



Eastland
Network

Default Price-Quality Path
Annual Price Setting Compliance Statement

1 April 2023 – 31 March 2024 Assessment Period

20 January 2023



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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 fourth assessment period, commencing 1 April 2023 and ending 31 March 2024.

2. Date prepared

This statement was prepared on 20 January 2023.

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 fourth assessment period.

Table 1

Compliance with price path RY24			
<i>Forecast revenue from prices \leq The lesser of forecast allowable revenue or allowable increase of previous forecast revenue from prices</i>			
Forecast revenue from prices (\$000)	Forecast allowable revenue (\$000)	Allowable increase of previous forecast revenue from prices (\$000)	Compliance result
29,928	29,935	33,131	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 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 RY24		
Term	Description	Value (\$000)
Forecast net allowable revenue	<i>Forecast net allowable revenue as set out in Table 1.4.1 in Schedule 1.4 for the period ending 31 March 2024</i>	25,493
Forecast pass through costs	<i>Forecast pass-through costs and forecast recoverable costs</i>	434
Forecast recoverable costs	<i>Forecast recoverable costs, excluding any recoverable cost that is a revenue wash-up drawn down amount</i>	3,980
Opening wash-up account balance	<i>Closing wash-up account balance for the previous assessment period</i>	28
Total		29,935

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 RY24		
Term	Description	Value (\$000)
$\Sigma P_{2023/24} * Q_{2023/24}$	<i>Forecast prices between 1 April 2023 and 31 March 2024 multiplied by forecast quantities for the period ending 31 March 2024</i>	29,928

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 RY24		
Term	Description	Value (\$000)
Forecast revenue from prices from previous assessment period		30,119
Limit on annual percentage increase in forecast revenue from prices		10%
Allowable increase of previous forecast revenue from prices	<i>Forecast revenue from prices for the previous assessment period x (1 + limit on annual percentage increase in forecast revenue from prices)</i>	33,131



Appendix A – Pass-through and recoverable costs

Forecast pass-through costs

Forecast Pass-through Costs RY24		
Forecast pass-through costs	\$000	Forecasting methodology
Rates on system fixed assets	280	FY22 Actuals + 5% CPI^2
Commerce Act levies	58	FY22 Actuals + 5% CPI^2
Electricity Authority levies	77	FY22 Actuals + 5% CPI^2
Utilities Disputes levies	19	FY22 Actuals + 5% CPI^2
Total forecast pass-through costs	434	

Forecast is based on the latest full year actuals (FY22) with a CPI assumption of 5% over two years.

Total pass-through costs are forecast to be \$18k or 4% higher than budgeted for the 2022-23 pricing period.



Forecast recoverable costs

Table 6

Forecast Recoverable Costs RY24		
Forecast recoverable costs	\$000	Forecasting methodology
IRIS incentive adjustment	(293)	Based on corrected ComCom IRIS model
Transpower transmission charges	4,416	Transpower's new TPM pricing Dec-22
New investment contract charges	75	Transpower Investment Agreement 2005-2035
System operator services charges		
Avoided transmission charges - purchased assets		
Distributed generation allowance		
Claw-back		
Catastrophic event allowance		
Extended reserves allowance		
Capex wash-up adjustment	(81)	
Quality incentive adjustment	(164)	Quality Incentive Adjustment RY22
Transmission asset wash-up adjustment		
Reconsideration event allowance		
Quality standard variation engineers fee		
Urgent project allowance		
Fire and emergency NZ levies	28	FY22 Actuals + 5% CPI ²
Innovation project allowance		
Total forecast recoverable costs	3,980	

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 2022.

Quality incentive adjustment has been calculated using the Commerce Commission calculation and RY22 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 (FY22) + 5% CPI over two years.

There was no Transmission asset wash-up adjustment for RY24 (table 8).



Table 7

Capex wash-up adjustment RY24			
Term	Description	Units	Value
Capex wash-up adjustment	<i>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 commissioned assets applied by the Commission when setting prices</i>	\$000	(293)
l	<i>Number of disclosure years in the DPP regulatory period</i>	years	5
r	<i>Cost of debt applying to the DPP regulatory period</i>	%	2.92%
y	<i>Number of disclosure years preceding the disclosure year in question in the DPP regulatory period</i>	years	3
Adjusted capex wash-up adjustment	$(\text{Capex wash-up adjustment} / (l-1)) \times (1 + r)^{(y + 0.5)}$	\$000	(81)

Table 8

Transmission asset wash-up adjustment RY24			
Term	Description	Units	Value
Transmission asset wash-up adjustment	<i>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</i>	\$000	
l	<i>Number of disclosure years in the DPP regulatory period</i>	years	5
r	<i>Cost of debt applying to the DPP regulatory period</i>	%	2.92%
y	<i>Number of disclosure years preceding the disclosure year in question in the DPP regulatory period</i>	years	2
Adjusted transmission asset wash-up adjustment	$(\text{Transmission asset wash-up adjustment} / (l-1)) \times (1 + r)^{(y + 0.5)}$	\$000	-



8. Revenue Wash-up

Table 9

Closing Wash-up Account Balance RY23		
Term	Description	Value (\$000)
Wash-up amount for previous assessment period	<i>Wash-up amount for the assessment period ending 31 March 2022</i>	25
Voluntary undercharging amount foregone for previous assessment period	<i>Amount of voluntary undercharging in the first assessment period which is foregone from future revenues</i>	-
67th percentile estimate of post-tax WACC		4.23%
Closing wash-up account balance	<i>(Wash-up amount for previous period - Voluntary undercharging amount foregone for previous period) x (1+67th percentile estimate of post-tax WACC)^2</i>	28

Opening Wash-up Account Balance RY24		
Term	Description	Value (\$000)
Opening wash-up account balance	<i>Closing wash-up account balance from previous assessment period</i>	28

Table 9 shows a calculation of RY24 wash-up account balance resulting from a variance between Actual revenue and Actual Allowable Revenue for RY22.



Appendix B – Forecast prices and quantities

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

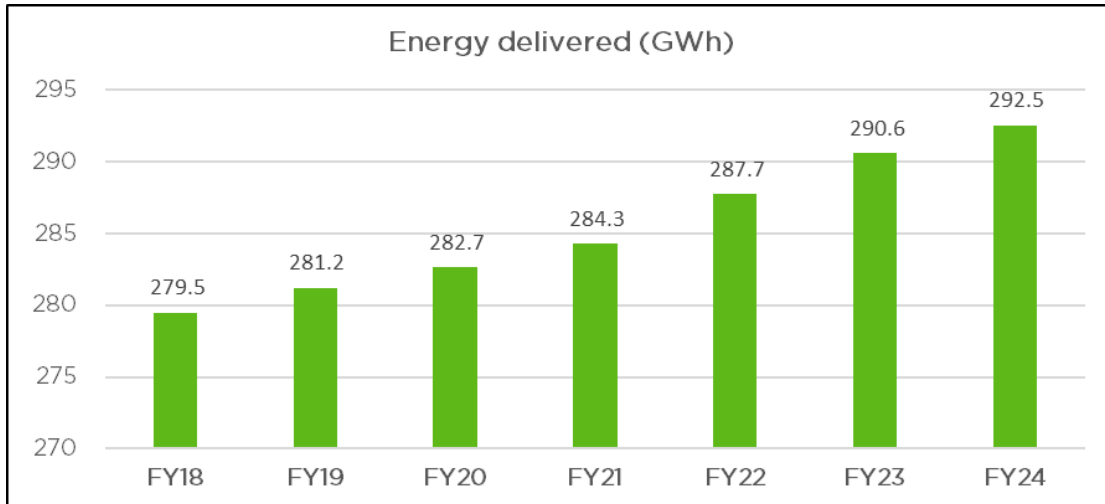
Table 10

Forecast revenue from prices RY24				
Price Category	Unit	Unit price	Forecast quantity	Forecast revenue (\$000)
DOMLFCF	\$/day	0.4500	12,191	2,002
DOMLFCU	\$/k Wh	0.1116	27,456,947	3,064
DOMLFCC	\$/k Wh	0.0979	14,092,097	1,380
DOMLFCP	\$/k Wh	0.1588	7,374,578	1,171
DOMLFCO	\$/k Wh	0.0882	14,765,011	1,302
DOMSTDF	\$/day	2.0001	8,336	6,085
DOMSTDU	\$/k Wh	0.0427	31,519,590	1,346
DOMSTDC	\$/k Wh	0.0229	14,994,254	343
DOMSTDP	\$/k Wh	0.0708	8,150,634	577
DOMSTDO	\$/k Wh	0.0280	17,272,275	484
COM0050F	\$/day	2.3065	4,665	3,927
COM0050U	\$/k Wh	0.0346	30,859,867	1,068
COM0050C	\$/k Wh	0.0208	2,342,291	49
COM0050P	\$/k Wh	0.0591	2,331,881	138
COM0050O	\$/k Wh	0.0237	5,516,572	131
COM0100F	\$/day	8.7471	445	1,419
COM0100U	\$/k Wh	0.0467	15,881,854	742
COM0100C	\$/k Wh	0.0308	384,211	12
COM0100P	\$/k Wh	0.0829	1,319,007	109
COM0100O	\$/k Wh	0.0332	3,546,573	118
COM0300F	\$/day	17.1694	118	736
COM0300U	\$/k Wh	0.0411	9,699,038	399
COM0300EP	\$/k Wh	0.0376	1,775,420	67
COM0300MP	\$/k Wh	0.0351	2,686,281	94
COM0300OP	\$/k Wh	0.0278	3,548,892	99
COM0300N	\$/k Wh	0.0155	2,535,675	39
COM0500F	\$/day	40.0264	25	360
COM0500EP	\$/k Wh	0.0218	1,403,997	31
COM0500MP	\$/k Wh	0.0203	2,252,868	46
COM0500OP	\$/k Wh	0.0161	2,831,803	46
COM0500N	\$/k Wh	0.0090	2,459,832	22
COM1000F	\$/day	78.7439	24	690
COM1000EP	\$/k Wh	0.0208	4,958,156	103
COM1000MP	\$/k Wh	0.0194	7,637,300	148
COM1000OP	\$/k Wh	0.0154	9,853,262	152
COM1000N	\$/k Wh	0.0086	8,694,878	75
COM4500F	\$/day	218.6888	3	239
COM4500EP	\$/k Wh	0.0262	4,179,558	110
COM4500MP	\$/k Wh	0.0245	6,071,014	149
COM4500OP	\$/k Wh	0.0196	7,958,240	156
COM4500N	\$/k Wh	0.0108	7,503,171	81
COM6500F	\$/day	282.7105	1	103
COM6500EP	\$/k Wh	0.0326	818,514	27
COM6500MP	\$/k Wh	0.0305	2,025,179	62
COM6500OP	\$/k Wh	0.0244	2,204,254	54
COM6500N	\$/k Wh	0.0134	1,669,586	22
GEN4500F	\$/day	63.3949	1	23
GEN6500F	\$/day	110.7198	1	40
GEN6500U	\$/k Wh	0.0309	100,008	3
OTH0003F	\$/day	0.5198	81	15
OTH0003U	\$/k Wh	0.1063	257,568	27
DUMLF	\$/day	0.0679	5,132	127
DUMLU	\$/k Wh	0.0697	1,556,388	108
STLGMF	\$/day	0.0656	242	6
STLGMU	\$/k Wh	0.0820	28,356	2
ΣP_{2023/24}*Q_{2023/24}				29,928



Current financial year (Apr-22 to Mar-23) is tracking towards 290.6GWh consumption.

While we have observed a double growth in volumes in FY22, the latest trend is still strong energy consumption in the domestic sector, but a reduction in the small and medium commercial sector suppressing the overall growth trend. We are currently forecasting a +1% YoY growth for FY23 and a moderate (high inflation and recession affected) +0.7% growth rate for FY24.



ICP count forecast considered latest trends (April – November 2022). These trends suggest 0.7% increase in connections across domestic customers and small businesses.



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.



.....
24 Feb, 2023 2:27:29 PM GMT+13

Director’s signature

Date:

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.

