Eastland Network

Default Price-Quality Path

Annual Price Setting Compliance Statement

1 April 2022 – 31 March 2023 Assessment Period

1 February 2022

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1. Introduction

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

This price-setting compliance statement is published in accordance with clause 11.1 of the 2020 DPP Determination, and applies to the third assessment period, commencing 1 April 2022 and ending 31 March 2023.

2. Date prepared

This statement was prepared on 1 February 2022.

3. Statement of compliance

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

Table 1

Compliance with price path RY23			
Forecast revenue from prices ≤ The lesser of forecast allowable revenue or allowable increase of previous forecast revenue from prices			
Forecast revenue from prices ($000)	Forecast allowable revenue ($000)	Allowable increase of previous forecast revenue from prices	Compliance result
30,119	30,320	33,261	**Compliant**

Further information supporting forecast allowable revenue is included in Section 5, Section 7 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 8.

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 RY23		
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 2023*	24,993
Forecast pass through costs	*Forecast pass-through costs and forecast recoverable costs*	416
Forecast recoverable costs	*Forecast recoverable costs, excluding any recoverable cost that is a revenue wash-up drawn down amount*	5,255
Opening wash-up account balance	*Closing wash-up account balance for the previous assessment period*	(344)
Pass-through balance allowance	*The pass-through balance allowance for the third assessment period of the DPP regulatory period is nil as set out in Clause 4.2.*	-
Total		30,320

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.

Forecast revenue from prices RY23		
Term	Description	Value ($000)
$\Sigma P_{2022/23}{}^{*}Q_{2022/23}$	*Forecast prices between 1 April 2022 and 31 March 2023 multiplied by forecast quantities for the period ending 31 March 2023*	30,119

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. Allowable increase of previous forecast revenue from prices

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

Table 4

Allowable increase of previous forecast revenue from prices RY23		
Term	Description	Value ($000)
Forecast revenue from prices from previous assessment period		30,237
Limit on annual percentage increase in forecast revenue from prices		10%
Allowable increase of previous 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)*	33,261

Appendix A – Pass-through and recoverable costs

Forecast pass-through costs

Table 5

Forecast Pass-through Costs RY23		
Forecast pass-through costs	$000	Forecasting methodology
Rates on system fixed assets	280	FY21 Actuals + 2%CPI^2
Commerce Act levies	58	FY21 Actuals + 2%CPI^2
Electricity Authority levies	62	FY21 Actuals + 2%CPI^2
Utilities Disputes levies	15	FY21 Actuals + 2%CPI^2
Total forecast pass-through costs	**416**	

Forecast is based on the latest full year actuals (RY21) with a CPI assumption of 2% over two years.

Total pass-through costs are forecast to be $57k lower than budgeted for the 2021-22 pricing period.

Forecast recoverable costs

Table 6

Forecast Recoverable Costs RY23		
Forecast recoverable costs	$000	Forecasting methodology
IRIS incentive adjustment	(741)	Based on ComCom IRIS model
Transpower transmission charges	5,582	Transpower input
New investment contract charges	75	Transpower input
System operator services charges		
Avoided transmission charges - purchased assets		
Distributed generation allowance	402	Calculated based on generation during RCPD (Sep 20-Aug 21). Transpower Inter-connection rate $96.89/kW
Claw-back		
Catastrophic event allowance		
Extended reserves allowance		
Capex wash-up adjustment	(79)	
Quality incentive adjustment	(17)	Quality Incentive Adjustment RY21
Transmission asset wash-up adjustment	-	
Reconsideration event allowance		
Quality standard variation engineers fee		
Urgent project allowance		
Fire and emergency NZ levies	31	FY21 Actuals + 2%CPI^2
Innovation project allowance		
Total forecast recoverable costs	**5,255**	

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

Transpower charges are reflective of officially communicated charges in December 2021.

Distributed generation allowance is based on Waihi and Matawai hydro generation output during 100 RCPD periods between 1 Sep 2020 and 31 Aug 2021. Rate used in calculation was provided by Transpower.

Quality incentive adjustment has been calculated using the Commerce Commission calculation and RY21 SAIDI and SAIFI actual values.

Capex wash-up adjustment (see table 7) has been based on the difference between forecast PV of BBAR and actual PV of BBAR allocated between Period 2 to 5 of DPP3.

Fire and emergency NZ levies forecast is based on latest full year actuals (RY21) + 2% CPI over two years.

There was no Transmission asset wash-up adjustment for RY23 (table 8).

Table 7

Capex wash-up adjustment RY23			
Term	Description	Units	Value
Capex wash-up adjustment	*Difference between the revenues for a DPP regulatory period using actual values of commissioned assets for a prior regulatory period and the revenues using forecast comissioned assets applied by the Commission when setting prices*	*$000*	(293)
l	*Number of disclosure years in the DPP regulatory period*	*years*	5
r	*Cost of debt applying to the DPP regulatory period*	*%*	2.92%
y	*Number of disclosure years preceding the disclosure year in question in the DPP regulatory period*	*years*	2
Adjusted capex wash-up adjustment	*(Capex wash-up adjustment / (l-1)) x (1 + r)^(y + 0.5)*	*$000*	(79)

Table 8

Transmission asset wash-up adjustment RY23			
Term	Description	Units	Value
Transmission asset wash-up adjustment	*Amount corresponding to the present value of revenues allowed in a DPP for additional capital expenditure and additional operating expenditure associated with a transmission asset forecast to be purchased in disclosure years preceding the regulatory period but were no completed*	*$000*	
l	*Number of disclosure years in the DPP regulatory period*	*years*	5
r	*Cost of debt applying to the DPP regulatory period*	*%*	2.92%
y	*Number of disclosure years preceding the disclosure year in question in the DPP regulatory period*	*years*	2
Adjusted transmission asset wash-up adjustment	*(Transmission asset wash-up adjustment / (l-1)) x (1 + r)^(y + 0.5)*	*$000*	-

8. Revenue Wash-up

Table 9

Closing Wash-up Account Balance RY22		
Term	Description	Value ($000)
Wash-up amount for previous assessment period	*Wash-up amount for the assessment period ending 31 March 2021*	(317)
Voluntary undercharging amount foregone for previous assessment period	*Amount of voluntary undercharging in the first assessment period which is foregone from future revenues*	-
67th percentile estimate of post-tax WACC		4.23%
Closing wash-up account balance	*(Wash-up amount for previous period - Voluntary undercharging amount foregone for previous period) x (1+67th percentile estimate of post-tax WACC)^2*	**(344)**

Opening Wash-up Account Balance RY23		
Term	Description	Value ($000)
Opening wash-up account balance	*Closing wash-up account balance from previous assessment period*	**(344)**

Table 9 shows a calculation of RY23 wash-up account balance resulting from a variance between Actual revenue and Actual Allowable Revenue for RY21.

Appendix B – Forecast prices and quantities

Table 10 shows the forecast prices and quantities for the forecast revenue from prices for the third assessment period.

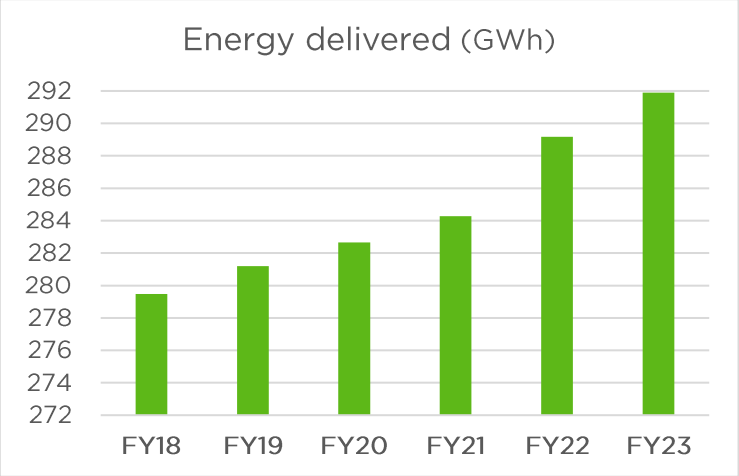
Table 10

Forecast revenue from prices RY23				
Price Category	Unit	Unit price	Forecast quantity	Forecast revenue ($000)
DOMLFCF	*$/day*	*0.3000*	*13,300*	1,456
DOMLFCU	*$/kWh*	*0.1237*	*25,259,007*	3,125
DOMLFCC	*$/kWh*	*0.1050*	*19,460,850*	2,043
DOMLFCP	*$/kWh*	*0.1770*	*8,832,575*	1,563
DOMLFCO	*$/kWh*	*0.0957*	*16,753,159*	1,603
DOMSTDF	*$/day*	*2.0000*	*7,025*	5,128
DOMSTDU	*$/kWh*	*0.0469*	*26,319,030*	1,234
DOMSTDC	*$/kWh*	*0.0260*	*17,092,732*	444
DOMSTDP	*$/kWh*	*0.0778*	*6,264,899*	487
DOMSTDO	*$/kWh*	*0.0309*	*12,107,970*	374
COM0050F	*$/day*	*2.3000*	*4,596*	3,858
COM0050U	*$/kWh*	*0.0400*	*30,477,601*	1,219
COM0050C	*$/kWh*	*0.0241*	*2,374,388*	57
COM0050P	*$/kWh*	*0.0674*	*2,145,009*	145
COM0050O	*$/kWh*	*0.0270*	*4,526,206*	122
COM0100F	*$/day*	*8.3500*	*432*	1,317
COM0100U	*$/kWh*	*0.0524*	*20,261,218*	1,062
COM0100C	*$/kWh*	*0.0345*	*464,436*	16
COM0100P	*$/kWh*	*0.0931*	*1,545,137*	144
COM0100O	*$/kWh*	*0.0373*	*3,930,844*	147
COM0300F	*$/day*	*16.0000*	*112*	654
COM0300U	*$/kWh*	*0.0414*	*10,486,098*	434
COM0300EP	*$/kWh*	*0.0375*	*2,014,071*	76
COM0300MP	*$/kWh*	*0.0350*	*3,321,745*	116
COM0300OP	*$/kWh*	*0.0278*	*3,706,716*	103
COM0300N	*$/kWh*	*0.0154*	*2,881,811*	44
COM0500F	*$/day*	*32.0000*	*21*	245
COM0500EP	*$/kWh*	*0.0375*	*1,506,547*	56
COM0500MP	*$/kWh*	*0.0350*	*2,331,141*	82
COM0500OP	*$/kWh*	*0.0278*	*2,788,905*	78
COM0500N	*$/kWh*	*0.0154*	*2,861,960*	44
COM1000F	*$/day*	*50.0000*	*24*	438
COM1000EP	*$/kWh*	*0.0375*	*4,748,278*	178
COM1000MP	*$/kWh*	*0.0350*	*7,198,497*	252
COM1000OP	*$/kWh*	*0.0278*	*8,699,184*	242
COM1000N	*$/kWh*	*0.0154*	*8,911,555*	137
COM4500F	*$/day*	*140.0000*	*3*	153
COM4500EP	*$/kWh*	*0.0366*	*3,980,423*	146
COM4500MP	*$/kWh*	*0.0343*	*5,803,036*	199
COM4500OP	*$/kWh*	*0.0274*	*7,128,998*	195
COM4500N	*$/kWh*	*0.0150*	*7,376,088*	111
COM6500F	*$/day*	*200.0000*	*1*	73
COM6500EP	*$/kWh*	*0.0366*	*784,276*	29
COM6500MP	*$/kWh*	*0.0343*	*1,947,537*	67
COM6500OP	*$/kWh*	*0.0274*	*2,074,864*	57
COM6500N	*$/kWh*	*0.0150*	*1,613,447*	24
GEN4500F	*$/day*	*76.6858*	*1*	28
GEN6500F	*$/day*	*104.9645*	*1*	38
GEN6500U	*$/kWh*	*0.0309*	*120,000*	4
OTH0003F	*$/day*	*0.4918*	*82*	15
OTH0003U	*$/kWh*	*0.1042*	*208,908*	22
DUMLF	*$/day*	*0.0608*	*5,171*	115
DUMLU	*$/kWh*	*0.0729*	*1,541,712*	112
STLGMF	*$/day*	*0.0665*	*138*	3
STLGMU	*$/kWh*	*0.0729*	*47,939*	3
$\Sigma P_{2022/23} * Q_{2022/23}$				**30,119**

Current financial year (Apr-21 to Mar-22) is tracking towards 289GWh consumption, which reflects 9 months of actuals.

While we have been observing below 1% increases year on year prior to FY22, current year is showing 1.7% increase suggesting a change in trend, possibly electrification of heating and industrial processes.

FY23 volume forecast has been moderated to below 1% growth to reduce revenue risk, but still considering the new base.



ICP count forecast considered latest trends (April – December 2021). These trends suggest 0.6% increase in connections across domestic customers and small businesses.

Appendix C – Director's certificate

Director Certificate

for

Annual price-setting compliance statement

I, Jon Nichols, being a director of Eastland Network Limited certify that, having made all reasonable enquiry, to that best of my knowledge and belief, the attached annual price-setting compliance statement of Eastland Network Limited, and related information prepared for the purposes of the Electricity Distribution Services Default Price-Quality Path Determination 2020 has been prepared in accordance with all the relevant requirements, and all forecasts used in the calculations for forecast revenue from prices and forecast allowable revenue are reasonable.

Director's signature

Date: 3 March 2022.

Note: Section 103(2) of the Commerce Act 1986 provides that no person shall attempt to deceive or knowingly mislead the Commission in relation to any matter before it. It is an offence to contravene section 103(2) and any person who does so is liable on summary conviction to a fine not exceeding $100,000 in the case of an individual or $300,000 in the case of a body corporate.