

Welcome

This is the first issue of a regular newsletter that we have introduced to help you understand the role of Nelson Electricity Ltd and provide useful information about our activities and new initiatives.

In recent years the structure of the electricity industry has become increasingly complex. It is little wonder that many consumers have become confused about which company does what. In this first issue of On the Wire we provide an overview of how Nelson Electricity fits into the electricity supply chain, with supporting information about our history and current structure.

We also provide information about the recently announced Residential Low Fixed Charge option for electricity consumers, which came into effect from 1 May 2002. Electricity pricing is also a complex topic - partly because there are several different parties involved in the process of getting electricity to your premises. In our summary of the electricity supply chain we hope to shed some light on how the Nelson Electricity component of your account is derived. Our charges have consistently been lower than the national average while we have one of the highest levels of network reliability and performance in New Zealand. We are proud of these achievements and it is a continuing goal for the company to provide reasonable prices to our customers and end consumers along with the best network reliability and performance in New Zealand.

We trust you will find the newsletter interesting and informative. If there are any specific topics you would like to see addressed in future issues, or simply have comments about the newsletter in general, drop us a line at PO Box 7083 Nelson.

Your feedback is always welcomed.



Brian Rhoades
Chairman



NEL at a Glance

What We Do

Nelson Electricity Ltd (NEL) is the company that delivers electricity to you on behalf of your energy retailer (e.g. TrustPower, Meridian, Contact). We are responsible for managing and operating the electricity distribution network in the central Nelson City area.

Our network comprises approximately 8500 connections in a concentrated area of 24 square kilometres. Approximately 7000 of the connections are residential and the remainder are commercial or industrial.

Ownership Structure

In order to understand the current ownership of NEL it is useful to delve into a bit of history.

The first public supply of electricity in Nelson commenced in 1923 from the Power House on Wakefield Quay - a steam power generation station. This supplied the city at 3,300 volts. The supply from Power House continued as the only public supply until 1944, when the Cobb Hydro Station was commissioned; supplying the whole Top of The South region, and the Nelson City area was slowly converted to the 11kV network. The Powerhouse continued to operate until 1964 at which stage the last of the 3,300 volt supply was banished from the city. Since then transmission lines have been erected to link the Top of the South with the hydro generation in the lower South Island.

The Nelson City Council (NCC) ran the "Municipal Electricity Department" or the Nelson City Council Electricity Department from 1923 up until 1991. At that time it contracted a 10 year lease of the electricity operations to Citipower (a subsidiary company of Capital Power, then TransAlta).

In accord with the provisions of the Energy Companies Act 1992, which required that all electricity authorities became commercial companies, the NCC formed the company Nelson Electricity Limited, of which it owned 100% of the shares.

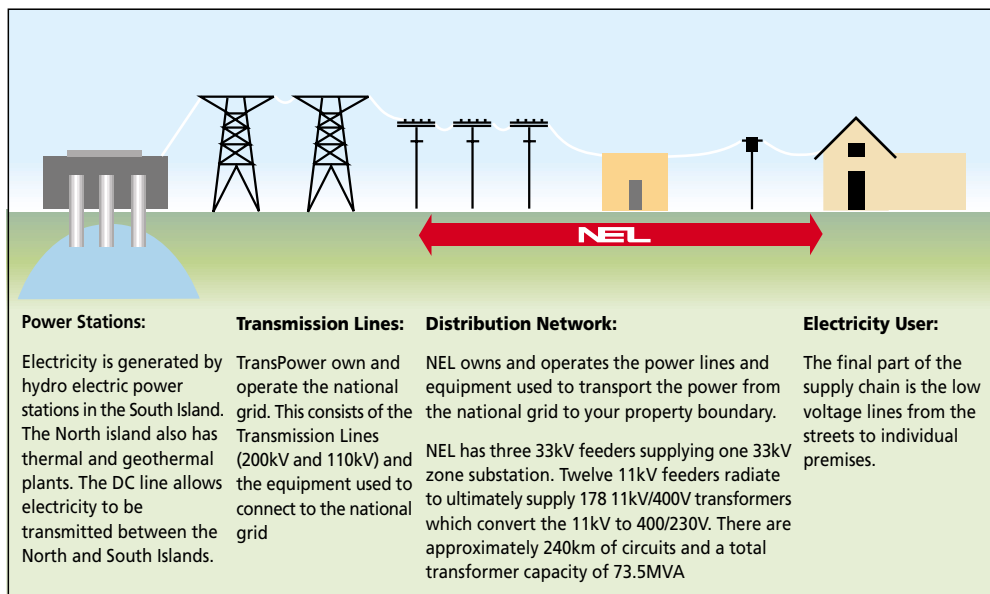
In 1996, the Nelson City Council sold 50% of its shares in NEL to Network Tasman (then known as Tasman Energy) and the other 50% to Marlborough Lines (then known as Marlborough Electric). Although the ownership of NEL changed, the existing lease with Citipower remained and they continued to manage and operate the assets of NEL.

There was further change ahead however as the 1998 Electricity Industry Reform Act required that all electricity companies split into either the electricity network business or the electricity supply business. In effect the Act made it unlawful for an electricity company to generate and sell electricity while at the same time being in the business of operating power lines. Like the majority of other integrated power companies NEL decided to retain its network business as a result. In June 1999, the electricity retailing operation including 8,500 consumers was sold to Trustpower Limited. This also resulted in the termination of the Citipower lease which meant that Nelson Electricity become responsible for the operation of NEL's electricity network.

Management

Today NEL is governed by a Board of Directors, which is made up of two representatives from Network Tasman, two from Marlborough Lines and an independent Chairman. Day to day operations of the company are managed by a small management team and all maintenance and capital work is outsourced to approved contractors.

Where NEL fits



NEL is just one of several companies involved in the process of getting electricity to you.

As shown in the diagram above electricity is conveyed from a power station over the national grid, which is owned by Transpower, to its substation in Nelson. NEL then transports the electricity from this substation to your installation (e.g. premises) over our network. NEL pays Transpower for the cost of transmission then charges your electricity supplier for the transport of electricity over both

the Transpower and NEL network. Your electricity bill is therefore made up of costs from electricity generation, transmission, distribution and retail. It is your retailer who determines the actual amount you are charged and who sends you the bill for the entire process of getting electricity to you.

Your contractual relationship for supply is now with a retailer. ie. Trustpower, Meridian, Contact, and not Nelson Electricity.

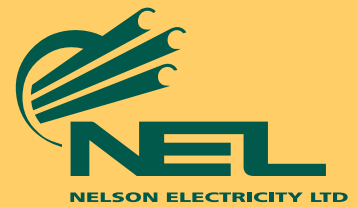
New Low Residential Fixed Line Charge Option

The NEL component of your total electricity bill is made up of a daily fixed charge and a variable charge based on the amount of electricity that you use.

NEL adjusted its line charges from May 1, to allow for the introduction of a residential low fixed daily charge option – Residential Economy. The new charges also reflect an increase in national electricity transmission prices.

RESIDENTIAL		New Line charges from 1 May 2002 (available to retailers 1 April 2002)			Line charges prior to May 1		
Price Option	Unit Option	Local Line	National Line	Total Line	Local Line	National Line	Total Line
STANDARD							
Fixed	cents/day	63.000	0.000	63.000	63.000	0.000	63.000
Variable							
General	cents/kWh	2.017	1.555	3.572	1.972	1.400	3.372
Controlled	cents/kWh	1.080	0.888	1.968	0.986	0.800	1.768
Night Rate	cents/kWh	0.581	0.444	1.025	0.425	0.400	0.825
ECONOMY							
Fixed	cents/day	15.000	0.000	15.000	48.000	0.000	48.000
Variable							
General	cents/kWh	4.725	1.555	6.280	3.972	1.400	5.372
Controlled	cents/kWh	2.492	0.888	3.380	0.968	0.800	1.768
Night Rate	cents/kWh	1.256	0.444	1.700	0.425	0.400	0.825

If you are a low user of electricity and would like to take advantage of the new Low Residential Fixed Line Charge option, please contact your electricity retailer for details.



Tree Trimming



Trees interfering with lines are a potential source of power outages. If you are a tree owner it is your responsibility to keep your trees appropriately trimmed so that branches do not grow too close to power lines.

Planting Trees

When planting trees, place them where they are unlikely to grow into the lines - keep at least two metres clear of the lines.

Pruning Trees

When trimming trees near power lines it is very important that you observe safety precautions.

We recommend that you hire a professional tree pruner with the expertise to cut around live power lines. If you contact NEL we can advise you of approved tree-cutting contractors to do the job for you.

If you wish to carry out your own pruning, make sure that you are well clear of any power lines. Power lines range in voltage from 230 volts to 33 000 volts - they all have the potential to kill. Ensure you contact NEL at the outset. We can provide free advice on the best methods of maintaining clearances from lines, and will disconnect the power free of charge, during working hours, while tree trimming is being undertaken.

If you have any concerns or queries about tree trimming please do not hesitate to contact us. We are happy to work with you to ensure the best possible solution.

Contact us

Nelson Electricity Limited
63 Haven Road
PO Box 7083
Nelson, New Zealand.
Phone (03) 546-9256
Fax (03) 546-0487
Email enquiry@nel.co.nz
Website www.nel.co.nz