# Statement of Corporate Intent

FY2027-29

Alpine ENERGY

# Letter from the Chair of the Board

Over the past year, the business has reached several milestones that provide a stronger foundation for the period ahead.

The resolution of the price-path investigation was a critical step. We can now plan with greater confidence and take a longer-term view of the business and network investment needed to keep our network resilient and reliable.

The business commissioned an independent review of the significantly increased capital works programme set out in last year's Asset Management Plan. The review confirmed that the direction and trajectory of the programme are appropriate, given the condition of the network, growth pressures, and rising expectations around safety and resilience.

This independent assurance suggests the investment can be made over a longer time period while managing network risks. The potential scale of investment remains largely unchanged over the longer term. Shareholders can find details in Section 10 of the 2026 Asset Management Plan (see figure 107) which outlines our capex forecasts.

With these foundations in place, this SCI is centred on disciplined delivery, building capability across the business, and ensuring Alpine Energy is positioned to meet the changing demands of the energy sector. It balances the need for a stable and efficient business today with the responsibility to prepare the network, the business, and its partnerships for the decades ahead.

To support this, we have committed to significantly increasing the capacity at the Timaru Grid Exit Point and reconfiguring Alpine's supply from it. This inter-generational decision supports future demand growth and improves reliability of supply. The current commissioning date estimate is 2030.

The Board and management are focused on maintaining momentum, strengthening engagement with shareholders and stakeholders, and delivering the programme of work in a measured and transparent way. We look forward to working together as this next phase is progressed.

**Tony King** on behalf of the Board, Alpine Energy Limited

# 1. Foreword

## 1.1. Purpose of the Statement of Corporate Intent

This SCI outlines our strategic direction, performance targets, and commitments for the three-year period FY27-29. The SCI sets out how we will invest responsibly and deliver long-term value to shareholders and the South Canterbury community. It ensures transparency and alignment with both financial and non-financial objectives, as required under section 39 of the Energy Companies Act 1992. Progress against the commitments and targets set out in this SCI will be reported annually.

Our capital investment and operational performance are reported in the Annual Report and informed by our long-term planning through the Asset Management Plan (AMP).

## 1.2. Scope

We own and operate the electricity distribution network serving 34,000 residential, commercial and industrial customers across South Canterbury. Our core business is building, maintaining, and enhancing this network to ensure a safe, reliable, and resilient power supply, now and into the future.

As a regulated monopoly, our allowable revenue is governed by the Commerce Act 1986. The regulatory framework ensures distributors:

- have incentives to invest in and innovate within their networks
- improve efficiency and provide services that reflect consumer needs
- share efficiency gains with consumers, including through lower prices; and
- are limited in their ability to extract excessive profits.

# 2. Strategy

## 2.1. Strategic purpose and outcomes

Electricity is an essential service providing the foundation for the daily lives of our people, businesses, and visitors to our region. A resilient and reliable power supply is critical to our region's success.

Our purpose and strategic outcomes reflect the importance of our network to existing and future customers. These outcomes guide our decisions and investment priorities to ensure we continue to deliver for our communities over the long term.

### Our purpose

*Empowering our vibrant and thriving communities, now and for the future.*

### Strategic outcomes

- **Thriving communities** – Our people and communities are healthy, safe, and thriving for the long-term
- **Electricity for all** – All electricity users can access and use electricity as they need
- **Resilient and reliable electricity** – Our electricity supply is resilient and adaptive in the face of climate change
- **Financial sustainability** – We have the capital and infrastructure to invest and deliver our strategy

Together these outcomes describe what success looks like for our business, our customers, and our region.

## 2.2. Focus areas for FY27-29

Many of our current systems, processes, and assets were built for a smaller, simpler organisation which are no longer fit for purpose given the scale and complexity of work we face. There are significant programmes of work underway to address these shortcomings. These include upgrading core business systems, modernising pricing and connection processes, integrating field services into our operating model, improving asset data, and investing in inspection and maintenance.

**Our immediate priorities are:**

- Maintaining a safety focus - it's our priority at all times.
- Developing long-term financial modelling capability and assessing impacts on dividends.
- Selling our unregulated assets starting with the EV charger fleet and Alpine Data Networks and then focussing on the metering related investments.

- Progressing our Enterprise Resource Planning and Enterprise Asset Management replacement programmes to implementation. These address underlying system risk and improve operational efficiency.

Confirming our short and long-term investment needs, with a focus on inspection programmes and preventative maintenance. Much of our network was built in the 1950s and 1960s and is reaching the end of its useful life.

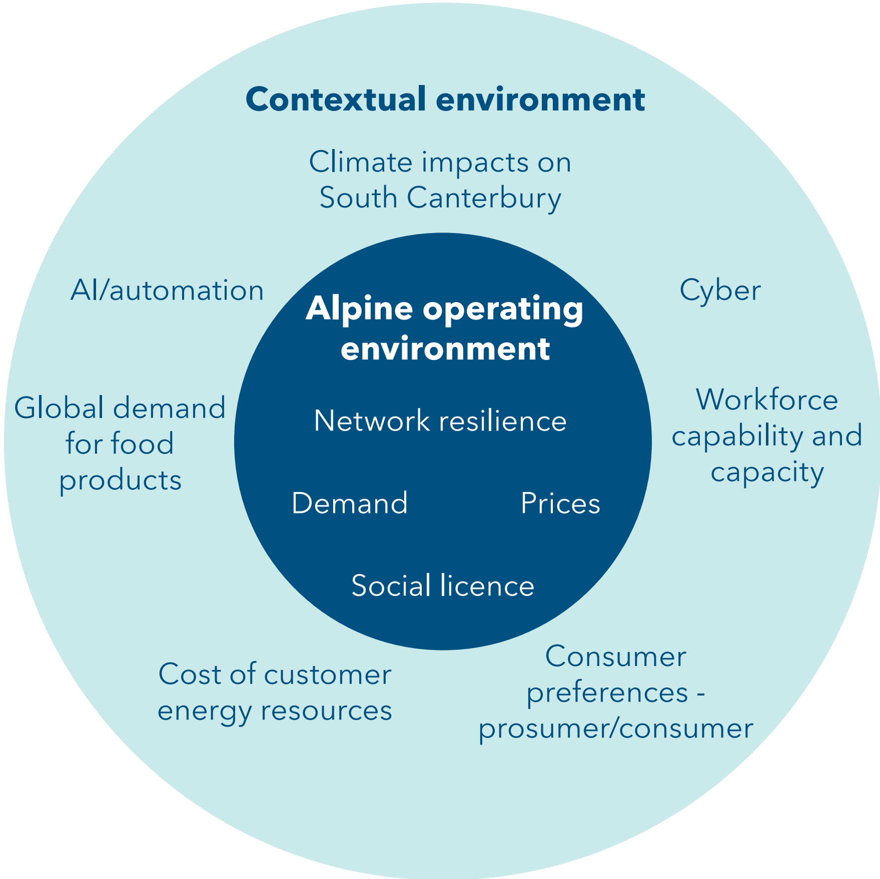
**Beyond these, our priorities are:**

- Working closely with customers, especially industrial and primary sector users to inform our network investment needs, including delaying investment or using non-network options when feasible.
- Addressing our customer pricing and connection processes. Connecting pricing and processes are changing and industry standards and requirements are being standardised for customers wanting to connect demand and generation.
- Addressing many of our other core systems which have reached end of life or support. We are upgrading core systems across finance, HR, and network operations to improve efficiency, reduce risks, and support future growth. These upgrades are significant and will take several years.
- Building a stronger team by creating a positive, engaged workplace supported by strong leadership, clear decision-making, and a focus on wellbeing and capability development.
- Concluding the implementation of the enforceable undertakings agreed with the Commerce Commission. This involves adjustments to FY27 revenues, investing $1.5 million in community initiatives meeting criteria included in the undertakings, and making improvements to our regulatory compliance processes.

## 2.3. Looking further ahead – our evolving context

After decades of incremental change, the energy sector is undergoing a period of rapid transformation. Climate change, emerging technologies, artificial intelligence (AI), changing customer behaviour, and regulatory reform are reshaping how electricity is used, delivered, and governed.

Our core responsibility is to maintain a network that is safe, reliable, and responsive to the needs of South Canterbury. The following diagram outlines the driving forces that influence that outcome. Alpine's operating environment reflects the forces we can influence as part of business operations.




There are four:

- **Resilience** – strengthening our network against climate risks and disruption.
- **Demand** – meeting growing and shifting energy needs, especially in agriculture, tourism, and industry.
- **Prices** – ensuring affordability and value for customers while enabling long-term investment.
- **Social Licence** – maintaining trust through transparency, service quality, and responsible delivery.

These drivers operate within a wider contextual environment—forces we must understand and plan for but cannot directly control. These are in the outer ring above.

Climate change and geopolitics create uncertainty around land use, water availability, and future energy demand, making flexible and adaptive network planning essential.

We have identified three key areas where the business must respond to our changing context over the medium and long term:

### Increasing electricity demand for network access

Our network will experience increased demand from economic growth as well as electrification projects, especially in the primary sector. South Canterbury locations are also natural charging locations for public charging infrastructure to support local and visiting EV users. We will ensure customers get efficient access to the capacity they need through smart, well-timed investment.

An important part of this investment is the proposed Timaru GXP upgrade. This represents a significant and necessary investment of approximately $65.4 million, comprising $43.9 million for the Transpower works and $21.5 million of associated Alpine network upgrades. While not all of this investment will fall within the current SCI period, it is important to signal the scale and timing of this commitment given its critical role in the network. Current forecasts confirm the existing supply point will reach its capacity limits in the early 2030s, creating increasing risks to reliability, constraints on new customer connections, and limitations on supporting industrial growth if not addressed. The GXP upgrade also provides the foundation for a wider programme of downstream network investments that will follow from the business case, enabling additional capacity across the system, supporting electrification, and underpinning long term regional economic development.

### Increased need for reliability and resilience

Climate change is expected to increase the frequency and severity of weather events impacting both the network and our customers. At the same time, increased electrification and decarbonisation across our agricultural and industrial customers means reliability and resilience are even more important than they have been historically. We will invest in delivering a reliable supply of electricity and ensuring the network remains resilient to extreme weather events and other natural hazards. This will mean leveraging digital tools to anticipate disruptions, rapidly respond to real-time conditions, and provide timely updates to customers.

### Supporting more engaged customers through smarter use of technology

Customers are becoming more active in how they use electricity with many now able to generate their own power, shift when they use it, or reduce demand at peak times. As solar, battery storage, and flexible demand options become more accessible, we have an opportunity to support customers to take greater control of their energy use. To enable this, we are also upgrading our own technology and systems. Smarter planning tools, improved data, and automation will allow us to run the network more efficiently and respond in real time to changing conditions, improve service quality, and manage costs, while adapting to future customer needs and technologies.

# 3. Financial outlook and strategy

## 3.1. Investment allowance vs. network need

Our capital investment requirements are primarily driven by ageing infrastructure and the impact of deferred maintenance and delayed investment. In previous years, a focus on cost efficiency led to underinvestment in the network, with an asset management strategy that leaned heavily on 'just-in-time' replacement and run-to-failure approaches.

We have implemented a proactive, preventative maintenance strategy. This is not about optional growth or discretionary spend, this investment is required to replace ageing infrastructure, maintain reliability, and meet growing customer demand.

We have had an independent review of our asset investment strategy completed, which confirmed the trajectory of our investment needed to deal to the challenges we are facing. It also recommended improvements to how we risk assess and prioritise this work, which we will implement over the next period as part of our strategic programme.

## 3.2. Working with the DPP4 framework

In November 2024 the Commerce Commission published their default price-quality path (DPP4) decision for all regulated distributors, including Alpine. These settings cover the period FY26-30, and include quality standards, revenue paths, and the operating and capital expenditure levels that the revenue paths are based on. The DPP4 allowances are set at investment levels closer to business as usual, not major upgrades or changes to the profile of major programmes of work.

DPP4 allowances did not provide sufficient revenue to meet our forecast needs at the time. To manage our network risks while planning for how we fund the future, we will:

- In the short term, increase inspections of our assets and use existing data to identify and target high-risk areas. This will allow us to prioritise replacement and refurbishment where it is most needed, while deferring some capital investment to stay within regulatory allowances.
- In parallel, we will continue to invest in preventative maintenance and the systems and processes that support efficient delivery. This work is critical to ensure we are ready to accelerate investment when funding becomes available.

This approach balances the need to maintain day-to-day operations with preparing Alpine for the future. It allows us to meet our immediate obligations while creating a platform for sustained investment in the decades ahead. Our current forecasts reflect this approach.

If additional investment is required during and after DPP4 we will work closely with the Commerce Commission to explore options for reopening our price path where there is clear customer demand or risk to network reliability. These are not guaranteed to cover full requirements. A larger funding change option, known as a Customised Price Path or CPP, may be needed. Both these options will need good asset data, customer engagement, engineering design and long-term financial modelling.

## 3.3. Funding and dividend outlook

Delivering the investment programme set out in this SCI requires funding both a significantly larger capital works programme and a step change in business capability to ensure the organisation is fit for the future. In practice, there are only three sources of cash available to fund this investment: depreciation, operating profit, and debt.

At present, the combined cash generated from depreciation and operating profit is not sufficient to meet the level of capital investment required to maintain network safety, resilience, and performance, while also delivering the necessary change programme. As a result, debt is required to bridge the gap. This position reflects the scale and timing of the investment programme rather than a deterioration in underlying financial performance.

The Board will continue to closely monitor financial performance, debt levels, and cash flows. As investment needs moderate over time and funding settings allow, the dividend position will be reconsidered in line with shareholder expectations and the long-term interests of the business.

We are continuing to review our investment portfolio to focus on our core infrastructure investment. During the year, two properties were divested, and we are actively pursuing divestment of Alpine Data Network and our EV charger fleet and metering related assets.

## 3.4. Key risks and trade-offs

Delivery of this SCI requires active management of trade-offs between affordability, reliability, and investment. Key risks include regulatory funding constraints, asset condition, delivery capacity, and climate-related disruption. The Board and the Risk Committee regularly review these risks and associated mitigations to ensure decisions remain aligned with customer interests, regulatory obligations, and long-term network resilience. Performance against these risks is monitored by the Executive Leadership Team (ELT) and reported to the Board and shareholders.

# 4. Performance targets

Our performance is measured across four strategic outcomes: - *thriving communities, electricity for all, resilient and reliable electricity, and financial sustainability*. These targets are outlined below and reported on in our Annual Report.

Performance under each outcome is measured using the following defined indicators, which are applied consistently year-on-year to enable comparability and transparency. This statement of intent we have updated our indicators to ensure continual strategic alignment.

## 4.1. Thriving communities

**Target 1: Safety**. A strong safety culture is our number one priority. We remain committed to ensuring the safety of our people and our community. Our success is measured by ensuring our people return home safely to what they love every day and no member of the public is harmed. Our goal is zero serious harm events.

| Measure | FY26 actual | FY27 | FY28 | FY29 |
|---|---|---|---|---|
| Safety experience scores | 77% | 87% | 90% | 92% |

**Target 2: Customers and our people**. We will deliver year-on-year improvement in both Customer and Employee engagement, resulting in sustained positive advocacy by FY29.

| Measure | FY26 actual | FY27 | FY28 | FY29 |
|---|---|---|---|---|
| Customer satisfaction | 55% | 57% | 60% | 65% |
| Employee engagement | 52% | 57% | 62% | 69% |

Definitions:

- Customer satisfaction is measured independently on an annual basis, reported as a percentage of respondents rating overall satisfaction positively.
- Employee engagement is measured independently on an annual basis, with percentage improvement measured relative to the prior baseline score.

## 4.2. Resilient and reliable electricity

**Target 1: Planned outages**. The intent is to be below the annual regulatory target (SAIDI) that applies for incentive calculations, and close to forecast interruptions (SAIFI) showing we are delivering planned maintenance and upgrade work[1].

| Measure | FY26 actual | FY27 | FY28 | FY29 | Five-year limit |
|---|---|---|---|---|---|
| Planned SAIDI (mins) | 84.44 | 82.58 | 82.58 | 82.58 | 825.77 |
| Planned SAIFI | 0.375 | 0.4424 | 0.4767 | 0.5109 | 3.1437 |

**Target 2: Annual unplanned outages**. The intent is to be below annual regulatory caps.

| Measure | FY26 actual | FY27 | FY28 | FY29 |
|---|---|---|---|---|
| Unplanned SAIDI cap (mins) | 109.37 | 118.47 | 118.47 | 118.47 |
| Unplanned SAIFI cap | 1.076 | 1.1372 | 1.1372 | 1.1372 |

Definitions:

- SAIDI (System Average Interruption Duration Index) measures the average total duration of outages experienced by customers.
- SAIFI (System Average Interruption Frequency Index) measures the average number of outages experienced by customers.

These measures are standard electricity distribution reliability indicators and demonstrate the overall reliability and performance of the network. Performance against these targets reflects the effectiveness of maintenance, investment, and operational response. Note that our audited FY26 actual SAIDI/SAIFI data will be provided in the Annual Compliance Statement published in August.

**Target 3: Delivery of the Asset Management plan.** Completion of the scope of work in year 1 of the FY27 capital programme on time and within budget.

| Capital expenditure | Actual FY26 $'000 | Budget FY26 $'000 | Budget FY27 $'000 |
|---|---|---|---|
| Consumer connection and system growth | 10,068 | 8,031 | 10,581 |
| Asset replacement and renewal | 14,366 | 16,628 | 22,402 |
| All other network | 5,249 | 5,601 | 3,203 |
| Non-network | 2,654 | 5,058 | 6,139 |
| Non-regulatory | 331 | 492 | 769 |
| **Total capital expenditure** | **32,668** | **35,810** | **43,094** |

Note: FY27 budget differs from AMP ($41.059m) as it incorporates estimated impact on costs from global fuel crisis due to Middle East conflict.

1 For planned outages, Alpine is subject to caps on planned SAIDI (825.77 minutes) and SAIFI (3.1437) accumulated over the 5-year DPP4 period 1/4/2025-31/3/2030. There is no annual limit.

## 4.3. Financial sustainability

### Target 1: We deliver to our budgets

| Measure | Actual FY'26 $'000 | Budget FY26 $'000 | Projected FY27 $'000 | Projected FY28 $'000 | Projected FY29 $'000 |
|---|---|---|---|---|---|
| EBITDA | 36,483 | 31,646 | 31,583 | 34,944 | 43,614 |
| Net operating surplus after tax | 11,279 | 5,134 | 7,607 | 8,681 | 13,986 |
| Dividends | 0 | 0 | 600 | 600 | 600 |
| Capex | 32,668 | 35,810 | 44,613 | 44,761 | 36,650 |
| ANZ loan balance | 126,580 | 150,026 | 155,045 | 176,184 | 182,269 |

### Target 2: Our key financial ratios reflect a sustainable business

| Measure | Actual FY26 $'000 | Budget FY26 $'000 | Projected FY27 $'000 | Projected FY28 $'000 | Projected FY29 $'000 |
|---|---|---|---|---|---|
| Return on shareholder funds | 5.71% | 2.81% | 3.78% | 4.13% | 6.26% |
| Shareholder Funds / Total Assets ratio | 51.61% | 47.28% | 47.83% | 46.19% | 47.19% |

# 5. Capital structure

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

Interest rate risk is managed according to our Treasury Management Policy, which prescribes a hedging profile over multiple years to reduce risk and control interest costs. 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.

| Measure | Actual FY26 $'000 | Budget FY26 $'000 | Projected FY27 $'000 | Projected FY28 $'000 | Projected FY29 $'000 |
|---|---|---|---|---|---|
| Interest cover (target > 2.75 times) | 6.07 | 4.43 | 5.10 | 4.89 | 5.71 |
| Debt: RAB ratio (target <70%) | 36% | 41% | 40% | 42% | 41% |
| Guarantor Group Coverage - EBITDA (target >90%) | 100% | 100% | 100% | 100% | 100% |
| Guarantor Group Coverage – Tangible Assets (target > 90%) | 100% | 100% | 100% | 100% | 100% |

*Bank Covenants exclude Infratec and SmartCo*

# 6. Investments

We have evaluated our investment portfolio and decided to focus on core electricity network operations. We have no intention at this time to pursue additional investments outside current holdings.

Performance of subsidiary entities is incorporated into the financial and operational measures reported above, unless otherwise stated.

The following are in the process of divestment.

## Infratec

Infratec has completed its final Pacific projects. It is in the process of being wound up.

Alpine Data Networks

Alpine Data Networks, which operates fibre infrastructure across South Canterbury, extending into Central Otago with customers including Transpower, Chorus, and 2degrees.

## Property portfolio

We have reviewed our property holdings and disposed of two properties that are no longer required. We are continuing to assess whether further divestment opportunities exist to optimise our portfolio particularly in relation to the land around Alpine House.

## Public EV charger fleet

We have five public EV charging sites across our network, located in Aoraki Mount Cook, Twizel, Tekapo, Waimate, and Orari. We own and operate these sites, with ChargeNet providing service and support.

The following are also regarded as non-core but owned in shareholding with other parties; Alpine is seeking a way to divest its interests.

## OnMetering

OnMetering owns and operates smart meters in North Canterbury, leasing metering assets to electricity retailers. This investment supports reliable metering services across the region.

## SmartCo

Our investment in SmartCo provides data insights that improve our ability to diagnose power quality issues, identify faults quickly, and restore power efficiently. It also supports network planning by providing real-time data on performance, augmentation needs, and maintenance requirements.

24 Elginshire Street, Washdyke, Timaru 7940 **P.** 0800 66 11 77 **www.alpineenergy.co.nz**