Statement of Intent

2024–2027

Kaiwera Downs wind farm line build.

Contents

1. Introduction

This Statement of Intent sets out the Board's overall intentions and objectives for The Power Company Limited (TPCL) and its group for the year ending 31 March 2025 and the two succeeding years.

The Statement of Intent has been prepared in accordance with TPCL's Constitution and is a public statement of the activities and intentions of TPCL incorporating its subsidiaries, joint ventures and associated entities. It sets out the nature and scope of activities intended to be undertaken, its objectives and key performance indicators by which TPCL's performance can be measured.

TPCL is a profit oriented limited liability company that was incorporated on 30 October 1990. It is owned by the customers connected to its network. The Southland Electric Power Supply Consumer Trust (SEPSCT) exercises ownership rights on behalf of these customers.

TPCL's Board is committed to ensuring the interests of the Trust's beneficiaries, the customers connected to TPCL's network, are met by providing effective governance, oversight and strategic direction for the Company.

The future involves delivering improvements in customer service, securing a sustainable cost base and deploying efficient new technologies.

The Statement of Intent indicates TPCL will continue its high focus on customer service, safety, reliability, efficiency and power quality, which is managed and delivered through the Business Plan.

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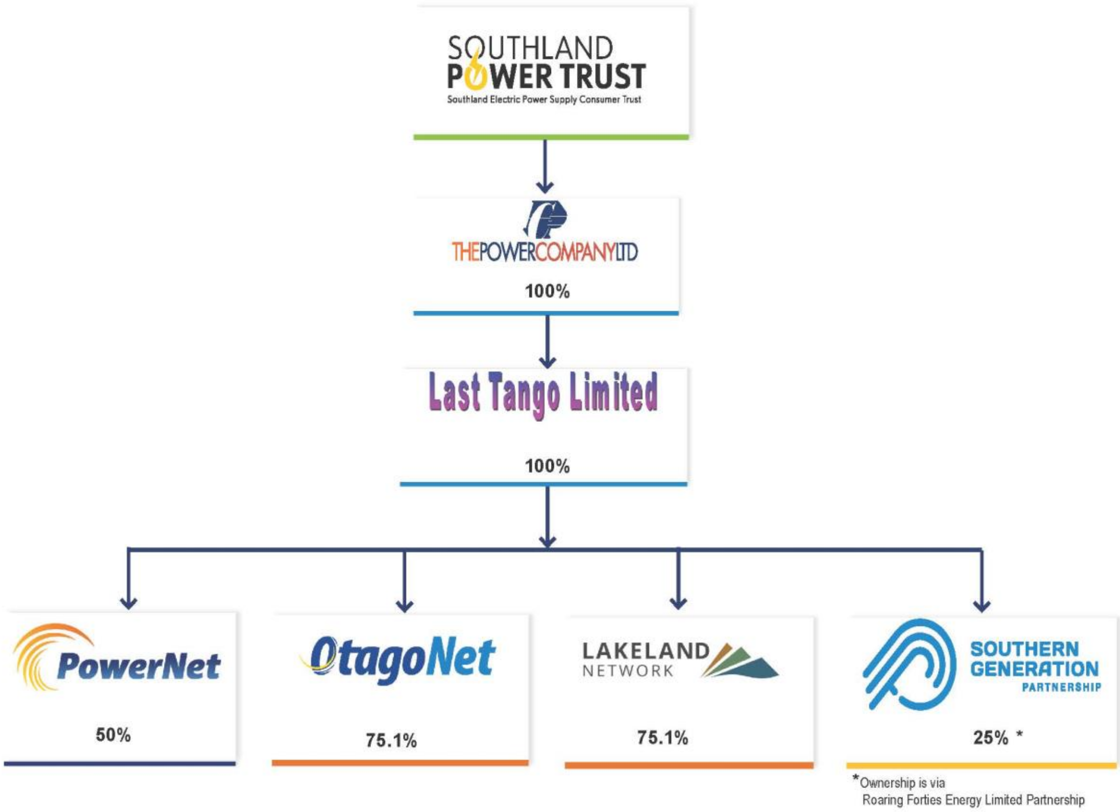
2. Corporate Overview

2.1 The Power Company Limited

- Large, provincial electricity distribution network
- Owned by the customers connected to TPCL's network
- The SEPSCT exercise ownership rights on behalf of these customers
- Owner of the electricity distribution network and advanced metering assets in Southland and West Otago
- Low customer density per kilometre of line
- 110,098 poles, 37 substations, 37,590 customers, 8,882 km of lines and 11,415 distribution transformers

2.2 Company Structure

- The diagram below provides a summary of TPCL's investment structure, including the joint venture interests



2.3 Investment Diversification

Outside of TPCL core electricity distribution business, TPCL together with its joint venture partners, jointly own a number of other electricity sector businesses:

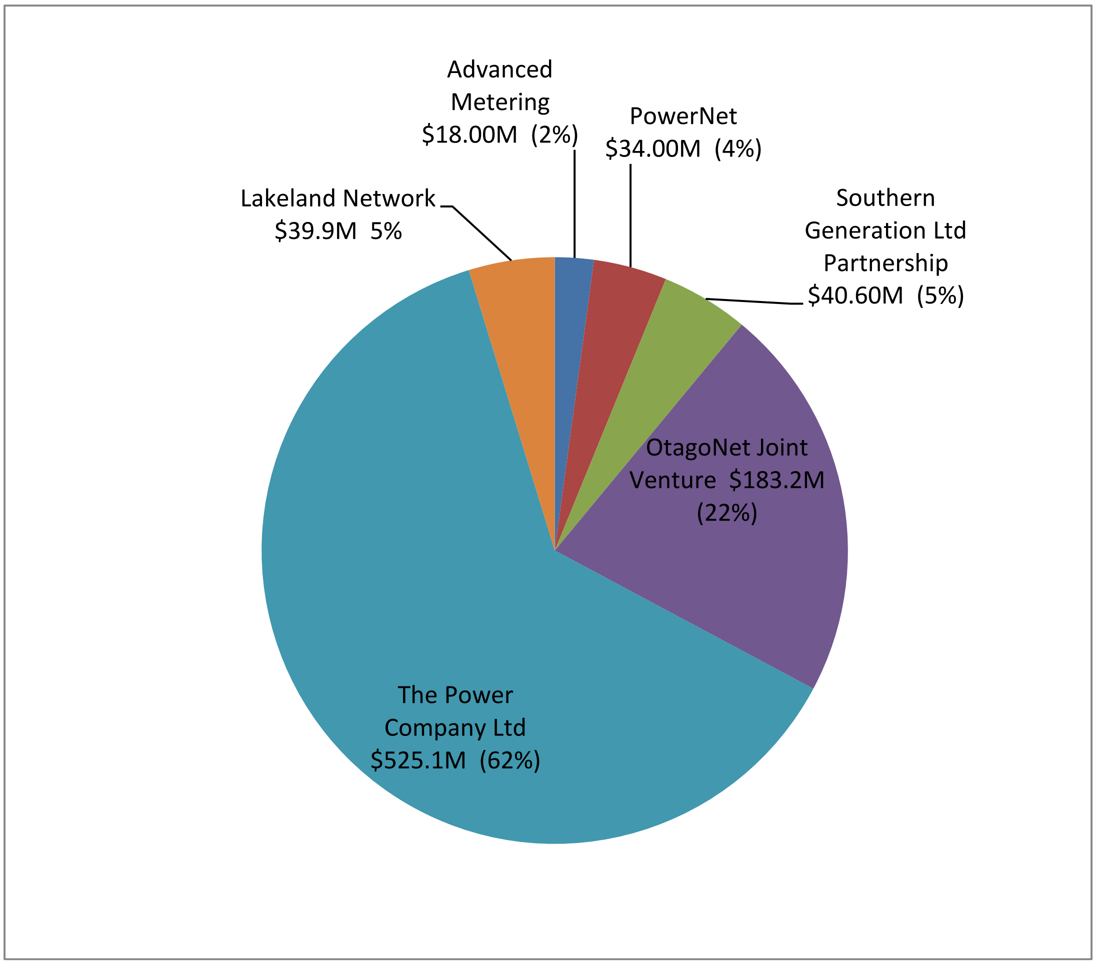
- PowerNet Limited (PowerNet)
  A 50% owned electricity distribution management company. It has long term network management agreements in place for TPCL, Electricity Invercargill Limited (EIL), OtagoNet Joint Venture (OtagoNet) and Lakeland Network Limited (LNL) electricity distribution networks. In addition, they identify, research and inform about other relevant energy investments for TPCL and its other 50% shareholder, EIL.

- OtagoNet Joint Venture
  A 75.1% owned electricity distribution business in rural Otago covering Balclutha, Milton, Ranfurly and Palmerston

- Lakeland Network Limited
  A 75.1% owned electricity distribution business in Central Otago with customer connections in Queenstown, Frankton, Cromwell and Wanaka

- Southern Generation Limited Partnership
  A 25% owned renewable electricity generation business, with wind and hydro generation sites throughout New Zealand. In conjunction with EIL, TPCL equally owns Roaring Forties Energy Limited Partnership (RFELP). Southern Generation is owned 50% by RFELP and 50% by Pioneer Energy

- Advanced metering
  Provision of smart meters on TPCL's network allows the Company to provide improved metering services to customers with additional network benefits such as improved information relating to network quality.



3. Industry Landscape

3.1 The Electricity Industry

TPCL, like other electricity distribution businesses in New Zealand, is regulated by the Electricity Industry Participation Code (EIPC) administered by the Electricity Authority. The Code sets out the duties and responsibilities that apply to industry participants and the Authority. Generation, transmission, distribution and retailing are regulated.

The Electricity Networks Aotearoa (ENA) is the industry membership body that represents the local electricity distribution businesses. The ENA guides the development of policy surrounding the electricity distribution sector. It also interacts with Government agencies on behalf of its members.

Transpower is the State Owned Enterprise that owns over 12,000 km of high voltage transmission lines and more than 170 substations that make up the National Grid. Once this high voltage electricity reaches TPCL grid exit points at Gore, Edendale, North Makarewa or Invercargill, PowerNet manages the safe distribution of electricity on behalf of TPCL. PowerNet is 50% owned by TPCL.

3.2 Industry Regulation

Commerce Commission

Electricity Distribution Businesses (EDB) such as TPCL, as natural monopolies, are subject to economic regulation under Part 4 of the Commerce Act. The Commission has developed a set of rules to regulate the sector called Input Methodologies.

TPCL is amongst a group of 12 Trust owned EDB's that are not fully regulated but are subject to Information Disclosure regulation (regulatory reporting and planning). TPCL's network is not subject to the Default-Price Quality Path (DPQP) regime. This means TPCL is able to make normal commercial decisions without being influenced by the impacts of regulatory [dis]incentives that have developed under the DPQP regime.

TPCL's Group is subject to the DPQP regime with OtagoNet investment being one of the 17 fully regulated EDB's.

The Commission has reset the price and quality paths for non-exempt EDB's effective from 1 April 2020. TPCL is concerned the Commission through a mixture of low regulatory returns, including out of date regulatory inputs (such as the Post Tax Market Risk Premium (PTMRP) being 0.5% lower than that proposed in development of Input Methodologies for the fibre sector), coupled with the Commissions investment disincentives and continual pressure of quality limits is not providing EDB's with an appropriate balance between network quality, customer service and giving EDB's and investors an incentive to invest. An inappropriate balance that reduces revenues to an unsustainable level risks a reduction of investment in network capital and maintenance expenditure and probable deterioration in the reliability of the service to customers.

Of TPCL's assets and investments 78% are held outside the fully regulated sector (only the OtagoNet investment is subject to price quality regulation). TPCL accordingly manages its debt profile under a treasury policy that reflects the areas of its asset investment. The hedging profile under the treasury policy results in TPCL having a more consistent and different cost of debt than that calculated by the Commission which is based on fluctuating five year Government bond rates for a narrow three month window prior to each regulatory period.

TPCL has engaged independent advisors to calculate its weighted average cost of capital (WACC) for EDB investments based on TPCL's costs and the advisors views of the risk free rate, debt premiums, debt issuance costs and the PTMRP; these materially exceed the Commissions WACC estimates used for their 1 April 2020 reset.

TPCL has taken an approach to ensure that it applies a WACC appropriate for its business, and not one that is driven by Input Methodologies applied by the Commerce Commission.

As discussed in the OtagoNet asset management plan, the financial impact of the reset on price and quality paths lead to expenditure being managed to below the desirable levels to manage the cashflow. This places pressure on maintaining service levels to within the quality targets and on maintaining asset health. The overall risk profile of the utilities will increase and the reset regulatory objective of "no material deterioration" will have to be interpreted in its widest sense. It is increasingly likely that unplanned SAIDI and SAIFI targets will not be achieved in the later years of the 2021-25 reset period.

TPCL and OtagoNet are both required to meet the verification requirements of the recently introduced Related Party Input Methodology that affects transactions with related party entity PowerNet. Verification has been confirmed by independent assessment and has been provided to the Commerce Commission. Further verification is required for the 2025/26 year.

PowerNet provides network management and field services to both TPCL and OtagoNet.

Electricity Authority

The Electricity Authority's statutory objective is to promote competition in, reliable supply by, and the efficient operation of, the electricity industry for the long-term benefit of customers. The Authority is presently focusing on the pass through of transmission loss rental rebates and issued the new decisions on Transmission Pricing Methodology and distributed generation. It continues to work on cost reflective distribution pricing.

The Government has approved the phasing out of the low fixed charge regulations over a five year period. TPCL welcomes this change and has now commenced the introduction of a new line pricing methodology that includes more costs reflective time of use pricing signals to customers.

TPCL while supportive of the Authority's objectives is concerned about the consultation process, potential unintended consequences, lack of consideration of other statutory requirements and the increase in regulatory risk that some of the decisions that the Authority is making have resulted in. This includes (but not limited to), recent decisions with distributed generation and avoided cost of transmission.

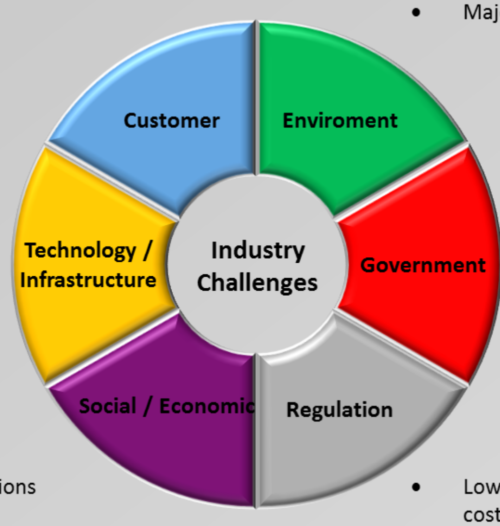
TPCL will continue to work with the Authority to achieve more equitable outcomes for the sector for the long term benefit of customers.

3.3 Industry Challenges

TPCL continues to replace and upgrade assets, adding additional network capacity where there is a customer need. The use of current and emerging technology is also very important to these investment decisions and will become increasingly important.

- Decline in consumption
- Increased expectations (24/7 supply)
- Increasing sophistication
- Move towards a fully digital society
- Demand management focus
- Cost conscious
- Electric Vehicles
- Public Health and Safety

- Resource efficiency/low carbon economy
- Resource scarcity
- Changing fuel price relativities
- Renewable energy
- Major natural disasters



- Smart grid
- Distributed generation
- Battery storage
- Behind the meter devices
- Telecommunication advances
- Data management
- Cloud based technology
- Cyber Crime

- Inconsistent national energy and environment policies
- Ongoing policy changes
- Renewable energy targets
- Infrastructure investment
- Low fixed charge regulations
- Social policy overlaps

- Economic shift across generations
- Security concerns
- Ageing population
- Increase emphasis on reducing energy costs
- Loss of value in utilities
- Increased competition and new players / Alternative technologies
- Unexpected new market entrants
- Health and Safety

- Lower revenue and ongoing focus on cost reductions
- Increasing regulatory intrusiveness
- Restrictive (dis)incentive schemes
- National benchmarking
- Asset management focus
- Regulatory risk from poor decisions
- Pricing methodologies

Electricity Consumption Trends

New Zealand, as a signatory to the Paris Accord is likely to have Government legislate emission reduction targets in the near future. These targets are being indicated in the draft Climate Change Commission report released in mid-January 2021. TPCL is now starting to see investment by industry in decarbonisation and electrification. The Company is well placed to meet this substantial change through its asset mix of distribution and renewable generation and is supportive of flexible pricing structures to support electrification.

A rapid improvement in energy efficiency whether in industrial processes or domestic demand, means a significant challenge for TPCL is how to anticipate what consumption dynamics might be, so network decisions are well founded. Towards this aim, data from the smart meters installed in TPCL network helps monitor consumption patterns and assess asset utilisation levels, which enables data-driven investment and operational decisions. Market research on technology trends, and analytic and visualisation tools are being developed for forecasting range of future scenarios to support strategy and planning.

Customer centric solutions will be key to ensure that customers value to the quality and reliability of service the network delivers. Annual customer surveys performed by independent professional research company provides feedback from range of customers on performance, perception and uptake of new energy technologies.

TPCL is involved in a Smart Energy Home project, in conjunction with PowerNet. The smart energy home is equipped with new energy technologies and information tools that aim to make living there more energy efficient including:

- Solar generation from PV panels, an inverter, battery storage, an electric vehicle and an electric vehicle charging station.
- The home is insulated, has LED lighting, heat pumps for space and water heating, and temperature and humidity sensors. A real time monitoring system is installed showing electricity generation and consumption patterns of the household and major appliances.
- There are six different variable tariffs across a day to incentivise energy usage during cheaper periods.

Through this project we have:

- Learnt about customer energy usage behaviour, technology performance, costs and benefits.
- Developed understanding of possible effect on the network business and assets of greater uptake and control of new energy technologies.
- Used the learnings to support, engage and inform customers, and develop appropriate technology connection standards for safety, reliability and efficiency.

The smart energy home has had different tenants to help TPCL develop understanding of changing customer behaviour, preferences, and energy usage patterns based on incentives and information.

Revenue – Pricing

TPCL wants to ensure equitable charging amongst its customers. In 1 April 2022 Time-of-Use (TOU) pricing was implemented for the residential and general customer groups. This year as part of our pricing strategy we are increasing the price differential between the "peak" and "shoulder" periods to encourage customers to take advantage of the cheaper pricing periods and to help the network manage peak demands. In line with the pricing strategy the majority of the price increase will be recovered by increasing the fixed daily charges as more of our costs are of a fixed nature.

TPCL is in year three of the phasing out of the low fixed charge tariff Regulations being phased out over a five year period by Government. The phase out allows distributors to increase the daily fixed charge by an additional 15 cents per day for each of the 5 years, and when it reaches 90 cents per day in 5-years' time it will be removed altogether.

The improved methodology will assist the Company and customers meet the change in energy use, especially with decarbonisation and electrification.

Government Policies

The Coalition-Led Government is expected to bring numerous policy changes to the Energy sector. We encourage the new Government to take leadership and address areas that will deal with uncertainty and long-term equity and affordability between today's consumers and generations of the future. TPCL views that the electricity industry needs decisive strategic direction and leadership from central Government and looks forward to the delivery of the National Energy Strategy.

TPCL sees opportunity for the new Government to remove uncertainty around future climate policy incentives and regulations and prioritise the stability of the electricity industry to ensure the security, resilience, and affordability of the Network. TPCL understands a step-change in the required level of industry investment as a result of network growth and asset renewals will be needed for the security and affordability of the nation's electricity network. To avoid suboptimal investment decisions, the heavily regulated environment of the electricity industry needs to balance what can be spent on the network and what revenue can be derived from that investment, while ensuring the network is resilient, charges for services remain equitable and affordable for residential and commercial consumers.

The current regulatory settings were created in a period of more stable demand growth and as a result they support an inevitable, just-in-time approach to network investment. Underinvestment in the nation's electricity networks is not desired, and as a non-regulated network TPCL will continue to balance risk and opportunity and will position itself to respond appropriately to each of these as they arise.

4. Strategy

4.1 Core Business

To commercially manage all assets, business units, products and investments within and associated with the Electricity Sector as a successful business for the shareholders of TPCL.

4.2 Vision Statement

To be recognised as the leading consumer trust owned electricity sector company and an excellent corporate citizen.

4.3 Commercial Objectives

TPCL operates as a successful commercial business. We strive to be an efficient and effective operation and capital management through continuous improvement within the electricity sector and provide stakeholders with an appropriate balance of;

- Competitive pricing
- Leading public and workplace safety performance
- Customer service focus
- Sustainable social and environmental impacts
- Commercial return on investment based on the assessed cost of capital for each investment type
- Maximising the Group value to shareholders

4.4 Company Objectives

4.4.1 Ensure workplace and public safety is paramount and that its network assets and operations do not present a safety risk to members of the public, their property, PowerNet staff and contractors.

4.4.2 Manage its operations in a progressive, prudent and commercial manner including maintaining an appropriate balance between network investment, price discounts and debt levels.

4.4.3 Achieve an efficient and effective operation within the electricity sector and provide its customers with competitive prices and optimised service by:

- Ensuring through PowerNet, that sufficient resources are available to satisfy its service requirements,
- Achieving a return for all its electricity distribution assets nearer to the Weighted Average Cost of Capital prior to customer discounts.
- Ensure network reliability is improved over time, through targeted network reliability improvement initiatives.

4.4.4 Continuing to grow its commercial relationship with its joint venture partners, EIL and Pioneer Energy Limited.

4.4.5 Continuing to strengthen relationships with appropriate companies with a view to achieving economies of scale through strategic alliances or associations.

4.4.6 Investigating non-regulatory activities and investments to increase shareholder value including generation, electricity distribution and new, relevant investments in the electricity sector.

4.4.7 Pursuing alternative energy technologies in the best interests of shareholders and customers.

4.4.8 To provide the electrical infrastructure to support a carbon zero economy through decarbonisation of industry, transportation and other sectors.

4.4.9 Reduce TPCL's impact on climate change by monitoring, benchmarking and reducing the production of greenhouse gasses during its business activities

4.5 Deployment of Company Objectives

PowerNet Company Purpose

TPCL contracts PowerNet to manage its business activities.

PowerNet is integral to TPCL's success, and therefore the PowerNet Shared Vision is most relevant to TPCL.

Safe, Efficient and Reliable

The Company endorses the same Safety Always Culture as PowerNet and the promotion of a high standard of safety and workplace injury metrics.

Safe, efficient and reliable power to communities drives the Company's commitment to its customers.

TPCL continues to identify its customers' needs. The ability to respond to changing customer demands is essential to retain grid-connected customers in an ever-changing energy market.
The Company strives to create a lean and efficient organisation that delivers improved customer service, long term sustainability around network pricing and stable long term returns to its shareholders.

The Company explores investments in a contemporary network that provides flexibility both in the home and in industry. It supports the integration of distributed energy resources without compromising grid security.

Innovation

The Company continues its research into developing new products and services which complement the existing network and provide customers with greater choice and control.

Adapting the business where commercially viable to newer, smarter technologies, and encouraging and facilitating changing customer needs and requirements is essential.

For example this includes but is not limited to;

- Remote Area Power Supply (RAPS)
- Electric Vehicles (EVs)
- Battery Storage
- Distributed Generation including Solar
- Peer to Peer trading
- Power Factor improvement forums. TPCL will run education forums for industrial customers to help inform the sector of the inefficiencies and costs of insufficient power factor correction with the goal to reduce customer costs, improve power quality and better utilise capacity on the network.

Community

PowerNet undertakes the annual TPCL capital and maintenance programme, employing 320 staff across the Southland and Otago region with expenditure of over $70 million. A significant portion of this expenditure procured through local suppliers.

TPCL seeks community consultation and input through its annual asset management planning process.

TPCL supports the wider community as follows:

- Provides customers of TPCL network with a line charge discount (2025: $8.65m, 2026: $8.80m, 2027: $8.95m)
- Supports Southland Warm Home Trust insulation and heating installations in the Southland and West Otago region
- Through PowerNet's partnership with St John by;
    - Donating emergency first aid training (through St John) to community groups, including mental well-being education to intermediate schools

Risk Management

TPCL, through PowerNet, has a comprehensive risk management framework in place and a corporate risk register, with mitigation plans and actions, for all business risks. The main area of particular focus and development at present is:

Cyber Security

Cyber fraud training has been provided to the Board and all staff under the PowerNet Limited umbrella of companies, thereby minimising the risk of cyber-attack on TPCL's network.

Cyber fraud testing and training is ongoing within the business, including auditing, information technology and risk management. Cyber tabletop exercises are run in conjunction with other New Zealand EDB's. Heightened controls around information technology has resulted in increased security for the business. PowerNet has outsourced a 24x7 Security Operation Centre to proactively monitor the IT network. Consultants, have and continue to be engaged to undertake cyber fraud training within the Company. Other risk mitigation measures are also undertaken, including penetration testing and system segregation and firewalls.

Insurance Captive

During 2024, TPCL intends to enter into an insurance captive, providing self-insurance cover for their uninsured assets in particular its non-substation network assets. This intended insurance cover will have partial coverage for its non-substation electrical assets for the TPCL electricity distribution network and TPCL's share (75.1%) of OtagoNet Joint Venture

This means that TPCL will be able to access funds in a timely manner to rebuild and restore its network should a significant natural disaster or other event occur (i.e. damaging underground cables/overhead power lines and otherwise uninsured equipment), for the benefit of its customers.

4.6 Responsibilities of the Board

Directors are to act in good faith, to comply with the Companies Act 1993 and their Constitution.

TPCL's Board of Directors has and may exercise all the powers necessary for directing and supervising the management of the business and affairs of TPCL, except to the extent that their constitution or the Companies Act 1993 expressly requires those powers to be exercised by the Shareholders or any other person.

The Company's Shareholders appoint the Directors to govern and direct the Company's activities. The Board and the Shareholders operate under a no surprises approach through effective communication.

The board is the overall and final body responsible for the proper direction and control of the company's activities and decision making. The board's responsibilities include areas of stewardship such as:

- establishes and oversees the Company strategy
- commercial performance
- business plan and statement of intent preparation and approval
- financial, discount and dividend policies
- company policies
- delegations of authority
- reports to shareholders
- compliance with applicable law
- stakeholder and external party relationships
- management oversight and development
- identifying and managing business risks and opportunities
- internal control systems
- integrity of management information systems
- leads and sets the health and safety policy

Performance Measures

5.1 Financial

	2024/25	2025/26	2026/27

EBIT% - Percentage Earnings Before Tax and Interest on Assets Employed

EBIT %	3.33%	3.25%	3.46%
EBIT % (excluding Discount)	4.07	3.89%	4.06%

NPAT% - Percentage Tax Paid Profit on Equity

NPAT %	2.23%	2.24%	2.52%
NPAT % (excluding Discount)	3.30%	3.25%	3.54%

GEARING RATIO

% Gearing Ratio	39.87%	37.75%	37.19%

INTEREST COVER RATIO (TIMES COVERED)

Interest Cover Ratio	4.22	4.44	4.70

5.2 Supply Quality

	2024/25	2025/26	2026/27

System Average Interruption Frequency Index (the average number of times each customer connected to the network is without supply)

SAIFI

Planned	0.63	0.63	0.63
Unplanned	2.61	2.56	2.53

System Average Interruption Duration Index (the average total times in minutes each customer connected to the network is without supply)

SAIDI

Planned	90.80	90.80	90.80
Unplanned	171.80	169.70	167.70

5.3 Health & Safety

PowerNet is contracted to TPCL to manage operations. TPCL employ no staff. Therefore the PowerNet Health and Safety Performance targets are relevant to TPCL.

	2024/25	2025/26	2026/27

Total Recordable Injury Frequency Rate – for PowerNet employees and contractors**TRIFR**	3.10	3.10	3.10

5. Shareholder Information

6.1 Proposed Distributions

Dividend

In 2025 a dividend of $4,000,000 is planned which will be subsequently lent back to TPCL at an interest rate of 7%.

In 2026 and 2027 the operating expenditure of the Company's shareholder is offset at year end by the interest payable by the Company to a Loan from the Shareholder. It is therefore not intended to make a dividend payment in these years.

6.2 Information to be reported

The Company will report on a six-month and annual basis, in the form set down by legislation. An audited Annual Report is required to be delivered to the Shareholder with the opportunity to assess the performance of the Company and the value of the investment.

Un-audited half-yearly accounts will include Statement of Comprehensive Income and Financial Position, together with such other supporting information, including a summary of the debt position, as may be required to enable an informed assessment of the Company's performance during the reporting period, as agreed between the Shareholder and the Directors.

In addition, a monthly Consolidated Summary report will be provided to the Shareholder showing the Financial Performance of the Group, Lines Interruptions Reports for the Company and any new or significant changes to critical risks.

Locational network performance information for the company will be reported to the Shareholder on a six-monthly basis.

Transactions with related parties primarily consist of network asset construction and maintenance, administration and management services.

All related party transactions are eliminated in the preparation of the Annual Financial Statements.

6.3 Acquisition Procedures

Except by a special resolution of shareholders the Company may not enter into a major transaction.

A major transaction includes the acquisition of, or an agreement to acquire assets, the value of which are more than 7.5% of the value of TPCL's assets before the acquisition.

6.4 Board Estimate of the Value of Shareholder's Investment

The Directors estimate the commercial value of the shareholder's investment in the Group to be at least the value of shareholder's equity reported in TPCL's financial statements and Statement of Intent.

Each year as part of the financial reporting process the Board considers its investments for signs of impairment. Presently there are no signs of impairment, however this may be subject to future adverse consequences of any central government decision to place the company under the regulatory provisions of Part 4 of the Commerce Act.

6.5 Customer Price Discount

Since 2001, the Company has provided a Price Discount to customers and strives to do this this through efficiency improvements. The Price Discount is paid to retailers conditional on the basis that it is passed onto the retailer's consumers, typically in or around September each year, when consumers tend to have higher power bills.

The Company has committed one year in advance to the paying of Price Discounts through the decision to post the Price Discount alongside line charges and expects to continue pay customer Price Discounts, and with the amount of the Price Discount for the period ending 31 July 2024 to be set based on the following principles (the amounts referred to exclude GST):

(a) The projected total Price Discount is $8.65 million (excluding GST), although the total of the actual Price Discounts paid may differ from $8.65 million as a result of rounding, and/or of certain connections being ineligible for the Price Discount although their usage is included in the total usage figures used in the calculations set out below

(b) The total Price Discount is allocated to customer groups in proportion to the customer group's contribution to total distribution revenue (eg, if the distribution revenue from non-domestic customers and domestic customers was equal (ie, 50% of the overall total was contributed by each customer group) then 50% of the total Price Discount would be allocated to each customer group). The Price Discount for each customer is then calculated for each customer group as follows:

    (i) Non-domestic customers: the Price Discount for each non-domestic customer will be proportionate to that customer's contribution to total distribution revenue for the non-domestic customer group. Eg, if distribution revenue for a given non-domestic customer represents 1% of the total distribution revenue for all non-domestic customers, then that customer would be paid 1% of the total Price Discount allocated to non-domestic customers.

    (ii) Domestic customers: the Price Discount for each domestic customer will be proportionate to that customer's contribution to total distribution revenue for the domestic customer group, but taking into account only the variable component of distribution revenue (ie, the fixed component of distribution charges will not be taken into account).

(c) Price Discounts will be paid to customers in their first electricity bill they receive from their retailer on or after 31 August.

(d) The Company reserves the right not to pay any Price Discount in exceptional circumstances resulting in a significant fall in revenue or a significant increase in costs in the period to which the Price Discount relates or if the Company's financial circumstances are such that paying the Price Discount would be inconsistent with the Company's legal obligations. Exceptional circumstances could include circumstances such as natural disasters, law changes or significant changes in the demand for, or supply of, electricity. Since introducing customer Price Discounts in 2001, the Company has provided Price Discounts in all but one year.

The Price Discount paid to customers through retailers in September 2023 was $9.84 million (including GST). This resulted in residential customers receiving a credit for 2.10 cents per unit (including GST) of their annual consumption. General customers receiving a credit for 1.23 cents per unit of their annual consumption and 13.00% of their fixed daily charge (August 22 – March 23) and 12.60% of their fixed daily charge (April 23- July 23) and individually assessed customers received $1.14 million.

In the absence of any exceptional circumstances, the Company expects to continue paying customer Price Discounts over the next three years. The Company expects that the Price Discount will continue to be based on the Company's Distribution Revenue (net of transmission costs payable to Transpower) and will be paid to customers based on usage. Ongoing assessment of the appropriate level of Price Discount is required.

The Company will during the financial year, review the discount policy and principles.

6.6 Debt Management

TPCL’s debt levels are managed taking into account financing covenants, the Group’s profit, depreciation, capital expenditure, discounts to customers and new investment plans

TPCL manages its refinancing risk through a range of maturity periods that include trading bank funding for a period from one to three years and United States Private Placements of up to eleven years.

TPCL’s Group holds investments in different classes of assets. Of these, a particular class of assets require replacement of a significant portion of their value as they approach the end of their economic lives. These classes of assets are predominately the renewable electricity generation and advanced meter asset types. TPCL recognises that where these classes of assets have been acquired via debt funding, a prudent approach is to repay the associated debt as the economic value of the asset diminishes throughout its life.

The company is to review its Treasury and Debt Management Policy and will meet six monthly to present to the Trustees a summary of the Debt position versus the policy.

6. Statement of Accounting Policies

7.1 Accounting Policies

General Accounting Policies

The Group’s accounting policies 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). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as applicable for profit oriented entities.

The Company is eligible and has elected to report in accordance with Tier 2 for profit accounting standards, NZ IFRS Reduced Disclosure Regime on the basis it has no public accountability and is not a large for profit public sector entity.

NZ IFRS standards are subject to change and therefore the Company’s accounting policies are also subject to change during the period of the Statement of Intent.

Specific Accounting Policies

The specific accounting policies, which materially affect the measurement of financial performance and financial position, are fully listed in the Company’s annual report.

A helicopter transporting one of the 179 poles to site during the construction of the 33kV line linking Mercury NZ's new Kaiwera Downs wind farm to The Power Company Ltd network in Gore.