

# TRANSPOWER NEW ZEALAND LIMITED



## About Transpower

Transpower is a state-owned enterprise with a Board of Directors. The shares are held on behalf of the Crown by the Minister of Finance and the Minister for State Owned Enterprises.

Transpower has two roles. The first is to plan, build, maintain and operate the National Grid – linking generators (like Meridian Energy, Genesis Energy) to distribution companies (like Powerco, Northpower) and major industrial users. The grid, which extends from Kaikohe in the North Island to Bluff in the South Island, transports electricity throughout New Zealand.

The second is the role of System Operator, in which Transpower manages the real-time operation of New Zealand's electricity system. The System Operator also operates the wholesale electricity market.

Transpower's key business activities are regulated by the Commerce Commission and the Electricity Authority. Over 90% of Transpower's revenue comes from regulated activities. The Commerce Commission sets the amount of revenue that Transpower can earn from transmission activities. The System Operator service is provided and funded under an agreement with the Electricity Authority.

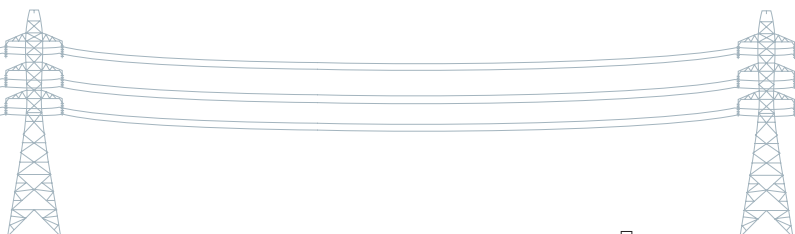
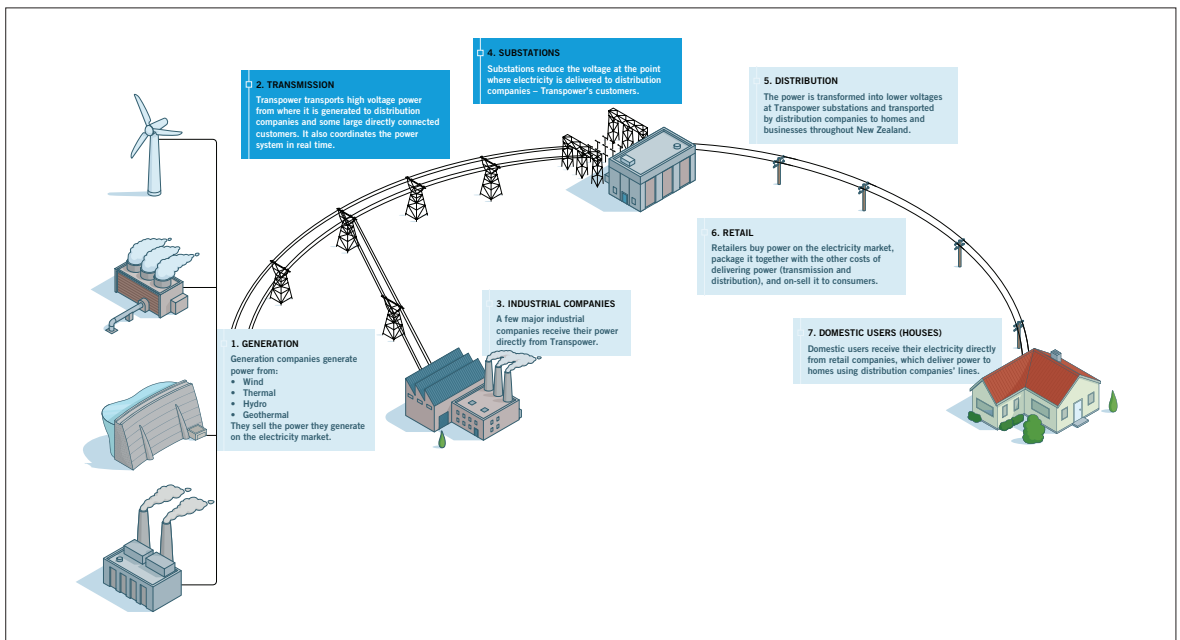
Transpower was named Energy Company of the Year at the 2013 Deloitte Energy Excellence Awards.

Towers, poles, lines, cables and substations stretch and connect the length and breadth of the country to represent the National Grid.

It includes:

- 11,743 route km of high voltage transmission line
- 60 route km of cable
- 40,674 supporting towers and poles
- 178 substations

## Transpower's role in the electricity industry



# STRENGTH IN THE FUTURE GRID

## Major Projects

### HVDC POLE 3 PROJECT 01

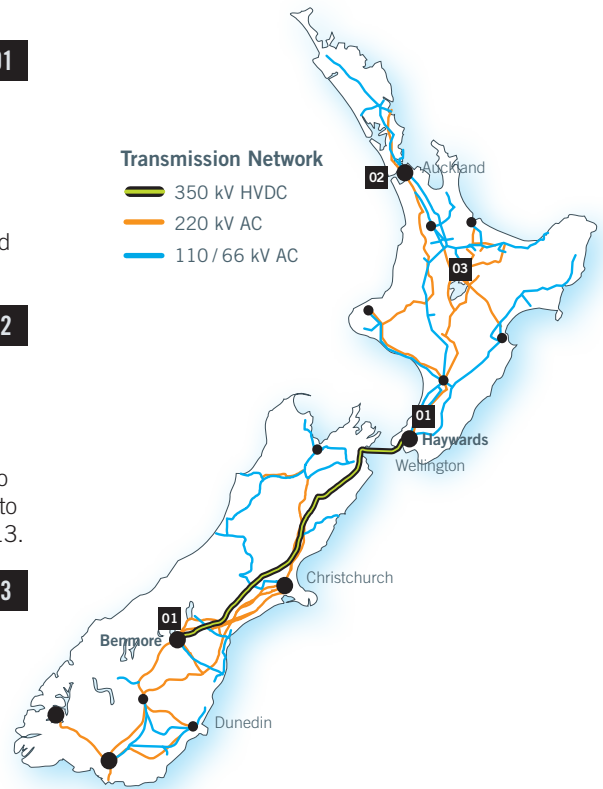
The high voltage direct current (HVDC) link joining the North and South Islands is a vital element of New Zealand's infrastructure, underpinning competition and facilitating an efficient market. Pole 3 was commissioned in May 2013 and joins the existing Pole 2 to provide 1000 MW transfer capacity between the North and South Islands. The final stages of this project will be completed by the end of 2013. This will boost the HVDC link capacity to 1200 MW.

### NORTH AUCKLAND AND NORTHLAND GRID UPGRADE 02

The North Auckland and Northland (NAaN) grid upgrade project reinforces transmission across Auckland and into Northland. It involves building 37 km of 220 kV underground cable between the existing Pakuranga, Penrose, and Albany substations. Auckland's population is growing rapidly and the increased capacity will help to meet these needs, while ensuring a more secure electricity supply to the Northland Region. The project is due for completion in late 2013.

### WAIRAKEI TO WHAKAMARU REPLACEMENT LINE PROJECT 03

Construction has begun on a new double-circuit 220 kV line between Wairakei and Whakamaru. This will replace an existing single circuit line and ensure that despatch of the new geothermal generation being developed in the region is not constrained by the grid. The new line will help facilitate around 1000 MW of generation planned or underway in the region and is due to be commissioned in the first quarter of 2014.



## Maintaining the National Grid

As Transpower nears the end of its major capital investment programme, the company's focus turns to working smarter to get more out of the existing grid, and increasing productivity and efficiencies. This involves using technology to maximise existing assets in order to defer spending. Initiatives will aim to shorten response times to outages, detect issues before they become serious and streamline processes. This includes the development of comprehensive databases to identify the optimum time at which towers and transformers should be checked, to ensure that they continue to keep New Zealand's lights on in the most cost-effective way.

Transpower has implemented Maximo; a new asset management information system. Maximo enables Transpower staff and service providers to make informed decisions by giving them access to the most accurate, comprehensive and up-to-date asset information available.

Transpower has 46 customers who connect directly to the National Grid:

- 7 generation customers
- 28 lines customers
- 11 large industrial customers

**“Technology will be a key enabler for getting the most out of the grid thereby deferring the need to build new lines.”**





## Transmission Tomorrow

Long-term, Transpower's vision for the future of the National Grid – Transmission Tomorrow – outlines how the grid will be developed and operated over the next 20 to 30 years and beyond.

In thinking about New Zealand's future electricity needs, Transpower sees:

- an economy becoming ever more reliant on electricity, with increasing expectations of a reliable supply
- changing transmission technology to enable Transpower to utilise its existing assets
- better technology enabling far more interaction with and by consumers
- increasing amounts of remote and intermittent (e.g. wind) generation being built.

**Transpower will deliver the grid needed over the next twenty years and beyond by:**

- lifting the performance of New Zealand's grid and transmission assets
- improving the efficiency of the New Zealand electricity system and the utilisation of the grid
- improving the resilience and reliability of the grid.

This will enable Transpower to respond to unexpected changes in generation or consumer demand more quickly, to defer the need for some new lines and substations, and to create better options for when new build is required.

Transpower's new demand response programme is improving utilisation of existing transmission assets. This programme allows electricity consumers to be paid to temporarily reduce their electricity demand, enabling better management of situations where electricity demand would otherwise overload the grid and delaying the need for grid investment. Launched in June 2013, the response has been very positive with volumes registered in excess of Transpower's expectations.

## Customers and stakeholders

Transpower aims to conduct work with fairness and respect for all its stakeholders including its shareholders, customers, communities and landowners. Being open about plans and projects and consulting with affected communities and individuals, and understanding and listening to their concerns, is a key focus for the company.

## Community relations

Transpower recognises that the transmission network has an impact on the communities it operates in. In recognition of these impacts, programmes are in place to give something back to the communities that host Transpower assets.

Transpower's CommunityCare Fund assists communities affected by Transpower assets and projects by investing in community-based projects that add real value and benefit to the community. 46 community-based projects throughout New Zealand received funding totalling \$851,000 in 2013.

Transpower's community environmental programme, Greenline involves partnership projects with councils, such as the rehabilitation and planting of local streams and rivers and the establishment of walking paths along waterways. In the 2013 financial year, over 10,000 plants have been supplied by Transpower on Greenline projects and over half of these have been planted by Transpower staff volunteers.

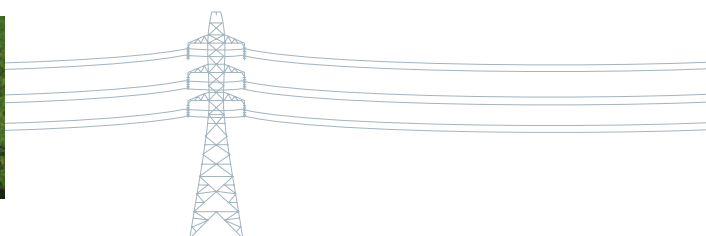
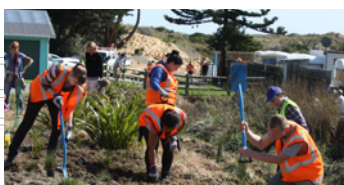
## Environment

Transpower has a public commitment to sustainability, carbon management and the environment. The company has a wide range of activities, from rigorous tracking of compliance with RMA authorisations and voluntary carbon footprint reporting and emissions management, through to engagement with staff and stakeholders to improve organisational sustainability.

Transpower is successfully reducing greenhouse gas emissions in its two main areas of focus. Provisional results for 2013 show that Transpower's focus on reducing air travel resulted in a 24% reduction in emissions associated with air travel compared with a target of a 10% reduction.

Transpower continues to look for ways to improve handling and management of sulphur hexafluoride gas because of the high global warming potential of this insulating gas. In 2012 the company achieved its equal lowest emissions of sulphur hexafluoride gas relative to total holdings of 0.72%.

**“Transpower is committed to achieving an injury-free workplace for employees and service providers.”**



# FINANCIAL AND INVESTMENT HIGHLIGHTS

## Key financials

12 MONTHS TO 30 JUNE 2013

	2013	2012	2011	2010	2009
<b>TOTAL REVENUE<sup>1</sup> (\$M)</b>	<b>920</b>	785	731	730	694
<b>EARNINGS BEFORE NET CHANGES IN FAIR VALUES OF FINANCIAL INSTRUMENTS (\$M)</b>	<b>269</b>	167	126	142	136
<b>FUNDS FROM OPERATIONS INTEREST COVERAGE (TIMES)</b>	<b>2.9</b>	2.9	3.2	3.9	4.0
<b>TOTAL DEBT AT FACE VALUE<sup>2</sup> (\$M)</b>	<b>2,937</b>	2,319	1,746	1,413	1,190
<b>NON CURRENT ASSETS, INCLUDING HELD FOR SALE ASSETS (\$M)</b>	<b>4,822</b>	4,389	3,676	3,144	2,747
<b>TOTAL EQUITY (\$M)</b>	<b>1,410</b>	1,509	1,534	1,455	1,400
<b>RETURN ON EQUITY<sup>3</sup> (%)</b>	<b>12.1</b>	11.3	8	10	10
<b>TOTAL DEBT/TOTAL CAPITAL (%)</b>	<b>68</b>	61	53	49	46
<b>DIVIDENDS<sup>4</sup></b>	<b>295</b>	315	0	0	0

<sup>1</sup> Excludes interest revenue.

<sup>2</sup> After adjusting for related foreign exchange derivatives.

<sup>3</sup> Excludes discontinued activities.

<sup>4</sup> Includes the interim and final dividend related to that year as well as special dividends.

## Revenue and dividends

Transpower recovers the costs of its regulated transmission business from generators and line companies. By the time the power gets to homes and businesses though, transmission charges make up a small proportion of the end consumers electricity bill – on average around 8% currently.

Transpower suspended paying dividends from 2005 to 2011 in order to fund a large capital investment programme. This programme followed a period of low investment, and was required to ensure that New Zealanders have a reliable power supply now, and for future generations.

Transpower paid total dividends of \$315 million for the 2012 financial year and has declared total dividends of \$294.7 million for the 2013 financial year, including a special dividend of \$65.7 million.

## Governance

Transpower is governed by a Board of Directors. Mark Verbiest has held the position of Board Chairman since August 2010. The Board is responsible for Transpower's performance, and for guiding and monitoring the company on behalf of the shareholding Ministers. The Board is appointed by, and accountable, to the Crown.

Transpower submits a Statement of Corporate Intent (SCI) to its shareholding Ministers each year. The SCI sets out the Board's overall intentions and objectives for Transpower and its subsidiary companies for the following three years. Transpower's SCI for the three years beginning 1 July 2013, along with other results and reports, can be found on the Transpower website: [www.transpower.co.nz](http://www.transpower.co.nz).

Transpower's General Management Team is responsible for the day-to-day operation of the company. Dr Patrick Strange leads the team and has held the position of Chief Executive since November 2007.

## PUBLICLY LISTED DEBT

Transpower has two Bonds listed on the New Zealand Debt Exchange.

### NZDX CODE: TRP010

Maturity: 30 November 2018  
 Bonds on Issue: \$125,000,000  
 Coupon: 5.14%  
 Payment frequency: Semi-annually  
 Payment dates: 30 May, 30 Nov

### NZDX CODE: TRP020

Maturity: 6 September 2019  
 Bonds on Issue: \$200,000,000  
 Coupon: 4.65%  
 Payment frequency: Semi-annually  
 Payment dates: 6 Sep, 6 Mar  
 Transpower also has Swiss franc denominated Bonds listed on the Swiss exchange - SIX.

## REGISTRY INFORMATION

Link Market Services Limited  
 PO Box 91976 Auckland 1142  
 Ph: (+64 9) 375 5998  
 Web: [www.linkmarketservices.com](http://www.linkmarketservices.com)  
 E: [enquiries@linkmarketservices.com](mailto:enquiries@linkmarketservices.com)

## CREDIT RATING

Transpower has a strong financial position with a Standard & Poor's AA- rating and a Moody's A1 rating. These ratings reflect the company's Government ownership, the regulated nature of cash flows from transmission activities and the high entry costs that would face any potential competitor.

## SUBSIDIARY COMPANIES

Transpower NZ Ltd and its subsidiary companies are collectively called the Transpower Group. The subsidiary companies are as follows:

- Halfway Bush Finance Ltd
- TB and T Ltd
- Risk Reinsurance Ltd
- Transpower Finance Ltd

## CONTACT US FOR MORE INFORMATION

96 The Terrace  
 PO Box 1021  
 Wellington 6140

Ph: (+64 4) 495 7000  
 Web: [www.transpower.co.nz](http://www.transpower.co.nz)  
 Email: [communications@transpower.co.nz](mailto:communications@transpower.co.nz)

