

AECT : CHAIRMAN'S ADDRESS : ANNUAL MEETING OF BENEFICIARIES, 29 OCTOBER 2014

Good Evening

I'm William Cairns, Chairman of AECT.

It gives me great pleasure to welcome you all to the 2014 Annual Meeting of the Auckland Energy Consumer Trust.

Agenda

Tonight's meeting will start with a report from the Trust, and then move to the formal business of the meeting. After that we will open the floor for questions, before closing the meeting, followed by refreshments.

We welcome your questions, and if you have any I would ask that you please wait until this section of the meeting.

This is a meeting for the beneficiaries of the Trust.

If there are members of the media present we are happy to speak to you afterwards.

I'm pleased to introduce my fellow Trustees here tonight and acknowledge the work that they do in the running of the Trust.

Warren Kyd, Deputy Chair

Michael Buczkowski, Chair of the Finance and Risk Subcommittee

James Carmichael, Chair of the Communications and Dividend Sub Committee, and Trustee Director of Vector

Karen Sherry, Chair of the Regulation and Strategy Subcommittee and Trustee Director of Vector

I would also like to give special mention to Ian Ward, the CEO of AECT and Joy Stevens, our Secretary.

I would also like to acknowledge other special guests including:

AECT beneficiaries

Simon Mackenzie, CEO of Vector

Dan Molloy, CFO of Vector

Representatives from Grant Thornton, our auditors and Staples Rodway, our accountants, and our legal advisor, David Bigio.

Apologies

The following people have tendered their apologies:

Are there any further apologies?

Penrose Substation Incident

Let's start this section by saying that the AECT is 100% behind Vector and supports the company – its board and management – totally.

Vector is a very good, well governed, company.

The fire at Transpower's Penrose substation cut power to many homes and businesses.

We are very concerned about the impact of the outage on the community and very aware of the problems it has caused the people of Auckland.

As trustees we take our responsibilities seriously and we ensure close monitoring of security of electricity supply.

We commission regular independent assessments of Vector's electricity networks, conducted by international experts.

In an outage situation like this, safety is paramount. We were pleased that the lights came back on safely, without fatality or injury.

We are satisfied that all that could be done, was done to restore the power as quickly as possible.

We applaud the efforts of the Vector crews, who worked so hard in difficult conditions to get the power back on.

There are two high level enquiries underway, engaging independent experts from New Zealand and overseas, including forensic experts.

One enquiry is being jointly undertaken by Vector and Transpower.

The other is by the Electricity Authority at the request of the Minister of Energy and Resources.

We support these enquiries.

It's important to understand what happened and what lessons can be learned.

2013 – 2014 in Review

2014 has been a busy year.

We have achieved some important milestones and are moving things forward for our beneficiaries; the 316,000 households, businesses and community groups in the Trust area.

As the major shareholder in Vector, we have a duty to protect our investment in the company, and in the energy sector; this is an area where your Trustees put in considerable effort and time every year.

Meetings

The Trustees have approved the minutes of the annual meeting of beneficiaries, held on 30 October 2013, and the minutes are posted on the AECT website.

It will be noted that the minutes were tabled and received.

During the year 11 full meetings of the Trust and 15 subcommittee meetings were held – an increase over the number of meetings in 2013.

The table shows a record of all the meetings for the year to 30 June 2014

	Full Trust	Regulation and Strategy Subcommittee	Communications and Dividend Subcommittee	Finance and Risk Subcommittee
William Cairns	11	8	5	2
Warren Kyd	11	8	4	2
Michael Buczkowski	10	3	3	2
James Carmichael	11	8	5	2
Karen Sherry	11	8	5	2

Karen Sherry QSM

I would like to pay special honour to Karen Sherry, and on behalf of all Trustees, congratulate her for the Queen’s Service Medal conferred in the 2014 Queen’s Birthday Honours for services to the electricity industry.

As many of you will know, Karen has been an AECT Trustee since the Trust was established and the first elections held, in 1994. She also serves on the Vector Board.

Her services to the electricity industry also include her work as the Chair of Energy Trusts of New Zealand, representing 22 energy trusts around the country.

The AECT is pleased to congratulate Karen on being awarded the QSM in recognition of her considerable time, effort and expertise in the electricity industry.

Financial Performance

The Trustees have approved the Financial Statements for the year ended 30 June 2014 and our auditors, Grant Thornton issued an Unqualified Audit Certificate on 22 August 2014.

Hard copies of the Financial Statements are available here tonight. They are also on the website.

Income received

AECT INCOME \$m	2010	2011	2012	2013	2014
Dividends					
Final	54.4	56.3	56.3	56.3	58.2
Interim	48.8	50.7	52.6	54.5	56.3
Total dividends	103.2	107.0	108.9	110.8	114.5
Interest received	1.3	1.4	1.5	1.6	1.6
Total income	\$104.5	\$108.4	\$110.4	\$112.4	\$116.1

Over the past five years income has increased by 11.1% and costs are largely the same.

This is a good news story.

This year the Trust received \$116.1 million income:

\$58.2 million from Vector's final dividend for the year ended 30 June 2013 and \$56.3 million from Vector's interim dividend for the year ended 30 June 2014

Interest from funds on deposit was \$1.6 million

Expenditure

AECT EXPENDITURE \$m	2010	2011	2012	2013	2014
Distribution	1.0	1.1	1.1	1.0	1.1
Operations	2.2	2.0	1.9	2.0	2.0
Projects	0.7	0.2	0.4	0.6	0.4
Total Expenditure	\$3.9	\$3.3	\$3.4	\$3.6	\$3.5

For the year ended 30 June 2014, the total expenditure incurred by the Trust was \$3.5 million.

AECT runs an efficient operation.

Our management costs are approximately one sixth of one percent of total assets.

Those of you that are in Kiwisaver or in managed funds are often charged fees in the range of half to one per cent.

Key Issues

As a majority owner of a major infrastructure company, AECT is dealing with many challenging issues. Trustees have considerable responsibilities that continue to grow.

These are the key issues that the Trustees have focused on this year:

Dividend and distribution

Withholding tax

Regulation

Growth Opportunities

Dividend and Distributions

The company operates in a very tough regulatory environment.

Despite Vector's electricity charges being reduced by the Commerce Commission, this year's AECT dividend has increased to \$335, and was paid to approximately 316,000 households, businesses and community groups.

Withholding tax

The AECT dividend distribution goes to more people than any company or trust distribution in New Zealand.

This year, the AECT dividend has put \$106 million back into the Auckland economy.

The Trust is required to pay withholding tax of 33%. Many who receive our dividend are on lower tax rates. This could mean that many AECT beneficiaries are entitled to a refund.

Which is why we are concerned about withholding tax.

We are continuing our talks with Government and the IRD, working towards a more realistic tax outcome.

Regulation

We believe there's too much regulation in our industry, and we actively monitor and respond to any issue that may or could affect AECT and Vector.

We must take a long term view, as we are responsible for looking after our beneficiaries' interest in Vector over many generations.

In contrast, The Commerce Commission deals in 5 year terms.

The challenge is to ensure we still receive an adequate return on investment because this is what is needed to grow the company.

Our role is to have a strong, experienced voice on matters that affect the future of energy and infrastructure for all of New Zealand.

Regulatory Submissions

The AECT is proactive and has made important submissions in several key areas.

Where appropriate we work on submissions with Energy Trusts of New Zealand.

I'd like to talk about a few of the submissions we have made:

Date	Agency	Subject	Submitter
25 October 2013	Productivity Commission	Inquiry Into Regulatory Institutions and Practices	AECT
11 March 2014	Electricity Authority	Issues Paper : Retail Data Project	AECT
19 March 2014	Commerce Commission	Questions on Weighted Average Cost of Capital	AECT
1 May 2014	Commerce Commission	Further Work on the Cost of Capital Input Methodologies Content	AECT
20 May 2014	Electricity Authority	Use of Systems Agreements	AECT
26 September 2014	Electricity Authority	Improving Transparency of Consumers' Electricity Charges	ETNZ

Our submission to the **Productivity Commission** advocated the setting up of a dedicated body to carry out independent periodic reviews, and put in place an overarching set of principles to decide when a review is needed and how regulatory performance can be monitored.

We believe that consumers don't have enough information about retail electricity prices.

In our submission to the **Electricity Authority** we said that incomplete information about retail costs and prices is having a distorting effect on competition, inhibiting effective decisions by consumers.

We have expressed our disappointment that many customers were not benefitting from the recent decrease in electricity lines charges.

The Commerce Commission sets the price path that determines what Vector can charge for its electricity and gas pipeline services.

Our submission to the **Commerce Commission** advocated for higher allowable returns to support ongoing innovation and investment by Vector.

Vector has to deal with new and rapid changes in technology which will have considerable cost. Demand for electricity may reduce because of new energy sources such as solar and wind power.

At the same time, Vector faces substantial costs to meet the demands of rapid population and business growth in Auckland.

It is our duty as trustees to see that our beneficiaries receive a fair return on their substantial investment in Vector.

Vector Growth Opportunities

In order to grow the value of the trust, we support Vector to explore as many new innovative approaches as possible.

Being innovative and seeking new, creative ways to drive growth and revenue are essential in this new regulatory environment.

Some of the exciting things happening around the company's growth opportunities, which will benefit the AECT, include Vector's investment in smart meters and solar panels.

We applaud the growing use of solar panels as they make a positive contribution to the environment and help to reduce demand on the network.

Smart metering is another great example of innovation. The advanced metering technology directly allows consumers to manage their energy costs. Right now, Vector has approximately 720,000 smart meters installed in New Zealand homes and businesses. Agreements are in place to install a further 180,000, bringing the expected total to 900,000 smart meters.

Communications overview

Communications with you, our beneficiaries, is a vital part of what we do.

I am delighted to say that this year stands out as a good year in terms of how well integrated and thorough AECT communications have been.

Despite the obvious need for the Trust to communicate, it often surprises us that we still get asked, why do we make this effort?

It is our duty as Trustees to make every reasonable effort to ensure all our beneficiaries know about the dividend and the Trust.

We have considerable beneficiary churn every year, with people moving in and out and within the area.

This makes this dividend process extremely complex so it is even more important that we communicate well, so that everyone who is entitled to receive the dividend, knows about and gets it.

AECT Communications

A good example of our communications is the Kenny Video, which I think is first class.

For those of you who haven't seen it this was a successful piece of creative work to lead the beneficiary awareness campaign.

Kenny is a symbol that resonates with people and he is remembered – it is a light hearted way of letting people know about the AECT.

AECT Website and e-newsletter

We are also very proud of the new state of the art AECT website, which has had a complete update to make it more user friendly and interactive.

The website is the 'face' or shop front for the Trust and reflects:

Who we are

The many valuable things we are doing, and

The issues we are advancing to protect our interests in Vector.

Here you can find and download anything about the Trust, including our submissions.

It works on any mobile device and most things can be accessed within one or two clicks.

Our e-newsletter is now published regularly.

It is available to people who register on our website - www.aect.co.nz – it is a powerful, easy and convenient way for all stakeholders to learn about what we are doing.

I invite you to visit our website, view the Kenny video and register for the e-newsletter.

Summary and acknowledgements

That concludes our comments this evening. It has been another successful year for the AECT, which is good example of public/private ownership.

We are proud and privileged to serve the community, but it does take a team to do this and I'd like to acknowledge the commitment of our Trustees and the assistance of our advisors.

Thank you all.

To the Trust staff – all two of you, Chief Executive Officer Ian Ward and our Secretary, Joy Stevens – thank you for the ongoing professional and expert service you provide to the Trust.

Appointment of Auditors

Now for the business of the meeting.

It is now time to appoint the Trust's auditors and to authorise that their remuneration be fixed by the Trust.

At last year's Annual Meeting, Grant Thornton was appointed. Their auditing fees for the past year were \$45,000.

Being available for the 2014/15 audit, the Trustees recommend the retention of Grant Thornton for the current financial year.

Do I have a mover and seconder that Grant Thornton be re-appointed as auditors for the Trust?
Is there any discussion?

All those in favour that Grant Thornton be appointed auditors of the AECT for the coming year please say AYE.

Those against, please say NO.

Thank you, I declare the motion carried.

Remuneration of Auditors

We now move to the second recommendation, the fixing of the remuneration of the auditor.

The recommendation is:

That in accordance with section 101(3) of the Electricity Industry Act 2010, the Trust be authorised to fix the fees and expenses of the auditors for the ensuing year.

Do we have a mover and seconder?

Thank you.

Is there any discussion?

Thank you.

All those in favour that the Trust be authorised to fix the fees and expenses of the auditors for the ensuing year please say AYE.

Those against, please say NO.

Thank you, I declare the motion carried.

Thank you ladies and gentlemen.

Speaker William Cairns

We now invite beneficiaries of the Trust to raise any questions or make any comments about the Trust....

[TIME FOR QUESTIONS AND ANSWERS]

Thank you ladies and gentlemen. That concludes this year's annual meeting of the Auckland Energy Consumer Trust. The Trustees now invite you to join them for tea and coffee.

Thank you.