Firstlight network®

Default Price-Quality Path Annual Price Setting Compliance Statement

1 April 2024 – 31 March 2025 Assessment Period

31 JANUARY 2024

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1. Introduction

Firstlight Network is subject to price-quality regulation under Part 4 of the Commerce Act 1986. The Commerce Commission has set a Default Price-Quality Path (DPP) which applies to Firstlight Network from 1 April 2020.

This price-setting compliance statement is published in accordance with clause 11.1 of the 2020 DPP Determination, and applies to the fifth assessment period, commencing 1 April 2024 and ending 31 March 2025.

2. Date prepared

This statement was prepared on 31 January 2024.

3. Statement of compliance

As demonstrated in Table 1 below, and consistent with clause 8.4 of the 2020 DPP Determination Firstlight Network has complied with the price path for the fifth assessment period.

Table 1

Compliance with price path RY25			
Forecast revenue from prices ≤ The lesser of forecast allowable revenue or allowable increase of previous forecast revenue from prices			
Forecast revenue from prices ($000)	Forecast allowable revenue ($000)	Allowable increase of previous forecast revenue from prices ($000)	Compliance result
32,784	32,785	32,921	Compliant

Further information supporting forecast allowable revenue is included in Section 5, Section 7 and Appendix A.

Further information supporting forecast revenue from prices is included in Section 6 and Appendix B.

Further information supporting maximum allowable forecast revenue is included in Section 7.

4. Director's certification

A Director's certificate in the form set out in Schedule 6 of the 2020 DPP Determination is included as Appendix C.

5. Forecast allowable revenue

Table 2 shows the derivation of forecast allowable revenue, consistent with the requirements of Schedule 1.5 of the 2020 DPP Determination.

Table 2

Forecast allowable revenue RY25		
Term	Description	Value ($000)
Forecast net allowable revenue	Forecast net allowable revenue as set out in Table 1.4.1 in Schedule 1.4 for the period ending 31 March 2025	26,003
Forecast pass through costs	Forecast pass-through costs and forecast recoverable costs	449
Forecast recoverable costs	Forecast recoverable costs, excluding any recoverable cost that is a revenue wash-up drawn down amount	4,052
Opening wash-up account balance	Closing wash-up account balance for the previous assessment period	2,280
Total		**32,785**

Appendix A shows the components of the forecast pass-through and recoverable costs, and the pass-through balance allowance.

The methodology to derive the forecasts of the pass-through and recoverable costs is documented in Appendix A.

6. Forecast revenue from prices

Table 3 shows forecast revenue from prices.

Table 3

Forecast revenue from prices RY25		
Term	Description	Value ($000)
$\Sigma P_{2024/25} * Q_{2024/25}$	Forecast prices between 1 April 2024 and 31 March 2025 multiplied by forecast quantities for the period ending 31 March 2024	32,784

Appendix B shows the components of forecast revenue from prices.

The methodology to forecast the quantities associated with each price is documented in Appendix B.

7. Allowable increase of previous forecast revenue from prices

Table 4 shows the allowable increase of previous forecast revenue from prices, consistent with the requirements of clause 8.4 of the 2020 DPP Determination.

Table 4

Allowable increase of previous forecast revenue from prices RY25		
Term	Description	Value ($000)
Forecast revenue from prices from previous assessment period		29,928
Limit on annual percentage increase in forecast revenue from prices		10%
Allowable increase of previous forecast revenue from prices	Forecast revenue from prices for the previous assessment period x (1 + limit on annual percentage increase in forecast revenue from prices)	32,921

8. Revenue Wash-up

Table 9 shows a calculation of RY25 wash-up account balance resulting from a variance between Actual revenue and Actual Allowable Revenue for RY23.

Table 9

Closing Wash-up Account Balance RY25		
Term	Description	Value ($000)
Wash-up amount for previous assessment period	Wash-up amount for the assessment period ending 31 March 2023	2,099
Voluntary undercharging amount foregone for previous assessment period	Amount of voluntary undercharging in the first assessment period which is foregone from future revenues	-
67th percentile estimate of post-tax WACC		4.23%
Closing wash-up account balance	(Wash-up amount for previous period – Voluntary undercharging amount foregone for previous period) x (1+67th percentile estimate of post-tax WACC)^2	2,280

Opening Wash-up Account Balance RY25		
Term	Description	Value ($000)
Opening wash-up account balance	Closing wash-up account balance from previous assessment	2, 280

9. Appendix

9.1. Appendix A – Pass-through and recoverable costs

FORECAST PASS-THROUGH COSTS

Table 5

Forecast pass-through costs RY25		
Forecast pass-through costs	$000	Forecasting methodology
Rates on system fixed assets	250	Doubled the sum of invoices received over the initial 6 months in RY24
Commerce Act levies	120	Doubled the sum of invoices received over the initial 6 months in RY24
Electricity Authority levies	63	The average of 6-month invoices received is used
Utilities Disputes levies	17	RY24 Actuals
Total forecast pass-through costs	449	

Forecast is based on straight line extrapolation of actual invoices up for the first 6 months of RY24.

Total pass-through costs are forecast to be $15k or 3% higher than budgeted for the 2023-24 pricing period.

FORECAST RECOVERABLE COSTS

Table 6

Forecast recoverable costs RY25		
Forecast recoverable costs	$000	Forecasting methodology
IRIS incentive adjustment	(367)	Based on corrected ComCom IRIS model
Transpower transmission charges	4,541	Transpower's TPM pricing Dec-23
New investment contract charges	75	Transpower Investment Agreement 2005-2035
System operator services charges		
Avoided transmission charges – purchased assets		
Distributed generation allowance		
Claw-back		
Catastrophic event allowance		

Extended reserves allowance		
Capex wash-up adjustment	(83)	Calculated in accordance with clause 3.1.3(8) of the Input Methodologies
Quality incentive adjustment	(172)	Quality Incentive Adjustment RY23
Transmission asset wash-up adjustment		
Reconsideration event allowance		
Quality standard variation engineers fee		
Urgent project allowance		
Fire and emergency NZ levies	59	RY24 Actuals
Innovation project allowance		
Total forecast pass-through costs	4,052	

IRIS incentive was calculated by a financial model provided by the Commerce Commission for DPP3 period. Incentive is based on Opex and Capex actuals from DDP2 period.

Transpower charges are reflective of officially communicated charges in December 2023.

Quality incentive adjustment has been calculated using the Commerce Commission calculation and RY23 SAIDI and SAIFI actual values.

Capex wash-up adjustment (see table 7) has been based on the difference between forecast PV of BBAR and actual PV of BBAR allocated between Period 2 to 5 of DPP3.

Fire and emergency NZ levies forecast is based on latest full year actuals (RY24).

There was no Transmission asset wash-up adjustment for RY25 (table 8).

Table 7

Capex wash-up adjustment RY25			
Term	**Description**	**Units**	**Value ($000)**
Capex wash-up adjustment	Difference between the revenues for a DPP regulatory period using actual values of commissioned assets for a prior regulatory period and the revenues using forecast commissioned assets applied by the Commission when setting prices	$000	(293)
l	Number of disclosure years in the DPP regulatory period	years	5
r	Cost of debt applying to the DPP regulatory period	%	2.92%
y	Number of disclosure years preceding the disclosure year in question in the DPP regulatory period	years	4
Adjusted capex wash-up adjustment	(Capex wash-up adjustment / (l-1) x (1 + r)^(y + 0.5)	$000	(83)

Table 8

Transmission asset wash-up adjustment RY25			
Term	Description	Units	Value ($000)
Transmission asset wash-up adjustment	Amount corresponding to the present value of revenues allowed in a DPP for additional capital expenditure and additional operating expenditure associated with a transmission asset forecast to be purchased in disclosure years preceding the regulatory period but were not completed	$000	
I	Number of disclosure years in the DPP regulatory period	years	5
r	Cost of debt applying to the DPP regulatory period	%	2.92%
y	Number of disclosure years preceding the disclosure year in question in the DPP regulatory period	years	2
Adjusted transmission asset wash-up adjustment	(Transmission asset wash-up adjustment / (I-1) x (1 + r)^(y + 0.5)	$000	-

9.2. Appendix B – Forecast prices and quantities

Table 10 shows the forecast prices and quantities for the forecast revenue from prices for the fifth assessment period.

Table 10

Forecast revenue from prices RY25				
Price Category	Unit	Unit price	Forecast quantity	Forecast revenue ($000)
DOMLFCF	$/day	0.6000	12,026	2,634
DOMLFCU	$/kWh	0.1169	24,951,501	2,917
DOMLFCC	$/kWh	0.1025	13,018,158	1,334
DOMLFCP	$/kWh	0.1807	7,792,875	1,408
DOMLFCO	$/kWh	0.0875	15,551,552	1,361
DOMSTDF	$/day	2.1809	8,383	6,673
DOMSTDU	$/kWh	0.0478	29,601,780	1,415
DOMSTDC	$/kWh	0.0240	14,503,752	348
DOMSTDP	$/kWh	0.0889	9,001,560	800
DOMSTDO	$/kWh	0.0278	19,133,449	532
COM0050F	$/day	2.4971	4,630	4,220
COM0050U	$/kWh	0.0392	28,707,843	1,125
COM0050C	$/kWh	0.0229	2,297,082	53
COM0050P	$/kWh	0.0776	2,573,255	200
COM0050O	$/kWh	0.0234	5,894,077	138
COM0100F	$/day	9.7303	432	1,536
COM0100U	$/kWh	0.0490	16,674,292	817
COM0100C	$/kWh	0.0323	322,838	10
COM0100P	$/kWh	0.0995	1,422,402	142
COM0100O	$/kWh	0.0329	3,743,012	123
COM0300F	$/day	20.2129	128	945
COM0300U	$/kWh	0.0493	10,603,559	523
COM0300EP	$/kWh	0.0451	1,551,223	70

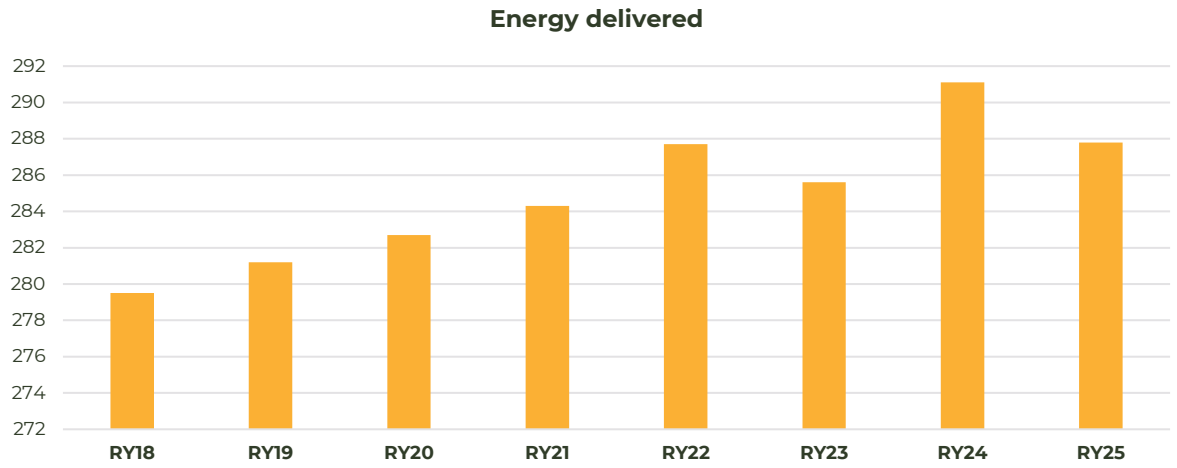
COM0300MP	$/kWh	0.0421	2,679,566	113
COM0300OP	$/kWh	0.0275	3,232,288	89
COM0300N	$/kWh	0.0153	2,377,592	36
COM0500F	$/day	48.7710	23	409
COM0500EP	$/kWh	0.0262	1,584,679	42
COM0500MP	$/kWh	0.0244	2,591,866	63
COM0500OP	$/kWh	0.0159	3,216,342	51
COM0500N	$/kWh	0.0089	2,875,069	26
COM1000F	$/day	95.0390	23	798
COM1000EP	$/kWh	0.0243	4,985,383	121
COM1000MP	$/kWh	0.0227	7,631,610	173
COM1000OP	$/kWh	0.0152	9,830,388	149
COM1000N	$/kWh	0.0085	8,738,437	74
COM4500F	$/day	233.5269	3	291
COM4500EP	$/kWh	0.0314	4,735,160	149
COM4500MP	$/kWh	0.0294	6,618,429	195
COM4500OP	$/kWh	0.0194	8,814,731	171
COM4500N	$/kWh	0.0107	8,612,643	92
COM6500F	$/day	285.4261	0	9
COM6500EP	$/day	0.0391	-	-
COM6500MP	$/day	0.0366	-	-
COM6500OP	$/day	0.0242	-	-
COM6500N	$/day	0.0133	-	-
GEN4500F	$/day	70.1445	1	26
GEN6500F	$/day	134.1233	1	49
GEN6500U	$/kWh	0.0340	113,748	4
OTH0003F	$/day	0.5608	80	16
OTH0003U	$/kWh	0.1169	211,452	25
DUMLF	$/day	0.0745	5,123	139
DUMLU	$/kWh	0.0836	1,584,305	132

STLGMF	$/day	0.0737	243	7
STLGMU	$/kWh	0.0984	34,307	3
GENCN01F	$/day	22.7650	1	8
GENCN01U	$/kWh	0.0346	30,000	1
$\Sigma P_{2024/25} * Q_{2024/25}$				32,784

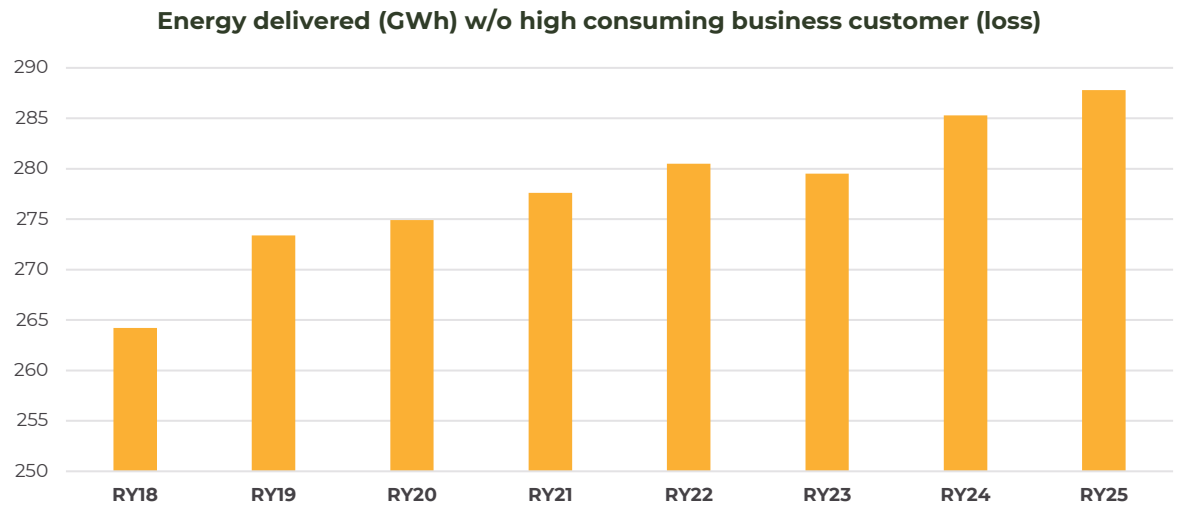
Current pricing year (Apr-23 to Mar-24) is tracking towards 291.1GWh consumption.

While volumes fell by -0.7% in RY23, the forecast for the current year (RY24) shows growth of +1.9% again. Looked at together, these two years show an average growth of +1.2 percent, similar to RY22 YoY growth.

For RY25 we are currently forecasting 287.8GWh, which means a -1.1% YoY reduction in consumption due to a closure of a high consuming business customer.



The chart below shows the consumption without this customer, to highlight the underlying energy volumes development. This adjusted volume development shows again that the consumption fell in RY23 (-0.3%) but recovered in RY24 (+2.1%). On average there is a +0.9% YoY growth for recent years since RY21. The underlying consumption forecast for RY25 is a +0.9% YoY growth, which is in a line with previous years' growth.

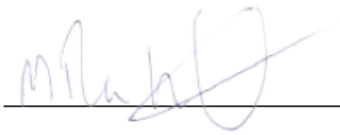


ICP count forecast considered latest trends (April – November 2023). These trends suggest 0.1% increase in connections across all segments, which means connections remain at a stable level. For RY25 we are currently forecasting 25,936 ICPs.

9.3. Appendix C – Director's certificate

Firstlightnetwork

I, Mark Adrian Ratcliffe, being a director of Firstlight Network Limited certify that, having made all reasonable enquiry, to that best of my knowledge and belief, the attached annual price-setting compliance statement of Firstlight Network Limited, and related information prepared for the purposes of the *Electricity Distribution Services Default Price-Quality Path Determination 2020* 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

15 March 2024

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.