



DISCOUNT ALLOCATION METHODOLOGY

Electricity Distribution Information Disclosure Determination 2012, clauses 2.4.23 and 2.4.24

For the Period: 1 April 2020 – 31 March 2021

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Table of Contents

Legislative compliance	2
Introduction	2
Fixed and Variable discount	2
Discounts for residential consumers.....	4
Discount allocation	4

Legislative compliance

This document has been compiled to comply with clauses 2.4.23 and 2.4.24 of the Commerce Commission’s Electricity Distribution Information Disclosure Determination 2012.

Clause 2.4.23 requires that where an Electricity Distribution Business (“EDB”) makes a financial distribution, the allocation methodology used to make the allocation must be publicly disclosed.

Clause 2.4.24 requires that the disclosure of the allocation methodology provides sufficient detail that consumers can accurately determine their entitlement.

Introduction

Network Waitaki is 100 per cent owned by the Waitaki Power Trust, a consumer trust for the collective benefit of electricity consumers. Network Waitaki has a policy of allocating discounts to consumers on its network. This document describes the methodology used to make that allocation.

To qualify for a discount, consumers must be connected to the Network Waitaki network at 5:00 pm on the last working day of February. Where consumers have been connected for less than a full year, the discount will be adjusted in proportion to the length of time they have been connected to the network. This discount will only be applicable to a consumer’s point of connection active on the last working day of February.

Discounts generally appear as credits on consumers’ March or April monthly accounts from their electricity retailer.

For any questions on the discount please contact Network Waitaki (03) 433 0065 or email service@networkwaitaki.co.nz.

Fixed and Variable discount

A statement of intent to pay a discount was published on the Network Waitaki website prior to 1 April 2020 in accordance with Inland Revenue expectations.

There are two components to the discount:

- A fixed discount component of \$1,000,000 (excluding GST) that was determined before the start of the 1 April 2020 to 31 March 2021 pricing period; and
- a variable discount component, which is self-funding out of profits greater than budget, to a maximum of \$500,000 (excluding GST), determined in accordance with the formula below. There are three scenarios noted to show the effect of various forecast profit levels on the variable discount to be paid.

Discount calculation for the year ending 31 March 2021				
		Scenario 1	Scenario 2	Scenario 3
Fixed discount		\$1,000,000	\$1,000,000	\$1,000,000
Variable discount (max.)	A	\$500,000	\$500,000	\$500,000
Variable discount (min.)	B	\$0	\$0	\$0
Annual budgeted network profit (*BTCD)		\$5,136,725	\$5,136,725	\$5,136,725
Year-end forecast network profit (*BTCD) as at 31 January		\$6,936,725	\$5,016,725	\$5,736,725
Variance to budgeted network profit (*BTCD)	C	\$1,800,000	-\$120,000	\$600,000
Variable discount (if C>0, D=C/3 (to a max of \$500,000), otherwise 0)	D	\$500,000	\$0	\$200,000
Fixed discount		\$1,000,000	\$1,000,000	\$1,000,000
Total discount		\$1,500,000	\$1,000,000	\$1,200,000

*Before Tax, Capital Contributions & Discount (BTCD)

Both discounts are given as a proportion of the fixed distribution component of each consumer class and do not change with volumes of electricity consumed.

In setting the discount, Network Waitaki takes the following into consideration:

- maintain the Company's line charges and associated profit level within the electricity industry requirements;
- promote consumer goodwill;
- encourage greater utilisation of the electricity distribution network; and
- promote consumer perception of Network Waitaki as a corporate body that makes a positive contribution to the community.

Network Waitaki will be allocating approximately **\$1.725 million** (GST inclusive), to consumers on its network. The details of the allocation are shown in Table 1.

Discounts for residential consumers

Most residential¹ consumers connected to Network Waitaki's network are in one of the following price plan groups:

- Residential Low User Uncontrolled
- Residential Low User Controlled
- 0 – 15kVA (Uncontrolled)
- 0 – 15kVA (Controlled)

The *Government's Electricity (Low Fixed Charge Tariff Option for Domestic Consumers) Regulations 2004* (LFC regulations) mandate that the discounts which apply to Residential Low User consumers must not be inconsistent with the discounts that apply to residential consumers who are on alternative distributor price options. Network Waitaki is fully compliant with the LFC regulations.

Discount allocation

Table 1 contains the discount allocation for each consumer group. Large consumers on individual assessed non-standard contracts ("IND") have been informed individually of their respective discounts.

Consumers should be able to find what consumer group they are in from the monthly account they receive from their electricity retailer. Consumers can also contact Network Waitaki if they are unsure of their consumer class.

DISCOUNT FOR THE PERIOD 1 April 2020 to 31 March 2021						
FIXED PRICE CODE	DESCRIPTION	No. of Consumers <i>as at 5 Feb 2021</i>	Fixed	Variable	Total per consumer	Total per consumer class
			<i>\$/annum (incl. GST)</i>	<i>\$/annum (incl. GST)</i>	<i>\$/annum (incl. GST)</i>	<i>\$/annum (incl. GST)</i>
RLU	Residential Low User - Uncontrolled	810	55.94	27.99	83.93	67,983.30
RLC	Residential Low User - Controlled	4393	75.92	37.98	113.90	500,362.70
15U	0 - 15kVA - Uncontrolled	1688	55.94	27.99	83.93	141,673.84
15C	0 - 15kVA - Controlled	4100	75.92	37.98	113.90	466,990.00
30U	16 - 30kVA - Uncontrolled	462	87.91	43.96	131.87	60,923.94
30C	16 - 30kVA - Controlled	200	103.88	51.95	155.83	31,166.00
50U	31 - 50kVA - Uncontrolled	622	115.86	57.96	173.82	108,116.04
50C	31 - 50kVA - Controlled	154	143.84	71.96	215.80	33,233.20
100	51 - 100kVA	360	199.79	99.91	299.70	107,892.00
200	101 - 200kVA	126	391.55	195.81	587.36	74,007.36
300	201 - 300kVA	55	519.41	259.79	779.20	42,856.00
500	301 - 500kVA	25	695.22	347.70	1,042.92	26,073.00
750	501 - 750kVA	12	1,026.84	513.58	1,540.42	18,485.04
IND	Individually Assessed	31	30,333.64	14,934.23		45,267.91
TOTAL DISCOUNT ALLOCATION						1,725,030

Table 1: Network Waitaki fixed and variable discounts for the period 1 April 2020 to 31 March 2021

¹ Residential relates to Domestic premises as defined in the Electricity Industry Act 2010 as "Premises that are used or intended for occupation by a person principally as a place of residence; but does not include premises that constitute any part of premises described in section 5(c) to (k) of the Residential Tenancies Act 1986 (which refers to places such as jails, hospitals, hostels, hotels and other places providing temporary accommodation)."