



2001 NEWS ARCHIVE

INCUMBENT ENERGY PRICES RISE

21 December 2001

The Ministry of Economic Development has released its latest analysis of electricity charges for residential supply, based on prices at 15 November 2001. As in previous analysis, this work confirms that line charges remain below the levels prior to the 1998 separation of line and energy businesses.

The data shows a rise in the national average energy charge for residential consumers, with prices from incumbent retailers returning to the +8% levels of the MED's first analysis in May 2000. Over this same May 2000 to November 2001 period the savings available to consumers by switching to new retailers have decreased from 10% to 4% - incumbent retailers are able to charge higher prices because of the natural reluctance of consumers to switch suppliers, and their charges are now 8% higher than prior to competition.

While the data on our webpage shows that the average line charge has risen, the MED appears to have restated past averages and their data shows a modest fall in line charge since May and August 2001. What is clear is that average line charges are still below those prior to line and energy separation.

SMALL RISE IN ENERGY PRICE

20 September 2001

The Ministry of Economic Development has released its latest analysis of electricity charges for residential supply, based on prices at 15 August 2001. As in previous analysis, this work confirms that line charges remain below the levels prior to line and energy separation.

The data shows a slight rise in the national average energy charge for residential consumers and further closing of the gap in energy prices between incumbent retailers and independent retailers.

Incumbent retailers are able to charge higher prices because of the natural reluctance of consumers to switch suppliers, and their charges are 6% higher than prior to competition. Independent retailers are forced to offer lower prices to win business and their charges are, on average, 4% lower than 1998 energy prices.

HYDRO "CRISIS" OVER

12 September 2001

The hydro shortage is officially over, though consumers are urged to continue to make voluntary savings until lake storage fully recovers.

On 26 July Minister of Energy Pete Hodgson called for electricity consumers to reduce usage by 10% (and Government departments by 15%) in order to avoid a worsening electricity shortage. As last happened in 1992, lack of rainfall in the main hydro storage lakes threatened electricity supply.

Voluntary reductions were sufficient to allow hydro storage to be maintained constant over recent weeks, when levels usually fall. While storage is still low, higher inflows are normal from mid September and there is no longer any serious risk of shortages.

DUNEDIN ELECTRICITY LODGES BID FOR OTAGO POWER

6 September 2001

Dunedin Electricity Limited has made a conditional offer of \$60.5 million for the business and assets of Otago Power Limited. This equates to a price of at least \$2.10 per share. Dunedin Electricity Chairman, Ray Polson, said the offer price was likely to increase if the Otago Power Board allowed Dunedin Electricity to carry out due diligence, so that the value of the assets could be more accurately assessed.

Otago Power Directors are currently researching the views of its more than 9,400 shareholders on the future structure of the company. As part of that exercise, Otago Power is offering an indicative price of \$1.25 to shareholders who wish to sell their shares.

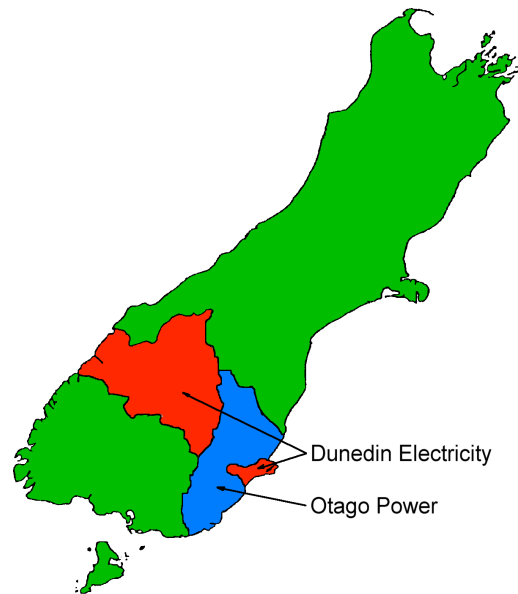
Mr Polson said Dunedin Electricity believed the Otago Power shares were worth considerably more than \$1.25. "We believe the shares are worth a minimum of \$2.10 each and could be worth more. The typical residential customer could receive a sum in excess of \$4,000 if our offer is accepted," he said.

"We have asked the Directors of Otago Power to consider our offer at their Board meeting today. In our view, the offer should be put to Otago Power shareholders for consideration, so that all parties are aware of all options available to them."

Mr Polson said that as part of its offer Dunedin Electricity guaranteed that Otago Power customers would have no distribution price increases for 3 years. "We have also made a commitment to improve the quality of service provided to Otago Power customers, and we have assured the Board that there will be no job losses," he said.

"If Otago Power's shareholders accept our offer, ownership and control of Otago Power assets will remain in the Otago Region and be in public hands with a high degree of accountability. These are important considerations for some shareholders who don't want to see ownership and control move to other parts of New Zealand, or overseas."

"Our offer creates the opportunity to release more than \$60 million to Otago Power shareholders, which will result in substantial benefits to the local economy. It will also create a strong regional power company. We look forward to making progress with the Otago Power Board and shareholders," Mr Polson said.



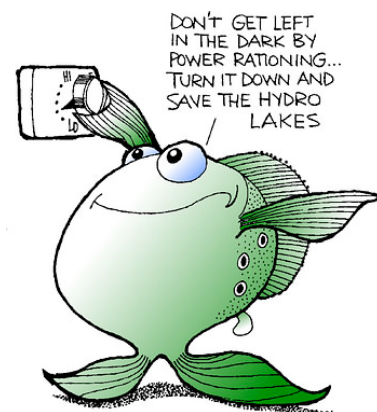
WE'RE RUNNING SHORT AGAIN, SO TAU'S BACK

1 August 2001

Dunedin Electricity has re-launched the successful *Tau the Trout* promotional campaign of 1992, to assist electricity consumers reduce demand as requested by Government.

On 26 July Minister of Energy Pete Hodgson called for electricity consumers to reduce usage by 10% (and Government departments by 15%) in order to avoid a worsening electricity shortage. As last happened in 1992, lack of rainfall in the main hydro storage lakes is threatening electricity supply. Unless voluntary reductions are effective then power interruptions could follow.

In mid 1992 10% reductions were also called for, for the same reasons. While other electricity suppliers cut service to their customers to achieve this target, Dunedin Electricity did not! Dunedin Electricity's response was to pay its customers to reduce usage. Over June and July 1992 *Tau* and Dunedin Electricity's HYDRO SAVER campaign paid out \$3.1 million to 68% of Dunedin Electricity consumers, who had reduced



their usage below the previous year - exceeding the overall reduction target and equating to a payment of 11 cents per kilowatthour not used.

Additionally, those who reduced usage were entered into a draw for "a trip to somewhere warm". The lucky winner in 1992 chose to go to the UK to catch the tail-end of their summer weather.

The mascot of the Dunedin Electricity solution was Tauí the Trout. In various guises, Tauí helped focus attention on the key issue - New Zealand's dependence on renewable but inconsistent hydro electricity. The problem was not one of electricity technology or of market systems but one of inadequate rainfall. The situation is the same today!

Dunedin Electricity no longer sells electricity. However Dunedin Electricity still delivers the electricity and can help consumers on its network to reduce usage.

Tauí's back... and will be keeping Dunedin Electricity consumers informed about;

- how their efforts are contributing to the national goal and
- how they could be the lucky winner to "go somewhere warm".

Ray Polson Chairman

ENERGY CHARGES STEADY, LINE CHARGES EASE

22 June 2001

The Ministry of Economic Development has released its latest analysis of electricity charges for residential supply, based on prices at 15 May 2001. As in previous analysis, this work confirms that line charges remain below the levels prior to line and energy separation.

The data shows a slight easing in the national average line charge for residential consumers, and some closing of the gap in energy prices between incumbent retailers and independent retailers.

Incumbent retailers are able to charge higher prices because of the natural reluctance of consumers to switch suppliers, and their charges are 6% higher than prior to competition. Independent retailers are forced to offer lower prices to win business and their charges are, on average, 7% lower than 1998. In spite of the 13% difference in energy prices (amounting to approximately \$69 per annum) less than 15% of consumers have switched supplied since competition was introduced - perhaps 15% have saved 7%, while 85% are paying 6% more for energy since competition commenced.

SOLAR HOME WINNERS ANNOUNCED

15 April 2001

From the 1500 entries received for the SOLAR HOME project, TWO have been chosen to receive a free solar power installation - the Trevathan family of Queens Road Dunedin and the McDonald family of Ashworth Street Alexandra. Initially only one home was to be chosen, but the response was so enthusiastic that two homes were chosen so that more people could easily see one of them.

Installation will commence shortly and details will be posted on the SOLAR HOME page.

SUBMISSIONS ON THE BILL CLOSE

14 February 2001

Submissions on the Electricity Industry Restructuring Bill closed today, as announced by the Minister in December. A copy of Dunedin Electricity's submission is available for information.

SOLAR HOME PROJECT LAUNCHED

8 February 2001

Dunedin Electricity's Solar Home project was launched today, with the publication of the first entry forms for a competition to select the home to be fitted with a "photovoltaic" array to generate electricity from sunlight. The *Solar Home* project will demonstrate the value of solar energy in the Dunedin Electricity area. Over the next 3 years all installation, electricity production and financial details will be publicised, with real-time electricity production available together with a real-time video picture of sky conditions.

SIGNIFICANT CHANGES TO LINE CHARGES

1 February 2001

Subject to agreement with electricity retailers who use the network, Dunedin Electricity will change its line charges as follows, with effect from 1 May 2001:

1. The capacity-based charges used on the Dunedin network since 1992 will be amended by changing charges for delivery to residential installations to a "90%-energy-variable-on-average" basis.
2. Charges for new Central connections will be on a capacity basis, except for residential connections. All residential connections on the Central network will also move to a "90%-energy-variable-on-average" basis.
3. Payment terms on the Dunedin network will change from "in advance" to "in arrears".
4. Increase in charges for delivery to individual consumers will be capped at 10% per annum.

The move to a "90%-energy-variable-on-average" basis for residential supply is solely intended to anticipate this requirement in the Electricity Industry Restructuring Bill. It will result in a cross-subsidy from large residential users to small, including from large and struggling families to the holiday homes of the wealthy and to those who use other fuels. Introducing it on 1 May, when other price changes are occurring, avoids another price change after the Bill is passed.

The other changes rationalise charges between the Dunedin network and the recently-acquired Central network, while moving toward terms more commonly used by other networks.

The 10% cap on individual increases will ensure that the effect of savage increases in transmission charges by Transpower NZ Ltd at some grid-exit points is manageable in the short term for those consumers. Transmission charges from Transpower to Dunedin Electricity rise by 16% at Frankton and 95% at Clyde, with effect from 1 April.