

## Introduction

This Statement of Corporate Intent (SCI) has been prepared in accordance with Section 39 of the Energy Companies Act. It records the intentions and objectives agreed between the Directors and the Auckland Energy Consumer Trust for VECTOR Limited for the financial year ending 31 March 2002.

## Statement of Purpose

VECTOR is a network management business, committed to providing a reliable and efficient service to its customers.

## Nature and Scope of Activities

VECTOR's principal business is the distribution of electricity over its network. VECTOR will pursue activities consistent with this business, and with the objective of providing efficient, reliable and secure services to its customers.

VECTOR will also seek profitable and complementary investment opportunities in electricity distribution and network management in Auckland and, where appropriate, nationally, to add to its ability to meet these objectives and to maximise the return to its shareholder.

## Core Values

VECTOR will follow these core values in everything that it does.

### *Customer Service*

- Being responsive to customers' needs, and
- Providing customers quality network services, with reliability that consistently exceeds their expectations;

### *Development*

- Committing to continuous improvement of network operating standards,
- Seeking technological innovation to optimise our performance,
- Being aware of future technological change,
- Using energy efficiency as an alternative to network investment, and
- Applying modern, effective management practices.

## *Shareholder Value*

- Ensuring investments enhance shareholder value, and are consistent with VECTOR's principal business, and
- Maximizing returns to shareholders, while minimizing prices to customers through efficient operating performance.

## *Human Resources*

- Recognising and rewarding outstanding performance by our employees,
- Fostering a spirit of employee loyalty to the Company and our community,
- Using honesty and integrity in all communication with employees, and
- Creating a safe working environment.

## *The Community*

- Operating to the spirit and letter of regulations for its network businesses, and
- Behaving as a respected member of the community.

## **Objectives of VECTOR**

### *Commercial*

The Directors will operate VECTOR as a successful business, maintaining earnings sufficient to support the growth of the company and maximise shareholder returns, and meeting customer needs.

They will ensure that VECTOR implements the strategies necessary for its long-term success as a network management business in New Zealand.

To maximise shareholder value, VECTOR will:

- Monitor and report key performance indicators,
- Optimise our operational costs, and access operational synergies with other network businesses,
- Use network automation and asset management to increase network utilisation whilst maintaining security and quality standards.
- Undertake new investments which, over their life:
  - (i) yield a risk-adjusted return at least equal to VECTOR's cost of capital for that investment, and
  - (ii) increase the commercial value of the business, and
- Actively manage risk, limiting the exposure of the company, customers and public within prudent levels.

### *Customer Service*

The Directors will ensure that VECTOR remains 'customer driven' by:

- Using systems and staff training to reinforce its customer service orientation,
- Providing open and equal access to its network, maximising customer choice,
- Giving customers quick, accurate and open information on supply issues, and
- Writing customer contracts in plain language.

### *Security of Supply*

The Directors believe that security of supply is of vital importance to VECTOR and our customers, and the company will:

- Maintain, upgrade and expand its networks as necessary to ensure a high reliability of supply to customers,
- Use the best balance of technology, redundancy, diversity and contingency planning to deliver security, and measure its security planning against international practice,
- Develop enhanced contracts for the supply of network function services, managing risk to, and maximising value for, VECTOR's customers,
- Monitor the security of the transmission systems supplying VECTOR's networks, and seek to ensure that they are maintained cost-effectively, and
- Understand alternative technologies and energy sources and encourage those, which are economically viable.

### *Pricing*

VECTOR will progressively develop line charges that:

- Ensure sustainability of the business,
- Promote energy efficiency, and
- Are in accord with regulatory guidelines and intent

In particular, we will introduce differentiated zones across our networks to allow pricing and service levels to reflect over time the requirements and characteristics of different customer groups, and the true cost of providing the services to them that they require.

### *Compliance*

The Directors will ensure comprehensive compliance programmes are in place to ensure VECTOR meets its obligations under all Acts of Parliament, and regulations there under, including the Health and Safety in Employment Act 1992, Resource Management Act 1991, Commerce Act 1986, Electricity Act 1992, and Electricity Industry Reform Act 1998.

## *Social and Community*

VECTOR will operate in a manner sensitive to the diversity of our social environment, and:

- Consult with the Auckland Energy Consumer Trust, local community groups and territorial authorities on issues that the Directors consider will significantly affect the communities in which we operate,
- Deliver network services to all members of the community safely,
- Minimise disruption to communities when working on our networks, and inform affected customers directly of planned outages when they are necessary,
- Be a socially responsible employer - our ability to recruit and retain well-qualified and committed staff is vital to our effectiveness, and
- Balance the requirements for financial profitability responsibly with our public service requirements of service and safety.

## *Environmental*

VECTOR will:

- Minimise the impact on the environment as much as practicable, and will comply with the spirit and letter of the Resource Management Act 1991,
- Seek to minimise inefficient electrical losses,
- Encourage customers to adopt energy efficiency practices, with consequential long-term benefits for the wider environment, and
- Promote discussions with our customers and the local authorities to seek ways to complete the 40 years Overhead Improvement Programme most effectively, and to accelerate it where this can be done economically.

## **Financial Structure and Policies**

VECTOR will seek to achieve an optimum capital structure, and to maintain a credit rating of A+ or better (Standard & Poors or equivalent).

The accounting policies adopted by VECTOR are in accordance with generally accepted accounting practice.

## Performance Objectives

### *Financial Performance*

Our immediate targets for the 2001/2002 Financial Year are:

- Ratio of Earnings Before Interest and Tax to Total Assets: 8.4 percent
- Ratio of Net Profit After Tax to Shareholders' Funds: 6.7 percent

### *Dividends*

VECTOR will distribute all funds surplus to the investment and operating requirements defined in this Statement of Corporate Intent. The dividend payout ratio will be a minimum of 60 per cent of net profit after tax, subject to the solvency requirements of the Companies Act 1993, the satisfaction of the capital structure condition above, and meeting the investment needs to maintain the integrity of the network and development of the company, including the funding of the 40 year Overhead Improvement Programme.

### *Operational Performance*

VECTOR will focus on network reliability, and strive to better the following targets, using the industry-standard measures.

The following are averages across our electricity network.

<i>SAIDI average minutes without supply per customer (excluding transmission interruptions)</i>	<i>47 minutes</i>
<i>SAIFI (average number of interruptions of supply per customer)</i>	<i>0.95</i>

### *Safety and Compliance Performance*

The Company's goal is to achieve a lost time injury free workplace, including VECTOR, contractors and subcontractor staff, through enhanced focus and training on safety.

We will have zero fines for non-compliance with the RMA or any other statutory act.

### *Regulatory Performance*

VECTOR will comply with all regulatory requirements, and take into account the interests of customers, shareholders and other stakeholders when doing so.

We will keep informed of, and be prepared to comply with, regulatory developments within the industry.

## Communications with Shareholder

### *Information*

Any information that would normally be supplied to a controlling private shareholder will be made available to the AECT.

An annual report will be published containing audited financial statements and disclosures, which are consistent with that of a listed company wherever possible.

### *Reporting*

The Chairman and Chief Executive Officer will provide regular briefings to the AECT on all material matters.

In addition, VECTOR will report twice per year to the AECT on its performance and achievements against this Statement of Corporate Intent.

A summary of the VECTOR business plan and forecasts of financial performance will be provided to the AECT prior to the commencement of the financial year to which they relate.

### *Sale or Purchase of Shares or Assets*

Subscriptions for shares in any company or interests in any other organisation, or the purchase of associated assets, will be subject to approval of the shareholder as defined in VECTOR's Constitution.

Similarly, any material sale of assets, or shares, or interests in any company, will also be subject to approval by the shareholder in accordance with the Constitution.

The Company will support the shareholder where it chooses to conduct public consultation prior to sale of any material elements of the core network.