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18 June 2026

The Trustees
Waitomo Energy Services Customer Trust
P O Box 209
Te Kūiti 3941

Dear Trustees

Ownership Review – The Lines Company

Purpose

The Board of The Lines Company (TLC) provides this letter to support the Waitomo Energy Services Customer Trust (WESCT) in its 2026 ownership review.

This letter sets out the Board's perspective on:

- the value delivered under the current ownership model
- the outcomes experienced by beneficiaries and the wider community
- the key factors relevant to considering future ownership arrangements

In forming this view, the Board has considered the regulatory and commercial environment in which TLC operates, alongside the real outcomes being delivered for the communities served by the network.

Recommendation

The Board strongly recommends that TLC remains 100% Trust-owned.

This recommendation reflects a clear, evidence-based conclusion:

- TLC is delivering real and measurable value through deliberate affordability decisions and targeted investment
- Approximately $5.4 million of value is returned to the community each year through pricing outcomes and customer discounts
- These outcomes are enabled by Trust ownership, supporting an intergenerational, community-first approach to decision-making
- Alternative ownership models would likely increase the focus on financial returns, reducing TLC's ability to prioritise affordability, local decision-making and community investment.

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These outcomes are not incidental. They are the result of deliberate choices made possible under the current ownership model.

The Board considers that ownership is not neutral. It directly influences how value is created, prioritised and distributed.

TLC and the Communities We Serve

TLC operates a predominantly rural electricity distribution network across the King Country, Central Plateau and Ruapehu regions.

The network is characterised by:

- dispersed populations and low customer density
- extensive forestry and remote terrain
- communities experiencing high levels of deprivation and energy hardship

In this context, affordability and reliability directly affect household wellbeing, essential services, regional economy, business continuity and community safety.

As a community-owned electricity distribution business, TLC plays a broader role than infrastructure provision. It is an enabler of economic activity, essential services and community resilience.

This context shapes how TLC defines success. It is not solely through financial returns, but through the outcomes experienced by customers and communities over time.

Our Strategic Pou – How TLC Delivers Value

TLC's approach to stewardship and community value is anchored in four strategic pou:

- **People First** – putting people first drives our success
- **Genuine Partnerships** – building meaningful, long-term relationships with community stakeholders, iwi and industry peers
- **Making a Difference** – delivering tangible value beyond the provision of electricity
- **Exceptional Asset Management** – ensuring disciplined, reliable and efficient stewardship of the network

These pou form the decision framework that shapes how TLC allocates capital, partners with others, and balances affordability with long-term sustainability of the business.

They ensure that strategy, behaviour and outcomes remain aligned.

Delivering Value to the Community

In assessing value under the current ownership model, the Board considers it essential to focus on deliberate, observable community outcomes.

Demonstrating Community Value

The current ownership model delivers significant and ongoing value to the community:

- Approximately $5.4 million per annum is returned through a combination of pricing outcomes and customer discounts
- Customer discounts represent a sustained and direct return of value to beneficiaries
- Additional value is delivered through targeted community investment, energy hardship support and long-term affordability initiatives

The Board notes that:

- These value streams would be less likely to be sustained or prioritised under alternative ownership arrangements where financial returns would typically take precedence

- The Trust ownership model avoids the structural tension between dividends and customer affordability, as beneficiaries and customers are aligned

Addressing Energy Hardship at its Source – Maru

TLC's support of the Maru Energy Trust reflects a deliberate commitment to address energy hardship by improving housing quality through insulation and heating.

This recognises that energy hardship is driven by underlying housing conditions as much as energy prices.

Maru has already delivered meaningful impact, including insulating more than 1,000 homes and installing over 500 heat pumps. Each dollar contributed by TLC is matched by up to $9 of government funding, creating enduring benefit beyond short-term bill relief. Independent reports have assessed the value created by insulating and heating homes at 4-5 times the investment made in terms of health and social outcomes. Combined with the government funding, this sees each dollar invested in these programmes returning $40-$50 of value to our community over time.

This investment delivers:

- reduced energy consumption
- improved health and wellbeing
- increased household resilience
- long-term affordability gains

This is intergenerational value, improving housing outcomes and reducing future cost pressures.

Power it Forward – A Community-Powered Model

TLC has developed Power it Forward as a scalable model that integrates renewable energy, community investment and energy hardship support.

This model:

- generates value locally
- retains value within the community
- redistributes benefits to households experiencing hardship

It shifts community investment from one-off support to a more sustainable system of energy redistribution

Broader Community Investment

TLC delivers a wide range of community investment initiatives, including grants, sponsorships, scholarships and targeted hardship support.

This investment has grown materially over time, reaching approximately $800,000 per year in recent years.

This includes:

- community grants and sponsorships
- scholarships supporting local development
- targeted energy hardship support
- ongoing investment in initiatives such as Maru

TLC also provides non-cash support, including:

- community education programmes
- renewable energy initiatives in community settings
- support for local organisations and facilities

The Board considers that:

- Under alternative ownership models, such investments would typically be assessed purely against financial return thresholds, which may reduce their scale or prioritisation over time.
- Trust ownership supports a deliberate approach to reinvesting value locally, rather than optimising for distributed financial returns

Delivering a Modern Network – Without Exorbitant Cost

The Board's position is clear. The community should benefit from a modern, resilient network without bearing the cost of inefficiency or premature investment.

Pricing and Investment Discipline

TLC has deliberately moderated price impacts and sequenced revenue recovery over time, with this approach explicitly embedded from the start of the current DPP4 regulatory period.

This reflects a clear intent to:

- protect customers from price shocks
- manage affordability over time
- apply an intergenerational lens to pricing decisions

Avoiding Unnecessary Capital Investment

TLC uses flexibility and innovation to defer major upgrades where appropriate. This ensures that investment occurs when required, reducing cost pressure on customers.

Collaboration to Reduce Duplication

TLC has chosen collaboration over duplication through partnerships that share capability, systems and expertise.

These arrangements:

- reduce costs
- improve delivery outcomes
- enable access to capability typically associated with larger networks

They allow TLC to retain local ownership while accessing the benefits of scale.

While the regulatory framework provides mechanisms for efficiency gains to be shared with customers over time, ownership structure plays a key role in shaping the behaviours that drive those efficiencies.

Under private or investor ownership models, initiatives such as cross-network collaboration or investment in system-wide efficiency are more likely to be pursued where the benefits can be directly captured by the organisation. Where benefits are shared externally, these initiatives may be deprioritised.

In contrast, Trust ownership enables a broader view of value, supporting decisions that reduce total system cost even where TLC does not capture the full financial benefit. This increases the likelihood that efficiencies are both realised and reflected in improved affordability outcomes for customers over the long term.

As a result, alternative ownership structures may reduce the extent to which efficiency gains flow through to customers, increasing the risk of higher long-term costs relative to the current Trust-owned model.

This distinction is particularly material in TLC's operating context, where sustained affordability outcomes are critical to community wellbeing.

Clarifying Regulatory Revenue Outcomes

The Board considers it important to distinguish deliberate affordability decisions from regulatory timing effects.

Differences between allowable and actual revenue:

- arise from regulatory mechanisms such as inflation and wash-ups
- are incorporated into future pricing decisions

These differences do not generally represent a permanent transfer of value.

The Board considers that the most meaningful measure of value is therefore:

- deliberate affordability outcomes
- direct community investment

Performance and Strategic Positioning

TLC is progressing a whole-of-business transformation focused on:

- improving reliability and customer trust
- strengthening organisational capability
- delivering a resilient, future-ready network

TLC is positioning itself to respond to:

- regulatory change
- electrification and changing demand
- emerging sector risks
- increasing expectations around affordability and equity

This demonstrates that a regional network can deliver strong outcomes when decisions are aligned to community need.

Ownership Considerations

The Board has in the past, considered alternative ownership options, including partial or full sale and structural change.

While these options may provide scale benefits, they introduce risks including:

- reduced alignment between ownership and community outcomes
- increased focus on financial returns over affordability
- potential loss of local decision-making and community connection
- reduced retention of value within the community
- reduction in local employment

In contrast, continued Trust ownership:

- supports intergenerational stewardship
- enables deliberate affordability and community-focused decisions
- retains value within the community
- maintains local alignment and accountability

Conclusion

TLC is demonstrating a modern and evolving model of community ownership. It is:

- investing in the root causes of energy hardship
- building scalable and sustainable community solutions
- applying disciplined pricing and investment approaches
- collaborating to deliver a modern network without imposing unnecessary cost on its community

This model retains substantial value locally and supports long-term resilience. This reflects a sustained pattern of outcomes over time, not a short-term result.

This includes system-wide efficiencies and collaborative approaches that reduce total cost and are reflected in customer pricing. Under alternative ownership structures, these benefits are less likely to be prioritised increasing the risk of higher long-term costs.

For these reasons, the Board considers that **continued 100% Trust ownership provides the strongest foundation to sustain and grow community value over time.**

Yours Sincerely
The Lines Company

Bella Takiari-Brame
Chair
For and behalf of the Board of Directors