



Report to the Auckland Energy Consumer Trust

Overhead Improvement Programme

Financial Year 2011/12

August 2012

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 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 2008	\$11.2M
Year ending June 2009	\$12.2M
Year ending June 2010	\$12.5M
Year ending June 2011	\$12.6M
Year ending June 2012	\$13.2M

3 Expenditure of the Undergrounding Investment

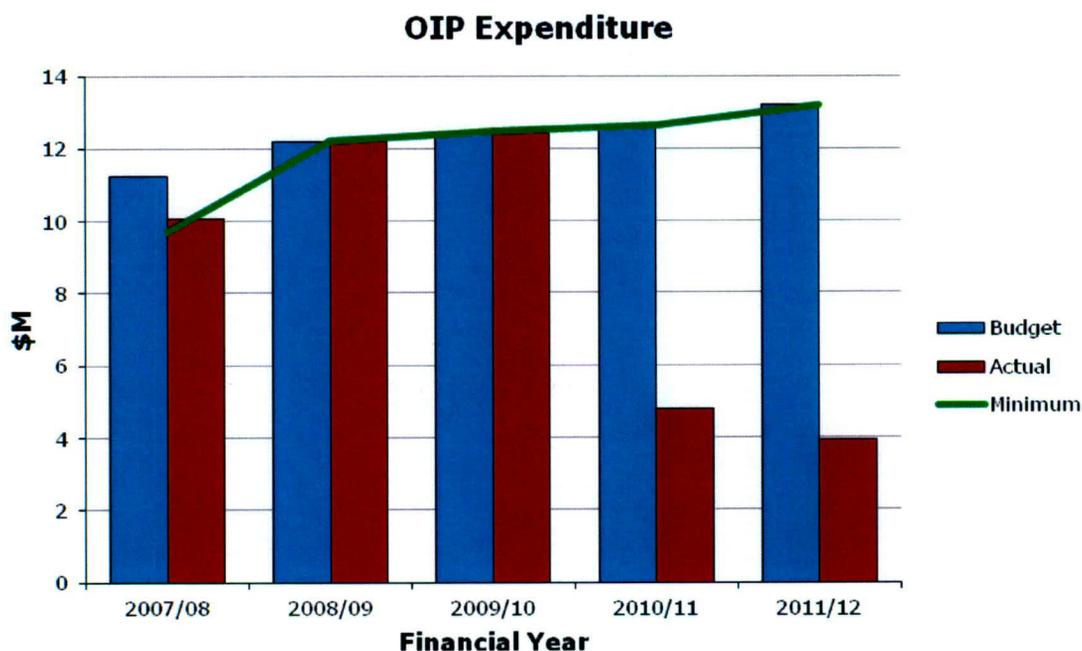
The actual expenditure in undergrounding throughout each year of the past five years of this programme is summarised in the table below:

	Minimum Undergrounding Investment	Actual Expenditure	Difference
2007/08	\$11.2M	\$10.1M	(\$1.2M)
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)

A total of \$4.082M was spent on undergrounding over the past year. This included \$129k received from Auckland Council and resident groups as contributions towards various customer initiated undergrounding work.

The net investment in undergrounding for the year 2011/12 was \$4.0M. With this, the actual expenditure over the past five years is \$43.6M – an average of \$8.7M 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.



The undergrounding investment in 2007/08, while below budget, still satisfied the Minimum Undergrounding Investment for that year as the investments made in the years preceding it had been significantly higher than budget and had lifted the 5-year average amount above the Minimum Undergrounding Investment.

4 Achievements in 2011/12

As we have continued to outline to the Trust over the past 2 years, the environment created by the government ultra-fast broadband project has continued to constrain Vector's ability to develop projects and to achieve the targeted 2011/12 investment for this programme. In particular the award of the UFB project has caused Chorus to withdraw from further investment in its copper network that has removed opportunities to coordinate with Vector which is necessary to achieve a successful undergrounding outcome.

Despite this challenge we completed 40 OIP projects comprising small scale undergrounding, overhead improvements deploying aerial bundled conductor (ABC) solutions, and pole substation conversions through the past year. The small scale undergrounding projects included; Margaret Street in Freemans Bay, Keith Ave and Platina Street in Remuera, Belvedere Street and Withiel Drive in Epsom, Randolph Street in Newton, and Gill Crescent and Jamaica Place in Blockhouse Bay. The ABC projects were completed in Mitchelson Street in Ellerslie, and Mountjoy Place, Waller Street and Rowe Street in Onehunga.

Samples of photographs from these projects have been included in the Appendix of this report.

5 Delivering the Programme in 2012/13

We have identified an initial tranche of 20 small scale projects where undergrounding can proceed independent of Chorus needing to participate and invest to convert its copper telephone network. Through developing these undergrounding projects, supplemented with further pole substation conversions, there is sufficient work to meet the \$13.3M Minimum Undergrounding Investment for the 2012/13 year.

A handwritten signature in black ink, appearing to read 'Mackenzie', written in a cursive style.

Simon Mackenzie

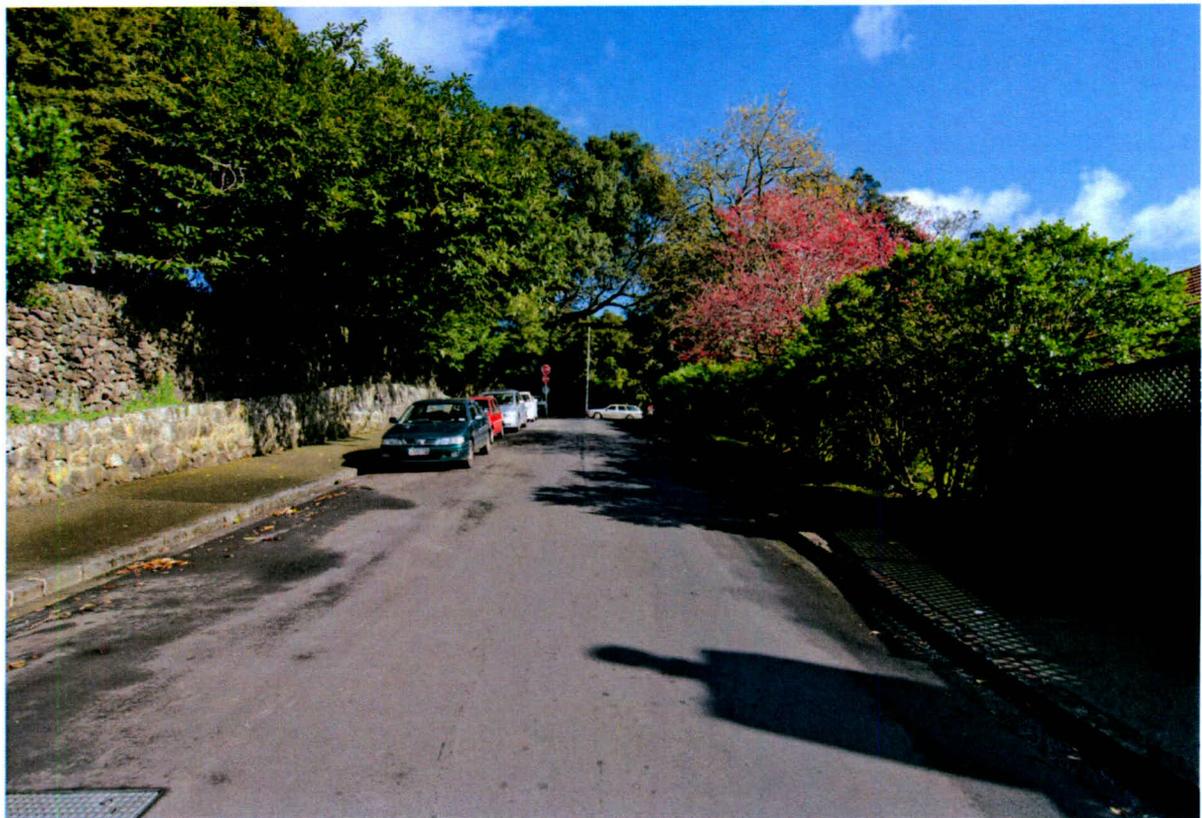
Group Chief Executive

APPENDIX:

Vector Overhead Improvement Programme 2011/12



Platina Street, Remuera – undergrounding



Withiel Drive, Epsom - undergrounding



Keith Ave, Remuera – undergrounding



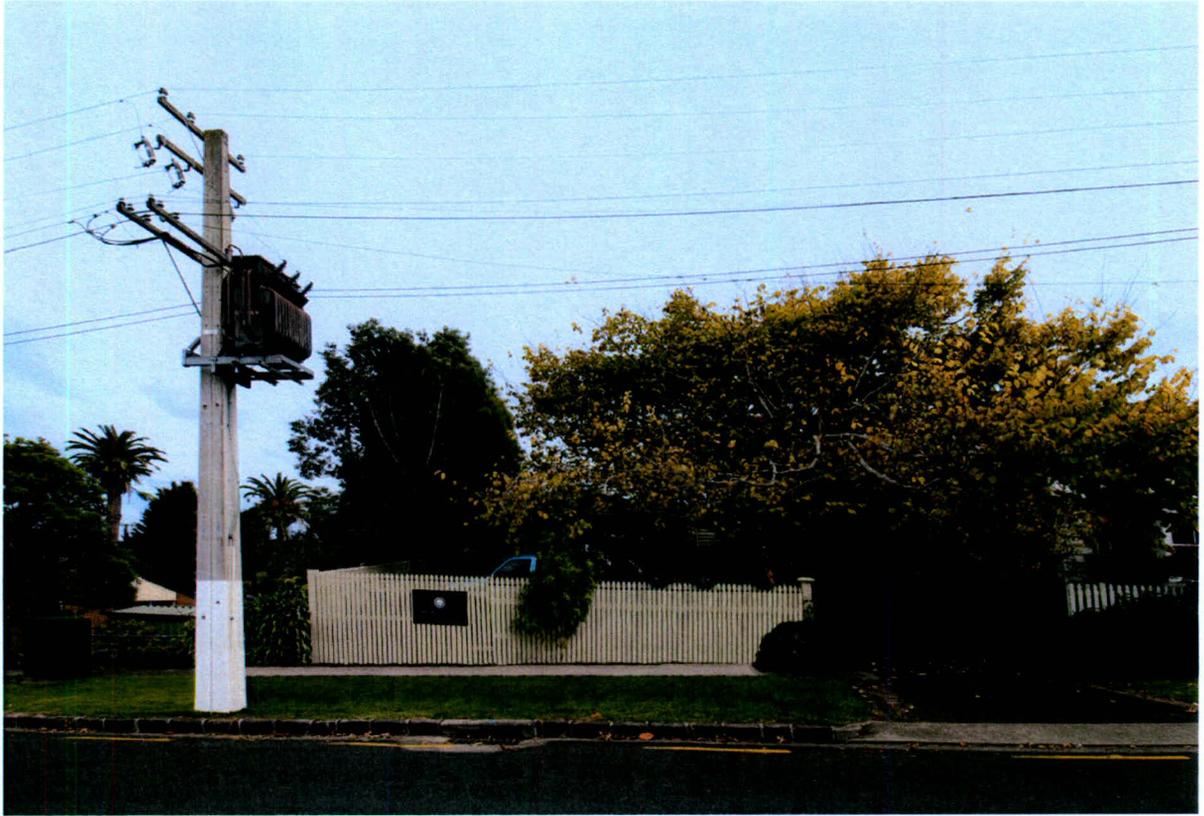
Belvedere Street, Mt. St. Johns - undergrounding



Margaret Street, Freemans Bay – undergrounding



Randolph Street, Newton - undergrounding



Cardwell Street, Onehunga – pole substation replacement



Campbell Road, Royal Oak – pole substation replacement



Powell Street, Avondale – pole substation replacement



Rowe Street, Onehunga – Aerial Bundled Conductor (ABC) project



Mitchelson Street, Ellerslie – ABC project