

# **Statement of Corporate Intent**

## FY2024-2026

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This Statement of Corporate Intent (SCI) is submitted by the Board of Directors of Alpine Energy Limited (AEL) in accordance with section 39 of the Energy Companies Act 1992. It sets out the Board's overall intentions and objectives for AEL and its subsidiary companies (AEL Group) for the year commencing 1 April 2023 and the following two financial years up to 31 March 2026.

## Our scope

We proudly own and operate the electricity distribution network that delivers electricity to over 33,500 homes and businesses in South Canterbury.

We deliver an essential lifeline service which is critical to support our region's economic growth. We also have an important role to play in New Zealand's transition to a low-carbon economy.

Our core focus is to continue to operate a successful electricity distribution business (EDB). The Commerce Commission regulates our network services, which accounts for over 90% of our revenue, under Part 4 of the Commerce Act (1986). Part 4 aims to ensure we:

- have incentives to invest in our network
- have incentives to innovate, improve efficiency and provide services at a quality that reflects consumer demands
- share the benefits of efficiency gains with consumers, including through lower prices; and
- are limited in our ability to extract excessive profit.

Our asset management strategies and capital and operating expenditure plans are published annually in the Asset Management Plan. The Asset Management Plan includes details on all the major network and non-network projects for the next 10 years. A summary of our Asset Management Plan has been included in Appendix C.

The core business of our principal subsidiary, NETcon Limited, is the construction and maintenance of our electricity distribution network. Our other investments are SmartCo and OnMetering, which delivers advanced metering technology and operational services to customers throughout Canterbury and provides us with access to network data insights which will be critical for the management of our low voltage network in the future. Infratec installs solar and batteries in the Pacific and its strategy remains to finalise its current contractual agreements.

“We deliver an essential lifeline service which is critical to support our region's economic growth”

# Our strategy

We must be able to dynamically balance electricity supply and demand in the South Canterbury region. This balance needs to consider rapidly changing customer electricity usage patterns, and the introduction of new sources and types of generation.

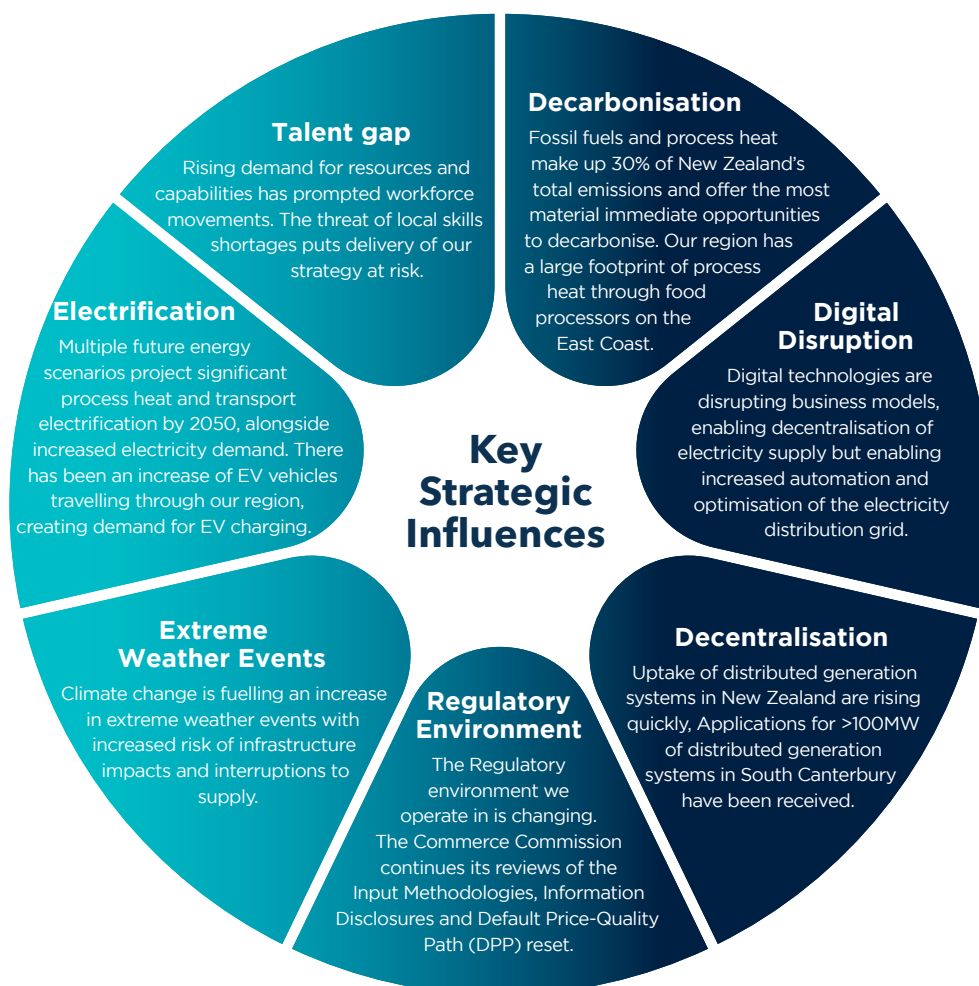
The energy sector continues to see rapid change due to shifting demand brought on by economic growth, digital disruption and local and national commitments to sustainability and climate change goals.

Over the past 12 months we have continued to see an increase in demand and supply through regional development and growth, process heat conversions and distributed generation plans. We have also seen an increase in the number of electric vehicles (EVs) on our roads, largely from local businesses replacing existing fleets with EVs and commuters and tourists

passing through our network, rather than residents. This increased demand requires a significant uplift in our network capacity over the coming years and strong collaboration with our stakeholders to facilitate the delivery.

Keeping our customers and the key trends and changes that will impact our businesses in the short, medium and long term in mind, we have refined our strategic goals and initiatives for the next year and beyond.

We have also commenced work to refresh our enterprise risk management framework to facilitate the identification of strategic and operational risks and the resources necessary to mitigate these risks. Our framework will assist us in improving performance, encouraging innovation, and achieving our strategic goals.



## OUR Scope

We own and operate the electricity distribution network that provides South Cantabrians with power. Our subsidiaries are primarily engaged in related electrical contract services.

We are proud to be community-owned and connect over 33,500 customers throughout our region. We are considered an essential lifeline service, playing a significant role in our community, contributing to the growth and prosperity of South Canterbury and New Zealand's transition to a low-carbon economy.

**Problem statement:** To dynamically balance energy supply and demand in the South Canterbury region. This balance needs to consider rapidly changing customer energy usage patterns, and the introduction of new sources and types of generation.

**Aspiration:** We must be able to dynamically balance energy supply and demand in the South Canterbury region. This balance needs to consider rapidly changing customer energy usage patterns, and the introduction of new sources and types of generation. We are a "best-in-class" EDB with a strong capacity to fast follow on key trends, and our operational excellence will form a baseline from which we can identify and adopt new commercial opportunities.

## OUR Vision

Empowering  
Our Community.

## OUR Purpose

To deliver secure,  
reliable energy  
while innovating  
for our future.

## OUR Values

Safety,  
Accountability, and Integrity.  
Always built on a foundation  
of respect.

## OUR Focus

Serving Our Current  
Customers Well

Providing Excellent  
Core Services

Future State: Selected  
New Customers & Services

## OUR Strategy

| Our 5 strategic pillars  | SP1: Customer Experience   | SP2: Future Networks  | SP3: Digital & Data  | SP4: Operations  | SP5: Sustainability  |
|--|--|---|--|--|--|
| <b>Our strategic goals</b><br><b>What will our future state look like?</b> | We will deliver exceptional customer experiences enabling our customers to make informed energy choices. | We will build a mature asset management process to ensure our assets are best placed to meet our customer's future needs. | We will treat our data as a strategic asset and use technology to transform our customers' and our people's experiences. | We will deliver electricity to South Canterbury homes and businesses while balancing future supply and demand. | We will work with the local community to improve South Canterbury's social, economic and environmental wellbeing.                |
| <b>Why is this important?</b>  | This will ensure that we always put our customers first.   | This enables us to build a network for the future, not for the now.   | This will transform the way we work to make the right decisions for our customers and our people.                        | This ensures that we can keep our community reliably connected now and into the future.                        | This ensures we are on the same journey as our stakeholders and customers, supporting a sustainable future for South Canterbury. |

| Our key strategic enablers   | SE1: Stakeholder engagement  | SE2: Employee Experience  | SE3: Safety   | SE4: Operating Business   |
|--|--|---|---|---|
| <b>Our enabling goals</b><br><b>How will this enable us to deliver our strategy?</b> | Strong partnerships with external stakeholders and the community will ensure shared success and delivery of our strategic goals. | Attracting and retaining top talent will provide us with the resources and capabilities we need to achieve our strategic goals. | Because we care for our people and our community ensuring everyone goes home safely every day is our number one priority. | To deliver value for our customers and Shareholders requires sound business processes and procedures. |

# Our performance targets

Our shareholders represent our community, with a focus on ensuring that there is a locally owned, reliable and sustainable electricity network that supports the needs and ambitions of the community and stakeholders.

We measure our performance against a range of health and safety, network reliability and financial targets. The performance targets that have been set for the period covered in this SCI are outlined below.

## Our health and safety targets

We have a responsibility to keep our people, our contractors and the public safe from serious injury involving any of our equipment and at all our sites. Public safety awareness campaigns help us to educate our community to ensure everyone is kept safe every day.

|  | Actual<br>2022/2023 | Budgeted<br>2023/2024 | Projected<br>2024/2025 | Projected<br>2025/2026 |
|--|---------------------|-----------------------|------------------------|------------------------|
| <b>Business safety</b>   |                     |                       |                        |                        |
| Number of serious injury events involving AEL Group employees or our service providers | 4                   | Nil                   | Nil                    | Nil                    |
| Number of lost time injuries   | 4                   | <2                    | <2                     | <2                     |
| Number of recordable injuries  | 8                   | <4                    | <4                     | <4                     |
| <b>Public safety</b>   |                     |                       |                        |                        |
| Number of serious injury events <sup>1</sup> involving members of the public           | Nil                 | Nil                   | Nil                    | Nil                    |
| Number of public safety awareness campaigns  | 10                  | 10                    | 10                     | 10                     |

In addition to the targets set above, we also commit to the following safety leading targets for Alpine Energy Parent for the 2023/24 financial year. It is important that we set these targets to proactively measure our prevention efforts that keep our people, our contractors and the public safe.

<sup>1</sup> Excluding third party contact e.g., car vs. pole.

| Leading Safety metrics for 2023/24  |  | Metric                                 |
|---|--|--|
| <b>Public Safety Management System (PSMS)</b>   |  |  |
| • External PSMS assessment  |  | Recertification                        |
| • Media comms planned vs. delivered   |  | >90%                                   |
| • Public safety observations (Safety & Culture forum members)   |  | 20                                     |
| • Public harm accidents from our network (excl. car vs. pole)   |  | 0                                      |
| • Public safety engagement meetings   |  | 12                                     |
| <b>Safety Conversations per year</b>  |  |  |
| • Board of Directors  |  | 24                                     |
| • Executive Leadership Team   |  | 60                                     |
| <b>Safety Observations per year</b>   |  |  |
| Operational Business units  |  | 140                                    |
| All other employees (one observation per employee)  |  | >60%                                   |
| <b>Corrective actions</b>   |  |  |
| • No corrective actions open more than 60 days  |  | 0                                      |
| <b>Safety training</b>  |  |  |
| • Percentage of training courses planned vs. completed  |  | >85%                                   |
| • Percentage of new employees to attend Intro Entry Approval Certificate course (non-operational employees) |  | >75%                                   |
| • Percentage of new employees to complete NZQA US6402 (First Aid)   |  | >75%                                   |
| <b>Safety culture</b>   |  |  |
| • Organisational safety culture (maturity)  |  | Complete first assessment to benchmark |

## Network reliability performance targets

SAIDI and SAIFI<sup>2</sup> are standard industry measures for network reliability. SAIDI and SAIFI Performance Measures are calculated in accordance with the Commerce Commissions' DPP Determination. The SAIDI and SAIFI limits are set and fixed during each five-year regulatory period, for planned and unplanned outages respectively.

The third and current regulatory period, DPP3<sup>3</sup>, applies from 1 April 2020 until 31 March 2025. The Commerce Commission have yet to set the limits for the fourth regulatory period, commencing 1 April 2025 and we have therefore only included the next two years in the performance targets below.

|               | Actual 2021 - 2023<br>(3 years) | 5-year limit <sup>4</sup> |
|---------------|---------------------------------|---------------------------|
| Planned SAIDI | 235.23                          | 824.87                    |
| Planned SAIFI | 0.8249                          | 3.493                     |

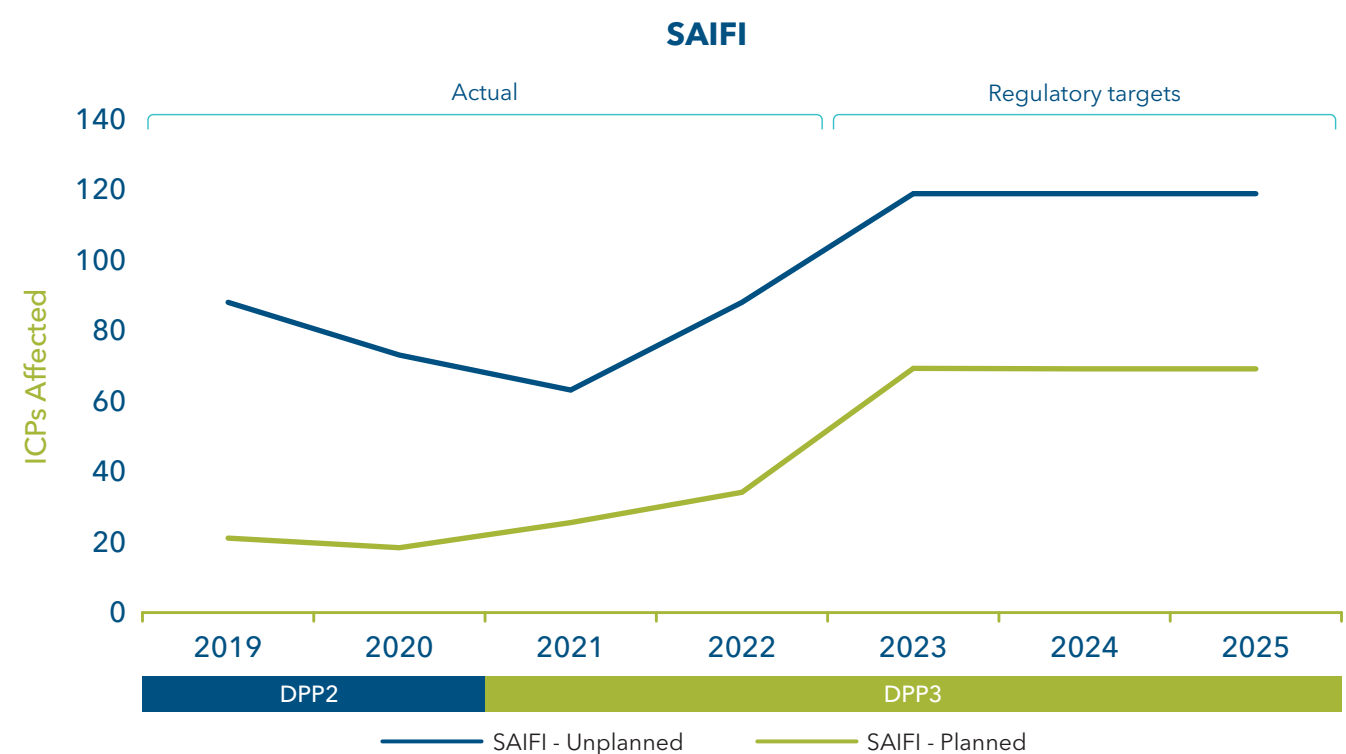
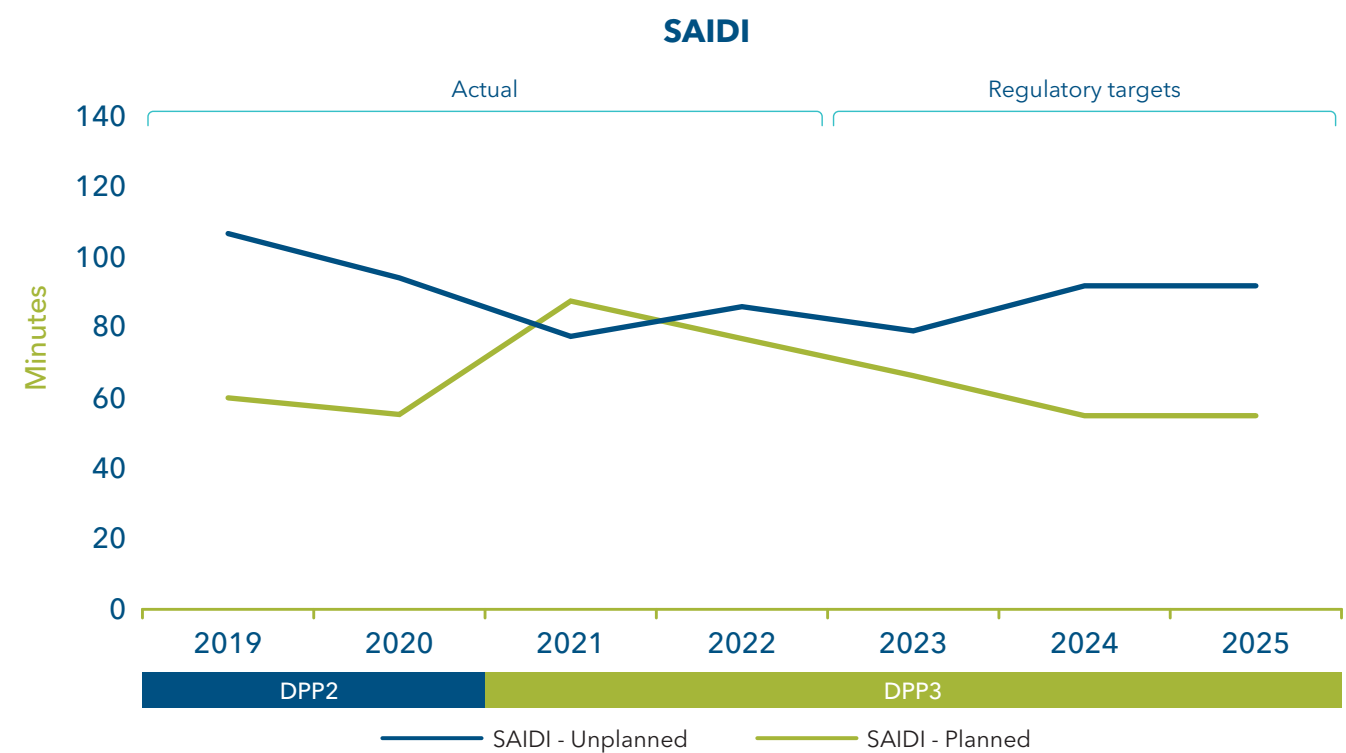
|                 | Actual<br>2022/2023 | 2023<br>/2024 | 2024<br>/2025 |
|-----------------|---------------------|---------------|---------------|
| Unplanned SAIDI | 92.49               | 124.71        | 124.71        |
| Unplanned SAIFI | 0.8529              | 1.197         | 1.1970        |

<sup>2</sup> System Average Incident Duration Index (SAIDI) System Average Incident Frequency Index (SAIFI)

<sup>3</sup> Default Price Path Period 3 - the third default price-quality path (DPP) for the 17 electricity distributors in New Zealand subject to price-quality regulation. The period runs from 1st April 2020 - 31st March 2025.

<sup>4</sup> Planned SAIDI and planned SAIFI have 5-year limits as set in the DPP Determination.

The charts below show our actual SAIDI and SAIFI performances for the years ended 2019, 2020<sup>5</sup>, 2021, 2022 and 2023 as well as the regulatory targets for 2024 and 2025.



<sup>5</sup> During 2019 and 2020 the previous regulatory period (DPP2) applied, and the performance measure criteria were different to the current DPP3.



## Financial performance targets

We recognise the need to deliver a sustainable return to our Shareholders while delivering a secure, reliable, and resilient network to meet our customers' needs. To do this in the most efficient way possible, we need to focus on optimising our core capabilities while creating additional capabilities to deal with current and future customer demands.

Our financial performance targets, being the consolidated targets for the AEL Group, reflect the investment required in delivering our strategic initiatives, leading to an increase in expected long-term financial returns as the strategy is delivered.

|   | Actual<br>2022/2023<br>\$'000 | Budgeted<br>2023/2024<br>\$'000 | Projected<br>2024/2025<br>\$'000 | Projected<br>2025/2026<br>\$'000 |
|---|-------------------------------|---------------------------------|----------------------------------|----------------------------------|
| Lines charge revenue                      | 56,404                        | 63,149                          | 69,463                           | 81,533                           |
| Other revenue                             | 22,045                        | 24,851                          | 17,504                           | 16,692                           |
| Operating expenses                        | 62,559                        | 73,205                          | 70,120                           | 73,079                           |
| Net operating surplus after tax           | 14,208                        | 13,993                          | 15,886                           | 21,612                           |
| Capital expenditure on network assets     | 26,008                        | 29,522                          | 27,896                           | 30,549                           |
| Capital expenditure on non-network assets | 3,225                         | 6,561                           | 6,222                            | 6,065                            |

## Our key forecasting assumptions

Our financial targets are for the consolidated group and are in nominal terms. They include the following key assumptions:

- Regulatory allowances are adjusted for the latest CPI information.
- CPI and interest rates have been forecasted in consultation with our primary lender's economic outlook.
- Our OPEX and CAPEX are in line with our Asset Management Plan.
- Our regulated revenue is in line with the Commerce Commission's DPP Determination. The Commerce Commission have not yet set our revenue for the regulatory period starting 1 April 2025. We have no certainty at this stage if our revenue will be increased from DPP3 to DPP4. The forecast lines charge revenue for 2025/2026 is therefore based on our best estimates at the date of approval of the SCI.
- No impacts of the predicted recession have been factored into the financial forecasts, other than those which are known at the date of approving the SCI, including increased commodity prices, labour shortages, high inflation, and increased interest rates.

- No impacts of potential climate change disasters have been factored into the financial forecasts. We have identified this as a strategic risk and our initiatives to address this will include appropriate financial forecasting to address risk and resilience of our network, to be included in our next SCI.

## Our accounting policies

We will prepare financial statements that comply with generally accepted accounting practices within five months after the balance date .

Our financial statements will conform to the Financial Reporting Standards as required by the Financial Reporting Act 1993.

## Our capital structure & dividend policy

We manage our financial performance and policies to support long-term financial resilience. This allows the continuous investment required to support our electricity distribution network and the necessary funding to implement its strategy effectively.

### Capital structure and covenants

Utilising debt to the level that we do requires that interest rate risk be managed. Our Treasury

Management Policy clearly dictates a hedging profile over multiple years that must be adhered to. This prescribed proportion of fixed interest rate cover is held to reduce the concentration of risk at any one point in time and to ensure the overall interest cost is not materially increased due to adverse interest rate movements.

|   | Actual<br>2022/2023 | Budgeted<br>2023/2024 | Projected<br>2024/2025 | Projected<br>2025/2026 |
|---|---------------------|-----------------------|------------------------|------------------------|
| Interest cover (target > 4.0 times)                             | 8.3                 | 6.6                   | 6.8                    | 8.9                    |
| Consolidated shareholders' funds to total assets (target > 45%) | 58%                 | 59%                   | 59%                    | 60%                    |
| Rate of return on consolidated shareholders' funds              | 8%                  | 7%                    | 8%                     | 10%                    |

### Shareholder dividends

In determining the level of funds available for distribution, our directors will consider our financial position, earnings, cash flows, capital expenditure, funding facility provided, future investment requirements and market and regulatory conditions. We will distribute funds to our Shareholders subject to meeting the solvency requirements of the Companies Act 1993. Any dividend declared will be at a level that allows us to execute business strategy and maintain a sustainable capital structure.

For the remaining two years of DPP3, the Directors intend to declare a fully imputed dividend payment from normalised Net Profit After Tax (NPAT) of 6 cents per ordinary share each financial year. The annual dividend will be paid in four instalments in September, December, March, and July each year.

The level of dividend was established prior to the commencement of DPP3, utilising robust financial modelling to account for:

- The reduction in regulated revenue for DPP3 as a result of a decreased weighted average cost of capital.
- Maintaining a constant dollar level of borrowings.
- Providing sufficient available cashflow for the network capital and reliability programmes.

The Commerce Commission has yet to set our regulated revenue for DPP4. We expect to be notified of our DPP4 allowances during 2024 at which point we will, in consultation with Shareholders, update the dividend policy and projections.

|                         | Actual<br>2022/2023 | Budgeted<br>2023/2024 | Projected<br>2024/2025 |
|-------------------------|---------------------|-----------------------|------------------------|
| Fully imputed dividends | \$0.06              | \$0.06                | \$0.06                 |

# Our commitments to our Shareholders

## Our reporting to our Shareholders

### Monthly reporting

We will provide a monthly dashboard to the Shareholders containing statistics and commentary on our strategic progress and performance targets set in this SCI by the 25th calendar day of the month.

### Interim reports

We will provide the Shareholders with a half-yearly report that covers the strategic progress, operations and financial results for the period and includes any significant activities of our subsidiaries.

### Annual financial statements

Annual financial statements will be provided within three months of the end of the financial year.

### Shareholder briefings

The Shareholders will be briefed at least three times annually, including the Annual General Meeting (AGM), by the Chair and CEO on the performance and strategic plans for the company.

### Statement of Corporate Intent

The SCI will be delivered to Shareholders within one month of the start of the new financial year. The SCI sets out the matters specified in relation to sections 39(2)(a) - (j) of the Energy Companies Act 1992 (in respect of each company in the Group and covering that financial year and the following two financial years).

The completed SCI will be delivered to Shareholders within three months after the start of the financial year. It will also be published on the company's website within one month of being delivered to the Shareholders.

### Other matters

The Shareholders will be updated about any matters that arise such as emergency events throughout the year or as agreed by the Shareholders and the directors. The directors will also provide the Shareholders with an open and factual account of the capability and adaptability of the business on an as need basis.

The Directors will, at the appropriate time, undertake a robust self-review processes and succession planning and keep the Shareholders informed of the outcomes.

We will consult with Shareholders in the event of any substantial investment where the value is greater than 5% of Group total assets as disclosed in the preceding published Annual Report, and/or has a subsequent material impact on dividends.

**“We are committed to keeping our Shareholders informed on a no-surprises basis.”**

## Disclosing our related party transactions to our Shareholders

We will continue to disclose our related party transactions to our Shareholders.

Our contractual arrangements with the District Councils include:

- The development, installation, and maintenance of community lighting facilities.
- Road and footpath sealing after work is completed.
- Leasing of vacant gas reticulation pipe works for the conveyance of fibre and electrical infrastructure.
- Leasing of land from council for distribution substations.

All transactions with our Shareholders will be conducted on a commercial basis.

We also transact with other companies in the Group. These transactions include:

- The provision of network contracting services.
- Financing arrangements.
- Rental received on commercial property and smart meters.

The above transactions are provided as part of our normal trade activities and incorporated into our operating costs and revenues.

“The Directors will, at the appropriate time, undertake a robust self-review processes and succession planning and keep the Shareholders informed of the outcomes.”

# Our governance

We are committed to building an environment of trust, transparency, and accountability necessary for fostering long-term investment, reliability, financial stability, and business integrity.

## Our Board

Our Shareholders appoint the directors to govern and direct AEL and to hold management to account. The Board has overall responsibility for the direction and control of AEL's activities, decision-making, risk management, overall strategy, objectives, performance, operational efficiency, and reporting of the business and relevant entities.



Board operation, meetings and committees

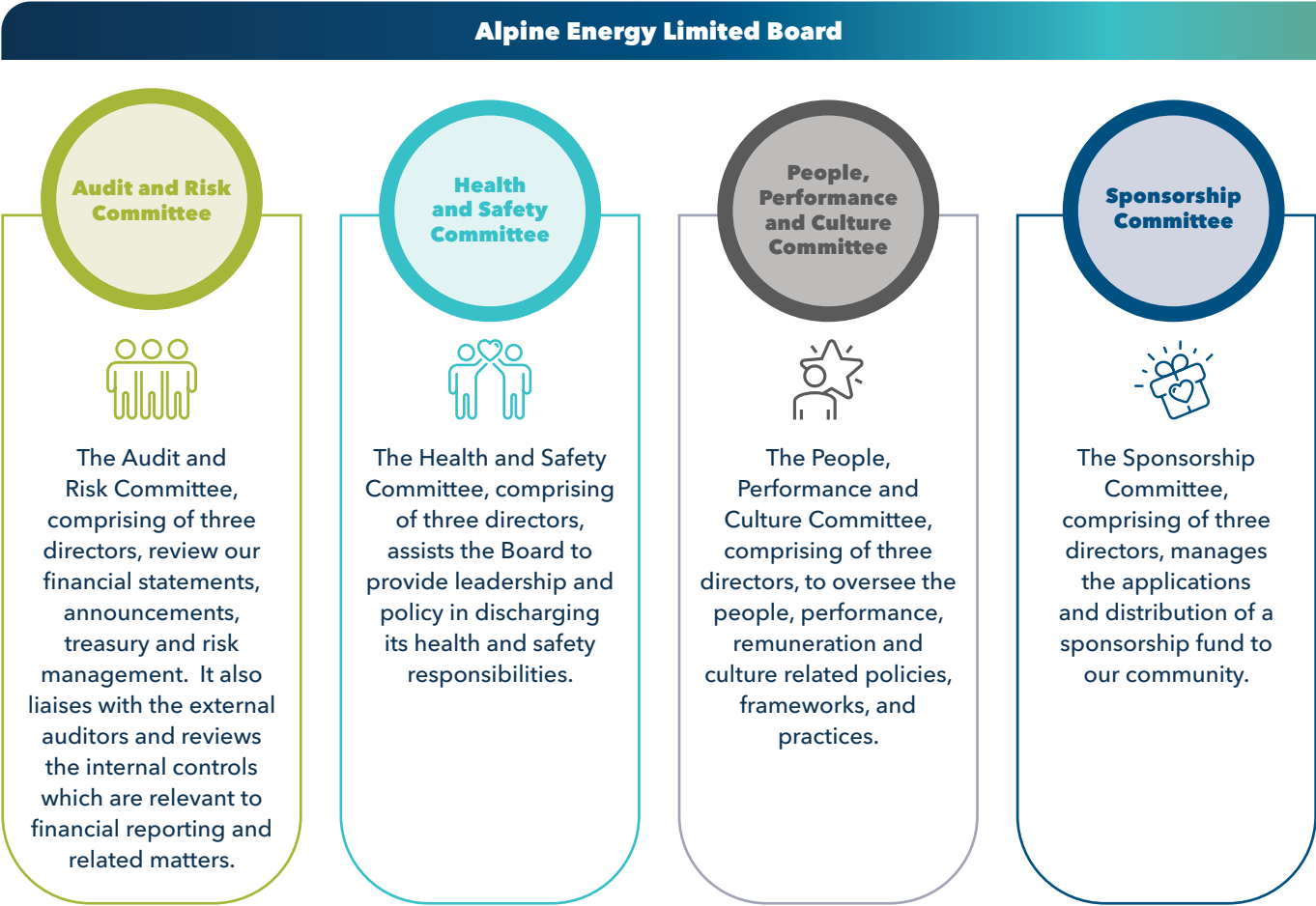
The Board adheres to the board charter which sets out the Board and committees’ responsibilities and how they are to be achieved. The Board maintains a rolling annual work-plan for AEL.

The Chair maintains the relationship with the Shareholders along with the Chief Executive Officer (CEO) and the Executive Leadership Team (ELT).

The Board meets at least six times per year and will convene for additional meetings if required. The

annual work programme for the Board is agreed at the start of each year. Formal reports and agendas are distributed to the Board a week before meetings, and the ELT attend meetings to discuss items of interest and strategic direction.

The Board has four Committees. The Committees report to the Board.



# Our sponsorship commitments

We are committed to continue to support our community through our sponsorship programme, granting sponsorships totalling \$200,000 for 2023/2024 and 2024/2025.

The purpose of our Sponsorship Programme is to live our vision of Empowering Our Community by facilitating community goodwill, lifting regional growth and prosperity, aiding community connection and wellbeing, increasing brand exposure, fostering trust, and enabling direct communication with the communities we serve. Through this we strive to also improve public perception and increase employee engagement.

We are a dedicated and willing community empowerment sponsor, committed to our corporate social responsibility. Our diverse Sponsorship Committee strive to fund equitably and fairly throughout the South Canterbury region, using a

documented criteria to evaluate the applications received. We sponsor an extensive scope of individual development requests, community events, projects, and initiatives. With an average of fifty causes sponsored per year, our support is often pivotal to the start-up and success of recipients.

Through our Sponsorship Programme, we will continue to align with our core business strategy, develop strong relationships with stakeholders, support local beneficiaries, measure, evaluate, and communicate the effectiveness of our activities, while adhering to ethical behaviour and compliance with laws, regulations, procedures, policies, and guidelines.

We will consult with our Shareholders after the DPP4 reset is finalised by the Commerce Commission to review the value of our sponsorships going forward.





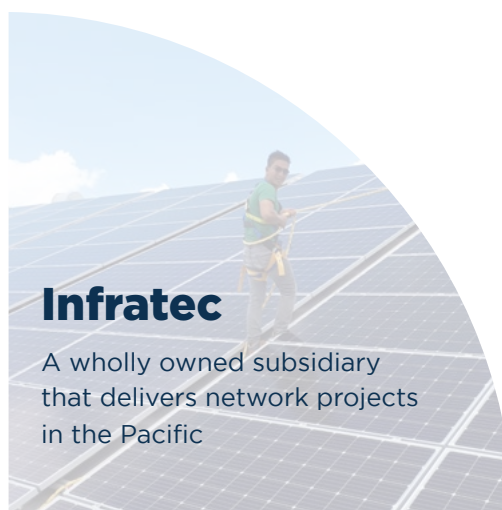
# Our investments

Our investments are key to our Group's financial and operational performance. Our objective remains to maximise returns.



## NETcon

A wholly owned subsidiary of Alpine Energy and the main contractor on our Network



## Infratec

A wholly owned subsidiary that delivers network projects in the Pacific



## Metering

SmartCo and On Metering deliver advanced metering technology and operational services to customers



## Alpine Data Networks

Our fibre division with a strong base in South Canterbury

## NETcon

NETcon, a 100% wholly owned subsidiary of AEL and is AEL's main contractor. Its experienced technicians, line mechanics, cable jointers, and electricians provide the expertise required to operate and maintain our electrical distribution infrastructure, including a variety of essential plant and equipment. NETcon's priority is to provide a safe and reliable electricity network through construction, maintenance, and vegetation management services.

NETcon recently refreshed its strategy with the goal of developing and delivering quality electrical services that profitably achieve exceptional customer satisfaction, ensuring that they are always safely connected. This is a key enabler to the Group.

## Infratec

Despite significant challenges driven by the pandemic and a volcanic eruption in Tonga, Infratec has successfully delivered projects in the Northwest Pacific, Solomon Islands and a third in Tonga nearing completion. Infratec's strategy remains to finalise its contractual commitments on the remaining projects, following which the subsidiary will be wound up.



## Metering

Our metering network delivers advanced metering technology and operational services to customers throughout Canterbury. This is done through our two investments, SmartCo and On Metering. The primary revenue stream is currently the lease of our metering assets to electricity retailers. The secondary return on our investment, particularly in South Canterbury, has been our ability to access and diagnose power quality characteristics of our low voltage network, leading to faster identification of fault location, cause and ultimately, restoration of power. It also provides data from the field that assists us with our future planning for network development, augmentation, and maintenance.

A third area of potential return is the expansion of opportunities expected through the development and offering of products and services to participants trading in the highly anticipated flexibility-services market<sup>5</sup>.

The transition to a smarter digital energy system dominated by decarbonised, decentralised, and digitalised resources demands access to new data. Our smart metering network, covering 85% of our community, plays a pivotal role in providing access to these new datasets, identifying opportunities, and providing a platform for distributed energy management into the future.

Flexibility services, outage management, and network modelling will be enabled through this investment. SmartCo is currently developing a suite of products to deal with this demand. Taking a holistic approach to data and digitisation is essential in building an optimised energy system for South Canterbury.

## AEL Data Networks

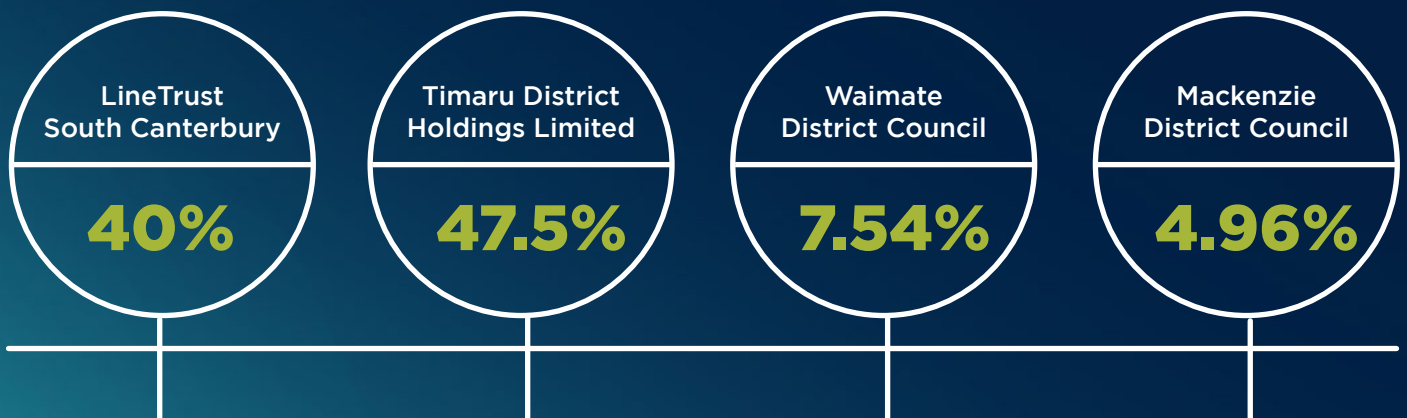
Our fibre division, has established a base across our South Canterbury region, with reach into Central Otago. There is an opportunity to service growing demand throughout our region and beyond. The strategic positioning of this asset will be reviewed in line with our broader strategy in the year ahead.

“The transition to a smarter digital energy system dominated by decarbonised, decentralised, and digitalised resources demands access to new data.”

<sup>5</sup> Flexibility services such as trading in generation derived from distribution generation and batteries as well as demand response for managing network demand and supply.

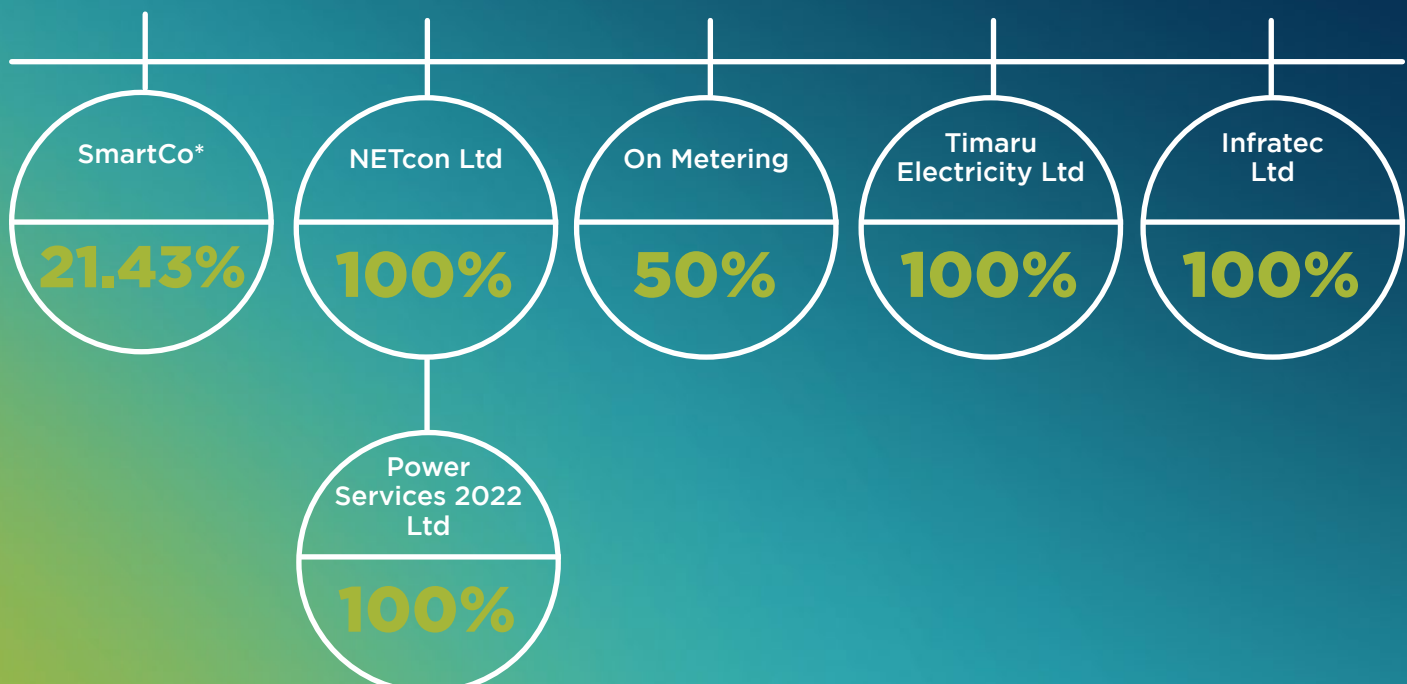
## Appendix 1: Network Ownership

### Network Ownership



The community owns 100% of Alpine Energy

### Alpine Energy has ownership in



\*14.29% shareholding directly through Alpine Energy; 7.14% shareholding through On Metering.

## Appendix 2: Definitions

The definitions of the key terms and acronyms used in the SCI are provided below.

| Term / Acronym                                     | Definition  |
|--|---|
| Asset Management Plan                              | A plan for managing infrastructure and other assets to deliver an agreed standard of service.   |
| CAPEX  | Capital expenditure   |
| Consolidated shareholders' funds to total assets   | A measure to show the amount of equity used to support the business.  |
| Cost to deliver                                    | The resourcing required to complete a project/earn revenue.   |
| CPI  | Consumer Price Index  |
| EDB  | Electricity Distribution Business   |
| Enterprise risk management model                   | A company-wide methodology to identify and prepare for risks with a company's finances, operations and objectives.                                      |
| Fully imputed dividends                            | Dividends paid to shareholders that have a tax credit attached, due to tax having already been paid for by the entity.                                  |
| Interest cover                                     | A measure to show the ability of an entity to pay interest on outstanding debt.   |
| OPEX   | Operating expenditure   |
| Planned (in the context of network reliability)    | Planned outages on the network for maintenance and repairs.   |
| Rate of return on consolidated shareholders' funds | A measure to show shareholders' earnings from their investment in an entity.  |
| SAIDI  | System Average Interruption Duration Index. This is the average outage duration for each customer served. It is measured in minutes.                    |
| SAIFI  | System Average Interruption Frequency Index. This is the average number of interruptions that a customer would experience.                              |
| Serious injury event                               | Physical incapacity as a result of an injury which prevents a person being able to perform their normal duties for a period of 7 or more calendar days. |
| Unplanned (in the context of network reliability)  | Unplanned outages on the network due to faults.   |

## Appendix 3:

# Balance sheet and cashflow forecasts FY24 - FY26

|   | FY24<br>\$'000 | FY25<br>\$'000 | FY26<br>\$'000 |
|---|----------------|----------------|----------------|
| <b>Balance sheet forecast</b>           |                |                |                |
| <b>Equity</b>                           | <b>198</b>     | <b>211</b>     | <b>230</b>     |
| <b>Net Assets</b>                       | <b>198</b>     | <b>211</b>     | <b>230</b>     |
| Non-current assets                      | 345            | 362            | 380            |
| Non-current liabilities                 | (145)          | (147)          | (145)          |
| Current assets                          | 13             | 12             | 15             |
| Current liabilities                     | (16)           | (17)           | (20)           |
| <b>Cashflow forecast</b>                |                |                |                |
| Net Cash Flow from Operating Activities | 20             | 26             | 35             |
| Net Cash Flow from Investing Activities | (26)           | (27)           | (32)           |
| Net Cash Flow from Financing Activities | 7              | 1              | (3)            |
| <b>Cash movement for the period</b>     | <b>1</b>       | <b>(1)</b>     | <b>0</b>       |
| Cash at the beginning of the period     | 0              | 1              | 0              |
| <b>Cash at the end of the period</b>    | <b>1</b>       | <b>0</b>       | <b>0</b>       |

## Appendix 4: Our AMP

The energy sector continues to see significant change due to shifting demand brought on by economic growth, local and national commitments to sustainability and climate change goals, and the emergence of disruptive digital technology. Our purpose remains to deliver secure, reliable electricity across South Canterbury, while innovating for our future.

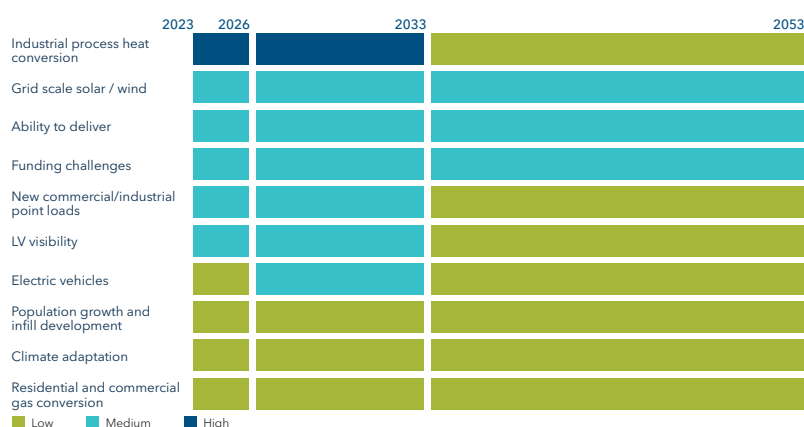
Our AMP sets out our asset management policy, strategies, practices, and expenditure forecasts for the next 10 years. Our AMP is led by and contributes to our Strategy.



### Our AMP drivers

We are facing uncertainty at unprecedented levels around future electricity demand, the impact of climate change, technological advancements, and the extent of regulatory change required to support a transformed energy sector. Identifying long-term investment drivers, and making key assumptions is critical to our planning process.

Our AMP outlines our key drivers, and their potential impacts on our long-term investment decisions for both network development planning, and asset lifecycle management.



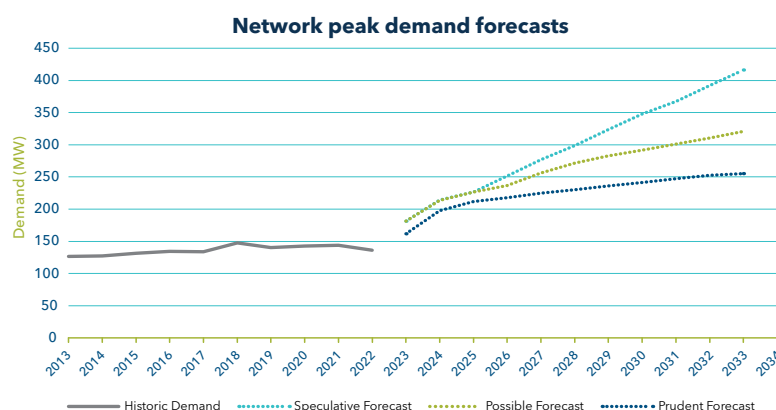
### Our Future Network

Network planning is about providing a reliable and resilient network in the long-term interests of our customers and meeting new and changing electricity needs in a cost-effective way.

Network planning uncertainty is higher than ever due to rapid technology innovation and changing customer preferences. The rate, direction and even location of change is hard to predict. Our AMP considers different scenarios informed by our assumptions about the impact of our investment drivers, and by known customer demand. Our network planning considers three scenarios:

- **Prudent** (our AMP forecasts are based on this scenario)
- **Possible**
- **Speculative**

The growth expected on our network over this AMP is significant. The graph shows that under our prudent forecast we are planning for an uplift from a base of 144MW to 255MW over the next ten years. We are aware that if customer demand changes, we could be facing an increase to over 400MW in the same period.



### Managing our Network

Our core purpose remains delivering secure, reliable electricity. This requires the ongoing maintenance and renewal of our assets to ensure our network can deliver the service levels our customers expect, today and into the future. It also covers network-wide operations, including network control, system outages and emergencies, and vegetation management, to keep our network safe.

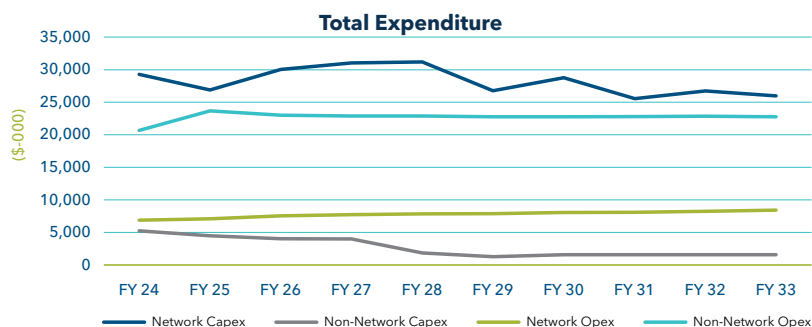
# What we need to spend on our network

## Network CAPEX

Over the next 10 years we are forecasting total network capital expenditure of \$277 million, a significant increase on our previous AMP forecast. This reflects our response to the influence of our key investment drivers.

## Network OPEX

Our network operating expenditure has increased to \$70 million over the 10-year period. The increase is driven by rising labour costs and a planned increase to our vegetation inspection programme to improve network resilience.



## Non-network Expenditure

We have forecast significant investment in the digital tools required to ensure a safe network, exceptional customer service, and to meet the challenges of evolving technology and customer behaviour over the next 10 years. To ensure the delivery of our planned network programme, we also need to increase our investment in our people and capabilities.

## Major projects

| Project  | Description   | Driver                                   | Estimated cost (\$'000) | Timing (FY) |
|--|---|--|-------------------------|-------------|
| <b>Network Projects</b>                          |   |  |                         |             |
| Overhead line renewal/replacement projects       | Replace and renew more than 300km of overhead lines across our network.   | Safety and Reliability                   | 6,670                   | 2024        |
| Network portion of customer connections          | Facilitate industrial, commercial, and residential growth   | Decarbonisation and Growth               | 500                     | Annually    |
| Grants Road and Luxmoore Road, Timaru            | Underground the overhead line running over private property, improving the resilience for the Timaru urban network.                                 | Safety and Resilience                    | 1,500                   | 2024/25     |
| Twizel Village Zone Substation rebuild - Phase 2 | Replace end-of-life assets at Twizel Village Zone Substation  | Improve Security of Supply               | 3,360                   | 2024        |
| Washdyke Switching Station upgrade               | Upgrade the capacity of the Washdyke switching station to enable forecast load growth due to electrification of industrial process heat and growth. | Decarbonisation and Growth               | 4,000                   | 2024        |
| Underground substation replacement programme     | Annual programme to replace three or four underground substations with above ground equivalents.  | Safety                                   | 1,200                   | Annually    |
| Maintenance Defects                              | Programme to respond to network defects identified through condition-based monitoring and inspections in the field.                                 | Safety and Reliability                   | 1,450                   | Annually    |
| Transformer Replacement                          | Replace a transformer at Clandeboye substation due to failure in 2023.  | Security of Supply                       | 994                     | 2024        |
| <b>Non-network Projects</b>                      |   |  |                         |             |
| Advanced Distribution Management System (ADMS)   | To enable improved network efficiencies and resilience, allowing us to remotely respond to outages and other network conditions quickly and safely. | Customer Service, Safety and Reliability | 5,600                   | 2024-26     |
| Cyber Security                                   | Ongoing cyber security programme to protect our network control and data from cyber-attacks.  | Security and Resilience                  | 2,970                   | 2024-33     |
| Customer Relationship Management System (CRM)    | To provide visibility of our connections and customer data, and better manage enquiries and engagement.   | Customer Service                         | 425                     | 2024/25     |
| LiDAR implementation                             | Provide a data point model of our network to improve safety and predictability of network operations, planning and vegetation management processes. | Safety and Reliability                   | 2,250                   | 2027-33     |



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