



Commerce Act (Electricity Distribution Thresholds) Notice 2004

Threshold Compliance Statement

Section 2 - Quality Threshold

20 May 2009

Quality threshold assessment as at 31 March 2009

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Introduction

- 1 This threshold compliance statement ("the Statement") is submitted by Wellington Electricity Lines Limited (WELL) pursuant to s7(1)(a) of the Commerce Act (Electricity Distribution Thresholds) Notice 2004 ("the Notice").
- 2 The Notice relates to the performance of electricity lines businesses as part of the Commerce Commission's ("the Commission") development and operation of a regulatory regime for such businesses, pursuant to Part 4A of the Commerce Act 1986.
- 3 The Notice requires lines businesses to publicly disclose information relevant to the assessment of their performance against the thresholds.
- 4 This section of the Statement pertains to the requirements of the Commission's quality threshold for the 31 March 2009 assessment date.

Reliability Criterion

- 5 Lines businesses are required to demonstrate that their system average interruption duration index (SAIDI) and system average interruption frequency index (SAIFI) for the assessment year do not exceed the five year average to 31 March 2003 for those respective reliability measures. WELL exceeds both reliability targets, as summarised in the table below.

Notice Requirement	Result for assessment year	Target	Outcome	Target exceeded by	Target exceeded by (%)
6(1)(a) - SAIDI	35.3	29.7	Breach	5.6	19%
6(1)(b) - SAIFI	0.531	0.436	Breach	0.095	22%

Extreme Event Identification using the 2.5 Beta Method

- 6 WELL's 2.5 Beta Method calculations were performed in accordance with the steps laid out in 'Appendix 1: Application of the Beta Method' from the Commerce Commission's Supplementary Guidelines document dated 2 November 2007.
- 7 WELL has comprehensive reliability data available from 1998. This has been used to calculate historical Major Event Day (MED) values and exclude them from the 5 years preceding the 2008/09 regulation year (the period 1/4/2003-31/3/2008). With the exclusion of these historic storms, regulation year T_{MED} values were calculated to be:

	SAIDI ¹	SAIFI
T _{MED}	9.05	0.200

- 8 No day in the 2008/09 regulatory period exceeded the SAIDI T_{MED} value. No SAIDI relief is available under this clause.

Consumer engagement criterion

- 9 WELL has chosen, as provided for by the Notice, not to demonstrate compliance with the consumer engagement criterion for the 31 March 2009 assessment date. Instead, WELL will demonstrate compliance as at the next assessment date (31 March 2010).

¹ Refer to the spreadsheet '08_09 WELL Combined Beta and Target' (provided separately).

Appendices

Appendix 2-1 Calculation of SAIDI and SAIFI figures for the purposes of S6(1)(A) and 6(1)(B)

Note: All figures exclude Transpower interruptions.

Year	Customer Minutes Lost	Customers Impacted
98/99	5,325,929	79,471
99/00	4,374,313	57,094
00/01	4,315,758	59,125
01/02	3,542,016	63,038
02/03	4,493,664	65,195
03/04	11,769,009	99,476
04/05	6,288,957	60,717
05/06	4,980,787	80,086
06/07	5,583,921	103,168
07/08	5,111,293	83,057
08/09	5,745,190	86,274

Benchmark Years

Year	SAIDI	SAIFI
98/99	36.9	0.551
99/00	29.9	0.390
00/01	29.0	0.397
01/02	23.4	0.416
02/03	29.3	0.425
Threshold (average)	29.7	0.436

Regulated Years

Year	SAIDI	SAIFI
03/04	75.7	0.640
04/05	40.0	0.386
05/06	31.4	0.505
06/07	35.0	0.646
07/08	31.7	0.514
08/09	35.3	0.531

Customer Numbers

Year	Customer Count	Regulation Year	Regulation Customers
1-Apr-94	134,830		
1-Apr-95	136,852	94/95	135,841
1-Apr-96	138,905	95/96	137,879
1-Apr-97	140,989	96/97	139,947
1-Apr-98	143,104	97/98	142,046
1-Apr-99	145,250	98/99	144,177
1-Apr-00	147,429	99/00	146,340
1-Apr-01	150,493	00/01	148,961
1-Apr-02	152,595	01/02	151,544
1-Apr-03	154,554	02/03	153,575
1-Apr-04	156,357	03/04	155,456
1-Apr-05	158,462	04/05	157,410
1-Apr-06	158,647	05/06	158,555
1-Apr-07	160,602	06/07	159,625
1-Apr-08	162,349	07/08	161,476
1-Apr-09	162,900	08/09	162,625





To the readers of the threshold compliance statement of Wellington Electricity Lines Limited for the assessment year ended on 31 March 2009.

We have examined the attached statement in section 2, being a threshold compliance statement in respect of the quality threshold prepared by Wellington Electricity Lines Limited for assessment as at 31 March 2009 and dated 20 May 2009 for the purposes of information requirements set out in clause 7 of the Commerce Act (Electricity Distribution Thresholds) Notice 2004 (“the Notice”). In this report the attached statement is called “the threshold compliance statement”.

Directors’ Responsibilities

Directors of Wellington Electricity Lines Limited are responsible for the certification of the threshold compliance statement in accordance with the Notice.

Auditor’s Responsibilities

It is our responsibility to express an independent opinion on the threshold compliance statement and report our opinion to you.

We conducted our audit in accordance with the Auditing Standards issued by the Institute of Chartered Accountants of New Zealand.

Basis of Opinion – Quality Threshold: SAIDI and SAIFI Statistics for the Assessment Year ended 31 March 2009

Our audit included examination, on a test basis, of evidence relevant to the amounts and disclosures contained in Section 2 pages 3 to 6 of the threshold compliance statement and which relate to the SAIDI and SAIFI statistics for the assessment year ended on 31 March 2009 which are relevant to those parts of the quality threshold that are set out in clauses 6(1)(a) and 6(1)(b) of the Notice.

It also included assessment of the significant estimates and judgments, if any, made by Wellington Electricity Lines Limited in the preparation of the threshold compliance statement and assessment of whether the basis of preparation has been adequately disclosed.

We planned and performed our audit of the threshold compliance statement so as to obtain all the information and explanations which we considered necessary, including for the purpose of obtaining sufficient evidence to give reasonable assurance that the threshold compliance statement is free from material misstatements. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the threshold compliance statement.

Basis of Opinion – Quality Threshold: SAIDI and SAIFI Statistics for the Years Ended 31 March 1999, 2000, 2001, 2002 and 2003

In relation to the SAIDI and SAIFI statistics for the years ended 31 March 1999, 2000, 2001, 2002 and 2003 which are relevant to those parts of the quality threshold that are set out in clauses 6(1)(a) and 6(1)(b) of the Notice, we have undertaken procedures to provide reasonable assurance that:

- the amounts and disclosures in the threshold compliance statement relating to those statistics have been correctly taken from the information disclosed by Vector Limited in accordance with the Electricity (Information Disclosure) Regulations 1999; and
- those statistics have been calculated based on the source data provided to us. We have not performed audit procedures on the source data.

Relationship and Interests

Partners and employees of our firm may deal with Wellington Electricity Lines Limited on normal terms within the ordinary course of trading activities of the business of the Company or Group. This has not impaired our independence as auditors. The firm has no other relationship with or interests in Wellington Electricity Lines Limited or any of its subsidiaries.

Opinions

We have obtained all the information and explanations we have required.

Quality Threshold: SAIDI and SAIFI Statistics

In our opinion, having made all reasonable enquiry, to the best of our knowledge:

- the SAIDI and SAIFI statistics for the assessment year ended on 31 March 2009 which are relevant to those parts of the quality threshold that are set out in clauses 6(1)(a) and 6(1)(b) of the Notice and related information have been calculated or prepared in accordance with the Notice and in accordance with Wellington Electricity Lines Limited's policies and procedures for recording SAIDI and SAIFI statistics as disclosed in the threshold compliance statement, and fairly represent the performance of Wellington Electricity Lines Limited for the assessment year ended on 31 March 2009;
- the SAIDI and SAIFI statistics for the years ended 31 March 1999, 2000, 2001, 2002 and 2003, which are relevant to those parts of the quality threshold that are set out in clauses 6(1)(a) and 6(1)(b) of the Notice, have been correctly taken from the information disclosed by Vector Limited in accordance with the Electricity (Information Disclosure) Regulations 1999. Those statistics have been properly calculated based on the unaudited source data provided to us by Vector Limited; and



- the SAIDI and SAIFI statistics for the assessment year ended on 31 March 2009, together with the SAIDI and SAIFI statistics for the years ended 31 March 1999, 2000, 2001, 2002 and 2003, give a true and fair view of the performance of Wellington Electricity Lines Limited against those parts of the quality threshold that are set out in clauses 6(1)(a) and 6(1)(b) of the Notice for the assessment year ended on 31 March 2009.

Our audit was completed on 20 May 2009 and our opinion is expressed as at that date.

KPMG.

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