Annual Price-setting Compliance Statement

Assessment Period: 1 April 2023 – 31 March 2024

POWERCO

Contents

1. Summary

Powerco is required to report on how price-setting complies with its price path

This is Powerco's annual price-setting compliance statement (Statement) which demonstrates that forecast revenue from prices is less than forecast allowable revenue for the year beginning April 2023.

The Statement is part of many disclosure requirements Powerco Limited (Powerco) undertakes as an electricity distributor regulated by the Commerce Commission. Powerco's electricity distribution business is subject to regulation under the Commerce Act 1986 which is managed by the Commerce Commission (Commission). For the year beginning April 2023 Powerco is subject to the default price-quality path (DPP) requirements, having transitioned to this from a customised price-quality path (CPP). The requirements of the DPP apply for the final two years (1 April 2023 to 31 March 2025) of the five-year period as set out the DPP Determination[1].

One of the Determination's disclosure requirements involves publishing this statement to demonstrate that forecast revenue from prices is less than forecast allowable revenue. This statement relates to the year beginning April 2023, which is the first assessment of price-setting compliance covered by the Determination, though aligns with what Powerco has been completing for the previous five years under CPP requirements.

Powerco complies with its price path for the year 1 April 2023 – 31 March 2024

The remainder of this Statement demonstrates how Powerco's price-setting is compliant with the requirements in the Determination. It shows Powerco's calculations of forecast revenue from prices and forecast allowable revenue along with supporting information for all components of these calculations. Appendix A provides the Determination's compliance requirements and references the relevant information included in this Statement.

Powerco published this Statement on 31 March 2023 on Powerco's website, www.Powerco.co.nz.

A copy is available on request or at Powerco's principal office: Level 2, 84 Liardet Street New Plymouth.

Any comments or suggestions regarding the Annual Price-Setting Compliance Statement can be made via https://www.powerco.co.nz/contact

or to

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[1] Electricity Distribution Services Default Price-Quality Path (Powerco transition) Amendments Determination 2022

2. Compliance assessment

This section demonstrates compliance clauses 11.1-11.3 of the Determination which outline the requirements of this annual price-setting compliance statement. For presentation purposes, the tables set out in this report are aggregates of the price and quantity information for each price group. While the dollar balances are rounded to the nearest thousand dollars, the underlying compliance calculations apply the whole number.

2.1 Price path compliance

Compliance with the forecast price path is demonstrated when **forecast revenue from prices (FRt**) does not exceed **forecast allowable revenue (FARt)** for the assessment period.

Table 1: Price path results for this assessment period

Requirement	**FR_{2024}**	**≤**	**FAR_{2024}**
Powerco's result ($000)	427,278	≤	427,279

Powerco complies with the forecast price path for 2024

2.2 Forecast revenue from prices

Forecast revenue from prices is calculated in accordance with Schedule 1.3 of the Determination as the sum of each **price** multiplied by each corresponding forecast **quantity**.

A summary of Powerco's forecast revenue from prices is provided in Table 2. Appendix B includes the full table of prices and forecast quantities for the 2024 pricing year.

Table 2: Calculating Powerco's forecast revenue from prices (FR_t)
$FR_{2024} = \sum(P_{2024} \times Q_{\text{forecast 2024}})$

Region	Total ($000)
Western	219,120
Eastern	208,158
FR_{2024}	427,278

The Determination requires forecast revenue from prices to be demonstrably reasonable. Table 3 illustrates that forecast growth in the factors that determine quantity continue to align with historical growth data at a regional level. The methodology and outputs are provided in more detail at Appendix C.

Table 3: 2024 regional forecasts align with historical growth

Region	Connections		Volume (GWh)	
	2024 forecast % Change from 2023	2019-2023 % Growth range	2024 forecast % Change from 2023	2019-2023 % Growth range
Western	1.01%	0.84% - 1.03%	2.06%	(1.10%) - 3.26%
Eastern	1.35%	1.38% - 1.53%	1.34%	(1.25%) - 4.41%

[2] Powerco's forecast transmission revenue includes all pass-through and recoverable costs (refer Table 5) and the opening wash-up account balance (refer Table 7).

2.3 Forecast allowable revenue

Forecast allowable revenue is calculated in accordance with Schedule 1.5 of the Determination as the sum of **forecast net allowable revenue, forecast pass-through and recoverable costs,** and the **opening wash-up account balance.**
The calculation of Powerco's forecast allowable revenue for this 2024 assessment period is provided in Table 4.

Table 4: Calculating Powerco's forecast allowable revenue (FAR)
FAR_{2024} = forecast net allowable revenue + forecast pass-through and recoverable costs + opening wash-up account balance

Calculation Components	Total ($000)
Forecast net allowable revenue is specified in Schedule 1.4 of the Determination	321,696
Forecast pass-through and recoverable costs includes, but is not limited to, rates and levies, IRIS or other incentive adjustment and Transpower charges (see Section 2.4 for more detail)	91,048
Opening wash-up account balance represents any under or over recoveries resulting from differences between actual and forecast values in the prior year, adjusted for the time value of money (see Section 2.5 for more detail)	14,536
FAR_{2024}	**427,279**

2.4 Forecasts of pass-through and recoverable costs

The Determination allows for the inclusion of pass-through and recoverable costs in pricing if they are known at the time prices are set and have not been previously recovered or will not be able to be recovered other than through prices. Pass-through and recoverable costs are defined in clauses 3.1.2 and 3.1.3 of the Electricity Distribution Services Input Methodologies Determination 2012.

Pass-through costs include:

- Local government rates on system fixed assets;
- Electricity Industry Act levies; and
- Electricity and Gas Complaints Commissioner Scheme (EGCC) levies.

Recoverable costs include:

- IRIS incentive adjustments;
- Transpower charges;
- Distributed generation allowance;
- Claw back applied by the Commission;
- Costs relating to a CPP application;
- Auditor or verifier fees;
- Catastrophic event allowance;
- Extended reserves allowance; and
- Quality incentive adjustment.

Table 5: Pass-through and recoverable costs included in the 2024 forecast

Pass-through and recoverable costs	Total ($000)
Council rates	2,339
Commission levies	1,112
Electricity Authority levies	985
Utilities Disputes levies	300
Capex IRIS incentive adjustment	(702)
Opex IRIS incentive adjustment	(5,010)
Transpower connection charges	16,282
Transpower new investment charges	6,631
Benefit-based Charge System operator services	14,601
Residual Charge Avoided liability from the purchase of transmission assets from Transpower	55,851
Quality incentive adjustment	(1,339)
Pass-through and recoverable costs$_{2024}$	**91,048**

The Determination requires forecast pass-through and recoverable costs to be demonstrably reasonable. Table 6 summarises the methodology Powerco has applied to determine its forecasts of pass-through and recoverable costs. It is Powerco's opinion that all these methods deliver acceptable forecasts in the context they are used.

Table 6: Methodology to forecast pass-through and recoverable costs

Pass-through and recoverable costs	Forecasting methodology
Council rates	Forecast is a combination of current and proposed levy rates
Commission levies	Forecast is a combination of current and projected levy amounts
Electricity Authority levies	Forecast is based on historical costs
Utilities Dispute levies	Forecast is based on historical costs
IRIS incentive adjustments	Forecast using the Input Methodologies formula
Transpower connection charges	As notified by Transpower
Transpower new investment charges	As notified by Transpower
Benefit-based Charge System operator services	As notified by Transpower
Residual Charge Avoided liability from the purchase of transmission assets from Transpower	As notified by Transpower
Quality incentive adjustment	Based on information disclosure outcomes regulatory year ending March 2022 (adjusted for time value of money)

2.5 Opening wash-up account balance

The Determination includes a revenue cap mechanism for Powerco. This means variances between actual and forecast allowable revenue now also result in a wash-up balance in addition to variances between actual and forecast pass-through and recoverable costs. Powerco must calculate the wash-up amount for each assessment period using the methodology specified in Schedule 1.7 of the Determination where:

- The 'opening wash-up account balance' for the fourth **assessment period** is the *closing wash-up account balance* of the previous **assessment period**.
- The closing wash-up account balance for the previous assessment period is the **wash-up amount** for the previous **assessment period** less **voluntary undercharging amount foregone** for the previous assessment period) **x (1 + 67th percentile estimate of post-tax WACC)**.

Table 7: Calculating the closing wash-up account balance for the third assessment period

Description	Total ($000)
Wash-up amount$_{2023}$	12,748
+ adjustment for 67th percentile estimate of post-tax WACC	1,788
Opening wash-up balance$_{2024}$	**14,536**

3. Appendices

The following list of appendices provides further information supporting this Statement.

Appendix reference	Information provided
A – Compliance references	References the compliance requirements of the Determination and where they are evidenced in this Statement.
B – Prices and forecast quantities for pricing year 2024	Detailed schedules specifying prices and forecast quantities.
C – Quantity forecasting	Calculating forecast revenue from prices requires a forecast of quantities.

Appendix A – Compliance statement references

Determination clause	Determination requirement	Compliance statement reference
Price Path		
8.4	The forecast revenue from prices for each assessment period must not exceed the forecast allowable revenue for the assessment period	Section 3.1
Annual price-setting compliance statement		
11.2 (a)	State whether Powerco has complied with the price path in clause 8 for the assessment period	Section 2
11.2 (b)	State the date on which the Statement was prepared	Cover
11.2 (c)	Include a certificate in the form set out in Schedule 6, signed by at least one director of Powerco	Section 1
11.3 (a)	Include Powerco's calculation of its forecast revenue from prices together with supporting information for all components of the calculation	Section 3.2, Appendix B & C
11.3 (b)	Include Powerco's calculation of its forecast allowable revenue together with supporting information for all components of the calculation	Sections 3.3-3.5
11.3 (c)	Include any reasons for non-compliance with the price path	N/a
11.3 (d)	Include actions taken to mitigate any non-compliance and to prevent similar non-compliance in future assessment periods	N/a

Appendix B – Prices and forecast quantities for pricing year 2024

The tables in this attachment contain our prices and forecast quantities.

Western network - distribution & transmission prices

Western Network						Distribution Prices FY24 (1 April 2023 to 31 March 2024)								
						Fixed Charges				Variable Charges				
	Tariff Group	Network Group	Tariff Description			ICP $/day	CT/VT Charge ($/day)	ABP ($/AMD)	ABP ($/AMD)	Uncontrolled $/kWh	Night $/kWh	Day Rate $/kWh	On Peak Uncontrolled $/kWh	$/kVAr
						FDC	CT/VT	*DIST*	*TRAN*	24UC	ERN	ERD	ERP	PFC
	Residential+Small Commercial													
E1CA	E1C	A	Controlled	Small	DIST	0.21					0.0497	0.0497	0.1185	
E1UCA	E1UC	A	Uncontrolled	Small	DIST	0.36					0.0497	0.0497	0.1185	
E1CB	E1C	B	Controlled	Small	DIST	0.13					0.0734	0.0734	0.1367	
E1UCB	E1UC	B	Uncontrolled	Small	DIST	0.28					0.0734	0.0734	0.1367	
	Medium Commercial				DIST									
E100	E100	A	100kVA < 300kVA	Medium	DIST	9.1000	4.5400	0.3948		0.0029				7.000
E100	E100	B	100kVA < 300kVA	Medium	DIST	9.1000	4.5400	0.4949		0.0029				7.000
E100	E100	C	100kVA < 300kVA	Medium	DIST	9.1000	4.5400	0.5577		0.0029				7.000
E100	E100	D	100kVA < 300kVA	Medium	DIST	9.1000	4.5400	0.5792		0.0029				7.000
E100	E100	E	100kVA < 300kVA	Medium	DIST	9.1000	4.5400	0.3825		0.0029				7.000
E100	E100	F	100kVA < 300kVA	Medium	DIST	9.1000	4.5400	0.4352		0.0029				7.000
E100	E100	G	100kVA < 300kVA	Medium	DIST	9.1000	4.5400	0.7937		0.0029				7.000
E100	E100	H	100kVA < 300kVA	Medium	DIST	9.1000	4.5400	0.4302		0.0029				7.000
E100	E100	I	100kVA < 300kVA	Medium	DIST	9.1000	4.5400	0.3545		0.0029				7.000
E100	E100	J	100kVA < 300kVA	Medium	DIST	9.1000	4.5400	0.5407		0.0029				7.000
	Large Industrial													
E300	E300X	*	Individual ICP prices	Large	DIST	144.45								7.000
SPECIAL	SPECIAL	*	Individual ICP prices	Large	DIST	345.37								7.000
OTHER	OTHER	*	Individual ICP prices	Large	DIST									7.000
Western Network						**Transmission Prices FY24 (Prices 1 April 2023 to 31 March 2024)**								
	Residential+Small Commercial													
E1CA	E1C	A	Controlled	Small	TRAN	0.0900					0.0154	0.0154	0.0154	
E1UCA	E1UC	A	Uncontrolled	Small	TRAN	0.0900					0.0154	0.0154	0.0154	
E1CB	E1C	B	Controlled	Small	TRAN	0.1700					0.0153	0.0153	0.0153	
E1UCB	E1UC	B	Uncontrolled	Small	TRAN	0.1700					0.0153	0.0153	0.0153	
	Medium Commercial													
E100	E100	A	100kVA < 300kVA	Medium	TRAN				0.0301	0.0143				
E100	E100	B	100kVA < 300kVA	Medium	TRAN				0.0285	0.0143				
E100	E100	C	100kVA < 300kVA	Medium	TRAN				0.0834	0.0143				
E100	E100	D	100kVA < 300kVA	Medium	TRAN				0.2032	0.0143				
E100	E100	E	100kVA < 300kVA	Medium	TRAN				0.0321	0.0143				
E100	E100	F	100kVA < 300kVA	Medium	TRAN				0.0357	0.0143				
E100	E100	G	100kVA < 300kVA	Medium	TRAN				0.0608	0.0143				
E100	E100	H	100kVA < 300kVA	Medium	TRAN				0.0327	0.0143				
E100	E100	I	100kVA < 300kVA	Medium	TRAN				0.0168	0.0143				
E100	E100	J	100kVA < 300kVA	Medium	TRAN				0.0790	0.0143				
	Large Industrial													
E300	E300X	*	Individual ICP prices	Large	TRAN	62.04								
SPECIAL	SPECIAL	*	Individual ICP prices	Large	TRAN	337.39								
OTHER	OTHER	*	Individual ICP prices	Large	TRAN									

Western network – quantities

Western Network						Quantities FY24 (1 April 2023 to 31 March 2024)									
						Fixed Volumes					Variable Volumes				
	Tariff Group	Network Group	Tariff Description			ICP Days	ICPs (Average)	AMD	CMD	AMD	kWh Uncontrolled	kWh Nite Only	kWh Day	kWh On Peak	kVAr Demand pa
						FDC	FDC	*DIST*	CMD	*TRAN*	24UC	ERN	ERD	ERP	PFC
	Residential+Small Commercial														
E1CA	E1C	A	Controlled	Small	DIST	18,933,729	51,732	-	-	-	-	107,541,005	213,132,716	138,680,124	-
E1UCA	E1UC	A	Uncontrolled	Small	DIST	26,621,197	72,736	-	-	-	-	151,204,774	299,668,804	194,986,990	-
E1CB	E1C	B	Controlled	Small	DIST	8,839,776	24,152	-	-	-	-	62,168,726	106,536,457	67,980,189	-
E1UCB	E1UC	B	Uncontrolled	Small	DIST	11,508,687	31,444	-	-	-	-	80,938,750	138,702,015	88,504,813	-
	Medium Commercial				DIST										
E100	E100	A	100kVA < 300kVA	Medium	DIST	24,862	68	7,385	3,108	7,385	24,514,350	-	-	-	35,480
E100	E100	B	100kVA < 300kVA	Medium	DIST	5,355	15	1,423	671	1,423	5,488,360	-	-	-	-
E100	E100	C	100kVA < 300kVA	Medium	DIST	765	2	106	22	106	238,761	-	-	-	-
E100	E100	D	100kVA < 300kVA	Medium	DIST	382	1	123	7	123	105,430	-	-	-	-
E100	E100	E	100kVA < 300kVA	Medium	DIST	8,032	22	2,377	1,111	2,377	9,044,891	-	-	-	-
E100	E100	F	100kVA < 300kVA	Medium	DIST	2,677	7	931	390	931	2,930,654	-	-	-	-
E100	E100	G	100kVA < 300kVA	Medium	DIST	1,912	5	977	362	977	2,635,056	-	-	-	-
E100	E100	H	100kVA < 300kVA	Medium	DIST	16,447	45	4,952	1,986	4,952	16,306,521	-	-	-	-
E100	E100	I	100kVA < 300kVA	Medium	DIST	43,222	118	12,576	5,476	12,576	41,957,447	-	-	-	-
E100	E100	J	100kVA < 300kVA	Medium	DIST	1,147	3	372	128	372	1,348,930	-	-	-	-
	Large Industrial														
E300	E300X	*	Individual ICP prices	Large	DIST	-	233	-	-	-	324,632,095	-	-	-	59,792
SPECIAL	SPECIAL	*	Individual ICP prices	Large	DIST	-	57	-	-	-	400,750,063	-	-	-	28,212
OTHER	OTHER	*	Individual ICP prices	Large	DIST	-	-	-	-	-	-	-	-	-	-
	Western Region Total			**ALL**	**DIST**	**66,008,192**	**180,641**	**31,223**	**13,261**	**31,223**	**829,952,558**	**401,853,255**	**758,039,992**	**490,152,114**	**123,484**

Western network – distribution & transmission revenue

Western Network						Distribution Revenue (FY24 Prices, FY24 Quantities)			
	Tariff Group	Network Group	Tariff Description			Fixed	Variable	Demand	Total
	Residential+Small Commercial								
E1CA	E1C	A	Controlled	Small	DIST	3,976,083	32,371,079	-	**36,347,162**
E1UCA	E1UC	A	Uncontrolled	Small	DIST	9,583,631	45,514,375	-	**55,098,006**
E1CB	E1C	B	Controlled	Small	DIST	1,149,171	21,675,852	-	**22,825,023**
E1UCB	E1UC	B	Uncontrolled	Small	DIST	3,222,432	28,220,240	-	**31,442,672**
	Medium Commercial				DIST				
E100	E100	A	100kVA < 300kVA	Medium	DIST	1,293,366	71,092	248,361	**1,612,819**
E100	E100	B	100kVA < 300kVA	Medium	DIST	306,428	15,916	-	**322,345**
E100	E100	C	100kVA < 300kVA	Medium	DIST	28,589	692	-	**29,281**
E100	E100	D	100kVA < 300kVA	Medium	DIST	29,649	306	-	**29,955**
E100	E100	E	100kVA < 300kVA	Medium	DIST	405,910	26,230	-	**432,141**
E100	E100	F	100kVA < 300kVA	Medium	DIST	172,654	8,499	-	**181,153**
E100	E100	G	100kVA < 300kVA	Medium	DIST	301,295	7,642	-	**308,937**
E100	E100	H	100kVA < 300kVA	Medium	DIST	929,408	47,289	-	**976,697**
E100	E100	I	100kVA < 300kVA	Medium	DIST	2,025,008	121,677	-	**2,146,685**
E100	E100	J	100kVA < 300kVA	Medium	DIST	84,137	3,912	-	**88,049**
	Large Industrial								
E300	E300X	*	Individual ICP prices	Large	DIST	12,326,068	-	418,542	**12,744,611**
SPECIAL	SPECIAL	*	Individual ICP prices	Large	DIST	7,240,793	-	197,486	**7,438,278**
OTHER	OTHER	*	Individual ICP prices	Large	DIST	-	-	-	-
	Western Region Total			**ALL**	**DIST**	**43,074,625**	**128,084,800**	**864,389**	**172,023,814**

Western Network						Transmission Revenue (FY24 Prices, FY24 Quantities)			
	Residential+Small Commercial								
E1CA	E1C	A	Controlled	Small	TRAN	1,704,036	7,074,049	-	**8,778,085**
E1UCA	E1UC	A	Uncontrolled	Small	TRAN	2,395,908	9,946,253	-	**12,342,160**
E1CB	E1C	B	Controlled	Small	TRAN	1,502,762	3,621,286	-	**5,124,048**
E1UCB	E1UC	B	Uncontrolled	Small	TRAN	1,956,477	4,714,627	-	**6,671,104**
	Medium Commercial								
E100	E100	A	100kVA < 300kVA	Medium	TRAN	81,359	350,555	-	**431,914**
E100	E100	B	100kVA < 300kVA	Medium	TRAN	14,840	78,484	-	**93,324**
E100	E100	C	100kVA < 300kVA	Medium	TRAN	3,234	3,414	-	**6,649**
E100	E100	D	100kVA < 300kVA	Medium	TRAN	9,181	1,508	-	**10,688**
E100	E100	E	100kVA < 300kVA	Medium	TRAN	27,930	129,342	-	**157,272**
E100	E100	F	100kVA < 300kVA	Medium	TRAN	12,164	41,908	-	**54,073**
E100	E100	G	100kVA < 300kVA	Medium	TRAN	21,747	37,681	-	**59,428**
E100	E100	H	100kVA < 300kVA	Medium	TRAN	59,269	233,183	-	**292,452**
E100	E100	I	100kVA < 300kVA	Medium	TRAN	77,327	599,991	-	**677,318**
E100	E100	J	100kVA < 300kVA	Medium	TRAN	10,767	19,290	-	**30,057**
	Large Industrial								
E300	E300X	*	Individual ICP prices	Large	TRAN	5,293,681	-	-	**5,293,681**
SPECIAL	SPECIAL	*	Individual ICP prices	Large	TRAN	7,073,521	-	-	**7,073,521**
OTHER	OTHER	*	Individual ICP prices	Large	TRAN	-	-	-	-
	Western Region Total			**ALL**	**TRAN**	**20,244,203**	**26,851,572**	-	**47,095,775**

Eastern network – distribution & transmission prices

Eastern Network						Distribution Prices FY24 (1 April 2023 to 31 March 2024)										
						Fixed Charges		Variable Charges								
	Tariff Group	Network Group	Tariff Description			ICP $/day	Installed Capacity $/kVA/Day	Uncontrolled $/kWh	Controlled $/kWh	All Inclusive $/kWh	Night $/kWh	On Peak Uncontrolled $/kWh	Off Peak Uncontrolled $/kWh	On Peak All Inclusive $/kWh	Off Peak All Inclusive $/kWh	Unmetered $/kWh	$/kVAr
						FDC	FDC*	24UC	CTRL	AICO	NITE	PEAK	OFPK	PKIN	OPIN	UNML	PFC
	Residential+Small Commercial																
V05S	V05S	Valley	Low User	Small	DIST	0.34		0.0890	0.0602	0.0890	0.0602	0.1530	0.0602	0.1530	0.0602	0.1148	
V06S	V06S	Valley	Standard User	Small	DIST	0.85		0.0589	0.0301	0.0589	0.0301	0.1229	0.0301	0.1229	0.0301	0.1148	
V08		Valley	Holiday Home	Small	DIST	0.99		0.0524	0.0206	0.0524	0.0206	0.1228	0.0206	0.1228	0.0206	0.1148	
T05S	T05S	Tauranga	Low User	Small	DIST	0.41		0.0737	0.0477	0.0737	0.0477	0.1289	0.0477	0.1289	0.0477	0.1030	
T06S	T06S	Tauranga	Standard User	Small	DIST	0.97		0.0458	0.0198	0.0458	0.0198	0.1010	0.0198	0.1010	0.0198	0.1030	
	Unmetered Supply																
V01	V01	Valley	Unmetered	Small	DIST	0.3400										0.1148	
V02	V02	Valley	Streetlighting	Small	DIST		0.1634										
T01	T01	Tauranga	Unmetered	Small	DIST	0.4100										0.1030	
T02	T02	Tauranga	Streetlighting	Small	DIST		0.1749										
	Medium Commercial																
V22	V22	Valley	3ph60A >199kVA	Medium	DIST	9.90		0.0551				0.1150	0.0282				7.000
V28	V28	Valley	200kVA >299kVA	Medium	DIST	25.00		0.0485									7.000
T22	T22	Tauranga	3ph60A >199kVA	Medium	DIST	10.80		0.0455	0.0238		0.0248	0.1003	0.0197				7.000
T28	T28	Tauranga	200kVA >299kVA	Medium	DIST	24.45		0.0433									7.000
	Large Commercial / Industrial																
V40	V40	Valley	Individual ICP prices	Large	DIST	103.71											7.000
V60	V60	Valley	Individual ICP prices	Large	DIST	487.28											7.000
V601	V601	Kinleith	Individual ICP prices	Large	DIST	10,598.20											7.000
T50	T50	Tauranga	Individual ICP prices	Large	DIST	90.59											7.000
T60	T601	Tauranga	Individual ICP prices	Large	DIST	423.09											7.000

Eastern Network						Transmission Prices FY24 (Prices 1 April 2023 to 31 March 2024)										
	Residential+Small Commercial															
V05S	V05S	Valley	Low User	Small	TRAN	0.1100		0.0143	0.0143	0.0143	0.0143	0.0143	0.0143	0.0143	0.0143	0.0143	
V06S	V06S	Valley	Standard User	Small	TRAN	0.2600		0.0143	0.0143	0.0143	0.0143	0.0143	0.0143	0.0143	0.0143	0.0143	
V08		Valley	Holiday Home	Small	TRAN	0.2600		0.0143	0.0143	0.0143	0.0143	0.0143	0.0143	0.0143	0.0143	0.0143	
T05S	T05S	Tauranga	Low User	Small	TRAN	0.0400		0.0137	0.0137	0.0137	0.0137	0.0137	0.0137	0.0137	0.0137	0.0137	
T06S	T06S	Tauranga	Standard User	Small	TRAN	0.0900		0.0137	0.0137	0.0137	0.0137	0.0137	0.0137	0.0137	0.0137	0.0137	
	Unmetered Supply															
V01	V01	Valley	Unmetered	Small	TRAN	0.1100										0.0143	
V02	V02	Valley	Streetlighting	Small	TRAN		0.0279										
T01	T01	Tauranga	Unmetered	Small	TRAN	0.0400										0.0137	
T02	T02	Tauranga	Streetlighting	Small	TRAN		0.0274										
	Medium Commercial															
V22	V22	Valley	3ph60A >199kVA	Medium	TRAN	2.7400		0.0143				0.0143	0.0143				
V28	V28	Valley	200kVA >299kVA	Medium	TRAN	4.0800		0.0143									
T22	T22	Tauranga	3ph60A >199kVA	Medium	TRAN	1.1800		0.0137	0.0125		0.0143	0.0137	0.0137				
T28	T28	Tauranga	200kVA >299kVA	Medium	TRAN	2.6300		0.0137									
	Large Commercial / Industrial															
V40	V40	Valley	Individual ICP prices	Large	TRAN	44.80											
V60	V60	Valley	Individual ICP prices	Large	TRAN	576.99											
V601	V601	Kinleith	Individual ICP prices	Large	TRAN	18,163.21											
T50	T50	Tauranga	Individual ICP prices	Large	TRAN	39.63											
T60	T601	Tauranga	Individual ICP prices	Large	TRAN	287.10											

Eastern network - quantities

Eastern Network						Quantities FY24 (1 April 2023 to 31 March 2024)										
						Fixed Volumes			Variable Volumes							
	Tariff Group	Network Group	Tariff Description			ICP Days	ICPs (Average)	kVA Installed	kWh Uncontrolled	kWh Controlled	kWh Nite Only	kWh On Peak	kWh Off Peak	kWh Unmetered	Distributed Generation	kVAr Demand pa
						FDC	FDC	FDC*	24UC	CTRL	NITE	PEAK	OFPK	UNML	24DG	PFC
	Residential•Small Commercial															
V05S	V05S	Valley	Low User	Small	DIST	13,659,156	37,320	-	36,509,911	34,022,236	338,157	31,219,853	73,440,066	4,071	1,339,043	-
V06S	V06S	Valley	Standard User	Small	DIST	13,595,247	37,145	-	164,190,833	36,914,962	2,149,847	63,227,897	152,117,931	185	1,062,814	-
V08		Valley	Holiday Home	Small	DIST											-
T05S	T05S	Tauranga	Low User	Small	DIST	12,946,793	35,374	-	41,820,740	36,290,812	4,167,107	31,832,048	68,908,260	103	2,194,744	-
T06S	T06S	Tauranga	Standard User	Small	DIST	20,465,746	55,917	-	190,230,323	75,867,882	4,862,778	73,813,687	166,889,630	60,377	2,683,985	-
	Unmetered Supply															
V01	V01	Valley	Unmetered	Small	DIST	-	200	-	-	-	-	-	-	1,132,570	-	-
V02	V02	Valley	Streetlighting	Small	DIST	4,120,901	14	11,259	-	-	-	-	-	2,222,574	-	-
T01	T01	Tauranga	Unmetered	Small	DIST	-	279	-	-	-	-	-	-	1,753,722	-	-
T02	T02	Tauranga	Streetlighting	Small	DIST	5,207,585	14	14,228	-	-	-	-	-	3,136,341	-	-
	Medium Commercial															
V22	V22	Valley	3ph60A >199kVA	Medium	DIST	201,686	551	-	66,466,807	-	-	375,057	969,951	-	94,403	-
V28	V28	Valley	200kVA >299kVA	Medium	DIST	17,522	48	-	11,637,658	-	-	-	-	-	-	1,111
T22	T22	Tauranga	3ph60A >199kVA	Medium	DIST	267,131	730	-	61,855,671	261,155	-	860,705	2,107,602	-	53,277	-
T28	T28	Tauranga	200kVA >299kVA	Medium	DIST	56,158	153	-	37,485,141	-	-	-	-	-	1,124	9,689
	Large Commercial / Industrial															
V40	V40	Valley	Individual ICP prices	Large	DIST	-	90	-	64,715,352	-	-	-	-	-	-	16,784
V60	V60	Valley	Individual ICP prices	Large	DIST	-	29	-	321,881,995	-	-	-	-	-	-	47,106
V601	V601	Kinleith	Individual ICP prices	Large	DIST	-	1	-	294,783,209	-	-	-	-	-	-	-
T50	T50	Tauranga	Individual ICP prices	Large	DIST	-	233	-	183,721,133	-	-	-	-	-	-	39,205
T60	T601	Tauranga	Individual ICP prices	Large	DIST		37	-	213,773,844	-	-	-	-	-	-	31,809
	Eastern Region Total			**ALL**	**DIST**	**70,537,926**	**168,137**	**25,488**	**1,689,072,617**	**183,357,047**	**11,517,889**	**201,329,249**	**464,433,440**	**8,309,944**	**7,429,390**	**145,704**

Eastern network - distribution & transmission revenue

Eastern Network						Distribution Revenue (FY24 Prices, FY24 Quantities)				
	Tariff Group	Network Group	Tariff Description			Fixed	Variable	Demand	Non-standard	Total
	Residential+Small Commercial									
V05S	V05S	Valley	Low User	Small	DIST	4,644,113	14,516,075	-		**19,160,188**
V06S	V06S	Valley	Standard User	Small	DIST	11,555,960	23,196,170	-		**34,752,131**
V08		Valley	Holiday Home	Small	DIST	-	-	-		-
T05S	T05S	Tauranga	Low User	Small	DIST	5,308,185	12,402,117	-		**17,710,302**
T06S	T06S	Tauranga	Standard User	Small	DIST	19,851,773	21,076,832	-		**40,928,605**
	Unmetered Supply									
V01	V01	Valley	Unmetered	Small	DIST	24,869	130,019	-		**154,888**
V02	V02	Valley	Streetlighting	Small	DIST	673,355	-	-		**673,355**
T01	T01	Tauranga	Unmetered	Small	DIST	41,811	180,633	-		**222,445**
T02	T02	Tauranga	Streetlighting	Small	DIST	910,807	-	-		**910,807**
	Medium Commercial									
V22	V22	Valley	3ph60A >199kVA	Medium	DIST	1,996,693	3,732,805	-		**5,729,498**
V28	V28	Valley	200kVA >299kVA	Medium	DIST	438,043	564,426	7,779		**1,010,249**
T22	T22	Tauranga	3ph60A >199kVA	Medium	DIST	2,885,020	2,948,497	-		**5,833,517**
T28	T28	Tauranga	200kVA >299kVA	Medium	DIST	1,373,071	1,623,107	67,825		**3,064,002**
	Large Commercial / Industrial									
V40	V40	Valley	Individual ICP prices	Large	DIST	3,422,073	-	117,490		**3,539,562**
V60	V60	Valley	Individual ICP prices	Large	DIST	5,238,804	-	329,739		**5,568,544**
V601	V601	Kinleith	Individual ICP prices	Large	DIST	3,878,943	-	-		**3,878,943**
T50	T50	Tauranga	Individual ICP prices	Large	DIST	7,724,836	-	274,434		**7,999,270**
T60	T601	Tauranga	Individual ICP prices	Large	DIST	5,803,558	-	222,664		**6,026,222**
	Eastern Region Total			**ALL**	**DIST**	**75,771,914**	**80,370,681**	**1,019,931**	-	**157,162,526**

Eastern Network						Transmission Revenue (FY24 Prices, FY24 Quantities)				
	Tariff Group	Network Group	Tariff Description			Fixed	Variable	Demand	Non-standard	Total
	Residential+Small Commercial									
V05S	V05S	Valley	Low User	Small	TRAN	1,502,507	2,510,140	-		**4,012,648**
V06S	V06S	Valley	Standard User	Small	TRAN	3,534,764	5,986,004	-		**9,520,768**
V08		Valley	Holiday Home	Small	TRAN	-	-	-		-
T05S	T05S	Tauranga	Low User	Small	TRAN	517,872	2,507,361	-		**3,025,233**
T06S	T06S	Tauranga	Standard User	Small	TRAN	1,841,917	7,010,628	-		**8,852,545**
	Unmetered Supply									
V01	V01	Valley	Unmetered	Small	TRAN	8,046	16,196	-		**24,242**
V02	V02	Valley	Streetlighting	Small	TRAN	114,973	-	-		**114,973**
T01	T01	Tauranga	Unmetered	Small	TRAN	4,079	24,026	-		**28,105**
T02	T02	Tauranga	Streetlighting	Small	TRAN	142,688	-	-		**142,688**
	Medium Commercial									
V22	V22	Valley	3ph60A >199kVA	Medium	TRAN	552,620	969,709	-		**1,522,329**
V28	V28	Valley	200kVA >299kVA	Medium	TRAN	71,489	166,419	-		**237,907**
T22	T22	Tauranga	3ph60A >199kVA	Medium	TRAN	315,215	891,353	-		**1,206,568**
T28	T28	Tauranga	200kVA >299kVA	Medium	TRAN	147,696	513,546	-		**661,243**
	Large Commercial / Industrial									
V40	V40	Valley	Individual ICP prices	Large	TRAN	1,478,328	-	-		**1,478,328**
V60	V60	Valley	Individual ICP prices	Large	TRAN	6,203,373	-	-		**6,203,373**
V601	V601	Kinleith	Individual ICP prices	Large	TRAN	6,647,735	-	-		**6,647,735**
T50	T50	Tauranga	Individual ICP prices	Large	TRAN	3,378,994	-	-		**3,378,994**
T60	T601	Tauranga	Individual ICP prices	Large	TRAN	3,938,223	-	-		**3,938,223**
	Eastern Region Total			**ALL**	**TRAN**	**30,400,520**	**20,595,382**	-	-	**50,995,902**

Appendix C – Quantity forecasting

Quantity forecasting underpins the calculation of forecast revenue from prices. Because prices have fixed and variable components revenue forecasts require Powerco to forecast the underlying number of connections as well as volumes (kW and kWh).

Forecast connections and volumes for each tariff group largely relies on the levels and trends of historical actual data.

- Forecasts of regional connections are determined using current connections and applying an estimated growth rate for the region using the average growth rates over the previous three years as a guide.
- Powerco's default method for volume and demand forecasts is to determine the average volume (or demand) per connection for each price category and tariff code, over the previous five years, and multiply it by the relevant connection forecast.
- In certain situations, the average volume over the previous five years is not appropriate to use as a forecast (such as in the case of closed price categories or "one-off" events). Powerco uses an appropriate subset from within the five-year historical data.
- Further adjustments may be made to average volumes for one off effects or emerging trends.

Tables C.1 to C.6 demonstrate that our connection and volume forecasts are consistent with actual historical growth rates.

Table C.7 outlines our forecasting methodology in instances where the average volume over the previous five years is not appropriate to use as a forecast.

Table C.1: Connection growth – Western region

Customer group	Actual				Projected	Forecast		Comment
	FY19	FY20	FY21	FY22	FY23	FY24	Total ICPs	
Small	0.8%	0.9%	0.9%	1.0%	0.9%	1.0%	180,890	Forecast is consistent with historical growth
Medium	-0.9%	2.8%	6.3%	10.2%	6.5%	6.3%	294	Forecast is consistent with recent historical growth
Large	3.6%	-1.1%	0.4%	1.4%	1.1%	0.9%	292	Based on specific ICPs and assumed growth
Total	**0.8%**	**0.9%**	**1.0%**	**1.0%**	**0.9%**	**1.0%**	**181,477**	

Table C.2: Connection Growth – Eastern region

Customer group	Actual				Projected	Forecast		Comment
	FY19	FY20	FY21	FY22	FY23	FY24	Total ICPs	
Small	1.5%	1.5%	1.4%	1.5%	1.3%	1.3%	167,272	Forecast is consistent with historical growth
Medium	5.0%	4.9%	3.3%	3.6%	4.1%	3.4%	1,505	Forecast is consistent with historical growth
Large	3.5%	0.0%	3.1%	2.4%	3.0%	1.7%	397	Based on specific ICPs and assumed growth
Total	**1.5%**	**1.5%**	**1.4%**	**1.5%**	**1.4%**	**1.3%**	**169,174**	

Table C.3: Average volume (kWh) per connection – Western region

Customer group	Actual				Projected	Forecast		Comment
	FY19	FY20	FY21	FY22	FY23	FY24	Growth	
Small	9,111	9,130	9,126	9,201	9,119	9,122	0.0%	Reflects a trend of declining average household usage
Medium	428,205	411,791	373,079	352,662	350,831	355,098	1.2%	No impact to revenue due to fixed charges
Large	2,455,983	2,458,477	2,319,637	2,302,600	2,401,255	2,467,551	2.8%	No impact to revenue due to fixed charges

Table C.4: Total volume (GWh) – Western region

Customer group	Actual				Projected	Forecast		Comment
	FY19	FY20	FY21	FY22	FY23	FY24	Growth	
Small	1,572	1,589	1,603	1,632	1,633	1,650	1.0%	Higher connection growth offsets declining average usage
Medium	92	91	88	92	97	105	7.6%	Reflects growth in connection numbers
Large	697	691	654	659	694	720	3.7%	No impact to revenue due to fixed charges
Total	**2,362**	**2,371**	**2,345**	**2,383**	**2,424**	**2,474**	**2.1%**	

Table C.5: Average volume (kWh) per connection – Eastern region

Customer group	Actual				Projected	Forecast		Comment
	FY19	FY20	FY21	FY22	FY23	FY24	Growth	
Small	7,812	7,741	7,788	7,948	7,797	7,798	0.0%	Reflects historical trends
Medium	130,708	127,555	120,755	121,422	120,924	121,012	0.1%	Reflects historical trends
Large	2,958,166	2,845,535	2,736,096	2,746,785	2,737,289	2,717,586	-0.7%	No impact to revenue due to fixed charges

Table C.6: Total volume (GWh) – Eastern region

Customer group	Actual				Projected	Forecast		Comment
	FY19	FY20	FY21	FY22	FY23	FY24	Growth	
Small	1,219	1,226	1,250	1,295	1,287	1,304	1.3%	Higher connection growth offsets declining average usage
Medium	163	167	163	170	176	182	3.5%	Reflects growth in connection numbers
Large	1,062	1,022	1,012	1,041	1,068	1,079	1.0%	No impact to revenue due to fixed charges
Total	**2,444**	**2,414**	**2,426**	**2,505**	**2,532**	**2,565**	**1.3%**	

Table C.7: Forecast exceptions

Region	Customer Group	Price Category	Charge Type	Forecast methodology / comment
Western	Medium	E100	Variable Charge	Two years of historical data used, to recognise COVID impact.
Western	Large	W50	Variable Charge	Two years of most recent data used, to recognise COVID impact.
Western	Large	SPECIAL	Variable Charge	Prior year data used due to volatility of data.
Eastern	Small	T01 / T02	Variable Charge	Prior year data used to estimate FY24 quantities due to volatility of data.
Eastern	Small	T05S / T06S	Variable Charge	Three years of most recent data used, limited by transition to this group starting FY20.
Eastern	Medium	T22	Variable Charge	Three years of most recent data used due to declining averages.
Eastern	Large	T50	Variable Charge	Two years of most recent data used, to recognise COVID impact.
Eastern	Large	T60	Variable Charge	Two years of most recent data used, to recognise COVID impact.
Eastern	Small	V01	Variable Charge	Prior year data used to estimate FY24 quantities due to volatility of data.
Eastern	Small	V02	Variable Charge	Prior year data used to estimate FY24 quantities due to volatility of data.
Eastern	Small	V05S / V06S	Variable Charge	Three years of most recent data used, limited by TOU transition starting FY20.
Eastern	Medium	V22	Variable Charge	Uses three years of most recent data, to model a gradual COVID recovery.
Eastern	Medium	V28	Variable Charge	Uses three years of most recent data, to model a gradual COVID recovery.
Eastern	Large	V40	Variable Charge	Two years of most recent data used, to recognise COVID impact.
Eastern	Large	V60	Variable Charge	Two years of most recent data used, to recognise COVID impact.
Eastern	Large	V601	Variable Charge	Two years of most recent data used, to recognise COVID impact.
All	All	All	Power Factor Charge	Two years of most recent data used, to recognise reactive power volatility.

Approach to forecasting kWh quantities for small customers

Over recent years, the structure and level of distribution pricing has received attention from regulators, retailers, and other stakeholders. In the past, our prices for residential and small commercial customers had a time-of-use (TOU) component of their total distribution charge. A day/night structure applied, where prices were lower overnight than in the day. From 1 April 2019 we modified this structure to distinguish between peak and off-peak hours, requiring forecasts of volumes in those periods. The approach taken to forecasting volumes is summarised below:

Forecast	Comment
Annual volumes	Annual volumes are based on growth of ICPs and the historical trends of average kWh per annum - no adjustment has been made to reflect an impact of the pricing change.
Within-year peak/off-peak volumes	We have observed peak volumes of 28%-32% compared to off-peak volumes of 68%-72%.

We update our forecasting models to reflect available data. This is because price structures and levels have the potential to affect consumption in aggregate, as well as at points in time when different prices might apply. Consumption is also affected by how retailers bundle distribution prices with other prices, as well as external factors such as temperature and a consumer's individual circumstances.

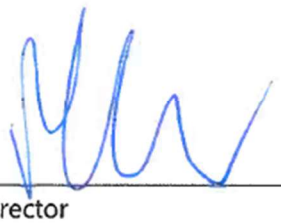
Approach to forecasting revenues for large commercial/ industrial customers

Large commercial and industrial customers are on asset-based pricing categories of V40, V60, T50, T60, W50 and SPECIAL. Powerco takes the expected revenue from current customers in the categories and applies a growth factor, based on historical ICP growth, to account for estimated revenue growth from new connections and existing customers.

4. Director's Certificate

Director's Certificate for the Default Price-Quality Path
Annual Price-setting Compliance Statement
For the period 1 April 2023 – 31 March 2024

I, Paul Callaw, being a director of Powerco certify that, having made all reasonable enquiry, to the best of my knowledge and belief, the attached annual price-setting compliance statement of Powerco, and related information, prepared for the purposes of the *Electricity Distribution Services Default Price-Quality Path (Powerco transition) Amendments Determination 2022* has been prepared in accordance with all the relevant requirements, and all forecasts used in the calculations for forecast revenue from prices and forecast allowable revenue are reasonable.



Director

23.03.2023

Date

Note: Section 103(2) of the Commerce Act 1986 provides that no person shall attempt to deceive or knowingly mislead the Commission in relation to any matter before it. It is an offence to contravene section 103(2) and any person who does so is liable on summary conviction to a fine not exceeding $100,000 in the case of an individual or $300,000 in the case of a body corporate.


POWERCO