

**MICHAEL JOSEPH BUCZKOWSKI, SHALE CHAMBERS, JOHN GREGORY COLLINGE,
WARREN JAMES KYD, AND
KAREN ANNETTE SHERRY**
as trustees of the Auckland Energy Consumer Trust
(Trust)

VECTOR LIMITED
(Company)

**NEW DEED RECORDING ESSENTIAL
OPERATING REQUIREMENTS**

NEW DEED RECORDING ESSENTIAL OPERATING REQUIREMENTS

DEED dated the 12 day of August 2015

PARTIES

1. MICHAEL JOSEPH BUCZKOWSKI, SHALE CHAMBERS, JOHN GREGORY COLLINGE, WARREN JAMES KYD, AND KAREN ANNETTE SHERRY as trustees of the Auckland Energy Consumer Trust ("Trust")
2. VECTOR LIMITED ("Company")

INTRODUCTION

- A. This Deed amends and restates, as from the Effective Date, a deed entitled "New Deed Recording Essential Operating Requirements" dated 24 June 2005 between the then trustees of the Trust and the Company, as amended by a deed of variation dated 16 February 2009 and a deed of variation dated [] 2015..
- B. The parties intend that this Deed, among other things, amends and restates the Company's commitments in relation to the Energy Solutions Programme, the Company's pricing policy in respect of small customers within the District, and the Company's dividend policy, on the terms and conditions set out in this Deed.
- C. The parties intend that this Deed also record the Company's commitments in relation to reporting to the Trust and providing administrative and other assistance to the Trust.
- D. For the avoidance of doubt, the parties intend that this Deed and the obligations it creates shall continue whilst the Trust remains a Majority Shareholder in the Company (or in respect of certain provisions of this Deed, for such time as is expressly otherwise stated in this Deed).

THIS DEED RECORDS that:

1. DEFINITIONS AND INTERPRETATION

Definitions

- 1.1 In this Deed, unless the context requires otherwise:

"Act" means the Companies Act 1993 and any Act passed in substitution thereof.

"AEPB" means the Auckland Electric Power Board constituted by section 5 of the Auckland Electric Power Board Act 1978.

"Base Amount" means \$10.5 million or such other amount as may be determined in accordance with clauses 4.8 and 4.9..

"Board" means the board of directors from time to time of the Company.

"Company" means Vector Limited or, where the context permits, Vector Limited and its Related Companies, and includes any successor of Vector Limited or any company arising out of any reconstruction, amalgamation or merger of Vector Limited.

"Constitution" means the constitution of the Company from time to time.

“Consumer” has the meaning in the Trust Deed from time to time.

“CPI” means, in relation to a Year, the Consumer Price Index (All Groups) for that Year as published by the New Zealand Department of Statistics as at the relevant date, or any successor index containing comparable information.

“Distribution Roll” has the meaning in the Trust Deed from time to time.

“District” means the area over which the AEPB, at the time of the vesting of the AEPB's undertaking in the Company, was authorised to supply electricity pursuant to the licence granted to the AEPB under section 20 of the Electricity Act 1968.

“Effective Date” means 1 August 2015.

“Energy Solutions Programme” means the capital expenditure programme undertaken by the Company for:

- (a) improvements to the Company's overhead electricity distribution network within the District which is intended to improve the visual amenity or safety of the network and includes without limitation network undergrounding, aerial bundled cables, preservation of trees, fixing of overhead circuits to building facades, and visual enhancement of transformers; and
- (b) the development and installation in the Company's electricity distribution network within the District of new or innovative technologies, and which are intended to increase energy or network efficiency, produce environmental benefits, improve the amenity value of the network, or otherwise produce benefits for the Company, and includes without limitation the provision of solar technology and battery storage.

“Energy Solutions Programme Investment” means an amount not exceeding the Base Amount in each Financial Year or such other amount as agreed in accordance with clauses 4.7 and 4.8.

“Financial Year” means the 12 month period comprising the Company's financial year from time to time.

“Force Majeure” means a force majeure event including, without limitation, act of God, act of any government or competent authority, war, acts of terrorism, strike, failure or malfunction of communications, computer services or systems or other service (but not in relation to electricity or gas), storm, fire or accident, or any other event or circumstance reasonably beyond the control of the Company.

“GST” means goods and services tax imposed under the Goods and Services Tax Act 1985.

“ICR” means an Installation Control Point number, or other unique identifier, assigned by the Company to a Point of Connection with premises.

“Introduction” means the introduction to this Deed.

“Listing Rules” means the Main Board listing rules of NZX.

“Majority Shareholder” means a shareholder who holds 50.01% or more of the Shares.

“NZX” means New Zealand Exchange Limited, and includes its successors and assigns.

"Point of Connection" in relation to any premises means the point at which the electricity lines and fittings of the Company used or intended to be used for the purposes of supplying electricity to those premises are connected to lines serving and entering those premises.

"Related Company" has the meaning given to that term in section 2(3) of the Act.

"Returning Officer" means the person from time to time appointed as the Returning Officer by the Trustees under the Trust Deed and notified to the Company.

"RSC Consumers" means, Consumers who:

- (a) are residential Consumers; or
- (b) are commercial Consumers having a single Point of Connection to the Vector network within the District with a connection capacity of less than or equal to 70k VA (less than or equal to 3 phase 100 AMP).

"Share" means a share issued, or to be issued, by the Company, as the case may require.

"Takeovers Code" means the Takeovers Code approved by the Takeovers Code Approval Order 2000.

"Term" means the term of this Deed commencing on the Effective Date and ending when terminated in accordance with clause 8.2.

"Treasury Stock" has the meaning given to that term in the Listing Rules.

"Trust Deed" means the Deed of Trust dated 27 August 1993 (as amended from time to time) constituting the Auckland Energy Consumer Trust.

"Trustees" means the trustees from time to time of the Auckland Energy Consumer Trust, and "Trust" shall be construed accordingly.

"Year" means each 12 month period commencing on 1 April and ending on the following 31 March.

Interpretation

1.2 In the interpretation of this Deed, unless the context otherwise requires or specifically otherwise stated:

- (a) references to a party or person includes their respective executors, administrators, successors and permitted assigns;
- (b) any obligation not to do anything includes an obligation not to suffer, permit or cause that thing to be done;
- (c) headings have been inserted for convenience only and shall not affect the construction of this Deed;
- (d) all monetary amounts are stated exclusive of GST and in New Zealand dollars, unless provided otherwise;

- (e) reference to a person or entity includes an individual, partnership, firm, company, corporation, association, trust, estate, state or agency of a state, government or government department or agency, municipal or local authority and any other entity, whether or not incorporated or having a separate legal personality.

2. TERMINATION OF ORIGINAL DEED

- 2.1 A deed between the Trust and the Company dated 9 September 2002 entitled "Deed Recording Essential Operating Requirements" ("**Original Deed**") terminated and ceased to have effect with effect from 1 July 2005, but without prejudice to any right of action or remedy which accrued or may accrue in relation to any breach of the Original Deed prior to that date.

3. PRICING POLICY

- 3.1 Except as expressly provided in this Deed to the contrary, the Company shall at all times during the Term adhere to the pricing policies contained in this clause 3 for the provision of electricity services to RSC Consumers.
- 3.2 If, in relation to any person who at any time receives electricity services from the Company, there is any question whether that person is a RSC Consumer, the Company shall as soon as practicable give written notice thereof to the Trust and, after allowing the Trust 7 days to respond, fully consult with the Trust about that question following which the Company, acting reasonably and taking into account any input from the Trust, shall determine the question.
- 3.3 Subject to clause 3.4, 3.5 and clause 9 and subject also to the adjustments that are permitted pursuant to clause 3.4, the Company shall at all times during the Term ensure that its charges for electricity services to RSC Consumers do not exceed the level of charges for those services in place as at the end of the preceding Year.
- 3.4 Notwithstanding anything to the contrary contained in this Deed, the Company shall be entitled to increase its charges for electricity services to RSC Consumers:
- (a) following the end of each Year, by the percentage increase, if any, in the CPI as at the expiry of that Year as compared with the CPI as at the commencement of that Year; and
 - (b) subject to clause 3.5, where at any time and from time to time there have been increases in, or new, external costs imposed on the Company with respect to RSC Consumers or in relation to the provision of services to them by the Company, or any of the assets employed to serve them, relative to those in place as at the end of the preceding Year, the Company shall be permitted to increase its charges by a percentage amount by which those increased or new external costs exceed the percentage increase in CPI over the relevant period. Without limiting the generality of the foregoing, such external costs shall exclude Vector operations and financing costs, but shall include taxes, imposts, rates or levies, Transpower charges, or charges imposed by regulatory or industry bodies; and
 - (c) subject to clause 3.5 where, the Company offers to RSC Consumers a standard of customer service in relation to its electricity services that materially exceeds the standard that was in place as at the end of the preceding Year, the Company may increase its charges by such amount as reasonably reflects the incremental cost to the Company in offering the higher standard of customer service, provided that the Company shall not be entitled to increase its charges pursuant to this clause 3.4(c) where the improved standard of customer services is attributable to

inherent improvements which will occur over time as a result of continuing operational and technological efficiencies.

- 3.5 In any case where the Company wishes to increase its charges in reliance upon clause 3.4(b) or (c), the following shall apply. The Company shall first give written notice to the Trust that it wishes to increase its charges, setting out in full the basis for the increased charges. After allowing the Trust 7 days to respond, the Company shall fully consult with the Trust about those proposed increased charges, offering such analysis as the Trust may reasonably require. The Company shall demonstrate to the Trust the financial effect that the increased charges will have on the Company and the Company shall be entitled to charge at that increased level only if the Trust is satisfied, acting reasonably, that the increased charges are reasonably required to compensate the Company for additional or increased costs and will not by themselves result in any enhancement in the Company's gross profit margin, unless that enhancement is immaterial. For purposes of this clause an enhancement in the Company's gross profit margin of less than 0.5% shall be immaterial. In the event that the Trust is not satisfied, acting reasonably, that the increased charges are reasonably required to compensate the Company as provided in this clause, the Company's charges shall, except to the extent clause 3.4(a) applies, not be increased.
- 3.6 The obligations contained in clauses 3.1 to 3.5 above shall not apply if a regulatory regime ("Regime") is implemented or otherwise is in force which relates to pricing of the Company's electricity lines services and establishes equivalent disciplines and oversight as contained in clauses 3.1 to 3.5, but shall apply again with full force and effect if no such Regime is in force.
- 3.7 If one of the parties considers that clause 3.6 has either come into effect or ceased to have effect, as the case may be, then it shall notify the other party accordingly. If the parties are unable to agree within 14 days of such notification that clause 3.6 has either come into effect or ceased to have effect then the dispute over the applicability of clause 3.6 ("Dispute") shall be resolved by reference to the determination of a single expert, being a Queens Counsel or Senior Barrister, agreed between the parties within 7 days from the expiry of the 14 day period. If the parties fail to agree on the identity of the Queens Counsel or Senior Barrister then the appointment of the expert shall be made by the President of the Auckland District Law Society or other member of the ADLS executive nominated by the President to make the appointment. The guidelines, which shall govern the proceedings for determining the Dispute, shall be set by the parties. Failing agreement on the guidelines within 7 days after the appointment of the expert, a party may request the expert to set the guidelines (whether or not in conjunction with such party) which shall govern the proceedings for determining the Dispute.
- 3.8 If there is agreement between the parties or a determination that clause 3.6 has come into effect the Company shall comply with the consultative procedure set out below in respect of any proposed increases to RSC Consumers:
- (a) No later than eight weeks prior to the Board making any final decision regarding any proposed price changes for electricity services to RSC Consumers ("Final Decision"), time being of the essence, the Company will provide to the Trust a report on the proposal for such price changes which contains a detailed explanation and sets out in full the basis for the proposed changes, including any alternatives considered. The report will, without limiting the foregoing, demonstrate to the trustees the impact of the proposed changes on:
- The dividend stream to the Trust
 - The value of the Company

- Prices to RSC Consumers
 - The potential for future regulatory intervention and the effect of such intervention on the first three matters set out above
 - Service levels, investment in infrastructure and other such items
- (b) This report shall be provided to the Trust in writing and may be presented by the Company as part of an oral presentation on the proposal (and will be so presented if requested by the Trust).
- (c) The Trust shall have 28 days (or such longer period as may be agreed in writing by the Company and the Trust) from the date of receipt by the Trust of the written report to consider the proposed changes and to provide its responses to, or comments on, the proposal to the Board.
- (d) If during that 28 day (or other agreed) period the Trust advises the Board in writing that the Trust wishes to meet with the Company during that period to further discuss the proposal then the Company shall do so upon reasonable notice. The Company will, at any such meeting(s) or otherwise in response to any other reasonable request from the Trust in writing during that period, provide such further explanation and supporting information in relation to the proposal as may reasonably be requested by the Trust. The Board will, further, ensure that at any such meeting(s) there is provided adequate opportunity for discussion with the Trust representatives on the proposal including in relation to any concerns, questions and suggestions of the Trust's representatives (the intention being that the dialogue and information flow between the Company and the Trust in this respect is constructive and meaningful).
- (e) The Board will in good faith consider the responses and comments of the Trust, including matters or concerns discussed at any meeting(s) referred to above in relation to the proposal prior to the Board making any Final Decision. If the Board ultimately resolves to implement price changes for electricity services for RSC Consumers, the Company will, prior to implementing those changes, provide a written explanation to the Trust of the price changes setting out the reasons for the Final Decision (in which the Board will also address the responses and comments which had been received by the Company from the Trust in relation to the proposal).

Targeted Control Regime

- 3.9 On 6 June 2003, the Commerce Commission implemented a targeted control regime ("Targeted Control Regime") under which the Commission assesses the performance of electricity lines businesses against set thresholds. These thresholds were revised by the Commission in December 2004 and apply for a five year regulatory period from 1 April 2004 to 31 March 2009 ("the Period"). The Targeted Control Regime is agreed to be a Regime for the purposes of clause 3.6 during the Period.
- 3.10 The Company has advised the Trust that it will need to proceed with a rebalancing of its prices across its electricity customers in the Auckland, North Shore and Wellington regions within the Period as a result of the implementation of the Targeted Control Regime.
- 3.11 The Company agrees that the extent of the rebalancing and consequential increase in prices in respect of RSC Consumers within the Period will be limited so as not to exceed

that required to ensure compliance with regulatory requirements and/or the avoidance of price controls or other regulatory interventions.

- 3.12 For the avoidance of doubt, clause 3.8 applies to any price changes to take effect on or prior to 30 April 2009 that are proposed during the Period as part of the rebalancing, or otherwise, under the Targeted Control Regime. Clauses 3.1 to 3.7 do not apply to such rebalancing price changes or otherwise in respect of price changes under the Targeted Control Regime during the Period.

4. ENERGY SOLUTIONS

- 4.1 Subject to clauses 4.5, 4.6 and clause 9, the Company shall throughout the Term continue the Energy Solutions Programme in accordance with the procedures developed by the Company for the Energy Solutions Programme from time to time and work undertaken in accordance with the Energy Solutions Programme shall be undertaken exercising the degree of skill, diligence, prudence and foresight which would reasonably be expected from a skilled and experienced operator of such a network, as determined by reference to proper and prudent practices recognised internationally (including within New Zealand) as applying to the operation of such networks.
- 4.2 Subject to clauses 4.5, 4.6 and clause 9, the Company shall, in undertaking the Energy Solutions Programme, expend in each Financial Year not less than the Energy Solutions Programme Investment applicable to that Financial Year.
- 4.3 Within two months after the end of each Financial Year the Company will provide a written report to the Trust in relation to the operation of the Energy Solutions Programme in the immediately preceding Financial Year, such report to contain (at a minimum) the following information:
- The Energy Solutions Programme Investment applicable to the relevant Financial Year.
 - The total actual Energy Solutions Programme Investment by the Company in the Energy Solutions Programme in the four preceding Financial Years.
 - The amount of the Energy Solutions Programme Investment for the relevant Financial Year actually spent on the Energy Solutions Programme by the Company in the relevant Financial Year.
 - A statement by the Company as to whether it considers that it has complied with clause 4 of this Deed in the relevant Financial Year.
 - An explanation of how the Energy Solutions Programme Investment in the relevant Financial Year was spent.
- 4.4 If in any Financial Year the Company expends less than the Energy Solutions Programme Investment it shall nevertheless be deemed to have satisfied its expenditure commitment for that Financial Year if the average expenditure incurred by the Company for that Financial Year and in the four preceding Financial Years satisfies the Energy Solutions Programme Investment. In calculating that average any period during which the obligations contained in this clause 4 have been suspended shall be ignored.
- 4.5 The Company may, upon giving notice to the Trust, defer the whole or any part of the Energy Solutions Programme if, in its reasonable opinion, such suspension is necessary to give priority to work necessary to maintain an adequate level of security within the Vector network.

- 4.6 The Trust may on application by the Company relieve the Company from its obligations in respect of the Energy Solutions Programme, for such period as the Trust sees fit, if for reasons beyond the reasonable control of the Company, investment in the Energy Solutions Programme is not viable and includes without limitation where the Company's total expenditure will exceed the forecast used by the Commerce Commission to set pricing.
- 4.7 Not later than three months before the end of each Financial Year the Company and the Trust shall enter into discussions with a view to agreeing, in respect of the following Financial Year
- (a) the Energy Solutions Programme Investment in respect of the following Financial Year; and
 - (b) the manner in which the Energy Solutions Programme Investment will be expended in that Financial Year.
- 4.8 In the discussions referred to in clause 4.7, each party shall act in good faith, and shall have regard, without limiting other factors, to the opportunities available to the Company for investment in the Energy Solutions Programme, and to the effect of any investment in terms of the regulatory regime to which the Company is subject. If by the commencement of the Financial Year the Company and the Trust have not agreed:
- (a) on the Energy Solutions Programme Investment, then the Energy Solutions Programme Investment for the Financial Year shall be the Base Amount, unless the Trust, at the request of the Company, agrees to a lesser amount. In considering any such request by the Company, the Trust shall act in good faith and shall have regard to all relevant factors, including those referred to in the preceding paragraph; and/or
 - (b) on the manner in which the Energy Solutions Programme Investment is to be expended, the Energy Solution Programme Investment shall be expended on such projects as the Board, after consultation with the Trust, and having considered in good faith the views of the Trust, determines.
- 4.9 Not later than three months before the end of the fourth complete Financial Year after the Effective Date, the Company and the Trust shall enter into discussions with a view to agreeing, in respect of the next four Financial Years, the Base Amount to apply in respect of those Financial Years. Each party shall act in good faith in those discussions. If by the commencement of the period of four Financial Years, the Company and the Trust have not agreed on an amended Base Amount, the Base Amount shall not be changed. This clause shall apply again as at the end of every four Financial Years.

5. DIVIDEND POLICY

- 5.1 The Company's policy will be to distribute to shareholders all funds surplus to the investment and operating requirements of the Company as determined by the Board with a target dividend payout ratio in respect of each Financial Year of 60% of free cash flows but subject always to:
- (a) the solvency requirements of the Act;
 - (b) any banking or other funding covenants by which the Company is bound from time to time;
 - (c) the investment and operating requirements referred to in this clause 5.1; and

- (d) maintaining an investment grade credit rating from Standard & Poors or another credit rating agency of similar standing.

The target dividend payout ratio set out in this clause is not to be changed in any manner which results in a lower level of payments to the Company's shareholders without the prior written agreement of the Trust, for such time as the Trust is a Majority Shareholder.

- 5.2 In measuring the Company's performance against the target dividend payout ratio in relation to a Financial Year, the parties acknowledge that the Board shall seek to maintain consistency from year to year by smoothing the effect of any variation in free cash flows that may be due to one off gains or losses in individual years, while maintaining the target dividend payout ratio on average over time.
- 5.3 For the purposes of this clause 5:
- (a) "free cash flows" means net cash flows arising from operating and financing activities less replacement capital expenditure outflows; and
- (b) "replacement capital expenditure" means expenditure incurred to replace existing assets to enable the network to maintain a similar level of operational performance.

6. ASSISTANCE TO THE TRUST

- 6.1 For such time as the Trust holds any Shares, the Company:
- (a) at the request of the Trust, shall afford to the Trust all such assistance as may reasonably be required so as to enable the Trustees to comply with their income distribution obligations pursuant to the Trust Deed. Without limitation the Company shall, upon request:
- supply such information, broken down into such categories as the Trust may reasonably request (after due consultation with the Company); and
 - implement, from the funds held by the Company to the credit of the Trust, such distributions as the Trust shall irrevocably direct, subject to the Act and the Constitution;
- (b) upon reasonable written notice being given by the Returning Officer, shall at its cost, provide a list of the names and addresses of all Consumers of the Company as defined in the Trust Deed as at the date nominated by the Returning Officer.
- 6.2 For such time as the Trust holds not less than 5% of the Shares, the costs and expenses incurred by the Company in complying with the provisions of clause 6.1(a) shall be borne by the Company, provided that the number of information requests made or distributions required in any calendar year do not exceed three.
- 6.3 For such time as the Trust holds not less than 5% of the Shares, the Company shall, at its cost, provide for reasonable accommodation for meetings of the Trustees.
- 6.4 If a change occurs in the identity of the Trustees the Board may, without the need for the production of any instrument of transfer, amend the share register of the Company in respect of shares owned by the Trust by deleting the name of a person who has ceased to be a trustee of the Trust and (if applicable) substituting the name of a new trustee. For the purposes of this clause, the Board shall be absolutely entitled to rely without enquiry

on a certificate provided by a person being or purporting to be the Chairman or Secretary of the Trust as to the shares owned by the Trust and as to the identity of the Trustees, at any time.

- 6.5 The Company shall not without the consent of the Trust, which the Trust shall not unreasonably withhold or delay, agree to any variation to a Relevant Provision of any use of system agreement between the Company and an electricity retailer that supplies Consumers. A "Relevant Provision" is any provision which touches on or concerns the assistance which the Company is required to give to the Trust pursuant to clause 6.1 of this Deed including, without limitation, provisions which relate to or affect the compilation of a Distribution Roll of Consumers such as, by way of example, those which oblige retailers to provide to the Company information concerning the names and addresses of Consumers.

7. OTHER REPORTING

- 7.1 The Company shall prepare or have prepared and provide to the Trust on an annual basis, or such other longer frequency as reasonably directed by the Trust, a report from an independent expert addressing each of the following areas:

- (a) the state of the Company's electricity lines in the District with regard to maintenance programmes and expenditure;
- (b) any need for upgrading the Company's electricity lines in the District;
- (c) the capacity of the Company's electricity lines in the District in relation to forecast demand; and
- (d) any security risks to the Company's electricity lines network in the District.

Any such report will be provided to the Trust on or before 30 September in each year following the year for which the report applies.

- 7.2 Subject to clauses 7.3, 7.4 and 7.5 not later than two months prior to the commencement of each Financial Year, the Company shall present to the Trust the Company's proposed business plan which shall include the elements described in the NZX Regulation Decision dated 2 August 2004 ("Decision"). This process will include:

- (a) A formal presentation to the trustees.
- (b) Provision of hard copies of the proposed business plan to the trustees and nominated officers or representatives of the Trust.
- (c) Normal opportunity in relation to the content of that presentation for discussion with, and questions and other feedback from the Trustees to, the Board on the content of the proposed business plan, prior to finalisation of the plan by the Board.

It is intended that the proposed business plan presented to the trustees will include the following elements:

- (a) A statement of strategic intent.
- (b) An overview of issues facing the business.

- (c) Specific areas of operational priority and focus for the coming year including core business enhancement projects, and initiatives to facilitate the growth of the business.
- (d) A financial plan for the year including forecast revenues, operating expenses, capital expenditure and profit.
- (e) An overview of how performance against key performance indicators will be measured.

The Board may also determine in any year that it is appropriate that the current business plan be formally revised prior to the end of the year involving a substantially similar process to that outlined above. (For the purposes of this section the process involving the Trust described above is referred to as the "Business Planning Process").

7.3 The Company has applied for an extension of the ruling in the Decision ("Ruling") to circumstances where the Trust holds less than 100% but not less than 75.1% of the Shares ("Extension"). While the Trust continues to hold 100% of the Shares, the provisions of clause 7.2 shall apply only for such time as:

- (a) the Ruling remains in full force and effect; or
- (b) the Extension, or a waiver having the same effect as the Extension ("BPP Waiver"), or any other ruling ("General Ruling") or waiver ("General Waiver") which permits the Company under the Listing Rules to (without restriction, or with only such restrictions as are substantially the same as those contained in the Decision) provide information to the Trust as part of (and as contemplated by) the Business Planning Process, is granted by NZX Regulation and remains in full force and effect; or
- (c) an amendment is made to the Listing Rules which permits the Company under the Listing Rules to (without restriction) provide information to the Trust as part of (and as contemplated by) the Business Planning Process ("Listing Rule Amendment") and such amendment remains in full force and effect.

7.4 If at any time the Trust holds less than 100% of the Shares, the provisions of clause 7.2 shall apply only for such time as the Trust holds not less than 75.1% of the Shares and:

- (a) the Extension, the BPP Waiver, a General Ruling or a General Waiver, is granted by NZX Regulation and remains in full force and effect; or
- (b) a Listing Rule Amendment is made and remains in full force and effect.

7.5 In any case, the provisions of clause 7.2 are subject to the terms and the conditions of the Decision (or such other final decision given by NZX Regulation in respect of the Extension, the BPP Waiver, a General Ruling or a General Waiver), and that appropriate confidentiality arrangements are in place with the Trustees and that confidentiality is maintained.

8. TERM AND TERMINATION

8.1 This Deed shall take effect on the Effective Date and, subject to clause 9 shall continue in force until terminated in accordance with clause 8.2.

8.2 This Deed shall terminate on the earlier of:

- (a) the Termination Date, as that term is defined in the Trust Deed;
- (b) the mutual agreement of the parties to do so; or
- (c) the Trust ceasing, either by a single or by a series of transactions or events, to be a Majority Shareholder (except that upon termination of this Deed pursuant to this clause 8.2(c) the provisions of clause 6 shall survive such termination and shall continue in force and effect for the time set out in clause 6);
- (d) the Company goes into liquidation (other than a voluntary liquidation for the purpose of reconstruction or amalgamation on terms previously approved by the Trust);
- (e) the Company is declared to be at risk, or has a statutory manager appointed, under the Corporations (Investigation and Management) Act 1989.

9. SUSPENSION OF OBLIGATIONS

9.1 Notwithstanding anything to the contrary contained in this Deed the obligations of the Company under this Deed may be suspended, in whole or in part, in the event of Force Majeure or if the Board, acting reasonably, determines that a suspension is necessary to ensure that the Company:

- (a) continues to meet the solvency test under the Act;
- (b) maintains an investment grade credit rating by Standard & Poors or another credit rating agency of similar standing; or
- (c) continues to satisfy all banking and other funding covenants by which it is bound from time to time.

9.2 Such suspension will be effected by a notice from the Company to the Trust which shall set out full reasons for the suspension, the extent of the suspension and, in so far as possible, its term. Prior to giving the notice the Board will fully consult with the Trust with a view to identifying any viable alternatives to such a suspension.

10. COMPANY WARRANTIES

10.1 The Company represents and warrants to the Trust that:

- (a) with regard to all of the terms and provisions of this Deed, it has had and exercised the opportunity to confer with counsel or any other person or advisor of its choosing;
- (b) this Deed is a legal, valid and binding obligation upon the Company;
- (c) it has full legal power to enter into this Deed.

11. SHARE BUY-BACKS

11.1 The Company will not acquire any Shares ("Share Buy-back") if the effect of the Share Buy-back would result in the Trust becoming the holder or controller of an increased percentage of voting rights in the Company in breach of the Takeovers Code (or any statute or regulations which replace the Takeovers Code) ("Breach"), unless:

- (a) the Trust had become the holder or controller of an increased percentage of voting rights in the Company in the 12 month period preceding the Share Buy-back ("Increase Period") other than as a result of any other acquisitions of Shares by the Company in the Increase Period ("Voting Right Increase"), and the Breach would not have occurred but for the Voting Right Increase; or
- (b) an exemption to the Takeovers Code (or any statute or regulations which replace the Takeovers Code) applies in respect of that increased percentage of voting rights in the Company (other than an exemption which requires the Trust to decrease, in any specified period, the percentage of voting rights in the Company that it holds or controls); or
- (c) the Company has obtained the prior written approval of the Trust to the Share Buy-back.

Terms defined in the Takeovers Code shall have the same meaning in this clause.

12. GENERAL

Notices

- 12.1 Any notice required to be given by the Company pursuant to this Deed shall (without limitation) be deemed validly given if signed by two directors of the Company and delivered by hand or sent by facsimile transmission to the Trust's physical address or facsimile number.

Further Assurance

- 12.2 Each party shall make all applications, execute all documents and do all acts and things reasonably required to implement and to carry out its obligations under this Deed.

Entire Agreement/Variations

- 12.3 The provisions of this Deed constitute the entire agreement between the parties with respect to its subject matter and supersede all previous understandings, arrangements, agreements and communications, whether verbal or written, between the parties or their advisors with respect to that subject matter. A variation is only effective if in writing and signed by each party.

Applicable Law

- 12.4 This Deed shall be governed by and construed in accordance with New Zealand law. Each party agrees to submit to the non-exclusive jurisdiction of the tribunals and courts of New Zealand with respect to any claim or matter arising out of or in connection with this Deed.

Non Waiver

- 12.5 No waiver of any breach, or failure to enforce any provision of this Deed at any time by either party shall in any way limit or waive the right of that party to subsequently enforce and compel strict compliance with this Deed.

Partial invalidity

- 12.6 If any provision of this Deed is or becomes invalid or unenforceable for any period of time, that provision shall be deemed deleted from this Deed for that period (and no other

period) and such invalidity or unenforceability shall not affect the other provisions of this Deed, all of which shall remain in full force and effect to the extent permitted by law, subject to any modifications made necessary by the deletion of the invalid or unenforceable provisions.

Separate Obligations

- 12.7 The parties acknowledge that the obligations of the Company under this Deed are separate to, and do not conflict with its continuing obligations to ensure the Company is operated as a successful business (i.e. a business that is operated in a manner to maximise the long term value of the Company to all shareholders).

Trustee Limitation of Liability

- 12.8 The parties agree that to the extent any Trustee is liable to pay or satisfy any obligation under or in respect of this Deed, that the Trustee shall be liable solely in his or her capacity as a Trustee and not in any personal capacity and the liability of the Trustee shall extend only to the assets which are for the time being the subject of the Trust and in the hands of the Trustees in the proper administration of the Trust.

Counterparts

- 12.9 This Deed may be executed in any number of counterparts each of which will be deemed an original but which together shall constitute one and the same instrument.

EXECUTED AS A DEED

VECTOR LIMITED by:

Signature of director

Michael Staggan
Name of director

Signature of director

Bob Thomson
Name of director

AUCKLAND ENERGY CONSUMER TRUST by:

Signature of Trustee

William A.A. Cairns
Name of Trustee

Signature of Trustee

Warren J. Kyd
Name of Trustee

Countersigned by:

Signature of Trustee/Secretary/Approved Person

Ian Ward
Name of Trustee/Secretary/Approved Person