

AURORA ENERGY LTD

Loss Factors

1 INTRODUCTION

2 LOSS FACTORS

2.1 General

2.2 HV and LV Metered Installations

2.3 Methodology

2.4 Halfway Bush and South Dunedin GXP Areas

2.5 Clyde, Cromwell and Frankton GXP Areas

2.6 Heritage Estate - Te Anau

SCHEDULE 1 - LOSS FACTORS - HWB & SDN GXP areas

SCHEDULE 2 - LOSS FACTORS - CYD, CML & FKN areas

SCHEDULE 3 - LOSS FACTORS - Heritage Estate - Te Anau area

1 INTRODUCTION

Aurora is obliged to calculate and publish loss factors under industry agreements. This document describes the methodology used to calculate the loss factors and sets out the loss factors applicable from 1 October 2008.

2 LOSSES

2.1 General

Distribution losses represent the electricity entering the network that is consumed during the delivery to consumers' installations. The quantity of electricity metered at consumer installations is thus after losses and in order to determine each retailer's purchase responsibilities the electricity measured at the consumer's meter has to be multiplied by a "loss factor". There are two main technical components to the loss:

- (a) A fixed component due to the standing losses of the zone substation and distribution transformers.
- (b) Variable components arising from the heating effects of the resistance in the delivery conductors. The resistive losses are proportional to the square of the load current and occur in the 66kV, 33kV, 11kV and 6.6kV and LV network conductors and in the zone substations and distribution transformers.

Non-technical loss arises from time to time including metering errors, theft and sales reporting errors and these errors are also included in the overall calculated loss determined from the sales reports received from retailers.

2.2 HV and LV Metered Installations

Most consumer installations are metered at LV. However a few consumers' installations are metered at HV and thus these installations should not incur any LV network losses nor the fixed and variable losses in the distribution transformer.

2.3 Methodology

Aurora has adopted the following methodology in determining the loss factors.

The loss ratio for the distribution network as declared for Information Disclosure purposes is used as the basis for the calculation and the average of several years' data is used to calculate the loss factors for the following year. A single year's data is considered to be insufficient as it can be unduly influenced by a poor calculation by the retailers for the accrual value of kWh in the "normalised" sales reports forwarded by retailers each month or due to poor data quality problems associated with the competitive market.

Once the average ratio is obtained then the kWh lost is determined for the year. The total "fixed" annual losses are determined from the data for the zone substation and distribution substation transformers. The total variable losses are the result of deducting the fixed losses from the total losses.

The variable losses are allocated to each half hour of the year using the total network demand for each half hour as these variable losses are a ratio of the square of the kW demand for each half hour. Once the variable component is determined for each half hour, the fixed component is added back and the "loss kWh" is thus available for each half hour. From this is calculated the loss factor for each half hour and implicit in this calculation is the non-technical losses.

Average loss factors have also been calculated for each of the following time zones by calculating the loss kWh for the zone and then determining the average loss factor:

| | | |
|--------------|------------------|-------------------|
| Summer day | October to April | 0700 - 2300 hours |
| Summer night | October to April | 2300 - 0700 hours |
| Winter day | May to September | 0700 - 2300 hours |
| Winter night | May to September | 2300 - 0700 hours |

2.4 Audit of Data for Calculation of Loss Ratio

The draft loss ratio calculated for Information Disclosure purposes for the Dunedin area at March 2007 was believed to be too low due in part to incorrect forward estimates by retailers billing systems for mass market ICP however that was unlikely to account for all the reduced losses and in May 2007 an audit was commissioned for the Dunedin area. This follows an earlier reduction in loss ratio for the March 2006 year. Despite extensive analysis the Electricity Commission approved auditor has not located any source of individual ICP error or systemic error in either network input data or retailers sales reports and energy reported for the market.

A smaller reduction in loss ratio has been observed for the Central area over the last two years.

2.5 Halfway Bush and South Dunedin GXP Areas

Prior to 2007 Aurora has calculated loss factors based upon the average 5 year loss ratio for the Dunedin area however given the substantial drop in loss ratio over the last two years for which no explanation is available, Aurora now calculates loss factors based upon the average loss ratio for the 3 years 2006-2008 which is 4.78% as compared to 5.21% for 5 years.

The individual values are:

| | |
|------|-------|
| 2008 | 5.07% |
| 2007 | 4.01% |
| 2006 | 5.26% |
| 2005 | 5.84% |
| 2004 | 5.87% |

The declared loss factors for the Halfway Bush & South Dunedin GXP areas are listed in Schedule 1.

2.6 Clyde, Cromwell and Frankton GXP Areas

Prior to 2006 Aurora has calculated loss factors based upon the average 5 year loss ratio for the Central area however given the slight improvement in loss ratio over the last two years, Aurora has calculated loss factors based upon the average loss ratio for the 3 years 2006-2008 which is 6.89% as compared to 7.08% for 5 years.

The losses are slightly higher for the Central network due to the greater percentage of small distribution transformers which are less efficient than large distribution transformers, and the greater length of delivery conductor needed on a per consumer basis compared to Dunedin. The individual values are:

| | |
|------|-------|
| 2008 | 6.89% |
| 2007 | 6.27% |
| 2006 | 7.51% |
| 2005 | 7.10% |
| 2004 | 7.64% |

The declared loss factors for the Clyde, Cromwell & Frankton GXP areas are listed in Schedule 2. A 33kV loss factor has also been declared since there are several 33kV connections to the network.

2.7 Heritage Estate – Te Anau Area

For the first three years interim loss factors were prescribed for the embedded network at Heritage Estate to the NSP of HER0111 until a pattern of loss ratio was established. The history of the loss ratio for the embedded network is;

| | |
|-----------------|--------|
| 2008 | 11.54% |
| 2007 | 21.22% |
| 2006 (6 months) | 61.31% |

The reason for the apparent high loss ratio is that until the 180 lot subdivision is fully populated when a loss ratio of less than 4% is expected then losses in this embedded network will be dominated by the standing iron losses of the distribution transformers modified by variations of estimates of reported sales by retailers. The same applies in large distribution networks however in these situations; the iron losses associated with distribution transformers in new subdivisions is not material when compared to the total losses in the network.

For the 2009 year it is predicted that the subdivision will be approximately 25% full, the loss ratio will reduce to 8% and loss factors from 1 October 2008 have been based upon this value.

The Power Company Ltd has also declared loss factors to be added to the consumption at the NSP in order to determine purchase quantities at the North Makarewa GXP.

SCHEDULE 1

AURORA ENERGY LTD
Halfway Bush and South Dunedin GXP areas

LOSS FACTORS
- APPLICABLE 1 OCTOBER 2008

The following Loss Factors are to be used by Retailers to multiply the kWh recorded on the meter at each Connected Customer's Installation in order to determine the Electricity Retailer's responsibility for the purchase of kWh within the distribution network.

| LOSS FACTORS AND CODE | | | HV metered | LV metered |
|--------------------------|-------|-----------------|------------|------------|
| | | | DEHV | DELV |
| Summer | Day | 0700 - 2300 hrs | 1.0366 | 1.0489 |
| Summer | Night | 2300 - 0700 hrs | 1.0358 | 1.0478 |
| Winter | Day | 0700 - 2300 hrs | 1.0418 | 1.0557 |
| Winter | Night | 2300 - 0700 hrs | 1.0354 | 1.0472 |

Note: Winter months are May - September inclusive.
Summer months are October - April inclusive.
Time is NZ Standard Time or Daylight Saving Time as applicable.

Dunedin area - the Aurora distribution network connected to the Transpower grid exit points at Halfway Bush and South Dunedin.

SCHEDULE 2

AURORA ENERGY LTD
Clyde, Cromwell & Frankton GXP areas

LOSS FACTORS
- APPLICABLE 1 OCTOBER 2008

The following Loss Factors are to be used by Retailers to multiply the kWh recorded on the meter at each Connected Customer's Installation in order to determine the Electricity Retailer's responsibility for the purchase of kWh within the distribution network.

| LOSS FACTORS AND CODES | SUPPLY @ 33kV | SUPPLY @ 11kV/6.6kV | GENERAL 400V |
|---------------------------------------|------------------------------|------------------------------------|-------------------------|
| | CE33 | CEHV | CELV |
| Summer Day | 1.0379 | 1.0524 | 1.0698 |
| Summer Night | 1.0223 | 1.0452 | 1.0603 |
| Winter Day | 1.0579 | 1.0663 | 1.0884 |
| Winter Night | 1.0408 | 1.0541 | 1.0721 |

Note: Winter months are May - September inclusive

Summer months are October - April inclusive

Day is 7:00 am to 11:00 pm

Night is 11:00 pm to 7:00 am

Time is NZ Standard Time or Daylight Saving Time as applicable.

Central area - the Aurora distribution network connected to the Transpower grid exit points at Frankton, Cromwell and Clyde.

SCHEDULE 3

AURORA ENERGY LTD
Heritage Estate - Te Anau area- North Makarewa GXP

LOSS FACTORS
- APPLICABLE 1 October 2008

The following Loss Factors are to be used by Retailers to multiply the kWh recorded on the meter at each Connected Customer's Installation in order to determine the Electricity Retailer's responsibility at the NSP of HER0111 for the purchase of kWh within the embedded distribution network.

| LOSS FACTORS AND CODES | GENERAL 400V |
|------------------------------|-----------------|
| | HELV |
| Summer Day | 1.0849 |
| Summer Night | 1.1027 |
| Winter Day | 1.0841 |
| Winter Night | 1.0872 |

Note: Winter months are May - September inclusive.

Summer months are October - April inclusive.

Day is 7:00 am to 11:00 pm.

Night is 11:00 pm to 7:00 am.

Time is NZ Standard Time or Daylight Saving Time as applicable.

Te Anau area - the Aurora embedded distribution network connected to The Power Company network supply point HER0111.

As at 1 May 2008 the Loss Factors declared by The Power Company applicable to translate kWh at the NSP HER0111 to the NMA0331 grid exit point are as follows:

| LOSS FACTORS AND CODES | HER0111 |
|------------------------------|---------|
| | PNL25 |
| Summer Day | 1.0500 |
| Summer Night | 1.0380 |
| Winter Day | 1.0800 |
| Winter Night | 1.0570 |