



## **Discount Allocation Methodology**

Electricity Distribution Disclosure Determination 2012, clauses 2.4.23 and 2.4.24

**For the Period: 1 April 2013 – 31 March 2014**

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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 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 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.

In order to qualify for a discount, consumers must be connected to the network at 5 pm on the last working day of February. Where a consumer has 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 credit on consumers' March or April monthly account from their electricity retailer.

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

## Non-Discretionary and Discretionary Discount

There are two components to the discount. A Non-Discretionary Discount that was determined before the start of the 1 April 2013 to 31 March 2014 pricing period and publicised as part of the network tariffs in March 2013, and a Discretionary Discount determined when the Discount is issued at the end of the pricing period. The Discretionary Discount is dependent on the market conditions faced by Network Waitaki during the pricing period.

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.

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 which makes a positive contribution to consumers and the community in general.

With these in mind, Network Waitaki will be allocating approximately **\$2 million**, GST inclusive, to consumers on its network. The details of the allocation are shown in Table 1 on the following page.

## Discounts for typical domestic consumers

Most domestic consumers connected to Network Waitaki's network are in the Domestic Low User ("DLU") consumer class or either of the 0 – 15 kVA or 0 – 15 kVA Controlled consumer classes. DLU<sup>1</sup> consumer class customers pay a significantly lower government regulated<sup>2</sup> fixed charge of \$62.96 including GST per annum, than customers in the 0 – 15 kVA or 0 – 15 kVA Controlled consumer classes, who pay fixed charges of \$188.36p.a. and \$120.46p.a. including GST respectively. The variable charge for units of electricity consumed is the same for all consumer classes.

DLU consumer class customers pay less in fixed distribution charges, so receive a lower total discount, as the discount is a proportion of what is paid in the fixed component of the distribution charge. However, government regulations mandate that the average domestic consumer, using 9,000 kWh<sup>3</sup> of electricity per year in their home should pay no more in total per year for fixed and variable charges on a regulated DLU tariff than they would on any alternative tariff, both before and after the application of discounts. Network Waitaki is fully compliant with these regulations, so while a DLU consumer might receive a lower discount, the amount they pay in total throughout the year is no more than if they were on any other alternative tariff.

## Discount Allocation

Table 1 shows discount allocation for each consumer class. Large consumers on Independent Contracts ("IND") have been informed individually of their discount.

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. Most households will be in the DLU consumer class or either of the 0 – 15 kVA or 0 – 15 kVA Controlled consumer classes.

**Table 1 – Network Waitaki Non-Discretionary and Discretionary Discounts for the period 1 April 2013 to 31 March 2014:**

Code	Consumer Class	2013/14 Non-Discretionary Discount	2013/14 Discretionary Discount	Total Discount	No. of Consumers	Total for each Consumer Class
		Per Annum incl GST	Per Annum incl GST	Per Annum incl GST		Per Annum incl GST
DLU	Domestic Low User	\$ 34.21	\$ 54.52	\$ 88.73	3,955	\$ 350,927.15
15U	0 - 15 kVA	\$ 105.04	\$ 35.38	\$ 140.42	1,532	\$ 215,123.44
15C	0 - 15 kVA Controlled	\$ 91.71	\$ 53.82	\$ 145.53	4,993	\$ 726,631.29
30U	15 - 30 kVA	\$ 114.92	\$ 49.82	\$ 164.74	436	\$ 71,826.64
30C	16 - 30 kVA Controlled	\$ 105.04	\$ 64.03	\$ 169.07	190	\$ 32,123.30
50U	31 - 50 kVA	\$ 150.58	\$ 83.04	\$ 233.62	654	\$ 152,787.48
50C	31 - 50 kVA Controlled	\$ 147.65	\$ 87.02	\$ 234.67	115	\$ 26,987.05
100	51 - 100 kVA	\$ 190.22	\$ 120.68	\$ 310.90	293	\$ 91,093.70
200	101 - 200 kVA	\$ 368.55	\$ 280.25	\$ 648.80	90	\$ 58,392.00
300	201 - 300 kVA	\$ 491.39	\$ 369.23	\$ 860.62	43	\$ 37,006.66
500	301 - 500 kVA	\$ 657.83	\$ 542.75	\$ 1,200.58	20	\$ 24,011.60
750	501 - 750 kVA	\$ 929.14	\$ 834.17	\$ 1,763.31	3	\$ 5,289.93
IND	All Independent Contract Consumers	\$ 74,557.78	\$ 88,293.72	\$ 162,851.50	29	\$ 162,851.50
<b>Total Discount Allocation</b>						<b>\$ 1,955,051.74</b>

<sup>1</sup> DLU consumer classes include DLU15U, DLU15C, DLU30U, DLU30C, DLU50U and DLU50C. All DLU consumer classes are charged the same rate.

<sup>2</sup> Regulated by the Electricity (Low Fixed Charge Tariff Option for Domestic Consumers) Regulations 2004.

<sup>3</sup> The average domestic consumer in the Lower South Island uses 9,000 kWh of electricity per year.