



Capital Contributions

Unison Networks Limited

Approved Policy

FC0021

Issue No. **2.0**

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Replacing **FC0021v1.0 Financial Contribution Policy**

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Next Review Due: **01/07/2010**

REVISION TABLE

Date	Issue/Rev	Changes	By	Authorised	Approved	Supersedes
26/06/2006	1.0	New Policy – Financial Contribution Policy	Commercial Analyst	GM Finance & Commercial	Chief Executive	Internet version v2.4; 030604BB
01/07/2009	2.0	Full Policy Review <ul style="list-style-type: none"> • Definitions • Section 9 rewritten 	Commercial Specialist	Commercial Manager & Chief Financial Officer	Chief Executive	FC0021v1.0

Next review date: 01/07/2010

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1 PURPOSE

1.1 The purpose of this policy to provide an understanding of the capital contributions required by Unison Networks Limited (“Unison”), following requests from Customers to connect to Unison’s electricity network

2 SCOPE

- 2.1 This policy applies to all Customer Connection Projects undertaken by Unison.
- 2.2 This document sets out the capital contributions required by the Customer for the provision of:
- Network Connection Points;
 - System Network Extensions;
 - Network Upgrades;
 - Network Downgrades;
 - Overhead to underground conversion (“OHUG”); and
 - Reticulation of new subdivisions.

This document sets out the general rules that apply to Customer Connection Projects to Unison’s System Network. Unison reserves the right to vary terms and conditions on a case-by-case basis at its sole discretion.

3 RESPONSIBILITIES

- | | | |
|-----|------------------------|--|
| 3.1 | Development & review: | Commercial Specialist |
| 3.2 | Authorisation: | Commercial Manager, and
Chief Financial Officer |
| 3.3 | Approval: | Chief Executive |
| 3.4 | Education and Training | Network Group – Contract Administration Group
Commercial & Regulatory – New Connections |

4 REFERENCES

- Electricity Act 1992 and Amendments

5 DEFINITIONS

Augmentation	The enhancement of electrical distribution assets (for example heavier lines or cable, larger transformers or additional switchgear) for the distribution or associated with the distribution of electricity, for the future general reticulation benefit of the System Network.
Consumer	The person who is responsible for the energy consumed at the Network Connection Point.

Cost of Capital	The opportunity cost of the funds employed as the result of an investment decision; the rate of return that a business could earn if it chose another investment with equivalent risk.
Customer	A party (person, persons, trust, corporation or company) who requests connection to Unison's electricity network.
Customer Connection Projects	Projects that require capital expenditure predominantly associated with the connection of new Network Connection Points, or alterations to the existing Network Connection Points.
Downgrades	The replacement of existing electrical distribution assets (for example lines, cables, transformers or additional switchgear) for the distribution or associated with the distribution of electricity, with reduced capacity assets within the existing System Network.
Extension	The addition of existing electrical distribution assets (for example lines, cables, transformers or additional switchgear) for the distribution or associated with the distribution of electricity, within the existing System Network.
Network Connection Point	The point on the System Network where the Consumer is connected. In most situations the point where the responsibility for the equipment that distributes electricity transfers from the Unison to the Consumer.
Network Reticulation	The provision of electrical distribution assets (for example lines, cables, transformers or additional switchgear) for the distribution or associated with the distribution of electricity, within the existing System Network.
OHUG	The conversion of overhead distribution assets to underground and ground mounted assets, for the distribution or associated with the distribution of electricity, within the existing System Network.
Project Costs	All costs relating to the Customer Connection Project.
Small Works	Customer Connection Projects for the distribution of electricity to two lots or less.

System Network	The existing electrical distribution assets (for example lines, cables, transformers or additional switchgear) owned or operated by Unison Networks Limited for the distribution or associated with the distribution of electricity to end Consumers.
Substation	Transformer and associated fittings, including switchgear, earthing, protection, structure and foundations, and all connections made thereto.
Upgrade	The replacement of existing electrical distribution assets (for example lines, cables, Substations and other plant) for the distribution or associated with the distribution of electricity, with increased capacity assets within the existing System Network.
Unison	Unison Networks Limited (formerly known as Hawke's Bay Network Limited) trading as Unison.

6 POLICY STATEMENT

This policy sets out the overall framework and rules applying to new investment by Unison. Unison reserves the right to review applications and capital contributions on a case-by-case basis.

7 BACKGROUND

When a Customer approaches Unison for a price to reticulate power to a site resulting in an Extension of the System Network including network reinforcement, Unison will provide an initial estimate of the total costs of the project and an estimate of the capital contribution required to be paid by the Customer.

If the Customer decides to proceed to the design stage and pays the required deposit, a detailed design will be completed, and a quote provided to the Customer (Unison operates a competitive tendering process with a minimum of two contractors supplying quotes).

In accepting the project design and quoted price the Customer enters into a contract with Unison whereby the Customer agrees to make any necessary capital contribution to the project.

Capital contributions are required from the Customer as future revenue streams from Customer Connection Projects may not meet Unison's Cost of Capital on new investments. As a result a capital contribution is required by the Customer to bring the rate of return on the investment in line with Unison's Cost of Capital.

8 APPLICATION OF POLICY

8.1 Easements

Customers must satisfy all obligations and comply with all requirements relating to easements as applicable.

8.2 Vegetation

Customers must satisfy all obligations and comply with all requirements relating to vegetation as applicable.

8.3 Statutory Requirements and Issues

Customers must satisfy all obligations and comply with all requirements relating to statutory requirements and issues as applicable.

8.4 New Connections

Customers must satisfy all obligations and comply with all requirements relating to new connections as applicable.

8.5 Capital Contribution

Customers must satisfy all obligations and comply with all requirements relating to the capital contribution as applicable. These requirements and obligations are described in this document.

8.6 Provision of Information

The Customer will be required to provide such information as is necessary to enable a detailed design, construction and estimation of consumption and demand of the Customer project.

9 CAPITAL CONTRIBUTION

9.1 Level of Capital Contribution for New Investment

Unison will own the electrical distribution assets installed for the Customer Connection Project and the Customer will be requested to make a capital contribution to Unison. This will be based on the project meeting the required rate of return on the investment in line with Unison's Cost of Capital.

The future revenue based on the applicable fuse based tariff from any new Customer connection must cover the cost to operate and maintain any proposed new Extension including indirect administration costs as well as covering an appropriate share of the cost to operate and maintain electrical distribution assets upstream from the Network Connection Point.

Any contribution will be calculated based on the net present value of the project including all associated costs and revenue streams over an appropriate period. A negative contribution indicates the new Extension would be uneconomic for Unison; therefore a capital contribution payment is required from the Customer.

There are two types of Customer Connection Projects that this policy applies to and these are detailed as follows:

9.1.1 *Small Works (Unit Rate Projects)*

The pricing of Small Works are based on a standard unit rate costing principle. These unit rates are tendered to a minimum of two contractors on an annual basis.

Small Works generate a negative economic contribution therefore total Project Costs are payable by the Customer prior to commencement of the Small Works.

Unless expressly requested by Unison in writing, no deposit is required for detailed design and pricing of these types of projects.

9.1.2 *Works other than Small Works*

These projects are all works that are not Small Works (for example subdivisions, network changes and Upgrades of network connection capacity). The Customer contribution is calculated on an individual project net present value basis. If the net present value is negative Unison will increase the capital contribution required by the Customer by this value. If the net present value is positive Unison will reduce the capital contribution required by the Customer by this value.

9.2 Augmentation of System

Where Unison determines that Augmentation is advantageous to Unison and the Customer, costs will be split on a pro-rata basis between the capacity required by the Customer and the spare capacity available to Unison. Unison will make the final determination regarding any Augmentation and the Customer's share of the total capacity.

9.3 Special Enhancements

Where a Customer's Network Connection Point requires special enhancements, the cost of these enhancements will be charged to the Customer.

9.4 Downgrades

Where a Downgrade is requested the cost of the Downgrade is payable **in full** by the Customer.

10 EMBEDDED NETWORKS

10.1 Third Party Ownership

If a Customer wishes to take supply directly at 11kV and provide and maintain their own transformer and Substation, and/or operate their own embedded network, then that Customer is free to do so. All assets not owned by Unison and connected to Unison's network must be maintained in accordance with Unison network standards.

If ownership of any new reticulation resides with any other party, Unison will provide and charge for the reticulated assets installed up to the Network Connection Point.

These Customer Connection Projects will require an Agreement with Unison which may include a termination payment to protect Unison's future revenue stream based on the Cost of Capital of the project.

10.2 Metering

The embedded network will be metered at 11kV unless supply is taken from a 400V feeder. The Customer is responsible for providing their own MARIA compliant meters and current transformers (CTs).

10.3 Maintenance

When an electrical supply is provided to an embedded network Unison is not the distribution service provider within the embedded network. Evidence of a long term contractual arrangement for continuity and maintenance of supply within the embedded network is to be provided to Unison.

11 FUSE REQUIREMENTS

Where fuses vary on liveness of a Customer Connection Project an adjustment to the capital contribution payment may be required.

12 ROADING AUTHORITIES

Unison will meet all its obligations regarding Roading Authorities and cost sharing. These obligations are described in the Electricity Act 1992 and subsequent Amendments.

13 CLARIFICATION

Clarification of any matter referred to in this document should be directed to:

Commercial Manager

Unison Networks Ltd

PO Box 555

1101 Omaha Rd

HASTINGS

Ph (06) 873 9300

Fax (06) 873 9311

14 COMMUNICATION

Customers are to be made aware of this policy and the accompanying procedures in letters from Unison's New Connections Teams in response to the Customer's approach to Unison for the Project Costs.

15 IMPLEMENTATION, REVIEW AND REVISIONS


15.1 The policy is effective from the date on which it is approved by the Chief Executive.

15.2 The policy shall be subject to review annually.

15.3 The review process shall be instigated by the Commercial Manager and involve all business units involved in the processes addressed by this policy.

16 APPROVALS

Prepared by: Nigel Hoare
Commercial Specialist

Signature: 
Date: 26/6/09

Authorised by: Jason Larkin
Commercial Manager

Signature: 
Date: 26/06/09

Authorised by: Greg Morgan
Chief Financial Officer

Signature: 
Date: 26/6/09

Approved by: Ken Sutherland
Chief Executive Officer

Signature: 
Date: 28/07/09