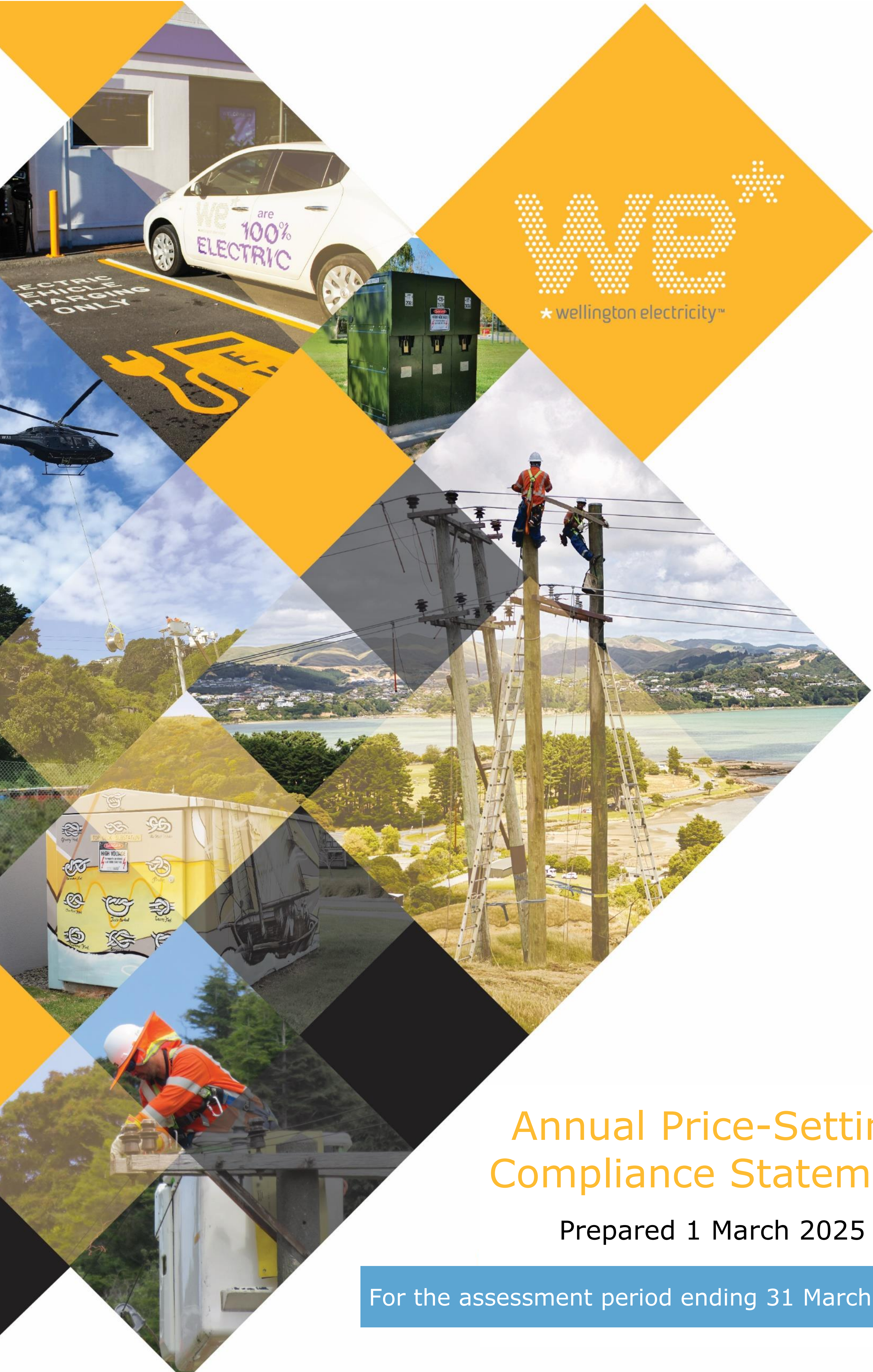

Annual Price-Setting Compliance Statement

Prepared 1 March 2025

For the assessment period ending 31 March 2026

Contents

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A copy of this Annual Price-Setting Compliance Statement and our Asset Management Plan can be downloaded from www.welectricity.co.nz/disclosures

Any comments or suggestions regarding the Annual Price Setting Compliance Statement can be made to:

Angela Watty

Stakeholder Relationship Manager

Wellington Electricity Lines Limited

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1 Introduction

Wellington Electricity Lines Limited (WELL) owns and operates the electricity distribution network in the Wellington region. We manage the poles, wires and equipment that provide electricity to approximately 400,000 consumers in the Wellington, Porirua, Lower Hutt and Upper Hutt areas. We have been provided capital expenditure allowances of $426m between April 2025 to March 2030 (the upcoming regulatory period) to continue investing in a safe, reliable network for our customers.

We have allowances to invest **$426m** in infrastructure on the Wellington network over the next five years	We provide electricity to over **176,000** households & premises and to over **400,000** people	Our total network is around **6,800 km** in length with over **4,200 km** of it being underground cables.	We have around **4,000 substations** and **40,000 poles**.	There are about **12,500** electric vehicles connected to our network, **2,400** more than last year.

Under Part 4 of the Commerce Act 1986, the Commerce Commission (**Commission**) regulates markets where competition is limited, including electricity distribution services. Regulation for electricity distribution services includes regulation of price and quality through a price-quality path to ensure incentives and pressures, similar to those in a competitive market, are faced by distributors so that consumers will benefit in the long term.

The price-quality path set by the Commission includes the allowances WELL has to operate the network, how much revenue we can collect from our customers and the quality levels that we must perform to. To demonstrate that WELL has met these performance targets, we are required to provide two compliance statements, the *Annual Price-Setting Compliance Statement* and the *Annual Compliance Statement.*

This document is the *Annual Price-Setting Compliance Statement.* The *Annual Price-Setting Compliance Statement* confirms that WELL's forecast prices for the 12-month period ended 31 March 2026 have been set at a level to collect the allowances determined by the price–quality path set by the Commission. The *Annual Price-Setting Compliance Statement* was submitted to the Commission and published on our website in March 2025 (www.welectricity.co.nz/disclosures/price-quality-path-annual-compliance-statements/).

The *Annual Compliance Statement* confirms that WELL has met its revenue and quality expectations set out by the price-quality path. WELL submits the *Annual Compliance Statement* to the Commission and publishes it on our website within five months of the end of the regulatory year (the end of the regulatory year being 31 March).

1.1 2025 DPP Determination requirements

The requirements of the *Annual Price-Setting Compliance Statement* are provided in the *Electricity Distribution Services Default Price-Quality Path Determination 2025* (**DPP Determination 2025**). The DPP Determination 2025 requires WELL to provide an *Annual Price-Setting Compliance Statement* to the Commission demonstrating that WELL's forecast prices are set at appropriate levels. This *Annual Price-Setting Compliance Statement* must include WELL's calculations of forecast revenue from prices and forecast allowable revenue. The statement must also include supporting information for all components of these calculations.

As required by clause 11.2(a) of the DPP Determination 2025, this *Annual Price-Setting Compliance Statement* confirms that WELL has complied with the price path in clauses 8.3-8.6 of the DPP Determination 2025 for the assessment period ending 31 March 2026.

1.2 Disclaimer

The information contained in this *Annual Price-Setting Compliance Statement* has been prepared for the express purpose of complying with the requirements of clauses 11.1-11.3 of the DPP Determination 2025. The *Annual Price-Setting Compliance Statement* has not been prepared for any other purpose. WELL expressly disclaims any liability to any other party who may rely on the *Annual Price-Setting Compliance Statement* for any other purpose.

Representations in this *Annual Price-Setting Compliance Statement* made by WELL relate solely to the services offered on the electricity distribution network in the Wellington region.

1.3 Rounding

For presentation purposes some numbers in this document have been rounded. In most cases calculations are based on more detailed numbers (i.e. to more decimal places than shown in this document). This may cause small discrepancies or rounding inconsistencies when aggregating some of the information presented in this document. These discrepancies do not affect the overall compliance calculations which have been based on the more detailed information.

2 Compliance assessment

2.1 Summary

The relevant price path compliance requirement is provided in clause 8.3 of the DPP Determination 2025. Clause 8.3 applies to Annual Price-Setting Compliance Statement assessments that are in the first assessment period of the DPP regulatory period and states that the forecast revenue from prices must not exceed the forecast allowable revenue for that assessment period.

WELL has complied with the price path for the assessment period ending 31 March 2026 (assessment period one of the DPP regulatory period) as shown in the table below. The table confirms that forecast revenue from prices for the assessment period ending 31 March 2026 does not exceed forecast allowable revenue and is below the limit of annual price increases.

Forecast revenue from prices ($000)	Forecast allowable revenue ($000)	Compliance test result
189,933	189,960	Complies because forecast revenue from prices is < forecast allowable revenue

Sections 2.2 and 2.3 provide more detail about the assumptions and calculations that support these forecasts.

2.2 Forecast allowable revenue

WELL's forecast allowable revenue for each annual assessment period is determined in accordance with the formula as per Schedule 1.4 (5) of the DPP Determination 2025.

Forecast allowable revenue = Forecast net allowable revenue

\+ Forecast revenue received via large connection contracts

\+ Forecast pass-through costs

\+ Forecast recoverable costs

The calculation of WELL's forecast allowable revenue for the assessment period ending 31 March 2026:

Calculation components	**Amount ($000)**
Forecast net allowable revenue	118,696
Forecast revenue received under large connection contracts	0
Forecast pass-through costs	64,032
Forecast recoverable costs	7,233
Total forecast allowable revenue	**189,960**

The components of forecast allowable revenue for the assessment period ending 31 March 2026 are described in more detail below.

2.2.1 Forecast net allowable revenue

The forecast net allowable revenue is provided in Schedule 1.1 of the DPP Determination 2025. The forecast net allowable revenue for the assessment period ending 31 March 2026 is $118,696,000.

2.2.2 Forecast pass-through and recoverable costs

WELL forecasts the pass-through and recoverable costs for the annual assessment period. The DPP Determination 2025 requires that WELL demonstrates the forecasts are reasonable. The following table provides a breakdown of these forecast costs and summarises the approach WELL has applied to determine these forecasts. In WELL's opinion, the forecasts are reasonable.

Component	Amount ($000)	Basis for forecast
Forecast pass-through costs		
Council rates	4,196	Based on historical costs, combined with the latest information, plus CPI adjustment of 10.0% for local council rates and 2.0% for non-council pass-through costs. Local councils have indicated above inflation increases for the upcoming year. Non-council costs are inflated at the mid-point of the Reserve Bank's monetary policy target inflation.
Commerce Commission levies	355	
Electricity Authority levies	541	
UDL levies	128	
Transpower charges	58,161	As notified by Transpower
Transpower new investment charges	651	
Total forecast pass-through costs	**64,032**	
Forecast recoverable costs		
Wash-up draw down amount	8,953	Calculated as per Section 3.1.4 of the Electricity Services Input Methodologies (Wash-up Amounts) Amendment Determination 2024
Quality incentive adjustment	-154	Determined for 2023/24 regulatory year (adjusted for time value of money)
Capex wash-up adjustment	0	Calculated as per Section 3.1.3(1)(p) of the Electricity Services Input Methodologies Determination 2012
IRIS Incentive adjustment – operating expenditure	-1,644	Calculated as per Section 3.3.2 of the Electricity Services Input Methodologies Determination 2012
IRIS Incentive adjustment – capital expenditure	0	Calculated as per Section 3.3.10 of the Electricity Services Input Methodologies Determination 2012
Innovation project allowance	0	Calculated as per Schedule 2.1 (5) of the DPP Determination 2025
Fire and Emergency New Zealand (FENZ) levies	79	Based on historical costs plus CPI adjustment of 2%. Inflation set at the mid-point of the Reserve Bank's monetary policy target inflation.
Total forecast recoverable costs	**7,233**	
Total forecast pass-through and recoverable costs	**71,264**	

2.2.3 Wash-up drawdown amount

The forecast wash-up drawdown amount for the assessment period ending 31 March 2026 is $8,953. Supporting calculations are presented below.

RY24 wash-up account balance	Definition/calculation	Amount ($000)
RY24 closing wash-up account balance	RY23 wash-up amount adjusted for the time value of money: $2,149 x (1+ 4.23%) = $2,240 Where 4.23% is the DPP3 Vanilla WACC – 67th percentile.	2,240
plus RY24 wash-up amount	Difference between actual allowable revenue and actual revenue less revenue foregone from the fourth assessment period of the DPP3 Determination (WELL's third year of the DPP3).	8,158
RY24 wash-up account balance		**10,398**

RY26 wash-up drawdown amount	Definition/calculation	Amount ($000)
RY24 wash-up account balance (adjusted for time value of money)	$10,398 x (1+4.23%) x (1+5.29%) = $11,411 Where 4.23% is the DPP3 Vanilla WACC – 67th percentile, and 5.29% is the RY26 WACC.	11,411
less RY25 wash-up drawdown amount (adjusted for time value of money)	$2,335 x (1+5.29%) = $2,458	2,458
RY26 wash-up drawdown amount		**8,953**

2.3 Forecast revenue from prices

WELL's forecast revenue from prices is equal to the total of each of its prices multiplied by the forecast quantities they will apply to, plus forecast other regulated income, and plus forecast revenue received under large connection contracts. The DPP Determination 2025 requires that these forecasts are demonstrably reasonable.

Calculation components	**Amount ($000)**
Forecast revenue from prices (PxQ)	188,584
Forecast other regulated income	1,349
Forecast revenue received under large connection contracts	0
Total forecast revenue from prices	**189,933**

Prices have fixed and variable components, each requiring separate quantity forecasts – the fixed component requiring a forecast for the number of new connections and the variable component requiring a forecast of volume (kWh). WELL has based forecasts for Residential, General Low Voltage and General Transformer Standard Consumer Group Connections by applying historic trends to the latest actual volume forecast. The forecast for energy volumes captures changes in energy consumption behaviour post the Covid-19 pandemic as well as the impact of the electrification of transportation and the transition from gas to electricity at both residential and commercial levels.

Residential volumes are forecast to increase due to EV related demand increases and the transition from gas to electricity in households for space heating, hot water, and cooking. EV numbers in Wellington increased by 24% in the 12 months to August 2024 and are expected to continue to increase in 2025. Commercial volumes have declined on average by 1.0% for the last 5 years. However, commercial volumes have been slowly recovering on the back of the Covid-19 pandemic and are also expected to increase due to the transition from gas to electricity. The table below summarises the volume trends and the resulting forecast.

Standard consumer groups (excl. unmetered)	Forecast connections		Forecast volume (kWh)	
	Annual % change from 2023/24 base year	Forecast base	Annual % change from 2023/24 base year	Forecast base
Residential (includes low user, standard user and EV)	0.9%	5-year historic average	0.9%	2-year historic average +0.25% to exclude Covid impacts, +0.25% EV related increase, +0.4% gas transition
General Low Voltage	0.0%	5-year historic average	0.9%	2-year historic average, continued Covid recovery, +0.4% gas transition
General Transformer	1.5%	5-year historic average, conservative	0.9%	2-year historic average, continued Covid recovery, +0.4% gas transition

For the unmetered consumer group, WELL has forecast a 0% change in connections and volume from 2023/24. The majority of the revenue in this consumer group arises from fixed charges, which are charged based on the number of fittings (rather than ICPs).

WELL also has consumers who are charged based on non-standard contracts. These customers have atypical connection characteristics. For non-standard consumers, a confidential agreement exists between WELL and the individual consumer which sets out the terms and conditions for the supply of the electricity lines services. Prices for customers on non-standard contracts will change from 1 April 2025 in accordance with the terms and conditions of their non-standard contracts.

A summary of WELL's forecast revenue from prices is provided in the table below. Further information is provided in Appendix 1.

Consumer group	Forecast revenue from prices (PxQ) ($000)
Residential (includes low user and standard user)	118,148
General low voltage	41,415
General transformer	22,128
Unmetered	4,879
Non-standard consumers (individual contracts)	2,014
Total	188,584

Forecast other regulated income has been estimated as follows.

	Reference/calculation	Amount ($000)
RY24 other regulated income (actual)	Schedule 3 of WELL's Information Disclosures 2024	1,007
RY25 other regulated income (forecast)	$1,007 x (1+2.2%) = $1,029 Where 2.2% is forecast CPI for the year ending 31 March 2025	1,029
RY26 other regulated income (forecast)	$1,029 x (1+31.1%) = $1,349 Where 31.1% is an estimate of the revenue increase after accounting for the increases to WELL's other service charges as well as forecast CPI of 2.1% for the year ending 31 March 2026	1,349

3 Compliance references

The following tables describe the DPP Determination 2025 requirements and the section of this Annual Price-Setting Compliance Statement that addresses them.

3.1.1 Price path summary

Determination clause	Requirement	Section of this document
8.3	The forecast revenue from prices for the first assessment period does not exceed the forecast allowable revenue.	2.1 & 2.2

3.1.2 Annual price-setting compliance statement

Determination clause	Requirement	Section of this document
An annual price-setting compliance statement must be provided to the Commission consisting of:		
11.2 (a)	A statement indicating whether or not WELL has complied with the price path in clause 8 for the assessment period.	2.1
11.2 (b)	The date on which the statement was prepared.	Cover
11.2 (c)	A certification in the form set out in Schedule 6, signed by at least one Director of WELL.	Appendix B

Determination clause	Requirement	Section of this document
11.3 (a)	WELL's calculation of its forecast revenue from prices together with supporting information for all components of the calculation.	2.3 & Appendix A
11.3 (b)	WELL's calculation of its forecast allowable revenue together with supporting information for all components of the calculation.	2.2
11.3 (c)	Any reasons for non-compliance with the price path.	N/A
11.3 (d)	Actions taken to mitigate any non-compliance and to prevent similar non-compliance in future assessment periods.	N/A

4 Appendix A – Forecast volumes and revenue for period 1 April 2025 to 31 March 2026

Price Code	Units	Description	Quantity 1 April 2025 to 31 March 2026	Distribution Price 1 April 2025 to 31 March 2026	Pass-through & Recoverable Price 1 April 2025 to 31 March 2026	Revenue 1 April 2025 to 31 March 2026
Residential						
RLU-FIXD	$/con/day	Residential low user daily	1,752,189	0.4500	0.3000	1,314,142
RLU-24UC	$/kWh	Residential low user uncontrolled	14,116,006	0.0554	0.0197	1,060,112
RLU-AICO	$/kWh	Residential low user all inclusive	8,449,105	0.0457	0.0181	539,053
RLU-CTRL	$/kWh	Residential low user controlled	610,634	0.0403	0.0125	32,241
RLU-NITE	$/kWh	Residential low user night only	114,667	0.0181	0.0051	2,660
RSU-FIXD	$/con/day	Residential standard user daily	1,631,650	0.5818	0.8205	2,288,063
RSU-24UC	$/kWh	Residential standard user uncontrolled	26,012,742	0.0413	0.0042	1,183,580
RSU-AICO	$/kWh	Residential standard user all inclusive	13,680,730	0.0316	0.0028	470,617
RSU-CTRL	$/kWh	Residential standard user controlled	1,308,415	0.0209	0.0020	29,963
RSU-NITE	$/kWh	Residential standard user night only	295,559	0.0108	0.0007	3,399
RLUTOU-FIXD	$/con/day	Residential low user time of use daily	32,225,973	0.4500	0.3000	24,169,480
RLUTOU-UC	$/kWh	Residential low user time of use uncontrolled	24,581,756	0.0554	0.0197	1,846,090
RLUTOU-AICO	$/kWh	Residential low user time of use all inclusive	19,621,296	0.0457	0.0181	1,251,839
RLUTOU-P-UC	$/kWh	Residential low user time of use peak uncontrolled	68,443,684	0.0922	0.0428	9,239,897
RLUTOU-OP-UC	$/kWh	Residential low user time of use off-peak uncontrolled	159,449,253	0.0346	0.0104	7,175,216
RLUTOU-P-AI	$/kWh	Residential low user time of use peak all inclusive	55,001,758	0.0796	0.0370	6,413,205
RLUTOU-OP-AI	$/kWh	Residential low user time of use off-peak all inclusive	127,564,086	0.0296	0.0105	5,115,320
RLUTOU-CTRL	$/kWh	Residential low user time of use controlled	14,769,196	0.0403	0.0125	779,814
RLUTOU-NITE	$/kWh	Residential low user time of use night boost	2,295,397	0.0181	0.0051	53,253
RSUTOU-FIXD	$/con/day	Residential standard user time of use daily	23,108,849	0.5818	0.8205	32,405,539
RSUTOU-UC	$/kWh	Residential standard user time of use uncontrolled	33,665,198	0.0413	0.0042	1,531,767
RSUTOU-AICO	$/kWh	Residential standard user time of use all inclusive	28,815,833	0.0316	0.0028	991,265
RSUTOU-P-UC	$/kWh	Residential standard user time of use peak uncontrolled	81,442,237	0.0938	0.0116	8,584,012
RSUTOU-OP-UC	$/kWh	Residential standard user time of use off-peak uncontrolled	195,553,459	0.0145	0.0009	3,011,523
RSUTOU-P-AI	$/kWh	Residential standard user time of use peak all inclusive	72,591,511	0.0770	0.0100	6,315,461
RSUTOU-OP-AI	$/kWh	Residential standard user time of use off-peak all inclusive	170,712,363	0.0098	0.0007	1,792,480
RSUTOU-CTRL	$/kWh	Residential standard user time of use controlled	21,624,575	0.0209	0.0020	495,203
RSUTOU-NITE	$/kWh	Residential standard user time of use night boost	4,586,918	0.0108	0.0007	52,750
					subtotal	118,147,941
General low voltage connection						
GLV15-FIXD	$/con/day	General low voltage <=15kVA daily	1,894,657	0.4234	0.8219	2,359,416
GLV15-24UC	$/kWh	General low voltage <=15kVA uncontrolled	42,419,946	0.0383	0.0034	1,768,912
GLV69-FIXD	$/con/day	General low voltage >15kVA and <=69kVA daily	3,661,375	1.0474	2.4492	12,802,365
GLV69-24UC	$/kWh	General low voltage >15kVA and <=69kVA uncontrolled	279,087,566	0.0266	0.0027	8,177,266
GLV138-FIXD	$/con/day	General low voltage >69kVA and <=138kVA daily	169,104	5.9356	6.8728	2,165,957
GLV138-24UC	$/kWh	General low voltage >69kVA and <=138kVA uncontrolled	52,318,410	0.0313	0.0034	1,815,449
GLV300-FIXD	$/con/day	General low voltage >138kVA and <=300kVA daily	142,482	8.4551	12.9987	3,056,780
GLV300-24UC	$/kWh	General low voltage >138kVA and <=300kVA uncontrolled	96,561,869	0.0132	0.0014	1,409,803
GLV1500-FIXD	$/con/day	General low voltage >300kVA and <=1500kVA daily	76,244	21.3206	42.4887	4,865,076
GLV1500-24UC	$/kWh	General low voltage >300kVA and <=1500kVA uncontrolled	127,368,756	0.0059	0.0007	840,634
GLV1500-DAMD	$/kVA/month	General low voltage >300kVA and <=1500kVA demand	378,783	5.1714	0.5129	2,153,116
					subtotal	41,414,775
General transformer connection						
GTX300-FIXD	$/con/day	General transformer >138kVA and <=300kVA daily	44,676	7.8449	14.2828	988,571
GTX300-24UC	$/kWh	General transformer >138kVA and <=300kVA uncontrolled	49,935,504	0.0125	0.0015	699,097
GTX1500-FIXD	$/con/day	General transformer >300kVA and <=1500kVA daily	111,132	16.9262	1.6781	2,067,541
GTX1500-24UC	$/kWh	General transformer >300kVA and <=1500kVA uncontrolled	346,045,551	0.0049	0.0007	1,937,855
GTX1500-CAPY	$/kVA/day	General transformer >300kVA and <=1500kVA capacity	82,876,059	0.0115	0.0521	5,270,917
GTX1500-DAMD	$/kVA/month	General transformer >300kVA and <=1500kVA demand	962,575	4	0	4,702,468
GTX1501-FIXD	$/con/day	General transformer >1500kVA connection daily	14,458	0.0376	0.0035	594
GTX1501-24UC	$/kWh	General transformer >1500kVA connection uncontrolled	172,173,388	0.0010	-	172,173
GTX1501-CAPY	$/kVA/day	General transformer >1500kVA connection capacity	33,978,994	0.0204	0.0526	2,480,467
GTX1501-DOPC	$/kW/month	General transformer >1500kVA connection on-peak demand	397,034	8.3743	0.8302	3,654,499
GTX1501-PWRF	$/kVAr/month	General transformer >1500kVA connection power factor	23,130	6.0468	0.5996	153,731
					subtotal	22,127,914
Unmetered						
G001-FIXD	$/fitting/day	Non-street lighting daily	483,151	0.0246	0.1158	67,834
G001-24UC	$/kWh	Non-street lighting uncontrolled	3,687,862	0.0797	0.0099	330,432
G002-FIXD	$/fitting/day	Street lighting daily	16,113,599	0.2364	0.0417	4,481,192
G002-24UC	$/kWh	Street lighting uncontrolled	17,147,492	-	-	-
					subtotal	4,879,459
Non standard charges						
Special	Unit	Non-standard contracts	1	1,494,341	519,428	2,013,769
					TOTAL	**188,583,858**

5 Appendix B – Director's certificate

Schedule 6: Form of director's certificate for annual price-setting compliance statement

Clause 11.2(c)

I, Richard Pearson, being a Director of Wellington Electricity Lines Limited certify that, having made all reasonable enquiry, to the best of my knowledge and belief, the attached annual price-setting compliance statement of Wellington Electricity Lines Limited, and related information, prepared for the purposes of the *Electricity Distribution Services Default Price-Quality Path Determination 2025* 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.

Richard Pearson
Chairman

01 March 2025

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.