



T/18/08

MINUTES

ANNUAL GENERAL MEETING OF BENEFICIARIES

Date: Monday, 30 July 2018
Time: 10.05am
Place: River Room, Ground Floor, Norris Ward McKinnon House,
Corner Victoria & London Streets, Hamilton

PRESENT:

Trustees Ingle (Chair), Isaac (Deputy Chair), Harding, Rolton, Stephen & Williams

IN ATTENDANCE:

Trust Staff: Trust Manager, Grants Manager, Financial Administrator & Trust Secretary
Trust Advisors: Sharon Cresswell & Victoria Ashplant (PwC), Mark Renner (Tompkins Wake)
WEL Networks Ltd Directors: Tony Steele, Carolyn Steele & Geoff Lawrie
WEL Networks Ltd Staff: Garth Dibley (Chief Executive), Richard Barnard (GM Commercial), Sue Tindal (Group Chief Financial Officer), Paul Blue (GM Asset Management), Andrew O'Carroll (Group Finance Manager), Mat O'Neill (GM WEL Services), Erin Rangi-Watt (Communications Advisor)
UltraFast Fibre Ltd: Chief Executive William Hamilton
OurPower: Tania Jones, Rob Johnson, Daisy Hsu, Louise Hutt, Shannon Skinner & Mark Sutcliffe
Hamilton City Council: His Worship the Mayor Andrew King, Andy Mannering (Social Development Manager), Councillors Siggie Henry, Garry Mallett and Angela O'Leary
Waikato District Council: Mayor Allan Sanson & Chief Executive Gavin Ion
Waipa District Council: Mayor Jim Mylchreest & Chief Executive Garry Dyet

APOLOGIES:

WEL Energy Trust: Trustee Hamill
WEL Networks Ltd Directors: Rob Campbell, Carolyn Luey & Tony Barnes
Trust Advisors: Julian Prior (PwC)
Hamilton City Council: Chief Executive Richard Briggs

KARAKIA TIMATANGA & WHAKAMUTUNGA:

Norm Hill

The Chair welcomed those in attendance then introduced himself and his fellow Trustees. He declared the meeting open and invited Norm Hill to perform the Karakia Timatanga, then attendees sang the waiata 'Tūtira Mai Ngā Iwi'.

The Chair covered the necessary housekeeping matters, confirmed that the quorum was exceeded and advised that, in accordance with clause 16.13 of the Trust Deed, not less than 14 days' public notification had been provided for the AGM.

In the interests of the environment, the Chair advised that the Trust and Company were looking to reduce their printing so fewer hard copies of the Annual Report were available, but that it could be accessed electronically.

The Chair ran through the items on the Agenda before introducing Tania Jones to speak about WEL Networks Ltd's new initiative, OurPower.

INTRODUCTION TO OURPOWER

Tania Jones gave a presentation about OurPower which covered:

- Rapid industry changes
- Electricity affordability
- OurPower background and progress to-date
- Customer testimonials
- Gifting/sharing
- Next steps

Ms Jones invited attendees that wanted to know more about OurPower to direct their questions to OurPower staff at the conclusion of the presentations and she thanked everyone for their attention.

The Chair highlighted that the savings achieved by OurPower customers so far are significant, and gains have surpassed what individuals would have realised with the old discount programme. He also pointed out that OurPower would be launched to the public in March 2019 and that staff would continue to make any system changes necessary through feedback received. The Chair acknowledged Trustee Rolton's active involvement in OurPower's pilot programme and development.

The Chair explained that, to further influence electricity pricing, as well as entering into the retail space through OurPower, the Trust would also need to investigate investment into the generation side of the industry, not just the lines business as it has done historically, which accounts for only a quarter of the ecosystem associated with the supply of power.

APPOINTMENT OF AUDITOR

MOVED: (Ingle/Sanson) That PricewaterhouseCoopers be appointed as Auditors of the Trust for the year ended 31 March 2019, and the Trust be authorised to fix the fees and expenses of the Auditors for the year.

CARRIED

ANNUAL REPORT

The Chair noted that the Trust's mission, released at the 2017 AGM and which it has been striving to deliver on, is *"Working together, working smarter to grow investment and to unlock the powerful possibilities of our community, now and into the future"* and this reinforces language common to The Waikato Story, Waikato Means Business and The Waikato Plan, since they all share the Trust's aspirations for our community.

The Chair summarised the operations of the Trust for the year ended 31 March 2018 in eight key categories and the following was noted:

Replacing the Discount Programme

- This was the single biggest decision made in the period, and it was not taken lightly, particularly as it was not consistent with the Trustees' campaign messaging. It necessitated significant debate and discussion, both internally and with the Company. Trustees believe it was the right decision, made for the right reasons.
- A fundamental driver behind decision-making is to ensure the Company operates as a successful business, and this is embedded in the Trust Deed.
- There will be important outcomes as a result of replacing the discount programme and Trustees believe:
 - WEL Networks Ltd will be operating from a position of strength to manage risk associated with the rapidly-changing electricity sector
 - Targeted investment in areas outside of lines infrastructure can produce better overall electricity price outcomes for residential customers in our region over time, starting with the most in need
 - More investment in the community, with a focus on impact, can now be achieved
- The Trust and Company are committed to tracking and measuring the overall benefits associated with this strategy over the next two years, and if the outcome of better overall electricity pricing is not being achieved, mitigating steps will be taken.

Strategy

- Dialogue with the Company continues to be open and constructive.
- The technology that provides both opportunity and potential threat is at the forefront of conversations.
- The WEL Networks Board is navigating a sound course and the appointment of key people has created confidence that the business will be lead successfully through these interesting times.
- Trustees seek outside information to keep abreast of industry technology trends and indicators.
- The Trust's strategies reflect that it needs to provide greater emphasis on investing for impact.

The Trust's investment in the Community

- During the reporting period, the Trust has invested into the community by the following means:
 - Four community loans with two new applications pending
 - Three Community Support grants rounds
 - Five Quick Response grants round
- The average grant amount was just over \$11,500 (up from just over \$10,000 the previous year).
- The total grants amount was \$2.9m (up from \$2.5m the previous year), and this included the Vital Impact (Housing) grant of \$320,000 to Habitat for Humanity.

Investment Portfolio

- Despite owning assets worth over \$1b, the Trust only has \$13m invested in managed funds.
- The return on this investment for the period was 8.7% and this is used towards Trust operating costs, including the grants programmes.

Core Investment – WEL Group

- The group includes the Trust, the Company and UltraFast Fibre.
- Understanding and embracing technology for better business and community outcomes continues to be a priority for the Group.
- The Chair congratulated the Company and UltraFast Fibre on the national recognition received through various awards for their involvement within the technology sector.
- The Group supports the Government’s review of electricity pricing and its objective of ensuring fair and equitable prices to end-consumers.
- WEL Networks Ltd now includes retail price monitoring within its Strategic Direction Document, reinforcing the commitment to deliver change within our local community.
- The combined enterprise midpoint value of WEL Networks and UltraFast Fibre for the period was \$1.172b (up from \$1,115b the previous year).
- Two new Directors were appointed to the WEL Networks Board in June 2017; Rob Campbell (Chair) who received the accolade of top New Zealand Chairman for 2017, and Carolyn Steele. In June 2018, three more new Directors, Geoff Lawrie, Carolyn Luey and Tony Barnes, joined them and existing Directors, Tony Steele and Barry Harris.
- These changes were in recognition that the Board needed additional skills and diversity to be effective across the lines business and UltraFast Fibre.
- The Chair acknowledged the strong leadership of the Company and noted that Sue Tindal had recently started her role as Chief Financial Officer for the Group.
- The Trust is excited by its investment in the UltraFast Fibre business, the growth it has achieved and the scope with regard to its customer base.

Mission Related Investments

- The Trust continues to look for new ways to support the economic, social and physical wellbeing of the community. The following activities were undertaken during the reporting period:
 - Presentations to Government on how it could partner philanthropy within New Zealand, but also within this region
 - Support of the development of the New Zealand Impact Investment Network and National Advisory Board for Impact Investment, the latter of which Trust Manager, Raewyn Jones is a Board member
 - Establishment of an Impact Investment fund with other regional trusts in the Waikato and Bay of Plenty to support regional impact projects by working with advisors with a view to achieving a strong yield while reinvesting into our local communities
- The Trust’s intentions with regard to community and Mission Related Investment practices are very much a focus in the Trust’s 2018/19 Annual Plan, and will remain so going forward.

Financial Performance

- The Trust operations produced a net surplus of \$404,000 after tax and distributions (down from \$852,000 the previous year) and this was ahead of budget due to the performance of the Trust’s investment portfolio and a special dividend received from the Company.
- Strong commercial lines consumption continues to support the strong results of WEL Networks Ltd.
- The turnover for WEL Networks Ltd was \$140m, and \$50m for UltraFast Fibre Ltd, with a combined profit of \$13.4 m for the period.

The Year Ahead

- The Trust believes systemic change is required for better community outcomes, and that this change will come from backing new and innovative ideas and ways of thinking.
- A critical piece of work will be the review of the Trust’s Community Investment Strategy that will aim to see an increase in the ways we seek to support positive impact for our community.
- Moving OurPower forward as a ‘For Purpose’ (low cost electricity retailer) business, especially for our vulnerable and then general populations, is a focus this year.

The Chair extended thanks to his fellow Trustees, and in particular new Trustees (Stephen and Rolton), for their support and contributions over the past year. He also thanked Trust staff for delivering high value experiences, under the Trust Manager’s outstanding leadership, to the organisations and community we partner with and serve.

Lastly, the Chair expressed that the Trust is excited about the challenges of the year ahead and looking forward to reporting on the collective successes of the WEL Group next year.

The Chief Executive of the Company was invited to deliver his presentation.

COMPANY & INDUSTRY MATTERS

The Chief Executive’s presentation on the Company’s performance for the 2017/18 year included the following:

- Vision – “Creating an innovative energy future” (Best in Service, Best in Safety)
- Year in Review
 - Health, safety and wellbeing
 - Financial result
 - UFB2/UFB2+ update
 - Strategic investments in new technologies
 - Off grid solution (Te Awa Cycleway)
 - Ruakura microgrid opportunity
- Income Statement – Group
- Best in Safety
 - Safety first culture
 - Stop for Safety event (mental wellness)
 - KPMG reviews of Health and Safety
 - Network contractors
 - SafePlus Health and Safety performance assessment
- Best in Service
 - Pricing
- Reliability
- Continued Customer Demand
- Fibre Investment
- Innovation
 - Smart Services
 - OurPower
 - Local generation and microgrids
 - Electric Vehicles

The Chair thanked the Chief Executive and invited questions from the audience.

Mr Keith Gallagher enquired as to the ownership of OurPower. The Chair replied that WEL Networks Ltd is currently working with OurPower, and that the longer-term ownership structure is being worked through. He explained that there are limitations due to regulation with regard to how many retail customers the lines business can have so there is likely to be a change in ownership.

Former Trustee, Brad Chibnall asked how funds resulting in the replacement of the discount programme would be reinvested. The Chair explained the timeline around electricity pricing, noting that after December 2017 the base price was kept flat for WEL Networks Ltd, who provided the equivalent of half the discount back to its direct customers (electricity retailers). He informed that the small retailers have passed the savings on to consumers, and the larger retailers are starting to follow suit, with Genesis Energy advising its customers the previous week that their prices would be reducing. He noted that the balance of the discount is being used for the community via Impact Investing, with benefits to flow through in 2019/20, and that the Trust is also supportive of OurPower and other Company initiatives that bring down price.

Councillor Angela O’Leary asked if there would be restrictions as to who could sign up to OurPower, to which Trustee Ingle replied that there would not be limitations, but rather more choice for consumers with regard to their electricity suppliers. He continued by emphasising that the main goal is to disrupt the market and reduce the retail price of power in the region.

The Chair invited Norm Hill to perform the Karakia Whakamutunga.

CONCLUDING REMARKS FOLLOWED BY REFRESHMENTS & OURPOWER FOLLOW UP

The Chair thanked everyone for their attendance and encouraged engagement with Trustees, Company Directors, staff and the OurPower team, reiterating that OurPower would continue to be developed in readiness for the main launch on 31 March 2019.

The meeting closed at 11.00am.

Confirmed at T/18/09 on 22 August 2018 as a true and correct record.

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CHAIR