



**Annual Compliance Statement
2009**

PUBLIC VERSION

**Statement prepared as at
30 April 2009**

Disclaimer: This document has been prepared to comply with the Commerce Act (Powerco Natural Gas Services) Authorisation 2008. The information in this document has been prepared with all care and diligence, in good faith. Any reliance on the information contained in this document, actual or purported, is at the user's own risk.



DIRECTORS' CERTIFICATE

Directors' Certification for the Annual Compliance Statement
For the period 1 October 2009 to 30 September 2010

We, **Michael Cummings** and
being directors of Powerco Limited, certify that, having made all reasonable enquiry, to
the best of our knowledge and belief, the attached Annual Compliance Statement, and
related information, prepared for the purposes of the Commerce Act (Powerco Natural
Gas Services) Authorisation 2008 complies with the requirements of that authorisation.

Director

Director

Date

Date

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1. INTRODUCTION

This document contains information relating to the price threshold required to be disclosed under clause 10 of the *Commerce Act (Powerco Natural Gas Services) Authorisation 2008* (the "Authorisation").

Powerco Limited ("Powerco") has complied with the price threshold as set out in clause 6.2.2 of the Authorisation.

Inline with clause 10.5(a) of the Authorisation, this Annual Compliance Statement confirms that there has been no breach of any of the provisions of this authorisation.

Powerco will assist the Commerce Commission with its review of this compliance statement and will provide any additional information that may be required.

A public version of this annual compliance statement is submitted to the Commission alongside this statement, in line with clause 10.6 of the Authorisation. The approved public version of this statement will be made available at its principal office (Powerco, Level 2, 84 Liardet Street, New Plymouth), provided on request and published to Powerco's website (www.powerco.co.nz) within 5 working days of the Commission's approval of the public version.

The prices and calculations contained in this report are based on the Pricing Methodology provided by Powerco to the Commerce Commission on 1 May 2009. These are the prices that Powerco proposes to implement from 1 October 2009. These prices have not yet been accepted by the Commerce Commission and may be altered by the Commerce Commission. If this is the case then the calculations contained in sections 2 and 3 of this report may not be correct. In this case Powerco will need to resubmit this report.

2. PRICE THRESHOLD

2.1 THRESHOLD COMPLIANCE

Powerco has complied with requirements of clause 6.2.2 of the Authorisation as measured at 30 April 2009.

Clause 6.2.2 of the Authorisation requires that, "prices during each year commencing on or after 1 October 2009 must be such that the notional revenue of Powerco calculated in accordance with the left hand side of the following expression does not exceed the allowable notional revenue of Powerco calculated in accordance with the right hand side of the following expression:"

$$\sum P_{ij,t} Q_{ij,ref} \leq (\sum P_{ij,t-1} Q_{ij,ref} - C_{t-1})(1 + \Delta CPI_t)(1 - X) + C_t$$

where:

- t indicates the calendar year to which reference is being made
- i is service i
- j is component j of service i
- $P_{ij,t}$ is the price of component j of service i in the year commencing 1 October in calendar year t
- $P_{ij,t-1}$ is the price of the component j of service i in the year commencing 1 October in calendar year t-1 (except that, for the pricing year commencing 1 October 2009, $P_{ij,t-1}$ is the price of the component j of service i in the commencement period)
- X is specified in *Schedule 1*
- $Q_{ij,ref}$ is the reference quantity of component j of service i used for setting the quantity weights, which is to be the audited quantity for each component of price for the year ending 30 September of year t-1.
- C_t is the allowed increase (decrease) in pass-through costs for the pricing year commencing 1 October in calendar year t above (below) the forecast allowance specified in *Schedule 1*
- C_{t-1} is the allowed increase (decrease) in pass-through costs for the pricing year commencing 1 October in calendar year t-1 above (below) the forecast allowance specified in *Schedule 1*
- ΔCPI_t is the average change in the quarterly Consumer Price Index over the calendar year that ends on 31 March in the year t, calculated in accordance with the following expression:

$$\Delta CPI_t = \frac{CPI_{Jun,t-1} + CPI_{Sep,t-1} + CPI_{Dec,t-1} + CPI_{Mar,t}}{CPI_{Jun,t-2} + CPI_{Sep,t-2} + CPI_{Dec,t-2} + CPI_{Mar,t-1}} - 1$$

where 't' refers to calendar years ending 31 December.

Summary of revenue

Service	Revenue
Distribution Standard	[]
Distribution Non Standard	[]
Metering Standard	[]
Metering Non Standard	[]
Total	\$ 46,581,667

2.2 ANALYSIS

CPI has been calculated in accordance with the formula set out in the Authorisation. Based on the All Groups Index (SE9A) figure published by Statistics New Zealand the inflation for 2008 is 3.85%.

	Q1	Q2	Q3	Q4	Sum
	Jun-08	Sep-08	Dec-08	Mar-09	
2009	1,061	1,077	1,072	1,075	4,285
	Jun-07	Sep-07	Dec-07	Mar-08	
2008	1,020	1,025	1,037	1,044	4,126

$$\text{CPI} = \frac{4,285}{4,126} - 1 = 3.85\%$$

Application of formula using the prices that applied in the commencement period and the volumes from the 12 months from 1 October 2007 to 30 September 2008 gives:

$$\sum P_{ij,t} Q_{ij,ref} \leq (\sum P_{ij,t-1} Q_{ij,ref} - C_{t-1})(1 + \Delta CPI_t)(1 - X) + C_t$$

$$46,581,667 \leq (44,864,700 - 0) (1 + 0.0385) (1 - 0) - 5,177$$

$$46,581,667 \leq 46,586,814$$

Powerco's gas distribution and metering prices have been set according to Powerco's Pricing Methodology 2009 and Cost of Supply Model 2009. These have been supplied to the Commission alongside this Annual Compliance Statement.

3. ATTACHMENT ONE – PRICING COMPLIANCE (FORM 3, SCHEDULE 7)

Pricing Compliance for the Pricing Period from 1 October 2009 to 30 September 2010.

3.1 SUMMARY PRICING COMPLIANCE INFORMATION

Definition	Variable	Amount
Previous Year Pass Through Cost Adjustment	C_{t-1}	\$ -
Current Year Pass Through Cost Adjustment	C_t	-\$ 5,177
Change in CPI (in %)	ΔCPI_t	3.85%
X-Factor		0
Previous Year Authorised Revenue	$\sum P_{y,t-1} Q_{y,ref}$	\$ 44,864,700
Current Year Authorised Revenue	$\sum P_{y,t} Q_{y,ref}$	\$ 46,581,667
Compliance with Pricing Term met?		YES

3.2 PRICE AND QUANTITY INFORMATION

3.2.1 Distribution – Standard Services

[]

3.2.2 Distribution – Non-Standard Services

[]

3.2.3 Metering – Standard Services

[]

3.2.4 Metering – Non-standard services

[]

4. ATTACHMENT TWO – PASS-THROUGH COSTS (FORM 5, SCHEDULE 7)

Pass-through costs for the Reporting Period from 1 July 2007 to 30 June 2008.

	2008	2009	2010	2011	2012
Local Authority Rates					
Allowance in Authorisation	1,101,000	1,144,000	1,176,000	1,209,000	1,244,000
Actual Amount	1,095,040				
Increase (decrease) from allowance	-5,960				
Previously claimed? (Y/N)	N				
Difference claimed in this application	-5,960				
Levy under the Commerce (Levy for Control of Natural Gas Services) Regulations 2005					
Allowance in Authorisation	962,500	251,500	300,000	300,000	300,000
Actual Amount	962,500				
Increase (decrease) from allowance	0				
Previously claimed? (Y/N)	N				
Difference claimed in this application	0				
Electricity and Gas Complaints Commissioner Scheme membership levy					
Allowance in Authorisation	9,760	12,421	12,704	13,010	13,327
Actual Amount	10,996				
Increase (decrease) from allowance	1,236				
Previously claimed? (Y/N)	N				
Difference claimed in this application	1,236				
Levies under section 53ZE of the Commerce Act 1986 (as continued in force by section 55G of that Act)					
Allowance in Authorisation	0	0	0	0	0
Actual Amount	0				
Increase (decrease) from allowance	0				
Previously claimed? (Y/N)	N				
Difference claimed in this application	0				
Levies (if any) under the Gas Act 1992					
Allowance in Authorisation	0	0	0	0	0
Actual Amount	0				
Increase (decrease) from allowance	0				
Previously claimed? (Y/N)	N				
Difference claimed in this application	0				
Audit fees for issuing reports in Forms 2 and 10 of Schedule 7 of the Authorisation					
Allowance in Authorisation	0	0	0	0	0
Actual Amount	0				
Increase (decrease) from allowance	0				
Previously claimed? (Y/N)	N				
Difference claimed in this application	0				
Total difference claimed (before allowing return)	-4,724				
Regulated rate of return	9.59%				
Total difference claimed (after allowing for the time cost of money at the regulated rate of return)	-5,177				
Total difference claimed	-5,177				
Amount proposed to be directly invoiced					
Amount to be used in weighted average price cap	-5,177				

5. ATTACHMENT THREE – NEW SERVICES (FORM 6, SCHEDULE 7)

For the Reporting Period from 1 July 2007 to 30 June 2008.

5.1.1 Movement from Standard to Non-Standard Distribution Services

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5.1.2 Movement from Standard to Non-Standard Metering Services

[]

6. ATTACHMENT FOUR – EXCLUDED SERVICES (FORM 7, SCHEDULE 7)

For the Reporting Period from 1 July 2007 to 30 June 2008.

6.1.1 Excluded services

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