



DISCOUNT ALLOCATION METHODOLOGY

Electricity Distribution Information Disclosure Determination 2012, clauses 2.4.23 and 2.4.24

For the Period: 1 April 2018 – 31 March 2019

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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 on behalf of a consumer trust, the allocation methodology used to make the allocation amongst consumers is 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 Limited ("Network Waitaki") is 100 per cent owned by the Waitaki Power Trust, a consumer trust for the collective benefit of Network Waitaki 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 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.

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

There are two components to the discount:

- A Fixed Discount component that was determined before the start of the 1 April 2018 to 31 March 2019 pricing period and
- a Variable Discount component to the value of a maximum of \$100,000 determined in line 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 2019	Scenario 1	Scenario 2	Scenario 3
Fixed Discount	\$1,500,000	\$1,500,000	\$1,500,000
Variable Discount (max.)	A \$100,000	\$100,000	\$100,000
Variable Discount (min.)	B \$0	\$0	\$0
Annual Budgeted Network Profit *(BTCD)	\$5,243,969	\$5,243,969	\$5,243,969
Year End Forecast Network Profit *(BTCD) as at 31 January	\$5,593,969	\$5,123,969	\$5,318,969
Variance to Budgeted Network Profit *(BTCD)	C \$350,000	-\$120,000	\$75,000
Variable Discount (if C > A, D=A, if C < 0, D=B, otherwise D=C)	D \$100,000	\$0	\$75,000
Fixed Discount	\$1,500,000	\$1,500,000	\$1,500,000
Total Discount	\$1,600,000	\$1,500,000	\$1,575,000

*(BTCD) Before Tax, Capital Contributions & Discount

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.

A statement of intent to pay a discount was publicised on the Network Waitaki website prior to 1 April 2018.

When setting the levels of discount, Network Waitaki takes the following into consideration and in general discounts should:

- be at a level that maintains Network Waitaki's line charges and associated profit levels within electricity industry requirements to maintain a safe and reliable network;
- 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.

With these in mind, 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 typical residential consumers

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

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

Government 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 these regulations.

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)."

Discount Allocation

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

Consumers should be able to find what consumer class 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.

Table 1: Network Waitaki Non-Discretionary and Discretionary Discounts for the period 1 April 2018 to 31 March 2019

FIXED PRICE CODE	DESCRIPTION	No. of Consumers <i>as at 8 Feb 2019</i>	DISCOUNT FOR THE PERIOD 1 April 2018 to 31 March 2019			
			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	622	84.41	0.00	84.41	52,499.91
RLC	Residential Low User - Controlled	3831	114.55	0.00	114.55	438,837.22
15U	0 - 15kVA - Uncontrolled	1706	84.41	0.00	84.41	143,994.93
15C	0 - 15kVA - Controlled	4717	114.55	0.00	114.55	540,327.63
30U	16 - 30kVA - Uncontrolled	464	132.64	0.00	132.64	61,543.10
30C	16 - 30kVA - Controlled	207	156.75	0.00	156.75	32,447.46
50U	31 - 50kVA - Uncontrolled	631	174.84	0.00	174.84	110,322.78
50C	31 - 50kVA - Controlled	150	217.04	0.00	217.04	32,556.00
100	51 - 100kVA	346	301.45	0.00	301.45	104,299.97
200	101 - 200kVA	126	590.83	0.00	590.83	74,444.83
300	201 - 300kVA	55	783.76	0.00	783.76	43,106.64
500	301 - 500kVA	23	1,049.03	0.00	1,049.03	24,127.64
750	501 - 750kVA	10	1,549.43	0.00	1,549.43	15,494.27
IND	Individually Assessed	32	50,997.90	0.00		50,997.90
TOTAL DISCOUNT ALLOCATION						1,725,000