

Breakdown of Forward Revenue Projections

Inputs

Revenue projection (Nominal) sent to customers November 2010

Nominal	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
AC Revenue Net	566	640	715	774	849	852	871	910	950
DC Revenue Net	117	156	157	161	160	159	157	162	167
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Revenue projection (Real) sent to customers November 2010

Real	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
AC Revenue Net	552	612	670	711	766	753	755	773	791
DC Revenue Net	114	149	147	148	145	140	136	137	139

Connection Interconnection splits

Nominal	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
Connection	119	122	125	128	131	134	137	140	143
Interconnection	447	518	590	646	719	718	734	769	806
Subtotal	566	640	715	774	849	852	871	910	950
AC Revenue Net	566	640	715	774	849	852	871	910	950

Real	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
Connection	116	119	122	124	127	130	133	137	140
Interconnection	436	493	549	587	638	622	621	636	651
Subtotal	552	612	670	711	766	753	755	773	791
AC Revenue Net	552	612	670	711	766	753	755	773	791

HVDC - Split - Pole 3 Existing assets

Nominal	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
Pole 3 & cable	29	56	59	62	62	61	61	76	85
Existing Assets and operating costs	88	100	98	99	99	97	96	86	82
Subtotal	117	156	157	161	160	159	157	162	167
DC Revenue Net	117	156	157	161	160	159	157	162	167

Assumptions

- The forward revenue projections based on Real value 2010/11 dollars were sent to all customers as part of the Transmission Pricing 2011_12
- The revenue forecasts are based on Transpower's 2010/11 business plan and have not been updated with the Commerce Commissions final determinations on WACC and opex/capex allowances for RCP1 (the latter is still pending)
- Connection charges are based on the Replacement cost value of the connection asset pool.
- Connection charges are a function of connection assets, ARR(WACC, DEPN, RC), switch costs, IOR and maintenance rates
- The 2011_12 connection charge value is used as the base figure and escalated by a "forecast CPI average" for the years from 2012/13 to 2019/20
- Forecast average annual movements in CPI over RCP1 have been derived from three sources
 - NZIER forecast (27 September);
 - BIS Shrapnel Forecast – based on RBNZ Statistics) and
 - NZ Treasury forecasts as of July 2010 (applied by Treasury for valuation purposes).
 A summary is shown below:

CPI Forecast

Source	2010/11*	2011/12	2012/13	2013/14	2014/15	2015-2020 - average from RCP1
NZIER	4.50%	2.10%	2.40%	2.40%	2.30%	
BIS Shrapnel	4.90%	2.70%	3.00%	3.50%	3.50%	
NZ Treasury	5.90%	2.40%	2.40%	2.50%	2.50%	
Average	5.10%	2.40%	2.40%	2.40%	2.30%	2.38%

* base year for escalation purposes

- TPM 2008 is the pricing methodology used to determine charges