



2004 NEWS ARCHIVE

LINE CHARGES STABLE BUT NO END IN SIGHT FOR ELECTRICITY PRICE RISES

6 August 2004

The latest Ministry of Economic Development analysis of residential electricity prices reveals that, while line charges by distributors like AURORA are 4% below 1998 levels after adjusting for inflation, average energy prices have leapt again. The data shows energy prices rising to their highest level since April 1998. Incumbent retailers' energy charges;

- **are now 50% higher than prior to competition**
- **are 15% higher than their competitors.**

Incumbent retailers are able to charge higher prices partly because of the reluctance of consumers to switch suppliers. However, this does not explain the 15% margin between them.

NETWORK WAITAKI CONSUMERS VOTE FOR 'NO CHANGE'

28 June 2004

Aurora Energy chairman Ray Polson conceded today that the offer to purchase Network Waitaki "now appeared likely to be rejected".

Network Waitaki announced the results of the Consumer Trust election today. In the run-up to the election most candidates had stated publicly that they were opposed to considering Aurora's offer, after Network Waitaki Directors mounted an intensive advertising and lobbying campaign against it.

"With both the Directors and now the known Trustees having declared their opposition, it seems unlikely that Aurora will be given the opportunity to increase the price, as we had requested" he said.

AURORA RESPONDS TO NETWORK WAITAKI'S BROAD ADVERTISING CAMPAIGN

8 June 2004

Aurora responded today to the broad advertising campaign mounted by the Network Waitaki Ltd directors against Aurora's offer to buy the business.

- On 10 May Aurora offered \$57 million for the assets and business of neighbouring electricity distributor Network Waitaki Ltd.
- On 25 May the directors of Network Waitaki "rejected" the offer, and announced that they would "provide the public with factual information", and that they "will not be seeking to influence the Waitaki Power Trust elections and will act independently of the trust on this matter".
- On 29 May the directors of Network Waitaki commenced a broad advertising and promotion campaign leading up to the commencement of voting for the Trust today. The campaign has so far featured;
 - 4 large newspaper advertisements commenting on Aurora's performance viz-a viz Network Waitaki,
 - direct mailing of letters and brochures to every Network Waitaki consumer, also commenting on Aurora's performance viz-a viz Network Waitaki,
 - public meetings, where derision by the company of Aurora's offer is a significant theme,
 - an issue of bumper stickers (which were recently used effectively in the Waitaki area against Project Aqua).

Today Aurora responded with its own advertisement, to give some balance to the issue. The text of the advertisement follows:

An open letter to all NETWORK WAITAKI electricity consumers

Aurora believes your investment is worth at least \$5,000. You deserve the facts.

Dear Consumer,

Aurora Energy has offered to buy the Network Waitaki business for \$57 million. You are an owner of Network Waitaki Ltd, and on average you have at least \$5,000 invested in the business. A former director of the company has estimated that your investment is as high as \$7,000.

For that sort of investment you should be receiving at least \$350 a year from Network Waitaki. Are you? Is your investment a good one?

In response to Aurora's offer, Network Waitaki's directors have come out swinging at Aurora in an extensive advertising campaign. Why?

The directors of Network Waitaki have said that your return includes the lowest line charges in the South Island. That is incorrect. Consumers of Network Tasman in Marlborough have that privilege. In fact, **after adjustments for different funding costs and investment returns, Network Waitaki line charges are among the highest in New Zealand***.

The directors of Network Waitaki have said your line charges will increase if the company is bought by Aurora. **No, they won't!** Line charges are controlled by the Commerce Commission.

Network Waitaki has said that it places great importance on quality of supply. In fact, its **average interruptions of electricity supply have increased by 13% each year** (compound) since 1999*.

It has also implied Aurora will threaten local jobs. Untrue. **Local assets will be looked after by local people.**

You deserve the facts so you can make an informed decision. Vote for trustees of the Waitaki Power Trust who will ensure that all necessary information is obtained before any decisions are made. That is all Aurora asks.

You have every right to the facts. It's your investment.

Ray Polson, Chairman, Aurora Energy Ltd

** Information from Company Disclosures under the Information Disclosure Regulations, Commerce Commission*

BACKGROUND

- On 10 May Aurora Energy made an offer to purchase the Network Waitaki business for \$57 million.
- As an electricity consumer in the Waitaki region, you are an owner of Network Waitaki and the \$57 million should be distributed to you and other consumers. Some estimates put this value at well over an average of \$5,000.
- Should the business be sold? That is entirely your decision.
- Aurora is 100% Otago and community owned.
- Aurora owns and manages the electricity network that supplies over 73,000 homes, farms and businesses in Central Otago and Dunedin.
- Aurora uses local electrical engineers and linesmen to service and develop local networks.
- Aurora invests heavily in upgrading our electricity networks. Since 1999 Aurora has spent tens of millions in Central Otago, including \$8.5 million to protect the reliability of the Wanaka supply and \$2.5 million on underground cabling to Queenstown. **Quality of supply in Central Otago has improved 14% each year** (compound) over this time.

AURORA RESPONDS TO CRITICS OF NETWORK WAITAKI OFFER

18 May 2004

Aurora Energy is confident local people will vote for trustees with solid business sense, who will give fair consideration to the benefits of selling Network Waitaki.

Responding to reported comments by former Network Waitaki chairman Ted Ruddenklau, Mr Polson agreed that consumers needed to vote wisely when electing trustees. "We want a chance to present our offer and its benefits to the community and for the community to have the opportunity to make an informed decision" said Aurora chairman Ray Polson today.

Mr Polson agreed with Mr Ruddenklau's reported comments and added that it was "important that time was taken to consider all the pros and cons, so consumers didn't miss out because of a hurried decision."

Responding to reported comments by trustee Dr Brookes, Mr Polson said that "it will be up to the electricity consumers as beneficiaries of the Waitaki Power Trust to decide what happens to the money from any sale. In other cases similar to this, that money has usually been paid out to the electricity consumers in the area."

AURORA OFFERS TO BUY NETWORK WAITAKI

10 May 2004

Aurora Energy today made a conditional offer of \$57 million for the electricity distribution business and assets of Network Waitaki Ltd. This equates to an average of approximately \$5000 per consumer. Aurora chairman Ray Polson said the offer price was likely to increase if the Network Waitaki Board allowed Aurora to carry out due diligence investigation, so that the value of the assets could be more accurately assessed.

"Today we have asked the Board of Network Waitaki to consider our offer and the immediate benefits that acceptance will bring to consumers."

Mr Polson said that, unlike previous sales of distribution assets in New Zealand, consumers now had the protection of the Commerce Commission controls on both line charges and the quality of service provided.

"Our offer creates the opportunity to release more than \$57 million to Waitaki region electricity consumers, which will provide substantial benefits to the local economy at a time when funds are required for various infrastructural upgrades, including irrigation. Alternatively, the consumers might vote for the Trust to become a community trust, retaining some of the money and operating as a funder of local projects. We look forward to a positive and constructive response."

DRAFT 2004-2014 ASSET MANAGEMENT PLAN RELEASED FOR CONSULTATION

30 April 2004

The draft of Aurora's 2004-2014 Asset Management Plan has been released today for consultation with electricity consumers and their representatives. The final plan will be adopted and published by 30 June 2004.

An annual asset management plan has been required to be published since 2000, when Regulations were introduced to mandate it. In 2004 the obligation has moved from a matter regulated by the Minister to a matter regulated by the Commerce Commission.

Aurora Energy has publicly consulted over its Asset Management Plan since 2002.

AURORA FULLY COMPLIES WITH COMMERCE COMMISSION REQUIREMENTS

6 April 2004

Aurora's *Compliance Statement at the First Assessment Date* has been published today and demonstrates Aurora's full compliance with the Commerce Commission's price regulations.

The Commerce Commission regulates electricity distribution, and has required distributors like Aurora to demonstrate that the effective price charged did not increase between 8 August 2001 and 6 September 2003. The complex compliance statement, with its many detailed appendices, demonstrates Aurora's full compliance.

"Heavy handed" regulation of electricity distribution by the Commerce Commission commenced in 2003, after Government accepted claims by generator/retailers and consumer representatives that this was essential. The fact that all available evidence indicated far more serious problems elsewhere in the sector fell on deaf ears. The result is that much higher costs will now fall on electricity consumers to cover the cost of the increased regulation.

LINE CHARGES REMAIN BELOW 1998 LEVEL, WHILE ENERGY RISES AGAIN

15 March 2004

The latest Ministry of Economic Development analysis of residential electricity prices reveals* that average energy prices have risen again, while line charges remain below 1998 levels. The data shows energy prices rising to their highest level since April 1998. Incumbent retailers' energy charges;

- are now 41% higher than prior to competition
- are 17% higher than their competitors.

Incumbent retailers are able to charge higher prices partly because of the natural reluctance of consumers to switch suppliers.

The analysis also shows that average line charges are 2% lower than almost six years ago in nominal terms. After adjusting for inflation, **line charges have fallen by more than 10%** over the period.

ENERGY PRICES RISE AGAIN

12 January 2004

The latest Ministry of Economic Development analysis of residential electricity prices reveals* that average energy prices have risen again. The data shows energy prices rising to their highest level since April 1998. Incumbent retailers' energy charges;

- are now 40% higher than prior to competition
- are 14% higher than their competitors.

Incumbent retailers are able to charge higher prices partly because of the natural reluctance of consumers to switch suppliers.

The analysis also shows that average line charges are 2% lower than almost six years ago in nominal terms. After adjusting for inflation, **line charges have fallen by more than 10%** 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?*