Network Tasman and Nelson Electricity

Aggregating DPP4 settings

23 October 2025

[redacted]

Daniel Vincent
Regulatory and Commercial Manager
[redacted]
Nelson

23 October 2025

Network Tasman Limited and Nelson Electricy Limited - Regulatory Amalgamation – DPP4

Dear Dan,

We are pleased to provide our advice on the default price-quality path (DPP4) settings for Network Tasman Limited (NTL or Network Tasman) following the amalgamation of the regulated electricity distribution businesses (EDBs) of NTL and Nelson Electricity Limited (NEL) from 1 April 2025. Under DPP4, a merger is to be treated as an amalgamation.

The purpose of this report is to set out our understanding of the requirements for amalgamations of non-exempt EDBs under the relevant Commerce Act, Part 4 regulatory determinations, and to set out a methodology for and interim calculations for the price-quality path standards to apply to NTL for the current regulatory period.

This report is subject to the terms and conditions of our letter of engagement dated 15 August 2025 and the restrictions set out in Appendix A. If you require any clarification or further information, please do not hesitate to contact Lynne Taylor in the first instance.

Yours sincerely,

[redacted]

Lynne Taylor
Executive Director, PwC
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Mark Robinson
Director, PwC
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Summary

Summary

DPP4 amalgamation

On 31 March 2025, NTL acquired a 100% stake in NEL. Previously NEL was owned by NTL and Marlborough Lines Limited (MLL) each holding a 50% share in the company.

Although NTL acquired all of the shares in NEL at the end of FY25, the companies have been retained as separate legal entities for the FY26 year. We understand that NEL may be fully amalgamated into NTL at the end of FY26.

Once NTL obtained sufficient shares in NEL to gain a substantial degree of influence over NEL, the regulatory price-quality (PQ) settings of both entities are to be combined in accordance with the EDB IMs and DPP4 Determination.

A merger is deemed to have occurred under the current default price-quality path (DPP4) determination applying to NTL and NEL, as NTL has obtained substantial influence over NEL without completing a full amalgamation. In the DPP4 determination, a merger is to be treated the same as an amalgamation for the purpose of PQ paths.

Accordingly, we have prepared a proposed approach and initial outputs for aggregating the DPP4 price paths and quality standards of NTL and NEL.

We recommend engaging with the Commerce Commission as soon as possible to ensure the DPP4 determination amendments are implemented prior to the start of the second assessment period. We also recommend seeking clarification of the ongoing compliance obligations for NTL and NEL under the DPP determination once the PQ paths are aggregated.

Aggregating price paths

The price path for NTL and NEL can be combined to reflect one aggregated price path. As most of the price path is formulaic, once the core parameters are combined, the price setting and annual compliance assessments are undertaken with reference to the combined parameters, described below.

DPP4 price path measures	DPP4 Decision NTL	NEL	Aggregated
Starting prices - forecast net allowable revenue ($000)	37,179	7,219	44,398
Annual rate of change	-8.3%	-7.1%	-8.1067%
Wash-up account balance	Aggregated value to be determined for the PSCS for the second assessment period		

In addition, the allowances specified in the DPP4 determination for NTL and NEL will be combined:

- forecast opex and commissioned asset allowances for the Incremental Rolling Incentive Scheme (IRIS)
- limit on the innovation and non-traditional solutions allowance (INSTA)

Summary

Aggregating quality standards

The DPP4 determination requires quality standard measures to be adjusted when aggregating DPP4 quality (interruption) standards. This must be done in a way that:

a) reflects the historical reliability of the networks which have been amalgamated

b) is supported by robust and verifiable analysis.

Accordingly, it is proposed that the interruption standards of NTL and NEL are aggregated by combining the historical interruption data of NTL and NEL and reperforming the calculations used to derive the DPP4 interruption standards for each EDB.

This can be undertaken using the DPP4 reference datasets, and the quality standard models which have been published alongside the DPP4 determination and decision papers, as described below.

This method is consistent with the requirements outlined in the DPP4 determination.

Methodology for aggregating interruption standards

- Combine reference datasets by appending the NTL and NEL interruption data in the '*dpp4_edb_interruptions_transitional (5269107.1).xlsx*' file
- Derive aggregated annual average ICPs for each disclosure year (DY) in the reference period
- Recalculate SAIDI and SAIFI for each interruption using the aggregated ICP data
- Assign NTL labels to all NEL interruptions
- Rerun the R model '*edb_reliability_normalisation.R* with the aggregated data
- Generate adjusted R model outputs for NTL from the combined normalised data
- Combine NTL and NEL DPP3 interruption standards using a weighted average method. NTL and NEL ICP counts at the DPP4 amalgamation date are used for this purpose. The coincides with the start of DPP4
- Rerun the capping calculations in the *Reliability-standards-and-incentives-model-EDB-DPP4-Final-Decision-20-November-2024.xlsx* using the adjusted R outputs and the combined DPP3 interruption standards
- Generate adjusted interruption standards consistent with the DPP4 method, after applying the inter-period caps
- Generate adjusted QIS parameters using aggregated MWh data.

There is no change to the extreme event standard of 120 SAIDI minutes, which applies on a per interruption basis.

Adjusted DPP4 reliability standards

The proposed adjusted DPP4 reliability standards for NTL are summarised below, reflecting the analysis described above. These reflect the historical interruption data of NTL and NEL, combined using the DPP4 models and methodology as described further in this report.

DPP4 interruption standards - aggregated	SAIDI (minutes)	SAIFI (times)
Planned Accumulated Limit	901.41	4.0065
Unplanned Limit	82.31	1.0062
Unplanned Boundary Value	5.64	0.0524

Summary

The table below compares the DPP4 standards for NTL, NEL and the aggregated NTL results.

NTL has historically recorded significantly higher SAIDI and SAIFI due to its predominantly rural overhead network, compared to NEL's smaller, urban and predominantly underground network.

As illustrated below, the adjusted interruption standards fall slightly below NTL's standards and significantly above NEL's standards. This is consistent with expectations as the NTL network is larger, with more ICPs and interruptions than NEL.

The boundary values reflect the most significant events within the aggregated data. As these events all occur on the Network Tasman network (with the exception of one NEL SAIFI event), they reflect the adjusted SAIDI and SAIFI values for the selected NTL interruptions. Accordingly, the adjusted boundary values are lower than the DPP4 values.

Summary of interruption standards	NTL	NEL	Network Tasman Adjusted
Planned SAIDI Limit	1067.94	162.10	901.41
Planned SAIFI Limit	4.4119	2.1297	4.0065
Unplanned SAIDI Limit	98.33	18.62	82.31
Unplanned SAIFI Limit	1.1358	0.4063	1.0062
Unplanned SAIDI Boundary	6.87	6.03	5.64
Unplanned SAIFI Boundary	0.0611	0.1405	0.0524

Adjusted QIS measures

The aggregated measures for the QIS are shown below.

DPP4 QIS measures - aggregated	Planned SAIDI (minutes)	Unplanned SAIDI (minutes)
Interruption Cap	180.28	82.31
Interruption Target	90.14	61.14
Interruption Collar	0	0
Incentive rate ($/minute)	7,653	15,307

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Aggregating price-quality paths

Aggregating price-quality paths

DPP4 amalgamation

On 31 March 2025, NTL acquired a 100% stake in NEL. Previously NEL was owned by NTL and MLL each holding a 50% share in the company.

Although NTL acquired all of the shares in NEL at the end of FY25, the companies have been retained as separate legal entities for the FY26 year. We understand that NEL may be fully amalgamated into NTL at the end of FY26.

Once NTL obtained sufficient shares in NEL to gain a substantial degree of influence over NEL, the regulatory PQ settings of both entities are to be combined in accordance with the EDB input methodologies (IMs) and DPP4 determination. The key requirements are presented opposite, and key terms are listed below.

Note: Acronyms and references used in this report are listed in the appendices.

Key terms	Relevant clause
amalgamation is defined with reference to Part 13 of the Companies Act 1993, which sets out provisions for two or more companies who amalgamate to become one company	IM cl 1.1.4
merger is where an EDB takes over, or otherwise merges, but does not amalgamate, with another EDB. This includes purchasing all assets or acquiring sufficient shares to gain substantial influence or a scheme of arrangement as per Part 15 of the Companies Act	DPP4 cl 4.2

A merger is deemed to have occurred under the DPP4 determination, as NTL has obtained substantial influence over NEL without completing a full amalgamation. In the DPP4 determination, a merger is to be treated the same as an amalgamation for the purpose of PQ paths.

Accordingly, we have prepared a proposed approach and initial outputs for aggregating the DPP4 price paths and quality standards of NTL and NEL, for the purpose of the ongoing PQ compliance of NTL.

We recommend engaging with the Commerce Commission as soon as possible to ensure the DPP4 determination amendments are implemented prior to the start of the second assessment period.

Provision	Relevant IM clause
DPPs of EDBs which have amalgamated or merged are aggregated from the start of the disclosure year following the transaction	IM cl 3.2.1 (1)-(3) DPP4 cl 10.16
If the amalgamation or merger is a major transaction, the DPP may be reopened	IM cl 4.5.8
When a DPP is reopened following a major transaction, it may only be amended to mitigate the effect of the major transaction on price or quality	IM cl 4.5.15 (5)

Aggregating price-quality paths

DPP4 determination

The DPP4 determination sets out the expectations for aggregating the DPP4 settings for EDBs which have been engaged in a transaction which results in an amalgamation or merger, as presented below.

Key requirements	Relevant clause
The transaction must be notified to the Commission	DPP4 cl 10.1
Where there is an amalgamation or merger, quality standard measures are aggregated in a way that: a) Reflects the historical reliability of the networks which have been amalgamated b) Is supported by robust and verifiable analysis This is to be approved by the Commission	DPP4 cl 10.17
The adjusted measures are applied for the remainder of the DPP period following the amalgamation or merger	DPP4 cl 10.18

The DPP4 determination is silent on the process for amalgamating price paths for EDBs which have merged or amalgamated (refer clause 10.16 and 10.17), other than via reference to IM clause 3.2.1. While there are provisions for reopening a PQ path in the event of a major transaction, there is no further guidance in the DPP4 determination for this form of transaction.

Quality standards

The DPP4 determination also specifies the quality standard measures that must be adjusted following a transaction, as follows.

Key requirements	Relevant clause
Where there is an amalgamation or merger, the following quality standard measures must be adjusted: b) planned accumulated SAIDI limit c) planned accumulated SAIFI limit d) unplanned SAIDI limit e) unplanned SAIFI limit f) SAIDI unplanned boundary value g) SAIFI unplanned boundary value h) SAIDI planned interruption cap i) SAIDI unplanned interruption cap j) SAIDI planned interruption target k) SAIDI unplanned interruption target l) incentive rate.	DPP4 cl 10.2 (b) – (l)

The remaining sections of this report set out the proposed methods and parameters for aggregating the PQ settings for NTL and NEL for DPP4. These will apply from the date of the regulatory merger, 1 April 2025.

Aggregating price-quality paths

DPP compliance

As noted previously, aggregating PQ paths is reasonably straightforward, even with limited guidance in the DPP determination.

However, it will be helpful to the auditors and directors of NTL and NEL to understand the compliance obligations for both EDBs arising from the DPP transaction.

Given NTL and NEL will not be legally amalgamated for DY26, we recommend that the following points are clarified with the Commission, and if necessary reflected in an amended DPP4 determination:

- The non-exempt EDB of NTL becomes the regulated entity for DPP4 for DY26, after aggregating NTL and NEL DPP4 price path and quality standards
- There are no DPP4 obligations for NEL as a non-exempt EDB for DY26, for example NEL will not prepare an annual compliance statement
- When complying with the aggregated price path for DY26, revenue from prices, recoverable costs and pass through costs of the non-exempt EDBs of NTL and NEL are aggregated. We note this will differ to the annual disclosure treatment prior to a legal merger of NTL and NEL
- Should a legal amalgamation proceed, this would not trigger the transaction provisions in section 10 of the DPP4 determination and clause 3.2.1 of the IMs, given the PQ paths will have been aggregated due to the merger.

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Aggregating DPP4 price paths

Aggregating the DPP4 price paths

DPP4 Determination requirements

NTL and NEL price paths can be combined to reflect one aggregated price path. As most of the price path is formulaic, once the core parameters are combined, the price setting and annual compliance assessments are undertaken with reference to the combined parameters.

The DPP4 price path determination specifies, for each of NTL and NEL:

- a starting price, which reflects forecast net allowable revenue for the first assessment period (FY26)
- an annual rate of change (%) which is used to derive forecast net allowable revenue for the second to fifth assessment periods.

Wash-up account balance

In addition, to calculate the wash-up accrual amount for an assessment period, a wash-up account balance is required. This term is defined in the EDB IM determination at clause 3.1.4. The NTL and NEL wash-up account balances are to be aggregated from the start of DPP4 for this purpose.

The wash-up account balance is first required when setting prices for the second assessment period of DPP4. It will be disclosed in the Price Setting Compliance Statement (PSCS) to be published by 1 April 2026. The closing wash-up account balance for DY25 will comprise, the sum of the following terms:

- the DY25 wash-up amounts for NTL and NEL
- the DY25 closing wash-up account balances for NTL and NEL.

Rate of change

Although not specified in the DPP4 determination as a requirement for aggregating price paths, it will be necessary to combine the rates of change for NTL and NEL. This is because for DPP4, each EDB was assigned an applicable X factor to smooth revenue recovery over the regulatory period. The X factor is applied in the actual net allowable revenue term from the second assessment period onwards.

Each EDB's X factor provides an ex-ante expectation of recovering its DPP4 building blocks allowable revenue (BBAR) over the regulatory period, via maximum allowable revenue (MAR). The profile of MAR is reflected in the starting prices and X factors specified in the DPP4 determination (shown below for NTL and NEL).

As the starting prices for the regulatory period have been determined for each EDB, we must maintain those values when solving for the aggregated X factor. To do this we aggregate the starting prices and BBAR of NTL and NEL (from the DPP4 financial model) and solve for the PV of the aggregated BBAR. As shown below, it is not possible to solve for an X factor to 1 decimal place (which is the X factor format in the DPP4 determination).

DPP4 price path measures	DPP4 Decision		
	NTL	NEL	Aggregated
Starting prices - forecast net allowable revenue ($000)	37,179	7,219	44,398
Annual rate of change	-8.3%	-7.1%	-8.1067%
Wash-up balance	Aggregated value to be determined for the PSCS for the second assessment period		

Aggregating the DPP4 price paths

Specified amounts for the incremental rolling incentive scheme

The DPP4 determination specifies forecast opex and forecast commissioned assets for the incremental rolling incentive scheme (IRIS). The amounts will be combined for the aggregated price path of NTL, as illustrated in the tables below.

Forecast opex $000	DY26	DY27	DY28	DY29	DY30
NTL	17,074	17,688	18,330	19,011	19,722
NEL	2,730	2,818	2,910	3,007	3,108
Aggregated	**19,804**	**20,506**	**21,240**	**22,018**	**22,830**

Forecast commissioned assets $000	DY26	DY27	DY28	DY29	DY30
NTL	25,320	21,607	19,197	16,929	17,037
NEL	2,260	2,733	2,861	2,464	2,462
Aggregated	**27,580**	**24,340**	**22,058**	**19,393**	**19,499**

Innovation and non-traditional solutions allowance

The DPP4 determination specifies a limit on the innovation and non-traditional solutions allowance (INSTA) for each non-exempt EDB for the DPP regulatory period.

The amounts will be combined for the aggregated price path of NTL, as illustrated in the table below.

INSTA allowance $m	Limit
NTL	1.8
NEL	0.3
Aggregated	**2.2**

(does not add due to rounding)

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Aggregating DPP4 quality standards

DPP4 quality standards

DPP4 quality standards

The DPP4 quality standards specified for each of NTL and NEL comprise the same measures. The values for each measure are determined using historical reliability data for each network. The underlying principle to the quality standards is that there should be no material deterioration in reliability performance over time.

The DPP4 quality standard measures for NTL and NEL are shown opposite.

The quality standards comprise:

- planned interruption standards (SAIDI and SAIFI), with compliance assessed at the end of the regulatory period
- unplanned interruption standards (SAIDI and SAIFI), with compliance assessed annually
- an extreme event standard, with compliance assessed on a per event basis.

Unplanned SAIDI and SAIFI is measured after normalisation of major events, calculated by applying boundary values to SAIDI or SAIFI values recorded during major events.

A quality incentive scheme (QIS) applies to planned and unplanned SAIDI, with financial rewards and penalties calculated using incentive rates which are specified for each EDB.

As the extreme event standard applies on a per event basis it is not impacted by the amalgamation. The remainder of this report therefore addresses the aggregation of the SAIDI and SAIFI interruption standards.

More detail on methodology for determining the DPP4 quality standards for NTL and NEL is included in the appendices, for reference.

DPP4 quality standard measures	SAIDI (minutes)		SAIFI (times)	
	NTL	NEL	NTL	NEL
Planned accumulated limit	1,067.94	162.10	4.4119	2.1297
Unplanned limit	98.33	18.62	1.1358	0.4063
Unplanned boundary value	6.87	6.03	0.0611	0.1405
Extreme event standard limit	120	120		

DPP4 quality incentive measures	SAIDI (minutes)		Incentive rate ($/minute)	
	NTL	NEL	NTL	NEL
Planned interruption target	106.79	15.70		
Planned interruption cap	213.59	32.42		
Unplanned interruption target	72.70	9.06		
Unplanned interruption cap	98.33	18.62		
Incentive rate			12,673	2,634

Aggregating DPP4 interruption standards

Replicating the DPP4 determination method

The DPP4 determination requires quality standard measures to be adjusted when aggregating DPP4 interruption standards. This must be done in a way that:

a) reflects the historical reliability of the networks which have been amalgamated

b) is supported by robust and verifiable analysis.

Accordingly, it is proposed that the interruption standards of NTL and NEL are aggregated by combining the reference datasets and reperforming the calculations used to derive the DPP4 interruption standards for each EDB.

This can be undertaken using the NTL and NEL reference datasets, and the DPP4 quality standard models which have been published alongside the DPP4 determination and decision papers.

The methodology we have applied is summarised opposite.

Methodology for aggregating interruption standards

- Combine reference datasets by appending the NTL and NEL interruption data in the '*dpp4_edb_interruptions_transitional (5269107.1).xlsx*' file
- Derive aggregated annual average ICPs for each reference year
- Recalculate SAIDI and SAIFI for each interruption using the aggregated ICP data
- Assign NTL labels to all NEL interruptions
- Rerun the R model '*edb_reliability_normalisation.R* with the aggregated data
- Generate adjusted R model outputs for NTL from the combined normalised data
- Combine NTL and NEL DPP3 interruption standards using a weighted average method. The NTL and NEL ICP count at merger date is used for this purpose
- Rerun the capping calculations in the *Reliability-standards-and-incentives-model-EDB-DPP4-Final-Decision-20-November-2024.xlsx*" using the adjusted R outputs and the combined DPP3 standards
- Generate adjusted interruption standards
- Generate adjusted QIS parameters using aggregated MWh data.

Aggregating DPP4 interruption standards

Adjusting the reference datasets

Adjusting the reference datasets requires appending the NTL and NEL interruption data in the '*dpp4_edb_interruptions_transitional (5269107.1).xlsx*' file. This contains the raw interruption data for each EDB. The following columns are appended:

- disclosure year
- start date and time
- planned/unplanned
- interruption cause
- number of ICPs impacted
- ICP minutes.

In addition, for each DY in the reference period, the average annual ICP values for NTL and NEL are combined, as illustrated below.

As the average annual ICP data for each EDB is not explicitly included in the reference datasets, it is derived from individual interruption data using the formula = [*ICP minutes / SAIDI value]*

Reference data ICP values	NTL	NEL	Aggregated
DY14	37,719	9,146	46,865
DY15	38,126	9,193	47,319
DY16	38,538	9,206	47,744
DY17	39,030	9,199	48,229
DY18	39,580	9,209	48,789
DY19	40,126	9,231	49,357
DY20	40,701	9,260	49,961
DY21	41,374	9,272	50,646
DY22	42,057	9,288	51,345
DY23	42,726	9,300	52,026
DY24	43,325	9,312	52,637

Aggregating DPP4 interruption standards

Adjusting the reference datasets (continued)

The SAIDI and SAIFI value associated with each interruption in the adjusted reference dataset is recalculated using the aggregated annual average ICP values for the relevant DY. This is because the average annual ICP values are the denominators for the SAIDI and SAIFI formula for each interruption, as follows:

SAIDI value = ICP minutes / average annual ICPs

SAIFI value = ICPs impacted / average annual ICPs

The SAIDI and SAIFI values for each interruption are reduced in the adjusted calculation due to the higher average annual ICP count for the amalgamated entity.

The sample opposite demonstrates the impact of adjusting the SAIDI and SAIFI values for individual interruptions by applying the aggregated annual average ICP values. The relevant formula are as follows:

Amalgamated ICP Count = ICP Count (NEL) + ICP Count (NTL)

Amalgamated SAIDI = ICP Minutes/ Amalgamated ICP Count

Amalgamated SAIFI = ICPs Impacted / Amalgamated ICP Count

Adjusted SAIDI and SAIFI (examples)	NTL Planned	NEL Planned	NTL Unplanned	NEL Unplanned
Interruption date and time	30/04/2021 09:41	14/12/2018 09:00	20/08/2019 20:32	20/07/2023 10:09
Year	DY22	DY19	DY20	DY24
ICP minutes	184,652	53,430	383,280	20,519
ICPs impacted	156	137	2,757	238
Average ICPs	42,057	9,231	40,701	9,312
Aggregated average ICPs	51,345	49,357	49,961	52,637
SAIDI	4.39	5.79	9.4	2.2
SAIFI	0.0037	0.0148	0.0677	0.0256
Adjusted SAIDI	3.60	1.08	7.67	0.39
Adjusted SAIFI	0.003	0.0028	0.0551	0.0045

Aggregating DPP4 interruption standards

Adjusting the reference datasets (continued)

Before running the adjusted reference dataset through the R model, the Nelson Electricity labels in the EDB identifier column are changed to Network Tasman. This ensures that the remaining calculations assign NEL's adjusted interruption data to NTL.

The table opposite shows the raw annual SAIDI and SAIFI for NTL and NEL and the adjusted annual SAIDI and SAIFI reflecting the combined interruption values.

The adjusted values are less than NTL's standalone values and higher than NEL's stand alone values, as expected, given the differences in the historical performance of the two networks. SAIFI for DY15 is the exception, due to the abnormally high SAIFI recorded by NEL in that year.

NTL has historically recorded significantly higher SAIDI and SAIFI due to its predominantly rural overhead network, compared to NEL's smaller, urban and predominantly underground network.

Note: although DY14 data is not used to determine the DPP4 interruption standards, the data is included in the source file, and for completeness has been included in the R model.

Annual reliability	SAIDI (minutes)			SAIFI (times)		
	NTL	NEL	Adjusted	NTL	NEL	Adjusted
DY14	133.21	22.38	**111.58**	1.5342	0.4986	**1.3321**
DY15	180.00	19.94	**148.90**	1.3990	1.5723	**1.4327**
DY16	187.11	10.96	**153.15**	1.5958	0.2177	**1.3301**
DY17	185.77	36.27	**157.26**	1.5757	0.2330	**1.3196**
DY18	232.08	16.41	**191.37**	1.3142	0.2566	**1.1146**
DY19	239.68	24.34	**199.41**	1.3420	0.1577	**1.1205**
DY20	184.89	12.03	**152.85**	1.2397	0.0429	**1.0179**
DY21	203.46	11.08	**168.24**	1.1819	0.0331	**0.9716**
DY22	176.19	51.05	**153.55**	1.3105	0.5648	**1.1756**
DY23	275.28	62.51	**237.24**	1.7253	0.3675	**1.4826**
DY24	236.90	6.30	**196.11**	1.5381	0.0864	**1.2813**

Aggregating DPP4 interruption standards

Updating the R model calculations

Using the adjusted dataset, the R model '*edb_reliability_normalisation.R*.' is rerun for Network Tasman. As the Network Tasman data includes NEL's interruptions and the adjusted SAIDI and SAIFI values for each interruption, the outputs from the R model differ to the DPP4 outputs for NTL.

The table below shows the R model outputs for planned interruptions for NTL and NEL. It also shows the R model outputs using the adjusted combined dataset for Network Tasman. These outputs are before the application of the inter-period caps.

R model outputs Planned interruptions	NTL	NEL	Network Tasman Adjusted
SAIDI Target	106.79	15.70	90.14
SAIDI Cap	213.59	31.40	180.28
SAIDI Limit	1067.94	157.0	901.41
SAIFI Target	0.3532	0.0539	0.2985
SAIFI Cap	0.7065	0.1079	0.5970
SAIFI Limit	3.5324	0.5393	2.9849

The table below shows the R model outputs for unplanned interruptions for NTL and NEL. It also shows the R model outputs using the adjusted combined dataset for Network Tasman. These outputs are before the application of the inter-period caps.

R model outputs Unplanned interruptions	NTL	NEL	Network Tasman Adjusted
SAIDI Boundary	6.87	6.03	5.64
SAIDI Target	72.70	5.48	61.14
SAIDI Collar	0	0	0
SAIDI Standard Deviation	12.81	4.37	10.59
SAIDI Cap	98.33	14.22	82.31
SAIFI Boundary	0.0611	0.1405	0.0524
SAIFI Target	0.7589	0.1029	0.7399
SAIFI Collar	0	0	0
SAIFI Standard Deviation	0.1268	0.0929	0.1056
SAIFI Cap	1.0126	0.2886	0.8586

Aggregating DPP4 interruption standards

Estimating DPP3 interruption standards

As the DPP4 interruption standards are set with reference to the DPP3 standards, consistent with the no material deterioration principle, it is necessary to derive DPP3 interruption standards for the aggregated EDB. We propose that the DPP3 measures for NTL and NEL are pro-rated using the ICP numbers at the merger date, which coincides with the start of DPP4.

This generates weighted DPP3 metrics based on connection numbers. This is appropriate as SAIDI and SAIFI measures represent the reliability performance experienced by the connections on each network, measured in terms of customer minutes (SAIDI) and customer interruptions (SAIFI).

NTL has approximately 82% of connections of the combined entity - as at 31 March 2025, NTL had 43,300 ICPs, and NEL had 9,353 ICPs.

As illustrated in the table opposite, the weighted average DPP3 standards are slightly less than NTL's DPP3 values and considerably higher than NEL's DPP3 values. This is consistent with the relative scale and reliability performance of the EDBs, and therefore the no material deterioration principle.

DPP3 interruption standard parameters	NTL	NEL	Pro-rated (using ICPs at merger date)
Planned SAIDI Target	75.28	12.01	64.04
Planned SAIDI Cap	225.83	36.02	192.11
Planned SAIFI Target	0.3268	0.1578	0.2968
Planned SAIFI Cap	0.9804	0.4733	0.8903
Unplanned SAIDI Target	74.49	9.53	62.95
Unplanned SAIDI Limit	101.03	19.60	86.57
Unplanned SAIFI Target	0.9042	0.1988	0.7789
Unplanned SAIFI Limit	1.1956	0.4277	1.0592

Aggregating DPP4 interruption standards

Capping the inter-period movement in the interruption standards

- Adjusted caps for planned SAIDI and SAIFI are derived by applying an inter-period cap of +/-10%. This is calculated using the DPP3 planned interruption Limit derived from the combined dataset
- Adjusted caps for unplanned SAIDI and SAIFI are derived from an inter-period cap of +/-5%. This is calculated using the DPP3 unplanned interruption Limit derived from the combined dataset

The impact of the capping is shown in the table opposite.

The table below summarises the adjusted interruption standards, and the DPP4 interruption standards which were determined for NTL and NEL prior to amalgamation.

Summary of interruption standards	NTL	NEL	Network Tasman Adjusted
Planned SAIDI Limit	1067.94	162.10	901.41
Planned SAIFI Limit	4.4119	2.1297	4.0065
Unplanned SAIDI Limit	98.33	18.62	82.31
Unplanned SAIFI Limit	1.1358	0.4063	1.0062

Both planned and unplanned SAIDI Limits are unaffected by the inter-period capping as their percentage change falls within the inter-period caps. Planned and unplanned SAIFI Limits are adjusted to ensure the changes to the Limits do not exceed the inter-period caps.

DPP4 planned interruption standards	SAIDI (minutes)		SAIFI (times)	
	Planned	Unplanned	Planned	Unplanned
Target (unscaled)	90.14	61.14	0.2985	0.6475
Buffer / Standard Deviation (x2)	90.14	21.17	0.2985	0.2111
Unadjusted Cap	180.28	82.31	0.5970	0.8586
Percent increase DPP4 vs DPP3	-6.2%	-4.9%	-33.0%	-18.9%
Scaling adjustment	0%	0%	34.2%	17.2%
Adjusted Cap	180.28	82.31	0.8013	1.0062
Limit (annual)	**180.28**	**82.31**	**0.8013**	**1.0062**
Limit (5–year period)	**901.41**		**4.0065**	

Aggregating DPP4 interruption standards

Quality incentive scheme

The QIS scheme applies to planned and unplanned SAIDI and comprises:

- SAIDI Caps set equal to SAIDI Limits
- SAIDI Targets (after applying inter-period caps)
- SAIDI Collars of 0
- Revenue at risk capped at 2% of actual net allowable revenue

Incentive rates are derived from the value of lost load (VOLL), discounted by (1-IRIS retention factor) to reflect expenditure incentives and a further 10% to reflect quality standard incentives.

- This derives an implied VOLL value of $10,219/MWh
- The adjusted incentive rate for Network Tasman reflects the average MWh of energy delivered over FY22 – FY24 by NTL and NEL divided by total number of minutes per year. Thus the incentive rate is higher than for each individual EDB.

The QIS parameters for NTL, NEL and combined for Network Tasman are shown opposite.

DPP4 QIS parameters	NTL	NEL	Network Tasman Adjusted
Planned SAIDI Cap (minutes)	213.59	32.42	180.28
Planned SAIDI Target (minutes)	106.79	15.70	90.14
Planned SAIDI Collar (minutes)	0	0	0
Unplanned SAIDI Cap (times)	98.33	18.62	82.31
Unplanned SAIDI Target (times)	72.70	9.06	61.14
Unplanned SAIDI Collar (times)	0	0	0
Unplanned incentive rate ($/minute)	12,673	2,634	15,307

Aggregating DPP4 interruption standards

Summary of proposed adjusted DPP4 reliability standards

NTL's proposed adjusted DPP4 reliability standards are summarised in the tables below, reflecting the analysis described on the previous pages.

These reflect the historical interruption data of NTL and NEL, combined using the DPP4 models and methodology set out in this report.

DPP4 interruption standards	SAIDI (minutes)	SAIFI (times)
Planned Accumulated Limit	901.41	4.0065
Unplanned Limit	82.31	1.0062
Unplanned Boundary Value	5.64	0.0524

DPP4 QIS measures	Planned SAIDI (minutes)	Unplanned SAIDI (minutes)
Interruption Cap	180.28	82.31
Interruption Target	90.14	61.14
Interruption Collar	0	0
Incentive rate ($/minute)	7,653	15,307

Appendices

Important notice

This Report has been prepared solely for NTL for the purposes of analysing the Commerce Act, Part 4 provisions for transactions between regulated suppliers, and amalgamating the price-quality paths.

This Report has been prepared solely for use by NTL and NEL and may not be copied or distributed to third parties without our prior written consent.

To the fullest extent permitted by law, PwC accepts no duty of care to any third party in connection with the provision of this report and/or any related information or explanation (together, the "Information"). Accordingly, regardless of the form of action, whether in contract, tort (including without limitation, negligence) or otherwise, and to the extent permitted by applicable law, PwC accepts no liability of any kind to any third party and disclaims all responsibility for the consequences of any third party acting or refraining to act in reliance on the Information.

We have not independently verified the accuracy of information provided to us, and have not conducted any form of audit in respect of NTL or NEL. Accordingly, we express no opinion on the reliability, accuracy, or completeness of the information provided to us and upon which we have relied.

The statements and opinions expressed herein have been made in good faith, and on the basis that all information relied upon is true and accurate in all material respects, and not misleading by reason of omission or otherwise. The statements and opinions expressed in this report are based on information available as at the date of the report.

We reserve the right, but will be under no obligation, to review or amend our Report, if any additional information, which was in existence on the date of this report was not brought to our attention, or subsequently comes to light.

This report is issued pursuant to the terms and conditions set out in our engagement letter dated 15 August 2025.

DPP4 quality standards

Approach to determining planned interruption standards

Planned interruption standards for NTL and NEL were determined as follows:

- Historical interruption data is obtained for a seven-year reference period from 1 April 2017 to 31 March 2024
- Reference period annual average Class B (planned) SAIDI and SAIFI is determined for each EDB, referred to as Targets
- A buffer of 100% of the historical annual average is applied to determine Unadjusted Caps
- Adjusted Caps are derived by applying a scaling factor consistent with an inter-period cap of +/-10% relative to the DPP3 planned interruption Limits for each EDB
- The planned interruption standard (Limit) is determined as five times the Adjusted Cap for each of SAIDI and SAIFI.
- A +/-10% inter-period cap is also applied to the planned SAIDI Target (the annual average) for the QIS.

The key calculation steps for NTL and NEL are shown opposite. These are derived from the DPP4 final decision reliability standards model.

For both EDBs, the Unadjusted Caps were below the DPP3 Limits for planned SAIDI and SAIFI. With the exception of NTL's planned SAIDI, which fell within the +/-10% inter-period constraint, the caps were scaled up to ensure the inter-period movement did not fall below -10%. This is consistent with the no material deterioration principle.

These calculations are illustrated opposite.

DPP4 planned interruption standards	SAIDI (minutes) NTL	SAIDI (minutes) NEL	SAIFI (times) NTL	SAIFI (times) NEL
Target	106.79	15.70	0.3532	0.0539
Buffer	106.79	15.70	0.3532	0.0539
Unadjusted Cap	213.59	31.40	0.7065	0.1079
Percent increase DPP4 vs DPP3	(5.4%)	(12.8%)	(27.9%)	(77.2%)
Scaling adjustment	-	3.2%	24.9%	294.9%
Adjusted Cap	213.59	32.42	0.8824	0.4259
Planned interruption standard (Limit) (5-year period)	**1067.94**	**162.10**	**4.4119**	**2.1297**

DPP4 quality standards (cont.)

Approach to determining unplanned interruption standards

Unplanned interruption standards for NTL and NEL were determined as follows:

- Historical interruption data is obtained for a ten-year reference period from 1 April 2014 to 31 March 2024
- SAIDI and SAIFI boundary values reflecting the 1104th highest rolling 24-hour period over the reference period are derived. For NEL this is reduced to the 328th highest period due to NEL's small network and fewer anticipated major events
- Major events are identified as any 24-hour period (assessed in 30-minute blocks) where total SAIDI or SAIFI exceeds the relevant boundary value
- Major events within the reference data are normalised. This is achieved by capping SAIDI or SAIFI for each 30-minute period of a major event at 1/48th of the boundary value
- Annual average Class C (unplanned) SAIDI and SAIFI is determined for the reference period for each EDB using the normalised data, referred to as the Target
- A buffer of +2 standard deviations derived from the annual averages from the normalised reference dataset is applied to determine Unadjusted SAIDI and SAIFI Caps
- A scaling factor consistent with an inter-period cap of +/-5% relative to the DPP3 planned interruption Limits. This determines the SAIDI and SAIFI annual unplanned Limits for each EDB
- A +/-5% inter-period cap is also applied to the unplanned SAIDI Target (the annual average) for the QIS.

The key calculation steps for NTL and NEL are shown below. These are derived from the DPP4 final decision reliability standards model and the accompanying R model used to apply the normalisation and generate the annual averages and standard deviations.

For both EDBs, the Unadjusted Caps were below the DPP3 Limits for unplanned SAIDI and SAIFI. With the exception of NTL's unplanned SAIDI, which fell within the +/-5% capping constraint, the caps were scaled up to ensure the inter-period movement did not fall below -5%

DPP4 unplanned reliability standards	SAIDI (minutes) NTL	SAIDI (minutes) NEL	SAIFI (times) NTL	SAIFI (times) NEL
Boundary value	6.87	6.03	0.0611	0.1405
Target (unscaled)	72.70	5.48	0.7589	0.1029
Standard deviation	12.81	4.37	0.1268	0.0929
Unadjusted Cap	98.33	14.22	1.0126	0.2886
Percent increase DPP4 vs DPP3	(2.7%)	(27.4%)	(15.3%)	(32.5%)
Scaling adjustment	-	30.9%	12.2%	40.8%
Adjusted Cap	98.33	18.62	1.1358	0.4063
Unpanned interruption standard (Limit) (annual)	**98.33**	**18.62**	**1.1358**	**0.4063**

DPP4 quality standards (cont.)

Approach to determining QIS parameters

The QIS scheme applies to planned and unplanned SAIDI and comprises:

- SAIDI Caps set equal to SAIDI Limits
- SAIDI Targets set equal to adjusted SAIDI Targets
- SAIDI collars of 0
- Revenue at risk capped at 2% of actual net allowable revenue

Incentive rates are derived from the value of lost load (VOLL), discounted by (1-IRIS retention factor) to reflect expenditure incentives and a further 10% to reflect quality standard incentives.

- This derives an implied VOLL value of $10,219/MWh
- Each EDB's incentive rate reflects the average MWh of energy delivered over FY22 – FY24 divided by total number of minutes per year
- Planned interruption incentive rates are reduced 50% relative to unplanned interruption incentive rates

The QIS parameters for NTL and NEL are shown opposite.

DPP4 QIS parameters	Planned SAIDI		Unplanned SAIDI	
	NTL	NEL	NTL	NEL
Cap (minutes)	213.59	32.42	98.33	18.62
Target (minutes)	106.79	15.70	72.70	9.06
Collar (minutes)	0	0	0	0
Incentive rate ($/minute)	50% of unplanned incentive rate		12,673	2,634

Key terms and references

DPP4 Determination	electricity distribution services default price quality path determination 2024
DPP3	default price-quality path period 3, commencing 1 April 2020
DPP4	default price-quality path period 4, commencing 1 April 2025
DY	disclosure year, 12 month period from 1 April to 31 March
EDB	electricity distribution business
EDB IM Determination	electricity distribution services input methodologies determination 2012
ICP	installation control point
INSTA	innovation and non-traditional solutions allowance
IRIS	incremental rolling incentive scheme
MAR	maximum allowable revenue
MLL	Marlborough Lines Limited
NEL	Nelson Electricity Limited
NTL	Network Tasman Limited
PSCS	price-setting compliance statement
PQ	price-quality
PV	present value
QIS	quality incentive scheme
RAB	regulatory asset base
SAIDI	system average interruption duration index
SAIFI	system average interruption frequency index
VOLL	value of lost load