

# Annual Price-Setting Compliance Statement



Electricity Distribution Services Default  
Price-Quality Path Determination  
For prices applying from 1 April 2021



keeping you connected



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## 1. Introduction

The Lines Company Limited (TLC) 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 TLC 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 22 March 2021.

## 3. Statement of compliance

As demonstrated in Table 1, and consistent with clause 8.4 of the 2020 DPP Determination, TLC has complied with the price path for the second assessment period.

Table 1

Compliance with price path RY2022		
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).		
Term	Description	Value (\$000)
Forecast revenue from prices (\$000)	Forecast prices between 1 April 2021 and 31 March 2022 multiplied by forecast quantities for the period ending 31 March 2022	40,135
Forecast allowable revenue (\$000)	The sum of forecast net allowable revenue, forecast pass-through and recoverable costs, opening wash-up account balance and the pass-through balance allowance	41,598
Maximum allowable forecast revenue from prices (\$000)	Forecast revenue from prices for the previous assessment period x (1 + limit on annual percentage increase in forecast revenue from prices)	41,829
Maximum allowable forecast revenue (\$000)	The lesser of the forecast allowable revenue and maximum allowable forecast revenue from prices	41,598
Compliance result	Forecast revenue from prices $\leq$ forecast allowable revenue and maximum allowable forecast revenue from prices	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 RY2022		
Term	Description	Value (\$000)
Forecast net allowable revenue	Forecast net allowable revenue as set out in Table 1.4.1 in Schedule 1.4 for the period ending 31 March 2022	35,385
Forecast pass through costs	Forecast pass-through costs	456
Forecast recoverable costs	Forecast recoverable costs, excluding any recoverable cost that is a revenue wash-up drawn down amount	3,029
Opening wash-up account balance	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)	-
Pass-through balance allowance	(ePTB - pass-through balance) x (1+67th percentile estimate of post-tax WACC) <sup>2</sup>	2,729
Total		41,598

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 RY2022		
Term	Description	Value (\$000)
$\Sigma P_{2021/22} * Q_{2021/22}$	Forecast prices between 1 April 2021 and 31 March 2022 multiplied by forecast quantities for the period ending 31 March 2022	40,135

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 RY2022		
Term	Description	Value (\$000)
Forecast revenue from prices from previous assessment period	Forecast prices between 1 April 2020 and 31 March 2021 multiplied by forecast quantities for the period ending 31 March 2021	38,026
Limit on annual percentage increase in forecast revenue from prices		10%
Maximum allowable forecast revenue from prices	Forecast revenue from prices for the previous assessment period x (1 + limit on annual percentage increase in forecast revenue from prices)	41,829



## Appendix A – Pass-through and recoverable costs

### Forecast pass-through costs

Forecast Pass-through Costs RY22		
Forecast pass-through costs	\$000	Forecasting methodology
Rates on system fixed assets	257	Updated rates advice from regional authorities at September 2020 quarter adjusted by CPI.
Commerce Act levies	91	Forecast to align with updated estimates for RY21 with adjustments for CPI.
Electricity Authority levies	73	
Utilities Disputes levies	35	
Total forecast pass-through costs	456	

### Forecast recoverable costs

Table 6

Forecast Recoverable Costs RY2022		
Forecast recoverable costs	\$000	Forecasting methodology
IRIS incentive adjustment	(2,349)	Calculated using the Commission's IRIS model after review and update by industry.
Transpower transmission charges	4,737	Forecast to prices advised by Transpower.
New investment contract charges	-	
System operator services charges	-	
Avoided transmission charges - purchased assets	-	
Distributed generation allowance	1,463	Calculated using the TPM interconnection methodology.
Claw-back	-	
Catastrophic event allowance	-	
Extended reserves allowance	-	
Quality incentive adjustment	(391)	Forecast using Schedule 5B of the 2015 DPP.
Capex wash-up adjustment	(473)	Calculated using the Commission's model.
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	42	Set to align with the RY19 actual as advised in the s53ZD in 2019 plus CPI.
Innovation project allowance	-	
Total forecast recoverable costs	3,029	

### Pass-through balance allowance

Table 7

Pass-through balance allowance RY2022		
Term	Description	Value (\$000)
Pass-through balance	Pass-through balance for the assessment period ending 31 March 2020	(2,455)
ePTB	An estimate of the pass-through balance as at 31 March 2020	57
67th percentile estimate of post-tax WACC		4.23%
Pass-through balance allowance	$(\text{ePTB} - \text{pass-through balance}) \times (1 + 67\text{th percentile estimate of post-tax WACC})^2$	2,729

### **Explanation for forecasting methods which are demonstrably reasonable**

The pass-through balance allowance was calculated at the end of RY2020 and details of this calculation are provided in TLC's Default Price-Quality Path Annual Compliance Statement for the year ending 31 March 2020<sup>1</sup>.

As discussed in previous compliance statements, TLC identified a transaction that impacted the pass-through balance – a \$2.347m transaction with Transpower in RY2019 that the Input Methodologies define as a recoverable cost. This transaction was identified after price-setting for RY2021 and was not included in the forecast pass-through balance allowance for RY2021.

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<sup>1</sup> [https://www.thelinescompany.co.nz/site/uploads/2020/08/DPP-Annual-Compliance-Statement\\_RY2020\\_Final\\_Signed\\_Audit.pdf](https://www.thelinescompany.co.nz/site/uploads/2020/08/DPP-Annual-Compliance-Statement_RY2020_Final_Signed_Audit.pdf)



## Appendix B – Forecast prices and quantities

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

Forecast revenue from prices RY2022					
Description	Pricing code/description	Unit	Unit price	Forecast quantity	Forecast revenue (\$000)
Daily < 150 kVA	RX-LFC-XX	\$/day	0.1500	7,012	384
Daily < 150 kVA	RX-STD-HX	\$/day	0.7875	4,878	1,402
Daily < 150 kVA	DX-15-HX	\$/day	1.2600	25	11
Daily < 150 kVA	GX-15-HX	\$/day	1.2900	3,018	1,421
Daily < 150 kVA	RX-STD-LX	\$/day	1.4700	1,678	900
Daily < 150 kVA	DX-15-LX	\$/day	1.7850	15	10
Daily < 150 kVA	GX-15-LX	\$/day	1.8275	2,246	1,498
Daily < 150 kVA	TX-15-HX	\$/day	1.9950	3,232	2,353
Daily < 150 kVA	DX-30-HX	\$/day	2.4675	53	48
Daily < 150 kVA	GX-30-HX	\$/day	2.5800	337	317
Daily < 150 kVA	TX-15-LX	\$/day	2.8350	362	375
Daily < 150 kVA	DX-30-LX	\$/day	3.2025	30	35
Daily < 150 kVA	GX-30-LX	\$/day	3.3863	75	93
Daily < 150 kVA	TX-30-HX	\$/day	4.0425	102	151
Daily < 150 kVA	TX-30-LX	\$/day	5.3025	30	58
Daily < 150 kVA	DX-70-H	\$/day	5.4075	125	247
Daily < 150 kVA	GX-70-H	\$/day	5.8050	147	311
Daily < 150 kVA	DX-70-L	\$/day	7.1925	152	399
Daily < 150 kVA	GX-70-L	\$/day	7.7400	18	51
Daily < 150 kVA	TX-70-H	\$/day	8.9250	35	114
Daily < 150 kVA	DX-150-H	\$/day	11.2875	18	74
Daily < 150 kVA	TX-70-L	\$/day	11.9175	31	135
Daily < 150 kVA	GX-150-H	\$/day	12.0938	44	194
Daily < 150 kVA	DX-150-L	\$/day	14.7000	36	193
Daily < 150 kVA	GX-150-L	\$/day	15.9100	5	29
Daily < 150 kVA	TX-150-H	\$/day	18.3750	9	60
Daily < 150 kVA	TX-150-L	\$/day	24.6750	2	18
Peak < 150 kVA	DT-150-X	\$/kWh	0.1166	2,183,663	255
Peak < 150 kVA	TT-150-X	\$/kWh	0.1272	455,406	58
Peak < 150 kVA	GT-150-X	\$/kWh	0.1304	2,035,972	265
Peak < 150 kVA	DX-70-X	\$/kWh	0.1325	6,617,308	877
Peak < 150 kVA	TT-70-X, DT-30-XC	\$/kWh	0.1431	1,157,698	166
Peak < 150 kVA	GX-70-X	\$/kWh	0.1473	1,958,286	288
Peak < 150 kVA	XX-15-XC, RX-STD-XC	\$/kWh	0.1484	15,205,369	2,256
Peak < 150 kVA	TT-30-XC	\$/kWh	0.1564	233,270	36
Peak < 150 kVA	DX-30-XX, GT-30-XX	\$/kWh	0.1590	1,067,781	170
Peak < 150 kVA	TT-30-XU	\$/kWh	0.1749	312,156	55
Peak < 150 kVA	RX-LFC-HC	\$/kWh	0.1774	6,501,887	1,153
Peak < 150 kVA	GX-30-XU	\$/kWh	0.1791	2,008,657	360
Peak < 150 kVA	RT-STD-XU	\$/kWh	0.2014	2,805,293	565
Peak < 150 kVA	RT-LFC-LC	\$/kWh	0.2086	1,496,758	312
Peak < 150 kVA	XT-15-XU	\$/kWh	0.2120	5,093,427	1,080
Peak < 150 kVA	RT-LFC-HU	\$/kWh	0.2304	1,597,911	368
Peak < 150 kVA	RT-LFC-LU	\$/kWh	0.2616	431,495	113

Forecast revenue from prices RY2022					
Description	Pricing code/description	Unit	Unit price	Forecast quantity	Forecast revenue (\$000)
Shoulder < 150 kVA	XT-150-X	\$/kWh	0.0683	4,813,539	329
Shoulder < 150 kVA	GT-150-X	\$/kWh	0.0709	4,793,830	340
Shoulder < 150 kVA	XT-70-X	\$/kWh	0.0735	12,528,821	921
Shoulder < 150 kVA	GT-70-X	\$/kWh	0.0788	4,591,508	362
Shoulder < 150 kVA	XX-30-XX	\$/kWh	0.0814	2,564,855	209
Shoulder < 150 kVA	GT-30-XX	\$/kWh	0.0840	5,905,878	496
Shoulder < 150 kVA	RX-STD-XX	\$/kWh	0.0877	29,360,951	2,575
Shoulder < 150 kVA	XT-15-XX	\$/kWh	0.0919	4,706,404	433
Shoulder < 150 kVA	GX-15-XX	\$/kWh	0.0966	11,797,176	1,140
Shoulder < 150 kVA	RX-LFC-HX	\$/kWh	0.1167	15,381,914	1,795
Shoulder < 150 kVA	RX-LFC-LX	\$/kWh	0.1479	3,644,265	539
Off peak < 150 kVA	XT-30-XX, XT-70-XX, XT-150-XX	\$/kWh	0.0551	17,066,694	940
Off peak < 150 kVA	RX-STD-XX	\$/kWh	0.0567	14,589,664	827
Off peak < 150 kVA	XX-15-XX	\$/kWh	0.0578	8,693,285	502
Off peak < 150 kVA	RX-LFC-HX	\$/kWh	0.0857	7,476,274	641
Off peak < 150 kVA	RT-LFC-LX	\$/kWh	0.1169	1,781,723	208
Anytime < 150 kVA	DN-150-L	\$/kWh	0.0880	300,317	26
Anytime < 150 kVA	TN-150-H	\$/kWh	0.0919	99,208	9
Anytime < 150 kVA	GN-150-H	\$/kWh	0.0940	1,514,316	142
Anytime < 150 kVA	DN-70-H	\$/kWh	0.0957	145,503	14
Anytime < 150 kVA	TN-70-X	\$/kWh	0.0996	610,498	61
Anytime < 150 kVA	DN-30-LC	\$/kWh	0.1025	42,559	4
Anytime < 150 kVA	GX-70-X	\$/kWh	0.1031	1,974,334	204
Anytime < 150 kVA	RX-STD-XC, TN-30-XC	\$/kWh	0.1074	3,997,827	429
Anytime < 150 kVA	XN-15-XC, GN-30-XC	\$/kWh	0.1093	518,005	57
Anytime < 150 kVA	GX-15-XC	\$/kWh	0.1110	613,503	68
Anytime < 150 kVA	TN-30-HU	\$/kWh	0.1142	35,826	4
Anytime < 150 kVA	GX-30-XU	\$/kWh	0.1167	1,255,648	147
Anytime < 150 kVA	RN-STD-XU	\$/kWh	0.1268	321,258	41
Anytime < 150 kVA	TN-15-XU	\$/kWh	0.1326	237,690	32
Anytime < 150 kVA	GX-15-XU	\$/kWh	0.1343	1,335,780	179
Anytime < 150 kVA	RN-LFC-HC	\$/kWh	0.1364	1,839,464	251
Anytime < 150 kVA	RX-LFC-HX	\$/kWh	0.1558	206,734	32
Anytime < 150 kVA	RN-LFC-LC	\$/kWh	0.1676	407,241	68
Anytime < 150 kVA	RX-LFC-LU	\$/kWh	0.1870	56,827	11
Daily < 150 kVA	RX-LFC-XX	\$/day	(0.0303)	3,461	(38)
Daily < 150 kVA	RX-STD-HX	\$/day	(0.1591)	2,376	(138)
Daily < 150 kVA	DT-15-HX	\$/day	(0.2546)	25	(2)
Daily < 150 kVA	GX-15-HX	\$/day	(0.2606)	1,550	(147)
Daily < 150 kVA	RX-STD-LX	\$/day	(0.2970)	1,225	(133)
Daily < 150 kVA	DT-15-LX	\$/day	(0.3606)	13	(2)
Daily < 150 kVA	GX-15-LX	\$/day	(0.3692)	1,573	(212)
Daily < 150 kVA	TX-15-HX	\$/day	(0.4031)	233	(34)
Daily < 150 kVA	DX-30-HX	\$/day	(0.4985)	53	(10)
Daily < 150 kVA	GX-30-HX	\$/day	(0.5213)	167	(32)
Daily < 150 kVA	TX-15-LX	\$/day	(0.5728)	304	(64)
Daily < 150 kVA	DT-30-LX	\$/day	(0.6470)	27	(6)
Daily < 150 kVA	GX-30-LX	\$/day	(0.6842)	55	(14)
Daily < 150 kVA	TT-30-HX	\$/day	(0.8168)	12	(4)
Daily < 150 kVA	TT-30-LU	\$/day	(1.0713)	1	(0)
Daily < 150 kVA	DX-70-H	\$/day	(1.0926)	117	(47)
Daily < 150 kVA	GX-70-H	\$/day	(1.1729)	72	(31)
Daily < 150 kVA	DT-70-L	\$/day	(1.4532)	142	(75)
Daily < 150 kVA	GT-70-L	\$/day	(1.5638)	15	(9)
Daily < 150 kVA	TT-70-H	\$/day	(1.8032)	2	(1)
Daily < 150 kVA	DT-150-H	\$/day	(2.2806)	17	(14)
Daily < 150 kVA	TT-70-L	\$/day	(2.4079)	1	(1)
Daily < 150 kVA	GT-150-H	\$/day	(2.4435)	22	(20)
Daily < 150 kVA	DX-150-L	\$/day	(2.9700)	34	(37)
Daily < 150 kVA	GT-150-L	\$/day	(3.2145)	1	(1)
Daily < 150 kVA	TT-150-H	\$/day	(3.7126)	1	(1)
Daily < 150 kVA	TT-150-L	\$/day	(4.9854)	1	(2)

Forecast revenue from prices RY2022					
Description	Pricing code/description	Unit	Unit price	Forecast quantity	Forecast revenue (\$000)
Peak < 150 kVA	DT-150-X	\$/kWh	(0.0140)	2,048,244	(29)
Peak < 150 kVA	TT-150-X	\$/kWh	(0.0161)	85,024	(1)
Peak < 150 kVA	GT-150-X	\$/kWh	(0.0168)	982,263	(17)
Peak < 150 kVA	DX-70-X	\$/kWh	(0.0172)	6,210,755	(107)
Peak < 150 kVA	DT-30-XC, TT-70-X	\$/kWh	(0.0193)	510,963	(10)
Peak < 150 kVA	GX-70-X	\$/kWh	(0.0202)	1,115,985	(23)
Peak < 150 kVA	XX-15-XC, RX-STD-XC	\$/kWh	(0.0204)	8,751,500	(179)
Peak < 150 kVA	TT-30-HC	\$/kWh	(0.0220)	28,867	(1)
Peak < 150 kVA	DX-30-XU, GT-30-XX	\$/kWh	(0.0225)	845,936	(19)
Peak < 150 kVA	TT-30-XU	\$/kWh	(0.0258)	34,784	(1)
Peak < 150 kVA	RX-LFC-HC	\$/kWh	(0.0263)	3,395,710	(89)
Peak < 150 kVA	GX-30-XU	\$/kWh	(0.0266)	1,195,485	(32)
Peak < 150 kVA	RT-STD-XU	\$/kWh	(0.0311)	1,102,507	(34)
Peak < 150 kVA	RT-LFC-LC	\$/kWh	(0.0326)	1,060,009	(35)
Peak < 150 kVA	XX-15-XU	\$/kWh	(0.0333)	2,994,523	(100)
Peak < 150 kVA	RT-LFC-HU	\$/kWh	(0.0370)	517,858	(19)
Peak < 150 kVA	RX-LFC-LU	\$/kWh	(0.0433)	258,764	(11)
Shoulder < 150 kVA	XT-150-X	\$/kWh	(0.0118)	3,962,530	(47)
Shoulder < 150 kVA	GT-150-X	\$/kWh	(0.0123)	2,343,756	(29)
Shoulder < 150 kVA	XX-70-X	\$/kWh	(0.0128)	10,676,932	(137)
Shoulder < 150 kVA	GX-70-X	\$/kWh	(0.0139)	2,583,479	(36)
Shoulder < 150 kVA	XX-30-XX	\$/kWh	(0.0144)	1,614,869	(23)
Shoulder < 150 kVA	GX-30-XX	\$/kWh	(0.0150)	3,521,848	(53)
Shoulder < 150 kVA	RX-STD-XX	\$/kWh	(0.0157)	17,080,111	(268)
Shoulder < 150 kVA	XT-15-XX	\$/kWh	(0.0166)	837,839	(14)
Shoulder < 150 kVA	GX-15-XX	\$/kWh	(0.0175)	7,631,934	(134)
Shoulder < 150 kVA	RX-LFC-HX	\$/kWh	(0.0216)	7,394,920	(160)
Shoulder < 150 kVA	RT-LFC-LX	\$/kWh	(0.0279)	2,476,091	(69)
Off peak < 150 kVA	XX-30-XX, XX-70-XX, XT-150-XX	\$/kWh	(0.0091)	11,633,860	(106)
Off peak < 150 kVA	RT-STD-XX	\$/kWh	(0.0095)	8,315,788	(79)
Off peak < 150 kVA	XX-15-XX	\$/kWh	(0.0097)	4,338,566	(42)
Off peak < 150 kVA	RX-LFC-HX	\$/kWh	(0.0153)	3,552,503	(54)
Off peak < 150 kVA	RX-LFC-LX	\$/kWh	(0.0216)	1,194,426	(26)
Anytime < 150 kVA	RX-LFC-LU	\$/kWh	(0.0339)	23,937	(1)
Anytime < 150 kVA	RN-LFC-LC	\$/kWh	(0.0299)	136,771	(4)
Anytime < 150 kVA	RX-LFC-HX	\$/kWh	(0.0276)	16,671	(0)
Anytime < 150 kVA	RN-LFC-HC	\$/kWh	(0.0236)	470,414	(11)
Anytime < 150 kVA	GX-15-XU	\$/kWh	(0.0232)	495,915	(12)
Anytime < 150 kVA	TN-15-XU	\$/kWh	(0.0229)	84,908	(2)
Anytime < 150 kVA	RN-STD-XU	\$/kWh	(0.0217)	147,816	(3)
Anytime < 150 kVA	GX-30-XU	\$/kWh	(0.0197)	404,106	(8)
Anytime < 150 kVA	TN-30-HU	\$/kWh	(0.0192)	2,647	(0)
Anytime < 150 kVA	GX-15-XC	\$/kWh	(0.0185)	250,557	(5)
Anytime < 150 kVA	GN-30-XC, TN-15-XC, DN-15-XC	\$/kWh	(0.0182)	127,137	(2)
Anytime < 150 kVA	RX-STD-XC	\$/kWh	(0.0178)	1,229,282	(22)
Anytime < 150 kVA	GX-70-H	\$/kWh	(0.0169)	608,596	(10)
Anytime < 150 kVA	DN-30-LC	\$/kWh	(0.0168)	42,559	(1)
Anytime < 150 kVA	DX-70-H	\$/kWh	(0.0154)	145,503	(2)
Anytime < 150 kVA	GN-150-H	\$/kWh	(0.0151)	491,705	(7)
Anytime < 150 kVA	DN-150-L	\$/kWh	(0.0139)	300,317	(4)

Forecast revenue from prices RY2022					
Description	Pricing code/description	Unit	Unit price	Forecast quantity	Forecast revenue (\$000)
Major customer	Connection HTI	\$/kVA	9.02	27,212	245
Major customer	Connection WKM	\$/kVA	-	859	-
Major customer	Connection NPK	\$/kVA	34.25	3,942	135
Major customer	Connection OKN	\$/kVA	18.58	2,128	40
Major customer	Connection ONG	\$/kVA	21.81	1,124	25
Major customer	Connection TKU	\$/kVA	9.01	915	8
Major customer	Interconnection	\$/kVA	98.07	15,183	1,489
Major customer	Grid injection	\$/annum	45,045	1	45
Major customer	Network HTI 11 kV	\$/kVA	109.18	14,330	1,565
Major customer	Network WKM 11 kV	\$/kVA	210.77	1,903	401
Major customer	Network NPK 11 kV	\$/kVA	158.85	1,003	159
Major customer	Network OKN 11 kV	\$/kVA	119.46	-	-
Major customer	Network ONG 11 kV	\$/kVA	123.78	1,500	186
Major customer	Network TKU 11 kV	\$/kVA	119.58	2,075	248
Major customer	Network Stepped	\$/kVA	81.90	700	57
Major customer	Network 33kV	\$/kVA	66.24	1,350	89
Major customer	Network HTI 11 kV	\$/kVA	(22.06)	14,330	(316)
Major customer	Network WKM 11 kV	\$/kVA	(42.58)	1,903	(81)
Major customer	Network Stepped	\$/kVA	(16.55)	700	(12)
Major customer	Network 33kV	\$/kVA	(13.38)	1,350	(18)
Major customer	Non standard/dedicated asset	\$/annum	197,305	1	197
Major customer	Non standard/dedicated asset	\$/annum	13,625	1	14
Major customer	Non standard/dedicated asset	\$/annum	1,799,489	1	1,799
Major customer	Non standard/dedicated asset	\$/annum	474,885	1	475
Major customer	Non standard/dedicated asset	\$/annum	133,587	1	134
Major customer	Non standard/dedicated asset	\$/annum	32,550	1	33
Major customer	Non standard/dedicated asset	\$/annum	43,344	1	43
Major customer	Non standard/dedicated asset	\$/annum	39,900	1	40
Major customer	Non standard/dedicated asset	\$/annum	72,111	1	72
Major customer	Non standard/dedicated asset	\$/annum	913,549	1	914
Major customer	Non standard/dedicated asset	\$/annum	162,213	1	162
Major customer	Non standard/dedicated asset	\$/annum	3,855	1	4
Major customer	Non standard/dedicated asset	\$/annum	113,047	1	113
Major customer	Non standard/dedicated asset	\$/annum	(39,864)	1	(40)
Major customer	Non standard/dedicated asset	\$/annum	(2,753)	1	(3)
Major customer	Non standard/dedicated asset	\$/annum	(200,000)	1	(200)
Major customer	Non standard/dedicated asset	\$/annum	(95,948)	1	(96)
Major customer	Non standard/dedicated asset	\$/annum	(26,990)	1	(27)
Major customer	Non standard/dedicated asset	\$/annum	(6,577)	1	(7)
Major customer	Non standard/dedicated asset	\$/annum	(8,757)	1	(9)
Major customer	Non standard/dedicated asset	\$/annum	(8,062)	1	(8)
Major customer	t30	\$/annum	897.55	3	3
Major customer	t100	\$/annum	1,356.44	3	4
Major customer	t200	\$/annum	2,337.58	10	23
Major customer	t300	\$/annum	2,821.25	6	17
Major customer	t500	\$/annum	3,303.36	16	53
Major customer	t750	\$/annum	3,965.50	9	36
Major customer	t1000	\$/annum	4,470.84	2	9
Major customer	t100	\$/annum	(274.06)	1	(0)
Major customer	t200	\$/annum	(472.29)	5	(2)
Major customer	t300	\$/annum	(570.02)	5	(3)
Major customer	t500	\$/annum	(667.42)	13	(9)
Major customer	t750	\$/annum	(801.21)	7	(6)
Major customer	t1000	\$/annum	(903.31)	2	(2)
Major customer	Billing	\$/annum	1,829.99	38	70
Major customer	Billing	\$/annum	(369.74)	25	(9)

Forecast revenue from prices RY2022					
Description	Pricing code/description	Unit	Unit price	Forecast quantity	Forecast revenue (\$000)
Streetlights/unmetered	Unmetered	\$/annum	98.77	3	0
Streetlights/unmetered	Unmetered	\$/annum	98.90	2	0
Streetlights/unmetered	Unmetered	\$/annum	102.10	4	0
Streetlights/unmetered	Unmetered	\$/annum	121.60	20	2
Streetlights/unmetered	Unmetered	\$/annum	126.09	1	0
Streetlights/unmetered	Unmetered	\$/annum	174.32	1	0
Streetlights/unmetered	Unmetered	\$/annum	237.94	1	0
Streetlights/unmetered	Unmetered	\$/annum	246.80	6	1
Streetlights/unmetered	Unmetered	\$/annum	247.31	1	0
Streetlights/unmetered	Unmetered	\$/annum	247.44	1	0
Streetlights/unmetered	Unmetered	\$/annum	265.65	1	0
Streetlights/unmetered	Unmetered	\$/annum	266.93	1	0
Streetlights/unmetered	Unmetered	\$/annum	304.26	1	0
Streetlights/unmetered	Unmetered	\$/annum	351.21	1	0
Streetlights/unmetered	Unmetered	\$/annum	365.96	6	2
Streetlights/unmetered	Unmetered	\$/annum	474.86	2	1
Streetlights/unmetered	Unmetered	\$/annum	475.38	4	2
Streetlights/unmetered	Unmetered	\$/annum	483.84	1	0
Streetlights/unmetered	Unmetered	\$/annum	530.92	6	3
Streetlights/unmetered	Unmetered	\$/annum	664.83	1	1
Streetlights/unmetered	Unmetered	\$/annum	901.37	1	1
Streetlights/unmetered	Unmetered	\$/annum	919.58	4	4
Streetlights/unmetered	Unmetered	\$/annum	1,197.55	1	1
Streetlights/unmetered	Unmetered	\$/annum	1,235.26	1	1
Streetlights/unmetered	Unmetered	\$/annum	1,534.77	1	2
Streetlights/unmetered	Unmetered	\$/annum	1,568.38	1	2
Streetlights/unmetered	Unmetered	\$/annum	3,339.30	1	3
Streetlights/unmetered	Unmetered	\$/annum	6,618.58	1	7
Streetlights/unmetered	Unmetered	\$/annum	24,834.22	1	25
Streetlights/unmetered	Unmetered	\$/annum	41,026.50	1	41
Streetlights/unmetered	Unmetered	\$/annum	52,005.56	1	52
Streetlights/unmetered	Unmetered	\$/annum	112,596.62	1	113
Streetlights/unmetered	Unmetered	\$/annum	161,983.89	1	162
Streetlights/unmetered	Unmetered	\$/annum	(23.12)	4	(0)
Streetlights/unmetered	Unmetered	\$/annum	(33.14)	1	(0)
Streetlights/unmetered	Unmetered	\$/annum	(45.24)	1	(0)
Streetlights/unmetered	Unmetered	\$/annum	(50.50)	1	(0)
Streetlights/unmetered	Unmetered	\$/annum	(57.84)	1	(0)
Streetlights/unmetered	Unmetered	\$/annum	(69.57)	2	(0)
Streetlights/unmetered	Unmetered	\$/annum	(90.28)	1	(0)
Streetlights/unmetered	Unmetered	\$/annum	(234.84)	1	(0)
Streetlights/unmetered	Unmetered	\$/annum	(634.85)	1	(1)
Streetlights/unmetered	Unmetered	\$/annum	(1,258.29)	1	(1)
Streetlights/unmetered	Unmetered	\$/annum	(4,721.37)	1	(5)
Streetlights/unmetered	Unmetered	\$/annum	(7,799.77)	1	(8)
Streetlights/unmetered	Unmetered	\$/annum	(21,406.34)	1	(21)
Metering fees	M1T	\$/day	0.1669	15,732	959
Metering fees	M3CT	\$/day	0.2770	164	17
Metering fees	M3T	\$/day	0.2223	5,648	458
Metering fees	MN	\$/day	0.1669	1,500	91
Metering fees	Major customer	\$/annum	3,136.93	1	3
Disconnections/Reconnections	TLC only	\$/incident	10,000	1	10
ΣP <sub>2021/22</sub> *Q <sub>2021/22</sub>					40,135

### Explanation for forecasting methods which are demonstrably reasonable

TLC used different forecasting methodologies based on the way customers are priced. The table below provides a summary and further detail is included below.

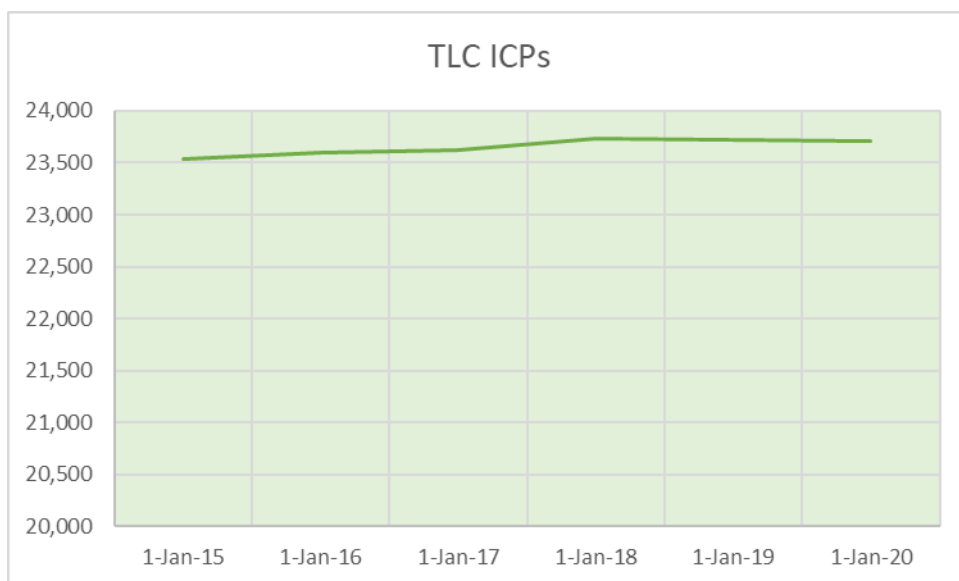
Customer pricing	Quantity type	Percentage of forecast revenue from prices	Risk of quantity variance
Time of Use	365 days x number of ICPs	25%	Low
	Number of kWh consumed and at what times of the day	51%	Medium
Major customers	Actual quantities, contracted capacity and contracted asset-based	21%	Low
Streetlights/unmetered	Actual quantities, contracted capacity and contracted asset-based	1%	Low
Metering fees	365 days x number of ICP metering x 60% of fees	0%	Low
Disconnection/reconnection fees	Number of customers ICPs that are in payment default with TLC	0%	Low

### Forecasting quantities

#### 1. Time of Use

TLC has set RY2022 forecast volumes based on the volumes for a prior 12-month period and has assumed a zero net growth rate. This is consistent with TLC's expectation that there will not be significant growth in TOU kWh volumes in RY2022, and that new connections and decommissioning of connections on TLC's network typically offset each other.

As the following chart shows, there has been minimal growth in ICPs over the last two years. TLC does not have a time series of billed kWh to extrapolate from, because prior to October 2018, billing was based on kW, not kWh. As TOU billing progresses, TLC will have more information to enable future extrapolation and forecasting methodologies.



TLC has identified factors that affect the level of consumption in any given period and these are discussed below. However, as there is uncertainty on several variables, it is unclear that there is a methodology that is more meaningful or reliable than the simpler methodology of assuming zero growth (which reflects management expectations). Accordingly, TLC has decided to set RY2022 forecast volumes from a recent annualised billing period under TOU pricing (1 October 2019 to 30 September 2020).

#### ***Effects of weather patterns on electricity consumption***

From one year to the next weather can impact total electricity consumption volumes on TLC's network. Examples of this include that

- a colder winter can drive more volumes through heating and more skiing days;
- a warmer summer can drive more volumes through air-conditioning, or it may mean reduced volumes through locals spending more time at holiday homes off-network e.g. Kawhia, Raglan;
- a warmer summer can mean more volumes through off-network customers coming to holiday homes e.g. Mangakino, Kuratau.

Also, climate change may alter long-term trends in electricity consumption through more unstable weather and generally increasing temperatures with milder winters.

However, TLC does not consider that there is enough analytical rationale to incorporate weather variation in its RY2022 forecasts due to the difficulty in doing so in a reliable manner.

#### ***Potential customer response to changes in pricing***

On 1 October 2018, TLC commenced Time of Use (TOU) pricing for all non-major customers. This reform and change to TLC's pricing methodology was significant – moving from a capacity and demand-based pricing structure to a consumption, kWh, based structure. Customers may be still adjusting their consumption patterns for this pricing change.

During the initial period of TOU (which incorporated part of RY2020) a transition discount was included, which was intended to ease bill shock and allow customers time to alter their electricity usage profiles. The transition discount ceased in 2019 during RY2020.

The peak/shoulder differentials from 1 April 2021 remain similar to RY2021. This should provide greater stability on usage profiles and forecasts.



### ***Other factors that could affect volumes***

There is a range of other factors that could affect volumes including:

- Changes in the level of commercial activities, however, given the current global economic context a zero-growth assumption seems reasonable;
- The number of 'vacant' ICPs, though it is not evident that there would be cause for a step-change;
- The number of de-energisations for non-payment;
- TLC moving to retailer billing later in RY2022 – the pricing structures that retailers offer TLC customers could impact forecast volumes.

### ***Consistency with TLC's internal budgeting processes***

TLC's use of a zero-growth rate in forecast volumes in its compliance statement is consistent with the methodology used in its internal budgeting processes.

To forecast volumes for billing for RY2022, TLC has taken the following approach:

- Sum the billed kWh volumes for the period 1 October 2019 to 30 September 2020 and normalise volumes to 365 days;
- Use the volumes from above as the forecast, unadjusted, for RY2022.

## **2. Major customers**

Major customer prices are applied to capacity and demand volumes and are either historical measures, 'fixed' capacity or asset-based pricing. As a result, forecasting usage is not required to forecast major customer revenue. In particular:

- Pass-through revenue: Quantities are determined from the customer's historic metering demand data and invoiced for the 12 months effective 1 April 2021;
- Distribution revenue: Quantities are determined from contracted capacity, or that customer's individual peak demand.

Major customer capacity growth is not expected to impact RY2022 but may impact future years as described in TLC's Asset Management Plan.

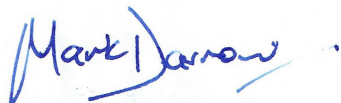
## **3. Note for attention – COVID-19 and alert levels**

The price-setting process in RY2022, and associated forecasting, does not take into account any impacts for changes in alert levels. This is due to the highly unpredictable nature of the virus and the consequences of associated alert level changes.

Also, it is expected that New Zealand's vaccine rollout should prove effective with New Zealand's management of the virus, but a full return to open borders and increased tourism seem unlikely in the next 12 months.

## Appendix C – Director’s certificate

I, Mark Charles Darrow, being a director of The Lines Company Limited, certifies that, having made all reasonable enquiry, to the best of my knowledge and belief, the attached annual price-setting compliance statement of The Lines Company 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 relevant requirements, and all forecasts used in the calculations for forecast revenue from prices and forecast allowable revenue are reasonable.



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Mark Charles Darrow

22 March 2021