



2003 NEWS ARCHIVE

ENERGY CHARGES "ROCKET AWAY" - NOW 34% ABOVE 1998

22 September 2003

Charges by electricity retailers for energy have "rocketed away", leaping by 8% since May - the largest quarterly increase since government monitoring commenced. The latest Ministry of Economic Development analysis of residential electricity prices reveals that while Line Charges remain stable (having fallen by 10% in real terms since 1998), energy charges by incumbent retailers leapt by 8% since May and are now 34% higher than in April 1998. At the same time, the gap in residential energy prices between incumbent and independent retailers has jumped, to 20% from the 15% evident previously.

AURORA'S LINE CHARGES DECREASE FROM 1 OCTOBER

27 August 2003

Aurora's line charges to electricity retailers, for supply to approximately 73,000 consumers in the Dunedin and Central Otago areas, will change with effect from 1 October. "Overall, this will result in a 2% reduction in revenue for Aurora", said Chairman Ray Polson today. "During the recent hydro shortage, peak loads on the network were lower than expected, resulting in savings in transmission expenses which has allowed the price reduction to occur."

However, he cautioned consumers not to expect to see reductions in their bills from retailers. "With significant energy price increases announced recently by most electricity retailers, consumers should not expect reduced bills to result from Aurora's price reduction. If they are unhappy about this they should take the matter up with their retailer" he said.

\$8 MILLION INVESTMENT IN WANAKA SUPPLY LIVENED

8 August 2003

Livening of the first circuit today marks the near-completion of Aurora's \$8 million investment in reliable supply to the Wanaka area.

The previous twin-33,000 Volt supply from the Transpower substation at Cromwell had reached the limit of its power capability, with the result that loss of one of the two circuits would result in lengthy power outages to the Wanaka area during winter. The \$8 million upgrade project involved re-constructing the two circuits to 66,000 Volts and replacing transformers at Cromwell, Queensbury and Wanaka.

Once the second circuit is livened (mid August), supply to the area will be secure for another 10 to 15 years, depending on future load growth.

Aurora prides itself on the excellent level of supply reliability it achieves. On average, supply is available 99.988% of the time, which is better than the New Zealand average and better than most Western economies.

DUNEDIN ELECTRICITY BECOMES AURORA

1 July 2003



Chairman Ray Polson announced today that Dunedin Electricity has been renamed Aurora Energy Ltd, in conjunction with restructuring of its former subsidiary company *DELTA* Utility Services Ltd.

"The name Dunedin Electricity has not represented the business well for some time but a name change was deferred until a suitable time" he said. "The decision to transfer subsidiary company *DELTA* away from Dunedin Electricity provided the opportunity". Dunedin Electricity has sold its interest in *DELTA* to DE's parent Dunedin City Holdings Ltd, recognising that *DELTA* has grown well beyond its origins and is now far from dependent on the services it provided to its former parent.

"The word *Aurora* is obviously relevant to the business Dunedin Electricity undertook - both DE and an aurora involve electricity and both are characteristics of the Deep South" he said with a smile. "The word *Energy* signals our expectation that, with Government finally recognising the valuable role local power companies can play in renewable generation, Aurora will become more involved in energy in the future.

LINE CHARGES STABLE, ENERGY CHARGES UP AGAIN

30 June 2003

It's an old story, but we don't tire of telling it. The latest Ministry of Economic Development analysis of residential electricity prices reveals that Line Charges remain stable (having fallen by 10% in real terms since 1998) while energy charges continue to increase. The gap in residential energy prices between incumbent and independent retailers has eased slightly, from the 16% evident previously, to 15%.

ENERGY SHORTAGE ALMOST OVER

19 June 2003

Ten weeks after it commenced, the 2003 energy shortage has been declared effectively over, but not without "taking prisoners".

With hydro storage having recovered to 87% of normal, and some improvement in forecast rainfall for the remainder of the winter, Winter Power Taskforce co-ordinator Patrick Strange has announced termination of the **Target 10%** advertising campaign which was a key part of avoiding power rationing. However he has cautioned consumers to continue with conservation measures for a few more weeks in case the situation deteriorates.

While the shortage might be over, it has left its mark. The stresses it caused contributed to retailers Trustpower "retrenching" in the Wellington and Christchurch markets and Freshstart departing the Wellington market. It is also believed to have contributed to failure of the industry to self-regulate, by applying such pressure to Government that consumer groups decided that they prefer political solutions over market solutions.

GENESIS GOBBLES FRESHSTART

27 May 2003

Government-owned Genesis again emerges as the winner as another retailer exits the market under financial stress from the hydro shortage. Like Empower, Todd Energy-owned Freshstart emerged when the sector was deregulated, and has "disappeared" due to purchase cost exposure in a hydro shortage. Genesis also similarly benefited from the 2001 hydro shortage, when it acquired the North Island customers of NGC-owned On Energy (sic) which was forced to exit the market.

RETAILER EMPOWER REDUCED TO A BRAND

21 May 2003

Contact Energy has announced the full absorption of former independent retailer Empower, but that the brand will be retained. Empower was one of several new-start retailers that emerged when the sector was deregulated and became known for novel marketing - bonus payments, competitions, etc. Acquired by Contact Energy in 2000, it now follows the fate of another independent retailer United Electricity. All 30 staff will be made redundant.

INDUSTRY FAILS TO SELF-REGULATE

16 May 2003

Two years after Government first challenged the electricity industry to either self-regulate or face Government intervention, the industry has failed to agree the terms for self-regulation and has effectively asked Government to intervene.

ENERGY SHORTAGE DEEPENS

29 April 2003

Three weeks after calling for voluntary reduction in power usage of 5%, yesterday the Winter Power Taskforce increased its targeted level of electricity savings to 10 per cent, following continued low inflows to hydro lakes.

Taskforce co-ordinator Patrick Strange said inflows to hydro lakes had remained at very low levels throughout April, contributing to a further decline in hydro storage levels. Accordingly, a 10 per cent savings target would now apply until significant rainfall eased pressure on hydro lake levels. Latest statistics on electricity supply include:

- Year to date national inflows to hydro lakes were only 70% of average, indicating a one-in-20 dry year.
- National hydro storage levels had decreased to 61 per cent of average for this time of year.

Full details are available on the Winter Power Taskforce website.

ENERGY SHORTAGE LOOMS

9 April 2003

For the second time in three years New Zealand faces another potential energy shortage and, again, the immediate cause is lack of rain.

"Based on the latest information, the risk-meter is firmly in the amber zone, indicating a need to make precautionary electricity savings immediately" said Winter Power Taskforce director Dr. Patrick Strange today. "Individuals, businesses and government agencies need to reduce electricity demand by at least five per cent, he said.

Full details are available on the Winter Power Taskforce website.

ENERGY PRICE GAP WIDENS

19 March 2003

The latest Ministry of Economic Development analysis of residential electricity prices reveals that the gap in residential energy prices between incumbent and independent retailers has widened, to 16%. In fact the MED analysis does not directly disclose energy prices – all it takes a simple subtraction of line charge from total retail price.

Incumbent retailers are able to charge higher prices partly because of the natural reluctance of consumers to switch suppliers. But a margin of 16%??!

The analysis also shows that average line charges remain lower than four years ago in nominal terms. After adjusting for inflation, **line charges by electricity distributors such as Dunedin Electricity have fallen by almost 10%** over the period.

DE RECOMMENDS A FOCUS ON EFFICIENCY

28 February 2003

Dunedin Electricity's submission to the Commerce Commission recommends that the Commission should focus on efficient line business operation.

Submission to the Commerce Commission closed today in regard to its proposed regulation of line businesses. The Commission has proposed a combination of a price threshold, a quality threshold and a profit threshold, where breach of any of the thresholds would result in investigation, and potential price control, of the offending business.

DE's submission argues that the price and quality thresholds should be integrated into a single efficiency threshold which, if targeted annually, would remove the need for a profit threshold. The Commission intends to announce its decisions before 31 March.

ENERGY PRICES RISE AGAIN

6 January 2003

The latest Ministry of Economic Development analysis of residential electricity prices reveals* that for the fourth quarter, average energy prices have risen, and **for both incumbent and independent retailers**. The data shows energy prices rising to their highest level since April 1998. Incumbent retailers' energy charges;

- **are now 23% higher than prior to competition and**
- **are still 16% higher than their competitors.**

Incumbent retailers are able to charge higher prices partly because of the natural reluctance of consumers to switch suppliers. But a margin of 16%??!

The analysis also shows that average line charges remain lower than four years ago in nominal terms. After adjusting for inflation, **line charges have fallen by 9%** over the period.

** In fact the MED analysis does not directly disclose energy prices - it takes a simple subtraction of line charge from total retail price. Why doesn't the MED show energy prices explicitly? Perhaps because Government owns most generation and retail activity and isn't proud of their price increases?*