CONNECTION AGREEMENT FOR DISTRIBUTED GENERATION

between

TOP ENERGY LIMITED
(Distributor)

and

NGAWHA GENERATION LIMITED
(Distributed Generator)

Capacity	in relation to a distribution network, means the capability of the network to convey electricity under a range of load and generation conditions in accordance with reasonable and prudent operating practice;
Code	means the Electricity Industry Participation Code 2010;
Connect	in relation to distributed generation, means to be connected to a distribution network or to a consumer installation that is connected to a distribution network;
Consumer installation	includes: (a) an electrical installation; and (b) any fittings that are used, or designed or intended for use, by any person in or in connection with the generation of electricity so that electricity can be injected into a distribution network;
Distributed generation	means the distributed generator's equipment used, or proposed to be used, for generating electricity that: (a) is connected, or proposed to be connected, to a distribution network, or to a consumer installation that is connected to a distribution network; and (b) is capable of injecting electricity into that distribution network, and which is located at the location specified in Part A of the Schedule;
Distribution network	means the electricity lines, and associated equipment, owned or operated by the distributor, but does not include: (a) the national grid; or (b) an embedded network that is used to convey less than 5 GWh per annum
Distributor	means Top Energy Limited;
Distributed generator	means Ngawha Generation Limited;
Maximum Injection	means the maximum amount of power the distributor has agreed to permit the distributed generator to inject into the distributor's network; as specified in Part B of the Schedule;
Point of connection	means the point at which the distributed generator's distributed generation is connected to the distributor's network as specified in Part C of the Schedule;
Regulated Terms	means the terms set out in Schedule 6.2 of the Code
Retailer	has the same meaning as electricity retailer in section 5 of the Act;

Transmission Pricing means the methodology determined by Transpower New Zealand Limited (Transpower) and used by them to charge distributors for inter connection charges and being based on Regional Coincident Peak Demands.

1.3 **Application forms, technical specifications and policies:**

For the purposes of this Agreement, the application forms, technical specifications and policies of the distributor are to be read in the context of this Agreement although they do not form part of this Agreement.

2. Agreed connection terms

The parties agree that the terms upon which the distributed generator's distributed generation may connect to the distributor's network are the Regulated Terms except as is provided in this Agreement.

3. Term

3.1 The term (Term) of this Agreement is 20 years from the date hereof.

3.2 Six months prior to the expiry of the Term, if requested by the distributed generator, by notice in writing to the distributor, the parties will enter into good faith negotiations to seek to agree an extension of the Term or a new agreement to provide for the distributed generator's distributed generation to remain connected to the distributor's distribution network and inject electricity into that network.

4. Metering

4.1 Metering for exported generation is to be supplied and installed by the distributed generator at the location specified in Part D of the Schedule.

4.2 If four-quadrant metering (import/export/real and reactive power) is required to be installed in accordance with this Agreement, the distributed generator will supply and install such metering at the location specified in Part D of the Schedule.

4.3 If local supply metering is required to be provided in accordance with this Agreement it will be supplied and installed by the distributed generator at the location of the distributed generation.

5 Termination

5.1 The distributor may terminate this Agreement if:

(a) The distributed generator physically removes the distributed generation from its location and is no longer connected to the Distributors network; or

(b) The distributed generator is in breach of any of its obligations under this Agreement and has failed to remedy such breach within a time which is reasonable having regard to the nature of the breach, having received notice in writing requiring remedy of such breach from the distributor.

(c) The distributed generator:

(i) has a receiver appointed to the whole or any substantial part of its undertaking, property or assets;

(ii) is deemed or presumed to be unable to pay its debts within the meaning of the Companies Act 1993, becomes or is deemed to be insolvent, or is in fact unable to pay its debts as they fall due, or proposes or makes an assignment, or an arrangement or composition with or for the benefit of its creditors;

(iii) is removed from the register of companies or is subject to liquidation, either where an application for an order is made for or an effective resolution is passed for its liquidation; or

(iv) sells its business, or its undertaking, property or assets comprising the major part of its business without the prior consent of the distributor, which consent shall not be unreasonably withheld.

5.2 If the distributor wishes to terminate this Agreement under clause 5.1, it will give the distributed generator written notice of termination which will be effective on the 5th Business day after it is given.

6. Connection Charges

6.1 The distributed generator will pay the distributor a monthly fee (determined by the distributor in its absolute discretion) for any dedicated network assets that enable the distributed generator to inject into the distributor's network. Such fee will be that which is published by the distributor as part of the distributor's tariffs. Any change to such charge will be notified to the distributed generator in writing at least 90 days prior to it taking effect.

6.2 If the distributed generation is connected to a substation of the distributor, the distributor will provide a single metering and communications cabinet in the distributor's substation to accommodate the generator's meter and communications equipment. The cost of this cabinet will be charged to the distributed generator who will pay such cost at the time of the first fee payable under clause 6.1.

7. Line charges for electricity consumption on local service supply

The distributed generator will pay for any off-take from the distributor's network on the local service supply and off-take on the distributed generation connection (from the distributor's network to the distributed generator's station), including the distributors line charges at the applicable rate published by the distributor for the relevant class of connection, to its nominated energy retailer.

8. Avoided Transmission Credits

8.1 After each month-end, the distributor will credit the distributed generator for any reductions in the transmission charges payable by the distributor to Transpower that are attributable to the operation of the distributed generator's distributed generation as determined during the relevant capacity measuring period and are detailed in the distributors publicly disclosed Pricing Methodology.

8.2 Under the present Transmission Pricing Methodology (TPM), the avoided transmission credits will be assessed on the basis of the average MW injected (if any) at the times of the 12 chargeable Upper North Island (UNI) Regional Coincident Peak Demand (RCPD) periods for Interconnection charges, as determined by Transpower and set out in Transpower's current agreement with the distributor, after the capacity measuring period (as defined by the TPM) each year. Accordingly:

(a) Any reductions in the transmission charges payable by the Distributor attributable to injection from the Generator's generation plant from the commencement date of this document will be taken into account; and

(b) To the extent practical, for the period of 12 months after the term (taking into account any extensions to the term or any early termination), the distributor will credit to the generator the amount the generator would have been credited for reductions in transmission charges payable by the distributor if the term had been extended by a further 12 months. Except for the case of a serious breach of the terms by the generator, this provision will survive termination.

8.3 Should the TPM change, the distributor will, acting reasonably, assess the extent to which transmission charges payable by the distributor are altered (increased or decreased) or avoided by the operation of the distributed generator's generation and the distributor will pass this change through transparently to the generator.

9. Reactive Power

9.1 The distributed generator acknowledges that the distributor is required to maintain a power factor of not less than 0.985 lagging at the times of the RCPD peaks and this is subject to change in the future. The distributed generator will not allow its distributed generation to degrade the overall half-hour power-factor for these RCPD peak periods Failure of the distributed generator to achieve this may incur reactive power charges.

10. Interference with power quality

10. The distributed generator must ensure that it's distributed generation (whether operating or not) does not materially degrade the power quality measured at the distributor's Kaikohe point of connection to the grid. This includes voltage stability and the level of harmonics.

10.2 If the distributor identifies any other major connections which are experiencing any material interference to power quality, the distributor may immediately disconnect the distributed generation pending resolution of the cause of the interference.

11. Licence to occupy

11.1 If the distributed generator has cables and associated communications and metering equipment (the Equipment) on any of the distributor's substation sites the distributor hereby grants the distributed generator a licence to occupy that part of the distributor's premises for such purpose for the duration of the Term and any subsequent extensions to the term at no cost.

11.2 If Clause 11.1 applies, the Equipment is at the sole risk of the distributed generator who shall arrange for insurance of the Equipment and for any liability arising as a result of or from the Equipment and/or the distributed generation causing damage to the distributor's substation assets and the Equipment may only be used for the purpose of conveying electricity and associated communications between the distributed generator's distributed generation and the distributor's network.

11.3 The distributed generator will strictly adhere to the distributor's health and safety and other access protocols prior to and during the course of access to the distributor's substation site and building by the distributed generator or its authorised contractors.

11.4 The distributed generator will be and remain at all times responsible for the maintenance and operation of its Equipment and the distributor will have no responsibility or liability for the maintenance and operation of any of the generator's equipment located on the distributor's substation site.

12. Invoicing and payment

12.1 Each party will provide a tax invoice (for any charges payable by the other) to the other prior to the 5th day of the month for payment on the 20th day of that month.

12.2 Payment on all invoices is payable on the 20th day of the month of the invoice or, if the 20th day is not a business day, the first business day after the 20th day of the month in which the invoice is issued.

12.3 If the distributed generator fails to make payment of any amount payable under this Agreement the distributed generator shall pay the distributor default interest on the amount unpaid at the rate of five percentage points over the distributor's costs of borrowing.

13. Increases in injection capacity

13.1 The distributed generator must not, inject more than the maximum injection in to the network without first having reached agreement with the distributor as to requirements for the installation of additional equipment at the distributed generator's cost. Unless otherwise agreed between the parties, a minimum of 2 years prior written notice of a proposed increase is required to be given by the distributed generator. Prior to connection of any increased capacity the distributor and the distributed generator will meet to agree any new terms and conditions (including any increase in prices) that may be required to reflect the increased capacity.

14. Notices

All notices and other communications required or permitted by this Agreement shall be in writing and shall become effective when delivered by hand (including by messenger or courier) or received by facsimile or such other method as may be agreed by the parties, at the addresses set forth below or at such other addresses as the party receiving notice shall subsequently designate by written notice to the other party:

If to the distributor:

Top Energy Limited
Level 2 John Butler Centre
60 Kerikeri Road
Kerikeri
New Zealand
Attention: Chief Executive

Fax No. +64-9-407 0611
Tel No. +64-9-401 5440

If to the distributed generator:

Ngawha Generation Limited
Level 2, John Butler Centre
60 Kerikeri Road
Kerikeri
New Zealand
Attention: Chief Executive
Fax No. +64-9-407 0611
Tel No. +64-9-401 5440

15. Assignment

15.1 Neither party may assign, encumber, novate or otherwise dispose of its benefits or obligations under this Agreement without the prior written consent of the other party, which consent shall not be unreasonably withheld. A change of control of a party will be deemed to be an assignment for the purposes of this clause.

15.2 Any consent under clause 15.1 shall not relieve the assignor from liability for performance of any obligations, responsibilities or duties so assigned.

16. Dispute Resolution

16.1 The distributor and the distributed generator will actively and in good faith negotiate with a view to the speedy resolution of any dispute or difference that may arise between them concerning any matter arising under this Agreement.

16.2 Either party may refer any dispute or difference that is not resolved by discussion between the distributor and the distributed generator to mediation.

16.3 If a dispute has been referred to mediation then the parties shall endeavour to agree on a mediator and shall submit the matter in dispute to the mediator. The mediator shall discuss the matter with the parties and endeavour to resolve it by agreement between the parties. All discussions in mediation shall be without prejudice, and shall not be referred to in any later proceedings. Each party shall bear its own costs in the mediation, and shall pay half the costs of the mediator.

16.4 If the matter in dispute remains unresolved after compliance with Clauses 16.2 and 16.3 it may only be referred to arbitration if the parties so agree. If the parties do not so agree, either party may refer the dispute to the New Zealand courts.

16.5 If the parties agree that any matter in dispute is to be referred to arbitration the following procedures will apply:

(a) The dispute or difference shall be referred to a sole arbitrator for resolution if the distributor and the distributed generator agree on one, or if they cannot agree on the appointment of an arbitrator within 10 Business Days an arbitrator will be appointed by the President for the time being of the New Zealand Law Society at the request of either or both of them.

(b) Where the matter has previously been referred to mediation, the mediator shall not be called by either party as a witness, and no reference shall be made to the determination, if any, issued by the mediator in respect of the matter in dispute, during any subsequent arbitration on the matter in dispute.
(c) The Arbitration Act 1996 will apply in the case of any difference or dispute referred to an arbitrator in accordance with this clause and the decision of the arbitrator will be final and binding on the parties.
(d) The venue for the arbitration shall be Kerikeri unless otherwise agreed by the distributor.

17. Variation

17.1 The provisions of this agreement may only be varied by agreement in writing between the parties.

17.2 For avoidance of doubt, should the Regulated Terms alter, such alteration will not vary these terms. Should there be a change in law (including any change to the Code) which makes any aspect of these terms illegal or invalid, the parties will promptly negotiate a variation to remove the illegality or invalidity but so as to preserve the intent of the terms prior to such law change.

EXECUTION

Signed by the distributor: Top Energy Limited

Signature _____

Name David Worsfold.

Designation General Manager Network.

Date 20/08/2013

Signed by the distributed generator: Ngawha Generation Limited

Signature _____

Name Russell Shaw

Designation CEO Top Energy Group

Date 20/08/2013

Schedule

Part A
Location of distributed generation (clause 1.2)

Ngawha Springs Road
Ngawha Springs
NORTHLAND

Part B
Maximum Injection (clause 1.2)

The maximum injection into the distribution network is 26 MW.

Part C
Point of connection (clause 1.2)

Point of Connection is the bolted terminations between the underground cables on the line side of the Ngawha 33kV Circuit Breakers 07-3322 (KOE-WSP-NGA Circuit) and 07-3362 (KOE-NGA Circuit), and the overhead 33kV lines.

Part D
Metering (clause 4.1)

The metering is located in the 33/11kV Substation switchroom at the Ngawha Power Station, Station 1 complex. Revenue & Check-Meters are installed in the Metering Panel at the North-East end of the Substation switchroom.

Metering CT's & VT's are installed on each of Circuit Breakers 07-3322 & 07-3362.