

**2021-2023**

**STATEMENT OF  
CORPORATE INTENT**

MAINPOWER NEW ZEALAND LIMITED



# DIRECTORY



## MainPower New Zealand Limited

### Board of Directors

Tony King	Chair
Graeme Abbot	Director
Janice Fredric	Director
Fraser Jonker	Director
Stephen Lewis	Director
Brian Wood	Director

### Executive Leadership Team

Andy Lester	Chief Executive
Mark Appleman	General Manager Network Planning and Strategy
Sarah Barnes	General Manager Finance
Karen Cameron	General Manager Safety and Business Risk
Geoff Gale	General Manager Network Operations
Penny Kibblewhite	General Manager Customer and Corporate Relations
Sandra O'Donohue	General Manager People and Culture
Doug Parker	General Manager Field Services
Todd Voice	General Manager Commercial

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## MainPower Trust

### Trustees

Kevin Brookfield	Chair
Richard Allison	Deputy Chair
Quentin de Hamel	Trustee
Jo Ashby	Trustee
Allan Berge	Trustee
Andrew Thompson	Trustee
Gary Walton	Trustee

### Address

c/o Ms K Hansell, Trust Secretary  
MainPower Trust  
PO Box 370, Rangiora 7440  
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# 1. INTRODUCTION

This Statement of Corporate Intent (“SCI”) is submitted to the MainPower Trust (the “Trust”) by the Board of MainPower New Zealand Limited (“MainPower”) (the “Board”).

This SCI is prepared in accordance with clause 3 of MainPower’s Constitution.

The SCI covers the activities of MainPower and its subsidiaries, and sets out MainPower’s intentions and the objectives agreed between the Board and the Trustees for the Financial Year commencing 1 April 2021, and the two succeeding financial years.

The following appendices are made available in support of the SCI:

- Corporate Governance Statement
- Statement of Accounting Policies

Clause 3 of MainPower’s Constitution requires the SCI to provide detail on the following:

- (a) the objectives of the group;
- (b) the nature and scope of the activities to be undertaken;
- (c) the ratio of consolidated Shareholders’ funds to total assets and definitions of those terms;
- (d) the accounting policies used in respect of the Statement of Corporate Intent;
- (e) the performance targets and other measures (including the rate of return on Shareholders’ funds after payment of tax) by which the performance of the group may be judged in relation to its objectives;
- (f) an estimate of the amount or proportion of accumulated profits and capital reserves that is intended to be distributed to the Shareholders;
- (g) the kind of information to be provided to the Shareholders by the group during the course of those financial years, including the information to be included in each half-yearly report;
- (h) the procedures to be followed before any members of the group subscribes for, purchases or otherwise acquires shares in any company or other organisation;

- (i) an estimate of the amount of fixed and variable line charge revenue received from “Qualifying Customers” (as defined in the Trust Deed) of the Company during the “Financial Year” (as defined in the Trust Deed) that is to be made available to Qualifying Customers of the Company in the “District” (as defined in the Trust Deed) during the Financial Year or the following Financial Year in the form of “Customer Discounts” (as defined in the Trust Deed) or “Customer Rebates” (as defined in the Trust Deed) and the method for allocation of them;
- (j) a statement of performance relating to “Adjusted Shareholders’ Funds” which will provide:
  - (i) the total value of Adjusted Shareholders’ Funds (as defined in the Trust Deed);
  - (ii) a statement specifying the Directors’ opinion on the optimum, before the payment of tax, weighted average cost of capital for the Company;
  - (iii) a statement of the method applied in (ii); and
  - (iv) the estimated rate of return on total Adjusted Shareholders’ Funds and the estimated shortfall (if any) with respect to (ii) before the payment of tax and before the granting of Customer Rebates; and
- (k) such other matters as are agreed by the Trustees and Directors.



**MAINPOWER, CONNECTING  
NORTH CANTERBURY.**

## 2. LETTER OF EXPECTATIONS

This year's Letter of Expectations links strongly with the previous document provided 31 March 2020 and therefore includes content which remains applicable. It is provided to assist the Board as it reviews its strategic intentions and objectives for the 2021–2023 Statement of Corporate Intent (the "SCI"). The SCI is submitted to the MainPower Trust in April each year by the Board in accordance with clause 3 of the Company's Constitution.

The Trust expects that the Company will report actual achievement against both financial and non-financial components largely following the layout of this document. This links with the timing of both the six-monthly and annual financial statements.

### Company Strategy

The Trust appreciates the Board keeping it well briefed on the current 5-10-year strategic plan. An understanding of this long-term planning will assist the Trustees in assessing the SCI's alignment with those objectives.

### Network Performance and Innovation

We expect the Board's first priority remains the ongoing development and operation of the electricity network in the North Canterbury region.

Reliability of supply remains an essential and critical element from the Trust's perspective. The Board should ensure that this network performance remains above average, relative to appropriate industry comparisons, and will provide this information as part of the six-monthly updates.

The Trust acknowledges that the energy industry continues to face rapid technological change, and that traditional methods of energy supply and usage will be increasingly impacted by new developments. Therefore, innovation across all aspects of the business remains essential and the Board is expected to evaluate any new opportunities.

### Financial Performance

The Trust's expectation is that the Company's financial performance relating to its core business is above average, when benchmarked against comparable lines companies. Such analysis should be included in the scheduled information update.

### Investment Decisions

The Board should investigate and, if deemed appropriate, invest in opportunities for core and unrelated business expansion both within and beyond the Company's traditional area of operation.

The Board will, when making investment decisions, take into account the Trustees' obligations under Sections 30 and 59 of the Trusts Act 2019, which requires Trustees as the Ordinary Shareholders of the Company, to act prudently in terms of the Trust's own investments and to have regard to the need for the Trust to maintain the real value of the capital of the Trust and recognise the potential for capital value appreciation.

### Rebate Scheme

The Trust will continue to waive its rights to dividends while the Company's Rebate Scheme remains operative and effective. The Board will continually test and use its best endeavours to seek an

assurance from all electricity retailers using its network that the Rebate is being passed on in full and at the levels detailed in the Company's approved pricing schedule.

### Generation and Retail

The Mt Cass wind farm proposal is now expected to reach financial close within the 2021 calendar year. As it is a Major Transaction, the Trust's approval to proceed is required. It is expected the Board will continue to provide all necessary and requested information to enable the Trust to make this decision.

### Health and Safety

Safety remains a cornerstone of the MainPower brand. The Company should prioritise safety for all staff and extend this to all members of the wider community. The Trust expects that the results of the annual health and safety audit will be communicated to the Trust on a timely basis.

### Governance

The Trust expects the Board will undertake regular monitoring of its own performance, both by peer review and independent evaluation. This will ensure that the skill sets which have been identified as necessary for the Board's performance are maintained. It is expected that the Board will also consider and address succession issues.

### Staff Relationships

MainPower will be a good employer, fostering new staff and encouraging career paths in the electricity supply industry. The intention is to develop a corporate culture that values each staff member's part in it and where everyone is working to a common goal.

### Customer Relationships

The Trust acknowledges that the ICP holders (as customers of MainPower) are the primary stakeholders of the Company. This is emphasised by the fact most of the customers are beneficiaries of the Trust by virtue of that relationship. The Trust expects that the Board will ensure customers are given appropriate attention and consideration. The level of customer satisfaction will continue to be measured by regular independent surveys, together with any other measures which are considered relevant. The Trust expects the results of such measures will be communicated on a timely basis.

### Community Leadership

MainPower is a critical commercial operation within the North Canterbury communities. As such, the Trust is proud that the Company is regarded as a good corporate citizen. It should continue to display a supportive leadership role in our region.

### Ownership of MainPower

The Board will advise the Trust immediately on becoming aware of any circumstances which could potentially result in a change to the Trust's 100% ownership of the Company.

### Disclosure

The Company will meet all its regulatory requirements and be transparent in its disclosures, within appropriate commercial boundaries.

### Environmental

The Board will adopt responsible environmental practices and will provide its services in a manner that is consistent with the Company's commitment to sustainability. The impact of climate change will also be factored into the Board's decision-making.

The Trust thanks the Directors for their ongoing efforts and looks forward to continuing to work constructively and cooperatively with the MainPower Board.

### Kevin Brookfield

Chairman  
MainPower Trust



**OUR VISION:**  
**CREATE A SMARTER  
 FUTURE TO DELIVER  
 LOCAL VALUE.**

## 3. STRATEGIC OBJECTIVES



### 3.1 Our purpose

MainPower New Zealand Limited (MainPower) is a consumer trust owned electricity distribution business (EDB) that builds, owns, operates and maintains the electricity distribution network in the North Canterbury region.

Covering the Waimakariri, Hurunui and Kaikōura districts, MainPower's network services cover over 41,000 residential and business connections, delivering electricity to a population base of around 65,000 people.

MainPower plays a vital role in supplying the energy needs of our communities, as well as contributing to the growth of a vibrant and prosperous region.

### 3.2 Our changing role

The energy sector is changing. While MainPower will continue to provide a safe, secure supply of electricity to the region, the impact of new technologies and evolving customer needs will mean a shift in the way our network and related services will be used in the future.

Our customers will occupy an increasingly central role in the electricity industry, making use of new innovations to gain greater choice and autonomy than ever before.

In order to protect the value of our current assets and future-proof our organisation, MainPower must participate in the transformation of the industry, rather than wait for others to lead the charge.

MainPower's must partner with our customers and sit alongside them at the heart of the evolving electricity industry.

Our changing role will see us creating a smarter future to deliver local value. In doing so, we will keep pace with the needs of the communities we serve, while providing a positive return for North Canterbury.

### 3.3 MPowered Future

As a consumer-owned enterprise, MainPower must provide a return on investment to the people of North Canterbury by preserving and growing the existing value in our business.

In order to achieve this, the MPowered Future framework has been developed. The objective of this work is to deliver a long-term plan that clearly defines MainPower's strategic objectives and to implement a framework to be used in all business planning.

MPowered Future encompasses a range of areas that will allow MainPower to assess and engage in new business opportunities in a systematic way. This will ensure that value is delivered to our customers and the region, while continuing to deliver a safe and reliable network.

Work under the framework also seeks to ensure that resources within the business are aligned to not only deliver our core role of delivering electricity to North Canterbury, but also to investigate, assess and action new business activities.

### 3.4 Our vision

As the MPowered Future framework was developed, a new vision emerged that encapsulates the strategic direction of the business.

#### Our vision:

Create a smarter future to deliver local value.

#### Our values

Everything we do at MainPower is built on our values. These values define who we are and give all employees a benchmark for the standards we strive to embody and maintain each day.



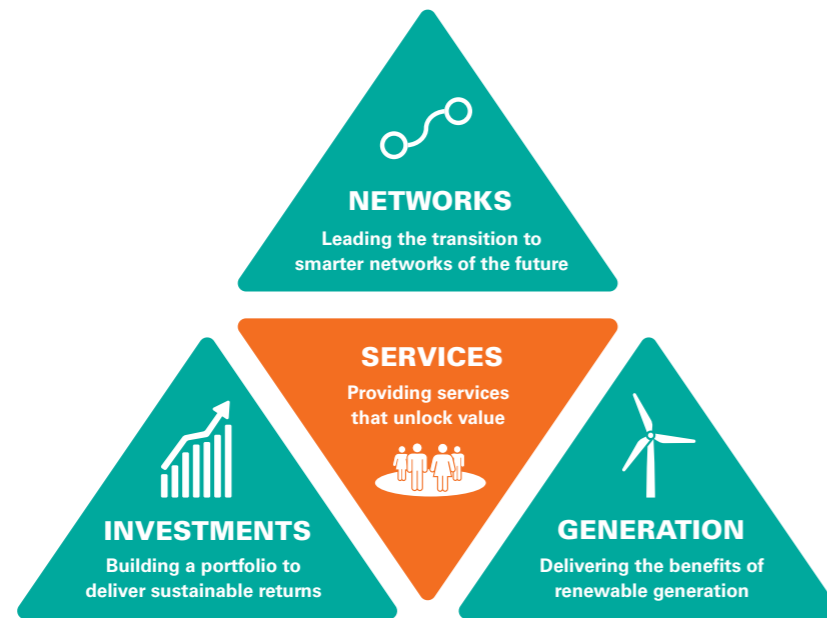
### The Golden Rules

MainPower's Golden Rules outline the high standard of safety that we live by across the business.



# 4. MPOWERED FUTURE IN ACTION

Four key segments fall within the MPowered Future framework. Within the business, these will work in conjunction and support of one another. This new framework will allow us to focus on specific initiatives and ensure that the right skills are available to identify, assess and develop new investment opportunities.



## 4.1 Networks

Providing safe, secure and resilient network services to the people of North Canterbury remains paramount.

MainPower's approach to achieving this is laid in our Asset Management Plan (AMP).

The AMP is MainPower's pledge to provide the energy needs of our communities, now and into the future, as well as contributing to the growth of a vibrant and prosperous region.

The AMP details the goals and activities of the next ten years in regards to the MainPower electricity distribution network. The full document can be downloaded from [mainpower.co.nz](http://mainpower.co.nz).

In addition to maintaining the electricity distribution network, MainPower's goal is to lead the transition to smarter networks of the future. The MPowered Future model ensures that we will examine the way our network and network services will be used by customers as new technologies, behind the meter activities and the decarbonisation of the economy continue to develop. The aim is to provide consumers with choices and enable them to extract the full value from their future low carbon energy resources.

The MPowered Future work sits alongside our day-to-day management of the electricity distribution network of North Canterbury.

## 4.2 Services

MainPower aims to provide services that unlock value. In the changing industry environment, there is an opportunity to leverage the existing investment in our network and expand our operations to include other services for our customers.

The continued investment in Kākāriki Power has enabled MainPower to investigate and monitor evolving technology and changing customer behaviour in the retail electricity sector. With generation from both Cleardale and Mt Cass Wind Farm, Kākāriki Power will continue to grow and play a role in supporting growth within our community.

## 4.3 Investments

MainPower plans to build an investment portfolio to deliver sustainable returns.

MPowered Future will provide a framework for identifying, assessing and developing new investment opportunities.

The framework will enable the business to focus on specific initiatives and ensure that the right skills are available to support and create business opportunities in a systematic way, ensuring value is delivered to our customers and the region.

## 4.4 Generation

MainPower will deliver the benefits of renewable generation.

MainPower already owns and operates a 1 MW hydro power station at Cleardale in the Rakaia Gorge, which generates around 3,500 MWh of electricity each year.

MainPower also holds resource consent for a wind farm at Mt Cass, near Waipara, in North Canterbury. Pre-construction works are underway, with final approval to be sought from the MainPower Trust in 2021. Construction should commence shortly after. The timeline has been pushed back, due to the impacts of the COVID-19 global pandemic.

The wind farm will provide greater security of supply for the South Island as a whole, while providing a range of benefits to MainPower customers.

The project will pump an estimated \$60m into the local economy and create around 100 jobs during the construction phase alone. When completed, the wind farm will be the largest in the South Island with a maximum generation output of 93 MW, enough to power 40,000 homes.

The project will contribute positively to the government's goal of achieving net zero carbon emissions by 2050, by offsetting around 100,000 tonnes of greenhouse CO2 per year.

Part of the project includes creating 127 hectares of protected land, including predator free areas of native shrub and forest. Around \$6m will be invested in protecting and enhancing this habitat over the life of the wind farm for future generations to enjoy.

The development of the wind farm at Mt Cass and the existing Cleardale hydro power station are the result of significant investment and a focus on creating generation options.

Both generation sites will be energy providers to MainPower's retailer brand Kākāriki Power.



# 5. SUPPORTING OUR MPOWERED FUTURE

To deliver an MPowered Future, MainPower's core business must be strong.

## 5.1 Our Customers

In a rapidly changing industry, MainPower must continue to focus on understanding and anticipating our customers' needs, while delivering high quality service in our day-to-day interactions.

MainPower's customer engagement programme helps ensure that the views of the communities we serve inform our planning and business decision making processes, and that our service levels are continually improving in the eyes of our customers.

Customer satisfaction is measured monthly through our "Voice of the Customer" surveys and annually through the "Customer Pulse" benchmarking survey. Customer engagement workshops are also carried out bi-annually, to gather feedback on a variety of topics related to the industry. These activities are supported by independent, external agencies to ensure the validity of the results.

MainPower continues to develop and further integrate the customer relationship management (CRM) database into business processes to ensure that customer feedback is recorded and managed appropriately. The further integration of the CRM with other business systems, will continue to drive improvements on response times and resolution options, as well as alerting us to areas the business could improve on.

MainPower's customers are at the heart of everything we do. Continued efforts will be made to maintain positive relationships with the people of North Canterbury and deliver services that are valued and in line with their expectations.

## 5.2 Community Leadership

MainPower plays a key role in the North Canterbury community, powering the homes, businesses and schools of the region. Our responsibility extends beyond providing a safe, secure supply of electricity; we are also leaders in our community.

MainPower's sponsorship programme supports dozens of community initiatives, organisations and events each year. Through this work, MainPower connects with a broad range of community groups and stakeholders, forging strong ties within the community and strengthening our place as a positive part of the region we work in.

## 5.3 People and Culture

MainPower continues to foster a working environment in which all employees feel valued and invested in the future of the business.

### Investing in the future of our people

Learning and development conversations take place twice each year, giving each staff member the opportunity to reflect, explore career options and set goals for the future. From these conversations, training plans are created and opportunities for mentorship and career progression are identified.

## Attracting and retaining the best

Offering sought-after employee benefits is one way we attract and retain talented staff, and maintain an enthusiastic and engaged workforce. MainPower continues to provide a range of employee benefits, from subsidised health insurance to a Nine Day Fortnight flexible working arrangement.

### Leadership

Our people also regularly participate in a range of industry groups and conferences, contributing their knowledge and expertise to the wider electricity sector. This is both a way to develop individual members of the MainPower team, and to ensure that the latest in industry best-practice, trends and technology is brought into the business.

## 5.4 Managing our Risk

MainPower remains focused on ensuring the safety of our people, customers and community as our highest priority. From tailgate talks at work sites, to our far-reaching advertising campaigns, safety is a deeply embedded part of our culture.

Our dedication to safety is supported by our Integrated Management System Policy, which combines and strengthens our commitment to health, safety, environment and quality (HSEQ).

In addition, our Risk Management Plan provides guidance on anticipating and proactively mitigating any risk.

## 5.5 Environmental Responsibility

MainPower takes an integrated approach to managing, delivering, and continually improving the environmental aspects of our business activities, products and services.

We have chosen to adopt a number of United Nations Sustainable Development Goals (SDGs) into our environmental strategy and overall strategic business plans. The goals most relevant to our industry have been identified and we continue to introduce practical initiatives to support these into the business.



MAINPOWER'S CUSTOMERS  
ARE AT THE HEART OF  
EVERYTHING WE DO.





# 6. PERFORMANCE

## 6.1 Financial Performance

A summary of the expected financial performance and performance statistics for the 2020–2023 financial years for the MainPower Group (Group), and for MainPower New Zealand Limited (Parent) are provided in the tables on pages 12 and 13.

The results for the current and future years show the continued commitment in meeting the goals of our Asset Management Plan (AMP) through a programme of scheduled maintenance and capital expenditure on the network.

The summary forecast for the year ended March 2021 compared to the financial budget for that year and the audited financial performance for the year ended March 2020 is also made available.

The following assumptions have been made when presenting the financial budgets for 2021–2022 and forecasts for subsequent years:

- Rebates will continue to be credited throughout 2021–2022 at a cost of approximately \$70M which allows for a balance between returning value to the shareholders and being able to internally fund the AMP.
- Total maintenance expenditure of \$7.5M has been budgeted for 2021-2022.
- Budgeted net capital expenditure of \$27.6M during the 2021-2022 financial year is to be funded by way of operating cash flow \$21.8M and net borrowings \$5.8M for the Parent.
- Early works on the Mt Cass Wind Farm project is due for completion in June 2021 with construction due to start late 2021. Once final approval has been given for the project to go ahead, MainPower is expected to make an equity contribution of approximately \$80M, partly funded by debt.
- MainPower has Westpac funding for the next 18–36 months. Tranche 1 (\$30M) will mature December 2022, Tranche 2 (\$15M) will mature June 2021.
- All forecast costs and revenues are based on best estimates using judgments made at the time that they were prepared.

## 6.2 Service Performance

Service level performance measures our key asset management objectives and include:

- Safety
- Compliance
- Quality of Service-Reliability
- Quality of Service-Customer Service
- Risk Management
- Efficiency and Effectiveness-Asset Utilisation
- Efficiency and Effectiveness-Operational Effectiveness
- Efficiency and Effectiveness-Financial Efficiency

Actual and planned service level performance is included in our Asset Management Plan, accessible at [mainpower.co.nz](http://mainpower.co.nz).

SAIDI, the average minutes a customer is without power during the year and SAIFI, the average number of supply interruptions per customer during the year, continues to be the two key measures of service performance.

Forecast performance is detailed in the table on page 14.

# FINANCE

## 6.3 Performance Statement Financial MainPower – Group

For the year ending March.

	Actual (audited) 2020 \$000	Budget (not audited) 2021 \$000	Forecast (not audited) 2021 \$000	Budget (not audited) 2022 \$000	Forecast (not audited) 2023 \$000
<b>Financial performance</b>					
Operating Revenue	69,945	61,988	64,697	77,269	94,462
Rebates	(10,546)	(8,007)	(8,180)	(7,000)	(6,000)
Net Revenue	59,399	53,981	56,517	70,269	88,462
Profit before Tax	6,706	4,714	5,888	3,154	5,274
Taxation	(1,760)	(1,320)	(2,057)	(1,180)	(1,670)
Profit after Rebates, Tax, Dividends, and Discontinued Operations	4,946	3,394	3,831	1,974	3,604
Total Maintenance Expenditure	5,429	5,791	5,804	7,457	7,168
Total Capital Development Expenditure	25,169	26,899	24,000	193,425	50,739
<b>Financial position</b>					
Net Working Capital	8,920	1,781	89	48	5,029
Non-Current Assets	315,781	320,576	326,831	511,551	533,501
Total Net Assets	324,701	322,357	326,920	511,599	538,530
Term Liabilities	(85,511)	(84,168)	(84,879)	(267,466)	(291,297)
Equity	239,190	238,189	242,041	244,133	247,233
Cash Flows from Operations	24,348	18,848	18,848	21,785	29,315
Cash Flows from Investing Activities	(24,986)	(26,899)	(24,998)	(258,675)	(60,919)
Cash Flows from Financing Activities	(2,121)	9,618	4,271	236,891	32,065
<b>Financial Ratios</b>					
Profit before Tax / Equity	2.80	1.98	2.43	1.29	2.13
Profit after Tax / Total Net Assets	1.47	1.05	1.17	0.39	0.58
Profit after Tax / Equity	2.07	1.42	1.58	0.81	1.25
Total Equity / Total Net Assets	71.07	73.89	74.04	47.72	45.91

## 6.4 Performance Statement Financial (MainPower New Zealand Limited – Parent)

For the year ending March.

	Actual (audited) 2020 \$000	Budget (not audited) 2021 \$000	Forecast (not audited) 2021 \$000	Budget (not audited) 2022 \$000	Forecast (not audited) 2023 \$000
<b>Financial performance</b>					
Operating Revenue	69,944	61,988	65,492	65,619	64,664
Rebates	(10,546)	(8,007)	(8,180)	(7,000)	(6,000)
Net Revenue	59,398	53,981	57,312	58,619	58,664
Profit before Tax	6,587	4,714	5,899	4,223	4,501
Taxation	(1,643)	(1,320)	(2,057)	(1,180)	(2,173)
Dividends	0	0	0	0	1,796
Profit after Rebates, Tax and Dividends	4,944	3,394	3,842	3,043	4,124
<b>Financial position</b>					
Net Working Capital	5,041	1,781	4,720	776	591
Non-Current Assets	318,750	320,576	327,031	411,696	418,705
Total Net Assets	323,791	322,357	331,751	412,472	419,296
Term Liabilities	(85,526)	(84,168)	(89,592)	(167,271)	(169,971)
Equity	238,265	238,189	242,159	245,201	249,325
<b>Cash Flows</b>					
Cash Flows from Operations	23,307	17,281	18,848	21,785	21,723
Cash Flows from Investing Activities	(23,837)	(26,899)	(24,998)	(95,662)	(22,197)
Cash Flows from Financing Activities	(2,121)	9,618	4,271	73,878	473
<b>Financial Ratios</b>					
Profit before Tax / Equity	2.80	1.98	2.44	1.72	1.81
Profit after Tax / Total Net Assets	1.47	1.05	1.16	0.74	0.98
Profit after Tax / Equity	2.07	1.42	1.59	1.24	1.65
Equity / Total Net Assets	71.07	73.89	72.99	59.45	59.46

## 6.5 Performance Statement Customer<sup>1</sup> Service Statistics

For the year ending March. These figures based on network metrics.

	Actual (audited) 2020	Budget (not audited) 2021	Forecast (not audited) 2021	Budget (not audited) 2022	Forecast (not audited) 2023
<b>Quality of Supply</b>					
SAIDI <sup>2</sup>	343.30	333	327	323	314
SAIFI <sup>3</sup>	2.26	2.18	2.25	2.23	2.08
Unplanned Faults <sup>4</sup>	11.70	10.0	11.59	9.80	9.70
<b>Network Performance</b>					
Total Line Service Customers (#)	41,112	42,000	42,500	43,200	43,900
Gigawatthours Entering the System (GWhs)	670.90	660	665	676	685
Gigawatthours Delivered to Customers (GWhs)	634.40	623	629	638	647
Losses (GWhs)	36.50	37	36	38	38
Electricity Loss Ratio (%)	5.44	5.6	5.6	5.6	5.6
Network Maximum Coincidental Demand (MW)	116.20	116	127	120	121
Load Factor (%)	65.90	65.0	57.7	61.9	61.0
Total Transformer Capacity (MW)	564.99	567	569	573	577
Transformer Capacity Utilisation Factor (%)	20.40	20.0	22.9	21.6	22.0
Circuit Length Lines (kms)	5,121	5,240	5,325	5,385	5,445
<b>Efficiency Performance</b>					
Capital Cost (per km)	\$ 4,915	\$ 5,133	\$ 4,507	\$ 5,134	\$ 4,300
Operating Cost (per km)	3,091	1,105	1,090	1,385	1,316
Capital Cost (per ICP)	612	640	599	640	533
Operating Cost (per ICP)	385	144	145	173	163

### Notes:

<sup>1</sup> Customer is defined as a person named in the records of the company as a person whose premises are connected to the company's distribution network and who is liable to the company for the payment of an amount in respect of the use of and connection to the company's distribution network.

<sup>2</sup> SAIDI = Average minutes a customer is without power during the year.

<sup>3</sup> SAIFI = Average supply interruptions per customer during the year.

<sup>4</sup> Unplanned Faults = annual number of faults per 100kms of line.

## 7. OTHER MEASURES

### 7.1 Distributions to the MainPower Trust

In 2019 the Trust and MainPower undertook a joint review of the approach taken to rebates and dividends. The Rebate Working Group concluded that the rebate scheme should be retained in an amended form. The Board recommended at its December 2019 meeting that the rebate scheme be retained and a dividend not be paid for the 2020–2021 year.

### 7.2 Rebates and Discounts to Customers

The issue of Redeemable Preference Shares to Qualifying Customers in accordance with Clause 4.10 and Schedule 8 of the Deed gives the Board the opportunity to provide a Customer Rebate Scheme in favour of Qualifying Customers. The 2020–2021 financial budget provides for \$8M to be credited to Qualifying Customers as rebates. The rebate is a percentage discount off the fixed charge and this benefit is allocated between customer groups to reflect the Trust Deed.

The Board has also resolved that an equivalent discount will be paid to customers connected to the former Kaiapoi Electricity network to maintain parity as required by the sale and purchase agreement at the time MainPower acquired the Kaiapoi Electricity network. Payment of discounts is provided for in Clause 40 of the Company's constitution and Section 55 of the Companies Act 1993.

### 7.3 Acquisition of Shares in Other Companies

The acquisition of shares in other companies or organisations will only proceed where the Board concludes such an acquisition is in the best interests of MainPower.

The Board will consult the Trust in circumstances where an acquisition is considered to be significant.

The Board will be guided by the Major Transaction Rule in MainPower's Constitution and the Companies Act 1993. A major transaction is defined as the acquisition of, or an agreement to acquire, whether contingent or not, assets equivalent in value to 25 percent or more of the assets of MainPower before the acquisition.

### 7.4 Return on Investment for the MainPower Regulatory Lines Business

The following information reflects the Return on Investment for the regulatory lines business, after deducting rebates from returns.

MainPower's Return on Investment (before payment of rebates for the year ended March 2020 was 3.3%, below the Commerce Commission's 75th percentile estimate of 4.95%.

For the 2020–2021 financial year, the after tax Return on Investment of the regulated lines business is expected to be 3.4%.

### 7.5 Return on Shareholders' Equity for the MainPower Group of Companies (Consolidated)

MainPower's forecast Return on Equity for the Group for the financial year ending 31 March 2020, after rebates and taxation, was \$4.9M, or \$12.5M (5.1%) before rebates and after adjusting for notional tax.

For the 2020–2021 financial year, the forecast Return on Equity for the Group after rebates is expected to be around 4%.

The MainPower Board has resolved that no dividend will be payable in FY2021.

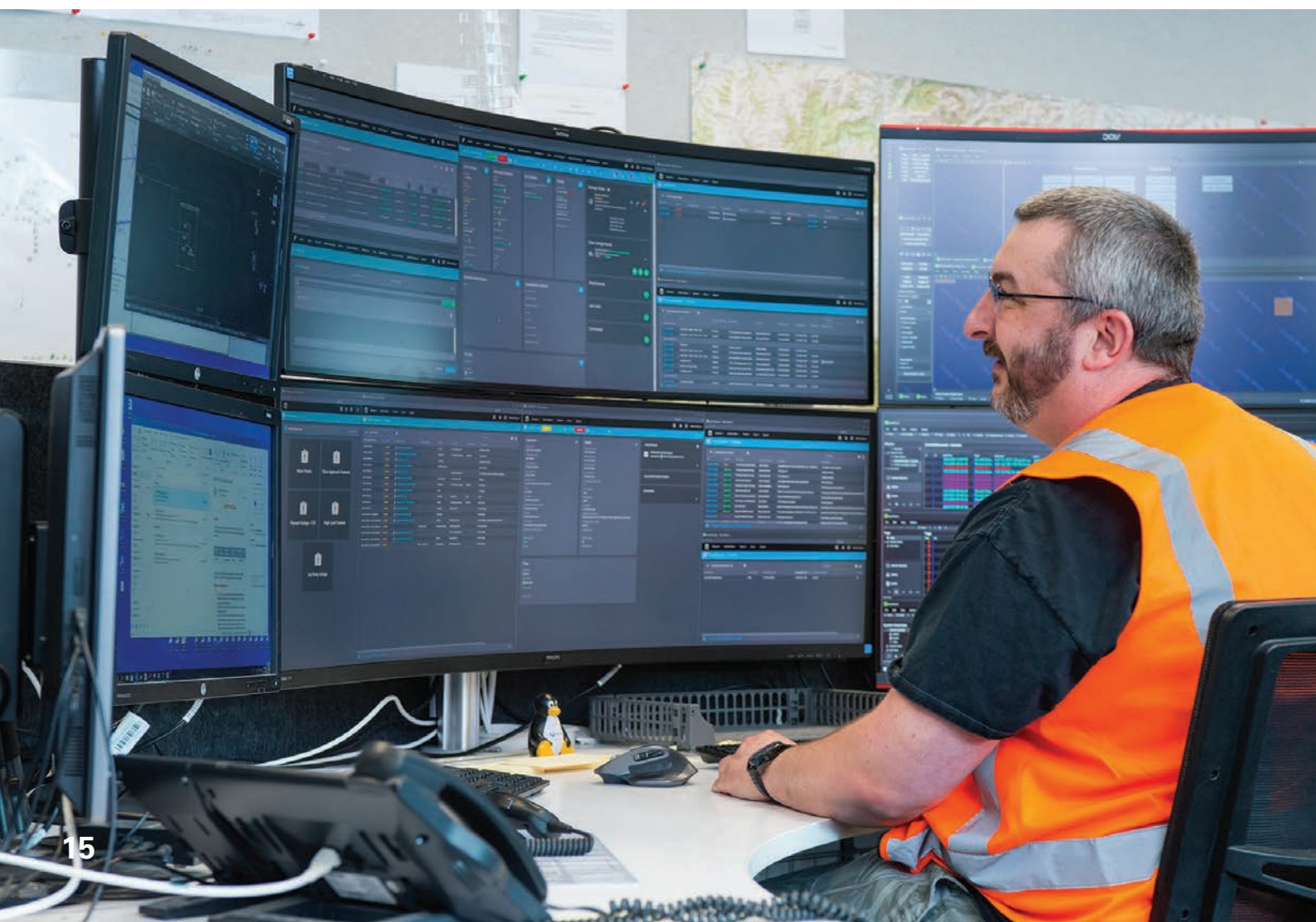
### 7.6 Information to be Provided to Shareholders

The following information will be made available to the Trust and, where applicable, to other Shareholders:

- Annual Report
- Interim Report
- Statement of Corporate Intent
- Asset Management Plan
- Electricity Information Disclosures

Any other information the Board considers should be in the public arena.

The Board will meet with Trustees on a regular basis throughout the year in order to update Trustees on the performance of MainPower and its subsidiaries. The Board will also report to Trustees on significant operational matters, changes to MainPower's company structure and progress on current and new business initiatives.





# APPENDIX 1: CORPORATE GOVERNANCE STATEMENT

## 1. Role of the Board

The Board is responsible for the overall corporate governance of MainPower. The Board guides and monitors the business and affairs of MainPower on behalf of both the Ordinary Shareholder, the MainPower Trust, to whom it is primarily accountable, and the Preference Shareholders of the Company, i.e. the Qualifying Customers in the region.

The Board's primary objective is to satisfy the shareholders' wish of enhancing shareholder value through a commitment to customer service and regional prosperity. Customer service is measured in terms of both financial return and MainPower's ability to deliver excellence in electricity distribution system security and reliability, responsiveness to customers, quality and price competitiveness.

Regional prosperity is measured in terms of MainPower's role in leading and/or supporting regional initiatives for economic development.

The Board aims to ensure that MainPower is a good employer and corporate citizen.

## 2. Board Responsibilities

The Board acts on behalf of, and is accountable to, the shareholders. The Board seeks to identify the expectations of shareholders, as well as other legislative and ethical expectations and obligations. These expectations and obligations are set out in the Board Charter, which is reviewed annually.

In addition, the Board ensures areas of significant business risk are identified by management and that arrangements are in place to adequately manage these risks.

To this end the Board will:

- provide leadership in health and safety and will ensure that employee and public safety remain at the core of the organisation in order that it remains as an integral part of MainPower's culture, its values and performance standards;
- continue to monitor all legislation and regulatory change impacting on health and safety requirements and compliance and will ensure that they are complied with;
- set the strategic direction of the Company in consultation with management, having particular regard to rate of return expectations, financial policy and the review of performance against strategic objectives;
- maintain an understanding of the electricity industry, and continue to monitor industry reform, security of supply, industry governance and Government intervention in order to identify the impact on MainPower's business;
- monitor and understand the expectations and needs of the growing North Canterbury community;
- remain informed about Company affairs in order to exercise judgment about management and its procedures;
- identify risks and manage those risks by ensuring that the Company has implemented comprehensive systems of internal

control together with appropriate monitoring of compliance activities;

- approve and foster a corporate culture which requires management and every employee to demonstrate the highest level of ethical behaviour;
- appoint, review the performance of, and set the remuneration of the Chief Executive;
- approve transactions relating to acquisitions and divestment, and capital expenditure;
- delegated authorities;
- approve operating and development budgets, review performance against these budgets, and monitor corrective actions by management;
- ensure the preparation of the Statement of Corporate Intent, Interim and Annual Reports;
- enhance relationships with all stakeholders.

## 3. Delegation

The Board delegates the day-to-day responsibility for the operation and administration of MainPower to the Chief Executive.

The Chief Executive is responsible for ensuring MainPower achieves its business objectives and values.

The Board ensures that the Chief Executive, and through them, the senior management are appropriately qualified, experienced and remunerated to discharge their responsibilities.

## 4. Codes and Standards

All Directors, executives and staff of MainPower New Zealand Limited are expected to act with integrity and to promote and enhance the Company's reputation with its various stakeholders.

Behavioural standards and accountabilities, the use of confidential information, trade practices, health, safety and environmental management are set out in a range of formal codes, policies and procedures. These are subject to regular independent review to ensure they remain current and appropriate.

## 5. Conflicts of Interest

All Directors and senior managers are required to disclose any specific or general interests which could be in conflict with their obligations to MainPower New Zealand Limited and its subsidiaries.

## 6. Board Review

The Board will undertake a self-assessment of its performance and the performance of individual Directors on at least a biennial basis. The result of this review will be made available to the MainPower Trust.

## 7. Company Constitution

The Company's Constitution sets out policies and procedures on the operations of the Board, including the appointment and removal of Directors. The Constitution specifies that the number of Directors will not at any time be more than eight nor less than four, and that one-third of the Directors will retire by rotation each year.

Non-Executive Directors of MainPower are appointed by the Ordinary Shareholder. The Board currently comprises six Non-Executive Directors.

The Directors of the Company currently in office are:

Tony King, Chair

Graeme Abbot, Director

Janice Fredric, Director

Stephen Lewis, Director

Fraser Jonker, Director

Brian Wood, Director

## 8. Meetings

The Board meets monthly to review, monitor, and initiate action in respect of the health and safety, strategic direction, financial performance and compliance of the Company and its subsidiaries.

MainPower's Business Plan details matters which require Board consideration, including long-term strategic direction, operating and capital budgeting, statutory and risk management. In addition to the scheduled meetings, the Board meets several times each year to consider specific opportunities and other matters of importance to the Company. Annually the Board takes the opportunity to debate and review its long-term strategic direction.

## 9. Committees

The Board has three committees detailed below.

### 9.1 Safety, Health, Wellbeing and Environment (SHWE) Committee

The MainPower Board takes an integrated approach to managing health and safety. This is incorporated within the risk management framework. The Board Health and Safety Committee was historically governed by the Board as a whole but has now moved to a sub-committee to provide a more concentrated focus on safety, health, wellbeing and environment.

The committee is made up of three board members including Mr S Lewis, Chair, Mr T King and Mr G Abbot. It is attended by the Chief Executive, General Manager of Safety and Business Risk and General Manager of People and Culture, with support from other executive and senior managers.

The Committee's responsibilities are to:

- review proactively the strategies, policies, initiatives, risk exposure, targets and performance of the Company, and where appropriate of its suppliers and contractors;
- monitor the resources applied by the Company to ensure compliance and drive improvement;
- monitor the demonstration of management commitment to these areas; and
- where appropriate, receive reviews and reports from independent external advisers.

## 9.2 Audit and Risk Committee

The Audit and Risk Committee operates under a comprehensive Charter, which outlines the Committee's authority, membership, responsibilities and activities and which is approved by the Board.

The Charter is reviewed annually against best practice and emerging trends. The primary function of the Committee is to assist the Board in relation to the Company and its subsidiary companies, with the proper and efficient discharge of its responsibilities, to exercise due care, diligence and skill in relation to the oversight of the:

- appointment and performance of the external auditors;
- integrity of external financial reporting;
- financial management and internal control systems;
- accounting policy and practice;
- risk management framework and the monitoring of compliance within that framework;
- related party transactions;
- compliance with applicable laws, regulations, standards and codes of practice;
- integrity of external regulatory reporting.

The activities of the Audit and Risk Committee are reported annually. From time to time, the Audit and Risk Committee invites the Chief Executive, General Manager Finance, General Manager Safety and Business Risk and the external auditor to be in attendance at meetings of the Committee in accordance with the Audit and Risk Committee Charter.

The Audit and Risk Committee also monitors the independence of the auditor and approves and reviews those services provided by the auditor other than in its statutory audit role. In addition, the auditor provides a quarterly certificate to the Audit and Risk Committee of any non-statutory audit service provided to the MainPower Group.

Three Non-Executive Directors are appointed to the Audit and Risk Committee on an annual basis. Current membership of the Audit and Risk Committee is Ms J Fredric, Chair, Mr B Wood and Mr T King.

Following meetings of the Committee, the Chair reports all findings and recommendations to the Board.

# APPENDIX 1: CORPORATE GOVERNANCE STATEMENT (CONTINUED)

## 9.3 Remuneration Committee

The Remuneration Committee's primary role is to advise the Board on performance reviews, remuneration policies and practices, and to make recommendations on remuneration packages and other terms of employment for Non-Executive Directors, Executive Directors and senior executives which fairly reward individual performance in relation to their contribution to the Company's overall performance.

Three Non-Executive Directors are appointed to the Remuneration Committee on an annual basis.

In order to retain and attract Directors and executives of sufficient calibre to facilitate the efficient and effective governance and management of the Company's operations, the Remuneration Committee seeks advice of external advisers on remuneration practices.

Current membership of the Remuneration Committee is Mr G Abbot, Chair, Mr T King and Mr S Lewis.

Following meetings of the Committee, the Chair reports all findings and recommendations to the Board.

## 10. Risk Management

The Board puts considerable emphasis on risk management, given the critical nature of this to the Company's operations, and continually monitors the operational, (including health and safety) and financial aspects of the Company's activities and the Company's exposure to risk. "Risk Management and Compliance" is a permanent item on the Agenda of the monthly meeting of Directors.

An annual review of the level and appropriateness of the Company's insurance cover and regular reporting by management addressing the major areas of risk supports the Board's risk management process.

To fulfil its responsibility, management maintains appropriate accounting records and systems of internal control.

The Audit and Risk committee oversees the Governance internal audit programme to ensure MainPower meets its statutory and legal requirements. The audit programme covers all levels of safety and business critical risks identified through the risk management framework.

MainPower has developed a comprehensive Business Continuity Plan. This Plan details the criteria and guidelines we apply to cope with a number of crisis scenarios. The Company actively participates with Civil Defence and other relevant agencies in order to test the plan for effectiveness.

## 11. Non-Executive Directors' Fees

Fees for Non-Executive Directors are based on the nature of their work and responsibilities.

Independent professional advice on the level and structure of Non-Executive Directors' fees is made available to the Board

on an annual basis. Any recommendation made to shareholders at the Annual Meeting on a change in directors' fees is in accordance with this independent advice.

## 12. The Role of Shareholders

The Board aims to ensure that shareholders are informed of all major developments affecting the Group's state of affairs.

Each year, the major shareholder of MainPower, the MainPower Trust, provides the company with a Letter of Expectations from which a Statement of Corporate Intent is developed between the Board and the MainPower Trust.

This Statement details the Company's intent with respect to:

- Strategic Objectives
- Business Activities
- Non-core Activities
- Performance
- Distributions to Shareholders and Rebates
- Corporate Governance

Information is also communicated to shareholders in the Annual Report, Interim Report, on the Company's website, and at regular formal and informal meetings with the MainPower Trust. The Board encourages full participation of all shareholders at the Annual Meeting.

The Statement of Corporate Intent is subject to consultation between the Board and the Trust, prior to its adoption.

## 13. Customers

MainPower uses a number of communication channels to connect with its customers and the wider community. This includes the publication of Live Lines (advertorial) and related public safety messaging, regular customer surveys and participation in sponsorships and other community-based initiatives.

The Company also fulfils its regulatory obligations with the publication of the Asset Management Plan, Annual and Interim Reports, Statement of Corporate Intent, Pricing Methodology and annual disclosures. This contributes to the fulfilment of MainPower's corporate objectives in regard to community relations.

## 14. Subsidiary Companies

MainPower's subsidiary companies each have a formally constituted Board of Directors for trading subsidiaries. The MainPower New Zealand Limited Board receives monthly updates on and monitors the performance of each company.



# APPENDIX 2: ACCOUNTING POLICIES

## 1. Statement of Compliance

MainPower New Zealand Limited (the Company) is a profit-oriented company incorporated in New Zealand under the Companies Act 1993. The Group consists of MainPower New Zealand Limited and its subsidiaries.

MainPower New Zealand's parent and ultimate controlling entity is the MainPower Trust. These financial statements have been prepared in accordance with Generally Accepted Accounting Practice (GAAP). They comply with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime ('NZ IFRS RDR') and other applicable financial reporting standards as appropriate for profit-oriented entities.

The Group has adopted External Reporting Board Standard A1 'Accounting Standards Framework (For-profit Entities Update)' ('XRB A1'). For the purposes of complying with GAAP, the Group 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 it is not a large for-profit public sector entity. The Group has elected to report in accordance with NZ IFRS RDR.

## 2. Principal Activities of the Group

MainPower was established in accordance with the requirements of the Energy Companies Act 1992 and the Companies Act 1993. The Group owns and manages the electricity distribution network throughout the North Canterbury region.

Greenpower New Zealand Ltd is the holding company for the Mt Cass Wind Farm project which is set up to build a wind farm on the ridge of Mt Cass.

## 3. Basis of Financial Statement Preparation

These financial statements are presented in New Zealand dollars, rounded to the nearest thousand.

These financial statements have been prepared on the basis of historical cost, except for the revaluation of certain financial instruments. Cost is based on the fair value of the consideration given in exchange for assets.

Accounting policies have been selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

Right-of-Use Assets are measured at the present value of the total lease liabilities.

## 4. Critical Judgements, Estimates and Assumptions in Applying the Entity's Accounting Policies

Preparing financial statements to conform with NZ IFRS RDR requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions have been based on historical experience and other factors that are believed to be reasonable under the circumstances. These estimates and assumptions have formed the basis for making judgements about the carrying values of assets and liabilities, where these are not readily apparent from other sources. Actual results may differ from these estimates.

In the process of applying the Group's accounting policies, management has made the following judgements, estimates and assumptions that have had the most significant impact on the amounts recognised in these financial statements.

The Group operates an extensive integrated electricity distribution network comprising large numbers of relatively minor individual network asset components. These components are replaced over time as part of an ongoing maintenance/refurbishment programme, consistent with the Group's approved network Asset Management Plan. Any errors in the estimates of such removals are corrected at the next asset revaluation and are not considered to be material on either an annual or a cumulative basis with respect to either reported net profits or carrying values of the network.

The Group invoices its customers (predominantly electricity retailers) monthly for electricity delivery services on the basis of an estimation of usage, adjusted for the latest washed-up data available from the electricity wholesale market and certain metering data from electricity retailers. When determining line revenue, management recognises actual amounts billed during the financial period and, if material, makes an adjustment to recognise the estimated value of unread meters where applicable.

Other areas where judgement has been exercised in preparing these financial statements are in relation to assessing the level of any unrecoverable work in progress and calculating provisions for employee benefits and the carrying value of generation assets.

## 5. Basis of Consolidation

### 5.1 Subsidiaries

Subsidiaries are entities controlled by the Company.

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being MainPower New Zealand Limited and its subsidiaries. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities, and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired, exceeds the cost of acquisition, the difference is credited to profit or loss in the period of acquisition. The consolidated financial statements include the information and results of each subsidiary from the date on which the Group obtains control and until such time as the Group ceases to control the subsidiary. In preparing the consolidated financial statements, all intergroup balances and transactions, and unrealised profits arising within the Group are eliminated in full.

In dealing with acquisitions from entities under common control the assets and liabilities of the entity acquired is included at their pre-acquisition carrying amount. Equity of subsidiaries are shown separately in the consolidated Statement of Financial Position.

### 5.2 Forecast Information

Forecast financial information has been prepared on the basis of assumptions as to future events reasonably expected to occur and have been compiled on the basis of existing accounting policies.





**mainpower**

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