



MINUTES OF THE TWELFTH ANNUAL MEETING OF BENEFICIARIES HELD AT THE ELLERSLIE EVENT CENTRE, 80-100 ASCOT AVENUE, ELLERSLIE ON WEDNESDAY, 30 OCTOBER 2013 COMMENCING AT 7PM

Present

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

36 beneficiaries registered their attendance at the meeting.

In attendance

Mr I Ward, Executive Officer, Ms J Stevens (Assistant Secretary)

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

Apologies

Apologies were received and noted.

Minutes

The minutes of the Eleventh Annual Meeting of Beneficiaries held on 24 October 2012 and confirmed by Trustees on 13 December 2012, were tabled and received.

Chairman's Review

In reviewing the Trust's financials for the year under review, the Chairman referred to the increased dividend payment of \$330. This was achieved despite increased beneficiary numbers and withholding tax of 5% payable, being the differential between the corporate tax rate of 28% attached to imputation credits and withholding tax on the dividend at the rate of 33%.

The Chairman then handed over to Miss Sherry, Chair of the Regulation and Strategy Subcommittee. Miss Sherry outlined work covered by this committee including a submission to the Law Commission on proposals to review trust law, submissions to the Commerce Commission, the Electricity Authority on transparency of billing, to the Electricity Authority on Transmission Pricing and also to the Productivity Commission which is holding an enquiry into the design and operation of regulatory regimes.

As Chair of Energy Trusts of NZ, with 22 member Trusts, Miss Sherry works closely with its member Trusts to achieve the best outcome on industry issues for its members.

The Chairman then handed over to the Chairman of the Communications and Dividend Subcommittee James Carmichael who referred to the streamlining of dividend communications achieved in the past year, highlighting the real value of AECT to the community and researching what is communicated to ensure it is effective.

Mr Carmichael added that the Trust is more pro-active in getting the Trust message out to the media and referred to the development of an e-newsletter currently going to 3300 people. The website is also being updated with a new design and layout for mobile phone or similar.

Gareth Williams of Vector spoke on the increasing choice that customers have regarding energy for their homes and businesses, referring in particular to energy efficiency options such as self generation through for example, solar panels and batteries of storage units.

Mr Cairns thanked the board of Vector for delivering another fine result and thanked beneficiaries for joining the meeting.

Appointment of Auditors

As recommended by the Trustees, it was

Moved: Mr O'Brien

Seconded: Mr Towers

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

Carried

Remuneration of Auditors

Moved: Mr Towers

Seconded: Ms Cooper

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:

Referring to AECT's role as a consumer Trust, a beneficiary noted that 3 businesses owned by Vector had been made subject to price control, electricity, gas and gas distribution and asked if AECT as a consumer-owned Trust, is appropriately managing Vector as a 75% shareholder? Is Vector pricing excessively as opposed to minimizing pricing? The beneficiary claimed that 16 lines companies had new prices set, 13 were allowed to increase prices, 3 were ordered to reduce their prices and Vector was the only company that had to reduce prices by 10%.

Trustees responded that Vector as a monopoly is regulated. The company does get benefits of economy of scale. It has an intensive urban area and for the regulated part of the business the Commerce Commission sets the pricing. The company costs were the lowest before the Commerce Commission imposed a price reduction of 9%.

Trustees also noted that, although the Trust is a shareholder of Vector, it does not have a direct input into pricing because of the regulation of electricity and gas and does not tell the company how to price, nor would Trustees wish to.

Simon Mackenzie, CEO of Vector pointed out that the company has to comply with a price path set by the Commerce Commission which is reviewed every five years. Since the last review in 2002 the company has been allowed to increase prices only by the CPI. Every five years the Commerce Commission resets the price according to the company returns. Things that give rise to price reductions are e.g. the movement in interest rates and different prices in real terms that only increase on an annual basis of less than CPI. The company has been in full compliance with the regulatory price path set by the Commission. Simon pointed out that the same rates of reductions have occurred in places such as the UK.

Trustees added that the company is the lowest operating cost for lines on a per customer basis in New Zealand at \$173 per customer with the top being \$1100 per customer. Also noted was that with respect to overall pricing in New Zealand, the company argues with the Commission that the company does not keep a lot of the productivity gain with respect to the electricity business. These cost efficiencies are passed on to the consumers at the end of the period.

With reference to retail companies not dropping their charges when the lines charges were reduced, a beneficiary asked if he would get cheaper power and a lower dividend or a lower dividend and the power would remain the same.

Trustees replied that if your power company does not pass that reduction on you will not get cheaper power. Vector is looking for other ways to find additional income and is disappointed that the retailers had not passed on this reduction to their consumers.

Regarding transparency of billing Trustees noted that AECT and ETNZ have been trying to drive this at Ministerial, local government and Commerce Commission level, so that the consumer can see exactly what is being charged; regulated charges and Transpower charges should be easily

identified thereby showing price reductions and increases. Vector decreased its prices from 1 April 2013.

In response to an enquiry one retailer had responded that they had passed on the reduction in lines charges but the enquirer did not receive any reduction because there was a readjustment of prices across the network. In order to increase dividends Vector is looking to expand to other businesses that are not regulated.

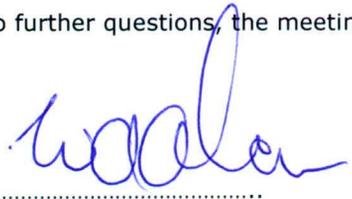
Trustees pointed out that there is an Appeal against the decision of the Commerce Commission judgment which is due out late November. The Appeal will look at the Commerce Commission decision and may have an effect on the final price charged.

As to the overall value of Vector's charges, not only are they the lowest in New Zealand, they are lower than the price of much bigger power companies in Australia.

In reply to a comment that there was no presentation on undergrounding Trustees noted that \$14 million was spent on undergrounding this year; Vector is therefore meeting its undergrounding contractual arrangements for the year. Undergrounding options are still being pursued; however following the Christchurch earthquakes, some big questions remain regarding undergrounding of lines.

Responding to a comment that Vector is 8th out of 16 regarding pricing, Simon Mackenzie clarified that Vector is the lowest priced operator per customer.

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



Confirmed:.....

Date: 16/9/14