

TOP ENERGY LTD

**DEFAULT PRICE QUALITY PATH COMPLIANCE STATEMENT
FOR THE ASSESSMENT DATE 31 MARCH 2013**

Pursuant to the Commerce Act (Electricity Distribution Default Price-Quality Path) Determination 2010

28 May 2013

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1) **Compliance with the Price Path (Clause 11.1(a))**

Top Energy Ltd does comply with the price path at the assessment date, 31 March 2013, as specified in the *Commerce Act (Electricity Distribution Default Price-Quality Path) Determination 2010*.

Clause 8.4 - The notional revenue (NR_t) of a Non-exempt EDB at any time during the Assessment Period must not exceed the allowable notional revenue (R_t) for the Assessment Period.

Compliance is demonstrated in the following tables. The first table demonstrates that notional revenue derived using posted prices at the end of the Assessment Period is less than allowable notional revenue. The second table demonstrates that the maximum notional revenue during the Assessment Period does not exceed allowable notional revenue thus illustrating that at no time during the Assessment Period is the price path breached.

Commerce Act (Electricity Distribution Default Price-Quality Path) Determination 2010

**Commerce Act (Electricity Distribution Default Price-
for the Assessment Date 31 March 2013**

Clause 8.4 The notional revenue (NR_t) of a Non-exempt EDB at 31 March 2013 must not exceed the allowable notional revenue (R_t) for the Assessment Period such that:

Test:	$\frac{NR_{2013}}{R_{2013}} \leq 1$
NR ₂₀₁₃ :	\$ 28,024,701
R ₂₀₁₃ :	\$ 28,122,090
Result:	0.9965 < 1
Result:	Price Path has not been breached

Clause 8.4 The notional revenue (NR_t) of a Non-exempt EDB at any time during the Assessment Period must not exceed the allowable notional revenue (R_t) for the Assessment Period such that:

Test:	$\frac{NR_{Max}}{R_{2013}} \leq 1$
NR _{Max} :	\$ 28,024,701
R ₂₀₁₃ :	\$ 28,122,090
Result:	0.9965 < 1
Result:	Price Path has not been breached

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

2) Compliance with the Quality Standards (Clause 11.1(a))

Top Energy Ltd does comply with all requirements of the quality standards at the assessment date, 31 March 2013, as specified in the *Commerce Act (Electricity Distribution Default Price-Quality Path) Determination 2010*.

Clause 9.2 - A Non-exempt EDB's Assessed Values for an Assessment Period must not exceed its Reliability Limits for that Assessment Period.

Compliance is demonstrated in the following tables. The first table demonstrates compliance with the SAIDI Limit and the second table compliance with the SAIFI limit.

**Commerce Act (Electricity Distribution Default Price-
Quality Path) Determination 2010
Assessment Against the Quality Standards
for the Assessment Date 31 March 2013**

Clause 9.2 A Non-exempt EDB's Assessed Values for an Assessment Period must not exceed its Reliability Limits for that Assessment Period, such that

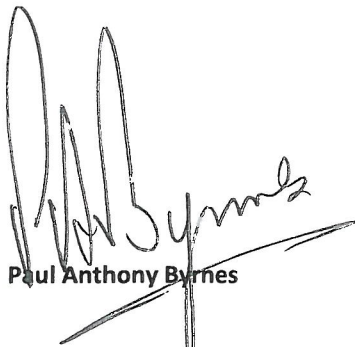
Test:	$\frac{SAIDI_{Assess\ 2013}}{SAIDI_{Limit}} \leq 1$
SAIDI _{Assess 2013}	327.173
SAIDI _{Limit}	579.681
Result:	0.5644 < 1
Result:	SAIDI Limit has not been breached

Test:	$\frac{SAIFI_{Assess\ 2013}}{SAIFI_{Limit}} \leq 1$
SAIFI _{Assess 2013}	4.671
SAIFI _{Limit}	7.663
Result:	0.6096 < 1
Result:	SAIFI Limit has not been breached

Supporting evidence is presented in Appendices D and E.

3) Director Certification (Clause 11.1(c))

We, Paul Anthony Byrnes and Andrew Martin Kelleher, being directors of Top Energy Limited (Top Energy) certify that, having made all reasonable enquiry, to the best of our knowledge and belief, the attached Annual Compliance Statement of Top Energy Limited, and related information, prepared for the purposes of the *Commerce Act (Electricity Distribution Default Price-Quality Path) Determination 2010* are true and accurate.



Paul Anthony Byrnes



Andrew Martin Kelleher

Date: 28th May 2013



**INDEPENDENT AUDITOR'S REPORT
TO THE READERS OF THE ANNUAL COMPLIANCE STATEMENT OF
TOP ENERGY LIMITED FOR THE ASSESSMENT PERIOD ENDED ON 31 MARCH 2013**

The Auditor-General is the auditor of Top Energy Limited (the company). The Auditor-General has appointed me, Jamie Schmidt, using the staff and resources of Deloitte, to provide an opinion, on her behalf, on the company's Annual Compliance Statement for the assessment period ended on 31 March 2013 on pages 2 to 3 and 6 to 15 regarding compliance with the Electricity Distribution Default Price-Quality Path Determination 2010.

We have audited the Annual Compliance Statement in respect of the default price-quality path prepared by the company for the assessment period ended on 31 March 2013 and dated 28 May 2013 for the purposes of clause 11 of the Electricity Distribution Default Price-Quality Path Determination 2010 (the Determination).

Directors' Responsibilities

The Directors of the company are responsible for the preparation of the Annual Compliance Statement in accordance with the Determination and for such internal control as the Directors determine is necessary to enable the preparation of an Annual Compliance Statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express an opinion on the Annual Compliance Statement based on our audit. We conducted our audit in accordance with the International Standards on Auditing, International Standards on Auditing (New Zealand) and the New Zealand Institute of Chartered Accountants Standard on Assurance Engagements 3100: *Compliance Engagements*. Those standards require that we comply with ethical and quality control requirements and plan and perform the audit to obtain reasonable assurance about whether the Annual Compliance Statement has been prepared in accordance with the Determination and is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Annual Compliance Statement. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Annual Compliance Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the Annual Compliance Statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

In relation to the price path set out in clause 8 of the Determination, our audit included examination, on a test basis, of evidence relevant to the amounts and disclosures contained on pages 2 and 6 to 10 of the Annual Compliance Statement.

In relation to the SAIDI and SAIFI statistics for the Reference Period and the Assessment Period ended on 31 March 2013, including the calculation of the Reliability Limits and the Assessed Values, which are relevant to the quality standards set out in clause 9 of the Determination, our audit included examination, on a test basis, of evidence relevant to the amounts and disclosures contained on pages 3 and 11 to 15 of the Annual Compliance Statement.

Our audit also included assessment of the significant estimates and judgements, if any, made by the company in the preparation of the Annual Compliance Statement and whether adequate information has been disclosed in accordance with clause 11.1(b) of the Determination.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Limitations and Use of this Independent Auditor's Report

This independent auditor's report has been prepared solely for the Directors of Top Energy Limited and the Commissioners of the New Zealand Commerce Commission in accordance with the Determination. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the Directors of Top Energy Limited and the Commissioners, or for any purpose other than that for which it was prepared.

Because of the inherent limitations in evidence gathering procedures, it is possible that fraud, error or non-compliance may occur and not be detected. As the procedures performed for this engagement are not performed continuously throughout the assessment period and the procedures performed in respect of the company's compliance with the Determination are undertaken on a test basis, our engagement cannot be relied on to detect all instances where the company may not have complied with the Determination. Our opinion has been formed on the above basis.

Independence

We have no relationship with, or interests in the company other than in our capacities as auditors of the Annual Financial Statements and auditors pursuant to the Electricity Distribution (Information Disclosure Requirements) 2008 on behalf of the Auditor-General.

Opinion

In our opinion, the Annual Compliance Statement of Top Energy Limited for the Assessment Period ended on 31 March 2013, has been prepared, in all material respects, in accordance with the Determination.

Our audit was completed on 28 May 2013 and our opinion is expressed as at that date.

Jamie Schmidt

Deloitte

On behalf of the Auditor-General

Auckland, New Zealand

Appendix A – Price Path Compliance Calculations (Clause 11.1(b)(i))

Commerce Act (Electricity Distribution Default Price-Quality Path)

Determination 2010

Price Path Inputs and Calculations for the Assessment Date 31 March 2013

Clause 8.4

Notional Revenue for the year ending March 2013		
Term	Description	Value \$
<i>SPi,2013Qi, t-2</i>	Prices at 31 March 2013 multiplied by 31 March 2011 Base Quantities	41,709,405
	Notional Posted discount YE 2013	5,087,315
<i>P2013*Q2011</i>	Prices at 31 March 2013 multiplied by 31 March 2011 Base Quantities	36,622,090
<i>K2013</i>	Transmission Charges for year ending 31 March 2013	4,544,524
	Avoided Transmission Charges for year ending 31 March 2013	3,890,401
	Rates for year ending 31 March 2013	24,895
	Electricity Authority Levies for year ending 31 March 2013	70,966
	Commerce Act Levies for year ending 31 March 2013 + 1/5 of Commerce Act Levies for year ending 31 March 2010	66,603
<i>Total K2013</i>		8,597,389
<i>NR2013</i>	Notional Revenue for the year ending 31 March 2013	28,024,701

Supported by P*Q
schedules presented in
Appendix B

Maximum Notional Revenue for the year ending March 2013		
Term	Description	Value \$
<i>PMax*Q2011</i>	Maximum Prices between 1 April 2012 and 31 March 2013 multiplied by 31 March 2011 Base Quantities	36,622,090
<i>K2013</i>	Transmission Charges for year ending 31 March 2013	4,544,524
	Avoided Transmission Charges for year ending 31 March 2013	3,890,401
	Rates for year ending 31 March 2013	24,895
	Electricity Authority Levies for year ending 31 March 2013	70,966
	Commerce Act Levies for year ending 31 March 2013 + 1/5 of Commerce Act Levies for year ending 31 March 2012	66,603
<i>Total K2013</i>		8,597,389
<i>NRMax</i>	Notional Revenue for the year ending 31 March 2013	28,024,701

Supported by P*Q
schedules presented in
Appendix B

Clause 8.5

Allowable Notional Revenue 2013		
Term	Description	Value \$
<i>Revenue adjustment term N2012-NR2012</i>	Last years under(over) recovery	421,276
<i>P2012*Q2011</i>	Prices at 31 March 2012 multiplied by 31 March 2011 Base Quantities	34,051,350
<i>K2012</i>	Transmission Charges for year ending 31 March 2012	5,591,276
	Avoided Transmission Charges for 2012	1,843,853
	Rates for year ending 31 March 2012	21,978
	Electricity Commission Levies for year ending 31 March 2012	66,857
	Commerce Act Levies for year ending 31 March 2012 + 1/5 of Commerce Act Levies for year ending 31 March 2011	60,962
<i>PQ2012-K2012</i>	Total	26,887,700
<i>X</i>	X Factor	-
<i>(1 - DCPI2013)</i>	Average change in Consumer Price Index	1.04591
<i>R2013</i>	Allowable Notional Revenue under the CPI-X Price Path for the year ending 31 March 2013	28,122,090

Supported by P*Q schedules presented in Appendix 8

DCPI2013			
Numerator		Denominator	
CPI _{Dec2010}	1,137	CPI _{Dec2009}	1,093
CPI _{Mar2011}	1,146	CPI _{Mar2010}	1,097
CPI _{Jun2011}	1,157	CPI _{Jun2010}	1,099
CPI _{Sep2011}	1,162	CPI _{Sep2010}	1,111
Total	4602	Total	4400
DCPI2012	4.59%		

Appendix B – Price and Quantity Schedules (Clause 11.1(b) (i))

[illegible]

NB: The maximum NR (2013) prices and quantities are the same as NR (2013)

$\Sigma P_{i,2012} Q_{i,t-2}$		Prices at 31 March 2012 multiplied by 31 March 2011 Base Quantities						
Number of Months		12						
Number of Days:		365						
Tariff or Fee	Description	Number of ICPs at 31/03/11	kWh or kw or kvarh for 31/03/11	Other Qty for 31/03/11	Line Tariff 1.4.2011 to 31.3.2012 year		Notional Other Revenue (\$)	Total Revenue (\$)
					Fixed	Variable	Fixed	$\Sigma P_{i,2012} Q_{i,2011}$
					\$/DAY	(c/kwh)		
Non Time of Use		30021			0.15			1,643,650
UC	Uncontrolled		67,135,703			15.90		10,674,577
PC	Partly Controlled		134,412,523			10.70		14,382,140
FC	Fully Controlled		5,408,291			4.40		237,965
Day	Partly Controlled Day		11,007,986			11.80		1,298,942
NGT	Night		4,818,438			1.90		91,550
CAP150	Capacity	114	11,158,757		6.70	9.30		1,316,551
Time of Use		80			19.63			429,897
00:00 - 04:00			3,982,554			0.22		8,762
04:00 - 08:00			5,107,706			0.35		17,877
08:00 - 12:00			7,609,049			7.64		581,331
12:00 - 16:00			7,415,828			9.04		670,391
16:00 - 20:00			6,255,275			13.02		814,437
20:00 - 24:00			5,057,830			4.26		215,464
Industrial								
0000984310TEBBE		1			2,963.48			1,081,671
00009840000TE210		1			774.24			282,597
0000930130TE465		1						
Street Lights								
UMCON500				34	0.29		3,599	3,599
UMDECL				53	0.30		5,804	5,804
UMGL				79	0.10		2,884	2,884
UMINT				5	0.16		292	292
UMLDH				53	0.60		11,607	11,607
UMLSH				1,837	0.30		201,097	201,097
UMLSHLPMC				554	0.37		74,818	74,818
UMLTH				11	0.90		3,449	3,449
$\Sigma P_{i,2012} Q_i$		30,198	269,369,940				303,549	34,051,350

Appendix C – Pass Through Costs (Clause 11.1(b)(ii))

**Commerce Act (Electricity Distribution Default Price-Quality Path)
Pass Through Costs
for the Assessment Date 31 March 2013**

Pass Through Costs for year ending March 2013				
K 2013	Actual (\$)	Forecast (\$)	Variance (\$)	Variance (%)
Transmission	4,544,524	4,534,349	10,175	.22%
Avoided Transmission	3,890,401	3,889,181	1,220	.03%
Rates	24,895	23,205	1,690	6.79%
Electricity Authority Levies	70,966	72,731	(1,765)	(2.49)%
Commerce Act Levies	66,603	76,879	(10,276)	(15.43)%
Total Pass Through Costs	8,597,389	8,596,346	1,043	.01%

Variance comments

Transmission	: Increase in NZX charges
Rates	: Increase by Council and additional property
Electricity Authority Levies	: Lower than forecasted increases
Commerce Act Levies	: Lower than forecasted increases

Appendix D – Quality Standard Compliance Calculations (Clause 11.1(b)(iv))

Commerce Act (Electricity Distribution Default Price-Quality Path) Determination 2010 Assessment Against the Quality Standards for the Assessment Date 31 March 2013

Reliability Data (Before Normalisation)

Year	SAIDI (Interruption Duration)			SAIFI (Interruption Frequency)		
	Class B	Class C	Total	Class B	Class C	Total
2005	39.42	342.60	382.03	0.26	4.30	4.55
2006	22.30	499.80	522.10	0.14	5.43	5.57
2007	18.23	398.79	417.01	0.12	5.42	5.54
2008	36.63	781.67	818.30	0.34	6.05	6.40
2009	73.90	841.26	915.16	0.60	10.28	10.88
	Reference Period Total SAIDI		3,054.60	Reference Period Total SAIFI		32.94
	Reference Period Average SAIDI		610.92	Reference Period Average SAIFI		6.59
2013	144.39	250.91	395.30	0.64	4.03	4.67

Reliability Limit Calculations

SAIDI Boundary Calculations

α_{SAIDI}	-0.8549	The average of the natural logarithm (ln) of each daily SAIDI Value in the non-zero data set
β_{SAIDI}	1.9142	The standard deviation of the natural logarithm (ln) of each daily SAIDI Value in the non-zero data set

$B_{SAIDI} = e^{(\alpha_{SAIDI} + 2.5 \cdot \beta_{SAIDI})}$	50.9313	SAIDI Boundary Value
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SAIFI Boundary Calculations

α_{SAIFI}	-5.5484	The average of the natural logarithm (ln) of each daily SAIFI Value in the non-zero data set
β_{SAIFI}	2.1216	The standard deviation of the natural logarithm (ln) of each daily SAIFI Value in the non-zero data set

$B_{SAIFI} = e^{(\alpha_{SAIFI} + 2.5 \cdot \beta_{SAIFI})}$	0.7831	SAIFI Boundary Value
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Event Days exceeding SAIDI Boundary Value within the Reference Dataset

Date	Pre-Normalised SAIDI	Pre-Normalised SAIFI	Normalised SAIDI	Normalised SAIFI
18-Sep-05	92.9493	0.5012	50.9313	0.5012
10-Jul-07	356.6218	0.8237	50.9313	0.7831
15-Apr-08	76.0172	1.0207	50.9313	0.7831
26-Jul-08	223.6803	1.0487	50.9313	0.7831
30-Jul-08	102.1547	0.8342	50.9313	0.7831
			-	-
			-	-

SAIDI Limit

μ_{SAIDI}	491.5663	The average annual SAIDI Value in the Normalised Reference Dataset
σ_{SAIDI}	88.1148	The standard deviation of daily SAIDI Values in the Normalised Reference Dataset multiplied by $\sqrt{365}$
$SAIDI_{Limit} = \mu_{SAIDI} + \sigma_{SAIDI}$	579.6811	SAIDI Limit Value

SAIFI Limit

μ_{SAIFI}	6.4685	The average annual SAIFI Value in the Normalised Reference Dataset
σ_{SAIFI}	1.1942	The standard deviation of daily SAIFI Values in the Normalised Reference Dataset multiplied by $\sqrt{365}$
$SAIFI_{Limit} = \mu_{SAIFI} + \sigma_{SAIFI}$	7.6627	SAIFI Limit Value

Reliability Assessment Calculations**Event Days exceeding SAIDI Boundary Value within the Assessment Dataset**

Date	Pre-Normalised SAIDI	Pre-Normalised SAIFI	Normalised SAIDI	Normalised SAIFI
17-Mar-13	119.0629	0.2290	50.9313	0.2290
			-	-
			-	-
			-	-
			-	-
			-	-
			-	-
			-	-

Assessed SAIDI Value

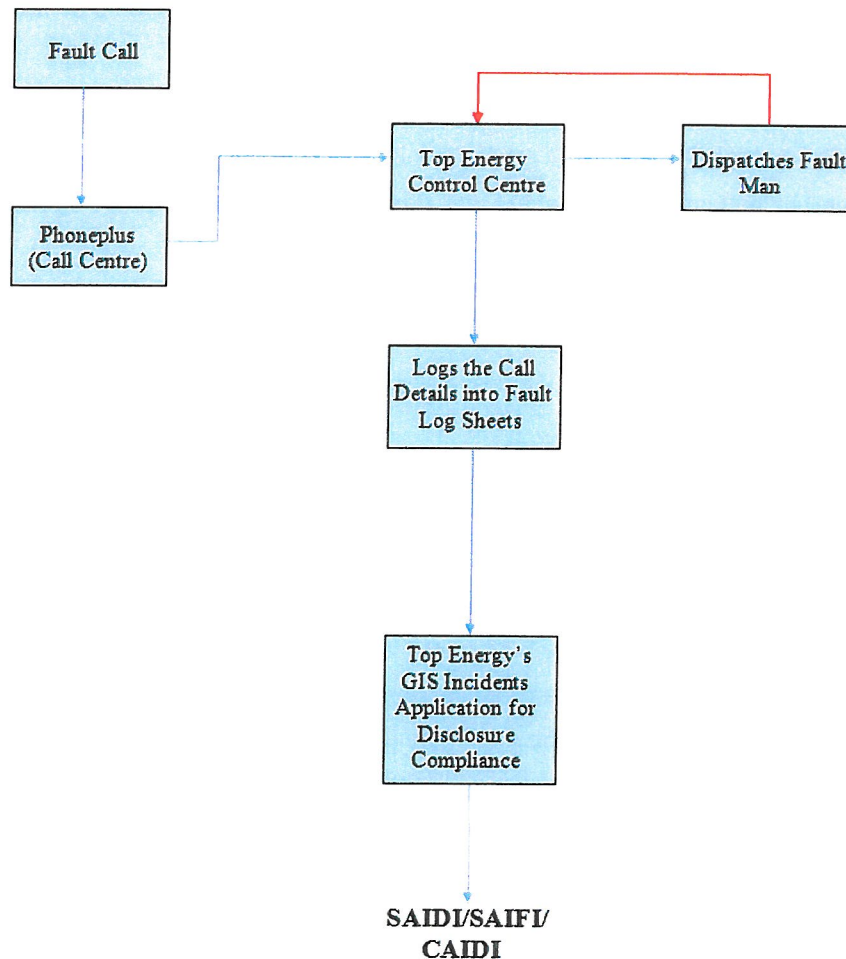
$SAIDI_{2012}$	327.1732	The sum of daily SAIDI Values in the 1 April 2012 - 31 March 2013 Normalised Assessment Dataset
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Assessed SAIFI Value

$SAIFI_{2012}$	4.6710	The sum of daily SAIFI Values in the 1 April 2012 - 31 March 2013 Normalised Assessment Dataset
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Appendix E – Policies and Procedures for Recording SAIDI and SAIFI (Clause 11.1(b)(v))

Top Energy Limited records data for network performance at its network control centre. The following flow diagram outlines the business process that results in the recording and production of quality performance statistics.



Top Energy Faults Management Process

Recording Interruptions:

All interruptions in electricity supply on the network are recorded by the control centre operators:

- Planned outages – are managed by the control centre operators who: (1) schedule the work with field staff and; (2) conduct and coordinate the related switching on the network. These details are recorded by action, date and time on a 'Switching Procedure Sheet'.
- Unplanned outage records - are initiated either by a telephone call of a fault being received by our in-house call centre (PHONEplus), or by receiving a protection equipment alarm

generated directly from the SCADA (Supervisory Control & Data Acquisition) system. A detailed record of each telephone call about a fault, known as a 'CMS' *, is completed by the call centre operator, who identifies key information about the interruption such as: time, fault description, name & contact details of the caller. Subsequently the control centre operator will despatch the fault response team, log the fault, and conduct any switching that is required. All extra-high voltage and high-voltage faults are recorded electronically via the SCADA system, which provides an accurate record of the extent, time of occurrence and duration of the outages.

*CMS - Call Management Service. These are electronic records that the call centre staff use to record customer-reported fault information that are then forwarded to the control centre operators.

For either type of outage, the control centre operator records the following information:

- Substation reference number
- Feeders affected
- Interruption class type – A,B,C or D
- Cause code – where this is known

As a part of managing the restoration of supply, the control centre operator records the devices that are operated and the times at which they are operated. When this information is loaded into the GIS (Geographic Information System) incidents application software, the time the customers are without power (customer outage minutes) is calculated by the application. The customer outage minutes are then inputted into the SAIDI calculation formula within our report manager application to calculate the SAIDI.

The control centre operates continuously on a roster basis, with 3 operators being present from 7 am to 9pm, Monday to Friday. Outside these hours, a standby roster is used to provide continuous coverage.

Consumer Numbers:

To determine the total number of consumers on its network, Top Energy maintains an ICP database. This is based on the electricity industry's registry. The ICP database has been consistently kept in compliance with relevant rules and regulations. The numbers of ICPs is used for internal reporting and performance management purposes throughout the year.

Using a fully integrated GIS & ICP (Installation Control Point) database for its entire network, Top Energy is able to use its information systems to calculate the number of customers beyond every

isolation device on the network, at any time. The required customer counts can be extracted from the GIS system, which is linked to the ICP database. The average of the network ICP counts at the beginning and the end of the year was calculated as follows:

ICP count at 31 March 2012 was 31,217

ICP count at 31 March 2013 was 31,436

Average ICP count for 2013 was therefore 31326 $((31217+31436)/2)$

GIS Incident Application

Top Energy Limited has used its GIS incident application since 1 April 2009. This software is used to record network interruptions and to generate network performance indices, such as SAIDI and SAIFI. The results are reported to and reviewed for reasonableness by the Operations Manager on a monthly basis. After the data have been reviewed, network quality performance graphs, together with a summary report of reliability statistics, form part of the Network General Manager's report to the Board of Directors. On a six monthly basis, the related statistics are summarised and reported as part of the company's financial reporting procedure. This provides comparisons with targets set out in the company's Statement of Corporate Intent.

The GIS incidents system automatically calculates customer outage minutes from the network outage data input. This is accomplished by recording the time stamped operation of each switchable device, and combining it with the GIS calculated number of ICPs connected beyond the device concerned. A report on the SAIDI and SAIFI effects is then generated. For disclosure purposes, the average network total ICP count, calculated as previously described, is used.

The equation used by the GIS incidents application to calculate customer outage minutes is:

$$\Sigma (\text{Outage Duration}_1 \times \text{ICP Count}_1) + (\text{Outage Duration}_2 \times \text{ICP Count}_2) + \dots$$

(and so on for each outage duration)