

CONNECTIONS 2016



Who is The Power Company Limited?

If you live or work in the wider Southland or West Otago regions, then it's likely you are one of The Power Company's 35,400 plus customers.

The Power Company Limited (TPCL) was formed in 1991 and owns the electricity network assets (such as power lines, poles and substations) in the Southland/West Otago area, excluding most of Invercargill City and Bluff.

TPCL is the largest network in the lower South Island, with 8,845km of lines and equipment to maintain. We deliver about 761 gigawatts hours (GWh) of energy every year to our customers.

Approximately 73 percent of TPCL customers are residential. The other 27 percent are industrial and commercial users.

TPCL is owned by its customers through the Southland Electric Power Supply Consumer Trust (Southland Power Trust). The Southland Power Trust has five elected Trustees: Jim Hargest (Chair), Stuart Baird, Stephen Canny, Carl Findlater and David Rose, who represent the network customers.

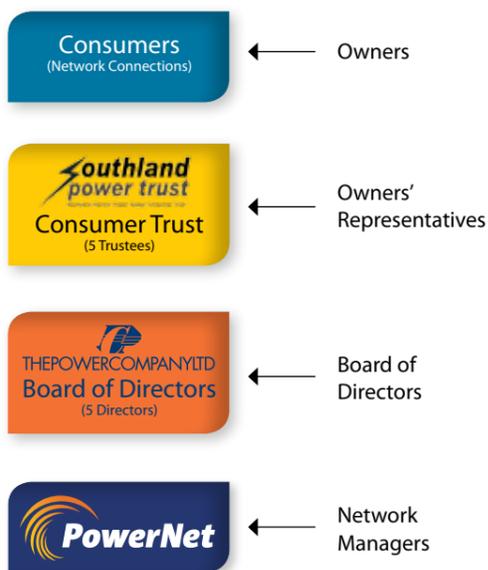
The board has five directors who are appointed by the Southland Power Trust. The appointed Directors are Alan Harper (Chairman), Duncan Fea, Doug Fraser, Locky McGregor and Don Nicolson.

The Power Company Limited Structure

Directors' responsibilities are mainly governed by the Company's Constitution and the Companies Act 1993. Their role includes determining policies, preparing a Statement of Intent, a Business Plan, an Asset Management Plan, monitoring PowerNet's performance, reporting to the shareholder (the Southland Power Trust) and publishing an Annual Report.

TPCL contracts PowerNet Limited to manage, construct and maintain its network and metering assets. PowerNet's costs are recovered via a mark-up on capital and maintenance work and an agency fee for management services.

PowerNet is the main point of contact for customers.



Switching to the 21st Century

Riverton's electricity supply has left the 1950s behind.

PowerNet Project Manager Nathan Donnelly says a scheduled replacement project at the seaside town's substation has made the local electricity supply safer, more efficient and reliable.

"There was 1950s switchgear at Riverton that had reached the end of its useful life, and we have replaced that with a modern switchboard," Nathan says.

The \$1.28 million project was carried out in two stages over January/February 2015 and February/March 2016.

Work was carried out by Electrix and PowerNet teams, with the switchboard being manufactured by RPS Switchgear in Wellington.

"We also took the opportunity to install a neutral earth resistor (NER) to improve safety at the substation," Nathan says.

"It's part of our overall goal to bring the age of our network assets down and make the supply safer, more efficient and reliable for all our customers," Nathan says.



Chair's Message



Alan Harper

The Power Company Limited (TPCL) and its Trustees are again delighted this year to give our valued customers a discount off their power account.

Through this year's annual discount, we've credited a total of \$8 million (including GST) to our customers across Southland and West Otago. This is a significant amount of money returning to our communities and the largest community grant distributed in the south.

We've been able to give our customers this annual discount since 2001. We're extremely proud of this and the fact that - over time - we've put a total of \$84 million back into southern communities.

As well as the discount, TPCL continues to pass on other benefits to you, the customer. We're always working hard to improve the reliability and safety of your power supply and to maintain our competitive line charges.

We continue to be one of New Zealand's most successful rural lines companies. Together with the Southland Power Trust - which is the consumer trust that represents our customers - our Directors are committed to operating a thriving business. That's why we've been strategically investing and diversifying into areas such as wind and hydro electric generation.

In April 2015, TPCL, Electricity Invercargill Limited and Pioneer Energy Limited joined forces to create the new Southern Generation Limited Partnership (SGLP). The partnership owns two wind generation sites - Mt Stuart near Lawrence and Flat Hill near Bluff. SGLP also operates five wind testing sites across Otago and Southland.

In April 2016, SGLP acquired the Aniwhenua hydro-electric power station on the Rangitaiki River in the Bay of Plenty. The purchase of this asset is tied with a long-term supply agreement to a power retailer.

These investments represent significant strategic advances for TPCL, enhancing the asset value on our balance sheet. In turn, as we increase our company value and ownership stake through investment and diversification, we're able to deliver even stronger results that contribute to funding our annual customer discount.

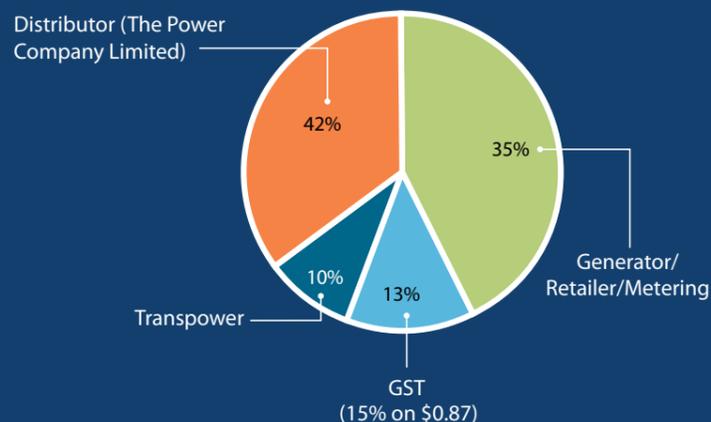
Finally, on behalf of our Directors, I would like to welcome new Director Locky McGregor, who joined our Board in September 2016. The Directors would also like to thank out-going Director, Maryann Macpherson, for her service since 2003.

**Alan Harper, Chairman
The Power Company Limited**

TPCL Network Stats - as at 31 March 2016

Connected Consumers - Total	35,454
Residential Consumers	26,110
Industrial Consumers	190
Commercial Consumers	9,154
Network Length	8,845 km
Consumer Density	4.0 consumers/km
Number of Distribution Transformers	11,051
Maximum Demand	135MV
Total Energy Conveyed	761GWh
Regulatory Value	\$315 million

Breakdown of your Electricity Dollar



A message to Consumers from your Trust

\$8 Million Consumer Discount



Jim Hargest

After another successful year of operations, TPCL has credited a discount totalling \$8 million (including GST) to customers connected to its network.

The Southland Power Trust, as a holder of all the shares on behalf of its customers, strongly supports this decision.

Discounts credited to customers over the past 16 years exceed \$84 million.

We understand how important electricity is to the day-to-day life of our customers. TPCL is one of the best performing rural networks in New Zealand.

The area of rural Southland and West Otago covered by our electricity supply network has continued to experience significant and sustained agricultural, domestic and commercial growth. This requires the continuous upgrade and reinforcement of our electricity network to meet the needs of our community.

We are dedicated to the ongoing improvement of our electricity network. Each year, millions of dollars are invested on projects to upgrade electricity network assets and management systems so we can provide a safe, efficient and reliable electricity supply now and in the future.

Jim Hargest, Chair
Southland Power Trust

Will you get the discount?

It's easy. Check your electricity account.

Every property has a reference called an ICP number and it's written on your electricity account. **If your ICP number includes the letters 'TP', then you're on our network.**

ELECTRICITY	
Supply address: A HOUSE SUBURB TOWN	Supply type: Electricity For the period ended 31 August 2016
ICP number: 000056782 TP -A9C	Meter Number: 122181732:1

Your ICP number

You need to have been connected with us at midnight on 31 August 2016 to receive the discount. All residential customers will receive a discount of 1.78 cents per kilowatt hour (including GST) based on the power consumption recorded for the property. The discount will show up on your power bill from your retailer in September or October. Discounts vary according to how much power you use. As an example, an average household using 6000kWh a year receives \$106.80. If you do not receive your discount by 31 October 2016, please contact your electricity retailer.

Future-proofed Power

The new future-proofed substation at Isla Bank means Western Southland's electricity supply is safer and more reliable.

The substation was commissioned in March this year and the \$4.8 million project also included an upgrade of The Power Company Limited's Fairfax to Isla Bank line. PowerNet's Winton crew completed the line upgrade, which involved constructing an 11kV and 66kV overhead line, as well as 11kV underground feeder cables from the new substation. The upgraded line runs about nine kilometres from the 66kV Riverton-Otautau line at Fairfax to the new substation on Boundary Road.

"The new line and substation meet the increasing demand for electricity in Western Southland," says PowerNet Project Manager, Nathan Donnelly.

"The current demand and predicted future demand is largely due to the growth of dairying in the area," he says.

The substation capacity is 5MVA and construction allows for future upgrades if required. Currently running at 11kV, minimal work would be required to enable it to operate at 22kV.



Southern Generation Limited Partnership

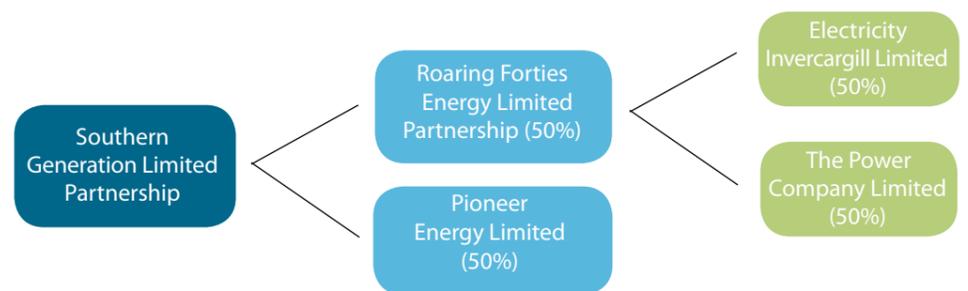
In April 2015, The Power Company Limited (TPCL), Electricity Invercargill Limited (EIL) and Pioneer Energy Limited joined forces to create the new Southern Generation Limited Partnership (SGLP). SGLP has acquired strategic assets that strengthen its position for the future. These include the wind generation sites of Mt Stuart and Flat Hill, as well as the Aniwhenua hydro-electric power station.

The generation output of the wind generation sites and Aniwhenua hydro-electric power station is assessed at 174GWh per annum, with Mt Stuart contributing 22GWh, Flat Hill 25GWh and Aniwhenua 127GWh. Wind and hydro-generation are clean, renewable energies that fit with TPCL's strategies, including the transition from fossil fuels to renewables where possible. The combined output is equivalent to that required by 20,000 residential homes.

This renewable generation in Southland, Otago and Bay of Plenty is managed by our partner Pioneer Energy Limited. EIL and TPCL jointly own 50 percent of SGLP through our joint venture Roaring Forties Energy Limited Partnership (RFELP) and Pioneer Energy Limited owns the remaining 50 percent.

The total value of SGLP is \$150 million, made up of \$30 million of wind generation and \$120 million of hydro-electricity generation.

The return on investment for RFELP makes this investment by TPCL into distributed renewable energy generation a key strategic asset.

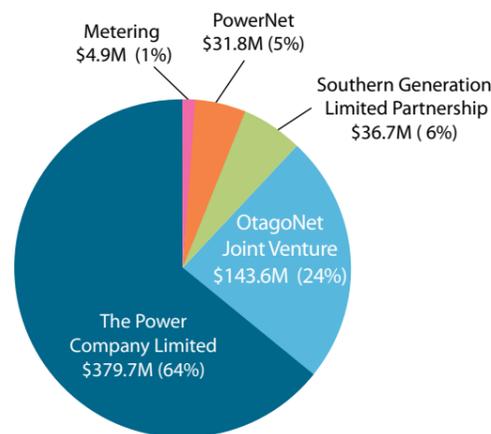


Southern Generation Limited Partnership structure

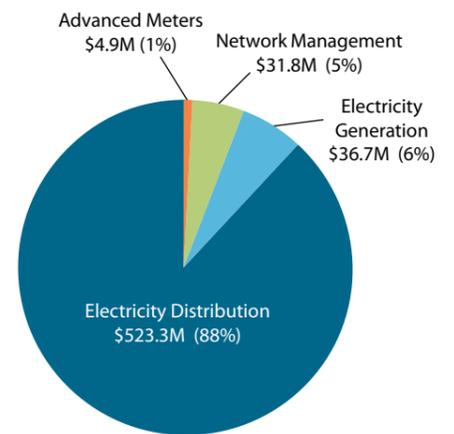
The Power Company Group – Asset Breakdown

The investment make-up by asset investment and investment type clearly illustrates TPCL's strategy of diversification being achieved within the electricity sector. Historically the predominant investment was TPCL's electricity network. That investment now makes up 64 percent of the investment portfolio. Furthermore, while electricity distribution as an investment type makes up a majority 88 percent, the diversification into electricity generation in particular is significant. This diversification is important in order to secure long-term sustainable investment returns.

Asset Investment \$596.7 million



Investment Type \$596.7 million



We're just a phone call away

We're always working to improve the reliability of TPCL's network. This means far fewer power outages – but occasionally they still happen.

The 0800 number puts you directly in touch with PowerNet System Control which has immediate access to our line staff working out in the community. System Control operates 24 hours a day, 7 days a week.

System Control is happy to talk directly to network customers when a power outage happens, so there's no need to contact the electricity retailer. The faster that System Control gets accurate information when there's a power outage, the quicker we'll get the power back on.

Power Issues?

Call  PowerNet on
0800 808 587

THEPOWERCOMPANYLTD

If you have any concerns about our service please call us on 03 211 1899 and we will be pleased to help – we have a free internal complaints process. If we are unable to resolve your concern you can contact the free and independent Electricity and Gas Complaints Commissioner on 0800 22 33 40, (www.egcomplaints.co.nz)