed supply charge (large commercial category C6 per installed kva per month)	\$3.8000	37,200	\$141,360
C6/82	Variable network charge (large commercial category C6 day units per kwh)	\$0.0228	11,212,025	\$255,298
C6/83	Variable network charge (large commercial category C6 night units per kwh)	\$0.0073	4,637,179	\$33,745
C6/85	Maximum demand charge - peak kva per month	\$3.6740	8,311	\$30,535
C6/136	Corporate services charge C6 commercial category (per month)	\$6.9000	12	\$83
12	Public lighting network supply charge (per fitting per month)	\$1.0000	12,240	\$12,240
18	Telecom boxes (per month per box)	\$20.7000	0	\$0
19	Electric fences (monthly charge to incumbent)	\$23.5900	12	\$283
98	Electric fences (monthly charge - fed from distribution line)	\$8.0000	0	\$0
NA	Building Services Temporary (3 months max)	\$52.5000	0	\$0
NA	Building Services Temporary (per month after 3 months)	\$22.5000	0	\$0
NA	"River Recorder Charge" to Incumbent (fixed per month)	\$8.0000	12	\$96
NA	Load Control Charge to Incumbent (per day)	\$47.0000	365	\$17,155
NA	Fixed Administration Charge (metering, inspection, revenue protection) per month	\$5,000.00	12	\$60,000

**\$5,112,423**

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## Appendix B Notional Revenue During the Assessment Period (Clause 5 (1) (b) )

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### Calculation of $NR_{MAX}$

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 2008 to 31 March 2009	\$4,144,809
$R_{2008}$	Allowable Notional Revenue at 31 March 2008	\$4,069,963
$R_{2009}$	Allowable Notional Revenue at 31 March 2009	\$4,231,091
$Max(R_{2008}, R_{2009})$	Maximum of the Allowable Notional Revenue at 31 March 2008 and the Allowable Notional Revenue at 31 March 2009	\$4,231,091
$NR_{Max} / Max(R_{2008}, R_{2009})$	If expression is greater than 1, Clause 5 (1) (b) is breached	0.9796
$Max(R_{2008}, R_{2009}) - NR_{Max}$	Value of Compliance or (Breach)	86,282

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## Appendix C – Quality Threshold Calculations

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Year	SAIDI (Interruption Duration)			SAIFI (Interruption Frequency)		
	Class B	Class C	Total	Class B	Class C	Total
<b>1999</b>	62.12	42.70	104.82	0.49	0.76	1.25
<b>2000</b>	48.43	18.60	67.03	0.35	0.31	0.67
<b>2001</b>	40.80	29.27	70.07	0.31	0.55	0.85
<b>2002</b>	59.73	31.11	90.84	0.44	0.64	1.08
<b>2003</b>	24.75	57.13	81.88	0.18	0.56	0.74
	<b>Five Year Average SAIDI</b>		<b>82.93</b>	<b>Five Year Average SAIFI</b>		<b>0.92</b>
<b>2009</b>	16.36	19.21	<b>35.57</b>	0.12	0.77	<b>0.89</b>

The historical SAIDI and SAIFI figures represented here differ slightly from those previously disclosed by Scanpower in the New Zealand Gazette. This is because the SAIDI and SAIFI results here have been calculated using the average number of ICPs connected to the network during the year, whereas previously for the Gazette notice total ICPs at the year end were used.

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## Appendix D – Correspondence Re Contestability of Field Services Contracts

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1 October 2003

Mr Lee Bettles  
Scanpower Limited  
P O Box 157  
DANNEVIRKE 5491

Dear Lee

### **Provision of Electrical Field Services in the Scanpower Network Area**

As recently discussed, I understand that as an electricity distribution company, Scanpower Limited is currently facing price regulation and that the first regulatory audit is approaching.

Scanpower currently provides electrical field services to *DELTA* under contract. The scope of this contract includes services such as reconnections, disconnections, metering installation and electrical inspections.

As requested, from *DELTA*'s perspective our understanding is as follows:

- Scanpower does not operate as a monopoly in relation to the provision of field services in their network area;
- *DELTA* selected Scanpower as their preferred contractor on the basis of commercial discussions and an evaluation process; and that
- *DELTA* could decide to use an alternate contractor for the provision of these services in the Scanpower network area if it wished.

I would be happy for you to provide this letter to your regulatory auditors as supporting evidence for the contestable nature of field service contracting on the Scanpower network.

Yours sincerely

  
Amanda McKnight  
RETAILER SERVICES MANAGER

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*DELTA* Utility Services Limited, P O Box 1404, DUNEDIN  
Phone (03) 479 6718, Fax (03) 479 6694, Email amandam@del.co.nz

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## Appendix E – Correspondence Re Contestability of Meter Reading Contracts

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12 May 2004

Mr Lee Bettles  
Scanpower Limited  
P O Box 157  
DANNEVIRKE 5491

Dear Lee

**Provision of Meter Reading Services in the Scanpower Network Area**

Scanpower currently provides Meter Reading services to *DELTA* under contract. The scope of this contract includes services such as scheduled and special meter reading.

As requested, from *DELTA*'s perspective our understanding is as follows:

- Scanpower does not operate as a monopoly in relation to the provision of Meter Reading in their network area;
- *DELTA* selected Scanpower as their preferred contractor on the basis of commercial discussions and an evaluation process; and that
- *DELTA* could decide to use an alternate contractor for the provision of these services in the Scanpower network area if it wished.

I would be happy for you to provide this letter to your regulatory auditors as supporting evidence for the contestable nature of Meter Reading contracting on the Scanpower network.

Yours sincerely

A handwritten signature in blue ink, appearing to read "Amanda McKnight".

Amanda McKnight  
RETAILER SERVICES MANAGER

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**DELTA Utility Services Limited**, P O Box 1404, DUNEDIN  
Phone (03) 479 6718, Fax (03) 479 6694, Email amandam@del.co.nz