



Report to the Auckland Energy Consumer Trust

Overhead Improvement Programme

Financial Year 2005/06

August 2006

## 1 Introduction

Under the terms of the New Deed Recording Essential Operating Requirements, Clause 4.3 requires the Company to provide a written report to the Trust on the operation of the Overhead Improvement Programme. This report sets out to detail the operation of the undergrounding programme in compliance with the terms of the deed.

## 2 The Overhead Improvement Programme

The Overhead Improvement Programme commenced in 2001. The Minimum Undergrounding Investment was set at \$10M - with this to be increased by a PPI adjustment in subsequent years. After considering the adjustment, there was no increase needed in the in the Minimum Undergrounding Investment until the 2005/06 year. The new Deed Recording Essential Operating Requirements reset the base Minimum Undergrounding Investment to \$10.5M in 2005.

As a result the Minimum Undergrounding Investment amounts for each year we set as:

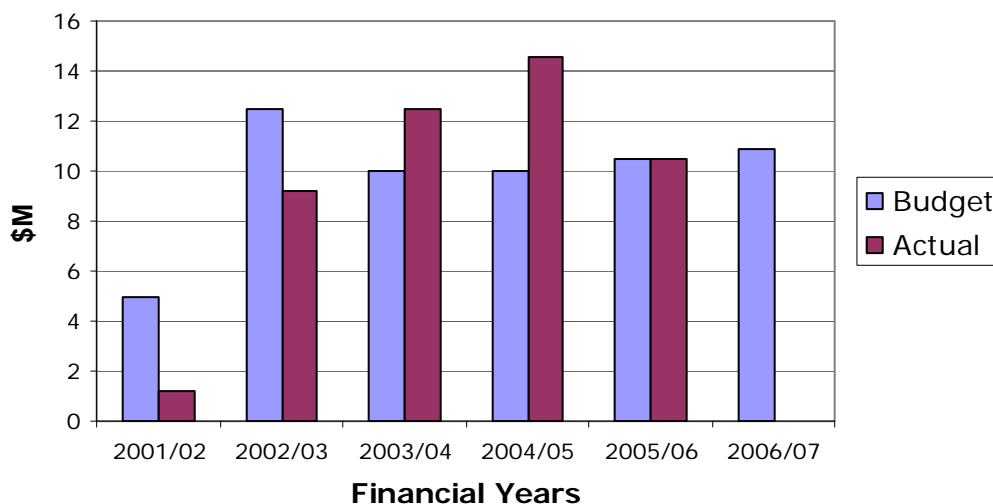
Year ending March	2002	\$5.0M	(part year)
Year ending June	2003	\$12.5M	(15 month period)
Year ending June	2004	\$10.0M	
Year ending June	2005	\$10.0M	
Year ending June	2006	\$10.5M	
Year ending June	2007	\$10.9M	(budgeted)

## 3 Expenditure of the Undergrounding Investment

The actual expenditure in undergrounding throughout each year of this programme is summarised in the table below:

	Minimum Undergrounding Investment	Actual Expenditure	Difference	Cumulative Notional Balance
2001/02	\$5M	\$1.239M	(\$3.761M)	(\$3.761M)
2002/03	\$12.5M	\$9.201M	(\$3.299M)	(\$7.060M)
2003/04	\$10M	\$12.509M	\$2.509M	(\$4.551M)
2004/05	\$10M	\$14.551M	\$4.551M	\$0M
2005/06	\$10.5M	\$10.517M	\$0.017M	\$0.017M

## OIP Expenditure



The amount of expenditure on undergrounding for FY 2005/06 was \$10.517M. With this, the actual expenditure over the past five years is \$48.017M, which is \$0.017M above the minimum required for the five year period.

#### 4 Achievements of the Overhead Improvement Programme

Through implementing this programme, priority has been given to developing large scale projects where whole suburbs can be undergrounded at a time. Significant efficiencies are gained through the scale provided by this approach. To date four such large scale projects have been completed. These have been in Papatoetoe, Rosebank, Glen Innes, and Weymouth. Such projects have been structured with Vector, the relevant Council, Telecom, and other utilities partnering together to achieve a total revitalisation of the area while the undergrounding is implemented. Through this Vector led "dig once" concept additional investment is attracted by others so that the suburbs not only benefit from the undergrounding of the power lines, but also the undergrounding of telephone lines, installation of new streetlighting, new footpaths, gas and water infrastructure reinforcements, and new berms etc. Approximately 80% of the total expenditure has been dedicated to the large scale projects.

The remaining expenditure has been used in developing a number of relatively small scale projects where and when good opportunities have arisen. Such opportunities have included capturing synergies with Council

footpath replacement programmes, local town centre precinct upgrades, road realignments, and with other Vector initiated projects – such as underground feeder cable reinforcements and pole replacements (where possible).

## **5 Projects Constructed During The 2005/06 Year.**

The large scale projects in Glen Innes and Weymouth, substantially constructed during 2004/05, were both completed in the 2005/06 year. The large scale project in Howick was started in the April and is scheduled to be completed in April 2007.

There were eight smaller projects that were constructed during the year. A further four projects were carried over from the 2004/05 year and two have started this year and will carry through into the 2006/07 year.

The smaller scale projects completed were; Ormiston Road (Otara), The Parade (St. Heliers), Jervois Road (Herne Bay), McVilly Road (Manurewa), Motions Road (Western Springs), Russell Street (Freemans Bay), St. Stephens Avenue (Parnell), The Strand (Onetangi), Kiwi Esplanade (Mangere), Taranaki Road (St Heliers), Devore Street (St.Heliers), Hamilton Road (Herne Bay), Ron Keat Road (Papakura) and Railway West Street (Papakura).

The locations of projects completed within this programme are shown on the attached two maps.

## **6 Summary**

The Overhead Improvement Programme has achieved above the level of expenditure required in the 2005/06 year by \$17,000. This will be adjusted in the 2006/07 year. The Overhead Improvement Programme has complied with its obligations for Undergrounding as set out in Clause 4 of the Deed.

The budget for the 2006/07 year will be \$10.9M and there are specific projects identified for this target to be achieved.

Mark Franklin  
Chief Executive Officer



Evandale St GI before



Evandale St GI after



Farrington St GI before



Farrington St GI After



Jervois Road before



Jervois Road after



Kiwi Esplanade before



Kiwi Esplanade after



Russell St Ponsonby before



Russell St after



The Parader St Heliers before



The Parader after



The Strand (Onetangi) before



The Strand (Onetangi) after



Removing first poles Howick