



1998 NEWS ARCHIVE

SECOND NZEST AWARDS

17 December 1998

At a ceremony attended by 33 young awardees and their families, teachers and friends, *DELTA* Chief Executive John Walsh represented Dunedin Electricity at the second annual awards for the Otago region.

As had been expected, the number of both examination candidates and award winners increased over last year. Dunedin Electricity is proud to be associated with the NZEST awards, and looks forward to sponsoring further achievement by Otago students next year.

UNITED ELECTRICITY ONSOLD TO CONTACT ENERGY

3 December 1998

United Electricity, which was purchased by Fernhill Power in October, has been sold to Contact Energy Ltd for an undisclosed sum.

A sharp rise in the value of electricity retailing businesses over the past six weeks has resulted from fierce bidding between ECNZ, Contact Energy, TransAlta and Trustpower. The bidding has arisen from the slow take-off of new brands **More Energy** and **First Electric**. A combination of brand loyalty and territorial dominance by existing brands has resulted in few customers being won; the alternative of buying the existing businesses has followed.

The sale price has not been disclosed but Fernhill is understood to have made a healthy profit on its two-month holding. The purchase by a generator has ended United's brief independence and confirmed the view of Dunedin Electricity last December that generation and retail would converge.

WAIPORI SOLD TO TRUSTPOWER

22 September 1998

Waipori Power Generation Ltd has been conditionally sold to Trustpower for \$69 million. The sale will be finalised on 14 October, when the Waipori River hydro scheme owned by the Dunedin City Council since 1907 will pass to Trustpower.

Trustpower was the successful purchaser of Coleridge power scheme from ECNZ last April. Waipori Power undertook initial due diligence on Coleridge, but withdrew from bidding after Government introduced the Electricity Industry Reform Bill.



The sale will result in DCC only holding investments in line business Dunedin Electricity, thus complying with the new legal requirements.

WAIPORI SELLS UNITED ELECTRICITY SHAREHOLDING

22 September 1998

Waipori Power Generation Ltd has conditionally sold its 42% interest in retailer United Electricity Ltd to Fernhill Power Ltd, a new company formed by "Blue Star" entrepreneur Eric Watson, for \$17.5 million. Electricity Invercargill Ltd has also sold its 11% interest in United to Fernhill Power, for \$5.5 million, giving Fernhill a majority shareholding.

Waipori Power purchased its holding from sister company Dunedin Electricity last December. Dunedin Electricity and Electricity Invercargill were the joint founders of independent retailer United Electricity in 1993, and both sold their retail businesses to it. The sale to Fernhill Power sees United Electricity move from the world's first separately corporatised mass-market electricity retailer owned by electricity distributors to the world's first truly independent electricity retailer.

DCC AGREES TO "TEST MARKET PRICES" FOR WAIPORI POWER

25 August 1998

Dunedin City Council has decided to test market prices for its shares in Waipori Power Generation Ltd. and its 42% holding in retailer United Electricity, and to sell if a premium can be obtained.

Following public consultation as required by law, DCC has decided to retain its investment in line business Dunedin Electricity and to sell its investment in Waipori Power. While it is not required to sell one or other until 31 December 2003, fears that values will drop before then have prompted an early "market testing process".

SOUTHPower/UNITED ELECTRICITY MERGER ABANDONED

13 August 1998

The intended merger of United Electricity, Southpower and Gas retailer Enerco announced in June has been abandoned.

Announcing this today, Southpower commented that "Unforeseen delays arising from a Dunedin City Council consultation process have prevented United Electricity Ltd from finalising a draft agreement with its own shareholders within a timeframe acceptable to Southpower and Enerco. In these circumstances Southpower and Enerco are no longer able to consider the merger as their preferred option."

DCC COMMENCES PUBLIC CONSULTATION

11 July 1998

Dunedin City Council has today invited public submissions regarding its energy investments.

The new Electricity Industry Reform Act 1998 requires owners of "line" and "supply" businesses to sell one of these investments down to a maximum 10% shareholding by 31 December 2003, and to implement full management separation by 1 April 1999. Dunedin City Council owns, through its holding company Dunedin City Holdings Ltd, line business **Dunedin Electricity** and supply business **Waipori Power Generation Ltd** (with its 42% shareholding in **United Electricity**).

Before selling such assets, the **Local Government Act** requires DCC to undertake public consultation. Public submissions have been invited regarding which investment to retain, if any, and the timing of sale.

GOVERNMENT ENACTS MAJOR RESTRUCTURING

3 July 1998

After heated debate, and a temporary suspension of Parliament while redrafting of the Bill was concluded, the **Electricity Industry Reform Act 1998** was passed today.

Passage of the Act was no less controversial than its consideration by Parliament's Select Committee on Commerce, or the last minute changes by the Minister of Energy before this Committee had reported back to Parliament. It was clear that the Minister knew he had the necessary votes in Parliament, and was determined to force the Bill through with only cosmetic changes to reduce the chances of power companies finding loopholes. The Act contains the following key requirements announced in April.

- Breakup of Government's largest generator into three competing companies.
- Ownership separation of all "Line" and "Energy" businesses.
- Introduction of low-cost retail competition for small users.
- Greater performance disclosure by line businesses.
- Commerce Commission empowered to apply price controls to line charges.

DELTA UTILITY SERVICES LAUNCHED

1 July 1998

Dunedin Electricity Chief Executive John Walsh announced the formation today of subsidiary company *DELTA* Utility Services Ltd, as a specialist service provider to utility asset owners.

Announcing the formation, Mr Walsh said that all staff previously employed by both Dunedin Electricity Ltd and Otago Citigas Ltd had transferred to *DELTA*, leaving the former companies as simple asset owners. *DELTA* has been formed from the asset management expertise built up within Dunedin Electricity over decades, and represents the latest proactive move by a company which has been at the forefront of industry restructuring since 1990.



PHOTOVOLTAIC "COOKBOOK" LAUNCHED

26 June 1998

A Dunedin-produced "how to do it cookbook" on photovoltaic energy was launched at a civic reception today.

With the long title "Economic Analysis for Residential/Commercial Photovoltaic Systems Intertied with New Zealand Electricity Networks", the book by Trisha Mierzejewski is an amalgam of advanced theory and practical installation guidelines. It results from research which was jointly sponsored by Dunedin Electricity and Industrial Research Ltd, and was published with financial assistance from Dunedin Electricity and the Energy Efficiency and Conservation Authority.



Copies can be ordered from PCM Solectric Ltd, POBox 2106, Dunedin, New Zealand.

DUNEDIN ELECTRICITY RETAINS TOP SPOT IN CUSTOMER SURVEY

24 June 1998

Dunedin Electricity has again been ranked "best network manager" 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 these expectations.

Over the four years that the survey has been undertaken Dunedin Electricity has achieved the following results:

Year	1995	1996	1997	1998
Dunedin Electricity Placing	1st	2nd	1st	1st
Dunedin Electricity Score (out of 10)	8.0	8.4	9.3	8.6
Distributors in NZ at 31 March*	43	40	38	36
Distributors Scored*	4	10	13	12

**The number of distributors at 31 March is shown in row 4. The number able to be comparatively assessed (row 5) has increased as electricity retailing has developed. The decrease in 1998 reveals stagnation of retail competition which appears to have occurred since 1996.*

Dunedin Electricity Chief Executive John Walsh commented that "While our score did decrease from last year, so did that of others. It appears that retailers have marked all distributors harder, out of frustration at the stagnation in retail competition".

UNITED ELECTRICITY AND SOUTHPower TO JOIN

24 June 1998

United Electricity has announced an intention to join with Southpower's electricity retail division and Enerco's gas retail division, to form a new energy retailer with a customer base of 400,000.

This announcement follows:

- Recent announcement by North Island power companies Trustpower, Central Power and Powerco of intended merger of their energy businesses. The new company will be called National Power and will have 223,000 customers.
- Rumours that TransAlta NZ and Mercury Energy will merge. This would result in an energy company with 390,000 customers.

It is believed that a minimum of 300,000 customers is necessary in the New Zealand market if survival in the retail sector is to be assured. If the above announcements and rumours come to fruition then the four largest retailers will supply 68% of New Zealand's 1.6 million electricity consumers; leaving the other 25 retailers fighting over 32% of the market. As the movie Godzilla says; "size does matter". Panic and slaughter seem bound to follow the introduction of low-cost retail competition next year.

Dunedin Electricity quit electricity retailing in 1993, when it formed electricity retailer United Electricity (together with Electricity Invercargill Ltd) and sold its retailing activities to it. Dunedin Electricity retains a 42% shareholding in United.

GOVERNMENT ANNOUNCES MORE INDUSTRY RESTRUCTURING

7 April 1998

The Minister of Energy, Max Bradford, has announced the following wide-ranging changes to the electricity sector:

- Breakup of Government's largest generator ECNZ into three competing companies.
- Ownership separation of all "Line" and "Energy" businesses.
- Introduction of low-cost retail competition.
- Greater performance disclosure by line businesses.
- Commerce Commission empowered to apply price controls to line charges.

A. ECNZ Breakup. ECNZ will be separated into 3 parts (Contact Energy was separated in 1996). Government will then own five electricity businesses!

	market share
1 BabyECNZ1 (Waikato hydro)	13%
2 BabyECNZ2 (Huntly, Te Awamutu, Tongariro)	17%
3 BabyECNZ3 (Manapouri, Waitaki)	30%
4 Contact Energy Ltd (Clyde, Roxburgh, North Island)	25%
5 TransPower NZ Ltd (transmission business).	
Non-Government generation (Mercury, Waipori, etc) will account for	15%
	100%

Election promises prevent the sale of any of these Government-owned companies, for now...

B. Line and Energy Separation. Legislation will be introduced to require separation of electricity generation and retailing functions from electricity distribution as follows:

1. Any "entity" (company, trust or council) which owns more than 10% of an electricity distribution business may not own more than 10% of an electricity generation or retail business, and vice versa.
2. Two or more such "entities" may own no more than 20% in total.
3. Cross-Directorships, and contracts or arrangements between line businesses and generation/retailing businesses which exert control, will be prohibited.
4. Existing owners must comply with these requirements by:
 - Either selling at least 90% of one or other investment to a Trust (or Cooperative), in which case this must be decided by 1 April 1999 and implemented by 1 April 2000.
 - Or, selling at least 90% of one or other investment to the highest acceptable bidder. If the Trust option is not chosen by 1 April 1999, then a separate Board and separate management must be implemented by 1 April 1999 and sale to others must be completed by 31 December 2003.

New Zealand presently has 38 distribution companies for its 1.6million electricity consumers.

C. Low-Cost Retail Competition. Power companies are required by 1 April 1999 to introduce a simpler (lower cost) basis for consumer choice than exists at present, or the Government will prescribe and enforce one. Deemed profiling is presently being trialled in two cities, and is expected to be the adopted methodology.

D. Greater Line Business Disclosure. Improved Information Disclosure will be required of line businesses, with effect from April 1998. There is no overt Regulator of electricity businesses. "Light handed regulation" applies; in the form of regulated information disclosure so that abuse can be detected.

E. Price Control Authorised. Government will empower the Commerce Commission to apply price control to line businesses, with the objective of minimising costs and prices while maintaining quality and service. Price control powers in the 1992 Energy Companies Act expired and are now being replaced.

Dunedin Electricity CEO John Walsh said that under the announced Government intentions; DCC must sell at least 90% of either Dunedin Electricity or Waipori Power (including the latter's 42% shareholding in United Electricity Ltd). He believes that these proposals are unnecessarily interventionist. "We separated the generation and retail businesses from Dunedin Electricity prior to 1994, and reduced our ownership in retail to 42%. No purpose will be served by requiring us to further separate our investments" he said.

Mr Bradford has announced that the necessary legislation would be passed before July.

TRANSALTA TO JOIN 3-CITY RETAIL TRIAL

2 February 1998

United Electricity and Southpower have announced that from 1 May TransAlta NZ Ltd, the native electricity retailer for the Wellington City area, will join them in the retail trial which commenced last year. This will treble the number of small consumers in the trial.

Between them, the three retailers supply **26% of New Zealand's 1.6 million electricity consumers**. The original trial commenced on 1 December 1997, with Southpower and United Electricity agreeing to allow each other to supply to up to 1,000 of their small consumers. The three-way agreement just announced will see the maximum number increased to 2,000 each; a total of 6,000.

The trial is based on **deemed profiling** of small consumers (as in Norway, New Hampshire, California) and was commenced by Southpower and United Electricity to try to force the pace of retail competition; after Government failed to facilitate competition in New Zealand. Other native retailers will be permitted to join the trial only if they agree to open up their own territory on the same basis.