

# Electra Group

## Statement of Corporate Intent

June 2023





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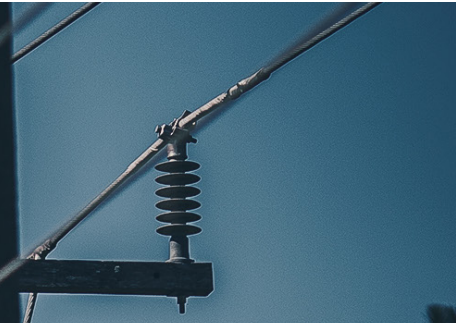
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# Introduction

## Electra's Shareholders

Electra's shareholders are six elected trustees of the Electra Trust who hold shares in the company on behalf of the consumer beneficiaries.

The Statement of Corporate Intent is delivered annually to the shareholders as required under the Energy Companies Act 1992.

This document is intended to outline the ways in which the expectations of the Trust, as set out in the received Letter of Expectation, will be met.

## Our Regions

Electra is the electricity network owner and operator in the Kāpiti and Horowhenua regions on the west coast of the lower North Island, New Zealand. Our consumers stretch from Foxton and Tokomaru in the north to Paekakariki in the south. We are one of 29 network companies in New Zealand, and the 9th largest network in terms of total connections.

## We Look After

We own and maintain 2,380 km of circuits, 10 substations and 21,609 poles, delivering electricity to 46,333 consumers on our network.

The completion of major infrastructure projects including the Transmission Gully Motorway and connecting Expressways through to Ōtaki are stimulating regional growth and creating economic opportunities throughout the Kāpiti and Horowhenua regions. Despite challenging economic conditions globally, both regions outperformed national averages in economic, employment and population growth metrics, with Kapiti also experiencing strong growth in key productivity and standard of living indicators in the year ended 31 December 2022\*

\* Infometrics Regional Economic Profile, 31 December 2022"

# Electra Group Strategy 2019 - 2024

1.

## Business Mission

The mission of Electra Group (“Electra”) is to enhance the Horowhenua / Kāpiti Coast community and its regional development through the provision of 21st Century infrastructure and new technologies.

2.

## Business Purpose

Empowering Your Future

3.

## Key Strategies

The Energy Companies Act 1992 sets out the principal objective of an energy company is to operate a successful business with regard to ensuring the efficient use of energy. Electra will continue to achieve this by implementation of the following strategic plan.

### Place customer at the center

- Better understand customers
- World-class communication
- Strengthen the Electra brand
- Support local energy efficiency initiatives
- Continue to build stakeholder partnerships
- Support regional growth

### Grow our businesses with a future focus

- Develop new products and services
- Attract industry customers
- Develop collaborative partnerships with other EDBs
- Look for business opportunities in connection with the Group's core network business
- Support Distributed Energy Resources / EVs

With the level of investment required in the core Network business to meet decarbonisation, the company will focus on investments driving the goal of significant network growth

### Invest for the future

- Drive cultural shift
- Single source of truth
- Knowledge focus
- Provide choice

### Attract & retain talent; Safety guides everything we do

- Reduce staff turn-over
- Leadership development
- Upskill staff
- Improve public safety
- Improve our people's safety

### Improve operational efficiency

- Cost and procurement controls
- Investment in modern technology
- Organisational Learning culture
- Strengthen business continuity
- Data analytics



## A. Excellence in Operation

Electra will improve operational efficiency by managing cost and procurement processes, implementing greater automation in the operation of the business, and improving network resilience.

The business will continue to invest in information systems to maintain modern platforms and build greater data analysis competencies. A further focus is to strengthen controls against cyber threats and data loss while maintaining business continuity systems.

Seismic strengthening is well underway on the network, while a completed climate impact study on key network assets will help to inform future network investment decision making, ensuring the network can withstand significant future weather and earthquake events.

## B. Focus on Customers

Electra is proud to have supplied electricity to homes and businesses throughout the Horowhenua and Kapiti regions since 1923. As an important long term regional asset, Electra is committed to continuing to meet the needs of customers now, and into the future, by building and maintaining a network capable of supporting strong expected regional growth.

Delivering products and services to meet changing needs, particularly as the country moves towards decarbonisation, and communicating timely and accurate information through the customer's choice of traditional and digital communication channels, are a key focus for Electra.

The company will also work with others in the sectors it operates in, to share learnings and demonstrate the value of collaboration. Building strong community ties with customers, organisations and businesses will identify and support regional growth opportunities.

## C. Prepare for Change

Electra is operating in rapidly changing sectors where technology advances are driving constant evolution of products and services. The business is innovating in electricity distribution services with new Industrial Internet of Things (IIoT) technologies. These new devices will enable greater measurement, monitoring and automation to reduce costs and improve performance.

Improved knowledge management systems and asset information will improve analysis and investment decisions. The electricity distribution business is developing new relationships, systems, and tariffs to provide customer choices to benefit from electric vehicles, distributed energy sources or shift load to reduce household cost.

Electra has adopted a Climate Resilience Framework and adapted its existing governance and risk practices to ensure climate opportunities and risks are systematically identified, quantified, and mitigated within Electra's existing framework of strategies, asset management plans and business plans.

The company has also conducted a baseline carbon footprint assessment which aligns Electra with COP26 and sustainability objectives.

## D. Develop our People and Keep Safe

Electra's network of poles and wires are nothing without the people who build and maintain them and continue to deliver outstanding service to the communities we serve.

That is why Electra has implemented and continues to deliver initiatives to attract and retain the required talent to achieve our efficiency and strategic goals.

The company promotes a high level of safety throughout the Electra Group by taking all practical steps to provide our employees, contractors and the public with safe working conditions and practices.

Electra is committed to maintaining a safety management system for public safety around the sites and assets owned by Electra. This commitment to adopting industry best practice in safety is why the company will retain its Telarc registration, which demonstrates it conforms to NZS 7901:2014 "Safety management systems for public safety".

## E. Develop the New

Electra's business requires a long-term focus. Many of the assets Electra builds will serve communities for 40-70 years, so the company must plan its activities both with the current and future needs of the region in mind, finding a balance between investing for today while leaving solid foundations in place for future growth.

Electra's Smart Network strategy recognises the increased demand for connecting Distributed Energy Resources (e.g. solar photovoltaic) and electric vehicles to the electricity network.

## 4.

# Business Values

Our Values reflect the behaviours and expectations our staff have for each other.

These Values are promoted through wall displays, document templates and included in the company intranet. These are further reinforced through staff performance reviews and recruitment processes.

### Safety

Safety guides everything we do. We will stop work if it is unsafe

### Respect

We all treat our customers and colleagues as they would want to be treated

### Professional

Our people have the knowledge, skills, and ethics to perform their roles at a consistently high standard

### Accountable

We account for and accept responsibility for our activities

### Integrity

We always do the right thing in all circumstances, no matter what the consequences will be





5.

## Trust Relationship

The Trustees of the Electra Trust hold 100% of the shares in Electra on behalf of Trust beneficiaries (consumers), who are residents of Kāpiti and Horowhenua and connected to Electra's electricity network for their power. In recognition of this relationship Electra will maintain effective liaison with the Trustees on all Electra's key strategies in line with the Trust's 2023 Letter of Expectation. The Board will meet with Trustees on a regular basis throughout the year to update Trustees on the performance of Electra and its subsidiaries.

### Definitions

Trust Beneficiary (Consumer) - an electricity end user connected to Electra's electricity network who is liable for the payment of the electricity conveyed to that connection.

Customer - a customer is a person or business who buys goods or services from Electra

Owners - The Trustees of the Electra Trust who hold 100% of the shares in Electra on behalf of the beneficiaries.



6.

## Corporate Governance

The Board recognises the need for the highest standards of corporate governance practice and ethical conduct by all officers and employees of Electra Limited and its subsidiaries.

The Board further recognises that risk management is a governance responsibility. The Group is required to have effective policies and processes for the identification, management and mitigation of all significant risks faced by the Group. This will ensure the Group's assets are safeguarded for its beneficiaries as a top priority.

The Board undertakes to ensure that all issues within the Group are dealt with in a manner which reinforces and enhances the reputation of the Group and those involved.

The Board will ensure that the Group is governed within the broader framework of corporate responsibility and regulatory oversight.





7.

## Scope of Activities

The core business of Electra is electricity line ownership and operation. Present activities include:

### **Network ownership**

Ownership of energy distribution networks and related assets.

### **Electricity line operation**

Management, maintenance and operation of electricity distribution networks and related services.

### **Investment**

Investment in business activities and projects that enhance the core Network business and are consistent with, or support the achievement of, Electra's business mission and strategy.

## 8.

# Key Network Policies

Electra will endeavour to maximise value for consumers and owners through cost reflective prices, quality services together with safe and efficient operations.

In addition to normal business operations, Electra will adopt the following key policies and strategies:

## Energy line services pricing

Electra will offer all its network retailers the same price for similar electricity volumes and services. Future prices will continue to be competitive. They will reflect the costs associated with line services, including the cost of capital. Network prices will be reviewed each year.

## Service and operational efficiency

Electra will continue to invest to improve safety, quality, effectiveness, and efficiency of network operations. The company will seek opportunities to partner with other line companies and organisations to assess technologies and minimise operating costs. This will enable it to benchmark performance and maximise information quality, ensuring value to consumers.

## Adapting to change

Electra will proactively monitor and respond to changes in technology and consumer behaviour. The company will ensure company strategies consider the impact of Distributed Energy Resources (DER), electrification of the transportation sector and new requirements of energy management systems. This will ensure that the electricity distribution business remains of relevance to the changing demands of electricity consumers.

## Market growth and quality of supply

Electra will continue to invest in network assets to meet market growth and to maintain the quality of supply in the Kāpiti Horowhenua area, subject to normal investment criteria. It will continue to promote energy efficiency initiatives. The company will, where necessary, develop and use pricing options and other practical solutions that result in the best use of network capacity.

## Environmental responsibility

The company will minimise the impact on the environment as much as practicable and contribute to the sustainable management of New Zealand's resources. Measures include the implementation of Electra's Climate Resilience Framework designed to achieve sustainability.

## Sustainability

Electra is committed to supporting the Government's emissions reduction targets under the Paris Agreement. The company will seek opportunities to decarbonise New Zealand by transitioning energy users in our regions from fossil fuels to electricity.



9.

## Government Regulation

### Electricity – Electra Network

Under the Commerce Amendment Act 2008 Part 4, trust owned companies which meet the criteria listed in the Act are exempt from the thresholds regime that imposes controls on electricity distribution companies' pricing and quality of supply. Electra will continue to meet the exemption criteria for the 2023/24 financial year. However, Electra is still subject to the Commerce Commission's Information Disclosure Requirements.

The Directors will advise the Trustees regarding significant regulatory changes and financial impacts on the company.

10.

# Group Structure

Electra will continue to reassess, develop, invest and divest within its structure of subsidiary and associated companies where this improves efficiency and effectiveness, provides gains in economies of scale, and maximises value for owners. Each business unit focuses on a clear role and market to ensure success. A key focus is to enhance regional investment with resulting benefits for consumers.

## Electra Limited

The parent company owns and maintains the electrical distribution network assets in Kapiti and Horowhenua. Electra Limited has the following subsidiaries and investments.

## Electra Services Limited – (Shareholding 100%)

This subsidiary is a company located in Levin, trading as Securely® and provides a range of services throughout New Zealand from call centre operations, after hours call services through to security and medical alarm sales and monitoring.

## Electra Finance Limited - (Shareholding 100%)

This subsidiary managed one residual loan from Oxford Finance Corporation Limited which has now been cleared. It is expected to close down in FY2024.

## Quail Ridge Country Club Limited – (Shareholding 100%)

This investment operates a retirement village.

## Kerikeri Falls Investments Limited – (Shareholding 100%)

This investment operates solely for the purposes of providing construction services to Quail Ridge Country Club Limited.





### **Horowhenua Developments Limited – (Shareholding 25%)**

This is an investment in a large - scale commercial property development company, based in Levin. It is a partnership between Electra and the Horowhenua New Zealand Trust, which was established by the Horowhenua District Council.

### **Electra Generation Limited – (Shareholding 100%)**

The Auckland-based assets of this business were sold in 2020 and the subsidiary continues to collect revenue relating to past periods. It is expected to close down in 2023 once this process is complete.

### **Horowhenua Wind Energy Limited – (Shareholding 100%)**

This company is a non-trading subsidiary, and its future will be kept under consideration.

### **Pulse Energy Alliance Limited Partnership - (Shareholding 4.02%)**

Minority shareholding in an energy retailing company. Held for sale.

### **Linax Limited - (Shareholding 6.8%)**

A small investment in a locally-based sustainable footwear company. Held for sale.

### **Related Party Transactions**

Electra Limited proposes to enter into transactions with related parties. The main related party transactions will be the provision of call centre services (includes alarm monitoring) provided by Electra Services Limited to Electra Limited and Quail Ridge Country Club. Other related party transactions will be the provision of construction services provided by Kerikeri Falls Investments Limited to Quail Ridge Country Club as well as the provision of management services by Electra Limited to both these subsidiaries.

11.

## Capital Structure

Authorised and issued capital of Electra Limited: 24.5 million ordinary shares recorded at \$18 million.

Total assets of the Group as at 31 March 2023: \$483 million.

12.

## Accounting Policies

The Company's financial statements are prepared in accordance with the legal requirements of the Companies Act 1993, the Financial Reporting Act 2013 and the Energy Companies Act 1992. The accounting policies utilised by Electra will comply with these Acts and must meet requirements of New Zealand equivalents to the International Financial Reporting Standards (NZ IFRS).

The detailed accounting policies applied in the preparation of the financial statements are consistent with the accounting policies disclosed in the company's Annual Report which can be viewed at: <https://www.electra.co.nz/our-company/disclosures/>

13.

## Financial Surpluses, Distribution Policy and Discounts

The 2023/24 financial year will see continued focus on investing in the strategy for Electra to become a Best-in-Class Electricity Network Business.

Under its present ownership structure, Electra will pay, by way of a dividend, an amount sufficient to cover the operating costs of the Electra Trust which owns the shares of Electra.

Electra's Pricing Methodology proposes that an annual Price Discount will be credited to the current customer at each metered supply point (ICP) at the discount date of 31 January. The discount will be a fixed amount plus a percentage of the ICP's total fixed and variable Line and Transmission prices for the previous twelve months. The discount payment is subject to maintaining and protecting the company's assets and assumes no major event such as an earthquake that would have a significant impact on cash flows and the ability to pay the discount.

## 14.

# Performance Targets

Four key value drivers have been identified linking Electra's strategy to the performance targets and measures that are critical to achieving this strategy. These drivers are Assets, Revenue, Profit and People (Health and Safety) and the key targets that track delivery of this value are set out below:

### 14.1 Asset targets

#### Capital Ratio

Electra aims to achieve in the medium term a ratio of consolidated shareholder funds to consolidated total assets that is greater than 55%. Consolidated Shareholders funds is the total group equity comprising; issued share capital, reserves and retained earnings.

Total Assets comprise current and non-current assets owned by the Electra Group of companies.

	2023 Actual	2024 Forecast	2025 Forecast	2026 Forecast
Consolidated Shareholders funds to Total Assets percentage	46%	46%	>55%	>55%

#### Network reliability

Electra will continue to set targets that reflect our commitment to perform considerably better than the minimum requirements of Electricity Distribution Information Disclosure Determination (2012) and better than the latest published industry averages of SAIDI 316.2min and SAIFI 3.00 interruptions (2022).

	2023 Actual	2024 Forecast	2025 Forecast	2026 Forecast
SAIDI	101.98*	83.00	83.00	83.00
SAIFI	1.35	1.66	1.66	1.66

\* Unplanned SAIDI was adversely impacted due to extreme wind and tornado events in May and June 2022 (49.99 min)

## Operating and Capital Expenditure

Electra continues to invest in our electricity network to maintain reliability, performance and safety, as well as to meet future needs and growth. It also invests in its people and business infrastructure. The annual update of the Asset Management Plan (2023) sets out the expected investment in our business as follows:

	2023 Actual (\$m)	2024 Forecast (\$m)	2025 Forecast (\$m)	2026 Forecast (\$m)
Operating expenditure	17.11	20.70	21.75	22.74
Capital expenditure	13.59	25.10	28.28	27.38
Total expenditure	30.70	45.80	50.03	50.12



## 14.2 Revenue and Profit targets

Our purpose is to operate a successful business that provides benefits and value to the consumers of today and tomorrow. Electra continues to invest in our electricity distribution network to maintain reliability, performance and safety of the network. Electra is also investing in preparation of greater electricity usage as New Zealand increasingly turns to electricity to support our decarbonisation goals.

	Actual 2023	Target 2024	Target 2025	Target 2026
Group Net Profit after Tax and Discount	\$5.3m	\$0.3m	\$2.4m	\$3.1m
Subsidiaries and investment Net Profit after Tax	\$0.7m	\$1.2m	\$0.8m	\$0.0m
Price Discount (excl. GST)	\$4.7m	\$5.2m	\$5.4m	\$5.5m
Average Price Discount (excl. GST) Per Customer Connection Point	\$102	\$112	\$113	\$114
Group Return on Equity (pre discount & tax)	5.8%	2.3%	3.7%	4.6%
Group Return on Equity (post-discount & tax)	3.0%	0.1%	1.0%	1.5%
Number of Customer Connection Points	46,333	47,000	47,500	48,000

## 14.3 Health and Safety

Electra is committed to promoting a culture of health, safety, and wellbeing where harm to our people and the public in the workplace, both physical and psychological, is unacceptable.

We strive to keep our people safe and well through effective risk controls, positive engagement, and continuous improvement. When harm occurs, we provide full support to rehabilitate them, and ensure lessons are learned and applied to prevent a recurrence.

We will continue to improve the quality of our proactive and preventive activity every year and maintain a focus on what is important.

The Group has a goal of zero harm, and a target of zero Lost Time Injuries (LTIs).

LTIs (2023): 2

**15.**

## **Information Reporting**

### **Half-year report**

A half-year report on Electra's operations including unaudited half-year group financial statements will be delivered to the Trustees within two months of the half-year end and made available to Trust beneficiaries within a further one-month period.

### **Annual report**

An annual report on the operations of Electra and its subsidiaries during the financial year, audited consolidated group financial statements, auditors report, and other relevant information will be delivered to the Trustees, as shareholders, within three months of the year end, and made available to Trust beneficiaries. A summary report will be distributed to Trust beneficiaries prior to Electra's annual meeting.

### **Major transactions**

Electra's Directors will consider any major transaction, as defined in Electra's constitution, and will consult with the Trustees, who will take such action as is required under the Trust Deed.

### **Statement of Corporate Intent**

The Statement will be reviewed each year and will be delivered to Trustees in draft not later than one month after the commencement of each financial year. Directors will consider any comments on the draft statement and will deliver a final Statement to Trustees and Trust beneficiaries within three months of the end of the previous financial year.

### **Meetings between Directors and Trustees**

Regular meetings between Directors and Trustees will take place to discuss company and industry issues. These meetings will take place at least four times a year.

From time to time the company may provide the shareholders with additional information which may be of interest.

**16.**

## **Group Investment Policy**

The company maintains an approved investment policy which sets return targets for the network and non-network businesses and contains financial risk management settings.

Any proposed acquisition, investment, or divestment by Electra must be consistent with the Group strategy, meet agreed financial criteria, and consider the questions of risk, return and control. A proposed acquisition or investment will be considered within the context of Electra's Group Investment Policy, constitution, and the Electra Trust Deed.





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