



MINUTES OF THE FOURTEENTH ANNUAL MEETING OF BENEFICIARIES HELD AT THE ELLERSLIE EVENT CENTRE, 80-100 ASCOT AVENUE, ELLERSLIE ON WEDNESDAY, 29 OCTOBER 2015 COMMENCING AT 7PM

Present

Trustees Mr W Cairns (Chairman), Mr W Kyd (Deputy Chairman), M Buczkowski, J Carmichael, and Miss K Sherry

35 beneficiaries registered their attendance.

Staff In attendance

Mr I Ward, Executive Officer, Ms J Stevens, Secretary

The Chairman, Mr Cairns, opened the meeting and extended a warm welcome to all AECT beneficiaries, representatives from Vector Limited, AECT's accountants, auditors and legal advisors.

Mr Cairns introduced the Trustees and noting that Deputy Chairman, Warren Kyd was not available for re-election, thanked Warren for his valuable contribution over a period of 12 years.

Apologies

Apologies were received and noted.

Minutes

The minutes of the Thirteenth Annual Meeting of Beneficiaries held on 29 October 2014 and confirmed by Trustees on 20 January 2015, were tabled and received.

Year in Review

The Chairman noted that 2015 had been a busy year, with some important milestones having been achieved. An Unqualified Audit Certificate had been issued on 28 August 2015. While Vector's electricity charges had been reduced by the Commerce Commission during the year, the AECT dividend had increased to \$345, which was paid to 319,500 households, businesses and community groups in the Trust area.

Key priorities the Trustees had focused on during the year were ongoing Trustee responsibilities, dividend and distribution, regulation (particularly transmission pricing) and consumer initiatives.

Regulation

Regulation continues to be a key issue for Vector and therefore the Trust which proactively monitors regulatory issues and participates in relevant regulatory consultation processes by making submissions. Concern was expressed about the Electricity Authority proposals, one of which would see an increase in transmission prices of 59% or \$192 per customer for customers on the Auckland network. The Trust strongly believes that the EA should remove a historic bias in transmission pricing which currently sees customers, rather than electricity generators paying the majority of the cost to transmit electricity from often remote generation sites to cities and towns across the country.

Undergrounding

The Chairman noted that since the undergrounding initiative commenced, over 135 undergrounding projects had been completed and power lines have disappeared from 108km of streets all over Auckland, Manukau and northern Papakura.

Community Initiatives

The Trust was involved in a new initiative this year in that it stood alongside Vector as they launched a competition for those living in the AECT district called Future of Energy via which the use of 130 cutting edge Vector solar power and battery systems were made available to the public, community groups and state integrated schools for 10 years. Uptake was strong with 298 entries in the

individuals, families and community groups section and 79 entries in the school section had been received, with winners to be announced in November.

New Communications Initiatives

In addition to the main campaigns a "Friends of the Trust" discount card had been launched as an incentive for people to sign up to the regular "Friends of the Trust" e-newsletter.

Briefings had also been provided to community groups such as Budget Advice to ensure they know about the dividend and can help ensure their clients receive it. Market Days in Mangere and Otara had also been attended to increase awareness of the Trust.

Survey Results

The Chairman noted that a huge 89% of Aucklanders receiving the dividend want to see the AECT remain in place; 63% of Aucklanders receiving the dividend say their family needs it to meet the rising cost of living in Auckland; and 78% of all Aucklanders believe the AECT structure should stay in place.

The AECT is a good example of public/private ownership.

Appointment of Auditors

As recommended by the Trustees, it was

Moved: Mr O'Brien

Seconded: Mr Fletcher

That Grant Thornton is re-appointed auditors of the Auckland Energy Consumer Trust for the ensuing year.

Carried

Remuneration of Auditors

Moved: Ms Paterson

Seconded: Mr Mason

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

Carried

Forum

The Chairman opened the meeting to questions from the floor. The following were noted:
In response to a question as to why the annual meeting was not held earlier so that beneficiaries could question the trustees on the performance of the Trust and given that the election period finished the next day, believed it would be more appropriate to have the meeting at the beginning of the election period when beneficiaries could express their confidence in the vote. Trustees replied that, as the trust was required to prepare consolidated accounts, the Annual Meeting of Beneficiaries must be held after the AGM of Vector Ltd. If the meeting had been held at the beginning of October, trustees could be accused of electioneering. The meeting had been held at the end of October for several years.

In response to a request as to what trustees were going to do about the decline in return of 29% of the company over the last few years, Trustees responded that approximately 80% of Vector's business is regulated under Part IV of the Commerce Act with resets over gas and electricity distribution, which has reduced electricity returns by more than 10% and gas by 20%. This had been clearly signaled in Vector's annual reports which show non-regulated revenue has risen significantly over that time. The Trust supports the strategy of Vector whose share price had risen from \$2.65 – \$3.30 which is a 15.5% increase over the past 12 months, in excess of 25% gross return.

In response to a question as to how a beneficiary could get his street undergrounded, Trustees explained that the company makes the decision as to which streets are undergrounded, considerations being high crash zones to make the road safer, and areas where the distribution networks needed to be updated due to aging. This is something Trustees cannot control and ought not to.

Simon Mackenzie, CEO of Vector Limited, confirmed that accident areas and aged assets are primary considerations. There is also an opportunity to join other residents in the area and a

decision is made to bring forward that level of spend, with a contribution from the customers. This happens on a regular basis.

Asked where the consumer fits into the decision, Simon Mackenzie advised that the project is set up under the Deed Recording Essential Operating Requirements which sets out an amount set aside from Vector's funds to undertake overhead improvement. Recently it was decided that some money would be set aside for new technology projects.

The process was essentially struck some time ago and is subject to strict criteria. If the Deed was not in place there would not be any undergrounding. The Trust had negotiated with the company to expend funds on overhead improvement; it is not Trust funds. Trustees explained that the Company also negotiated with Chorus and the Auckland Council as to where undergrounding was carried out.

Asked if the amount spent on undergrounding was supposed to increase year on year and how much is now being put into selling batteries rather than undergrounding, the Vector CEO advised that the amount set aside is a target amount to spend each year. While more difficulty is being experienced getting the cooperation of all parties, the amount of \$10 million varies year to year. The amount allocated to solar and battery solutions is approximately \$2.6 million.

Regarding a question as to why there was a move by a group wanting to wind up the Trust, Trustees explained that there had been an initiative over several years by Auckland Council to lobby the government to wind the Trust up. This would not be in the interests of beneficiaries as it would effectively result in a double benefit to those outside the AECT area. Trustees were adamant this was not going to happen and will do everything to ensure that is the case.

A beneficiary noted that, as AECT is a private trust he did not think the government would want to interfere with the funds and asked if consideration had been given to taking any legal action against these people because they are vexatious and frivolous? Trustees advised that they have made their views known as to where they stand and over the last few months little has been said on this issue.

Asked what would happen if, instead of the Trust giving away \$110 million from Vector, the company instead took this money which would allow them to build infrastructure which would allow for an outage of 3 hours instead of 3 days.

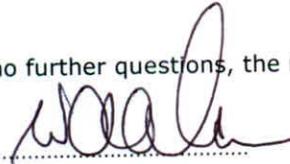
Trustees responded that that is one person's view and there are 320,000 others who want to have the money. Vector makes money from a range of businesses, it is not taking money from individuals; it is a commercial enterprise. Most would rather have the money.

In terms of shares on the NZX, a lot of beneficiaries don't have access to the share price movement; the majority of beneficiaries rely on Vector's continuing ability to pay the dividend.

Asked to explain why AECT does not have more influence on the Vector board in proportion to its ownership, trustees replied that the Trust Deed states that only 2 trustees can be directors.

Asked if current trustee directors were not re-elected, would they immediately be standing down, Trustees confirmed that signed resignation forms are held, which if not re-elected would mean they are automatically off the Board.

There being no further questions, the meeting closed at 7.50pm.

Confirmed: 

Date: 3/2/16