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26 November 2012

Lord Dalgety
Electricity Commission
Tu'atakilangi
Nuku'alofa

Dear Lord Dalgety

Compliance Reporting for the Month of November 2012

In accordance with the reporting requirements of the Electricity Concession Contract and in response to your request for additional information as specified in the suggested MOU dated May 2012, TPL submits the following reports for the month of November 2012.

1. Annual Capex Proposal
2. System Loss Report
3. Reliability Measures
4. Monthly Faults Events

Additional reporting items:

5. Company Annual Report
6. A statement from the auditor stating TPL comply with the requirements 3.2 (a), (b) & (c) of the Schedule 13 of the Concession Contract.

The above report items are described in detail below.

1. Annual Capex Report

TPL have submitted the 2012/13 Annual Capex Proposal in last September requesting approval from EC. The Concession Contract states that the effective date for submission of Annual Capex Proposal is 1 December of that year. However, TPL wishes to change this date and replace it with 1 July of that year in line with the calendar year.

As EC have seen, TPL's Annual Capex Proposal is prepared based on four categories (i.e. Generation, Distribution, Retail and Indirect) and each category is an excel file. All Capex items (related to that category) are shown on a monthly basis. There are three columns in any single month: Budget, Forecast,

and Actual. The 'Budget' column states all original Capex items identified in the financial budget prepared at the beginning of the year. If in any case, these original budget items changed or deleted or new ones added, the net effect/change is identified in the 'Forecast' column. The 'Actual' column states the actual expenditure of that Capex item. When compare the actual against budget, EC should note that 'Actual' to compare the 'Actual' against the 'Forecast' column because 'Forecast' column is now the latest updated budget.

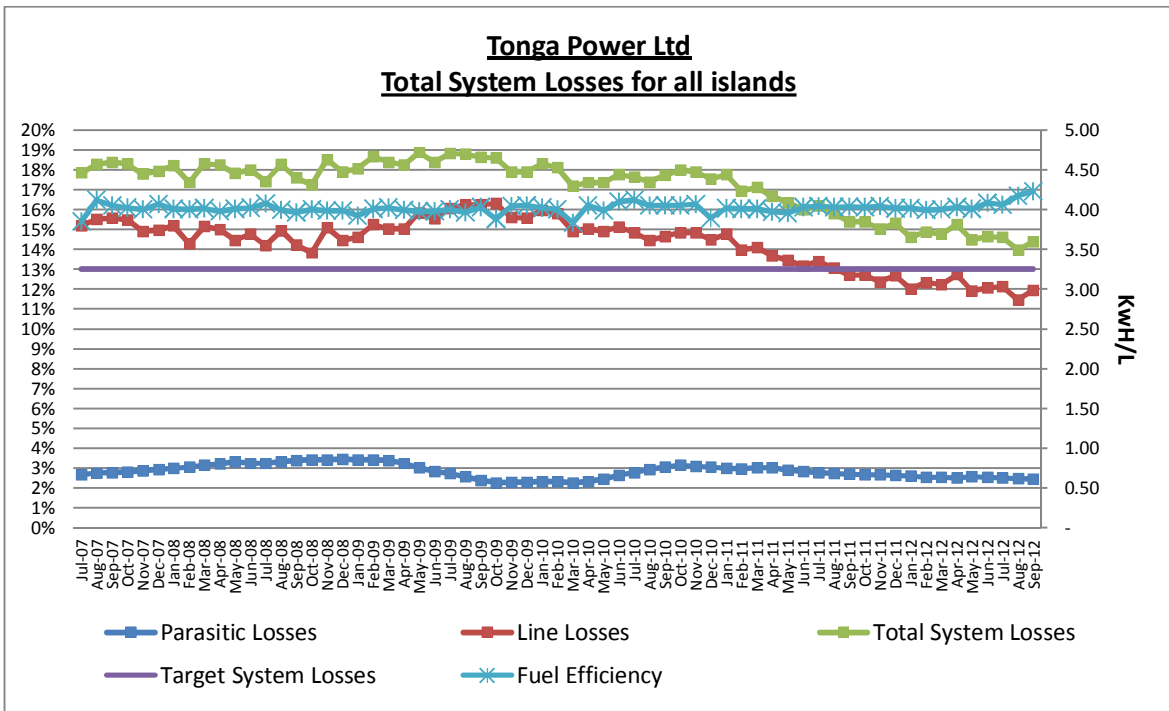
The following table describes the Capex projects which have been approved by the Board since July 2012.

Amount Approved	Project
\$525,000.00	Replacement of ageing fleet (\$350k) and additional vehicles for new staff positions (\$175k)
\$2,693,367.00	Distribution Capital Projects
\$20,000.00 (NZD)	Purchase of mechanics tools and equipments for servicing company vehicles
\$105,541.74 (USD)+20% labour costs	Overhaul of generator engine no.4
\$303,025.00	Procurement of 655 power poles from Tonga Forest Products
\$59,984.00	Purchase of 300kVA transformer to supply Tonga Cable Ltd terminal station
\$16,167.44	Investment in IT hardware
\$1,405,347.74	Distribution Capital Planned Projects 2012/2013. Approved for quarterly disbursements and prior to Board approval
\$287,620.98	Distribution Capex for works completed in August and September 2012
\$9,490.00	15 Fault Path Indicators
\$534,805.68	Distribution Planned Capital Projects for November/December 2012
\$263,269.70	Distribution capital works in October 2012
\$10,368,730.00	Purchase of new MAK generator
\$21,500.00	Conductor for Taufalahau Road

The purchase of new 2.88MW MAK Generator was proposed for the 2011/12 financial year but later the project was deferred due to flat peak demand forecasted. However, the project was resubmitted in this year's budget. The project is fully debt funded and scheduled to be completed by October 2013.

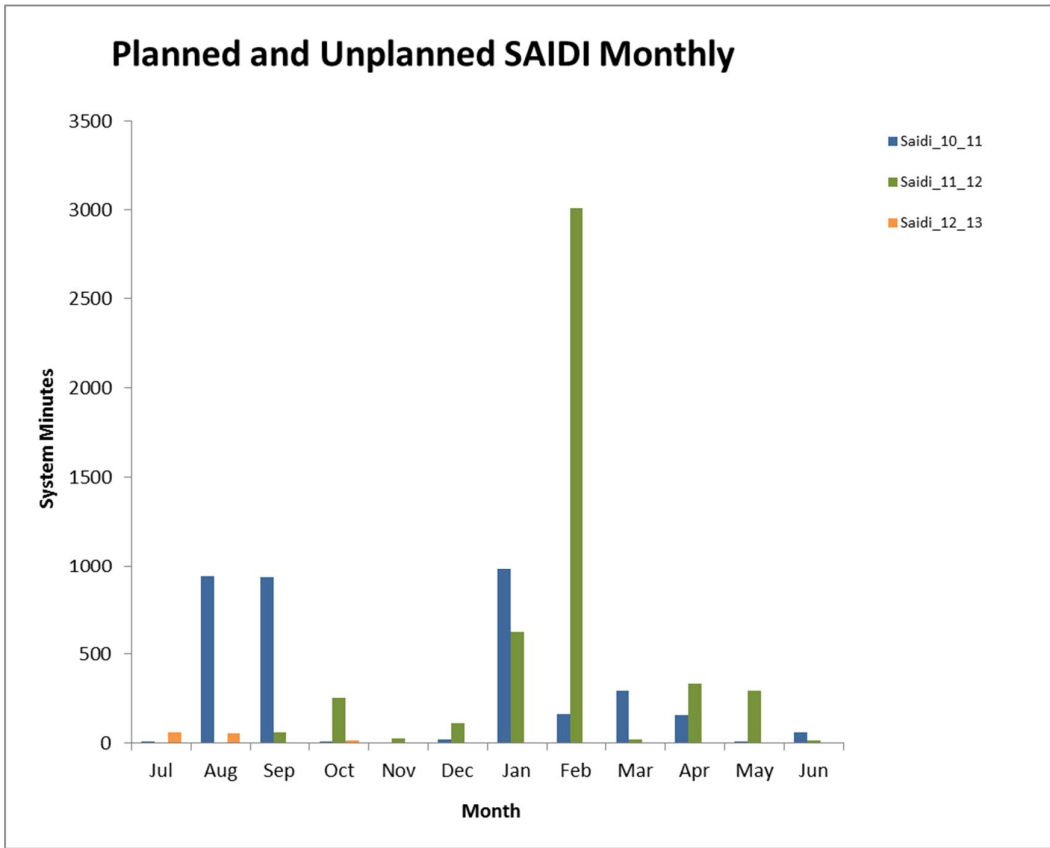
2. System Loss Report

The following graph illustrates the past 12 months moving average (smoothed) of systems losses for all four islands for the period Jul 2007 – Sep 2012. The graph indicates that the total losses for all four islands have slightly increased from 13.96% (in August 2012) to 14.41% (in September 2012). It was noticed, on a real time basis (disregarding 12 months moving average), that Tongatapu losses have increased (from 8.67% to 21.7%). The real time monthly losses variability can be explained by the impact of the number of days and fall of the weekends in respect to meter reading cycle. Similar trends are observed for other grids, which is why we use twelve month rolling average.



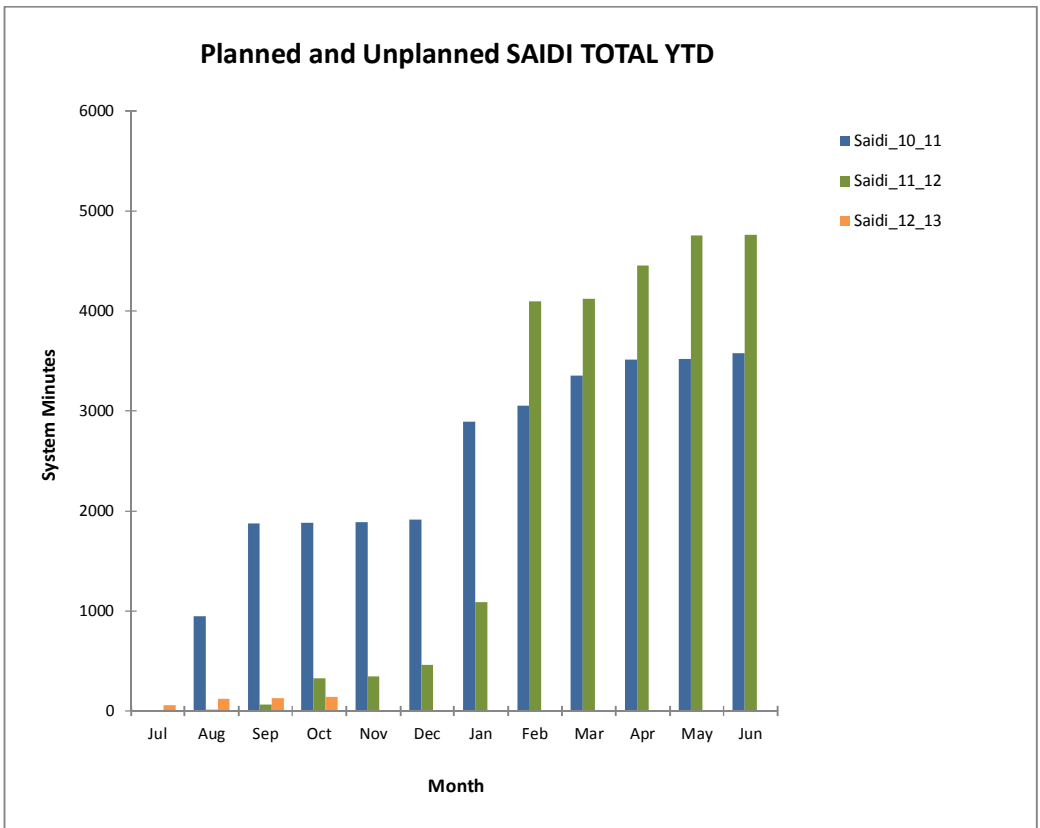
Fuel efficiency, however has increased from 4.06 Kwh/L in August to 4.23 Kwh/L in September.

3. Reliability Measures



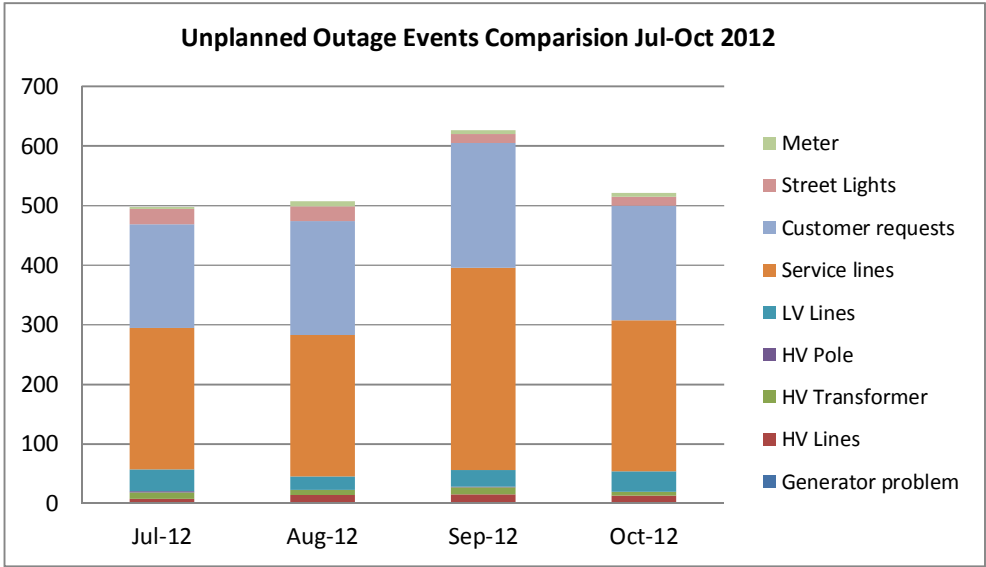
SAIDI minutes lost for the month of October have slightly increased from 5.66 to 16.05 minutes.

The accumulated SAIDI minutes lost year-to-date is shown below.



Further information on SAIDI, SAIFI and CAIDI indicators can be found in the attached excel file named Reliability Indicators October 2012.

4. Monthly Faults Events



As per the graph above, the number of fault events has decreased from 627 in September to 521 in October 2012 mainly due to reduction of service line issues. The service line faults decreased from 346 in September to 255 in October 2012.

Additional Reporting Items:

5. Company Annual Report

The information such as 2011/12 financial statements, RAV, Capex, system losses and efficiency standards etc. were submitted to EC in September 2012 along with the Regulatory Annual Report. In addition to financial statements, the Company Annual Report contains such qualitative information as TPL strategy and the way forward, annual operational review, and major events occurred for the year 2011/12.

6. Auditor's Statement

In support of the Annual Regulatory Report, TPL have attached an additional statement from the Company Auditors specifically stating TPL comply with the requirements of the Schedule 13-3.2 (a), (b), & (c) for the year 2011/12. A schedule of updated RAV approved by the auditor also attached in accordance with 13-3.2(c).

Should you have any queries with the information provided, please do not hesitate to contact me.

Yours Faithfully,
Ajith Fernando
Risk & Compliance Manager
Tonga Power Limited

Attachments:

- Fault Events - October 2012
- Reliability Indicators - October 2012
- Company Annual Report 2011/12
- Auditor's Statement and Approved RAV Schedule
- Annual Capex Proposal 2012/13
 - Generation Capex Proposal – 2012/13
 - Distribution Capex Proposal – 2012/13
 - Retail Capex Proposal – 2012/13
 - Indirect Capex Proposal – 2012/13