

Calculating the effective cost of Counties Power line prices including annual line-discount.

- For several years Counties Power Ltd has been providing an annual line discount to most customers based on market conditions and their actual electricity consumption. Whilst the total amount can vary from year to year, the company guarantees a total discount pool of at least \$ 3,000,000 plus any rental rebates from Transpower New Zealand.
- You can see how the discount has affected the overall cost of line services from Counties Power by checking this information on the Ministry of Economic Development website:

http://www.med.govt.nz/templates/StandardSummary____7133.aspx

- Counties Power Limited (CPL) discloses its prices and annual discounts according to good commercial practice and compliance to New Zealand laws. However, in order for a customer to derive their effective price (Delivery Price less Discount) and therefore their actual total costs in a year, customers need to refer to both disclosures to make this calculation. This is not always simple for customers as many are not familiar with working out their charges. Therefore, we have created this document, which illustrates how to derive your effective or actual cost (and price) of being connected to the Counties Power network. The effective cost depends on your price plan and usage.
- To work out your effective charges in any year you need to work out what the cost is based on our delivery prices and then subtract the discount that you qualify for based on your annual electricity consumption and site characteristics (i.e. domestic or business). We have outlined two typical examples below to demonstrate the calculation of your actual charges.

Domestic Customers – Typical Example

Around 85% of our customers are on this tariff combination. They use both uncontrolled and controlled (i.e. hot water cylinder) tariffs. These tariffs are disclosed in our tariff disclosure on our website called **Line Charges**. A typical domestic customer has the following tariff types:

Tariff type	Delivery Price (Exclusive of discount)
Meter Charge	14.8 cents per day
Supply Charge Domestic	15.0 cents per day
Domestic Anytime Power	8.89 cents/kWh
Domestic Econopower	4.51 cents/kWh

Annual cost calculation (365 day year) is as follows:

Tariff Type	Calculation method	Annual cost
Meter charge	14.8 cents per day multiplied by 365 days	\$54.02
Supply charge	15 cents per day multiplied by 365 days	\$54.75
Domestic Anytime Power	60% of 8000kWh (4800kWh) multiplied by 8.89 cents per kWh	\$426.72
Domestic Econopower	40% of 8000kWh (3200kWh) multiplied by 4.51 cents per kWh	\$144.32
	Total Cost	\$679.81
	Total Discount	-\$168.89
	Effective or actual annual cost	\$510.92

- I. We have used a standard industry estimate that 60% of domestic user's consumption is uncontrolled usage and 40% is controlled. Of course if you know what your actual figures are then you can use them to calculate your specific costs.

- II. Once we have derived the total cost we must then deduct the discount amount. In our typical example we have used 8000kWh of electricity consumption per year. We need to go to the *Discount Disclosure 2008* to find the discount that applies to this particular customer. In this case 8000kWh fits within the Domestic 7.5-10kWh band for non consolidated customers. This is a discount of \$168.89. We have put this in the table above and deducted it from the Total cost to find the actual cost in a year.

Business Customers – Typical Example

Around 68% of our customers are on this tariff combination that uses only uncontrolled. These tariffs are disclosed in our tariff disclosure on our website called *Line Charges*. A typical business customer comprises the following tariff type:

Tariff type	Delivery Price (Exclusive of discount)
Meter Charge	14.8 cents per day
Supply Charge Business	35.6 cents per day
Business Anytime Power	9.98 cents/kWh

In addition to the table above 14% of business customers have both Business Anytime and Business Econopower (typical usage split of 67% to 33%, respectively)

Annual cost calculation (365 day year) is as follows:

Tariff Type	Calculation method	Annual cost
Meter charge	14.8 cents per day multiplied by 365 days	\$54.02
Supply charge	35.6 cents per day multiplied by 365 days	\$129.94
Business Anytime Power	16500kWh multiplied by 9.98 cents per kWh	\$1,646.7
	Total Cost	\$1,830.66
	Total Discount	-\$419.56
Effective or actual annual cost		\$1,411.10

- I. Once we have derived the total cost we must then deduct the discount amount. In our typical example we have used 16500kWh of electricity consumption per year. We need to go to the *Discount Disclosure 2008* to find the discount that applies to this particular customer. In this case 16500kWh fits within the Business 15-20kWh band for non consolidated customers. This is a discount of \$419.56. We have put this in the table above and deducted it from the Total cost to find the actual cost in a year.

In most cases these examples should be sufficient for you to be able to calculate your own actuals costs, however, should your tariff structure not fit these typical customers or you would like some assistance please call the Business Analyst on 0800 100 202.

Disclaimer

- These are the rates charged to your retailer (we have no contractual relationship with end customers). If there are any differences please contact your retailer in the first instance.
- Not all business discount amounts have been publicly disclosed, if you believe you do not fit any published discounts bands please contact us for your specific situation.
- The Delivery Price (Inclusive of Discounts) in our Price Disclosure reflects our minimum discount amount of \$3,000,000.00. However the Discount Disclosure 2008 covers the actual discount for the current financial year (i.e. 1 April 2008 to 31 March 2009), which was \$9,500,000 (incl gst). The actual discount and not the minimum discount is reflected in the actual cost calculation above.
- The prices and discounts above exclude GST unless otherwise indicated.