

OUR
PEOPLE
OUR
POWER



2022/23 // // // //

Statement Of Corporate Intent

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Purpose

"To enable long-term prosperity for Central Hawke's Bay through dynamic energy and infrastructure solutions."



Vision

"A collaborative partner that enables growth and delivers in the new energy economy."

Introduction

Centralines enables its community to prosper by distributing electricity to homes and businesses in Central Hawke's Bay. Instrumental to the region's social and economic wellbeing, Centralines' approach is to ensure one of the country's most sparsely populated regions has access to affordable and reliable electricity.

There is a natural expectation that Centralines continues to evolve to meet its stakeholders' changing needs, while at the same time embracing major changes in the strategic environment. This includes climate concerns, combined with advances in technology which look to change the way energy is produced, stored and used. The changes to the Trust Deed granted in 2021 and the subsequent election of all seven Trustees has resulted in the Commerce Commission recognising Centralines as a consumer owned Electricity Distribution Business. As a result, Centralines is exempt from price-quality regulation designed for larger Distributors and has greater flexibility that enables Centralines to be even more responsive to its stakeholders and the environment.

The energy value chain is in the early stages of a significant transformation – from a system that was 'centrally planned' to an 'internet of energy' – which sees consumers in control. Policy and regulation in response to these changes will shape the scope of our regulated business while opening opportunities for new services and business models.

By remaining close to its customers, Centralines will continue to build insights and understanding of their changing needs. At the same time, it is crucial that Centralines engages the diverse talents of its people and the wider community to harness new ideas.

Centralines continues to play an important role in supporting the social and economic development of the Central Hawke's Bay community by employing and developing a great team of people, and by investing in the infrastructure needed to support the region's growth. Centralines provides career opportunities to grow its diverse and inclusive team; while simultaneously ensuring – through training and development – that its people are equipped with the skills to face the challenges and opportunities that a new energy future will bring. Our new Depot scheduled to open in 2022 will support our people and enable our business to continue to effectively play this role for our Community as it grows.

We are developing a view of the future that defines where – and in what role(s) – Centralines is going to play. These include investing in the core network and transmission, enabling generation in the region, supporting regional economic infrastructure development, and providing customers with comprehensive energy solutions. Changes in what Centralines does and how it invests will form part of this journey, which is not without risk.

This future will ultimately see Centralines continue to provide a valued service for its customers.



**Centralines
continues to play
an important role
in supporting the
social and economic
development of the
Central Hawke's
Bay community
by employing and
developing a great
team of people...**





1 / TAHI

Background

This Statement of Corporate Intent (SCI) is submitted to the CHB Consumers Power Trust (the Shareholder) by the Board of Directors of Centralines Limited (the Company). It sets out the Board's overall intentions and objectives for the Company for the financial year ending 31 March 2023, and the two succeeding financial years.

The SCI is submitted in accordance with the provisions of Sections 39 and 40 of the Energy Companies Act 1992.

Centralines is a consumer owned company. Eight million shares have been issued and are owned by the CHB Consumers Power Trust, the beneficiaries of which are

the consumers connected to Centralines' network in Central Hawke's Bay (the Company's distribution assets as defined in the Trust Deed).

This statement represents the Directors' intent to ensure the Company will operate as a successful business.



2 // RUA

About Centralines

Centralines is one of 29 distribution companies in New Zealand. It distributes electricity to customers across the Central Hawke's Bay region. The Centralines' network has over \$65.0 million worth of assets, is 1,856km in length, and supplies around 8,900 connection points. Centralines is owned by the CHB Consumers Power Trust on behalf of power consumers in Central Hawke's Bay.

Centralines is responsible for distributing electricity from Transpower's national grid to electricity consumers. Electricity supply is provided to Centralines predominantly at 33kV from Transpower's grid exit points and is connected to Centralines' sub-transmission network to zone substations. At zone substations, the voltage is converted to 11kV for distribution. Distribution transformers throughout our network then reduce the voltage to 400V for consumer use.

The Centralines' network has over \$65.0 million worth of assets, is 1,856km in length, and supplies around 8,900 connection points.

1,856_{KM}
TOTAL LENGTH OF ASSETS

8.9_K
CONNECTION
POINTS

\$65.0
MILLION
WORTH OF ASSETS





THE ELECTRICITY MARKET



GENERATORS



TRANSMISSION



**CENTRALINES/
DISTRIBUTION**



CONSUMERS



RETAILERS

The Retailer is responsible
for billing consumers

Purpose, Vision, Values



Our Purpose:

"To enable long-term prosperity for Central Hawke's Bay through dynamic energy and infrastructure solutions."

Our Vision:

"A collaborative partner that enables growth and delivers in the new energy economy."

Our Values:

Centralines' staff and management team contribute their ideas and vision to create the positive energy that's behind the Company's processes, procedures and policies. We want our people to feel empowered and confident in their abilities to do their job well and go home safe to their families each day. Our 'acting out' of our company values has helped in the achievement of these goals.

Here's what's important to everyone who works at Centralines:



SAFETY

IS PART OF OUR LIVES

- We think before we act
- We have the right mindset and attitude
- We constantly review safety practice, and
- We look out for ourselves, each other and the community.

TEAMWORK

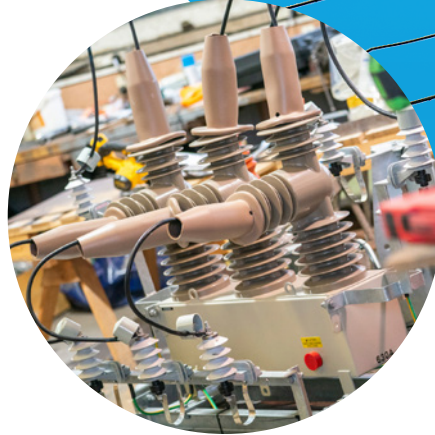
WE ARE ONE TEAM

- We share, listen and have trust in each other
- We show respect and support for all our team members, including contractors and the community
- We complement each other's strengths and shortcomings, and
- We regularly plan, review and celebrate together.

OPENNESS

WE ARE APPROACHABLE

- We actively communicate
- We receive feedback openly
- We confidently express our opinions and share our knowledge, and
- We keep each other and our community well informed.



PASSION

IN EVERYTHING WE DO

- We strive for constant improvement
- We are success driven
- We have pride and respect for our community and the work we do for our customers, and
- We believe in ourselves and our workmates.

INTEGRITY

TRUTH, HONESTY, RESPECT

- We take pride in all our work and ourselves
- We take full responsibility for our actions
- We are reliable and what we say, we do, and
- We communicate directly and solve issues openly.



Principal Objectives

The Company – through a focus on service and recognition of the value of skilled staff – will strive to achieve the following objectives:

Safety

Centralines' objective is to achieve an injury-free workplace by creating a culture where each person truly believes that "safety first" is a core value, and that working safely is part of all employees' everyday activities.

Financial performance

Centralines shall deliver sustained financial performance through sound investment policy, efficient and cost-effective services, and strategic growth.

People

Centralines is committed to building an organisation that people want to be a part of. We aim to develop a performance driven culture that is guided by company values. The business must ensure that it has the appropriate number of skilled and engaged employees to deliver operational success.

Network performance

Centralines aims to sustain and improve the level of network performance to our customers while reducing the impact of electricity outages through improving emergency response and enhancing network security and safety.

Works delivery

Centralines shall deliver its Asset Management Plan commitments to ensure the continued operation of the network meets stakeholder requirements.

Growth

Centralines is committed to exploring growth opportunities in energy and infrastructure that creates value for our customers and supports Central Hawke's Bay's economic development. Opportunities will be evaluated against Centralines' investment policy which includes ensuring risk-return profiles appropriate to the type of investment. Protecting and building shareholder value is central to our approach.

Customer service

Centralines aims to not only meet, but exceed customer expectations through the provision of an economic electricity network service to consumers, priced at sustainable levels and characterised by delivery that is on time and on budget. A customer driven approach is coupled with strong network performance to deliver high levels of customer satisfaction.

Community

Centralines aims to be a good corporate citizen by engaging with our customers and community to understand their needs and expectations, and responding appropriately.

Sustainability

We want to ensure the continuity of our business and the people, planet and prosperity it has an impact on. These are all precious resources that we want to help sustain and improve for all that use them, and for our future generations. We are first focusing on those things we can influence and control. We are doing this through investment in electric alternatives that are economic which reduces our fleet emissions that makes up the majority of our carbon footprint. We are also focussed on facilitating our customers' sustainable energy choices.

Compliance

Through a culture of compliance, Centralines will deliver against its legal, corporate governance and community obligations.

Risk

Centralines ensures the implications of uncertainty on the business are managed through evaluating all material, strategic, operational and financial decisions against the Board approved Risk Appetite Statement. In addition, all staff at Centralines are responsible for managing day-to-day risks through a structured risk management programme.

We want to ensure the continuity of our business and the people, planet and prosperity it has an impact on. These are all precious resources that we want to help sustain and improve for all that use them, and for our future generations.





Nature and scope of activities to be undertaken

Section 36 of the Energy Company's Act 1992 requires Centralines, as its principle objective, to operate as a successful business.

To achieve this, the Company is structured to provide the following services:

Network services

This includes the maintenance and operation of the network assets to allow retailers to supply electricity from the national power grid to an end customer's premises. The Company welcomes and encourages competition across its network subject to certain credit criteria for retailers.

Electrical contracting

This focusses on meter installation and replacement for retailers and meter equipment providers while also undertaking of a wide range of contracting work for customers within the Centralines' area. Opportunities to contract for other electricity distribution companies are also attractive but due to sustained increase in workload from customer connection growth, we are not pursuing this at the time being.

Our approach

The Company will undertake these activities in a manner consistent with:

- the safe and effective utilisation of the Company's physical assets and human resources
- the prudent management of the Company's business risks, and
- in accordance with regulatory requirements.

All activities will be carried out with the objectives of protecting and growing shareholder value. In support of the principle objectives, the Company will:

- Ensure a positive health and safety culture which encourages compliance with the Health and Safety at Work Act 2015.
- Understand and meet our customers' existing needs in terms of network reliability and security of supply, and meet our customers' future needs in terms of fit for purpose solutions which are also cost effective and timely.

- Explore growth opportunities in energy and infrastructure that benefits Central Hawke's Bay consistent with the company's investment policy including;
 - significant network investments to facilitate large customer connections
 - generation assets or transmission augmentation assets with a preference that these be regionally based
 - regional infrastructure that can support economic growth within Central Hawke's Bay, or
 - energy/efficiency related assets, for example Distributed Energy Resources (DER) or energy storage that have a direct nexus to Central Hawke's Bay electricity consumers.

6 // ONO

Performance targets and measures

The performance targets that we will use to measure our financial and service performance over the next three years (ending 31 March 2025).

	2020/2021 Actual	2021/2022 Actual	2022/2023	2023/2024	2024/2025
SAFETY MEASURES					
Number of Lost Time Injuries	1	1	0	0	0
Total Financial Return Measures					
(a) Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) (excluding discounts)	\$8.79M	\$7.06M	\$9.45M	\$11.04M	\$12.18M
(b) Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) (excluding discounts) as a percentage of Average Assets Employed	11.62%	8.95%	10.79%	11.55%	12.23%
(c) Net Profit after tax (adjusted for discounts) as a percentage of Average Shareholders' Funds	7.91%	5.72%	5.02%	6.27%	6.85%
(d) Network Operational Costs - per ICP (Excluding Transmission Costs and Depreciation)	\$565	\$608	\$554	\$565	\$515
(e) Network Operational Costs - per kilometre of line (Excluding Transmission Costs and Depreciation)	\$2,591	\$2,835	\$2,609	\$2,677	\$2,450
(f) Total Planned Electricity Network Capital Expenditure	\$3.81M	\$3.60M	\$9.06M	\$7.42M	\$5.0M
(g) Dividend (These figures include \$100,000 for the CHB Consumers Power Trust to cover the operating cost of the Trust)	\$3.76M	\$0	\$0.2M	\$0.2M	\$0.2M
(H) DISCOUNT - PAID IN THAT YEAR	\$1.57M	\$2.23M	\$1.26M	\$1.39M	\$1.38M
Reliability Measures					
Unplanned System Average Interruption Duration Index SAIDI represents the average number of unplanned minutes the customer was without power in any one year	38.46	67.39	<62.83	<62.83	<62.83
Unplanned System Average Interruption Frequency Index SAIFI is the average number of unplanned supply interruptions that a customer experiences in the period including maintenance but excluding transmission (Transpower)	1.49	1.61	<3.1616	<3.1616	<3.1616
Number of major faults (33kV) which result in interruptions to supply, per 100 km of line per year (as per the Electricity Distribution Information Disclosures Determination 2012)	1	2	2	2	2

Commitment to our shareholder

7.1 Ratio of consolidated shareholders' funds to total assets'

The ratio of consolidated shareholders' funds to total assets will be maintained for each year at not less than 60 percent.

"Consolidated shareholders' funds" means the total contributed capital, reserves and retained earnings at the end of the previous financial year.

"Total assets" means all the recorded tangible assets of the Company as shown in the Statement of Financial Position.

7.2 Accounting policies

Centralines' accounting policies will comply with the legal requirements of the Companies Act 1993 and the Financial Reporting Act 2013, and are consistent with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). The Company's financial statements will comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable financial reporting standards, as appropriate for profit oriented entities. They will also comply with International Financial Reporting Standards ("IFRS") and IFRIC interpretations. For the purposes of complying with NZ GAAP, the Company is eligible to apply Tier 2 For-profit Accounting Standards (New Zealand equivalents to International Financial Reporting Standards -

Reduced Disclosure Regime ('NZ IFRS RDR')) on the basis that it does not have public accountability and is not a large for-profit public sector entity. The Company has elected to report in accordance with NZ IFRS RDR and will apply disclosure concessions accordingly.

7.3 Information to be reported to shareholder

In addition to information required by legislation, the Company will provide sufficient information to the Trust – and where applicable to other shareholders – to enable the shareholder to assess the value and performance of the Company. This includes the following information.

- *Statement of Corporate Intent*

Before the commencement of the financial year the Directors will deliver a draft Statement of Corporate Intent in accordance with Section 39 of the Energy Companies Act 1992 to the Shareholder. The Directors will make any modifications required, as under Sections 40 and 41 of that Act, and then deliver the SCI to the Shareholder.

- *Interim report*

Within two months after the end of the first half of the financial year of the Company the Directors will deliver to the Shareholder an unaudited report of the Company's operations during that half year. This report will include such details as are necessary to permit an informed assessment of the Company's performance during the reporting period.

- *Annual report*

Within three months after the end of the financial year of the Company the Directors will deliver to the Shareholder in accordance with Section 44 of the Energy Companies Act 1992.

Operations: A report on the operations of the Company during the financial year.

Financial Statements: Audited consolidated financial statements for that financial year in respect of the Company, and

Auditor's Report: The Auditors report on:

- 5.2.1 those financial statements, and
- 5.2.2 performance targets and other measures by which performance has been judged in relation to the objectives.

Every report will contain such information as is necessary to enable an informed assessment of the operations of the Company and including a comparison of the performance of the Company and its subsidiaries with any relevant SCI.

The Chair will provide regular briefings to the Shareholder on all material matters and the Company will provide further information as the Shareholder may require in order to properly undertake its duties and to act as a diligent trustee shareholder.

7.4 Dividend policy

The Company will distribute to the shareholder following the payment of a posted discount, by way of a dividend each financial year, funds surplus to the investment and operating requirements of the Company as determined by Directors, subject always to:

- the solvency provision of the Companies Act 1993
- any banking or other funding covenants by which the Company is bound from time to time
- the forecast economic conditions in which the Company is expected to be operating, and
- the Company's efficient capital structure and future funding requirements.
- The target dividend pay-out for the period is set out in section 6.

In measuring the Company's performance against the target dividend pay-out, the parties acknowledge that Directors shall seek to maintain a consistent dividend from year to year. Any significant variations in profitability, which may be due to one-off gains or losses in individual years, will be taken into consideration in order to minimise the volatility in dividend pay-out between years

7.5 Extraordinary capital expenditure

Electricity network capital expenditure is commensurate with clause 6 and is not extraordinary by definition. The Company shall keep the Trust informed of other significant capital expenditure.

7.6 Projections

The financial forecast in the SCI for the period 1 April 2022 to 31 March 2025 have been prepared for the purposes of this document and may not be appropriate for other purposes. The actual results for any period are likely to vary from the information presented.

The Commerce Commission reset the regulated revenue allowance for Centralines for the five-year period beginning 2020/21. During 2021 the High Court approved the variations to the Trust Deed sought by the CHB Consumers Power Trust that exempts Centralines from price-quality regulation by the Commerce Commission. However, for the purpose of preparing the forecasts in this SCI Centralines is mindful of the expectation given to consumers by the regulated allowance. Actual future revenue projections will depend on prevailing financial market conditions as well as any price adjustments to meet funding requirements and target returns for core network and non-network investments. Accordingly, future revenue projections may vary from the stated SCI targets.



Commitment to our shareholder

7.7 Discount policy

The Company's policy is to pay to the consumers each financial year a discount based on their previous 12 months' electricity usage. This discount is to reward customers for their loyalty, and levels of electricity usage. Although the level of discount has been typically 10% - 15%, the level of the discount to be paid to consumers will be determined each year by Directors, subject to:

- the solvency provisions of the Companies Act 1993
- any banking or other funding covenants by which the Company is bound from time to time
- the forecast economic conditions in which the Company is expected to be operating, and
- the Company's efficient capital structure and future funding requirements.

The Company will post the discount to be paid from line revenue in its published Distribution Delivery Prices for that year. The discount will be paid to consumers via their retailer in the next financial year.

7.8 Acquisition procedure

No acquisition of shares or assets in another company or organisation shall be undertaken by the Company without prior shareholder approval where the value exceeds five percent of the share capital of the company (other than in the course of a re-organisation, reconstruction, merger etc as defined in Clause 9.9 of the Trust Deed).

7.9 Disposal of assets

No assets will be disposed of other than in the normal course of business without consultation with the Shareholder. Before any assets are transferred to a subsidiary company the Directors will consult with the Shareholder.

7.10 Borrowings for Core

In accordance with the long-term strategic plan, the Company has committed to a capital expenditure programme which includes a significant one-off investment in a new depot. Additionally, a sustained significant uplift in customer connection demand as well as planned investment in transmission connection assets also increase projected capital requirements. Borrowings will be required for these and other core network activities within the period of forecast of this statement. The Company shall keep the Trust informed of borrowing requirements.

7.11 Investments

The Company will make prudent investments in accordance with the company's Risk Appetite having taken provisional advice and in accordance with the Company's Investment Policy. The Company shall keep the Trust informed of any potential or planned investments.

7.12 Reserves for investment

The company will keep the Trust updated on any reserves held for capital projects or major investments.

7.13 Extraordinary dividends

In recent years surplus reserves were returned to shareholders as extraordinary dividends. However, recent and projected capital funding requirements associated with investment in the growth of the network and the business mean that no further extraordinary dividends are foreseen within the period of forecast of this statement.

7.14 Community contribution

The Company's policy is to sponsor community activities with an annual target of at least \$200,000. The Company shall provide a list of organisations to which they provide sponsorship as part of the Board's quarterly update to the Trust.

7.15 Central Hawke's Bay Consumers Power Trust

The Company will make available facilities and resources for the operation of the CHB Consumers Power Trust.

The Company will supply to the Trust within a reasonable time of receiving a written request the name and address of each consumer as defined by the Trust Deed.

The Company will meet with the Trust at not more than six monthly intervals to discuss matters of mutual interest.



Ian Walker - Chair

Date: 27th June 2022

Directory

BOARD OF DIRECTORS

Ian Walker	Chair
Derek Walker	Director
Fenton Wilson	Director
Sarah von Dadelszen	Director
Tony Gray	Director
Len Gould	Director

SENIOR MANAGEMENT

Ken Sutherland	Chief Executive
Jason Larkin	General Manager - Centralines
Brent Muggeridge	Company Accountant

CHB CONSUMERS POWER TRUST TRUSTEES

Alistair Setter	Chair
Marcus Peacock	Elected Trustee
Karen Middelberg	Elected Trustee
Libby Tosswill	Elected Trustee
Callum Gray	Elected Trustee
Tony Murphy	Elected Trustee
Laura Billings	Elected Trustee

ADDRESS

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