



THRESHOLD COMPLIANCE STATEMENT
FOR THE ASSESSMENT PERIOD ENDED 31 MARCH 2010

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

20 May 2010

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1. Assessment against Clause 5 – The Price Path Threshold

Clause 5 (1)(a)

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):

Test:	$\frac{NR_{2010}}{R_{2010}} \leq 1$
Result:	\$7,128,979 / \$4,885,278 > 1
Result:	1.4593 > 1
Result:	Threshold is breached by \$2,243,702

Supporting evidence is provided in Appendices A, B and C.

The Threshold breach is a culmination of the following factors:

- Transmission Charges

Centralines received a significant reduction in the 2005-06 charges from Transpower due mainly to the inclusion of the WPW_FHL double 110kV circuits within the Transpower ODV. The volatility of Transpower pricing over the preceding six years have resulted in significant peaks and troughs in pricing to Centralines. The one-off nature of the price decrease and indications from Transpower were that any future price changes were likely to be significant increases.

- The Board of Director’s decision to retain the reduction in Transmission Charges in order to move the Company to more commercially viable rates of return.

Clause 5 (1)(b)

The notional revenue of a distribution business at any time during an assessment period is not to exceed the greater of the 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).

Test:	$\frac{NR_{Max}}{Max(R_{2009}, R_{2010})}$	≤ 1
Result:	\$7,128,979 / \$4,885,278	> 1
Result:	1.4593	> 1
Result:	Threshold is breached by \$2,243,702	

Supporting evidence is presented in Appendix C.

Notional Revenue:

In accordance with the Gazette Notice, the following sources of revenue have been included in the calculation of notional revenue:

- All conveyance revenue associated with the distribution and transmission of electricity to customers.

Excluded Services:

In accordance with the Gazette Notice, the following sources of revenue have been excluded from the calculation of notional revenue:

- ICP disconnection and reconnection service revenue on the basis that there is effective competition for these services;
- Interest income on the basis that this revenue is earned from non-conveyance services; and
- The value of assets vested with Centralines by consumers on the basis that this revenue is from non-conveyance services.

Pass Through Costs:

In accordance with the Gazette Notice, the following components of transmission charges have been included in pass through costs:

- Connection charges
- Interconnection charges
- New investment charges
- Loss and Constraint payments

Local body rates applying to system fixed assets: lines, cables, equipment, substation land, and substation buildings, have also been passed through in accordance with the Gazette Notice.

Electricity Commission levies for the year ending 31 March 2010, have been passed through in accordance with the Gazette Notice.

2. Assessment against Clause 6 – The Quality Threshold

Centralines Limited complies with the requirements of the quality threshold for the period ending 31 March 2010, as specified in the Commerce Act (Electricity Distribution Thresholds) Notice 2004.

Clause 6 (1)(a) Interruption Duration

Supporting evidence is presented in Appendix D.

The Centralines SAIDI result for the 2009-10 year continued to maintain the improvements against the threshold set during the base assessment period. The 2010 year reflected the continued improvement in both SAIDI and SAIFI. This was assisted by a continuation of the previous year's stable weather patterns which had minimal effect on network assets.

Test:	$SAIDI_{2010} \leq \left(\frac{SAIDI_{1999} + SAIDI_{2000} + SAIDI_{2001} + SAIDI_{2002} + SAIDI_{2003}}{5} \right)$		
Result:	133.00	<	314.80
Result:	SAIDI does not breach the threshold		

Threshold is not breached. Supporting evidence is presented in Appendix D.

Clause 6 (1)(b) Interruption Frequency

Test:	$SAIFI_{2010} \leq \left(\frac{SAIFI_{1999} + SAIFI_{2000} + SAIFI_{2001} + SAIFI_{2002} + SAIFI_{2003}}{5} \right)$		
Result:	2.34	<	5.00
Result:	SAIFI does not breach the threshold		

Threshold is not breached. Supporting evidence is presented in Appendix D.

AUDITORS' REPORT ON THRESHOLD COMPLIANCE STATEMENT

To the readers of the Threshold Compliance Statement of
Centralines Limited for the assessment period ended on 31 March 2010

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 Centralines Limited for assessment as at 31 March 2010 and dated 20 May 2010 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 Centralines 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 2010

Our audit included examination, on a test basis, of evidence relevant to the amounts and disclosures contained on pages 3 to 6 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 2010 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 Centralines 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.

AUDITORS' REPORT ON THRESHOLD COMPLIANCE STATEMENT
Centralines Limited

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 Centralines 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 Centralines 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 Centralines 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 with respect to information supporting the price path thresholds only.

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 Centralines Limited against that threshold for the assessment period ended on 31 March 2010.

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 2010 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 Centralines Limited's policies and procedures for recording SAIDI and SAIFI statistics as disclosed in the threshold compliance statement for the period 21 November 2009 to 31 March 2010;
- 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 Centralines 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 Centralines Limited.

AUDITORS' REPORT ON THRESHOLD COMPLIANCE STATEMENT
Centralines 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:

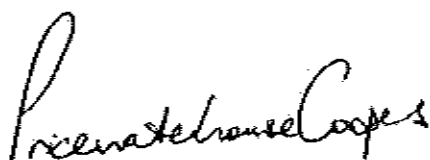
- There is no independent evidence available for the period to support the completeness and accuracy of recorded faults;
- Control over the completeness and accuracy of ICP data included in the SAIDI and SAIFI calculations is limited throughout the period; and
- As disclosed in Appendix D of the Threshold Compliance Statement, on 20 November 2009 Centralines changed its procedures for recording outage information. Prior to this date outage data was recorded on a spreadsheet by Centralines staff and provided to Unison Networks Limited (Unison) to enter into the Unison-based outage management system. The company has recorded 66.91 SAIDI minutes and SAIFI of 1.41 for the period 1 April 2009 to 20 November 2009. However, the Company has not maintained adequate or sufficient records to support these figures for this 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 2010, 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 Centralines 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 2010.

Our audit was completed on 21 May 2010 and our qualified and unqualified opinions are expressed as at that date.



PricewaterhouseCoopers
Auckland
21 May 2010

4. Certification of Threshold Compliance Statement

We, James Aitken, and Josephine Willis, being directors of Centralines Limited certify that, having made all reasonable enquiry, to the best of our knowledge and belief, the attached Threshold Compliance Statement of Centralines, and related information, prepared for the purposes of the Commerce Act (Electricity Distribution Thresholds) Notice 2004 complies with the requirements of that notice except in the following respect:

With regard to Clause 5(1)(a) of the Commerce Act (Electricity Distribution Thresholds) Notice 2004:

- Notional Revenue of Centralines Limited for the Assessment Period ending 31 March 2010 exceeds the allowable Notional Revenue of Centralines Limited under the CPI-X price path during that Assessment Period and

With regard to Clause 5(1)(b) of the Commerce Act (Electricity Distribution Thresholds) Notice 2004:

- The maximum notional revenue of Centralines Limited during the assessment period ending 31 March 2010 exceeds the greater of the allowable notional revenue of Centralines Limited at the assessment date on which that assessment period ends and the allowable notional revenue of Centralines Limited at the previous assessment date.

James Aitken
Director
Centralines Limited



Josephine Willis
Director
Centralines Limited



20 May 2010

Appendix A – Centralines P*Q Assessment for the period ending 31 March 2010

On 1 April 2007, Centralines improved the cost reflectiveness of its prices by introducing time of use variable charges. These new charges, including summer and winter on peak charges, are demand based and use kW as the charging unit. Summers on peak demand (SOPD) charges are effective 1 Oct to 30 April and winter on peak demand (WOPD) are effective from 1 May to 30 Sept. Some remapping of the base quantities was required in the 2008 assessment period to calculate base demand quantities. Proportions calculated using actual kW data for the year ended 31 March 2008 were used as a proxy then discounted back to the base year to calculate kW quantities for the base year.

The table below shows P2010 multiplied by remapped 2003 base quantities.

Tariff Code	Charge Type	Rate	Consumption kWh	Customer #'s	Demand kW	Days	Revenue P2010 * Q2003
Unmetered	Cents/kWh	0.0837	135,934	819			\$ 11,378
Unmetered	Cents/kWh						

Mass Market (up to 100,000kWh per annum)

F-C-CH1	Fixed cents/day	0.1500		811		365	\$ 44,402
E-C-CH1-24UC	Cents/kWh	0.1217	840,914				\$ 102,339
E-C-CH1-AICO	Cents/kWh	0.1065	1,939,656				\$ 206,573
E-C-CH1-CTRL	Cents/kWh	0.0835	135,272				\$ 11,295
E-C-CH1-NITE	Cents/kWh	0.0563					\$ -
E-C-CH1-CTUD	Cents/kWh	0.1500	30,916				\$ 4,637
E-C-CH1-CTUN	Cents/kWh	0.0230	14,890				\$ 342
F-C-CH2	Fixed cents/day	0.9800		6,594		365	\$ 2,358,674
E-C-CH2-24UC	Cents/kWh	0.0837	35,541,412				\$ 2,974,816
E-C-CH2-AICO	Cents/kWh	0.0685	18,681,344				\$ 1,279,672
E-C-CH2-CTRL	Cents/kWh	0.0458	2,903,773				\$ 132,993
E-C-CH2-NITE	Cents/kWh	0.0186	80,801				\$ 1,503
E-C-CH2-CTUD	Cents/kWh	0.1072	995,001				\$ 106,664
E-C-CH2-CTUN	Cents/kWh	0.0133	418,964				\$ 5,572

Small Commercial

F-C-CH3	\$/day	14.5700		25		365	\$ 132,951
E-C-CH3-24UC	Cents/kWh	0.0624	3,547,344				\$ 221,354
E-C-CH3-CTRL	Cents/kWh	0.0376					\$ -
E-C-CH3-NITE	Cents/kWh	0.0208	30,665				\$ 638
E-C-CH3-CTUD	Cents/kWh	0.0797	421,714				\$ 33,611
E-C-CH3-CTUN	Cents/kWh	0.0099	111,891				\$ 1,108
E-C-CH3-SOPD	\$/kW/month	3.9000			1,202		\$ 4,687
E-C-CH3-WOPD	\$/kW/month	14.0900			1,232		\$ 17,356
E-C-CH3-DMND	\$/kW/month	4.9700			2,509		\$ 12,471
F-C-CH4	\$/day	29.1400		5		365	\$ 53,181
E-C-CH4-24UC	Cents/kWh	0.0560	1,252,321				\$ 70,130
E-C-CH4-CTRL	Cents/kWh	0.0338					\$ -
E-C-CH4-NITE	Cents/kWh	0.0187					\$ -
E-C-CH4-CTUD	Cents/kWh	0.0717					\$ -
E-C-CH4-CTUN	Cents/kWh	0.0090					\$ -
E-C-CH4-SOPD	\$/kW/month	3.7100			1,505		\$ 5,585
E-C-CH4-WOPD	\$/kW/month	13.3800			1,246		\$ 16,669
E-C-CH4-DMND	\$/kW/month	4.3700			2,837		\$ 12,398
F-C-CH5	\$/day	36.4200		3		365	\$ 39,880
E-C-CH5-24UC	Cents/kWh	0.0467	765,492				\$ 35,748
E-C-CH5-CTRL	Cents/kWh	0.0280					\$ -
E-C-CH5-NITE	Cents/kWh	0.0155	52,058				\$ 807
E-C-CH5-CTUD	Cents/kWh	0.0598					\$ -
E-C-CH5-CTUN	Cents/kWh	0.0074	15,061				\$ 111
E-C-CH5-SOPD	\$/kW/month	3.4100			1,600		\$ 5,455
E-C-CH5-WOPD	\$/kW/month	12.3100			957		\$ 11,783
E-C-CH5-DMND	\$/kW/month	3.4800			2,614		\$ 9,096
F-C-CH6	\$/day	52.4500		5		365	\$ 95,721
E-C-CH6-24UC	Cents/kWh	0.0428	1,563,708				\$ 66,927
E-C-CH6-CTRL	Cents/kWh	0.0264					\$ -
E-C-CH6-NITE	Cents/kWh	0.0146					\$ -
E-C-CH6-CTUD	Cents/kWh	0.0564	510,236				\$ 28,777
E-C-CH6-CTUN	Cents/kWh	0.0070	180,233				\$ 1,262
E-C-CH6-SOPD	\$/kW/month	3.3300			1,522		\$ 5,069
E-C-CH6-WOPD	\$/kW/month	12.0000			1,075		\$ 12,899
E-C-CH6-DMND	\$/kW/month	3.2200			2,666		\$ 8,585

Large Commercial

F-C-CH7	\$/day	51.6600		2		365	\$ 37,712
E-C-CH7-TAIC	Cents/kWh		1,115,440				\$ -
E-C-CH7-SOPD	\$/kW/month	2.5500			1,132		\$ 2,886
E-C-CH7-WOPD	\$/kW/month	10.8000			806		\$ 8,704
E-C-CH7-DMND	\$/kW/month	4.2400			2,689		\$ 11,400
F-C-CH8	\$/day	67.1600		2		365	\$ 49,027
E-C-CH8-TAIC	Cents/kWh		1,299,848				\$ -
E-C-CH8-SOPD	\$/kW/month	2.5400			1,722		\$ 4,374
E-C-CH8-WOPD	\$/kW/month	10.7200			1,199		\$ 12,854
E-C-CH8-DMND	\$/kW/month	4.0700			2,958		\$ 12,037
F-C-CH9	\$/day	72.3300		2		365	\$ 52,801
E-C-CH9-TAIC	Cents/kWh		1,993,290				\$ -
E-C-CH9-SOPD	\$/kW/month	2.5200			977		\$ 2,462
E-C-CH9-WOPD	\$/kW/month	10.6500			738		\$ 7,857
E-C-CH9-DMND	\$/kW/month	3.9500			1,756		\$ 6,935

Industrial

F-C-CH10	\$/day	67.0600		1		365	\$ 24,477
E-C-CH10-TAIC	Cents/kWh		925,461				\$ -
E-C-CH10-SOPD	\$/kW/month	3.0500			1,626		\$ 4,959
E-C-CH10-WOPD	\$/kW/month	8.9700			1,155		\$ 10,362
E-C-CH10-DMND	\$/kW/month	2.2100			2,786		\$ 6,157
F-C-CH11	\$/day	450.8600		1		365	\$ 164,564
E-C-CH11-TAIC	Cents/kWh		10,102,503				\$ -
E-C-CH11-SOPD	\$/kW/month	3.0400			10,304		\$ 31,325
E-C-CH11-WOPD	\$/kW/month	8.9200			6,865		\$ 61,235
E-C-CH11-DMND	\$/kW/month	2.1200			17,593		\$ 37,298
F-C-CH12	\$/day	1,012.2600		1		365	\$ 369,475
E-C-CH12-TAIC	Cents/kWh		24,511,690				\$ -
E-C-CH12-SOPD	\$/kW/month	2.9000			26,201		\$ 75,982
E-C-CH12-WOPD	\$/kW/month	8.5500			16,430		\$ 140,474
E-C-CH12-DMND	\$/kW/month	1.2200			43,083		\$ 52,562

110,117,832 8,271 160,984 \$ 9,333,040

Appendix B – Price Path Threshold 5(1)(a)

Calculating NR_{2010}

NR_{2010} is calculated by multiplying prices at 31 March 2010 by 2003 remapped quantities less the pass through costs incurred during the Assessment Period ending 31 March 2010.

NR_{2010}

Notional Revenue for the year ending 31 March 2010		
Term	Description	(\$)
$\sum P_{i,2010} Q_i$	Prices at 31 March 2010 multiplied by 31 March 2003 Base Quantities	9,333,040
K_{2010}	Transmission Charges for year ending 31 March 2010	2,173,599
	Rates for year ending 31 March 2010	15,516
	Electricity Commission Levies for year ending 31 March 2010	14,946
$NR_{2010} = \sum P_{i,2010} Q_i - K_{2010}$	Notional Revenue for the year ending 31 March 2010	7,128,979

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	(\$)
$\sum P_{i,0} x Q_{i,0}$	Prices at 6 September 2003 multiplied by 31 March 2003 Base Quantities	6,644,517
C_{T2003}	Budget Transmission Charges for year ending 31 March 2004	1,990,000
C_{R2003}	Budget Rates for year ending 31 March 2004	32,000
R_{2004}	Maximum Revenue at 31 March 2004 that would not have caused a breach under the Initial Notice	4,622,517

Test for 5 (1) (a) – $(NR_{2010} / R_{2010} \leq 1)$

Allow able Notional Revenue under CPI -X price path		
Term <i>X</i>	Description X Factor	(\$) 2%
R_{2004}	Maximum Revenue at 31 March 2004 that would not have caused a breach under the Initial Notice	4,622,517
$(I + \Delta CPI_{2005})$	Average change in Consumer Price Index over 2004	1.0229
$(I-X)$	1-X Factor	0.98
R_{2005}	Allow able Notional Revenue under the CPI-X Price Path for the year ended 31 March 2005	4,633,816
$(I + \Delta CPI_{2006})$	Average change in Consumer Price Index over 2005	1.0304
$(I-X)$	1-X Factor	0.98
R_{2006}	Allow able Notional Revenue under the CPI-X Price Path for the year ended 31 March 2006	4,679,056
$(I + \Delta CPI_{2007})$	Average change in Consumer Price Index over 2006	1.0337
$(I-X)$	1-X Factor	0.98
R_{2007}	Allow able Notional Revenue under the CPI-X Price Path for the year ended 31 March 2007	4,739,794
<i>New CH10 load group</i>		36,137
R_{2007}	Allow able Notional Revenue under the CPI-X Price Path for the year ended 31 March 2007 after CH10 load group	4,775,931
$(I + \Delta CPI_{2008})$	Average change in Consumer Price Index over 2007	1.0238
$(I-X)$	1-X Factor	0.98
R_{2008}	Allow able Notional Revenue under the CPI-X Price Path for the year ended 31 March 2008	4,791,626
$(I + \Delta CPI_{2009})$	Average change in Consumer Price Index over 2008	1.0396
$(I-X)$	1-X Factor	0.98
R_{2009}	Allow able Notional Revenue under the CPI-X Price Path for the year ended 31 March 2009	4,881,697
$(I + \Delta CPI_{2010})$	Average change in Consumer Price Index over 2009	1.0212
$(I-X)$	1-X Factor	0.98
R_{2010}	Allow able Notional Revenue under the CPI-X Price Path for the year ended 31 March 2010	4,885,278
NR_{2010} / R_{2010}	Expression must be less than or equal to 1 to avoid breaching 5(1)(a)	1.4593
$R_{2010} - NR_{2010}$	Value of Compliance or (Breach)	(2,243,702)

<i>Δ CPI₂₀₀₅</i>			
Numerator		Denominator	
<i>CPI_{Q1,2004}</i>	928	<i>CPI_{Q1,2003}</i>	913
<i>CPI_{Q2,2004}</i>	935	<i>CPI_{Q2,2003}</i>	913
<i>CPI_{Q3,2004}</i>	941	<i>CPI_{Q3,2003}</i>	918
<i>CPI_{Q4,2004}</i>	949	<i>CPI_{Q4,2003}</i>	924
Total	3753	Total	3669
<i>Δ CPI₂₀₀₅</i>	2.29%		

<i>Δ CPI₂₀₀₆</i>			
Numerator		Denominator	
<i>CPI_{Q1,2005}</i>	953	<i>CPI_{Q1,2004}</i>	928
<i>CPI_{Q2,2005}</i>	962	<i>CPI_{Q2,2004}</i>	935
<i>CPI_{Q3,2005}</i>	973	<i>CPI_{Q3,2004}</i>	941
<i>CPI_{Q4,2005}</i>	979	<i>CPI_{Q4,2004}</i>	949
Total	3867	Total	3753
<i>Δ CPI₂₀₀₆</i>	3.04%		

<i>Δ CPI₂₀₀₇</i>			
Numerator		Denominator	
<i>CPI_{Q1,2006}</i>	985	<i>CPI_{Q1,2005}</i>	953
<i>CPI_{Q2,2006}</i>	1000	<i>CPI_{Q2,2005}</i>	962
<i>CPI_{Q3,2006}</i>	1007	<i>CPI_{Q3,2005}</i>	973
<i>CPI_{Q4,2006}</i>	1005	<i>CPI_{Q4,2005}</i>	979
Total	3997	Total	3867
<i>Δ CPI₂₀₀₇</i>	3.37%		

<i>Δ CPI₂₀₀₈</i>			
Numerator		Denominator	
<i>CPI_{Q1,2007}</i>	1010	<i>CPI_{Q1,2006}</i>	985
<i>CPI_{Q2,2007}</i>	1020	<i>CPI_{Q2,2006}</i>	1000
<i>CPI_{Q3,2007}</i>	1025	<i>CPI_{Q3,2006}</i>	1007
<i>CPI_{Q4,2007}</i>	1037	<i>CPI_{Q4,2006}</i>	1005
Total	4092	Total	3997
<i>Δ CPI₂₀₀₈</i>	2.38%		

<i>Δ CPI₂₀₀₉</i>			
Numerator		Denominator	
<i>CPI_{Q1,2008}</i>	1044	<i>CPI_{Q1,2007}</i>	1010
<i>CPI_{Q2,2008}</i>	1061	<i>CPI_{Q2,2007}</i>	1020
<i>CPI_{Q3,2008}</i>	1077	<i>CPI_{Q3,2007}</i>	1025
<i>CPI_{Q4,2008}</i>	1072	<i>CPI_{Q4,2007}</i>	1037
Total	4254	Total	4092
<i>Δ CPI₂₀₀₉</i>	3.96%		

<i>Δ CPI₂₀₁₀</i>			
Numerator		Denominator	
<i>CPI_{Q1,2009}</i>	1075	<i>CPI_{Q1,2008}</i>	1044
<i>CPI_{Q2,2009}</i>	1081	<i>CPI_{Q2,2008}</i>	1061
<i>CPI_{Q3,2009}</i>	1095	<i>CPI_{Q3,2008}</i>	1077
<i>CPI_{Q4,2009}</i>	1093	<i>CPI_{Q4,2008}</i>	1072
Total	4344	Total	4254
<i>Δ CPI₂₀₁₀</i>	2.12%		

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)

Note: For presentation purposes, the CPI Index has been presented to four decimal places; however for the calculation of R_{2010} , the full index (with no rounding) has been applied.

The Consumer Price Index (CPI) information has been obtained from information available from Statistics New Zealand on their website based on the All Groups Index, SE9A figure. The relevant quarterly figures were put into the appropriate formula to determine the average change in the CPI.

Appendix C – Price Path Threshold 5(1)(b)

NR_{MAX}

Maximum Notional Revenue for the period 1 April 2009 to 31 March 2010. P x Q using 31 March 2010 Prices and 31 March 2003 Base Quantities if there has been no change in prices over this period, otherwise the prices which generate the maximum notional revenue over the period when using 31 March 2003 quantities		
Term	Description	(\$)
$\sum P_{Max} Q_i$	Maximum Price Between 1 April 2009 and 31 March 2010 multiplied by 31 March 2003 Base Quantities	9,333,040
K_{2010}	Transmission Charges for year ending 31 March 2010	2,173,599
	Rates Charges for year ending 31 March 2010	15,516
	Electricity Commission Levies for year ending 31 March 2010	14,946
NR_{Max}	Maximum Notional Revenue for 1 April 2009 to 31 March 2010	7,128,979

Test for 5 (1) (b) – $(NR_{Max} / \text{Max}(R_{2009}, R_{2010})) \leq 1$

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 2009 to 31 March 2010	7,128,979
R_{2009}	Allowable Notional Revenue at 31 March 2009	4,881,697
R_{2010}	Allowable Notional Revenue at 31 March 2010	4,885,278
$\text{Max}(R_{2009}, R_{2010})$	Maximum of the Allowable Notional Revenue at 31 March 2009 and the Allowable Notional Revenue at 31 March 2010	4,885,278
$NR_{Max} / \text{Max}(R_{2009}, R_{2010})$	If expression is greater than 1, Clause 5 (1) (b) is breached	1.4593
$\text{Max}(R_{2009}, R_{2010}) - NR_{Max}$	Value of Compliance or (Breach)	(2,243,702)

Appendix D – Quality Threshold 6(1)(a) and (b)

Quality Inputs and Calculations:

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

Quality Inputs and Calculations for the Assessment Date 31 March 2010

Year	SAIDI (Interruption Duration)			SAIFI (Interruption Frequency)		
	Class B	Class C	Total	Class B	Class C	Total
1999	65.00	188.00	253.00	0.55	2.18	2.73
2000	171.00	163.00	334.00	0.70	3.52	4.22
2001	77.00	301.00	378.00	0.39	5.55	5.94
2002	105.00	250.00	355.00	0.36	6.76	7.12
2003	67.00	187.00	254.00	0.49	4.48	4.97
	Five Year Average SAIDI		314.80	Five Year Average SAIFI		5.00
2010	68.64	64.36	133.00	0.28	2.06	2.34

Note: 1999 - 2003 outage statistics should be same as previously disclosed

Centralines Outage Recording Process

Centralines' process for recording outages is initiated at the initial indication of loss of supply on a high voltage circuit. As Centralines Control Room services are provided under contract by Unison Networks Ltd, based at their Hastings office, the policies and procedures for the recording of outages is intrinsically linked to the Unison Control Centre documents.

Unison's Control Room operators have full operational control of Centralines SCADA system.

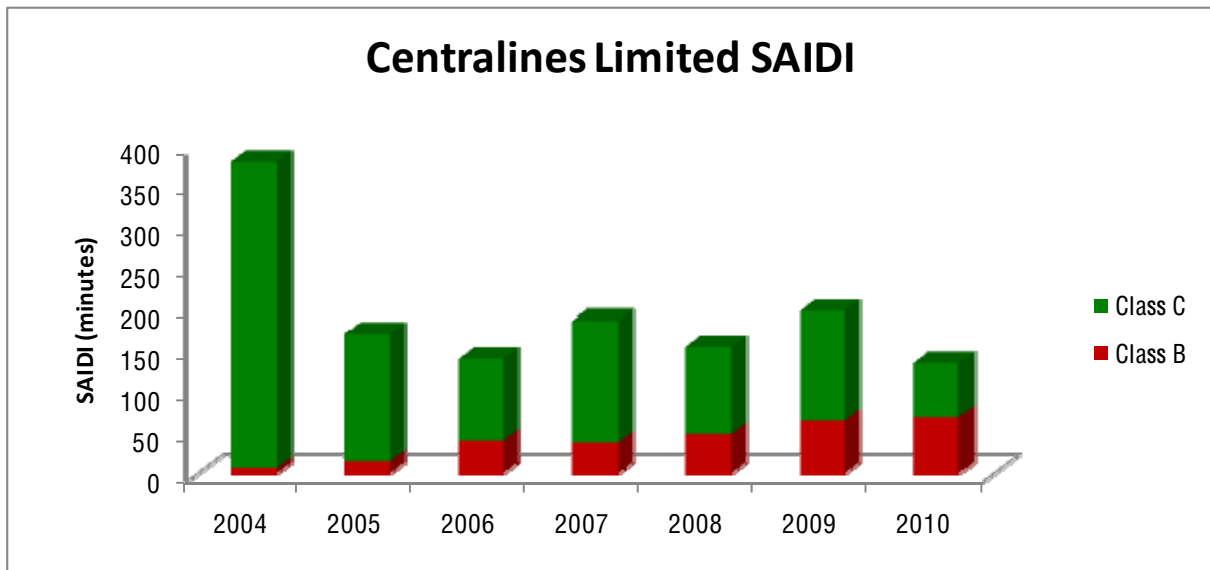
The Centralines SCADA system, time stamps and records every switching event that occurs on the system. A number of Centralines field assets (such as switches) communicate directly with the SCADA control system showing real time changes in status. Although the majority of field assets do not communicate directly with the SCADA control system, the status of this equipment is communicated to a system operator by radio from Centralines field staff when operating the field equipment. The system operator updates the status of the equipment in the SCADA system manually based on this information which in turn is time stamped and logged.

The SCADA system reports outages to a Fault Management System (FMS). The FMS consists of databases and spreadsheets for the determination of the level of outage, the cause of the outage and the restoration time. It also determines the number of customers that are affected by the outage, and the customer minutes lost during the outage.

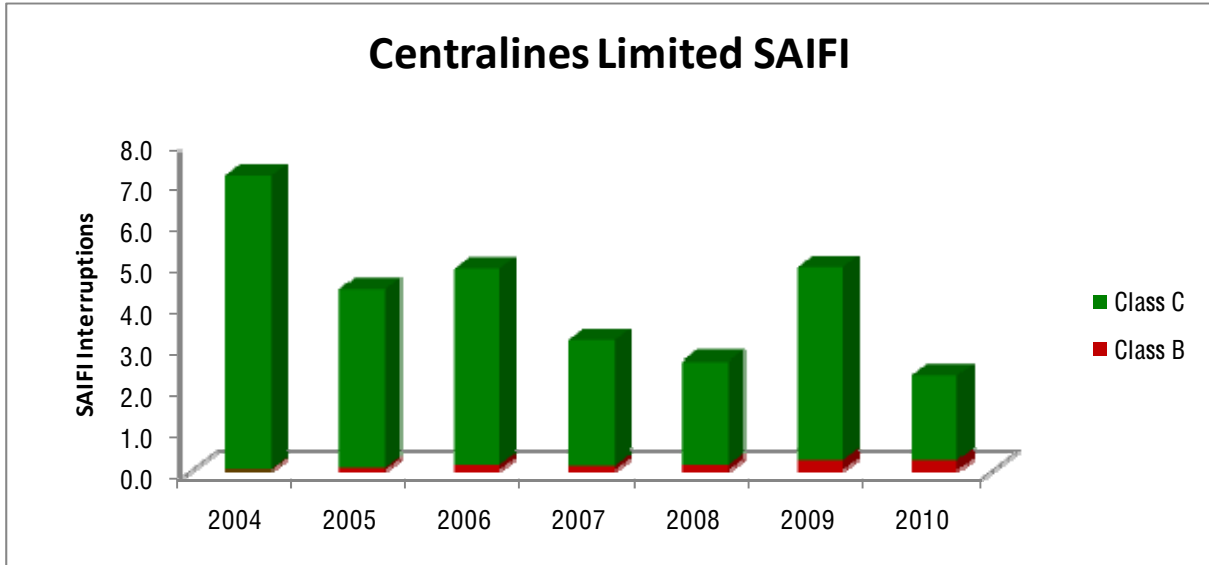
The information required to complete this calculation is retrieved from a combination of spreadsheet and database systems that record customer numbers between switchable elements on the network. During the financial year there was a change in the recording of this information from Centralines staff who recorded data on a spreadsheet system and then provided this data to the Unison control room staff to enter into the Unison based outage management system. This change occurred on the 20 November 2009 at which point Unison staff were responsible for recording and managing all Centralines outages.

The customer numbers within the FMS are updated from Centralines' database and the geospatial information system (GIS). Customer numbers on the entire distribution network are maintained and updated regularly in an internal database that is used for billing purposes and externally on a national database (the MARIA registry). Through the billing process third party verification of customer numbers is audited by external parties (retailers) who maintain independent customer databases.

In order to determine SAIDI the total customer minutes lost over the Assessment Period is divided by the average customer numbers, calculated by taking the average customer numbers between the beginning and end of the Assessment Period. The graph following show Centralines SAIDI performance measured against the preceding years, including the threshold set during the base assessment period of 1999-2003.



SAIFI is calculated by dividing the total cumulative number of customers off over the Assessment Period by the average customer numbers as used in the SAIDI calculation. The graph following show Centralines SAIFI performance measured against the preceding years, including the threshold set during the base assessment period of 1999-2003.



Both results for the 2010 year are lower than anticipated due to the impact of unplanned sub-transmission outages and increased planned outages in the urban environment affecting large residential areas. This is a direct result of the level of capital expenditure delivered during the year

Appendix E - Contestable Field Services

Centralines undertakes disconnection / reconnection services for Delta Utilities for the Central Hawke's Bay area. These services are completed under a Field Services contract awarded to Centralines Limited by Delta Utilities Services Limited. Delivery of these services has been agreed with stipulated service levels and fixed price per service.