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CORPORATE PARTICIPANTS

Michael Stiassny *Vector Limited - Chairman*

Simon Mackenzie *Vector Limited - CEO*

Dan Molloy *Vector Limited - CFO*

CONFERENCE CALL PARTICIPANTS

Grant Swanepoel *Craigs Investment Partners - Analyst*

Andrew Harvey-Green *Forsyth Barr - Analyst*

Greg Main *First NZ Capital - Analyst*

Tim Hunter *National Business Review - Analyst*

Kate Barker *Energy News - Analyst*

Stephen Hudson *Macquarie Group - Analyst*

PRESENTATION

Operator

Good morning everybody. Welcome to Vector Limited's conference call and webcast to discuss the Company's financial and operational results for the 12 months to June 30, 2016. All participants are in a listen only mode. There will be a presentation followed by a question and answer session. (Operator instructions).

I would now like to hand you over to Vector Chairman, Michael Stiassny who will take you through the call. Thank you. Please go ahead.

Michael Stiassny - *Vector Limited - Chairman*

Good morning everyone and welcome to Vector's results briefing for the year ended June 30, 2016. I'm Michael Stiassny. I'm Vector's Chairman and joining me on the call today is our Group Chief Executive Simon Mackenzie and our Chief Financial Officer Dan Molloy.

I'll begin today's presentation with a review of the dividend for the 2016 financial year and then hand over to Simon to review the highlights for the period. Dan will then review the financial results before Simon concludes the briefing with a review of the outlook for the year ahead. We will then be happy to take your questions.

Vector has had a good year and we are excited by the opportunities ahead. The sale of Vector Gas reflects a conscious decision to prioritize growth in our portfolio. The proceeds of the sale will be applied to debt reduction before redeployment to support growth in Auckland and the many opportunities emerging with the new energy technologies including smart meters, battery storage, solar and electric vehicles.

The Board is also pleased with the progress the Company continues to make in building a strong, diverse and inclusive culture that prioritizes health and safety and develops people who can take the Company forward.

Vector is in a strong financial position. The Directors have declared a fully imputed final dividend of NZD0.08 per share taking the final dividend to NZD0.1575 per share, up NZD0.25 on the prior year.

It is the tenth straight year that we have increased our dividend payout. This year's dividend represents a payout of 75% of free cash flow which is ahead of our policy to target a payout of 60%. We are comfortable with this current level of payout and the Board is reviewing whether a higher target is appropriate.

Our interim result in February after the Commerce Commission has completed its review of the input methodologies is the logical point to announce the outcome of this review.

I would now like to hand over to Simon to take you through the highlights of the year.

Simon Mackenzie - *Vector Limited - CEO*

Thanks, Michael, and good morning everyone.

Vector's vision is to create a new energy future which is supported by five strategic pillars. We seek to provide a safe and great place to work that values diversity and inclusion and develops skilled people who can lead our Company into the future. We want to grow sustainably. This means enhancing our financial performance and growth while innovating to deliver shareholder value.

Customers are at the heart of our efforts. We seek to engage with them to deliver value and exceed their expectations. We want to engage and collaborate with key partners to develop a range of innovative options for creating a new energy future. And we want to excel while managing our impact on the environment and the communities in which we operate.

This year's annual report tracks the progress we have made this year against these strategic pillars. I'll summarize these achievements in the next few slides.

First and foremost we put safety first. We understand we will only succeed if we create a culture that prioritizes safety, nurtures innovation and new ideas and actively encourages diversity and inclusion. We are proud of our achievements in these areas.

The new Health and Safety at Work Act came into force this year and requires Vector to take all practical steps to protect the health and safety of our people. We are well ahead of the curve. We have, for example, ceased most live line work. We navigated more than 900 potential legal requirements emerging out of more than 80 Acts, regulation and standards before we started rolling out Tesla battery solutions, setting the standard for the industry.

Our health and safety commitment has resulted in Vector achieving a 43% reduction in our total recordable injury frequency rate since 2013.

Providing a safe place to work is obviously critical, but we also understand that culture is just as important. We're particularly proud this year of our Rainbow Tick certification which is given to companies that can demonstrate that they understand, value and welcome sexual and gender diversity.

This as well as our recognition in the 2015 Diversity Awards gives us confidence that we are creating a culture that embraces and values different perspectives but we continue to learn and grow in this area. We believe this will give us an edge as we tackle the problems of today and in the future.

Turning to the gas process. We continue to transform our portfolio of operations to ensure our business endures. As you are well aware, this year we sold Vector Gas for NZD952.5 million. We are applying the proceeds of the sale to debt reduction before recycling the capital into the areas we have targeted for growth, including new energy technologies and our Auckland energy networks.

As you can see from slide 9, we have seen growth in these areas over the last year and we are confident of this continuing in the future.

As anyone living in Auckland will know, the city is growing at a record pace. The level of new electricity and gas connections in 2016 financial year reflects this growth.

Our New Zealand smart metering fleet increased by over 17% in the 2016 financial year with a record 180,000 installs. We have now installed over 1.1 million smart meters and we expect to deploy a further 140,000 to 160,000 smart meters in New Zealand this year, at which point our New Zealand rollout will be largely complete. We are now looking to Australia to deliver the next leg of growth in smart metering.

During 2016, we took some important steps towards this objective. We received Australian energy market operator accreditation and entered into an initial metering services agreement with a large Australian retailer. We have already installed -- started to install meters in Australia. Our focus this year will be on expanding the field force capability and ramping up our deployment velocity.

As I said earlier, customers are at the center of our business. They are our reason for being. Vector is providing new energy choices to customers by taking advantage of new technologies even though this may disrupt long established value chains in the energy sector. We are for example facilitating EV uptake with the support of our majority shareholder, Entrust. We have established a network of rapid electric vehicle charging stations. These units can recharge an average EV battery to 80% of its capacity in around 20 minutes and we also provide information on our apps and mobile devices as to where these charging stations are. They extend the range of an average EV to that of most daily commutes in the Auckland region making EVs a realistic alternative for many Auckland motorists.

We are also delivering for customers in other parts of our portfolio. Our LPG business OnGas, for instance, was named the best gas provider by its customers in the 2016 Roy Morgan Research Customer Satisfaction Awards. This award reflects our commitment to customer service and the incremental improvements we are delivering to make it easier for our customers to deal with us.

Vector, in cooperation with the Microsoft Student Accelerator Program, developed an online portal that has cut delays between the order and delivery of LPG to OnGas customers. This program builds on the success of the Vector outage app, which is one of the first ports of calls for fault information and our online gas connection estimator, which has streamlined the process for quoting new gas connections.

We believe that new energy technologies will empower our customers and increase the efficiency with which we can deliver energy solutions. We want to be able to leverage the latest technologies and advances. We are seeking to achieve this by building relationships with leading innovators.

We have also joined exclusively the Hawaiian Energy Excelerator which has the bold ambition to solve the world's energy challenges. Through this organization, we are influencing the way new energy technology is developing and also getting access to new investment opportunities.

We are working closely with Tesla to bring its innovative battery products to New Zealand. We have installed New Zealand's first Tesla utility scale battery in Glen Innes. This installation will allow Vector to continue to provide a secure power supply and defer the significant investment required for a new substation while we assess the effects of trends in the area.

In short, technologies such as these allow Vector to better manage the risks associated with the NZD2 billion that needs to be invested in our Auckland networks over the next 10 years. We see opportunities to leverage our experience in integrating utility scale batteries with traditional network technology to deliver solutions to other networks and large commercial customers.

In addition, we have also installed this year 78 of Tesla's Powerwall home battery systems. The majority of these are with the winners of the Future of Energy Program. This program, which we are running with the support of Entrust, is providing systems to 130 deserving individuals, schools and community groups across Auckland.

We're also installing Tesla Powerwall batteries in an affordable housing development for Ngati Whatua in Orakei. This installation of particular interest to us as it will give us insights into the benefits a cluster of batteries and solar systems can deliver to network development and future design.

We have now deployed more than 400 solar and battery systems on our network and we expect that figure to ramp up in the coming year. We are seeing strong inquiry for solar and battery solutions. As at the start of August, nearly 3,000 people had expressed an interest in installing a Tesla Powerwall battery and while we do not expect each of these inquiries to convert into a sale, it does represent strong continued demand.

With respect to network regulation, as a regulated business, our fortunes are closely linked to the regulatory and policy settings that cover our activities. Appropriate settings are vital if Vector is to invest on scale required to meet Auckland's growth. We continue to be encouraged by the dialog we are having with the Commerce Commission particularly over the impact of new technologies on our regulated networks.

We believe in some measure these discussions have been reflected in the Commission's preliminary views on the input methodologies review released earlier this year. Notably, the Commission has proposed replacing the cap on prices we charge for the use of our network with a revenue cap.

If implemented, this proposal will give us greater flexibility over the way we charge and reduce the risk of under recovery of revenue due to differences between actual network volume growth and Commission forecasts.

The Commission has also proposed a reduction in network asset lives, which will allow Vector to recovery capital more quickly, reducing the risk that these investments could be made redundant before they have delivered a return. However, Vector believes the Commission is still slightly underestimating the potential of these risks.

Additionally, the regulatory regime continues to weight cash flows towards the end of asset lives heightening the risk of rapid and unpredictable technology change in terms of earning a return on those assets.

We are focused on meeting the Commission targets for service standards. We constantly meet the Commission's safety target but we have exceeded the SAIDI target -- it's the duration index -- for the past three years. The duration index, otherwise known as SAIDI, has been impacted, among other things, by significant increases in traffic in Auckland and the cessation of most live line work, as well as stormy weather in 2014 and obviously the outage at the Penrose substation.

We are engaging with the Commission on these issues and I'll now hand over to Dan to take you through some of the financial points.

Dan Molloy - *Vector Limited - CFO*

Morning everyone. I'm just going to summarize the high level results which are shown on slide 14.

The sale of Vector Gas has obviously had a dramatic impact on our results and the way we report them. Accounting standards require that we report Vector Gas as a discontinued operation so our results focus on continuing operations and these don't include any contribution from the Vector Gas businesses.

The metrics on the left-hand side of slide 14 show the financial highlights for the continuing operations. The metrics on the right hand side also include the contribution from Vector Gas for the 10 months that we owned it.

Group net profit was up almost 84% and that was due predominantly to the NZD164 million gain on the sale of Vector Gas and this was partially offset by a NZD64 million write-down we have taken against the carrying value of gas trading.

Slide 15 shows the movement and adjusted EBITDA for continuing operations. It's worth noting that following the sale of Vector Gas we've combined our regulated businesses into a single segment for reporting purposes.

On a continuing operations basis, adjusted EBITDA improved 4.7% to NZD473 million with growth in regulated networks and technology partially offset by our decrease in earnings from gas trading.

The NZD164 million gain on sale of Vector Gas dominates the net profit result on slide 16. Year on year however, the result also benefited from higher earnings from continuing operations and associates, lower interest costs and favorable mark to market derivative adjustments. These gains were diluted by a reduced contribution from Vector Gas. We only owned it for 10 months through to its sale on 20 April and also by the NZD64 million impairment of gas trading.

Slide 17 gives you a snapshot of CapEx for the year. This rose 12% in the last year and that reflects a strong connection growth in Auckland and also growth in our metering business.

Slide 18 shows that the sale of Vector Gas has also transformed our balance sheet. We're applying the sale proceeds initially to debt reduction. We repaid NZD610 million of debt upon sale. The remaining proceeds will be applied to repayment of facilities maturing this financial year. Over the longer term, we're going to redeploy this capital across our portfolio.

Gearing has fallen substantially to 43.7%.

The table on slide 18 shows the maturities in our debt portfolio. As you can see, the last of our legacy pre-GFC debt matures shortly after the next electricity reset. This should at least partially mitigate the risk of an adverse regulatory reset for electricity in 2020 if interest rates remain at historic lows.

Auckland continues to be a key driver of growth for our regulated networks. These results are summarized on slide 19. You can see that new connections have grown strongly. They're up 11% and as we mentioned earlier this has lifted our capital expenditure. The impact of this growth on network revenue and earnings has been diluted by the continuing decline in consumption per household.

Regulated network earnings have also benefited from cost control, lower maintenance expenditure and the release of provisions and one-off items from prior periods.

Our regulated asset base after the sale of Vector Gas now stands at more than NZD3 billion with electricity RAB of NZD2.7 billion and Auckland gas distribution RAB of around NZD370 million.

The Commission's draft input methodologies review is a bit of a mixed bag from an earnings perspective. The proposed reduction in the gas asset beta, all other things being equal, is going to reduce gas distribution revenues by around NZD4 million a year from October 2017. The gas reset will also be impacted by the move to the P67 WACC and proposed lower allowances for debt costs.

From April 2020, the proposed revenue cap would further improve stability of electricity network earnings and largely remove the electricity volume forecast risk. The proposed allowance for accelerated depreciation will increase electricity revenues from 2020 reducing the risks around investment due to rapid advances in new technologies. This benefit will be partially offset by a lower allowance for debt costs.

The technology result is summarized on slide 20. It was again dominated by an increase in deployed smart meters with a record 180,000 installations in the 2016 financial year and we now operate a fleet of almost 1.5 million electricity and gas meters across the country.

We're expecting to install between 140,000 and 160,000 meters in New Zealand this year, after which our New Zealand mass market rollout is going to be largely complete and our local operations will shift focus towards servicing the new and replacement meter market.

As Simon has already mentioned, from a growth perspective, our focus is now shifting to the Australian opportunity. EBITDA growth in the technology segment reflected the smart meter rollout, but it was offset by business development costs for new technologies and metering in Australia.

Adjusted EBITDA for gas trading, which is summarized on slide 21, fell 13.4% for the year to NZD40.6 million. Natural gas volumes and margins continued to decline and gas liquid margins also fell in line with the fall in global hydrocarbon prices.

We indicated to the market in February that we would be reviewing the carrying value of the gas trading division. We have now completed our review and it has resulted in a NZD64 million write-down. The write-down reflects the challenges in the natural gas part of the business and these include the steady decline in the output from Kapuni, diminishing prospects of further field development due to ongoing disputes and lower hydrocarbon prices.

Despite the challenges in natural gas, our LPG operations occupy a strong market position. Bottle swap volumes continue to grow supporting our decision to invest in a new bottling facility. Liquid gas continues to make a strong contribution despite a reduction in tolling volumes in the 2016 financial year as lower international prices made export of LPG less attractive.

I'll now hand you back to Simon.

Simon Mackenzie - *Vector Limited - CEO*

Thanks, Dan.

Moving to the outlook for the business, our electricity revenues are effectively set through to April 2020 and this provides earnings stability for that large chunk of the business.

Whilst the Commission's draft IM review will negatively impact the earnings of our Auckland gas network from October 2017, the sale of Vector Gas has significantly reduced our exposure to this adverse gas reset. Gas impacts aside, the Commission's draft IM review is pointing to regulatory stability through to 2025 whilst also reducing volume risk and allowing for accelerating returns on traditional investments.

Such regulatory stability will provide the significant reinvestment required for the growth of our Auckland energy networks. The regime will not, however, insulate us from adverse electricity reset in 2020 if interest rates remain at current historical lows. However the risks of such an outcome will be mitigated to some extent by lower interest rates with the last of our pre-GFC legacy debt positions maturing within six months of the 2020 reset.

Vector continues to prioritize growth in its portfolio and the sale of Vector Gas is a part of this ongoing shift. In addition to redeploying these proceeds into Auckland growth we will use them to support our ongoing diversification into unregulated adjacent markets such as smart metering, batteries and other areas which are evolving rapidly particularly from a consumer choice perspective.

Capital expenditure in the 2017 financial year is expected to be higher than the NZD323 million spend in 2016. Meanwhile we expect adjusted EBITDA for the current financial year to be in the range of NZD460 million to NZD475 million.

Vector is looking to the future confidently. We are driving energy industry transformation by providing choice for customers and working with leading innovators offshore and in New Zealand that are embracing the new opportunities emerging in the sector.

The Company benefits from a diverse and talented team committed to our vision to give customers greater choice and control over their energy use. We are creating a new energy future and we're excited about the opportunities we see ahead of us.

I'd like to recognize all in the Vector team for delivering this result this year and I'd like to now hand over to the moderator for questions.

QUESTIONS AND ANSWERS

Operator

Thank you. (Operator instructions). Thank you. Your first question is from Grant Swanepoel from Craigs Investment Partners. Go ahead thank you.

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Grant Swanepoel - *Craigs Investment Partners - Analyst*

Good morning team. Just one question. It's around your EBITDA outlook. NZD478 million this year and the top of your guidance NZD475 million, not quite getting that in that there's no reason why the regulated income should be going backwards this year. You've already got NZD5.6 million in business development in technology. How bad does the gas trading book look, or am I missing something? Thank you.

Dan Molloy - *Vector Limited - CFO*

Grant, it's Dan. Thanks for the question. I guess the -- you're right from a regulated networks perspective, but there's a few complexities that you'll be not aware of. One of those is we have some CapEx and pass through adjustments so effectively some minor claw backs. That's going to impact us next year to the tune of about NZD3 million.

We also had a bunch of -- I think as you'll see on the slide a bunch of one-offs and one-off benefits this year that we won't be getting next year. That's to the tune of about NZD7 million.

Then we're also seeing volume declines most significantly from the shutdown and partial shutdown of some major customers. Those three factors combined we'll probably see a network result next year that's circa NZD10 million down on the current year.

Operator

Thank you. The next question is from Andrew Harvey-Green from Forsyth Barr. Go ahead thank you.

Andrew Harvey-Green - *Forsyth Barr - Analyst*

A question -- I apologize if it was covered off at the very beginning of the call but just a question around I guess the dividend policy going forward and it's sort of mentioned that the Board is reviewing whether a higher target is appropriate. Just sort of wondering if you can give us an idea of when that Board review is likely to be completed?

Simon Mackenzie - *Vector Limited - CEO*

Thanks, Andrew. You might have missed that at the very beginning when Michael covered that off. But he signaled that it's likely to be, or the logical time, will be next February. That will give us time to digest the outcome of the final input methodologies review, as well as a few other factors that we're looking at at the moment including ongoing capital requirements.

Andrew Harvey-Green - *Forsyth Barr - Analyst*

Okay and secondly, a couple of other questions. Are you able to give us some sort of rough idea on where you see capital contributions moving to for FY 2017? I think they're a little bit over NZD50 million this year. Is that sort of a reasonable guide? Probably a little bit of a step up given the CapEx growth you're seeing.

Simon Mackenzie - *Vector Limited - CEO*

Andrew, we're seeing them at a reasonably similar level to this year which I think was about NZD49 million. Yes.

Andrew Harvey-Green - *Forsyth Barr - Analyst*

Yeah. I think I might not have been adding in what you sold as well in that number.

I guess the last question I had was just around interest expense guidance just given that you've been applying cash to repaying debt during the year and where do you see that falling to?

Simon Mackenzie - *Vector Limited - CEO*

I think we're seeing that around about -- what was it this year? About NZD166 million. It's probably going to come down to the likes of -- towards sort of NZD140 million, that sort of vicinity.

Andrew Harvey-Green - *Forsyth Barr - Analyst*

Sorry, that was NZD140 million was it?

Simon Mackenzie - *Vector Limited - CEO*

Yes, roughly of that order.

Andrew Harvey-Green - *Forsyth Barr - Analyst*

Great. That's all from me. Thanks.

Operator

Thank you. The next question is from Greg Main from First NZ Capital. Go ahead thank you.

Greg Main - *First NZ Capital - Analyst*

Hi, guys. Some questions from me around the technology business to start with. I'm just sort of wondering how much in the way of costs maybe Australia would have weighed on the result this half or this period. Just sort of thinking when you look at how the meter trend, or the technology trend has been over the last several periods, you obviously had the benefit of Arc entering and coming on board. Clearly, your employee costs going through they continue to have increased. Your CapEx was still relatively elevated because you're doing the meters run out but then maybe the earnings haven't grown as much as it what it should -- as what maybe we would have thought it would have especially this last result. I'm just sort of wondering what the dynamic is there, whether it is some -- you're absorbing costs ahead of -- from Australia and how we should think about the Australian meters rollout in FY 2017 with regard to higher cost but maybe it's operating at a loss for the first couple of years.

Simon Mackenzie - *Vector Limited - CEO*

Yes, Greg, thanks for the question. In terms of those -- the costs that are weighing on that result I think you can see them set out on slide 20. Those aren't just metering related costs in Australia, but I guess we're doing a whole lot of things around battery storage, home energy management, solar more widely.

In terms of how you should look at the Australian operation we -- this year we're intending to install low tens of thousands of meters and thereafter it's going to depend on how happy the retailers are with us and our ability to sign up more customers. I think you're right in your assumption that it will be loss making in Australia for several years to come until we reach suitable scale.

Operator

Thank you. The next question is from Tim Hunter from National Business Review. Go ahead thank you.

Tim Hunter - *National Business Review - Analyst*

Good morning. Just had a question relating to the regulation side of it. You indicated that the regulatory review will allow accelerated recovery in the future from the lines business. What does that mean for the prices to customers both in the draft outcome and your ideal outcome?

Simon Mackenzie - *Vector Limited - CEO*

I guess the particular focus for the Commission is around recognition that a lot of the network assets have 40 plus year lives from the traditional assets and there is an ever-increasing risk that those assets could be displaced or the capacity requirement significantly reduced as more and more customers adopt those. They'd be looking to, at the next reset, enable businesses to reduce the depreciation timeframes on those assets to reflect those.

The age profile risks will obviously depend -- if there's any impact on customers depends on a number of other factors such as whether or not there's an overall price reset which is obviously largely pegged to where the interest rates sit as well as any other adjustment factors such as in the weighted average cost to capital input parameters.

Where that may end up with regards to an impact on customers couldn't say at this point in time, but it certainly is the balance around how we have to have the right incentives to invest, the risk of the types of asset we invest in in the long term, balancing that with consumer needs. I think that goes full circle to why we are extremely active in looking for alternates to traditional network solutions so that we can minimize those price pressures on customers whilst also enabling customers to access other adjacent services or ways to store, manage or control energy costs. Given the technology now, they can enable that where traditional assets typically wouldn't.

Tim Hunter - *National Business Review - Analyst*

That's great. Thank you.

Operator

Thank you. The next question is from Kate Barker from Energy News. Go ahead thank you.

Kate Barker - *Energy News - Analyst*

Morning, guys. I've just got a few more questions about the utility scale battery that's been installed in Glen Innes. I was just wondering first of all when was that deployed?

Simon Mackenzie - *Vector Limited - CEO*

Hi, Kate. We're just finalizing the construction of that now, so it's in its final stages and that will be -- going through its commissioning trials in the very near future.

Kate Barker - *Energy News - Analyst*

Right. So do you have a date of when you're expecting it to be fully functioning?

Simon Mackenzie - *Vector Limited - CEO*

Yes, well by the time we go through all the commissioning and everything it'll be probably around late September or mid-October.

Kate Barker - *Energy News - Analyst*

Okay. So using this battery does successfully avoid putting a new substation in and enacting it. What kind of investment or costs will you have avoided there?

Simon Mackenzie - *Vector Limited - CEO*

The issue is avoiding actually not necessarily building a whole new substation. It was about having to significantly upgrade that substation. Obviously, recognizing that this is the first in a deployment of these types of batteries so there's a degree of learning but we expect in the long run that the deployment of these on a normalized basis would be approximately 70% of the cost of the traditional network investment. It's going to facilitate a lot more cost effective whilst reliable solution to the network investment going forward.

Kate Barker - *Energy News - Analyst*

And are you able to just provide a bit more information about the project with the affordable housing in Orakei? Do you know what kind of size the cluster you're expecting to put in there?

Simon Mackenzie - *Vector Limited - CEO*

Yes, there's 20 homes and they're solar and batteries so they're being connected up. And we see that that cluster is also being done in conjunction, as we mentioned, with Ngati Whatua. The building of those homes themselves has been a fantastic done with the Building Research Association, Ngati Whatua and a lot of architects to design modern quality homes that basically integrate a lot of the latest technology, whether that's basically building materials or energy.

We see that this is, I guess, illustrative of what will be occurring more and more throughout Auckland as Auckland grows. And hence being able to put these types of solutions into this is really important for us to understand how these can actually be utilized by customers as well as changing the network characteristics and design that we need to thinking about for facilitating Auckland growth.

Kate Barker - *Energy News - Analyst*

Okay and has work started on that already from Vector's perspective or will you be coming in a bit later to the project?

Simon Mackenzie - *Vector Limited - CEO*

Yes, absolutely. It's all largely installed.

Kate Barker - *Energy News - Analyst*

Right so people will be moving in this year?

Simon Mackenzie - *Vector Limited - CEO*

Yes, absolutely. There's people already housed in there and there was an opening probably about four months ago. That was a great celebration of a fantastic project of which we played a small part in it.

Kate Barker - *Energy News - Analyst*

Was that related to when you mentioned in the announcement just working with the Auckland Council on growth and things like that? Have those kind of ideas worked into how Vector is helping out with that?

Simon Mackenzie - *Vector Limited - CEO*

This was one that was basically directly with Ngati Whatua. It had less involvement with the Auckland Council but we are working extensively with Auckland Council in many regards looking at the impact of growth across Auckland, doing a lot of work on data analytics to understand consumer changes, what the housing developments are likely to be, where the intensification is going to occur.

Yes, we have a very construction relationship with the Council and we see that that is just an integral part of how we actually can support the growth of Auckland given, as we mentioned, that the predictions are that we're building a network approximately the size of Hamilton every four to five years.

Kate Barker - *Energy News - Analyst*

And just with these smart meters in Australia, you say there's probably going to be deployment in the low 10,000s for the coming year. How many have already been installed over there?

Simon Mackenzie - *Vector Limited - CEO*

Sorry, it's very early days. It's in the vicinity of around 500. We've literally just started. The field crews are all mobilizing and as we find in -- when we found in the early days with the deployment in our smart meters here there's always some teething issues with regards to the processes around making sure customers are home when you want to go and deploy. We're just really gearing up now. We've got the contractors on board and we're right in the buildup phase.

I think as we saw with the metering when we started here there's a huge task to get up and running. We're leveraging that experience from New Zealand but there's always country learnings as we're fully aware of. We've got a good team over in Australia and the circumstances and the configurations vary in the networks over there depending on whether the customers have solar or whether they don't. Obviously there's a massive solar penetration in Australia so there's just different characteristics that we have to get our processes really streamlined to cater with.

Kate Barker - *Energy News - Analyst*

Right and how big is the team you have working over there?

Simon Mackenzie - *Vector Limited - CEO*

Well, obviously, we contract out a lot of the field resources. I think the current team - sorry, I mean it's growing all the time so it would be in the order of about 20 people -- 20 people and we obviously have to bring in contractors to pick up tasks. We're also leveraging a lot of the team here back in New Zealand.

Operator

Thank you. The next question is from Greg Main from First NZ Capital. Go ahead thank you.

Greg Main - *First NZ Capital - Analyst*

Yes, sorry, the moderator seemed pretty keen to cut me off before. Just on the wholesale business, just when you said about loss of customers, is that something you are expecting going forward or that happened in the second half and you expect a full year result -- full year impact in FY 2017?

Simon Mackenzie - *Vector Limited - CEO*

Sorry, I think, Greg, loss of customers was a reference to actually the regulated networks where we've -- one customer in the last year -- one large customer has partially shutdown and a couple -- one or two other large customers have left. From a gas trading perspective, we're not anticipating loss of customers. We've still -- the guys are still doing a great job meeting the I&C demand. We're expecting a bit more of a tail off in the net results next year but not of the same order of decline that we've seen this year.

Greg Main - *First NZ Capital - Analyst*

Right because when we look in that business, obviously -- I mean you're still sort of spending a bit of CapEx in sort of that space. I mean you look at your CapEx spend -- I know it's pretty close to what the D&A is but relative to what your earnings is it's obviously increased over time. How do you kind of think about your CapEx spend relative to the earnings profile in that business? Is it just something you just have to spend that amount of money on?

Simon Mackenzie - *Vector Limited - CEO*

The majority of the CapEx is going into LPG and we're in the process of finishing this bottling plant that we're building in Hunua in South Auckland. There is -- the Kapuni gas treatment plant from a health and safety perspective and process safety perspective, that is a plant that requires constant and ongoing upkeep, but the majority of that segment CapEx is in LPG.

Greg Main - *First NZ Capital - Analyst*

Okay and then obviously when you're looking at the value of the Kapuni assets, how did you think about the value of the plant and then the sort of lifetime of the field as part of that and part of that obviously potential remediation type costs?

Simon Mackenzie - *Vector Limited - CEO*

I guess, Greg, that the range of outcomes for Kapuni is very wide. Based on the current determination, that would see you producing for the next -- through to somewhere in the mid-2020s or early to mid-2020s. If some of these -- if you get some 2C to 2P conversion that field could be producing for a long time.

In terms of decommissioning, we have a decommissioning cost estimate for that plant. We get it regularly updated by engineering consultancies, but it's discounted back to today's dollars based on when we think that will happen. I think for the purposes of our financial accounts, that assumption at the moment is somewhere in the mid-2020s.

Greg Main - *First NZ Capital - Analyst*

Okay, thank you.

Operator

Thank you. The next question is from Stephen Hudson from Macquarie Group. Go ahead thank you.

Stephen Hudson - *Macquarie Group - Analyst*

Afternoon, guys. I just wondered if you could -- you've usefully chunked out what the inputs methodology changes could mean for allowable revenue. I just wondered if you could give us an estimate on a move -- what a move to a five-year trailing cost of debt could mean for your allowable revenue? I understand that's being assessed in various workshops at the moment.

And then secondly, just a small one. It looks like your technology segment was restated last year. I just wondered if I read that right.

Dan Molloy - *Vector Limited - CFO*

Stephen, on five year trailing cost of debt that's definitely something we have submitted on. We haven't seen any indication from the Commission to date that they would be inclined to entertain that. I'm sorry, I don't have -- I can't tell you off the top of my head what impact that would have on our allowable revenues.

In terms of the technology segment restatement, we're not aware of anything. Is there a particular issue you've noted or?

Stephen Hudson - *Macquarie Group - Analyst*

It was only a few million dollars. I think it was NZD108 million down to NZD105 million but maybe there was some wash up on the sale (multiple speakers).

Dan Molloy - *Vector Limited - CFO*

Stephen, no, sorry, what it is, is we -- during the period I think as we've noted in a couple of places in the release we changed our definition of adjusted EBITDA and we've now excluded contributions from that metric. There are a small amount of contributions in the technology segment and that will be the NZD2 million or NZD3 million impact that you've picked up on.

Stephen Hudson - *Macquarie Group - Analyst*

No worries. Thanks, Dan.

Operator

Thank you. There are no further questions in the queue at this stage. I will now hand over to Simon Mackenzie for any closing remarks. Thank you.

Simon Mackenzie - *Vector Limited - CEO*

Thanks very much everyone. I'd just like to reiterate that there's no further questions so we look forward to talking to you at the half year. If analysts and investors have any further questions, please feel free to contact Dan and the media can contact Richard Inder if there's any media requests for information.

Thanks very much for everyone joining and we look forward to engaging with you again at the AGM and then at the half year results.
