Annual Price-Setting Compliance Statement

the lines company

Electricity Distribution Services Default Price-Quality Path Determination

For prices applying from 1 April 2020

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 first assessment period, commencing 1 April 2020 and ending 31 March 2021.

2. Date prepared

This statement was prepared on 26 March 2020.

3. Statement of compliance

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

Table 1

Compliance with price path RY21		
Forecast revenue from prices ≤ Forecast allowable revenue		
Forecast revenue from prices ($000)	Forecast allowable revenue ($000)	Compliance result
38,026	38,209	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.

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 RY21		
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 2021*	34,708
Forecast pass through costs	*Forecast pass-through costs and forecast recoverable costs*	513
Forecast recoverable costs	*Forecast recoverable costs, excluding any recoverable cost that is a revenue wash-up drawn down amount*	3,048
Opening wash-up account balance	*The opening wash-up account balance for the first assessment period of the DPP regulatory period is nil as set out in Schedule 1.7 (1)(a)*	-
Pass-through balance allowance	*(-1) ePTB (1+ 67th percentile post-tax WACC)*	(60)
Total		38,209

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 RY21		
Term	Description	Value ($000)
$\Sigma P_{2020/21} * Q_{2020/21}$	*Forecast prices between 1 April 2020 and 31 March 2021 multiplied by forecast quantities for the period ending 31 March 2021*	38,026

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.

Appendix A – Pass-through and recoverable costs

Forecast pass-through costs

Table 4

Forecast Pass-through Costs RY21		
Forecast pass-through costs	$000	Forecasting methodology
Rates on system fixed assets	313	Updated rates advice from regional authorities at September 2019 quarter adjusted by CPI.
Commerce Act levies	95	Set to align with updated estimates for RY20 with adjustments for CPI.
Electricity Authority levies	73	
Utilities Disputes levies	31	
Total forecast pass-through costs	513	

Forecast recoverable costs

Table 5

Forecast Recoverable Costs RY21		
Forecast recoverable costs	$000	Forecasting methodology
IRIS incentive adjustment	(2,728)	Calculated using the Commission's IRIS model.
Transpower transmission charges	4,666	Set to the amounts advised by Transpower in its pricing update.
New investment contract charges	-	
System operator services charges	-	
Avoided transmission charges - purchased assets	-	
Distributed generation allowance	1,460	Calculated using the TPM interconnection methodology.
Claw-back	-	
Catastrophic event allowance	-	
Extended reserves allowance	-	
Quality incentive adjustment	(391)	Using the methodology in Schedule 5B of the 2015 DPP.
Transmission asset wash-up adjustment	-	
Reconsideration event allowance	-	
Quality standard variation engineers fee	-	
Urgent project allowance	-	
Fire and emergency NZ levies	41	Set to align with the RY19 actual as advised in s53ZD in 2019.
Innovation project allowance	-	
Total forecast recoverable costs	3,048	

Pass-through balance allowance

Table 6

Pass-through balance allowance RY21		
Term	Description	Value ($000)
ePTB	*An estimate of the pass-through balance as at 31 March 2020*	57
67th percentile estimate of post-tax WACC	*As per Clause 4.2*	4.23%
Pass-through balance allowance	*-1 x ePTB x WACC*	(60)

Explanation for forecasting methods which are demonstrably reasonable

The pass-through balance allowance has been forecast on actual volumes for the period 1 October 2018 to 30 September 2019, for the reasons described in Appendix B, under *forecasting quantities*.

TLC has identified a transaction which may impact 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 has not been included in the forecast pass-through balance allowance. TLC is discussing this transaction with the Commerce Commission and is considering the appropriate treatment.

Appendix B – Forecast prices and quantities

Table 7 shows the forecast prices and quantities for the forecast revenue from prices for the first assessment period.

Forecast revenue from prices RY21					
Description	Pricing code/description	Unit	Unit price	Forecast quantity	Forecast revenue ($000)
Daily < 150 kVA	*RX-LFC-XX*	*$/day*	0.1500	*7,247*	*397*
Daily < 150 kVA	*RX-STD-HX*	*$/day*	0.7500	*4,514*	*1,236*
Daily < 150 kVA	*XX-15-HX*	*$/day*	1.2000	*3,043*	*1,333*
Daily < 150 kVA	*RX-STD-LX*	*$/day*	1.4000	*1,603*	*819*
Daily < 150 kVA	*XX-15-LX*	*$/day*	1.7000	*2,307*	*1,431*
Daily < 150 kVA	*TX-15-HX*	*$/day*	1.9000	*3,241*	*2,248*
Daily < 150 kVA	*DX-30-HX*	*$/day*	2.3500	*53*	*45*
Daily < 150 kVA	*GX-30-HX*	*$/day*	2.4000	*351*	*307*
Daily < 150 kVA	*TX-15-LX*	*$/day*	2.7000	*368*	*363*
Daily < 150 kVA	*DX-30-LX*	*$/day*	3.0500	*29*	*32*
Daily < 150 kVA	*GX-30-LX*	*$/day*	3.1500	*79*	*91*
Daily < 150 kVA	*TX-30-HX*	*$/day*	3.8500	*104*	*146*
Daily < 150 kVA	*TX-30-LX*	*$/day*	5.0500	*28*	*52*
Daily < 150 kVA	*DX-70-H*	*$/day*	5.1500	*125*	*235*
Daily < 150 kVA	*GX-70-H*	*$/day*	5.4000	*146*	*288*
Daily < 150 kVA	*DX-70-L*	*$/day*	6.8500	*153*	*383*
Daily < 150 kVA	*GX-70-L*	*$/day*	7.2000	*19*	*50*
Daily < 150 kVA	*TX-70-H*	*$/day*	8.5000	*39*	*121*
Daily < 150 kVA	*DX-150-H*	*$/day*	10.7500	*15*	*59*
Daily < 150 kVA	*GX-150-H*	*$/day*	11.2500	*43*	*177*
Daily < 150 kVA	*TX-70-L*	*$/day*	11.3500	*33*	*137*
Daily < 150 kVA	*DX-150-L*	*$/day*	14.0000	*36*	*184*
Daily < 150 kVA	*GX-150-L*	*$/day*	14.8000	*5*	*27*
Daily < 150 kVA	*TX-150-H*	*$/day*	17.5000	*9*	*57*
Daily < 150 kVA	*TX-150-L*	*$/day*	23.5000	*2*	*17*
Peak < 150 kVA	*DT-150-X*	*$/kWh*	0.1100	*1,990,601*	*219*
Peak < 150 kVA	*TT-150-X*	*$/kWh*	0.1200	*549,163*	*66*
Peak < 150 kVA	*GT-150-X*	*$/kWh*	0.1230	*2,154,026*	*265*
Peak < 150 kVA	*DX-70-X*	*$/kWh*	0.1250	*6,651,971*	*831*
Peak < 150 kVA	*XT-70-XX*	*$/kWh*	0.1350	*1,246,688*	*168*
Peak < 150 kVA	*GT-70-X*	*$/kWh*	0.1390	*2,110,710*	*293*
Peak < 150 kVA	*XT-15-XC, RT-STD-XC*	*$/kWh*	0.1400	*14,871,540*	*2,082*
Peak < 150 kVA	*TT-30-XC*	*$/kWh*	0.1475	*251,940*	*37*
Peak < 150 kVA	*DT-30-LU, GT-30-XC*	*$/kWh*	0.1500	*1,172,520*	*176*
Peak < 150 kVA	*TT-30-XU*	*$/kWh*	0.1650	*338,364*	*56*
Peak < 150 kVA	*RT-LFC-HC*	*$/kWh*	0.1673	*6,238,001*	*1,044*
Peak < 150 kVA	*GT-30-XU*	*$/kWh*	0.1690	*2,176,633*	*368*
Peak < 150 kVA	*RT-STD-XU*	*$/kWh*	0.1900	*2,593,732*	*493*
Peak < 150 kVA	*RT-LFC-LC*	*$/kWh*	0.1970	*1,424,814*	*281*
Peak < 150 kVA	*XT-15-XU*	*$/kWh*	0.2000	*5,193,816*	*1,039*
Peak < 150 kVA	*RT-LFC-HU*	*$/kWh*	0.2173	*1,513,339*	*329*
Peak < 150 kVA	*RT-LFC-LU*	*$/kWh*	0.2470	*415,116*	*103*
Shoulder < 150 kVA	*XT-150-X*	*$/kWh*	0.0650	*4,607,322*	*299*
Shoulder < 150 kVA	*GT-150-X*	*$/kWh*	0.0675	*4,839,624*	*327*
Shoulder < 150 kVA	*XT-70-X*	*$/kWh*	0.0700	*12,571,734*	*880*
Shoulder < 150 kVA	*GT-70-X*	*$/kWh*	0.0750	*4,961,971*	*372*
Shoulder < 150 kVA	*XT-30-XX*	*$/kWh*	0.0775	*2,694,142*	*209*
Shoulder < 150 kVA	*GT-30-XX*	*$/kWh*	0.0800	*6,471,854*	*518*
Shoulder < 150 kVA	*RT-STD-XX*	*$/kWh*	0.0835	*26,876,083*	*2,244*
Shoulder < 150 kVA	*XT-15-XX*	*$/kWh*	0.0875	*4,534,716*	*397*
Shoulder < 150 kVA	*GT-15-XX*	*$/kWh*	0.0920	*12,506,445*	*1,151*
Shoulder < 150 kVA	*RT-LFC-HX*	*$/kWh*	0.1108	*14,293,045*	*1,584*
Shoulder < 150 kVA	*RT-LFC-LX*	*$/kWh*	0.1405	*3,373,111*	*474*

Forecast revenue from prices RY21					
Description	Pricing code/description	Unit	Unit price	Forecast quantity	Forecast revenue ($000)
Off peak < 150 kVA	*XT-30-XX, XT-70-XX, XT-150-XX*	*$/kWh*	*0.0525*	*17,426,331*	*915*
Off peak < 150 kVA	*RT-STD-XX*	*$/kWh*	*0.0540*	*13,641,543*	*737*
Off peak < 150 kVA	*XT-15-XX*	*$/kWh*	*0.0550*	*8,860,398*	*487*
Off peak < 150 kVA	*RT-LFC-HX*	*$/kWh*	*0.0813*	*7,055,489*	*574*
Off peak < 150 kVA	*RT-LFC-LX*	*$/kWh*	*0.1110*	*1,669,428*	*185*
Anytime < 150 kVA	*DN-150-X*	*$/kWh*	*0.0834*	*687,261*	*57*
Anytime < 150 kVA	*TN-150-X*	*$/kWh*	*0.0871*	*130,431*	*11*
Anytime < 150 kVA	*GN-150-X*	*$/kWh*	*0.0891*	*1,893,597*	*169*
Anytime < 150 kVA	*DN-70-X*	*$/kWh*	*0.0908*	*197,471*	*18*
Anytime < 150 kVA	*TN-70-X*	*$/kWh*	*0.0944*	*1,035,015*	*98*
Anytime < 150 kVA	*DN-30-XC*	*$/kWh*	*0.0972*	*51,391*	*5*
Anytime < 150 kVA	*GN-70-X*	*$/kWh*	*0.0977*	*2,303,703*	*225*
Anytime < 150 kVA	*RN-STD-XC, TN-30-XC*	*$/kWh*	*0.1018*	*3,997,999*	*407*
Anytime < 150 kVA	*DN-30-XC*	*$/kWh*	*0.1027*	*-*	*-*
Anytime < 150 kVA	*XN-15-XC, GN-30-XC*	*$/kWh*	*0.1036*	*563,927*	*58*
Anytime < 150 kVA	*GN-15-XC*	*$/kWh*	*0.1052*	*617,191*	*65*
Anytime < 150 kVA	*TN-30-XU*	*$/kWh*	*0.1082*	*68,156*	*7*
Anytime < 150 kVA	*GN-30-XU*	*$/kWh*	*0.1106*	*1,334,669*	*148*
Anytime < 150 kVA	*RN-STD-XU*	*$/kWh*	*0.1201*	*292,112*	*35*
Anytime < 150 kVA	*XN-15-XU*	*$/kWh*	*0.1256*	*205,876*	*26*
Anytime < 150 kVA	*GN-15-XU*	*$/kWh*	*0.1272*	*1,410,914*	*179*
Anytime < 150 kVA	*RN-LFC-HC*	*$/kWh*	*0.1291*	*1,799,248*	*232*
Anytime < 150 kVA	*RN-LFC-HU*	*$/kWh*	*0.1474*	*218,626*	*32*
Anytime < 150 kVA	*RN-LFC-LC*	*$/kWh*	*0.1588*	*408,267*	*65*
Anytime < 150 kVA	*RN-LFC-LU*	*$/kWh*	*0.1771*	*71,513*	*13*
Daily < 150 kVA	*RX-LFC-XX*	*$/day*	*(0.0290)*	*3,520*	*(37)*
Daily < 150 kVA	*RX-STD-HX*	*$/day*	*(0.1452)*	*2,241*	*(119)*
Daily < 150 kVA	*XX-15-HX*	*$/day*	*(0.2323)*	*1,558*	*(132)*
Daily < 150 kVA	*RX-STD-LX*	*$/day*	*(0.2710)*	*1,139*	*(113)*
Daily < 150 kVA	*XX-15-LX*	*$/day*	*(0.3291)*	*1,595*	*(192)*
Daily < 150 kVA	*TX-15-HX*	*$/day*	*(0.3679)*	*235*	*(32)*
Daily < 150 kVA	*DX-30-HX*	*$/day*	*(0.4550)*	*53*	*(9)*
Daily < 150 kVA	*GX-30-HX*	*$/day*	*(0.4647)*	*173*	*(29)*
Daily < 150 kVA	*TX-15-LX*	*$/day*	*(0.5227)*	*312*	*(60)*
Daily < 150 kVA	*DX-30-LX*	*$/day*	*(0.5905)*	*26*	*(6)*
Daily < 150 kVA	*GX-30-LX*	*$/day*	*(0.6099)*	*57*	*(13)*
Daily < 150 kVA	*TX-30-HX*	*$/day*	*(0.7454)*	*11*	*(3)*
Daily < 150 kVA	*TX-30-LX*	*$/day*	*(0.9777)*	*1*	*(0)*
Daily < 150 kVA	*DX-70-H*	*$/day*	*(0.9971)*	*117*	*(43)*
Daily < 150 kVA	*GX-70-H*	*$/day*	*(1.0455)*	*72*	*(27)*
Daily < 150 kVA	*DX-70-L*	*$/day*	*(1.3262)*	*138*	*(67)*
Daily < 150 kVA	*GX-70-L*	*$/day*	*(1.3940)*	*16*	*(8)*
Daily < 150 kVA	*TX-70-H*	*$/day*	*(1.6456)*	*3*	*(2)*
Daily < 150 kVA	*DX-150-H*	*$/day*	*(2.0813)*	*14*	*(11)*
Daily < 150 kVA	*GX-150-H*	*$/day*	*(2.1781)*	*21*	*(17)*
Daily < 150 kVA	*TX-70-L*	*$/day*	*(2.1974)*	*1*	*(1)*
Daily < 150 kVA	*DX-150-L*	*$/day*	*(2.7105)*	*34*	*(34)*
Daily < 150 kVA	*GX-150-L*	*$/day*	*(2.8654)*	*1*	*(1)*
Daily < 150 kVA	*TX-150-H*	*$/day*	*(3.3881)*	*1*	*(1)*
Daily < 150 kVA	*TX-150-L*	*$/day*	*(4.5497)*	*1*	*(2)*

Forecast revenue from prices RY21					
Description	Pricing code/description	Unit	Unit price	Forecast quantity	Forecast revenue ($000)
Peak < 150 kVA	*DT-150-X*	*$/kWh*	*(0.0176)*	*1,897,293*	*(33)*
Peak < 150 kVA	*TT-150-X*	*$/kWh*	*(0.0195)*	*126,255*	*(2)*
Peak < 150 kVA	*GT-150-X*	*$/kWh*	*(0.0201)*	*969,455*	*(19)*
Peak < 150 kVA	*DX-70-X*	*$/kWh*	*(0.0205)*	*6,018,942*	*(123)*
Peak < 150 kVA	*XT-70-XX*	*$/kWh*	*(0.0224)*	*557,793*	*(12)*
Peak < 150 kVA	*GT-70-X*	*$/kWh*	*(0.0232)*	*1,194,303*	*(28)*
Peak < 150 kVA	*XT-15-XC, RT-STD-XC*	*$/kWh*	*(0.0234)*	*8,542,709*	*(200)*
Peak < 150 kVA	*TT-30-XC*	*$/kWh*	*(0.0249)*	*36,420*	*(1)*
Peak < 150 kVA	*DT-30-LU, GT-30-XC*	*$/kWh*	*(0.0253)*	*901,217*	*(23)*
Peak < 150 kVA	*TT-30-XU*	*$/kWh*	*(0.0282)*	*36,241*	*(1)*
Peak < 150 kVA	*RT-LFC-HC*	*$/kWh*	*(0.0287)*	*3,260,412*	*(94)*
Peak < 150 kVA	*GT-30-XU*	*$/kWh*	*(0.0290)*	*1,254,403*	*(36)*
Peak < 150 kVA	*RT-STD-XU*	*$/kWh*	*(0.0331)*	*993,125*	*(33)*
Peak < 150 kVA	*RT-LFC-LC*	*$/kWh*	*(0.0344)*	*985,620*	*(34)*
Peak < 150 kVA	*XT-15-XU*	*$/kWh*	*(0.0350)*	*3,004,427*	*(105)*
Peak < 150 kVA	*RT-LFC-HU*	*$/kWh*	*(0.0384)*	*488,667*	*(19)*
Peak < 150 kVA	*RT-LFC-LU*	*$/kWh*	*(0.0441)*	*241,752*	*(11)*
Shoulder < 150 kVA	*XT-150-X*	*$/kWh*	*(0.0119)*	*3,755,872*	*(45)*
Shoulder < 150 kVA	*GT-150-X*	*$/kWh*	*(0.0124)*	*2,265,954*	*(28)*
Shoulder < 150 kVA	*XT-70-X*	*$/kWh*	*(0.0129)*	*10,296,278*	*(133)*
Shoulder < 150 kVA	*GT-70-X*	*$/kWh*	*(0.0138)*	*2,795,731*	*(39)*
Shoulder < 150 kVA	*XT-30-XX*	*$/kWh*	*(0.0143)*	*1,685,563*	*(24)*
Shoulder < 150 kVA	*GT-30-XX*	*$/kWh*	*(0.0148)*	*3,791,543*	*(56)*
Shoulder < 150 kVA	*RT-STD-XX*	*$/kWh*	*(0.0155)*	*15,659,723*	*(243)*
Shoulder < 150 kVA	*XT-15-XX*	*$/kWh*	*(0.0163)*	*798,918*	*(13)*
Shoulder < 150 kVA	*GT-15-XX*	*$/kWh*	*(0.0171)*	*7,864,798*	*(134)*
Shoulder < 150 kVA	*RT-LFC-HX*	*$/kWh*	*(0.0208)*	*6,818,556*	*(142)*
Shoulder < 150 kVA	*RT-LFC-LX*	*$/kWh*	*(0.0265)*	*2,234,788*	*(59)*
Off peak < 150 kVA	*XT-30-XX, XT-70-XX, XT-150-XX*	*$/kWh*	*(0.0208)*	*1,096,564*	*(23)*
Off peak < 150 kVA	*RT-STD-XX*	*$/kWh*	*(0.0151)*	*3,337,166*	*(50)*
Off peak < 150 kVA	*XT-15-XX*	*$/kWh*	*(0.0100)*	*4,362,810*	*(44)*
Off peak < 150 kVA	*RT-LFC-HX*	*$/kWh*	*(0.0098)*	*7,815,377*	*(77)*
Off peak < 150 kVA	*RT-LFC-LX*	*$/kWh*	*(0.0095)*	*11,518,534*	*(109)*
Anytime < 150 kVA	*RN-LFC-LU*	*$/kWh*	*(0.0328)*	*25,358*	*(1)*
Anytime < 150 kVA	*RN-LFC-LC*	*$/kWh*	*(0.0293)*	*181,333*	*(5)*
Anytime < 150 kVA	*RN-LFC-HU*	*$/kWh*	*(0.0270)*	*21,137*	*(1)*
Anytime < 150 kVA	*RN-LFC-HC*	*$/kWh*	*(0.0235)*	*495,689*	*(12)*
Anytime < 150 kVA	*GN-15-XU*	*$/kWh*	*(0.0231)*	*498,013*	*(12)*
Anytime < 150 kVA	*TN-15-XU, DN-15-XU*	*$/kWh*	*(0.0228)*	*71,985*	*(2)*
Anytime < 150 kVA	*RN-STD-XU*	*$/kWh*	*(0.0218)*	*128,726*	*(3)*
Anytime < 150 kVA	*GN-30-XU*	*$/kWh*	*(0.0199)*	*406,511*	*(8)*
Anytime < 150 kVA	*TN-30-XU*	*$/kWh*	*(0.0195)*	*19,763*	*(0)*
Anytime < 150 kVA	*GN-15-XC*	*$/kWh*	*(0.0189)*	*291,002*	*(5)*
Anytime < 150 kVA	*GN-30-XC, TN-15-XC, DN-15-XC*	*$/kWh*	*(0.0186)*	*156,596*	*(3)*
Anytime < 150 kVA	*DN-30-XU*	*$/kWh*	*(0.0184)*	*-*	*-*
Anytime < 150 kVA	*RN-STD-XC, TN-30-XC*	*$/kWh*	*(0.0182)*	*1,266,464*	*(23)*
Anytime < 150 kVA	*GN-70-X*	*$/kWh*	*(0.0174)*	*782,526*	*(14)*
Anytime < 150 kVA	*DN-30-XC*	*$/kWh*	*(0.0173)*	*51,391*	*(1)*
Anytime < 150 kVA	*TN-70-X*	*$/kWh*	*(0.0168)*	*-*	*-*
Anytime < 150 kVA	*DN-70-X*	*$/kWh*	*(0.0161)*	*197,471*	*(3)*
Anytime < 150 kVA	*GN-150-X*	*$/kWh*	*(0.0158)*	*595,360*	*(9)*
Anytime < 150 kVA	*TN-150-X*	*$/kWh*	*(0.0154)*	*-*	*-*
Anytime < 150 kVA	*DN-150-X*	*$/kWh*	*(0.0147)*	*510,435*	*(8)*

Forecast revenue from prices RY21					
Description	Pricing code/description	Unit	Unit price	Forecast quantity	Forecast revenue ($000)
Major customer	*Connection HTI*	*$/kVA*	*4.16*	*27,688*	*115*
Major customer	*Connection WKM*	*$/kVA*	*-*	*903*	*-*
Major customer	*Connection NPK*	*$/kVA*	*21.24*	*3,039*	*65*
Major customer	*Connection OKN*	*$/kVA*	*9.68*	*2,136*	*21*
Major customer	*Connection ONG*	*$/kVA*	*12.38*	*1,327*	*16*
Major customer	*Connection TKU*	*$/kVA*	*4.38*	*926*	*4*
Major customer	*Interconnection*	*$/kVA*	*98.39*	*16,338*	*1,608*
Major customer	*Grid injection*	*$/annum*	*45,128*	*1*	*45*
Major customer	*Network HTI 11 kV*	*$/kVA*	*103.98*	*14,135*	*1,470*
Major customer	*Network WKM 11 kV*	*$/kVA*	*191.61*	*1,903*	*365*
Major customer	*Network NPK 11 kV*	*$/kVA*	*151.29*	*1,003*	*152*
Major customer	*Network OKN 11 kV*	*$/kVA*	*113.77*	*-*	*-*
Major customer	*Network ONG 11 kV*	*$/kVA*	*117.89*	*1,500*	*177*
Major customer	*Network TKU 11 kV*	*$/kVA*	*113.89*	*2,075*	*236*
Major customer	*Network Stepped*	*$/kVA*	*78.00*	*700*	*55*
Major customer	*Network 33kV*	*$/kVA*	*63.09*	*1,350*	*85*
Major customer	*Network HTI 11 kV*	*$/kVA*	*(20.13)*	*14,135*	*(285)*
Major customer	*Network WKM 11 kV*	*$/kVA*	*(37.10)*	*1,903*	*(71)*
Major customer	*Network Stepped*	*$/kVA*	*(15.10)*	*700*	*(11)*
Major customer	*Network 33kV*	*$/kVA*	*(12.21)*	*1,350*	*(16)*
Major customer	*Non standard/dedicated asset*	*$/annum*	*68,677*	*1*	*69*
Major customer	*Non standard/dedicated asset*	*$/annum*	*895,637*	*1*	*896*
Major customer	*Non standard/dedicated asset*	*$/annum*	*83,571*	*1*	*84*
Major customer	*Non standard/dedicated asset*	*$/annum*	*3,671*	*1*	*4*
Major customer	*Non standard/dedicated asset*	*$/annum*	*107,663*	*1*	*108*
Major customer	*Non standard/dedicated asset*	*$/annum*	*187,910*	*1*	*188*
Major customer	*Non standard/dedicated asset*	*$/annum*	*12,976*	*1*	*13*
Major customer	*Non standard/dedicated asset*	*$/annum*	*131,597*	*1*	*132*
Major customer	*Non standard/dedicated asset*	*$/annum*	*1,764,205*	*1*	*1,764*
Major customer	*Non standard/dedicated asset*	*$/annum*	*469,283*	*1*	*469*
Major customer	*Non standard/dedicated asset*	*$/annum*	*72,429*	*1*	*72*
Major customer	*Non standard/dedicated asset*	*$/annum*	*31,000*	*1*	*31*
Major customer	*Non standard/dedicated asset*	*$/annum*	*41,280*	*1*	*41*
Major customer	*Non standard/dedicated asset*	*$/annum*	*38,000*	*1*	*38*
Major customer	*Non standard/dedicated asset*	*$/annum*	*(36,380.31)*	*1*	*(36)*
Major customer	*Non standard/dedicated asset*	*$/annum*	*(2,512.25)*	*1*	*(3)*
Major customer	*Non standard/dedicated asset*	*$/annum*	*(25,477.79)*	*1*	*(25)*
Major customer	*Non standard/dedicated asset*	*$/annum*	*(195,000.00)*	*1*	*(195)*
Major customer	*Non standard/dedicated asset*	*$/annum*	*(90,855.74)*	*1*	*(91)*
Major customer	*Non standard/dedicated asset*	*$/annum*	*(14,022.57)*	*1*	*(14)*
Major customer	*Non standard/dedicated asset*	*$/annum*	*(6,001.76)*	*1*	*(6)*
Major customer	*Non standard/dedicated asset*	*$/annum*	*(7,992.04)*	*1*	*(8)*
Major customer	*Non standard/dedicated asset*	*$/annum*	*(7,357.00)*	*1*	*(7)*
Major customer	*t15*	*$/annum*	*645.47*	*5*	*3*
Major customer	*t30*	*$/annum*	*854.81*	*9*	*8*
Major customer	*t100*	*$/annum*	*1,291.85*	*9*	*11*
Major customer	*t200*	*$/annum*	*2,226.27*	*10*	*22*
Major customer	*t300*	*$/annum*	*2,686.90*	*6*	*16*
Major customer	*t500*	*$/annum*	*3,146.06*	*16*	*49*
Major customer	*t750*	*$/annum*	*3,776.67*	*9*	*32*
Major customer	*t1000*	*$/annum*	*4,257.94*	*2*	*9*
Major customer	*t15*	*$/annum*	*(124.97)*	*5*	*(1)*
Major customer	*t30*	*$/annum*	*(165.50)*	*6*	*(1)*
Major customer	*t100*	*$/annum*	*(250.11)*	*7*	*(2)*
Major customer	*t200*	*$/annum*	*(431.02)*	*5*	*(2)*
Major customer	*t300*	*$/annum*	*(520.20)*	*5*	*(3)*
Major customer	*t500*	*$/annum*	*(609.09)*	*13*	*(8)*
Major customer	*t750*	*$/annum*	*(731.18)*	*7*	*(5)*
Major customer	*t1000*	*$/annum*	*(824.36)*	*2*	*(2)*

Forecast revenue from prices RY21					
Description	Pricing code/description	Unit	Unit price	Forecast quantity	Forecast revenue ($000)
Major customer	*Billing*	*$/annum*	*1,742.85*	*38*	*65*
Major customer	*Billing*	*$/annum*	*(337.42)*	*25*	*(8)*
Streetlights/unmetered	*Unmetered*	*$/annum*	*92.34*	*3*	*0*
Streetlights/unmetered	*Unmetered*	*$/annum*	*92.57*	*2*	*0*
Streetlights/unmetered	*Unmetered*	*$/annum*	*95.53*	*4*	*0*
Streetlights/unmetered	*Unmetered*	*$/annum*	*113.77*	*20*	*2*
Streetlights/unmetered	*Unmetered*	*$/annum*	*117.99*	*1*	*0*
Streetlights/unmetered	*Unmetered*	*$/annum*	*163.13*	*1*	*0*
Streetlights/unmetered	*Unmetered*	*$/annum*	*222.64*	*1*	*0*
Streetlights/unmetered	*Unmetered*	*$/annum*	*230.85*	*6*	*1*
Streetlights/unmetered	*Unmetered*	*$/annum*	*231.31*	*1*	*0*
Streetlights/unmetered	*Unmetered*	*$/annum*	*231.42*	*1*	*0*
Streetlights/unmetered	*Unmetered*	*$/annum*	*248.52*	*1*	*0*
Streetlights/unmetered	*Unmetered*	*$/annum*	*249.66*	*1*	*0*
Streetlights/unmetered	*Unmetered*	*$/annum*	*284.66*	*1*	*0*
Streetlights/unmetered	*Unmetered*	*$/annum*	*328.55*	*1*	*0*
Streetlights/unmetered	*Unmetered*	*$/annum*	*342.34*	*6*	*2*
Streetlights/unmetered	*Unmetered*	*$/annum*	*444.26*	*2*	*1*
Streetlights/unmetered	*Unmetered*	*$/annum*	*444.71*	*4*	*2*
Streetlights/unmetered	*Unmetered*	*$/annum*	*452.58*	*1*	*0*
Streetlights/unmetered	*Unmetered*	*$/annum*	*496.70*	*6*	*3*
Streetlights/unmetered	*Unmetered*	*$/annum*	*621.98*	*1*	*1*
Streetlights/unmetered	*Unmetered*	*$/annum*	*843.26*	*1*	*1*
Streetlights/unmetered	*Unmetered*	*$/annum*	*860.24*	*4*	*3*
Streetlights/unmetered	*Unmetered*	*$/annum*	*1,120.28*	*1*	*1*
Streetlights/unmetered	*Unmetered*	*$/annum*	*1,155.62*	*1*	*1*
Streetlights/unmetered	*Unmetered*	*$/annum*	*1,435.83*	*1*	*1*
Streetlights/unmetered	*Unmetered*	*$/annum*	*1,467.29*	*1*	*1*
Streetlights/unmetered	*Unmetered*	*$/annum*	*3,123.94*	*1*	*3*
Streetlights/unmetered	*Unmetered*	*$/annum*	*6,191.80*	*1*	*6*
Streetlights/unmetered	*Unmetered*	*$/annum*	*23,232.74*	*1*	*23*
Streetlights/unmetered	*Unmetered*	*$/annum*	*38,380.84*	*1*	*38*
Streetlights/unmetered	*Unmetered*	*$/annum*	*48,651.89*	*1*	*49*
Streetlights/unmetered	*Unmetered*	*$/annum*	*105,335.54*	*1*	*105*
Streetlights/unmetered	*Unmetered*	*$/annum*	*151,537.92*	*1*	*152*
Streetlights/unmetered	*Unmetered*	*$/annum*	*(21.10)*	*4*	*(0)*
Streetlights/unmetered	*Unmetered*	*$/annum*	*(30.25)*	*1*	*(0)*
Streetlights/unmetered	*Unmetered*	*$/annum*	*(41.29)*	*1*	*(0)*
Streetlights/unmetered	*Unmetered*	*$/annum*	*(46.09)*	*1*	*(0)*
Streetlights/unmetered	*Unmetered*	*$/annum*	*(52.79)*	*1*	*(0)*
Streetlights/unmetered	*Unmetered*	*$/annum*	*(63.49)*	*2*	*(0)*
Streetlights/unmetered	*Unmetered*	*$/annum*	*(82.39)*	*1*	*(0)*
Streetlights/unmetered	*Unmetered*	*$/annum*	*(214.32)*	*1*	*(0)*
Streetlights/unmetered	*Unmetered*	*$/annum*	*(579.37)*	*1*	*(1)*
Streetlights/unmetered	*Unmetered*	*$/annum*	*(1,148.33)*	*1*	*(1)*
Streetlights/unmetered	*Unmetered*	*$/annum*	*(4,308.74)*	*1*	*(4)*
Streetlights/unmetered	*Unmetered*	*$/annum*	*(7,118.10)*	*1*	*(7)*
Streetlights/unmetered	*Unmetered*	*$/annum*	*(19,535.49)*	*1*	*(20)*
Metering fees	*M1T*	*$/day*	*0.1464*	*16,199*	*866*
Metering fees	*M3CT*	*$/day*	*0.2430*	*162*	*14*
Metering fees	*M3T*	*$/day*	*0.1950*	*5,649*	*402*
Metering fees	*MN*	*$/day*	*0.1464*	*1,573*	*84*
Metering fees	*Major customer*	*$/annum*	*2,987.55*	*1*	*3*
Late payment fees	*Late payment fees*	*$/incident*	*10.00*	*30,000*	*300*
Disconnections/Reconnections	*TLC only*	*$/incident*	*24,232*	*1*	*24*
$\Sigma P_{2020/21} * Q_{2020/21}$					38,026

Explanation for forecasting methods which are demonstrably reasonable

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

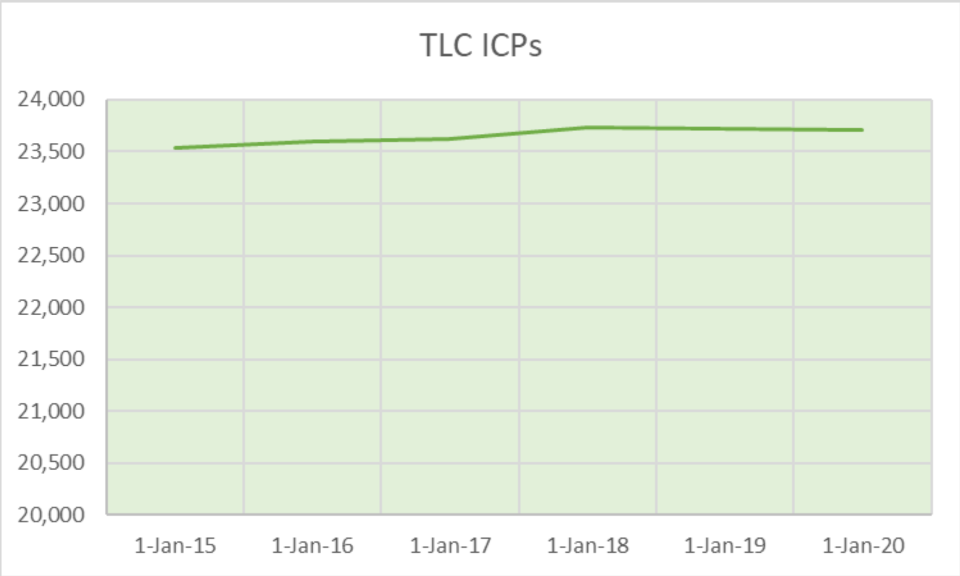
Customer pricing	Quantity type	Percentage of forecast revenue from prices	Risk of quantity variance
Time of Use	365 days x number of ICPs	24.4%	Low
	Number of kWh consumed and at what times of the day	49.8%	Medium
Major customer	Actual quantities, contracted capacity and contracted asset-based	20.3%	Low
Streetlights/unmetered	Actual quantities, contracted capacity and contracted asset-based	1.0%	Low
Metering fees	365 days x number of ICP metering x 60% of fees	3.6%	Low
Late payment fees	Number of customer accounts that are paid late	0.8%	Low
Disconnection/reconnection fees	Number of customers ICPs that are in payment default with TLC	0.1%	Low

Forecasting quantities

1. Time of Use

TLC has set RY2021 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 volumes in RY2021, and that new connections and decommissioning of connections on TLC's network typically offset each other.

As the following chart shows, there has been no 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.



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 RY2021 forecast volumes from a recent annualised billing period under TOU pricing (1 October 2018 to 30 September 2019).

Effects of weather patterns on electricity consumption

From one year to the next weather can impact on 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 RY2021 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 has now come to an end.

The peak/shoulder differentials were fairly limited for many residential customers for the period October 2018 to March 2020. From 1 April 2020, the differential will increase. This may have some effect on usage profiles by the time of day which could potentially reduce forecast revenue.

Other price changes from 1 April 2020 that may have some degree of impact on volumes including an overall downward shift in prices due to the revenue reduction that resulted from the DPP3 reset; and the removal of the prompt payment discount which has resulted in lower prices on invoices for all customers. It is very difficult to quantify the effect that each of these considerations may have on forecast volumes and revenues.

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.

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 RY2021, TLC has taken the following approach:

- Sum the billed kWh volumes for the period 1 October 2018 to 30 September 2019 and normalise volumes to 365 days;
- Use the volumes from above as the forecast, unadjusted, for RY2021.

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 of 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 2020;
- Distribution revenue: Quantities are determined from contracted capacity, or that customers individual peak demand.

Major customer capacity growth is not expected to impact in RY2021 but may impact future years as described in TLC's Asset Management Plan.

3. Note for attention

The price-setting process, and associated forecasting, was completed before the introduction of New Zealand's four-level COVID-19 alert system which specifies public health and social measures to be taken against COVID-19.

The New Zealand Government announced on 23 March 2020 that New Zealand is at Level 3 (Restrict) but are preparing to move to Level 4 (Eliminate). The range of measures (can be applied locally or nationally) include:

- People instructed to stay at home;
- Educational facilities closed;
- Businesses closed except for essential services (e.g. supermarkets, pharmacies, clinics) and lifeline utilities;
- Rationing of supplies and requisitioning of facilities;
- Travel severely limited;
- Major reprioritisation of healthcare services.

As these measures are unprecedented, it is unknown the effect they will have on forecast volumes.

The Lines Company Limited’s (TLC) COVID-19 pandemic response

Subsequent to The Lines Company Limited’s price-setting process, and preparation of this annual price-setting compliance statement, on 26 March 2020, the Commerce Commission (Commission) advised that the Commission was mindful of the priority of Part 4 regulated industries to focus on providing essential goods and services to New Zealanders during the COVID-19 pandemic. The Commission advised that in the coming days the Commission intends to issue notices to extend the deadlines for most information disclosure requirements. Of note, the Commission intends to shorten the required public disclosure and advance notification period from 20 working days to three working days in respect of those price changes that result in lower prices.

TLC responded to this notification from the Commission, and on 27 March 2020, provided formal notification to our customers of a price change from 1 April to 30 April 2020. This price change is TLC's response to New Zealand's COVID-19 alert levels. This is a challenging and uncertain time for the whole of New Zealand. To recognise this, we want to do our bit for our customers and provide some special pricing relief in April 2020.

Accordingly, the price change from 1 April to 30 April 2020 is not captured in the schedules contained within this document.

The price change is to peak, shoulder, off-peak and anytime prices for all connections on residential standard or low fixed charges pricing plans and sets these prices at $0.0000 per kWh for the specified period.

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.

Mark Charles Darrow

26 March 2020