



Dr Julian Elder

2007/08 CHIEF EXECUTIVE'S REPORT

Chief Executive Since 2007

Operational Highlights

My first year has been an interesting and challenging one. I am pleased with the transition from Mike Underhill and Kevin Palmer to myself, David Smith and John van Brink, with Russell Shaw providing great support as the point of continuity on the Executive Team. It has been a pleasure to work with the excellent staff at WEL and with the highly capable and experienced Board led by our Chairman, Rodger Fisher.

In this annual report we have included a number of news items providing information on what the business and our staff have been up to during the year. Health and Safety of our staff and the public continues to be a key focus. We have had many incidents relating to people stealing cable and putting themselves at risk of being killed through electrocution. We have issued a number of reports and warnings through various media to highlight the risks around electrical cables and lines.

Reliability

While our SAIDI figure for the year of 80 minutes is an improvement over last year's result of 99 minutes we have seen an increasing trend of car accidents where our poles and lines have been damaged. These are a significant cost, which we recover a large proportion of from the driver involved, and, depending on what assets are involved, can result in power outages lasting up to eight hours. Options to improve quality and security of supply are part of our ongoing business improvement processes.

Growth

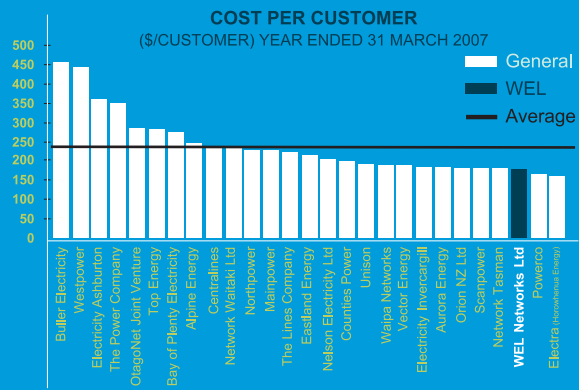
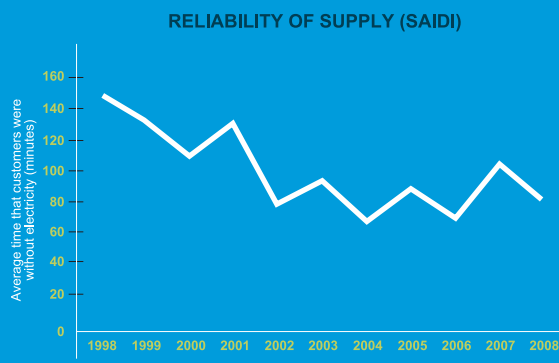
The increase in energy passing through our network was lower than expected at 2.4%. However we still saw large increases in peak demand. This continues to reinforce the need to invest in new capacity within the existing network as well as servicing new developments and maintaining system reliability.

Costs and Efficiency

We, as with most infrastructure companies, continue to face rapidly increasing costs, transformers increased in cost by 65% in one 18 month period. This is forcing us to raise prices as we are in a period of quite high capital expenditure. We continue to focus on driving efficiencies and have recently completed a redesign of internal processes to reduce cost and improve service delivery.

Service Delivery

It is important to "keep the lights on" and a critical part of this is restoring the power as quickly as possible after an event. To do this our staff respond at any time of the day and in any conditions, often the work they carry out is dangerous. Since in-sourcing Field Services we have seen an improvement in our response times and in customer compliments which is a real credit to our staff. Our goal is to continue to improve in these areas.



The Coming Year

There are a number of significant things happening for WEL in the 2008/09 year. Firstly we will be moving to our new location in Maui Street. This promises to provide a much better working environment, particularly for the field services and distribution centre functions. WEL has been operating out of three separate main locations with none of them being ideal for optimum operating efficiency.

One of the key tools we use to allow us to operate the network efficiently and safely is our SCADA system in the control room. This system is now over 15 years old and we have been experiencing increasing problems with it, including the reduced availability of support. A replacement programme will commence. This will also allow us to improve our response times to outages.

We will hear about the outcome of our resource consent application for the Te Uku Wind Park and expect to be making a decision on the development of that project. We continue to investigate other renewable energy generation projects and are interested in demand side initiatives as well as distributed generation as ways of reducing the cost of energy to consumers.

The Commerce Commission's Threshold Reset process and the Ministry for Economic Development's proposed amendments to the Commerce Act itself and to the Electricity Industry Reform Act will require considerable effort. It is important that we participate in these processes and ensure that they do not negatively impact on our business going forward.