



# **CAPITAL DISTRIBUTION REVIEW**

**SUMMARY REVIEW REPORT FOR CONSULTATION**

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### Background

Under the terms of the Deed of Trust (Deed) of the MainPower Trust (Trust), Trustees are required to prepare a Review Report every six years to consider whether it is in the best interests of Beneficiaries for the capital of the Trust Fund to continue to be held (in whole or in part) in the Trust or to be distributed (in whole or in part) to the Trust's Beneficiaries. Previous six-yearly reviews have not resulted in any distribution of capital.

Approximately 97% of the capital of the Trust Fund is represented by the Trust's 100% ownership of MainPower New Zealand Limited, (the "Company"). This is the Trust's only significant investment. The Company owns and operates the electricity distribution network throughout the North Canterbury and Kaikōura regions. The Trust also has a diversified investment portfolio (3%) managed by Forsyth Barr.

### Summary of Review Report

During the Review, Trustees received and accepted expert advice from the investment banking firm, Northington Partners (Northington).

Northington provided a report (Northington Report) on three key areas;

- the performance of the Company;
- the outlook for the future;
- the advantages and disadvantages of the Trust's retention of the Trust Capital.

The Northington Report contains an analysis of the performance of and outlook for the Company.

The key findings of the Northington Report relating to the performance of the Company are:

- MainPower has performed well over the Review Period, in line with industry settings and alongside its peers
- The asset base, revenue and earnings for the business have been relatively stable. These measures remain consistent within the regulatory framework and reflect the lower return threshold in place since the 2020 financial year. Return on equity has averaged about 5% over the last six years.
- Given the Company's reinvestment requirements, rebates have declined significantly over the three years since the 2020 financial year.

The key findings of the Northington Report relating to the outlook for the Company are:

- Electrification is driving a large increase in demand
- Other drivers of network growth include:
- Increasing security and resilience expectations.
  - Distributed generation and multi-directional energy flow fundamentally altering the way people consume electricity.
- Expectation of planned capital expenditure continues to increase each year
- High capital expenditure requirements have created question marks over funding. For most EDBs (reflecting their ownership structure), funding is limited to retained earnings and debt.

The Northington Report set out a summary of the advantages and disadvantages of the retention (or not) of the Trust Capital.

The key advantages and disadvantages are:

#### **Advantages**

- The Company continues with Trust ownership, potentially supporting the provision of both financial and non-financial benefits to the community.
- EDBs are high quality assets with low volatility of earnings and growing asset bases. Investment in the Company may perform better than investment in other asset classes.
- Distributing the Trust Capital favours current beneficiaries over future beneficiaries.

#### **Disadvantages**

- The capital reinvestment needs of the Company mean that customer rebates are likely to remain low.
- Future beneficiaries are potentially favoured over current beneficiaries.
- As the Trust has no capacity to invest additional capital in the Company, the lack of access to capital could constrain the Company's ability to grow.

#### **Capital Distribution Review Proposal**

On 12 March 2024 the Trustees resolved unanimously their Capital Distribution Review Proposal.

The proposed Review Decision, subject to the consultative process, is that it is in the best interests of Beneficiaries that the Trust continue to hold 100% of the distributable capital of the Trust.

#### **Capital Distribution Review Consultation Process**

It is a requirement of the Deed that the Trustees must consult the Trust's Beneficiaries on the Capital Distribution Review Proposal that they have approved.

Beneficiaries include "Qualifying Customers"; who are the customers of the Company whose premises are connected to the Company's electricity distribution network and who take line services from the Company, with one main exception. Customers whose premises are in that part of Kaiapoi that was previously the Kaiapoi Borough are not Beneficiaries of the Trust.

This Summary Review Report may be viewed at:

- the service centre of the Waimakariri District Council;
- the service centre of the Hurunui District Council;
- the service centre of the Kaikoura District Council;
- the public libraries in Kaikōura, Oxford, Rangiora, Kaiapoi, Amberley, and Hanmer Springs;
- at the head office of MainPower New Zealand Limited, Fernside Road, Rangiora
- at the offices of the Trust Secretary at Koller and Hassall Ltd, 267 High Street, Rangiora; and
- the website of the MainPower Trust: [www.mainpowertrust.co.nz](http://www.mainpowertrust.co.nz).

Copies of this Summary Review Report will be available at the above offices and libraries and can also be downloaded from the MainPower Trust's website.

#### **Submissions**

Qualifying Customers can make submissions to the Trustees on the Trustees' Capital Distribution Review Proposal. Qualifying Customers who wish their submissions to be heard in person will be provided the opportunity to do so at a meeting open to the public to be held on 3 September 2024. Submissions must be received no later than 23 August 2024. Submissions should be posted or emailed to the Secretary, MainPower Trust, PO Box 370, Rangiora; Email: [CDR@mainpowertrust.co.nz](mailto:CDR@mainpowertrust.co.nz). Copies of all written submissions will be available to the public; however, your personal information will be withheld at your request.

If any Qualifying Customers have any questions in relation to the Capital Distribution Process, please contact the Trust Secretary's office using the contact details on the final page.

The final decision of the Trustees on the proposal, the "Review Decision" will be made at a Trustee meeting to be held on 17 September 2024 that will be open to the public. Notice of the Trustees' Distribution Review Decision will be given by:

- Making the Notice available for inspection during normal business hours at the Council service centres and libraries referred to above, the offices of the Trust Secretary, and the office of the Company, Fernside Road, Rangiora; and
- By way of a public notice in newspapers circulating in the region: and
- On the Trust's website [www.mainpowertrust.co.nz](http://www.mainpowertrust.co.nz).

## **Qualifying Customers Poll**

Qualifying Customers who were on the Roll of Qualifying Customers at midnight on 20 June 2024 are provided with the opportunity, if they disagree with the Trustees' Review Decision, to ask Trustees to reconsider their Review Decision by way of a Reconsideration Poll. The Trustees' Reconsideration Decision is final.

Qualifying Customers who would like Trustees to reconsider their decision must give formal notice to the Secretary of the Trust by 11 October 2024. A valid notice will contain:

- A statement that each of the Qualifying Customers signing the notice requires the Trustees to reconsider their Review Decision;
- The full name and address of each such Qualifying Customer;
- The ICP number of each such Qualifying Customers as recorded on the Qualifying Customers power account; and
- The signature of each such Qualifying Customer.
- For the avoidance of doubt, the formal notice requiring a Poll may include more than one Qualifying Customer as long as each Qualifying Customer provides the above information.

Where the number of Qualifying Customers who give such notices totals at least 5% of all the Qualifying Customers, then a Reconsideration Poll will be held in accordance with the provisions of the Trust Deed.

If a Poll is requisitioned the Trustees would immediately appoint a Returning Officer who would conduct the Poll.

If required, the Reconsideration Poll will take place during December 2024 and will close on 13 December 2024. The Returning Officer would declare the result of the Poll on 21 December 2024.

**Kevin Brookfield**  
Trust Chair



### **MainPower Trust**

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