Consultation Document

Delivering better service to customers

Introduction

Our job is to keep our customers safely connected to electricity – in their homes, in their businesses and on their farms.

We manage complex infrastructure across a large and challenging landscape. Our assets - from power lines and transformers to substations and electric vehicle charging stations, are worth hundreds of millions of dollars.

Our role is to look after the network for current and future generations, and we take our role as kaitiaki (guardians) very seriously.

Regulation

The Lines Company (TLC) is an Electricity Distribution Business (EDB) that delivers electricity to customers in the King Country and Central Plateau. There are 29 EDBs in New Zealand.

TLC is overseen by an independent Crown Entity called the Commerce Commission which regulates some New Zealand sectors that have little, or no competition to ensure fair practices and benefit customers.

The Commerce Commission regulates how much TLC can spend on its network and how much revenue it can make. It also regulates the quality of our service - specifically how much downtime we can have on the network, ie, how many planned and unplanned outages and the duration of the outages.

What's driving the Development and Delivery Plan?

TLC breached its regulated quality standards in 2018, 2019 and 2020.

While we take responsibility for the breaches, the Commission did note that some of the circumstances contributing to the breach were "outside of TLC's control", including network damage from significant weather events.

In the 2017 -2023 period, we invested $98 million in the network to address a range of legacy issues - nearly double what we spent in the previous six-year period. Strong investment will continue over coming years to further improve safety and reliability of supply.

TLC and the Commerce Commission agreed to a settlement for the quality breach known as Enforceable Undertakings.

This included appointing an independent engineering expert to review TLC's asset management practices and provide recommendations for improvement, and then drafting a Development and Delivery Plan (DDP) to implement the recommendations from the report. The full report is available on our website under Disclosures.

Feedback is welcome on the full DDP, which is available on our website. Scan the code alongside.

The full report lists 75 recommendations. Overlap and interdependency between recommendations enabled us to group these into 29 improvement initiatives.

These 29 improvements have been bundled together under ten key focus areas within the Asset Management System; and have been collated into a draft DDP. It is through this Plan that we implement the recommendations that came out of the Enforceable Undertaking Report.

Your feedback

The ten key focus areas are outlined in this Consultation Document.

For each focus area we:

- identify where it fits in the total Asset Management System
- detail what the improvement is about
- explain why the change is important, to our customers and the organisation
- provide the cost that is already in budget, any new costs and the likely impact of additional spend on a customer's electricity bill.

Any Asset Management System is complex and ours is no different. In addition, the electricity sector is already complex! We have a complicated system within a complicated sector.

This Consultation Document provides information to help you answer the questions in the survey (included at the back of this document and via online link). Your survey responses will help us prioritise projects and allocate resources in the right areas at the right time to improve our business, systems and network.

We will use your survey feedback to help us confirm that our focus in the draft Development and Delivery Plan (DDP) is correct.

The full DDP is also available for feedback.

WHAT WE DO

We deliver electricity from A to B. We take it off the national grid that is owned and operated by Transpower, and we deliver it to your homes and businesses.

Customers pay retailers and a portion of the retail bill is for distribution, or the delivery.

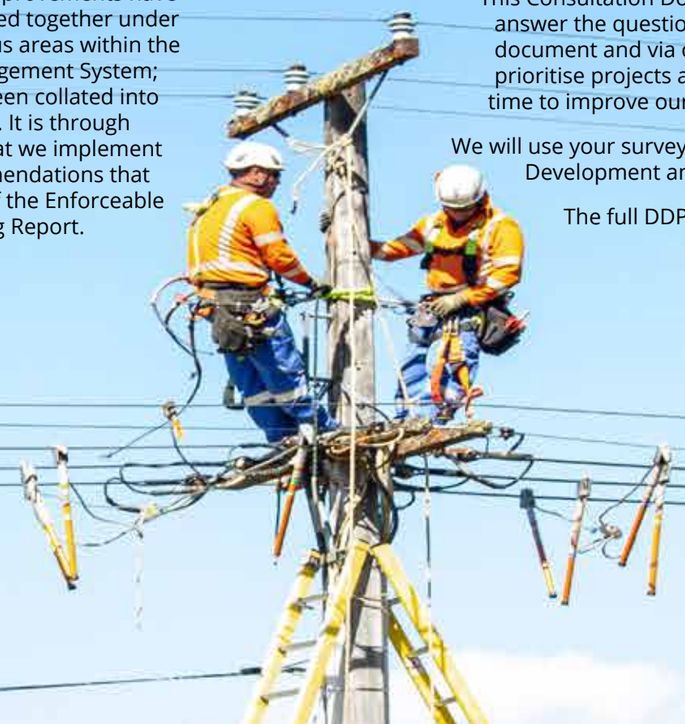
It's like when you buy a fridge from a retailer and have it delivered to your house by a trucking company.

You're not buying the fridge off the trucking company; you are buying it off the retailer.

You pay the retailer for the fridge and the delivery of the fridge. The retailer then pays the trucking company.

DID YOU KNOW?

The Lines Company network is valued around $300m.



All documents and links are available here

Costs

The total cost of implementation of the recommendations in the draft DDP is $1,548 million over three years. This is already in budget so nothing in the DDP will cost customers more.

This capital cost equates to just $86 on the average customer's electricity bill over the entire three-and-a-half year implementation period (from November 2024 to March 2028).

**figures rounded*

Reporting back

We will monitor progress on planned initiatives and report annually on these.

What it means for customers

Our purpose as a company is "Growing Communities with Energy". This means safe, reliable, affordable and sustainable electricity is essential to the wellbeing of everyone in the region connected to our network. It also means a network that is fit-for-purpose now and into the future.

We have a responsibility to enable decarbonisation, withstand the impacts of natural events, help our customers to embrace technology like solar and support our community through outreach, such as sponsorships, scholarships, grants and assistance programmes.

Stakeholder feedback

We are engaging with stakeholders including WESCT Trustees, businesses, council representatives and householders through targeted Customer Advisory Panel sessions; as well as the wider public through public consultation.

Achieving compliance

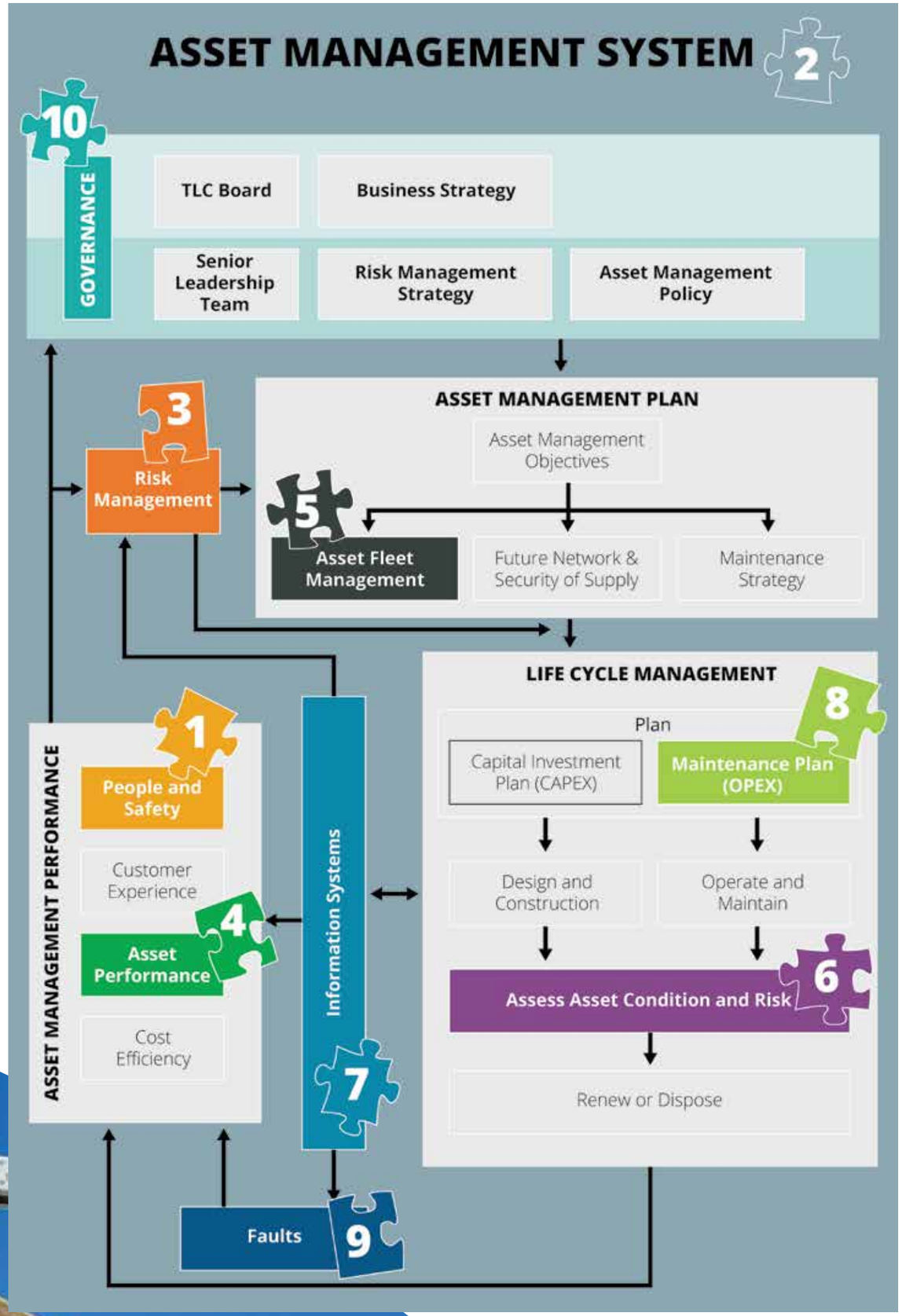
This Plan is essential to continued network improvement, helping us apply focus and resource into the right areas and bring us into line with international standards for asset management. Achieving the Plan over the next three years will result in a better customer experience through a safer, more reliable, sustainable and more affordable network over time, to you, our customer.

How it all fits together

An Asset Management System is a systematic way of tracking, monitoring and managing assets to keep the public and employees safe, improve customer satisfaction, avoid equipment failure, improve productivity, remain compliant and planning for growth.

These systems are complex with many inter-locking pieces and inter-dependent parts. Thinking of the system like a jigsaw puzzle helps. All the pieces fit together creating a complete system, in the same way the pieces of a jigsaw fit together to make a complete picture.

There are 21 components to our Asset Management System. This consultation focuses on ten of these pieces - People and Safety, the Asset Management System, Risk Management, Asset Performance, Asset Fleet Management, Asset Condition Assessment, Information System, Maintenance Plan, Faults and Governance.



DID YOU KNOW?

The Lines Company is 100% owned by a community trust called the Waitomo Energy Services Customer Trust. WESCT has oversight of company performance to maximise benefits for their shareholders.

1 People and Safety

What

We put our people first at TLC. Without the necessary skilled and competent staff it would be difficult to deliver power safely and reliably to our customers. A continuous focus on staff training and the correct resource levels are important for a healthy and effective workplace.

Why

Having the correct number of appropriately skilled staff in the business is essential to maintaining a safe, reliable and cost-effective network for our people and stakeholders.

Timing

- **Y1** Nov 24 - March 25
- **Y2** April 25 - March 26
- **Y3** April 26 - March 27
- **Y4** April 27 - March 28

Cost

The cost in this area is $233,000. Funding is already in existing budgets so there is no additional amount.

Below is the average cost to customers over three and half years (DDP delivery period).

**figures rounded*

$

Average cost over the DDP period (3 1/2 years)

$12.95

That's 31c a month!

2 Asset Management System

What

The overarching Asset Management System pulls together all 21 components of managing assets. It is aligned and regularly assessed against internationally recognised standards for asset management. Regularly updating and improving the system is normal and helps us identify issues and make improvements. A smooth-running Asset Management System helps keep everything organised, provides clear guidelines for teams, offers better reporting, ensures we follow industry standards and supports us to deliver a network that is safe, reliable, sustainable and affordable.

Why

Checking and updating our Asset Management System regularly provides a safe, reliable, and cost-effective service to our customers. Our goal is to keep costs as low as possible over the long-term.

Timing

- **Y2** April 25 - March 26
- **Y3** April 26 - March 27

Cost

The cost in this area is $46,000. Funding is already in existing budgets so there is no additional amount.

Below is the average cost to customers over three and half years (DDP delivery period).

**figures rounded*

$

Average cost over the DDP period (3 1/2 years)

$23.96

That's 57c a month!

3 Risk Management

What

We must take the risks and reliability of our network into account early on when we are planning how to spend money. If we understand what's most critical, we can prioritise what we do more effectively. We must balance how resilient we want our network to be with risk, cost and the value we provide to customers. Our approach to resilience is linked across all operational areas to ensure better investment decisions in the future. We will also look at the ongoing risks of managing vegetation to ensure our spend in this space is appropriate.

Why

We recognise that transparency around decision-making is important to customer. To make transparent decisions, we must understand the risks to the network and our customers and know the cost of managing these risks.

Timing

- **Y2** April 25 - March 26
- **Y3** April 26 - March 27

Cost

The cost in this area is $145,000. Funding is already in existing budgets so there is no additional amount.

Below is the average cost to customers over three and half years (DDP delivery period).

**figures rounded*

$

Average cost over the DDP period (3 1/2 years)

$8.04

That's 19c a month!

4 Asset Performance

What

Improved analysis of data allows us to make better decisions about how we manage vegetation and assets, improve reliability of substations, powerlines and underground cables that feed the power to our customers. We invest in automation that enables us to provide a more reliable system for homes and businesses connected to our network.

Why

Improved analysis of data helps us decide where resources and budget are most needed. Outages are caused by equipment failure, vegetation and third parties (eg, cars vs power poles). Future investment improves reliability of substations and security of powerlines and underground cables that feed power. Investment in automation enables us to provide a more reliable system for homes and businesses on our network.

Timing

- **Y3** April 26 - March 27
- **Y4** April 27 - March 28

Cost

The cost in this area is $56,000. Funding is already in existing budgets so there is no additional amount.

Below is the average cost to customers over three and half years (DDP delivery period).

**figures rounded*

$

Average cost over the DDP period (3 1/2 years)

$6.65

That's 16c a month!

5 Asset Fleet Management

What

Understanding each asset on the network, how it can fail, its life cycle cost and building a long-term repair and replacement program for each asset will improve overall service delivery. Asset Fleet Plans provide strategic direction, linked to a formal scoring system of an asset's condition compared against how important it is and its age.

Why

Our fleet includes all assets, such as poles, conductors, transformers and substations. A consistent approach to fleet criticality and risk management, driven by data, will enable us to identify where and when to invest in fleet equipment to make customer experiences better.

Timing

Y2 April 25 - March 26

Y3 April 26 - March 27

Y4 April 27 - March 28

Cost

The cost in this area is $308,000. Funding is already in existing budgets so there is no additional amount.

Below is the average cost to customers over three and half years (DDP delivery period).

**figures rounded*

$

Average cost over the DDP period (3 1/2 years)

$17.10

That's 41c a month!

6 Asset Condition Assessment

What

To inform the Asset Fleet Plan, a formal and systematic method needs to exist to measure and record an asset's condition compared to its age and how important it is to the network. A continuous review and improvement of how we measure asset condition against standards ensures cost-effective and well-informed decision-making.

Why

A clear and objective approach to recording the condition and age of our fleet and equipment enables us to provide the lowest possible life cycle cost to our customers, while meeting safety and reliability standards.

Timing

Y3 April 26 - March 27

Cost

The cost in this area is $108,000. Funding is already in existing budgets so there is no additional amount.

Below is the average cost to customers over three and half years (DDP delivery period).

**figures rounded*

$

Average cost over the DDP period (3 1/2 years)

$3.38

That's 8c a month!

7 Information Systems

What

Any asset infrastructure business relies on data and computerised information management systems. Our business is no different. Making sure we have secure and fit-for-purpose technology platforms to assist our teams to execute their work efficiently and effectively is important. Digital platforms also keep us connected to our customers and improves communication both internal and externally.

Why

Implementation of fit-for-purpose and future-focused information systems creates efficiency for staff and visibility for our customers on service performance and improvement.

Timing

Y2 April 25 - March 26

Cost

The cost in this area is $431,000. Funding is already in existing budgets so there is no additional amount.

Below is the average cost to customers over three and half years (DDP delivery period).

**figures rounded*

$

Average cost over the DDP period (3 1/2 years)

$2.56

That's 6c a month!

8 Maintenance Plan

What

Investment in reliable assets is two-fold. It is important to know the right time to maintain existing assets and when to replace end-of-life assets. Creating consistent, visible and sustainable maintenance practices, based on recognised industry standards improves network reliability, and ultimately delivers a better service for customers.

Why

Reviewing and documenting maintenance practices ensures best industry practice is performed consistently resulting in fewer outages at a lower overall cost to customers.

Timing

Y2 April 25 - March 26

Y3 April 26 - March 27

Cost

The cost in this area is $51,000. Funding is already in existing budgets so there is no additional amount.

Below is the average cost to customers over three and half years (DDP delivery period).

**figures rounded*

$

Average cost over the DDP period (3 1/2 years)

$3.09

That's 7c a month!

9 Faults

What

Faults on electricity networks are caused by various reasons and are often unavoidable and out of TLC's control (such as falling trees, cars hitting power poles etc). Regardless of cause, faults cause inconvenient outages, and it is important that when a fault occurs, we investigate it and repair it as soon as possible. The average time it takes to restore power to customers is measured and appropriate solutions need investigation to reduce the number and duration of outages.

Why

Recording accurate fault and response data assists with analysis of response times and ultimately, improves our response to repairing outages to get our customers back on power as soon as possible.

Timing

Y2 April 25 - March 26

Y3 April 26 - March 27

Cost

The cost in this area is $51,000. Funding is already in existing budgets so there is no additional amount.

Below is the average cost to customers over three and half years (DDP delivery period).

**figures rounded*

$

Average cost over the DDP period (3 1/2 years)

$2.84

That's 7c a month!

10 Governance

What

Governance (our Board and Senior Leadership Team) sets policy to compare the costs and benefits of our actions, set clear priorities and make sure we have the right resources and budget for our plans when we need them.

Why

Improved Governance delivers greater value* for our customers because there is a clear line of sight between our Asset Management Policy and our organisation objectives.
We measure value by looking at safety, network reliability and risk against the cost to implement).*

Timing

Y2 April 25 - March 26

Y4 April 27 - March 28

Cost

The cost in this area is $120,000. Funding is already in existing budgets so there is no additional amount.

Below is the average cost to customers over three and half years (DDP delivery period).

**figures rounded*

$

Average cost over the DDP period (3 1/2 years)

$5.97

That's 14c a month!

Survey link

INTRODUCTION

We're looking for your feedback on what The Lines Company currently spends on managing the network and investing in our community. Your responses will help us prioritise projects and allocate resources in the right areas at the right time to improve our business, systems and network.

The detailed programme is captured in the Development and Delivery Plan.

Survey

COMMUNITY SUPPORT AND OUTREACH

TLC currently invests $900,000 per year in community support through various initiatives including sponsorships, scholarships, trainee programmes, energy education and the Maru Energy Trust*.

**Maru installs insulation and heat pumps in cold damp homes. TLC funds Maru by $450,000 each year. Every Maru dollar can get up to $9 from the Government (EECA) as part of their Warmer Kiwi Homes Programme which means that $450k can turn into around $4.5m of investment in insulation in the houses in the region.*

The current level of funding TLC provides towards community support is appropriate.

Please circle how much the statement above resonates with you.

Strongly Agree Agree Neutral Disagree Strongly Disagree

SUSTAINABILITY & INVESTMENT IN FUTURE TECHNOLOGIES

TLC invests in business practices and innovation to improve efficiencies and community initiatives (such as solar, EV charging). This supports our commitment to decarbonisation* and alternative energy, and helps our customers take advantage of new technology as it becomes available.

**removal or reduction of carbon dioxide (CO^2) released into the atmosphere*

TLC should prioritise the future by enabling opportunities for decarbonisation, helping customers take advantage of alternative energy solutions, and investing in the evolving landscape of the electricity network.

Please circle how much the statement above resonates with you.

Strongly Agree Agree Neutral Disagree Strongly Disagree

PREPARING THE NETWORK FOR FUTURE GROWTH

Electricity is essential for modern living. We use it everywhere - in our homes, at work, in hospitals and now even in our cars. Industry projections indicate that household and business demand for electricity is increasing. Investment in the network to improve both reliability and capacity is essential to support this demand. A lack of investment would restrict network capacity and compromise regional growth.

Investment in the electricity network is crucial to support regional growth and meet increasing demand for electricity in households and businesses.

Please circle how much the statement above resonates with you.

Strongly Agree Agree Neutral Disagree Strongly Disagree

RESILIENCE TO NATURAL DISASTERS

TLC invests around $23 million a year to improve network assets. Part of this investment is to help our network better withstand the impact of climate change and other natural disasters. Having a network that is resilient to natural disasters (such as weather, earthquake, flood) costs money; and we need to balance this with our customers' ability to pay.

How important is it that our network can withstand natural disasters? Please circle <u>only one</u>.

Very unimportant Unimportant Neutral Important Very important

PTO to continue survey

NETWORK INVESTMENT RELATIVE TO OUTAGES

There are two kinds of outages – planned and unplanned.

- With PLANNED outages we can give you a heads up. Generally, we are upgrading, replacing or modernising a piece of equipment and we can't do that with the power on.
- UNPLANNED outages are more inconvenient because they happen at any time due to incidents such as a vehicle hitting a power pole or a tree falling.

Investing in our infrastructure will INCREASE the number of PLANNED outages; however, over time network reliability improves and the number of UNPLANNED outages will DECREASE.

On average, charges for use of TLC's network make up around 40% of monthly retail bills.

Please tick the statement below that you agree with most. Please tick only one.

- ☐ I would accept more unplanned outages for a 10% reduction in my lines charges.
- ☐ The level of unplanned outages is acceptable for the lines charges I pay.
- ☐ I would prefer to pay 10% more in lines charges for fewer unplanned outages.

PERCEPTION

How do you perceive TLC today, in terms of reliability and supply of power? Please circle only one.

Very good Good Neutral Poor Very poor

Please take a moment to tell us why you rated us this way.

How do you perceive TLC today, in terms of its investment into community initiatives, including energy education, community grant programme, scholarships, trainee programmes, energy hardship and Maru* Energy Trust? Please circle only one.

**Maru installs insulation and heat pumps in cold homes.*

Very good Good Neutral Poor Very poor

Please take a moment to tell us why you rated us this way.

LOOKING FORWARD

Please prioritise the areas below, where 1 is the most important and 5 is the least important. Please only write each number 1 to 5, once.

- ☐ Community support and outreach
- ☐ Sustainability and investment in future technologies
- ☐ Preparing the network for future growth
- ☐ Network investment relative to outages
- ☐ Resilience to natural disasters

FULL DDP

Is there anything you would like to add about the full DDP?

the lines company

Full DDP available here