



1997 NEWS ARCHIVE

UNITED ELECTRICITY SHAREHOLDING SOLD TO WAIPORI

31 December 1997

Dunedin Electricity Chairman Ray Polson announced the sale today of the company's 42% shareholding in electricity retailer United Electricity Ltd to Waipori Power Generation Ltd.

While both Dunedin Electricity and Waipori Power are owned by the same shareholder, Mr Polson said that the sale was strategically significant. It recognised the belief of both companies that **under full retail competition electricity retailing would "migrate" away from the monopoly-like line businesses to competing generators**. While full competition still required government intervention, the companies believed that developments overseas now made competition inevitable.

DUNEDIN ELECTRICITY NAMED BEST LINE BUSINESS IN NZ

18 December 1997

A report just released by international management consultants **Ernst & Young** has found Dunedin Electricity to be the best performing electricity delivery business in New Zealand, moving into first place from last year's second place.

The 49-page report intensively examines the performance of the 38 Electric Power Companies between 1995 and 1997, and ranks each according to performance on ten key indicators. The total score on these indicators reflects overall performance, and the top ten performers are;

| Placing | Company | Score | Last Year's Score |
|---------|--------------------------|-------|-------------------|
| 1 | Dunedin Electricity | 89 | 85 |
| 2 | Alpine Energy | 79 | 74 |
| 3 | Electricity Invercargill | 73 | 87 |
| 4 | Mercury Energy | 71 | 69 |
| 5 | WEL Energy Group | 70 | 69 |
| 6 | Northpower | 69 | 69 |
| 7 | Tasman Energy | 61 | 58 |
| 8 | Waitaki Power | 61 | new* |
| 9 | Southpower | 61 | new* |
| 10 | Power NZ | 61 | new* |

* Three companies moved into the top-10 for the first time, and their last year's scores have not been published.

This is the second year that Ernst & Young have compiled their Line Business Performance Index and the top three positions have again been achieved by United Electricity shareholder-networks. The report notes that "the top three EPCs continue to be those operating their line business separately from energy retailing" and that this "seems likely" to account for their exceptional performance.

Dunedin Electricity Chief Executive John Walsh commented that E&Y are probably being cautious not to offend potential clients. His view is that separation of the line and energy businesses

definitely leads to better performance of both, and that only Government's failure to force retail competition prevents this being irrefutably demonstrated.

Other findings highlighted in the report include:

- Over the last 3 years line business charges rose on average by less than the rate of inflation. However it noted that individual companies varied widely from this average. For Dunedin Electricity the reports notes a reduction in average line charge per kWh delivered.
- While the number of power companies has continued to reduce modestly, significant economies can be achieved by further reductions.
- There are still too few pressures on line businesses to improve their performance through restructuring of their operations and ownership.

John Walsh said that there were no surprises in these findings. "While Dunedin Electricity had significantly improved its performance, we would do much better if we could spread the overheads of a line business over a wider base. Unfortunately power company shareholders generally prefer outright control of their company rather than the lower costs that would result from mergers."

FIRST NZEST AWARDS

17 December 1997

At a ceremony attended by 30 young awardees and their families and friends, Chief Executive John Walsh presented the first awards since Dunedin Electricity undertook regional sponsorship of the NZEST examinations this year.

The regional sponsorship encompasses all 28 secondary schools from Oamaru in the north, through to Queenstown in the west, down to Balclutha in the south.

Dunedin Electricity believes in the importance of academic excellence and supports NZEST as an independent examining body providing scholarship examinations designed to extend senior secondary students. Dunedin Electricity sponsors all students who enter the NZEST scholarship examinations, by paying:

- 50% of their entry fees.
- 50% of all financial awards by NZEST.
- 100% of entry fees for students who prove financial hardship.

By helping students enter this competitive scholarship examination, Dunedin Electricity believes it will help them challenge themselves and extend their knowledge by more in-depth study and wider reading. In particular, Dunedin Electricity is pleased to be able to help all students entering the NZEST scholarship examinations and not just prize winners.

As a direct result of the first year's sponsorship, the number of students undertaking the examinations has increased by 25%. Further increase is expected in subsequent years.

MUSEUM INTERNET FACILITIES SPONSORED

13 December 1997

Thanks to sponsorship by Dunedin Electricity, the Internet has come to Discovery World at Otago Museum. Two Internet terminals are now available to museum visitors, providing free access to the Internet (normal Discovery World entry charges apply).

Museum Development and Planning Manager Clare Wilson said it was decided to install public Internet terminals at the museum because of the increasing part it is playing in education. "While many people have computers at home and can access the Net, there are also many others who don't have access" she said. "So, this is a chance for everyone to discover the world of the Internet." Discovery World is also looking to introduce "web cams", so visitors browsing the Net can make visual contact with others.

Dunedin Electricity Chief Executive John Walsh said that this sponsorship involved a blend of three of his company's objectives in sponsorships (youth, education and technology) and the company was very pleased to support the museum's initiative.

DELIVERY CHARGES NOW AVAILABLE ON THE INTERNET

1 December 1997

Dunedin Electricity charges for delivery of electricity to specific installations are now available over the Internet, at www.electricity.co.nz/site/index.asp

Delivery charges vary for each of the approximately 50,000 installations connected to the distribution network; based on delivery capacity both provided and used. The launch today of the retail pilot has necessitated easy access by retailers to delivery charge information, so that they can make proposals to target clients. Internet access was the obvious answer.

In addition to access by retailers, Dunedin Electricity also decided to make this information available to any enquirer; consumers can now check their own delivery capacity records and charges! All that is needed is the six-digit network connection number. Web page visitors can try a few random numbers until they strike a valid combination; however unless they already know the address of the connection then the delivery charge information will not be of much use.

RETAIL COMPETITION TRIAL COMMENCES

1 December 1997

Network owner **Dunedin Electricity** and retailers **United Electricity**, and **Southpower** launched Australasia's first small-consumer retail pilot today. The pilot will enable 1,000 residential consumers (the first 1,000 applicants) in the Christchurch and Dunedin areas to be supplied by either retailer. Between them United Electricity and Southpower supply 17% of New Zealand's 1.7 million electricity consumers.

Announced in June, the pilot is based on "profiling" electricity usage, rather than on expensive interval-metering solutions, and is presently a strict bilateral arrangement between the two retailers, but they are willing to join other retailers and expect to announce a third participant in January.

Southpower is a vertically integrated wires and retail business based in Christchurch and supplying 150,000 consumers. United Electricity is an independent retailer which supplies 120,000 consumers throughout the lower South Island. Dunedin Electricity Ltd is a wires-only business based in Dunedin, which delivers electricity to 50,000 consumers served by United Electricity and is a minority shareholder in United Electricity.

DE SPONSORS SCIENCE FAIRS AT REGIONAL SCHOOLS

23 August 1997

Dunedin Electricity has commenced regional sponsorship of school Science and Technology fairs.

Science and Technology fairs occur at three levels;

1. within schools to select entries to regional fairs,
2. at the regional level to select entries for the national fair, and
3. the national **ECNZ Science and Technology Fair** sponsored by the Electricity Corporation.

Dunedin Electricity will provide prize money to approximately 50 school fairs, and for the Otago and Southland regional fairs, and will assist the Otago winning entries to attend the ECNZ Science and Technology Fair.

SMALL-HYDRO JOINT VENTURE ANNOUNCED

18 August 1997

Diesel & Power Systems Ltd and Dunedin Electricity have joined forces to undertake micro- and small-hydro installation and refurbishment for customers throughout the South Island.

Dunedin based Diesel & Power Systems Ltd is already well established in the small-hydro market as a supplier of power systems to remote locations. Dunedin Electricity has extensive experience on larger hydro installations gained from working on the Waipori scheme, and sees the combining of skills, experience and resources as a practical way for both companies to expand their operations.

By combining resources the two companies can provide a wider range of services to the marketplace. There are competitors already established in other parts of the country and the joint venture will ensure that two Dunedin companies do not compete against each other in a small market. "Rather than fighting over small amounts of work, we can work together to win more work against competitors from elsewhere in NZ".

The immediate opportunities lie with small power schemes for other power companies and the first joint project will get underway before the end of the year. This first project will determine the direction the relationship takes in the future and both parties are confident that their complementary skills will enable rapid growth.

RETAIL COMPETITION TRIAL FOR SMALL ELECTRICITY USERS

25 June 1997

United Electricity and **Southpower** have jointly announced the introduction of real competition for small electricity users. From 1 December 1997, up to 1,000 small consumers presently supplied by each of these retailers will be eligible for a two-year competition trial, subject only to approval by the Commerce Commission.

The trial will enable 1,000 small consumers in each area (the first 1,000 applicants) to be supplied by the other retailer. While the proposal is presently a strict bilateral arrangement between two retailers, they are willing to join other retailers on equal terms.

The trial will be based on "deemed profiles" rather than expensive metering and complex reconciliation. Existing electricity meters will continue to be read manually and usage assigned to average consumption patterns for the purpose of wholesale purchase settlement. This solution has already been adopted in Norway (1995), New Hampshire (1996), UK and California (1998). More US states are close to the same decision. However, the proposal also allows either retailer to utilise high-tech meters at their discretion.

In March 1997, United Electricity and Dunedin Electricity jointly petitioned Government to mandate competition for small consumers (see [Blueprint for Competition in NZ](#)). This followed agreement by United, Dunedin and Southpower in October 1996 to undertake consumption profile research of the kind necessary to agree deemed profiles.

New Zealand's conservative Government has made clear its reluctance to "intervene" in markets. This has left United and Southpower no option but to "chance their arm" to advance competition. This is globally unique.

The proposed trial is subject to Commerce Commission approval, which is expected by October. The proposal excludes other retailers, limits competition to 2,000 households, and will terminate in two years. All of these features might be perceived as anti-competitive, and accordingly must be approved by the Commerce Commission. Ironically, the present absence of competition for small consumers is not deemed anti-competitive by the Commerce Commission! The proposal allows other retailers to join on equal terms ("offer your customers choice and you can have a go at ours") and does not prevent the use of high-tech meters by any participating retailer.

The trial will continue for two years. What happens beyond that point is uncertain; options include:

- the trial terminates and consumers return to their "native" retailer
- high-tech meters prove economic and the trial merges into the present half-hourly settlement for large users
- deemed profile competition is widely adopted and prevails for some time as a low-cost sufficiently-effective solution.

None of these options is so worrying as to warrant rejection of the trial.

LEE STREAM INVESTIGATIONS CEASE

25 June 1997

The investigation into a proposed \$16 million hydroelectric scheme on Lee Stream has been terminated.

Lower expectations for future electricity prices, coupled with land access problems, meant the project was no longer economically viable. Investigations were continuing into an \$8 million hydroelectric generation scheme on the Lammerlaw Stream at the head of Lake Mahinerangi.

More than \$100,000 had been spent on the six-month investigation at Lee Stream, with consultants carrying out geological and ecological surveys. Ground conditions showed there would be more problems with the necessary civil works than had been thought, which would have raised the project's cost. It had been known it would be difficult to get resource consents for the Lee Stream proposal. While it was disappointing to halt the investigation, the money spent was not wasted as the work could always be "dusted off" if energy prices rose and the scheme became viable.

The Lee Stream scheme would have produced about a tenth of that generated by the Waipori scheme, which supplies about 20% of Dunedin's electricity needs.

Of 16 options included in a regional study of possible hydroelectricity development projects carried out in 1995, only the Lammerlaw Stream and Lee Stream options appeared economical.

DUNEDIN ELECTRICITY REGAINS TOP SPOT IN CUSTOMER SURVEY

14 May 1997

Dunedin Electricity has again been ranked "best network" in a national survey of electricity retailers.

Market research recently carried out by Gary Nichol & Associates of Christchurch has seen Dunedin Electricity achieve highest ranking for overall service. The survey is conducted annually, and is designed to measure what it is that electricity retailers want from an electricity distributor, and how New Zealand distributors compare in meeting the needs of retailers. Over the three years that the survey has been undertaken Dunedin Electricity has achieved the following results:

| Year | 1995 | 1996 | 1997 |
|--|-------------|-------------|-------------|
| Dunedin Electricity Score (out of 10) | 8.0 | 8.4 | 9.3 |
| Dunedin Electricity Placing | 1st | 2nd | 1st |
| Distributors Scored | 4 | 11 | 16 |

The number of distributors able to be assessed has increased as electricity retailing has developed, as illustrated by the last row of the table.

Dunedin Electricity Network Manager Lindsay McLennan commented that "It is pleasing enough to regain first position this year, but even more so when we increased our score while that of most other previously-ranked distributors declined".

LINES TO BE PLACED UNDERGROUND

29 April 1997

Dunedin Electricity has begun work on improving the southern entrance to Dunedin, by putting existing overhead lines on Caversham Valley Road underground, at a cost of approximately \$350,000. The work is being done in conjunction with road alterations and will take four weeks. The result will be improvement to both traffic flows and visual aesthetics.

IMPROVED ELECTRICITY SUPPLY FOR PENINSULA

26 April 1997

Equipment which provides an improved electricity supply to Otago Peninsula residents (Harwood to Taiaroa Head and Weir Road to Cape Saunders) will be installed over the next two weeks.

Network Manager, Lindsay McLennan, advised that approximately 6 kilometres of 6.6kV line will be converted to operation at 11kV, a voltage regulator will be installed near Harwood, and 20 distribution transformers changed to operate at 11kV instead of 6.6kV, at a cost of approximately \$120,000. The work is being undertaken because the amount of electricity used on the lower peninsula has increased to the point where the quality of supply is suffering. The new equipment will ensure a more consistent and uniform voltage.

\$20,000 DONATED TO ENERGY EFFICIENCY TRUST

10 April 1997

Dunedin Electricity has donated \$20,000 to the Dunedin Energy Efficiency Trust.

The trust was established by United Electricity to assist low income consumers in reducing inefficient use of electricity. Funds contributed to the trust will be spent on improving energy efficiency for approved consumers. Improved ceiling insulation and improved water cylinder insulation are typical ways this will be done.

The trust is intended to be funded by United Electricity customers who volunteer to round their monthly payment up to the nearest dollar.

Dunedin Electricity has agreed to donate initial "seeding" funds of \$20,000 after being approached by United Electricity. This will enable the trust to get off with a flying start.

BLUEPRINT FOR RETAIL COMPETITION LAUNCHED

24 March 1997

Dunedin Electricity CEO John Walsh and United Electricity CEO Antony Fowler have jointly launched a "Blueprint for Competition" for small electricity users in New Zealand, which could see household competition from the beginning of 1998.

Retail competition was introduced in New Zealand on 1 April 1993. However, serious structural barriers mean that, four years later, only 0.1% of consumers (using 6% of energy) have effective access to alternative suppliers. The Blueprint proposes that these barriers be removed by Government action.

The Blueprint recommends the adoption of Profile Competition for small consumers; a technique which does not require huge investment in new technology. Profile Competition for small consumers was introduced in Norway in 1995, New Hampshire (USA) in 1996 and will be commenced in the UK early in 1998. A number of other US States are also proposing Profile Competition.

DUNEDIN ELECTRICITY SPONSORS ISF'98 WEBSITE

23 March 1997

Dunedin Electricity is sponsoring the website of Dunedin's International Festival of Environment, Science and Technology. The society has been formed;

- to promote education and research in the fields of science, technology and the environment
- and to foster awareness of the contribution which scientific, technological and environmental endeavours make to society
- with particular emphasis on the excellence of the achievements in these fields attained in the province of Otago.

The first festival is scheduled for 4-19 July 1998.

NEW TRANSFORMER IMPROVES SUPPLY RELIABILITY

19 March 1997

Power to the people of South Dunedin is now assured with the official commissioning of TransPower's new 100MVA (100,000kW) capacity electricity transformer at the South Dunedin substation.

The commissioning took place yesterday under the watchful eyes of (from left) Trans Power technical manager Sinniah Chinniah, project manager Tony Mitton, account manager Nick Anderson and Dunedin Electricity network manager Lindsay McLennan. They agreed the transformer project had been "a real team effort" involving TransPower and Dunedin Electricity.

At 80 tonnes in weight, seven metres long, three metres wide, and four metres high, the transformer was one of the largest loads to be transported through Dunedin's streets when it arrived from Japan in January. The transformer's task will be to significantly reinforce electricity supplies from the national grid to the city. Mr McLennan said the South Dunedin substation supplied about 17,000 customers, including major loads like the university, hospital, and central business district. "The commissioning of the second transformer will significantly reduce the risk of the prolonged outage for these customers due to an equipment fault at the substation".



REGIONAL SPONSORSHIP OF THE NEW ZEALAND EDUCATION & SCHOLARSHIP TRUST

17 March 1997

Dunedin Electricity has undertaken a five year sponsorship of NZEST for the Otago region. This encompasses all 28 secondary schools from Oamaru in the north, through to Queenstown in the west, down to Balclutha in the south.

Dunedin Electricity believes in the importance of academic excellence and supports NZEST as an independent examining body providing scholarship examinations designed to extend senior secondary students. Dunedin Electricity will sponsor all students attending schools in the Otago area who enter the NZEST scholarship examinations, by paying:

- 50% of their entry fees.
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DUNEDIN ELECTRICITY SPONSORS "WORLD OF WHALES"

22 February 1997

Dunedin Electricity is proud to sponsor the "World of Whales" exhibition at the Otago Museum, from 22 February to 6 April. The exhibition provides a close-up and life-size look at the largest creatures ever to have lived. It features robotic models which could only be brought to Dunedin with commercial sponsorship.

"Dunedin Electricity is pleased to be associated with this project", said Chief Executive John Walsh. "The whale is an object lesson to us all on the need to protect the natural environment."

DUNEDIN'S ELECTRICITY CONSUMERS TO RECEIVE ANOTHER \$25,000

3 February 1997

Dunedin Electricity's Chief Executive, John Walsh, today announced that the company would make payments to approximately 400 electricity consumers whose power supplies were not restored within the target time of four hours for general network faults. A total of \$25,000 will be paid out under the Company's service guarantee scheme for faults related to the very high winds experienced on 22 January 1997. Interruptions to supplies are believed to be the worst since the June 1980 floods on the Taieri Plain.

A payment of \$50 is being made to consumers with a 15 kVA supply and, for larger capacity supplies, a payment of one month's line charge will be made. The amounts will be credited by Dunedin Electricity to the electricity retailers with whom it contracts for delivery. The retailers will arrange to credit each individual consumer's electricity account.

The majority of the payments will be to 330 consumers supplied from the Berwick substation. Consumers in McMaster Road, Flagstaff Road, Waitati Valley Road and near Ashburn Hall will also receive payments.

These payments will bring the total paid out this financial year to \$37,000.

Service guarantees were introduced by Dunedin Electricity in 1992 and the targets and payments were increased late last year. Mr Walsh said that as far as he was aware there is only one other power company (based in the North Island) that has a payment scheme for service supply failure which matches the levels of payment or target restoration period set by Dunedin Electricity. Most others, if they have a scheme at all, operate with a lower compensation value and a longer restoration time.

Dunedin Electricity has a policy of compensating consumers who have been affected by a long interruption to supply, because it aims to be the most customer responsive power company in **New Zealand.**

WIND ENERGY INVESTIGATION ANNOUNCED

27 January 1997

Dunedin Electricity Chief Executive John Walsh announced today that Dunedin Electricity was planning to investigate the wind energy potential of Hodson Hill, which overlooks Hamilton Bay in Dunedin Harbour. "Dunedin City's electricity demands continue to grow, and wind energy is one option that Dunedin Electricity is looking at to meet that demand" Mr Walsh said. The Hodson Hill site on which it is proposed to undertake the investigation has been purchased by Dunedin Electricity Limited following extensive preliminary investigations which identified several sites that were possibly suited to such a use. "The company lodged a land use consent application with the Dunedin City Council on 28 January 1997 for the establishment of a wind measurement station at the Hodson Hill site" Mr Walsh said.

Dunedin Electricity is wholly owned by the Dunedin City Council, and Mr Walsh stated that the company "has an ongoing program of investigating electricity generation and distribution options for the benefit of all Dunedin residents". Wind energy was favoured by the company as an electricity generation option "because it is clean, safe, based on a renewable resource and consistent with the principle of sustainable management, as promoted by the Resource Management Act" Mr Walsh said.

The wind measurement station, which comprises a 40m high, 150mm diameter steel mast and five small anemometers, would be located on the Hodson Hill site for several years so that the company can gain "a clearer picture of the site's viability as a wind energy source". Mr Walsh stated that a decision on the viability of the site for a wind farm is not expected for some years. Hodson Hill is no stranger to wind-powered electricity generation, having previously been occupied by a windmill that provided electricity to early settlers in the area.

However, in spite of the efficiency of modern wind turbines, any wind farm would simply be used to augment Dunedin City's existing hydro-based electricity generation resources. "Wind energy would help Dunedin residents become more self-sufficient in terms of electricity supply, and would reduce dependency on outside energy supplies. It would also provide an asset that would produce economic returns for the City, so residents would stand to win on both counts" Mr Walsh said.

Wind is becoming an increasingly popular form of energy generation internationally, particularly in California, Europe and Asia. In New Zealand, wind turbines have been established on sites in Wellington and the Wairarapa in recent years. Otago also has recognised potential for wind generation, according to Mr Walsh. "Mr Keith Dawber of the University of Otago Physics Department concluded in a 1979 report for the New Zealand Energy Research and Development Committee that "...the contribution Otago wind energy could make to the national energy budget is well above that expected from the land area involved...", and subsequent studies by Dunedin Electricity support that view" Mr Walsh said. Mr Dawber is being retained by Dunedin Electricity in respect of the proposed wind energy investigation, and Mr Dawber said that he was "excited" about the prospect. "I remain firmly convinced that this site offers good potential for a wind energy investigation" Mr Dawber said.

If the company's land use consent application is successful, Mr Walsh said that wind measurements on Hodson Hill would commence in April or May 1997.

DUNEDIN ELECTRICITY SPONSORS WEBSITE FOR ENVIRONMENTAL BUSINESS NETWORK

25 January 1997

Dunedin Electricity has sponsored a website for the Dunedin based Environmental Business Network.

Launched today, this website provides EBN with its own web presence and communication channel. "This was a natural extension of our original association with EBN as a founding participant in their Green Business Challenge in 1993" said Dunedin Electricity Chief Executive John Walsh.