



11 October 2006

### **Transpower's annual results**

The owner and operator of the national electricity grid, Transpower New Zealand Ltd, has reported a net surplus after tax for 2005/06 of \$96.9 million.

The net surplus in the previous year was \$141.5 million.

Transpower chairman David Gascoigne said there will be no dividend paid to the Crown, with the surplus invested back into the Grid.

“Shareholding Ministers have been advised that no dividends are forecast to be paid through to at least 2008/09. This is due to the significant investment programme planned by Transpower, which will be funded by retained earnings and debt.”

In 2005/06 transmission revenue of \$506.3 million was slightly below the figure of \$509.4 million for the previous financial year. Transmission price increases, which were set to begin on April 1 2006, did not occur, as part of the administrative settlement process agreed with the Commerce Commission. This reduced Transpower's revenue by \$22.4 million in the last three months of the financial year.

Operating expenditure increased to \$435.2 million, compared to \$386.0 million in the 04/05 year. Apart from one-off abnormal items, the increase in operating expenditure can largely be attributed to increases in industry costs and asset write-offs. Transpower spent \$84.1 million in maintenance on network assets in the current financial year, compared with \$80.3 million in the 2004/05 financial year (the 2004/05 maintenance figure excludes a one-off repair of the HVDC cable).

Transpower chairman David Gascoigne said 2005/06 was a year characterised, principally, by a major commitment of resources for dealing with issues of pricing and investment proposals with the Commerce Commission, the Electricity Commission and with Transpower's wider stakeholder base.

“Transpower's operational performance was adversely affected by the outage of 12 June at Otahuhu in Auckland. This was a very regrettable incident.

“However, this year also marked the real financial commencement of an intensive capital investment programme to upgrade New Zealand’s National Grid. Over \$250 million was ploughed back into new or upgraded lines, circuits and substations this year. This is part of an expected \$4 billion investment over the next ten years.

“We are also investing in the capability of Transpower to deliver this vital, once in a generation, programme of work. Over the past two years employee numbers have risen from around 350 to 520. In a tight labour market, there is an ongoing challenge to attract the highly skilled and internationally sought after staff that we require.

“This investment in people and infrastructure is critical to the future reliability and security of New Zealand’s electricity supply, but it should not be viewed either in isolation or as a sufficient solution by itself. Transpower considers that significant investment is also required in new generation to provide the energy to meet growing demand. The need for new, committed generation projects grows with each passing year and is a need that must be met by market participants.

“2005/06 was a year that held many challenges for us. However, my fellow Directors and I believe that Transpower is well positioned for the future.

“The company has a clear focus on ensuring that the National Grid receives the level of investment that is reasonably required to meet New Zealand’s needs looking out several decades,” David Gascoigne said.

<b>Financial Performance</b>	<b>2005/06</b>	<b>2004/05</b>
Transmission Revenue	\$506.3 million	\$509.4 million
Total Revenue	\$640.2 million	\$636.1 million
Net surplus after tax	\$96.9 million	\$141.5 million
Total Dividend	nil	\$10.0 million
<b>System Reliability Measures</b>	<b>Actual 2005/06</b>	<b>Target 2005/06</b>
High Voltage alternating current (HVAC) availability	98.6%	98.9%
High Voltage direct current (HVDC) availability - overall	95.2%	94.0%
Pole 1	92.0%	92.5%
Pole 2	98.7%	95.6%
Unplanned Supply Interruptions	38 system minutes	<9.0 system minutes