



Report to the Auckland Energy Consumer Trust

Overhead Improvement Programme

Financial Year 2012/13

September 2013

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 provides detail of the operation of the programme in compliance with the terms of the deed.

2 The Overhead Improvement Programme

The Overhead Improvement Programme (OIP) 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 applied until the 2005/06 year. The New Deed Recording Essential Operating Requirements reset the base Minimum Undergrounding Investment to \$10.5M in 2005.

The Minimum Undergrounding Investment amounts for the past five years have been:

Year ending June 2009	\$12.2M
Year ending June 2010	\$12.5M
Year ending June 2011	\$12.6M
Year ending June 2012	\$13.2M
Year ending June 2013	\$13.3M

3 Expenditure of the Undergrounding Investment

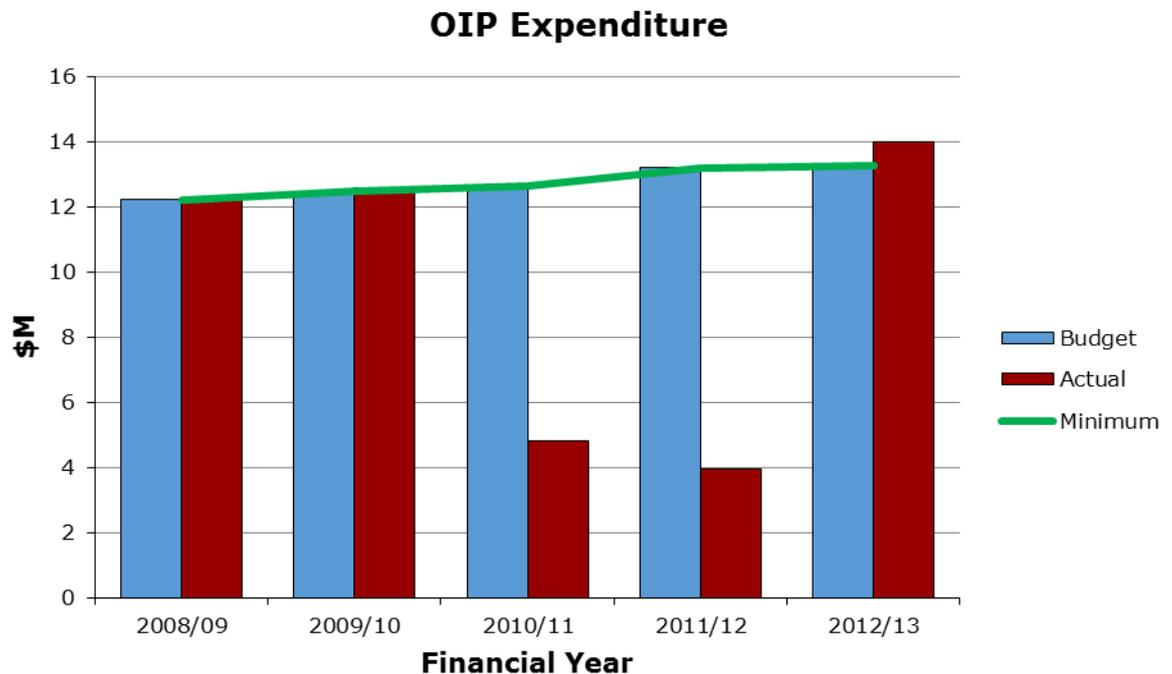
The actual expenditure in undergrounding throughout each year of the past five years of this programme is summarised in the table below:

	Minimum Undergrounding Investment	Actual Expenditure	Difference
2008/09	\$12.2M	\$12.2M	\$0.0M
2009/10	\$12.5M	\$12.6M	\$0.1M
2010/11	\$12.6M	\$4.8M	(\$7.8M)
2011/12	\$13.2M	\$4.0M	(\$9.2M)
2012/13	\$13.3M	\$14.0M	\$0.7M

A total of \$14.533M was spent on undergrounding over the past year. This included \$551k received from resident groups as contributions towards various customer initiated undergrounding work.

The net investment in undergrounding for the year 2012/13 was \$14.0M. With this, the actual expenditure over the past five years is \$47.5M – an average of \$9.5M each year. As the average over the five year period is less than Minimum

Undergrounding Investment, the actual expenditure for this period needed to match or exceed the Minimum Undergrounding Investment amount in order to satisfy the undergrounding obligations required by the deed.



4 Achievements in 2012/13

We completed 87 OIP projects comprising 18 small scale undergrounding and 69 pole substation conversions through the past year. The small scale undergrounding projects included; Gt. North Road in Grey Lynn, Neligan Avenue in Kohimarama, Lynbrooke Avenue in Blockhouse Bay, Victoria Avenue in Remuera, Hillside Crescent in Mt Eden, Conway Road in Mt Eden, Dunedin Street in St. Marys Bay, Ocean View Road on Waiheke, and Old Mill Road and Surrey Crescent in Westmere.

A map showing the extent and distribution of undergrounding completed through this programme to date is attached. Samples of photographs from the projects completed this year have been included in the Appendix of this report.

5 Delivering the Programme in 2013/14

The environment created by the government ultra-fast broadband project, which had constrained Vector's ability to develop projects and achieve the targeted OIP investments over the past 2 years, has improved recently to where undergrounding with Chorus' participation has become easier under some circumstances. Where synergies are provided for UFB installation, Chorus have become willing to participate enabling Vector to achieve successful undergrounding outcomes.

Due to this change in Chorus' willingness we are prioritising more investment towards undergrounding projects, where we perceive Vector and AECT gain greater value and goodwill from customers, as opposed to the pole substation conversions. We intend to continue with the pole substation conversions through this programme however where undertaking the work will likely have a near term benefit to future undergrounding projects.

Also due to Chorus' willingness now to participate, we intend to resurrect the development of the large scale undergrounding projects where we are able to capture the efficiencies provided through scale and the optimisation of network design also provided by the scale. We have identified an area in Pakuranga as the priority for our next large scale undergrounding and have started the development work necessary for this project. We plan to start the construction works on this project in the second half of the 2013/14 year.

With substantial progress with undergrounding in Pakuranga complimented with completion of small scaled undergrounding projects carried over from the 2012/13 year, development of additional small scaled undergrounding projects, and delivery of more pole substation conversions, we have identified sufficient work needed to deliver the 2013/14 investment target.

6 Summary

Expenditure for the Overhead Improvement Programme during 2012/13 bettered the target for the year. The Minimum Undergrounding Investment has been satisfied.

The Minimum Undergrounding Investment for the 2013/14 year is \$13.4M, after application of the PPI index. To maintain compliance with the New Deed Recording Essential Operating Requirements, which considers Vector's average undergrounding expenditure over the last five years, we will need to invest a minimum of \$13.4M.



Simon Mackenzie

Group Chief Executive

APPENDIX:

Vector Overhead Improvement Programme 2012/13



Garnet Road, Westmere – undergrounding



Garnet Road, Westmere – undergrounding



Garnet Road, Westmere - undergrounding



Meola Road, Westmere - undergrounding



Meola Road, Westmere – undergrounding



Old Mill Road, Westmere - undergrounding



Great North Road, Western Springs – undergrounding



Great North Road, Western Springs – undergrounding



Vickerman Street, Otara - undergrounding



Surrey Ave, Grey Lynn - undergrounding



Sandspit Road, Cockle Bay - undergrounding



Sandspit Road, Cockle Bay - undergrounding



Neligan Ave, Kohimarama – undergrounding



Victoria Ave (North), Remuera – undergrounding



Victoria Ave (North), Remuera – undergrounding



Victoria Ave (South), Remuera – undergrounding



Victoria Ave (South), Remuera – undergrounding



Dunedin Street, St Mary's Bay – undergrounding



Lynbrooke Street, Blockhouse Bay – undergrounding



Hillside Crescent, Mt Eden – undergrounding



28 Hazelmere Road, Sandringham – pole substation replacement



107 Haverstock Road, Sandringham – pole substation replacement