

Draft Media Release – Version 3

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Top Energy line charges to increase

Effective from 2nd February 2010, Top Energy is to increase its line charges to Far North power consumers.

Power consumers pay their Top Energy line charges through electricity power accounts from their electricity retailers, including Contact Energy, TrustPower and Meridian Energy. If and when the increase is fully passed through by retailers, it will add around \$15 per month to the average Far North household's power bill.

According to Top Energy CEO, Russell Shaw, the increase is necessary to help the company fund additional capacity and reliability investment in the Far North's ageing network. "Built largely during the '60s and '70s, the network has experienced significant demand increases in recent years to a point where we now need to substantially increase investment - to both improve reliability of supply and expand the volume of power which the network can handle", he said.

The company intends to invest \$184 million in its network over the next 10 years.

Outside of the main population areas of Kaitaia, Kaikohe and Kerikeri, Top Energy's network services remote and sparsely populated areas throughout the Far North region. The network is also typically crowded by dense and fast-growing vegetation. "These factors, combined with the deteriorating weather patterns experienced in recent years, mean we've not done so well on the reliability side of the equation, when compared with other similar lines companies in New Zealand. This investment will go a long way to fixing our reliability issues", says Shaw.

Top Energy has already embarked on Stage 1 of its improved reliability programme, part of which involved a \$4.4 million investment in automation equipment to isolate faults and a \$2 million investment to reduce the effects of lightning strikes. This has already resulted in a significant

reduction in the number of outages during this year. The company is also investing \$9 million in a vegetation control programme, over the next 3 years.

Key projects included in the Company's network investment plan are:

- the construction of a new dual circuit, 33kV High Capacity Line between Kaikohe and Waipapa (which will have an eventual upgrade to 110kV)
- the construction of a new substation near Wiroa Road in Kerikeri
- 7 new 33kV Substations in Kerikeri, Russell, Purerua, Kaeo, Moerewa, Awanui and near Bulls Gorge and
- the construction of new 33kV High Capacity lines between Waipapa, Kaeo, Kerikeri, Haruru and Taipa.

Top Energy's network investment calls for some \$124 million of additional capital, over and above the historical 10-year invest of \$60 million. This money will be raised through operating profits, the sale and lease-back of Top Energy owned buildings and bank borrowings. Whilst the line charge increase announced today is necessary to help with funding, a substantial contribution is being made from the Ngawha Geothermal Power Station. Its recent \$77 million expansion is now returning excellent profits for Top Energy. "The profits the Company is making from power generation have enabled us to keep line charge increases as low as possible", Shaw said.

Top Energy believes the investment will not only ensure a more reliable supply and greater network capacity, it may also encourage new businesses to the region. Says Shaw, "The results will be improved reliability of supply for all Far North power consumers, increased electricity capacity to meet future growth on the network and a more acceptable level of return on the Company's network assets".

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