

Waitaki Power Trust

100% Shareholder of Network Waitaki Limited



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Submissions

Electricity Authority

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CONSULTATION PAPER – UPDATING THE REGULATORY SETTINGS FOR DISTRIBUTION NETWORKS

Waitaki Power Trust welcomes the opportunity to provide comments to the Authority on the consultation paper titled: UPDATING THE REGULATORY SETTINGS FOR DISTRIBUTION NETWORKS. The Trust also supports and agrees with the submission by Network Waitaki Limited, the group submission by a number of exempt Electricity Distributors (submission on behalf of MainPower, Network Waitaki, Buller, Westpower and Electra) and Energy Trusts of New Zealand (ETNZ).

Waitaki Power Trust is the 100% Shareholder of Network Waitaki Limited. It is a consumer owned trust.

Network Waitaki Limited (NWL), trading as Network Waitaki operates primarily as an electricity network company while investigating business opportunities within the utilities sector and being ready to accommodate growth. It does not generate or sell electricity.

The Company's 1900 km lines network system covers territory of 2,974 square kms and is almost co-extensive with the Waitaki District, apart from two exceptions. An extension into South Canterbury to service the Hakataramea Valley and that the network does not extend quite as far south as Palmerston from the mouth of the Waitaki River in the north.

The Network Waitaki network distributes electricity to approximately 13,165 individual connection points (ICPs), 10,000 of which are connected to dwellings, with the remainder providing electricity to commercial businesses and farming operations. The Company's mission statement is to promote regional growth and wellbeing through the provision of innovative and sustainable energy solutions for our customers.

Waitaki Power Trust was established to enable 100% of the shares in the Company to be held by trustees. Waitaki Power Trust trustees are first and foremost shareholders of NWL. There are five Trustees elected by the consumers served by Network Waitaki Limited. Every three years, three Trustees step down and an election is held. The current Trustees bring a wide range of skills and community knowledge to the Trust Board. Trustees are kept up to date with the electricity industry through publications, membership of ETNZ, attending industry conferences and regular meetings with the Company CEO and Chairman.

Binding shareholder responsibilities include:

- approving NWL's Statement of Corporate Intent on an annual basis, a document which must contain sufficient information, specified by law, to enable shareholders to assess the performance of the company, in relation to its objectives, at the end of each financial year;
- to monitor the performance of the Company;
- appoint directors to NWL;

- to exercise all the voting powers attached to shares in the company that form part of the Trust Fund; and
- to amend Network Waitaki Limited's constitution

In appointing Directors to the Network Waitaki Board, Trustees are mindful of appointing a mix of highly skilled local directors and directors from outside of the NWL distribution area who will bring knowledge of the electricity industry, innovation, passion for a small community, business and governance skills to the Board table.



Binding Trustee responsibilities include:

- always acting in the best interests of the consumer/beneficiaries of the Trust and never from self-interest;
- ensuring that the benefits of trustee ownership of the shares in the Company are returned to NWL consumers in their capacity as beneficiaries;
- encouraging NWL to be a successful business while minimising risk to the Trust Fund;
- reviewing the type of organisation consumer/beneficiaries consider best suited to hold the shares in NWL in the future, by consulting with NWL consumers under the terms and conditions of the share ownership review set out in the Waitaki Power Trust Deed.

How are the benefits of local ownership returned to NWL consumers?

- First and foremost NWL consumers have a safe, reliable and affordable electricity distribution system as evident in annual information disclosures to the Commerce Commission.
- NWL is becoming an employer of choice for the local community. In addition to providing a safe and dynamic working environment, it offers apprenticeships and scholarships for tertiary study for the community's young people. High school students are invited to open days at NWL so they can see the variety of opportunities that exist in just one local business. The benefit of this for the well-being of a District cannot be underestimated. Young people and families can see a future which means they can continue to live, work and study in the area they know and love.
- The Trust's annual reporting meeting to consumers is well attended. In addition NWL Directors and staff attend, and separate to the Trust's annual report, review the Company's year in detail with consumers. This helps consumers to understand how the electricity network in their area works and is building on their knowledge of New Zealand's electricity industry.

- NWL consumers receive an annual discount which is very much appreciated and commented on, particularly by low income households. In the 2021 financial year \$1.7m was returned to consumers.
- NWL is playing a leading role in the business community. Its staff, vehicles, EV charging stations, substantial support of the air ambulance which is vital for a small community without big city hospital services, means that NWL is a very visible part of this community. In addition NWL provided sponsorship of almost \$160,000 to 43 community groups in the 2021 financial year.

2021 Ownership Review of shares in NWL

Waitaki Power Trust has just completed an ownership review of how consumers wish shares in NWL to be held. This is a requirement in the Trust Deed and is undertaken at least every 10 years.

Of all submissions received only .5% favoured an option other than keeping Network Waitaki shares in 100% Consumer Trust Ownership.

Below are some quotes from Consumers in their submissions:

- *This shows the strong support and confidence that NWL consumers have in the Company and the 100% consumer trust ownership model. NWL Consumers would be extremely cautious of what might seem like a good solution to perceived problems being imposed on them, resulting in an outcome with no benefits.*
- *I have total confidence in the Board/Trust. Great results are the proof of sound management.*
- *Vital to keep ownership in the hands of the community particularly as water and other assets are under threat of central Government control.*
- *Network Waitaki are doing a top job.*
- *The Waitaki Power Trust have demonstrated a hugely successful model in the distribution of energy (electric power) to its consumers.*
- *The network is designed and managed for the best interests of Waitaki. All profits are returned to the community and NOT siphoned off to some large external entity.*

Response to questions asked in the Consultation document:

Waitaki Power Trust has focused on responding to Section 8, questions 18-20 of the Consultation document.

Q. 18. What are distributors doing to ensure their network can efficiently and effectively manage the transformation of networks?

The Waitaki Power Trust fully supports the comments in the NWL submission in answer to this question. The Trust is very satisfied from the results produced, the forward planning instigated and the cooperation sought that NWL is achieving high standards and making sure that they can meet the future challenges of network transformation. Below is a snapshot of NWL's recent results.

Network Waitaki's results for the 2020/21 financial year:

- \$25.7 million - Total Revenue
- \$6.2 million Profit which was reinvested or distributed to customers and community.

- \$10.9 million invested in the network, plant and equipment.
- \$1.7m returned to customers as discounts on their power accounts
- \$157,386 shared with 43 community groups as sponsorship
- NWL's assets grew from \$118 million in the 2020 year to \$127 million in the 2021 financial year.
- \$11.8million paid to local staff and suppliers in the 2021 financial year.
- 6TH lowest tariffs amongst all NZ Electricity Distributors.

Q. 19. How are distributors currently working together to achieve better outcomes for consumers?

See NWL's submission.

The Waitaki Power Trust observes this work happening and NWL contracting teams have completed significant contracts for Top Energy, Aurora and others, growing Contracting revenue to \$3.6 million in the previous financial year.

The geographical boundaries of NWL's distribution area create in most cases a logical dividing line between them and adjoining EDBs with rivers and mountain ranges preventing easy access between EDBs.

Q. 20. Could more coordination between distributors improve the efficiency of distribution?

See NWL's submission for the extensive coordination that is already taking place.

The Waitaki Power Trust is always looking for improvement in efficiencies and view coordination as important but more coordination does not necessarily directly correlate with improved efficiency – there needs to be a balance to ensure coordination is targeted at the right areas where needed. NWL's annual results provide information on the performance of the Company and indirectly reflects the success of all its efforts, including coordination.

Conclusion:

The Waitaki Power Trust firmly believes that smaller EDBs with good governance and management can be very efficient, responsive to change, and be profitable. NWL's results reflect this.

We are concerned about the negative assumptions made by the EA in using allusive phrasing, such as 'the possibilities', 'the potential', 'they may be reluctant' etc. Using the same thinking, we would not dare drive on NZ roads as we may possibly have an accident, there is potential to be killed etc.

In business there are all sorts of risks and rewards. Governance and management are both required to balance all these matters as they plan and operate.

It is not the size of an EDB which determines the results it achieves, but the skills and knowledge adopted by the respective EDBs which reflect their performance. Overseas information from both the Yarrow Report and associated comments regarding the Yarrow Report certainly reflects this.



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