



## WE'RE KEEPING YOU CONNECTED

With our plans  
to create better  
outcomes for  
WESCT Customers

**The WESCT Trust Deed says for an agreement to dispose of any facility for the generation of electricity owned by the Company to take place, WESCT must conduct a Customer poll.**

Eligible Customers will be entitled to one vote, with the majority determining the outcome of the poll. WESCT will conduct the poll in accordance with the second schedule of the Trust Deed and invite WESCT Customers to vote in agreement or disagreement with the proposed sale.

**For more information visit:**  
[wesct.org.nz](http://wesct.org.nz)



### VOTING CLOSES

Midday on Tuesday, 30 March 2021

The Lines Company  
8 King St East,  
Te Kūiti 3941  
07 878 0600  
[info@thelines.co.nz](mailto:info@thelines.co.nz) [thelinescompany.co.nz](http://thelinescompany.co.nz)



## SELLING OUR HYDRO GENERATION ASSETS

Helping to  
grow better  
returns  
for WESCT  
Customers

### INFORMATION FOR

Waitomo Energy Services  
Customer Trust Customers

## WE'RE SEEKING YOUR APPROVAL TO SELL OUR HYDRO GENERATION BUSINESS

**Waitomo Energy Services Customer Trust (WESCT) owned electricity business, The Lines Company (TLC), is seeking approval to sell its three small hydro generation stations. These assets have consistently made a low return compared to other TLC investments.**

The proposed sale is part of an ongoing strategic review by TLC of its operations as we focus on the lines business and investments that provide better returns and brings long term value to WESCT Customers. We are not proposing to sell the electricity network or any other TLC operations.

WESCT Trustees unanimously endorse and support the sale of our three small hydro generation stations at Mangapēhi, Matawai, and Speedys Road.

**TLC is currently negotiating with potential buyer/s who, subject to a majority vote by WESCT Customers, are interested in purchasing the assets. They are community-owned businesses and are operating in the electricity generation/distribution sector.**

## CLIMATE CHANGE impact on generation

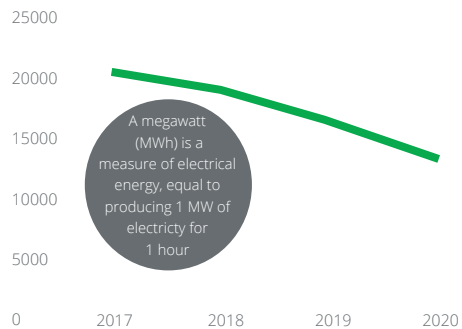
**Our three small hydro generation stations are run-of-the-river, so don't store excess water like those with large dams or reservoirs.**

During warmer periods with low or no rainfall the amount of power the stations can produce is reduced or stops. The extended dry summer conditions experienced over the last four years have impacted the generation output of the stations reducing the financial returns.

Unlike us, the potential buyer/s have associated companies that retail electricity to customers. The acquisition of our hydro generation stations represents an opportunity to grow their renewable energy footprint and support their electricity retail business. They plan to maximise efficiencies and resources across their wider business. Our generation stations are well maintained, which adds to the attraction, and longterm resource consents are in place for continued operation.

**The sale will see money currently tied up in these assets reinvested into other areas of our business.**

COMBINED AVERAGE GENERATION FROM TLC'S HYDRO STATIONS FINANCIAL YEARS 2017 - 2020 (MWh)



A megawatt (MWh) is a measure of electrical energy, equal to producing 1 MW of electricity for 1 hour

## OUR HYDRO run-of-river assets

**We have three hydro generation stations located at Mangapēhi (King Country), Matawai (Gisborne), and a 75% interest in Speedy's Road Hydro (King Country).**

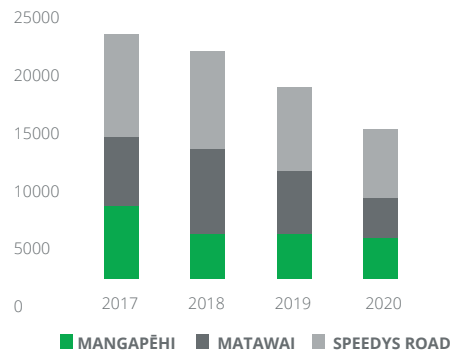
Together the three small stations generate only enough power each year for around 3,000 homes. The power produced at the sites is sold back into the national grid.

The run-of-river plants work by taking a proportion of the natural river flow via a weir or diversion channel, leaving the river channel's residual flow. Unlike hydro stations with large dams, run-of-river schemes can't store or control the volume of water used to generate electricity. Adding to the challenge, the station in Gisborne is remote from the other plants and operational resources.

Like us, our fellow shareholder in Speedy's Road Hydro wishes to exit the investment due to low returns over a lengthy time.

**All the three small stations have generated significantly less electricity than historically due to lower-than-average rain falls.**

AVERAGE GENERATION FROM HYDRO STATIONS FINANCIAL YEARS 2017 - 2020 (MWh)



## BUSINESS CONFIDENCE remains solid

**TLC will continue to invest in keeping our customers connected to a safe, reliable, and secure network as our top priority.**

Over the past three years, we've doubled our capital works, invested more in the network by replacing old equipment, building resilience, and preparing for growth. We're gearing up to meet growing demand, particularly in Ōtorohanga and Te Kūiti, as businesses and populations flourish. Upgrades to the Te Waireka (Ōtorohanga) substation, and a new \$4.5 million substation in Te Kūiti, are part of the wider \$140 million investment in assets planned over the next decade.

We have also seen strong growth and returns from our subsidiary, FCL, whose revenue is generated from other parts of New Zealand but brings value back to our local network area.

**TLC Board and Management continue to focus on the performance of the business and on opportunities for profitable growth.**

**Selling the three small hydro generation stations will positively impact the strong ongoing performance of the TLC Group.**

