



Eastland
Network

**Default Price-Quality Path
Annual Price Setting Compliance Statement**

1 April 2021 – 31 March 2022 Assessment Period

11 February 2021



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1. Introduction

Eastland Network is subject to price-quality regulation under Part 4 of the Commerce Act 1986. The Commerce Commission has set a Default Price-Quality Path (DPP) which applies to Eastland Network from 1 April 2020.

This price-setting compliance statement is published in accordance with clause 11.1 of the 2020 DPP Determination, and applies to the second assessment period, commencing 1 April 2021 and ending 31 March 2022.

2. Date prepared

This statement was prepared on 11 February 2021.

3. Statement of compliance

As demonstrated in Table 1 below, and consistent with clause 8.3 of the 2020 DPP Determination Eastland Network has complied with the price path for the second assessment period.

Table 1

Compliance with price path RY22		
<i>Forecast revenue from prices must not exceed the lesser of: (a) the forecast allowable revenue for that assessment period; and (b) the amount determined in accordance with the following formula: the forecast revenue from prices for the previous assessment period x (1 + limit on annual percentage increase in forecast revenue from prices).</i>		
Term	Description	Value (\$000)
Forecast revenue from prices (\$000)	<i>Forecast prices between 1 April 2021 and 31 March 2022 multiplied by forecast quantities for the period ending 31 March 2022</i>	30,237
Forecast allowable revenue (\$000)	<i>The sum of forecast net allowable revenue, forecast pass-through and recoverable costs, opening wash-up account balance and the pass-through balance allowance</i>	30,645
Maximum allowable forecast revenue from prices (\$000)	<i>Forecast revenue from prices for the previous assessment period x (1 + limit on annual percentage increase in forecast revenue from prices)</i>	31,819
Maximum allowable forecast revenue (\$000)	<i>The lesser of the forecast allowable revenue and maximum allowable forecast revenue from prices</i>	30,645
Compliance result	<i>Forecast revenue from prices ≤ forecast allowable revenue and maximum allowable forecast revenue from prices</i>	Compliant



Further information supporting forecast allowable revenue is included in Section 5 and Appendix A.

Further information supporting forecast revenue from prices is included in Section 6 and Appendix B.

Further information supporting maximum allowable forecast revenue is included in Section 7.

4. Director's certification

A Director's certificate in the form set out in Schedule 6 of the 2020 DPP Determination is included as Appendix C.

5. Forecast allowable revenue

Table 2 shows the derivation of forecast allowable revenue, consistent with the requirements of Schedule 1.5 of the 2020 DPP Determination.

Table 2

Forecast allowable revenue RY22		
Term	Description	Value (\$000)
Forecast net allowable revenue	<i>Forecast net allowable revenue as set out in Table 1.4.1 in Schedule 1.4 for the period ending 31 March 2022</i>	24,497
Forecast pass through costs	<i>Forecast pass-through costs and forecast recoverable costs</i>	473
Forecast recoverable costs	<i>Forecast recoverable costs, excluding any recoverable cost that is a revenue wash-up drawn down amount</i>	5,760
Opening wash-up account balance	<i>The opening wash-up account balance for the second assessment period of the DPP regulatory period is nil as set out in Schedule 1.7 (1)(a)</i>	-
Pass-through balance allowance	<i>(ePTB - pass-through balance) x (67th percentile estimate of post-tax WACC)²</i>	(85)
Total		30,645



Appendix A shows the components of the forecast pass-through and recoverable costs, and the pass-through balance allowance.

The methodology to derive the forecasts of the pass-through and recoverable costs is documented in Appendix A.

6. Forecast revenue from prices

Table 3 shows forecast revenue from prices.

Table 3

Forecast revenue from prices RY22		
Term	Description	Value (\$000)
$\Sigma P_{2021/22} * Q_{2021/22}$	<i>Forecast prices between 1 April 2021 and 31 March 2022 multiplied by forecast quantities for the period ending 31 March 2022</i>	30,237

Appendix B shows the components of forecast revenue from prices.

The methodology to forecast the quantities associated with each price is documented in Appendix B.

7. Maximum allowable forecast revenue from prices

Table 4 shows the maximum allowable forecast revenue from prices, consistent with the requirements of clause 8.4 of the 2020 DPP Determination.



Table 4

Maximum allowable forecast revenue from prices RY22		
Term	Description	Value (\$000)
Forecast revenue from prices from previous assessment period	<i>Forecast prices between 1 April 2020 and 31 March 2021 multiplied by forecast quantities for the period ending 31 March 2021</i>	28,926
Limit on annual percentage increase in forecast revenue from prices		10%
Maximum allowable forecast revenue from prices	<i>Forecast revenue from prices for the previous assessment period x (1 + limit on annual percentage increase in forecast revenue from prices)</i>	31,819



Appendix A – Pass-through and recoverable costs

Forecast pass-through costs

Table 5

Forecast Pass-through Costs RY22		
Forecast pass-through costs	\$000	Forecasting methodology
Rates on system fixed assets	346	FY21 latest forecast + 2% CPI
Commerce Act levies	62	RY21 latest forecast + 2% CPI
Electricity Authority levies	48	RY21 actuals + 2% CPI
Utilities Disputes levies	17	RY21 latest forecast + 2% CPI
Total forecast pass-through costs	473	

Forecast is based on latest business forecast for RY21 with a CPI assumption of 2%.

Total pass-through costs are forecast \$18k lower (3%) than budgeted for in 2020-21 pricing model.



Forecast recoverable costs

Table 6

Forecast Recoverable Costs RY22		
Forecast recoverable costs	\$000	Forecasting methodology
IRIS incentive adjustment	(280)	Based on ComCom IRIS model
Transpower transmission charges	5,495	Provided by Transpower
New investment contract charges	75	Provided by Transpower
System operator services charges		
Avoided transmission charges - purchased assets		
Distributed generation allowance	405	Calculated based on generation during RCPD
Claw-back		
Catastrophic event allowance		
Extended reserves allowance		
Quality incentive adjustment	112	Based on 2020 SAIDI/SAIFI values
Capex wash-up adjustment	(77)	Based on differences between ComCom capex values and actuals
Transmission asset wash-up adjustment		
Reconsideration event allowance		
Quality standard variation engineers fee		
Urgent project allowance		
Revenue wash-up draw down amount		
Fire and emergency NZ levies	31	Actual for Q1 FY22, +2% CPI for Q2 - Q4 FY22
Innovation project allowance		
Total forecast recoverable costs	5,760	

IRIS incentive was calculated by a financial model provided by the Commerce Commission for DPP3 period. Incentive is based on Opex and Capex actuals from DDP2 period.

Transpower charges are reflective of officially communicated charges in December 2020.

Distributed generation allowance is based on Waihi and Matawai hydro generation output during 100 RCPD periods between 1 Sep 2019 and 31 Aug 2020. Rate used in calculation was provided by Transpower.

Quality incentive adjustment has been calculated using the Commerce Commission calculation and RY20 SAIDI and SAIFI actual values.



Capex wash-up adjustment has been based on the difference between forecast PV of BBAR and actual PV of BBAR allocated between Period 2 to 5 of DPP3.

Fire and emergency NZ levies forecast is based on latest business forecast + 2% CPI.

Pass-through balance allowance

Table 7

Pass-through balance allowance RY22		
Term	Description	Value (\$000)
Pass-through balance	<i>Pass-through balance for the assessment period ending 31 March 2020</i>	358
ePTB	<i>An estimate of the pass-through balance as at 31 March 2020</i>	280
67th percentile estimate of post-tax WACC		4.23%
Pass-through balance allowance	<i>(ePTB - pass-through balance) x (67th percentile estimate of post-tax</i>	(85)



Appendix B – Forecast prices and quantities

Table 8 shows the forecast prices and quantities for the forecast revenue from prices for the second assessment period.



Table 8

Forecast revenue from prices RY22				
Price Category	Unit	Unit price	Forecast quantity	Forecast revenue (\$000)
DOMLFCF	\$/day	0.1500	14,310	783
DOMLFCU	\$/kWh	0.1442	18,739,657	2,702
DOMLFCC	\$/kWh	0.0759	18,737,913	1,422
DOMLFCP	\$/kWh	0.2074	11,674,567	2,421
DOMLFCO	\$/kWh	0.1157	25,970,651	3,005
DOMSTDF	\$/day	1.9576	5,438	3,885
DOMSTDU	\$/kWh	0.0528	19,719,963	1,041
DOMSTDC	\$/kWh	0.0294	8,431,366	248
DOMSTDP	\$/kWh	0.0897	6,988,461	627
DOMSTDO	\$/kWh	0.0359	15,546,176	558
COM0050F	\$/day	2.2019	5,102	4,100
COM0050U	\$/kWh	0.0474	15,422,286	731
COM0050C	\$/kWh	0.0284	6,575,495	187
COM0050P	\$/kWh	0.0807	5,445,584	439
COM0050O	\$/kWh	0.0323	12,113,970	391
COM0100F	\$/day	7.7684	420	1,189
COM0100U	\$/kWh	0.0643	11,200,039	720
COM0100C	\$/kWh	0.0423	527,052	22
COM0100P	\$/kWh	0.1141	3,297,327	376
COM0100O	\$/kWh	0.0457	8,769,752	401
COM0300F	\$/day	15.6289	107	612
COM0300U	\$/kWh	0.0507	3,903,271	198
COM0300EP	\$/kWh	0.0460	3,203,001	147
COM0300MP	\$/kWh	0.0429	3,779,339	162
COM0300OP	\$/kWh	0.0340	5,607,296	191
COM0300N	\$/kWh	0.0188	2,943,699	55
TOU0500F	\$/day	29.3636	22	236
TOU0500EP	\$/kWh	0.0460	1,527,609	70
TOU0500MP	\$/kWh	0.0429	2,294,561	98
TOU0500OP	\$/kWh	0.0340	3,041,482	103
TOU0500N	\$/kWh	0.0188	2,592,712	49
TOU1000F	\$/day	45.4660	25	415
TOU1000EP	\$/kWh	0.0460	4,942,691	227
TOU1000MP	\$/kWh	0.0429	7,664,756	329
TOU1000OP	\$/kWh	0.0340	10,033,190	341
TOU1000N	\$/kWh	0.0188	8,364,517	157
TOU4500F	\$/day	113.6647	3	124
TOU4500EP	\$/kWh	0.0449	3,578,585	161
TOU4500MP	\$/kWh	0.0420	5,135,290	216
TOU4500OP	\$/kWh	0.0335	6,943,728	233
TOU4500N	\$/kWh	0.0184	6,915,623	127
TOU6500F	\$/day	172.9834	1	63
TOU6500EP	\$/kWh	0.0449	1,128,648	51
TOU6500MP	\$/kWh	0.0419	2,023,209	85
TOU6500OP	\$/kWh	0.0335	2,432,239	81
TOU6500N	\$/kWh	0.0184	2,223,767	41
GEN4500F	\$/day	77.4477	1	28
GEN6500F	\$/day	106.0789	1	39
GEN6500U	\$/kWh	0.0382	120,000	5
OTH0003F	\$/day	0.4741	84	15
OTH0003U	\$/kWh	0.1276	237,260	30
DUMLF	\$/fixture/day	0.0609	4,921	109
DUMLU	\$/kWh	0.0872	2,059,177	180
STLGMF	\$/fixture/day	0.0620	143	3
STLGMU	\$/kWh	0.0872	45,810	4
ΣP_{2021/22} * Q_{2021/22}				30,237



ICP count forecast considered latest trends (April – November 2020). These trends suggest reduction (-1.8%) in low user domestic customers (customers with annual consumption below 8,000kWh) and increase (+2.7%) standard domestic customers and small businesses. There's also a 4-5% increase in medium size business connections.

Overall ICP forecast is 25,779, an increase of 182 (0.7%) on FY21 forecast.

Split between half-hourly customers (Time of Use) and exempt customers has been based on November 2020 registry data and an assumption was made that 10% of all smart meters will fall on default exemption tariff (non ToU).

Energy consumption (kWh) forecast is based on historic annual consumption data retrieved from registry in November 2020. These historic values have been adjusted based on latest observed trends ((April – November 2020). These trends mostly suggested an increase (+11%) in average consumption in the low user domestic category, but a 4% reduction in standard domestic user and small businesses categories. Overall consumption forecast is 281.9GWh, an increase of 0.4GWh (0.1%) on FY21 forecast.



Director Certificate
for
Annual price-setting compliance statement

I, Jon Edmond Nichol, being a director of Eastland Network Limited certify that, having made all reasonable enquiry, to that best of my knowledge and belief, the attached annual price-setting compliance statement of Eastland Network Limited, and related information prepared for the purposes of the Electricity Distribution Services Default Price-Quality Path Determination 2020 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's signature

Date: 24/3/21

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.

