



Annual Price-setting Compliance Statement

Assessment Period: 01 April 2022 – 31 March 2023



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1. Summary

Powerco is required to report on how price-setting complies with its price path

This is Powerco's annual price-setting compliance statement (Statement) which demonstrates that forecast revenue from prices is less than forecast allowable revenue for the year beginning April 2022.

The Statement is part of many disclosure requirements Powerco Limited (Powerco) undertakes as an electricity distributor regulated by the Commerce Commission. Powerco's electricity distribution business is subject to regulation under the Commerce Act 1986 which is managed by the Commerce Commission (Commission). The Commission approved a customised price-quality path¹ for Powerco for five years from 1 April 2018 to 31 March 2023.

One of the Determination's disclosure requirements involves publishing this statement to demonstrate that forecast revenue from prices is less than forecast allowable revenue. This statement relates to the year ended 31 March 2023, which is the fifth assessment of price-setting compliance covered by the Determination.

Powerco complies with its price path for the year 1 April 2022 – 31 March 2023

The remainder of this Statement demonstrates how Powerco's price-setting is compliant with the requirements in the Determination. It shows Powerco's calculations of forecast revenue from prices and forecast allowable revenue along with supporting information for all components of these calculations. Appendix A provides the Determination's compliance requirements and references the relevant information included in this Statement.

Powerco published this Statement on 31 March 2022 on Powerco's website, www.Powerco.co.nz.

A copy is available on request or at Powerco's principal office: Level 2, 84 Liardet Street New Plymouth.

Any comments or suggestions regarding the Annual Price-Setting Compliance Statement can be made via <https://www.powerco.co.nz/contact>

or to

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¹ The Determination is available from <https://comcom.govt.nz/regulated-industries/electricity-lines/electricity-lines-price-quality-paths/electricity-lines-customised-price-quality-path/powercos-20182023-cpp>

2. Compliance assessment

This section demonstrates compliance with the price path requirements of clause 8 of the Determination. For presentation purposes, the tables set out in this report are aggregates of the price and quantity information for each price group. While the dollar balances are rounded to the nearest thousand dollars, the underlying compliance calculations apply the whole number.

2.1 Price path compliance

Compliance with the forecast price path is demonstrated when **forecast revenue from prices (FRt)** does not exceed **forecast allowable revenue (FARt)** for the assessment period.

Table 1: Price path results for this assessment period

Requirement	FR ₂₀₂₃	≤	FAR ₂₀₂₃
Powerco's result (\$000)	392,725	≤	405,226

Powerco complies with the forecast price path for 2023

The \$405.2m allowable revenue for FY23 is around 13% higher than last year (\$358.8m). To smooth the impact of this price change on consumers, Powerco has elected to defer \$12.5m of revenue to FY25, bringing the change below 10%. This explains why forecast revenue from prices (\$392.7m) is below forecast allowable revenue (\$405.2m).

2.2 Forecast revenue from prices

Forecast revenue from prices is calculated in accordance with schedule 1.2 of the Determination as the sum of each **price** multiplied by each corresponding forecast **quantity**.

A summary of Powerco’s forecast revenue from prices is provided in Table 2. Appendix B includes the full table of prices and forecast quantities for the 2023 pricing year.

Table 2: Calculating Powerco’s forecast revenue from prices (FR_t)

$$FR_{2023} = \sum(P_{2023} \times Q_{\text{forecast } 2023})$$

Region	Total (\$000)
Western	198,855
Eastern	193,870
FR ₂₀₂₃	392,725

The Determination requires forecast revenue from prices is demonstrably reasonable.

Table 3 illustrates that forecast growth in the factors that determine quantity continue to align with historical growth data at a regional level. The methodology and outputs are provided in more detail at Appendix C.

Table 3: 2023 regional forecasts align with historical growth

Region	Connections		Volume (GWh)	
	2023 forecast % Change from 2022	2018-2022 % Growth range	2023 forecast % Change from 2022	2018-2022 % Growth range
Western	1.01%	0.84% - 1.18%	0.97%	-1.05% - 3.26%
Eastern	1.52%	1.39% - 1.64%	0.54%	-1.40% - 4.41%

² Powerco’s forecast transmission revenue includes all pass-through and recoverable costs (refer Table 5) and the opening wash-up account balance (refer Table 7).

2.3 Forecast allowable revenue

Forecast allowable revenue is calculated in accordance with schedule 1.4 of the Determination as the sum of **forecast net allowable revenue, forecast pass-through and recoverable costs**, and the **opening wash-up account balance**.

The calculation of Powerco's forecast allowable revenue for this 2023 assessment period is provided in Table 4.

Table 4: Calculating Powerco's forecast allowable revenue (FAR)

$FAR_{2023} = \text{forecast net allowable revenue} + \text{forecast pass-through and recoverable costs} + \text{opening wash-up account balance}$

Calculation Components	Total (\$000)
Forecast net allowable revenue is specified in schedule 1.3 of the Determination ²	250,901
Forecast pass-through and recoverable costs includes, but is not limited to, rates and levies, IRIS or other incentive adjustment and Transpower charges (see Section 3.4 for more detail)	111,201
Opening wash-up account balance represents any under or over recoveries resulting from differences between actual and forecast values in the prior year, adjusted for the time value of money (see Section 3.5 for more detail)	43,124
FAR₂₀₂₃	405,226

2.4 Forecasts of pass-through and recoverable costs

The Determination allows for the inclusion of pass-through and recoverable costs in pricing if they are known at the time prices are set and have not been previously recovered or will not be able to be recovered other than through prices. Pass-through and recoverable costs are defined in clauses 3.1.2 and 3.1.3 of the Electricity Distribution Services Input Methodologies Determination 2012.

Pass-through costs include:

- Local government rates on system fixed assets;
- Electricity Industry Act levies; and
- Electricity and Gas Complaints Commissioner Scheme (EGCC) levies.

Recoverable costs include:

- IRIS incentive adjustments;
- Transpower charges;
- Distributed generation allowance;
- Claw back applied by the Commission;
- Costs relating to a CPP application;
- Auditor or verifier fees;
- Catastrophic event allowance;
- Extended reserves allowance; and
- Quality incentive adjustment.

² See Schedule 1.3 of the Determination made in May 2020 which reflects the impact of the updated cost of capital:

https://comcom.govt.nz/_data/assets/pdf_file/0026/216863/Powerco-Limited-electricity-distribution-customised-price-quality-path-determination-2018-consolidated-20-May-2020-20-May-2020.pdf

Table 5: Pass-through and recoverable costs included in the 2023 forecast

Pass-through and recoverable costs	Total (\$000)
Council rates	2,227
Commission levies	1,112
Electricity Authority levies	1,172
Utilities Disputes levies	218
Capex IRIS incentive adjustment	(683)
Opex IRIS incentive adjustment	(836)
Transpower connection charges	16,467
Transpower interconnection charges	77,441
Transpower new investment charges	7,238
Distributed generation allowance (Avoided Costs of Transmission))	5,129
Quality incentive adjustment	1,103
Capex wash-up adjustment	612
Pass-through and recoverable costs₂₀₂₃	111,201

The Determination requires that forecast pass-through and recoverable costs are demonstrably reasonable.

Table 6 summarises the methodology Powerco has applied to determine its forecasts of pass-through and recoverable costs. It is Powerco's opinion that all these methods deliver acceptable forecasts in the context they are used.

Table 6: Methodology to forecast pass-through and recoverable costs

Pass-through and recoverable costs	Forecasting methodology
Council rates	Forecast is a combination of current and proposed levy rates
Commission levies	Forecast is a combination of current and projected levy amounts
Electricity Authority levies	Forecast is based on historical costs
Utilities Dispute levies	Forecast is based on historical costs
IRIS incentive adjustments	Forecast using the Input Methodologies formula
Transpower connection charges	As notified by Transpower
Transpower interconnection charges	As notified by Transpower
Transpower new investment charges	As notified by Transpower
Distributed generation allowance (Avoided Costs of Transmission)	Based on demand levels and Transpower's interconnection charge for 2022/23 pricing year
Quality incentive adjustment	Based on information disclosure outcomes regulatory year ending March 2021 (adjusted for time value of money)
Capex wash-up adjustment	Forecast using the Input Methodologies formula

2.5 Opening wash-up account balance

The Determination includes a revenue cap mechanism for Powerco. This means variances between actual and forecast allowable revenue now also result in a wash-up balance in addition to variances between actual and forecast pass-through and recoverable costs. Powerco must calculate the wash-up amount for each assessment period using the methodology specified in schedule 1.6 of the Determination where:

- The 'opening wash-up account balance' for the fifth **assessment period** is the *closing wash-up account balance* of the fourth **assessment period**.
- The closing wash-up account balance for the third assessment period is the **wash-up amount** for the previous **assessment period** x **(1 + 67th percentile estimate of post-tax WACC)²**.

Table 7: Calculating the closing wash-up account balance for the third assessment period

Description	Total (\$000)
Wash-up amount ₂₀₂₂	37,822
+ adjustment for 67th percentile estimate of post-tax WACC	5,302
Opening wash-up balance₂₀₂₃	43,124

3. Appendices

The following list of appendices provides further information supporting this Statement.

Appendix reference	Information provided
A – Compliance references	References the compliance requirements of the Determination and where they are evidenced in this Statement.
B – Prices and forecast quantities for pricing year 2023	Detailed schedules specifying prices and forecast quantities.
C – Quantity forecasting	Calculating forecast revenue from prices requires a forecast of quantities.

Appendix A – Compliance statement references

Determination clause	Determination requirement	Compliance statement reference
Price Path		
8.4	The forecast revenue from prices for each assessment period must not exceed the forecast allowable revenue for the assessment period	Section 3.1
Annual price-setting compliance statement		
11.2 (a)	State whether Powerco has complied with the price path in clause 8 for the assessment period	Section 2
11.2 (b)	State the date on which the Statement was prepared	Cover
11.2 (c)	Include a certificate in the form set out in Schedule 6, signed by at least one director of Powerco	Section 1
11.3 (a)	Include Powerco’s calculation of its forecast revenue from prices together with supporting information for all components of the calculation	Section 3.2, Appendix B & C
11.3 (b)	Include Powerco’s calculation of its forecast allowable revenue together with supporting information for all components of the calculation	Sections 3.3-3.5
11.3 (c)	Include any reasons for non-compliance with the price path	N/a
11.3 (d)	Include actions taken to mitigate any non-compliance and to prevent similar non-compliance in future assessment periods	N/a

Appendix B – Prices and forecast quantities for pricing year 2023

The tables in this attachment contain our prices and forecast quantities.

Annual Price-setting Compliance Statement 2023



Western network - distribution & transmission prices

Western Network							Distribution Prices FY23 (1 April 2022 to 31 March 2023)										
Tariff Group	Network Group	Tariff Description					Fixed Charges			Variable Charges							
			ICP \$/day	CT/VT Charge (\$/day)	ABP (\$/AM D)	ABP (\$/OPD)	Uncontrolled \$/kWh	Night \$/kWh	Day Rate \$/kWh	On Peak Uncontrolled \$/kWh	\$/kVar						
			FDC	CT/VT	*DIST*	*TRAN*	24UC	ERN	ERD	ERP	PFC						
Residential+ Small Commercial																	
E1CA	E 1C	A	Controlled	Small	DIST	0.15					0.0548	0.0548	0.0711				
E1UCA	E 1UC	A	Uncontrolled	Small	DIST	0.30					0.0548	0.0548	0.0711				
E1CB	E 1C	B	Controlled	Small	DIST	0.15					0.0742	0.0742	0.0918				
E1UCB	E 1UC	B	Uncontrolled	Small	DIST	0.30					0.0742	0.0742	0.0918				
Medium Commercial																	
E100	E 100	A	100kVA < 300kVA	Medium	DIST	8.8000	4.5400	0.3317		0.0050						7.000	
E100	E 100	B	100kVA < 300kVA	Medium	DIST	8.8000	4.5400	0.5716		0.0050						7.000	
E100	E 100	C	100kVA < 300kVA	Medium	DIST	8.8000	4.5400	0.4074		0.0050						7.000	
E100	E 100	D	100kVA < 300kVA	Medium	DIST	8.8000	4.5400	0.4351		0.0050						7.000	
E100	E 100	E	100kVA < 300kVA	Medium	DIST	8.8000	4.5400	0.3409		0.0050						7.000	
E100	E 100	F	100kVA < 300kVA	Medium	DIST	8.8000	4.5400	0.4135		0.0050						7.000	
E100	E 100	G	100kVA < 300kVA	Medium	DIST	8.8000	4.5400	0.6419		0.0050						7.000	
E100	E 100	H	100kVA < 300kVA	Medium	DIST	8.8000	4.5400	0.4748		0.0050						7.000	
E100	E 100	I	100kVA < 300kVA	Medium	DIST	8.8000	4.5400	0.2996		0.0050						7.000	
E100	E 100	J	100kVA < 300kVA	Medium	DIST	8.8000	4.5400	0.4433		0.0050						7.000	
Large Industrial																	
E300	E300X	*	Individual ICP prices	Large	DIST	122.73										7.000	
SPECIAL	SPECIAL		Individual ICP prices	Large	DIST	359.44										7.000	
OTHER	OTHER		Individual ICP prices	Large	DIST											7.000	
Western Network							Transmission Prices FY23 (Prices 1 April 2022 to 31 March 2023)										
Residential+ Small Commercial																	
E1CA	E 1C	A	Controlled	Small	TRAN						0.0106	0.0106	0.0581				
E1UCA	E 1UC	A	Uncontrolled	Small	TRAN						0.0106	0.0106	0.0581				
E1CB	E 1C	B	Controlled	Small	TRAN						0.0106	0.0106	0.0539				
E1UCB	E 1UC	B	Uncontrolled	Small	TRAN						0.0106	0.0106	0.0539				
Medium Commercial																	
E100	E 100	A	100kVA < 300kVA	Medium	TRAN				0.3458								
E100	E 100	B	100kVA < 300kVA	Medium	TRAN				0.3458								
E100	E 100	C	100kVA < 300kVA	Medium	TRAN				0.3458								
E100	E 100	D	100kVA < 300kVA	Medium	TRAN				0.3458								
E100	E 100	E	100kVA < 300kVA	Medium	TRAN				0.3458								
E100	E 100	F	100kVA < 300kVA	Medium	TRAN				0.3458								
E100	E 100	G	100kVA < 300kVA	Medium	TRAN				0.3458								
E100	E 100	H	100kVA < 300kVA	Medium	TRAN				0.3458								
E100	E 100	I	100kVA < 300kVA	Medium	TRAN				0.3458								
E100	E 100	J	100kVA < 300kVA	Medium	TRAN				0.3458								
Large Industrial																	
E300	E300X	*	Individual ICP prices	Large	TRAN	54.99											
SPECIAL	SPECIAL		0 Individual ICP prices	Large	TRAN	307.49											
OTHER	OTHER		0 Individual ICP prices	Large	TRAN												

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Western network – quantities

Western Network						Quantities FY23 (1 April 2022 to 31 March 2023)									
Tariff Group	Network Group	Tariff Description	Fixed Volumes			Variable Volumes									
			ICP Days	ICPs (Average)	CT/VTs	AMD	OPD	kWh Uncontrolled	kWh Nite Only	kWh Day	kWh On Peak	kVar Demand pa			
			FDC	FDC	CT/VT	*DIST*	*TRAN*	24UC	ERN	ERD	ERP	PFC			
Residential+ Small Commercial															
E1CA	E1C	A	Controlled	Small	DIST										
E1UCA	E1UC	A	Uncontrolled	Small	DIST	19,090,405	52,302	-	-	-	108,729,248	216,534,553	141,127,759		
E1CB	E1C	B	Controlled	Small	DIST	26,030,428	71,316	-	-	-	148,256,092	295,252,357	192,432,584		
E1UCB	E1UC	B	Uncontrolled	Small	DIST	8,920,940	24,441	-	-	-	63,247,711	108,262,577	69,118,662		
					DIST	11,169,318	30,601	-	-	-	79,188,276	135,548,412	86,538,906		
Medium Commercial															
E100	E100	A	100kVA < 300kVA	Medium	DIST	25,614	70	2	7,087	3,250	25,675,151	-	-	34,974	
E100	E100	B	100kVA < 300kVA	Medium	DIST	4,970	14	-	1,226	588	5,347,836	-	-	-	
E100	E100	C	100kVA < 300kVA	Medium	DIST	765	2	-	116	25	180,855	-	-	-	
E100	E100	D	100kVA < 300kVA	Medium	DIST	382	1	-	121	9	144,512	-	-	-	
E100	E100	E	100kVA < 300kVA	Medium	DIST	7,646	21	-	2,207	1,188	9,111,029	-	-	-	
E100	E100	F	100kVA < 300kVA	Medium	DIST	2,676	7	-	902	439	3,249,243	-	-	-	
E100	E100	G	100kVA < 300kVA	Medium	DIST	1,911	5	-	955	411	2,782,514	-	-	-	
E100	E100	H	100kVA < 300kVA	Medium	DIST	12,998	36	-	4,010	1,985	14,000,050	-	-	-	
E100	E100	I	100kVA < 300kVA	Medium	DIST	39,377	108	-	11,866	5,909	40,475,375	-	-	-	
E100	E100	J	100kVA < 300kVA	Medium	DIST	765	2	-	292	100	883,036	-	-	-	
Large Commercial															
E300	E300	A	> 300kVA	Large	DIST	-	82	-	8	8	346,801,161	-	-	61,926	
E300	E300	B	> 300kVA	Large	DIST	-	6	-	-	-	-	-	-	-	
E300	E300	C	> 300kVA	Large	DIST	-	1	-	-	-	-	-	-	-	
E300	E300	D	> 300kVA	Large	DIST	-	2	-	-	-	-	-	-	-	
E300	E300	E	> 300kVA	Large	DIST	-	30	-	-	-	-	-	-	-	
E300	E300	F	> 300kVA	Large	DIST	-	9	-	-	-	-	-	-	-	
E300	E300	G	> 300kVA	Large	DIST	-	3	-	-	-	-	-	-	-	
E300	E300	H	> 300kVA	Large	DIST	-	23	-	-	-	-	-	-	-	
E300	E300	I	> 300kVA	Large	DIST	-	84	-	-	-	-	-	-	-	
E300	E300	J	> 300kVA	Large	DIST	-	1	-	-	-	-	-	-	-	
Large Industrial															
E300	E300X	*	Individual ICP prices	Large	DIST	-	241	-	8	8	346,801,161	-	-	61,926	
SPECIAL	SPECIAL		Individual ICP prices	Large	DIST	-	46	-	-	-	314,980,543	-	-	25,049	
OTHER	OTHER		Individual ICP prices	Large	DIST	-	-	-	-	-	-	-	-	-	
Western Region Total						65,308,196	179,454	2			1,110,432,467	399,421,326	755,597,899	489,217,911	183,874

Western network – distribution & transmission revenue

Western Network						Distribution Revenue (FY23 Prices, FY23 Quantities)			
Tariff Group		Network Group	Tariff Description			Fixed	Variable	Demand	Total
Residential+ Small Commercial									
E1CA	E1C	A	Controlled	Small	DIST	2,863,561	27,858,640	-	30,722,201
E1UCA	E1UC	A	Uncontrolled	Small	DIST	7,809,129	37,966,220	-	45,795,348
E1CB	E1C	B	Controlled	Small	DIST	1,338,141	19,071,157	-	20,409,297
E1UCB	E1UC	B	Uncontrolled	Small	DIST	3,350,796	23,877,734	-	27,228,529
Medium Commercial									
E100	E100	A	100kVA < 300kVA	Medium	DIST	1,086,793	128,376	244,817	1,459,985
E100	E100	B	100kVA < 300kVA	Medium	DIST	299,518	26,739	-	326,257
E100	E100	C	100kVA < 300kVA	Medium	DIST	23,924	904	-	24,829
E100	E100	D	100kVA < 300kVA	Medium	DIST	22,542	723	-	23,264
E100	E100	E	100kVA < 300kVA	Medium	DIST	341,947	45,555	-	387,502
E100	E100	F	100kVA < 300kVA	Medium	DIST	159,623	18,246	-	177,869
E100	E100	G	100kVA < 300kVA	Medium	DIST	240,628	13,913	-	254,541
E100	E100	H	100kVA < 300kVA	Medium	DIST	809,243	70,000	-	879,244
E100	E100	I	100kVA < 300kVA	Medium	DIST	1,644,097	202,377	-	1,846,474
E100	E100	J	100kVA < 300kVA	Medium	DIST	53,920	4,415	-	58,335
Large Commercial									
E300	E300	A	> 300kVA	Large	DIST	-	-	-	-
E300	E300	B	> 300kVA	Large	DIST	-	-	-	-
E300	E300	C	> 300kVA	Large	DIST	-	-	-	-
E300	E300	D	> 300kVA	Large	DIST	-	-	-	-
E300	E300	E	> 300kVA	Large	DIST	-	-	-	-
E300	E300	F	> 300kVA	Large	DIST	-	-	-	-
E300	E300	G	> 300kVA	Large	DIST	-	-	-	-
E300	E300	H	> 300kVA	Large	DIST	-	-	-	-
E300	E300	I	> 300kVA	Large	DIST	-	-	-	-
E300	E300	J	> 300kVA	Large	DIST	-	-	-	-
Large Industrial									
E300	E300X	-	Individual ICP prices	Large	DIST	10,781,045	-	433,481	11,214,525
SPECIAL	SPECIAL	-	Individual ICP prices	Large	DIST	6,077,030	-	175,341	6,252,371
OTHER	OTHER	-	Individual ICP prices	Large	DIST	-	-	-	-
Western Region Total						36,901,935	109,302,998	853,638	147,058,571
Western Network						Transmission Revenue (FY23 Prices, FY23 Quantities)			
Residential+ Small Commercial									
E1CA	E1C	A	Controlled	Small	TRAN	-	11,647,319	-	11,647,319
E1UCA	E1UC	A	Uncontrolled	Small	TRAN	-	15,881,523	-	15,881,523
E1CB	E1C	B	Controlled	Small	TRAN	-	5,543,505	-	5,543,505
E1UCB	E1UC	B	Uncontrolled	Small	TRAN	-	6,940,656	-	6,940,656
Medium Commercial									
E100	E100	A	100kVA < 300kVA	Medium	TRAN	410,230	-	-	410,230
E100	E100	B	100kVA < 300kVA	Medium	TRAN	74,270	-	-	74,270
E100	E100	C	100kVA < 300kVA	Medium	TRAN	3,100	-	-	3,100
E100	E100	D	100kVA < 300kVA	Medium	TRAN	1,162	-	-	1,162
E100	E100	E	100kVA < 300kVA	Medium	TRAN	149,961	-	-	149,961
E100	E100	F	100kVA < 300kVA	Medium	TRAN	55,412	-	-	55,412
E100	E100	G	100kVA < 300kVA	Medium	TRAN	51,925	-	-	51,925
E100	E100	H	100kVA < 300kVA	Medium	TRAN	250,581	-	-	250,581
E100	E100	I	100kVA < 300kVA	Medium	TRAN	745,802	-	-	745,802
E100	E100	J	100kVA < 300kVA	Medium	TRAN	12,658	-	-	12,658
Large Commercial									
E300	E300	A	> 300kVA	Large	TRAN	-	-	-	-
E300	E300	B	> 300kVA	Large	TRAN	-	-	-	-
E300	E300	C	> 300kVA	Large	TRAN	-	-	-	-
E300	E300	D	> 300kVA	Large	TRAN	-	-	-	-
E300	E300	E	> 300kVA	Large	TRAN	-	-	-	-
E300	E300	F	> 300kVA	Large	TRAN	-	-	-	-
E300	E300	G	> 300kVA	Large	TRAN	-	-	-	-
E300	E300	H	> 300kVA	Large	TRAN	-	-	-	-
E300	E300	I	> 300kVA	Large	TRAN	-	-	-	-
E300	E300	J	> 300kVA	Large	TRAN	-	-	-	-
Large Industrial									
E300	E300X	-	Individual ICP prices	Large	TRAN	4,830,208	-	-	4,830,208
SPECIAL	SPECIAL	-	0 Individual ICP prices	Large	TRAN	5,198,626	-	-	5,198,626
OTHER	OTHER	-	0 Individual ICP prices	Large	TRAN	-	-	-	-
Western Region Total						11,783,936	40,013,003	-	51,796,938

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Eastern network - quantities

Eastern Network						Quantities FY23 (1 April 2022 to 31 March 2023)															
						Fixed Volumes				Variable Volumes											
Tariff Group	Network Group	Tariff Description				ICP Days	ICPs (Average)	kVA Installed	CT/VTs	kWh Uncontrolled	kWh Controlled	kWh All Inclusive	kWh Nite Only	kWh On Peak	kWh Off Peak	kWh All Inclusive On Peak	kWh All Inclusive Off Peak	kWh Unmetered	Distributed Generation	kVAr Demand pa	
						FDC	FDC	FDC	CT/VT	24UC	CTRL	AICO	NITE	PEAK	OFFPK	PKIN	OPIN	UNML	24DG	PFC	
Residential - Small Commercial																					
V05S	V05S	Valley	Low User	Small	DIST	13,659,619	37,424	-	-	35,733,077	34,991,662	3,861,438	392,462	30,274,989	67,052,558	1,383,577	3,307,198	4,196	1,056,312	-	
V05S	V05S	Valley	Standard User	Small	DIST	13,212,246	36,196	-	-	196,566,335	37,227,247	13,775,913	2,806,614	57,131,414	136,320,941	2,823,161	6,527,594	182	976,934	-	
V08	V08	Valley	Holiday Home	Small	DIST																
T05S	T05S	Tauranga	Low User	Small	DIST	12,594,218	34,505	-	-	45,048,580	35,616,538	16,002,594	4,491,441	20,375,826	44,306,554	4,605,200	9,421,847	-	1,889,988	-	
T05S	T05S	Tauranga	Standard User	Small	DIST	20,381,590	55,940	-	-	220,869,075	77,141,400	31,632,743	5,484,363	46,728,022	106,110,231	7,538,789	15,729,626	57,464	2,252,642	-	
Unmetered Supply																					
V01	V01	Valley	Unmetered	Small	DIST	-	199	-	-	-	-	-	-	-	-	-	-	322,746	-	-	
V02	V02	Valley	Streetlighting	Small	DIST	4,385,278	12	12,014	-	-	-	-	-	-	-	-	-	634,823	-	-	
T01	T01	Tauranga	Unmetered	Small	DIST	-	279	-	-	-	-	-	-	-	-	-	-	1,847,346	-	-	
T02	T02	Tauranga	Streetlighting	Small	DIST	5,135,023	14	14,069	-	-	-	-	-	-	-	-	-	3,416,560	-	-	
Medium Commercial																					
V22	V22	Valley	199kVA > 3ph0A	Medium	DIST	194,652	533	-	-	66,518,688	-	-	-	-	-	-	-	-	43,698	-	
V28	V28	Valley	200kVA > 259kVA	Medium	DIST	16,684	46	-	-	11,304,600	-	-	-	-	-	-	-	-	-	1,173	
T22	T22	Tauranga	199kVA > 3ph0A	Medium	DIST	282,118	691	-	-	83,022,129	469,039	-	-	-	-	-	-	-	15,953	-	
T28	T28	Tauranga	200kVA > 259kVA	Medium	DIST	53,296	146	-	-	35,533,462	-	-	-	-	-	-	-	-	1,163	10,180	
Large Commercial / Industrial																					
V40	V40	Valley	Individual ICP prices	Large	DIST	-	93	-	-	65,499,854	-	-	-	-	-	-	-	-	-	18,091	
V80	V80	Valley	Individual ICP prices	Large	DIST	-	28	-	-	296,357,175	-	-	-	-	-	-	-	-	-	43,910	
V801	V801	Kinleith	Individual ICP prices	Large	DIST	-	1	-	-	306,406,067	-	-	-	-	-	-	-	-	-	-	
T50	T50	Tauranga	Individual ICP prices	Large	DIST	-	227	-	-	179,602,177	-	-	-	-	-	-	-	-	-	37,847	
T80	T801	Tauranga	Individual ICP prices	Large	DIST	-	37	-	-	203,589,780	-	-	-	-	-	-	-	-	-	30,913	
Eastern Region Total						69,884,726	166,271	26,083	-	1,684,050,039	185,446,085	65,072,686	13,174,870	154,510,251	353,790,683	16,351,727	34,986,465	6,283,332	6,140,784	142,114	

Eastern network - distribution & transmission revenue

Eastern Network						Distribution Revenue (FY23 Prices, FY23 Quantities)			
Tariff Group	Network Group	Tariff Description				Fixed	Variable	Demand	Total
Residential+Small Commercial									
V05S	V05S	Valley	Low User	Small	DIST	4,097,886	12,371,640	-	16,469,525
V06S	V06S	Valley	Standard User	Small	DIST	11,230,409	18,905,252	-	30,135,662
V08			Holiday Home	Small	DIST	-	-	-	-
T05S	T05S	Tauranga	Low User	Small	DIST	3,778,265	10,787,818	-	14,566,083
T06S	T06S	Tauranga	Standard User	Small	DIST	17,324,352	18,301,964	-	35,626,316
Unmetered Supply									
V01	V01	Valley	Unmetered	Small	DIST	-	27,530	-	27,530
V02	V02	Valley	Streetlighting	Small	DIST	511,762	-	-	511,762
T01	T01	Tauranga	Unmetered	Small	DIST	-	141,322	-	141,322
T02	T02	Tauranga	Streetlighting	Small	DIST	655,229	-	-	655,229
Medium Commercial									
V22	V22	Valley	199kVA > 3ph60A	Medium	DIST	1,927,058	2,720,614	-	4,647,672
V28	V28	Valley	200kVA > 299kVA	Medium	DIST	417,112	406,966	8,211	832,288
T22	T22	Tauranga	199kVA > 3ph60A	Medium	DIST	2,521,182	2,733,109	-	5,254,291
T28	T28	Tauranga	200kVA > 299kVA	Medium	DIST	1,292,436	1,282,759	71,258	2,646,453
Large Commercial / Industrial									
V40	V40	Valley	Individual ICP prices	Large	DIST	2,773,741	-	126,635	2,900,377
V60	V60	Valley	Individual ICP prices	Large	DIST	4,287,688	-	307,368	4,595,056
V601	V601	Kinleith	Individual ICP prices	Large	DIST	3,495,738	-	-	3,495,738
T50	T50	Tauranga	Individual ICP prices	Large	DIST	6,426,772	-	264,929	6,691,701
T60	T601	Tauranga	Individual ICP prices	Large	DIST	5,249,457	-	216,394	5,465,851
Eastern Region Total						65,989,087	67,678,974	994,795	134,662,856

Eastern Network						Transmission Revenue (FY23 Prices, FY23 Quantities)			
Tariff Group	Network Group	Tariff Description				Fixed	Variable	Demand	Total
Residential+Small Commercial									
V05S	V05S	Valley	Low User	Small	TRAN	-	4,820,356	-	4,820,356
V06S	V06S	Valley	Standard User	Small	TRAN	-	11,956,335	-	11,956,335
V08			Holiday Home	Small	TRAN	-	-	-	-
T05S	T05S	Tauranga	Low User	Small	TRAN	-	5,047,025	-	5,047,025
T06S	T06S	Tauranga	Standard User	Small	TRAN	-	15,081,058	-	15,081,058
Unmetered Supply									
V01	V01	Valley	Unmetered	Small	TRAN	-	12,458	-	12,458
V02	V02	Valley	Streetlighting	Small	TRAN	244,260	-	-	244,260
T01	T01	Tauranga	Unmetered	Small	TRAN	-	65,950	-	65,950
T02	T02	Tauranga	Streetlighting	Small	TRAN	281,399	-	-	281,399
Medium Commercial									
V22	V22	Valley	199kVA > 3ph60A	Medium	TRAN	291,979	1,636,360	-	1,928,338
V28	V28	Valley	200kVA > 299kVA	Medium	TRAN	45,882	203,483	-	249,365
T22	T22	Tauranga	199kVA > 3ph60A	Medium	TRAN	189,089	1,386,048	-	1,575,136
T28	T28	Tauranga	200kVA > 299kVA	Medium	TRAN	79,945	561,429	-	641,374
Large Commercial / Industrial									
V40	V40	Valley	Individual ICP prices	Large	TRAN	1,340,206	-	-	1,340,206
V60	V60	Valley	Individual ICP prices	Large	TRAN	4,778,375	-	-	4,778,375
V601	V601	Kinleith	Individual ICP prices	Large	TRAN	4,169,978	-	-	4,169,978
T50	T50	Tauranga	Individual ICP prices	Large	TRAN	3,130,890	-	-	3,130,890
T60	T601	Tauranga	Individual ICP prices	Large	TRAN	3,884,442	-	-	3,884,442
Eastern Region Total						18,436,444	40,770,501	-	59,206,945

Appendix C – Quantity forecasting

Quantity forecasting underpins the calculation of forecast revenue from prices. Because prices have fixed and variable components revenue forecasts require Powerco to forecast the underlying number of connections as well as volumes (kW and kWh).

Forecast connections and volumes for each tariff group largely relies on the levels and trends of historical actual data.

- Forecasts of regional connections are determined using current connections and applying an estimated growth rate for the region using the average growth rates over the previous three years as a guide.
- Powerco’s default method for volume and demand forecasts is to determine the average volume (or demand) per connection for each price category and tariff code, over the previous five years, and multiply it by the relevant connection forecast.
- In certain situations, the average volume over the previous five years is not appropriate to use as a forecast (such as in the case of closed price categories or “one-off” events). Powerco uses an appropriate subset from within the five-year historical data.
- Further adjustments may be made to average volumes for one off effects or emerging trends.

Tables C.1 to C.6 demonstrate that our connection and volume forecasts are consistent with actual historical growth rates.

Table C.7 outlines our forecasting methodology in instances where the average volume over the previous five years is not appropriate to use as a forecast.

Table C.1: Connection growth – Western region

Customer group	Actual			Projected	Forecast		Comment
	FY19	FY20	FY21	FY22	FY23	Total ICPs	
Small	0.8%	0.9%	0.9%	1.2%	1.0%	179,482	Forecast is consistent with historical growth
Medium	-0.9%	2.8%	6.3%	9.7%	5.2%	272	Forecast is consistent with recent historical growth
Large	3.6%	-1.1%	0.4%	1.6%	0.3%	287	Based on specific ICPs and assumed growth
Total	0.8%	0.9%	1.0%	1.2%	1.0%	180,042	

Table C.2: Connection Growth – Eastern region

Customer group	Actual			Projected	Forecast		Comment
	FY19	FY20	FY21	FY22	FY23	Total ICPs	
Small	1.5%	1.5%	1.4%	1.6%	1.5%	165,603	Forecast is consistent with historical growth
Medium	5.0%	4.9%	3.3%	3.1%	3.1%	1,436	Forecast is consistent with historical growth
Large	3.5%	0.0%	3.1%	3.3%	2.1%	390	Based on specific ICPs and assumed growth
Total	1.5%	1.5%	1.4%	1.6%	1.5%	167,429	

Table C.3: Average volume (kWh) per connection – Western region

Customer group	Actual			Projected	Forecast		Comment
	FY19	FY20	FY21	FY22	FY23	Growth	
Small	9,111	9,130	9,132	9,217	9,161	-	0 Reflects a trend of declining average household
Medium	428,205	411,791	370,208	364,124	374,129		0 No impact to revenue due to fixed charges
Large	2,455,983	2,458,477	2,319,643	2,304,811	2,329,583		0 No impact to revenue due to fixed charges

Table C.4: Total volume (GWh) – Western region

Customer group	Actual			Projected	Forecast		Comment
	FY19	FY20	FY21	FY22	FY23	Growth	
Small	1,572	1,589	1,604	1,638	1,644	0.4%	Higher connection growth offsets declining
Medium	92	91	87	94	102	8.0%	Reflects growth in connection numbers
Large	697	691	654	660	669	1.4%	No impact to revenue due to fixed charges
Total	2,362	2,371	2,346	2,392	2,416	1.0%	

Table C.5: Average volume (kWh) per connection – Eastern region

Customer group	Actual			Projected	Forecast		Comment
	FY19	FY20	FY21	FY22	FY23	Growth	
Small	7,812	7,741	7,789	7,885	7,753	-1.7%	Reflects a trend of declining average household
Medium	130,708	127,555	120,758	122,536	123,207	0.5%	Reflects historical trends
Large	2,958,166	2,845,535	2,735,932	2,721,200	2,689,366	-1.2%	No impact to revenue due to fixed charges

Table C.6: Total volume (GWh) – Eastern region

Customer group	Actual			Projected	Forecast		Comment
	FY19	FY20	FY21	FY22	FY23	Growth	
Small	1,219	1,226	1,250	1,286	1,284	-0.2%	Higher connection growth offsets declining
Medium	163	167	163	171	177	3.7%	Reflects growth in connection numbers
Large	1,062	1,022	1,012	1,040	1,049	0.9%	No impact to revenue due to fixed charges
Total	2,444	2,414	2,426	2,497	2,510	0.5%	

Table C.7: Forecast exceptions

Region	Customer Group	Price Category	Charge Type	Forecast methodology / comment
Western	Medium	E100	Variable Charge	Two years of historical data used, to recognise COVID impact.
Western	Large	W50	Variable Charge	Two years of most recent data used, to recognise COVID impact.
Western	Large	SPECIAL	Variable Charge	Prior year data used due to volatility of data.
Eastern	Small	T01 / T02	Variable Charge	Prior year data used to estimate FY22 quantities due to volatility of data.
Eastern	Small	T05S / T06S	Variable Charge	Three years of most recent data used, limited by transition to this group starting FY20.
Eastern	Medium	T22	Variable Charge	Three years of most recent data used due to declining averages.
Eastern	Large	T50	Variable Charge	Two years of most recent data used, to recognise COVID impact.
Eastern	Large	T60	Variable Charge	Two years of most recent data used, to recognise COVID impact.
Eastern	Small	V01	Variable Charge	Prior year data used to estimate FY22 quantities due to volatility of data.
Eastern	Small	V02	Variable Charge	Prior year data used to estimate FY22 quantities due to volatility of data.
Eastern	Small	V05S / V06S	Variable Charge	Three years of most recent data used, limited by TOU transition starting FY20.
Eastern	Medium	V22	Variable Charge	Uses three years of most recent data, to model a gradual COVID recovery.
Eastern	Medium	V28	Variable Charge	Uses three years of most recent data, to model a gradual COVID recovery.
Eastern	Large	V40	Variable Charge	Two years of most recent data used, to recognise COVID impact.
Eastern	Large	V60	Variable Charge	Two years of most recent data used, to recognise COVID impact.
Eastern	Large	V601	Variable Charge	Two years of most recent data used, to recognise COVID impact.
All	All	All	Power Factor Charge	Two years of most recent data used, to recognise reactive power volatility.

Approach to forecasting kWh quantities for small customers

Over recent years, the structure and level of distribution pricing has received attention from regulators, retailers, and other stakeholders. In the past, our prices for residential and small commercial customers had a time-of-use (TOU) component of their total distribution charge. A day/night structure applied, where prices were lower overnight than in the day. From 1 April 2019 we modified this structure to distinguish between peak and off-peak hours, requiring forecasts of volumes in those periods. The approach taken to forecasting volumes is summarised below:

Forecast	Comment
Annual volumes	Annual volumes are based on growth of ICPs and the historical trends of average kWh per annum - no adjustment has been made to reflect an impact of the pricing change.
Within-year peak/off-peak volumes	We have observed peak volumes of 29%-31% compared to off-peak volumes of 69% - 71%.

We update our forecasting models to reflect available data. This is because price structures and levels have the potential to affect consumption in aggregate, as well as at points in time when different prices might apply. Consumption is also affected by how retailers bundle distribution prices with other prices, as well as external factors such as temperature and a consumer's individual circumstances.

Approach to forecasting revenues for large commercial/ industrial customers

To forecast for our large commercial and industrial customers on asset-based pricing categories of V40, V60, T50, T60, W50 and SPECIAL. Powerco takes the expected revenue from current customers in the categories and applies a growth factor, based on historical ICP growth, to account for estimated revenue growth from new connections and existing customers.

4. Certification

Certification for the annual price-setting compliance statement for the year 1 April 2022 – 31 March 2023

I/we, John Loughlin, being director/s of Powerco certify that, having made all reasonable enquiry, to the best of my/our knowledge and belief, the attached annual price-setting compliance statement of Powerco, and related information, prepared for the purposes of the *Powerco Limited Electricity Distribution Customised Price-Quality Path Determination 2018* 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

24 March 2022

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.

