

Buller Electricity Limited



Karamea Bluff Smiths Corner

STATEMENT OF CORPORATE INTENT

For the Year Ending 31 March 2018



STATEMENT OF CORPORATE INTENT OF BULLER ELECTRICITY LIMITED For the Year Ending 31 March 2018

This statement is submitted by the Board of Directors of Buller Electricity Limited to the Trustee Shareholders as required by Section 39 of the Energy Companies Act 1992. It sets out the Board's overall intentions and objectives for the company to 31 March 2018 and the two succeeding financial years as required by the Act. It provides details on –

- Principal Objectives of BEL
- Nature and scope of commercial activities
- Capital structure
- Accounting policies
- Performance Targets and measures
- Distribution Policy
- Information to be reported to shareholders
- Acquisition procedures

1 Principal Objectives of Buller Electricity Limited

The continuing principal objective for the company is to operate a viable business in an environment of continuing change both in terms of changes to the energy industry being brought about by Government policy changes and by the greater use of new technologies. This requires focus on five key areas:

- Customers
- People
- Asset Management
- Commercial and Financial
- Supply Management

In addition, these areas span three sectors of business activity for the Buller Electricity Group over the planning period:

- Distribution Network – the core business;
- Providing Contract Services to both internal and external customers within our areas of expertise.
- Investment and Innovation – taking advantage of changes in legislation and technology.

To be successful Buller Electricity will need to meet the following broad objectives:

- Establishing efficiency in all areas;
- Generating profitable growth;
- Continuous improvement in the contracting business;
- Enhancing the value, scope and delivery of services to network customers;
- Successfully manage change and growth.

These objectives are considered as part of the annual strategic review and business planning process conducted by the Board and Management. They are key factors considered in shaping the long-term company direction. It is the role of Management to take actions and give direction in the daily operations of the company to ensure the business plan and strategic plan objectives are met.

Finally, Buller Electricity is accountable to stakeholders to take care of the environment, meet community needs and deliver acceptable financial results.

The environmental bottom line will look at the management impacts from operations, weigh environmental values with economic ones, and plan for a future which requires increasing focus on environmental activities.

The social bottom line includes the safety and well-being of people - employees, customers and the general public - and the health of the local Buller communities.

The Company also aims to contribute to community activities and individual development needs through an active sponsorship and donation program.

The economic bottom line means ensuring it is possible to stay in business in perpetuity, by being an efficient, productive, and profitable company, and by providing value to customers and the Buller Electric Power Trust.

The vision, mission and values of the company reflect these principal objectives;

Our Vision: *Build Buller's community through energy, service and technology.*

Our Mission: *To maximize sustainable value for Consumers by:*

- *ensuring a safe, reliable and efficient Network,*
 - *leveraging innovative technology and building partnerships to grow value, and*
 - *being the Contractor of choice for our Customers,*
- by*
- *developing our people and supporting our Community.*

Our Values:

- *Delivery on our Promise*
- *Pride in what we do*
- *People you can trust*
- *Teamwork*

2 Nature and Scope of Commercial Activities

Buller Electricity should assume that volatility continues in the electricity sector, but it must look to treat this volatility as an opportunity both within the Buller region and further afield.

For the benefit of consumers in the region and the owners of BEL, it is apparent that the prudent approach for the company in particular and Buller region in general, would be to remain focused on core business activities.

Buller Electricity's core sectors of commercial activity are:

- Network Solutions – providing the wires service necessary to meet consumer expectations regarding security of supply and reliability.
- Contract Services – providing the services needed by lines, retail, and generation entities to allow them to provide the services required by customers and providing general electrical contracting and arborist services within the Buller area.
- Investment and Innovation – facilitate solutions required by customers and seek opportunities to expand the business and improve profitability.

3 Capital Structure

Issued Capital

7,550,000 Ordinary Shares fully paid totaling \$7.55M.

The net value of the distribution system fixed assets at 31 March 2017, with all additions during the year at cost, was \$26.572 million.

Buller Electricity (BEL) is responsible for Network management, operations, maintenance and capital works.

Electro Services Limited (ESL) is a wholly owned subsidiary providing general electrical contracting services to Buller and the wider West Coast area.

BEL Investments NZ Ltd is a wholly owned subsidiary, where the company has also invested in the Pulse Energy Alliance LP.

Both ESL and BEL Investments NZ Ltd are consolidated with BEL for financial reporting purposes.

4 Accounting Policies

Buller Electricity Limited will prepare financial statements in accordance with the Companies Act 1993, the Financial Reporting Act 2013, International Financial Reporting Standards, the Energy Companies Act 1992 and the Electricity Distribution Information Disclosure Determination 2012.

5 Performance Targets and Measures

Buller Electricity Limited's intended performance targets for the 2017/2018, 2018/2019 and 2019/2020 financial years are attached as an Appendix.

6 Distribution Policy

The company will discuss annually with the shareholder appropriate consumer and shareholder distributions.

7 Information to be reported to Shareholders

The information to be reported to shareholders shall be in accordance with legislative requirements and key performance indicators reviewed and agreed on an annual basis.

8 Acquisition Procedures

Before undertaking any major transactions, the directors will follow the procedure detailed in the Companies Act 1993 and Constitution.

On behalf of the Board



F T Dooley
Chairman

APPENDIX 1 **BULLER ELECTRICITY GROUP** **SCI PERFORMANCE TARGETS**

1 **Financial Performance**

The following table sets out some key rate of return and capital structure ratios for Buller Electricity Group, which comprises Buller Electricity Ltd, Electro Services Ltd and BEL Investments NZ Ltd:

FORECAST (%)

Year Ending	Return on Shareholder Funds	Return on Total Assets	Equity Ratio
31/3/18	5.1%	5.0%	84.4%
31/3/19	7.0%	6.8%	86.7%
31/3/20	7.8%	7.7%	89.0%

Buller Electricity Group is forecasting achievement of these financial performance targets excluding any unforeseen changes that would make these targets inappropriate or unattainable.

The definitions we use for these financial performance targets are as follow;

Return on Shareholders' Funds

This ratio is a measure of overall profitability of the business and is calculated by dividing the current year's after tax earnings by the total equity.

Return on Total Assets

The ratio is an indicator of how effectively a company is using its assets to generate earnings before contractual obligations must be paid and is calculated by dividing the current year's earnings before interest and tax by the total assets.

Equity Ratio

The equity ratio is an investment leverage or solvency ratio that measures the amount of assets that are financed by owners' investments by comparing the total equity in the company to the total assets and is calculated by dividing the total equity by the total assets

2 Operational Performance

Buller Electricity Limited intends to achieve the following network performance targets notwithstanding any external events (including Transpower outages) beyond the control of Buller Electricity Limited (such as abnormal storms).

	Year Ending 31 March 2018 (Target)	Year Ending 31 March 2019 (Target)	Years Ending 31 March 2020 (Target)
SAIDI	310	310	310
SAIFI	1.9	1.9	1.9
CAIDI	163	163	163

SAIDI: System Average Interruption Duration Index – This is a measure of how many minutes of supply interrupted occur per year.

SAIFI: System Average Interruption Frequency Index – This is a measure of how many supply interruptions occur per year.

CAIDI: Consumer Average Interruption Duration Index – This is a measure of how long supply interruptions last for.

Note – BEL is not subject to Commerce Commission maximum thresholds for SAIDI, SAIFI, and CAIDI.

3 Safety Performance

Buller Electricity aims to achieve zero Lost Time Injuries (LTI's).

The Buller Electricity definition of an LTI is as follows;

BEL Safety Performance against Peers & Industry Definitions used :

Lost Time Injury/Disease (LTI): A work related injury or disease causing any employee to be absent from work for either one whole working day or shift.

1 A 'lost time injury' according to AS 1885.1-1990 is "an occurrence that results in a fatality, a permanent disability or time lost from work of one [whole] day/shift or more due to a work related injury or disease."

2 Using the definition of 'serious harm' under the Health and Safety in Employment Act 1992 (HSE Act), 'disease' covers work related "respiratory disease, neurological disease, cancer, dermatological disease, communicable disease, musculoskeletal disease, illness caused by exposure to infected material, decompression sickness or acute illness requiring treatment by a registered medical practitioner, from absorption, inhalation, or ingestion, of any substance".

3 An injury or disease shall be recorded as a lost time injury/disease when it results in:

- A fatality.
- The loss of one or more whole working days or shifts.
- A travel injury which occurs whilst any employee is on duty at a place of work, or travelling between multiple places of work and which results in the loss of one or more whole working days or shifts.
- An injury/disease which occurs to any employee at a place of work in the course of a working day or shift whilst not on duty (e.g. during a lunch break), yet the resultant lost time of one or more whole working days or shifts is compensable under the provisions of ACC legislation.
- An injury/disease which occurs as a result of a *separately identifiable incident* that causes an aggravation of a pre-existing injury/disease and which results in the loss of one or more whole working days or shifts.
- A permanent disability which involves the loss of one or more whole working days or shifts.

4 An injury sustained while travelling but not on duty, e.g. between home and a place of work; during a recess period; to technical college; or for medical treatment for a workplace injury/disease; is not recorded.

5 Data concerning *casual employees* is not to be reported