

WEL Networks Limited

THRESHOLD COMPLIANCE STATEMENT

FOR THE FIRST ASSESSMENT DATE, 6 SEPTEMBER 2003

Pursuant to the Commerce Act (Electricity Lines Thresholds)

Notice 2003

Date 24th October 2003

Contents

- 1) Disclosure of Information Required (Clause 7(1)(a))
- 2) Certification by auditor in relation to Threshold Compliance Statement (Clause 7(1)(b))
- 3) Certification of Threshold Compliance Statement. (Clause 7(1)(c))

APPENDIX A – Notional revenue at first reference date

APPENDIX B – Notional revenue at first assessment date

APPENDIX C – Notional revenue at publication date

APPENDIX D – Notional revenue at second reference date

1. Disclosure of Information Required (Schedule 7)

WEL Networks complies with all requirements of the Commerce Act (Electricity Lines Thresholds) Notice 2003, at the first assessment date.

Clause 5 (1) (a) Notional Revenue from 8 August 2001 to the First Assessment Date (6 September 2003).

Test:	$\Sigma P_{i2003} Q_{i0} - C_{T2003} - C_{R2003}$	\leq	$\Sigma P_{i0} Q_{i0} - C_{T2002} - C_{R2002}$
	[\$43,758,902]	=	[\$43,758,902]
Result:	Revenue at First Assessment date is equal to revenue at First Reference date. Threshold is not breached.		

Supporting evidence is presented in Appendices A and B.

Clause 5 (1) (b) Notional Revenue from Publication Date (6 June 2003) to the First Assessment Date (6 September 2003).

Test:	$\Sigma P_{i2003} Q_{i0}$	\leq	$\Sigma P_{i0} Q_{i0}$
	[\$55,179,226]	=	[\$55,179,226]
Result:	Revenue at Second Reference date is equal to revenue at Publication date. Threshold is not breached.		

Supporting evidence is presented in Appendices C and D.

Notional Revenue:

In accordance with the Gazette Notice, the following sources of revenue have been included in the calculation of notional revenue:

- Line charges

Excluded Services:

In accordance with the Gazette Notice the following sources of revenue have been excluded from the calculation of notional revenue:

Non-conveyancing Revenue In accordance with the definition of specified services as per the Commerce Act (Electricity Lines Thresholds) notice 2003
Gazetted 6 June 2003

- Interest
- Rent
- Gain on sale of assets
- Contributions by consumers for uneconomic assets
- Construction/maintenance of assets owned and operated by third parties e.g. streetlights owned by local authorities
- Call centre services to owners of other networks.

Pass Through Costs:

In accordance with the Gazette Notice, the following components of transmission charges have been included in pass through costs:

- Connection charges
- Interconnection charges
- Frequency charges
- Voltage charges
- New investment charges
- EVA adjustments
- Loss Rental Rebates excluding the proportion passed on directly to retailers (currently 60%)

Local body rates applying to system fixed assets: lines, cables, equipment, substation land and substation buildings, have also been passed through in accordance with the Gazette Notice.


Disclaimer

The information presented in this Threshold Compliance Statement has been prepared solely for the purpose of complying with the requirements of the Commerce Act (Electricity Lines Thresholds) Notice 2003. This statement has not been prepared for any other purpose and WEL Networks Limited expressly disclaims any liability to any other party who may rely on this statement for any other purpose.


3. Certification of Threshold Compliance Statement

We, Sir Dryden Thomas Spring and Rodger Herbert Fisher, being directors of WEL Networks Limited certify that, having made all reasonable enquiry, to the best of our knowledge and belief, the attached threshold compliance statement of WEL Networks Limited, and related information, prepared for the purposes of the Commerce Act (Electricity Lines Thresholds) Notice 2003 complies with the requirements of that notice.

As a result of the uncertainty surrounding the inclusion of discounts in the notional revenue calculation WEL Networks Limited has not included discounts in this Threshold Compliance Statement. WEL remains of the view that its recent discount payment of \$7.5 million is a price reduction.



Sir Dryden Spring



Rodger Fisher

24 October 2003