



CHIEF EXECUTIVE'S REPORT



Mike Underhill

[Chief Executive Since 1999]

Providing a Reliable Supply

WEL has continued to work towards strengthening the reliability of its electricity system with two major initiatives.

Firstly we have committed, with Transpower, to install a new major point of supply (connection point into the national grid) in the Waikato. Transpower have lodged an application for resource consent, marking the formal commencement of the project. It is our expectation that the point of supply will be commissioned and operational in 2005.

Secondly we are pleased to report that the existing Hamilton point of supply has been significantly upgraded with larger transformers and more responsive feeder protection now in place. As a result we are able to minimise the impact of any faults that occur on the network with fewer customers affected by any specific fault and faster restoration times.

We are continuing a detailed programme of projects to improve our network security and are now achieving very good results. This includes committing to making major investments in automation and control of down-the-feeder switching.

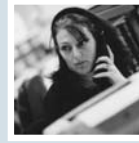
Our SAIDI has improved by 12.5% over the previous year. This result built on our success of the previous year which had until now been a record.

Customer Promise

As a sign of our confidence in our improved reliability we introduced the WEL Promise on 1 March 2003. The promise sends a clear message that WEL is committed to ensuring customers have a reliable power supply and, on the rare occasion when that supply is interrupted, we are dedicated to restoring it as soon as possible. WEL has promised to make payments to customers who are without electricity for longer than specified times.

Reduction in Costs per Customer

Cost reduction has been a sign of our commitment to improving our performance and achieving additional efficiencies in managing our assets. This year we achieved a decrease of 8% in controllable costs compared to last year's results.



Distributed Generation

During the past year WEL has committed to a new landfill gas generation plant at Horotiu.

This plant will be embedded within the WEL network and will have the capacity to provide power to 1,000 Hamilton homes. This initiative provides the advantage of using a renewable generation source as well as overcoming the environmental issue of methane leaking from the landfill into the atmosphere.

We are pleased that the Government has recognised the ability for lines companies to invest in generation and has increased the limit for maximum generation levels. This enables all lines companies to undertake generation opportunities, in particular to focus on renewable generation. WEL will continue to investigate and pursue opportunities in this area whenever this is commercially viable.

Capital Projects

We have completed a total of 14 major capital projects during the year, the two largest of these were; upgrading the transformers at the Avalon Drive and Bryce Street zone substations which has served to reinforce supply into the Hamilton central business district, and a major upgrade of the 11kV supply from Transpower's Hamilton substation.

We have also worked closely with Hamilton City Council to undertake, on a joint cost basis, two major undergrounding projects located in Claudelands and Hukanui.



Economic Growth/Community Involvement and Initiatives

WEL has continued to support economic development and encourage growth for the Waikato Region over the past year. This strategy has seen us involved with the establishment of the Innovation Park and was behind our significant sponsorship of the Waikato Stadium.

Achieving growth in the local economy, whilst providing significant community benefit, also means that our investment in our local electricity network is better utilised and provides maximum value.

Environmental Impact Initiatives

At WEL we have a focus on operating our network in a way that will have minimal impacts on the environment. Over the past year we have achieved this through continuing our programme of overhead to underground conversion with Wairere Drive through to Hukanui Road now completed. We have recently upgraded four substation transformers with new low-noise transformers in both urban and commercial areas, the noise levels produced are now well below the required threshold. Finally, we have implemented an innovative and cost effective approach to minimising the risk of oil leakage through the way in which we install oil containment devices at our substations.

Twenty Best Places to Work

For the second year in a row WEL has entered and received a placing in the "Twenty Best Places to Work" awards, following a survey conducted by Unlimited Magazine. This year our placing was achieved despite more companies having entered and the fact that we underwent a major internal restructuring.

Once again our dedicated staff have put in a major effort and it is through this effort that the Company was able to achieve such successful results. I would like to thank each person in the WEL team for their support.