

STRATEGIC PLAN 2010 - 2015

5 Richardson Street
PO Box 567 Whakatane
Phone 07 307 0893 / Fax 07 307 0896
ebetrust@xtra.co.nz / www.ebet.org.nz



'Energising our community'

Index

1. The Trust's Purpose	2
2. History	3
3. Environmental scan	4 - 6
4. Strategic focus	7
a. Management of the Trust	8
b. Management of Trust assets and investments	9
c. Distribution	10
d. Stakeholder relationships	11
e. Consumer advocacy	12
5. Consultation	13
6. The Future	14



1. The Trust's Purpose

The Eastern Bay Energy Trust was established to enable the trustees to apply the Trust Fund for or towards energy related purposes for consumers.

Energy Related Purposes

Purposes which relate to some aspect of the beneficial use, application or enjoyment in the District, of New Zealand's energy resources including:

- a) Improvements to the safety of the general public by removing road and overhead hazards caused by above ground electricity supply support systems in the District.
- b) Improvements to the supply of electricity to the general public in rural or remote areas in the District by replacing, inadequate or unreliable supply systems.
- c) Avoiding, remedying or mitigating any adverse effects of energy related activities on the environment in the District.
- d) Promoting research into more efficient ways of producing and distributing electrical energy for the benefit of the general public in the District, including the awarding of research scholarships or prizes and the funding of research and development projects.
- e) The provision of financial assistance to persons in the District to enable them to make better use of energy resources available to them or to subsidise the cost to such persons of existing supplies of energy.



2. History

The formation of the Trust

When the former Bay of Plenty Electric Power Board was 'corporatised' in 1994, the establishment plan approved by Parliament reflected the community's wish that a significant portion of the new supply company's ownership should be held in trust on behalf of the 22,000 consumers in the Eastern Bay of Plenty.

The Bay of Plenty Electricity Consumer Trust was formed on 1 August 1994, and given 25% of the shares in Bay of Plenty Electricity Limited as its initial "Trust Fund".

Industry Reform

The 1998 Electricity Industry Reform Act required energy companies to separate their network business from the business of retailing and generating electricity.

As a result, Bay of Plenty Electricity sold its retail and generation assets, together with its name, to a consortium of Todd Energy and Victorian based Pacific Hydro in March 1999.

The remaining network company was renamed Horizon Energy Distribution Limited and the cash proceeds of \$100 million were returned to shareholders by way of a share buy back scheme, with the Trust receiving \$25,387,500 from this distribution.

Share Acquisition

At the same time the trust was negotiating the future ownership of Horizon Energy Distribution Limited (Horizon), with the other major shareholder, United Networks Limited (UNL).

The trustees disagreed with the low value that UNL placed on the assets of the company, and offered to purchase the UNL shares. The resulting \$32m transaction increased the Trust's shareholding in Horizon to 77.29%.

Name Change

In October 2000 the trustees resolved to change the name of the Trust to the **Eastern Bay Energy Trust**, to more properly reflect the Trust's investment, its area of operation, and its focus on a wide range of energy-related projects or issues of interest to the community.

Horizon Energy ownership

Following an extensive review of the Trust's ownership of Horizon Energy shares in 2008, the trustees resolved to retain ownership of this major infrastructural asset in the Eastern Bay community. This was reinforced in 2009 when the Trust rejected a partial takeover offer by Marlborough Lines Limited, for 51% controlling share of the company.

In December 2009 the trustees resolved to increase the Trust's shareholding to 100% by making a takeover offer for the shares that it did not already own, and to delist the company. The aim was to remove Horizon from the market as a takeover target, and to remove the pressure to sell.

Making the offer was dependent on the Trust receiving a positive response to a consumer poll which was required under the terms of the Trust Deed. However, Matata-based Te Mana o Ngati Rangithi sought an interim injunction to stop the counting of votes in the poll of consumers (the Trust's beneficiaries), claiming that EBET had not consulted properly – the trustees did not agree.

The court at the time did not stop the counting but EBET agreed not to announce the result of the poll until a substantive hearing on the injunction was held. The trustees subsequently considered certain matters raised in the injunction application, and took legal advice in relation to the terms of the Trust Deed, which led to a decision to seek a court ruling.

The injunction was withdrawn pending the Trust making application to the High Court for clarification of the issues, which relate to the powers of trustees under the Trust Deed to acquire further shares in Horizon Energy. At the same time, EBET agreed to suspend the takeover offer process until a determination has been handed down by the Court.



3. Environmental Scan

a. The District

The Eastern Bay Energy Trust's District covers the area of the former Bay of Plenty Electric Power Board, encompassing the Whakatane, Kawerau and Opotiki District Council areas and Kaingaroa Village.

b. Social & economic profile

Data extracted from the 2006 Census for the Whakatane, Kawerau and Opotiki Districts shows that these Eastern Bay of Plenty communities, in comparison with the rest of New Zealand, experience:

- a. Lower education levels (32% - 43% have no formal qualifications compared with a national figure of 25%).
- b. Significantly higher levels of unemployment (7.9% - 13.6% compared with the national average 5.1%)
- c. Lower income levels (median ranges from \$17,200 - \$21,700, compared with a national average of \$24,400).
- d. A higher proportion of Maori ethnicity (45% compared with NZ 14%)
- e. Areas of severely sub-standard housing, particularly in the East Coast area.

c. Energy sector

The trustees have recognised three major areas of concern that could affect the future of the Trust and its beneficiaries: ownership, regulation and security of supply.

- o Regulation and threat of central government control of electricity distribution businesses is leading to downward pressure on returns, although proposed changes in regulation could provide options.
- o Commerce Commission pressure for rationalisation of ownership of network companies.
- o Lack of certainty regarding future supplies of energy and likely upward pressure on prices.

d. Achievements to date

The Trust's objective is to achieve the best possible social and economic outcome for its beneficiaries, both now and into the future.

As at 31 March 2010, the Trust's distributions for energy-related purposes totalled \$23,855,876.

- o Reactive distributions, for energy-related projects initiated by the community, now total **\$13,223,264.**
- o Proactive distributions, for energy-related projects initiated by the Trust, now total **\$10,632,612.**



e. Our community

One main objective of the Trust is to maximise its contribution to shared community outcomes.

The trustees are aware that the current environment offers opportunities for the Trust to work in partnership with other parties and sectors to leverage resources from elsewhere.

The trustees are committed to the development of local growth. However, they believe that the Trust should not subsidise activities that are the responsibility of central or local government.

The trustees recognise the importance of contributing to, and keeping a close eye on, the Long Term Council Community Plans (LTCCP) of the three district councils, and the regional council, to identify and take advantage of synergies across the communities.

f. Key relationships

The Trust is responsible for creating an environment of positive relationships between it and the community.

Key relationships for the Trust are with Horizon Energy, Bay of Plenty Energy and others in the energy retail sector, local authorities, the regional authority, other community funding bodies including the BOP Funders Group, other energy trusts, central government organisations and industry training organisations, consumer representative groups including the EBOP Power Society, Iwi, EBOP Chamber of Commerce and Federated Farmers, and the community groups that the Trust funds, both now and into the future.

g. Consumer advocate

The Trust's advocacy role on behalf of its consumers is very important to the trustees. As an active member of ETNZ (Energy Trusts of New Zealand), the Trust is involved in lobbying government on important issues that affect electricity consumers in the Eastern Bay – the Trust's beneficiaries.

The Trust supports the provision of education and information on energy savings and heating choices.

By demonstrating to the Electricity Governance Board Establishment Committee that its relationship with Horizon Energy Distribution Limited is totally commercial, and that through its activities the trustees consult with the Trust's beneficiaries, listen to them and act to support their interests, the Trust was one of only two energy trusts which received Electricity Governance Board voting rights.

h. The Trustees

- o There has been a changing mix of the trustee group resulting from natural attrition and external factors.
- o The trustees are aware of the need for good succession planning and ensuring that the two appointed trustees possess the necessary commercial and governance skills.

i. The Trust is unique

- o The Eastern Bay Energy Trust is unique in that it is the single largest source of discretionary funding in the Eastern Bay of Plenty, and its distributions must be for energy-related purposes.
- o The Trust has the ability to invest its funds in the Eastern Bay community, and to make a positive contribution to the social and economic development of the District.
- o The Trust is different to all other energy trusts in New Zealand. Not only does its Trust Deed state that the trust fund must be applied for or towards energy related purposes for consumers, but as the majority owner of an electricity distribution company which is publicly listed, the Trust is bound by the terms of the Securities and Markets Act 1988.



- j. The Trust's Horizon Energy shares
 - o The Trust's shareholding in Horizon Energy is reviewed on an annual basis as part of its strategic planning. The trustees also regularly seek advice from industry and financial advisor PricewaterhouseCoopers.
 - o Horizon Energy is a strategic local infrastructure asset and the trustees are committed to retaining ownership and control in the Eastern Bay of Plenty.
 - o As at 31 March 2010 the trading value of the Trust's 19,316,130 shares in Horizon Energy was **\$66,254,325 at \$3.43 per share.**

k. The Trust's investment portfolio

Investment portfolio

- o The trustees are responsible for maintaining the Trust Fund and are committed to a path of diversification of the Trust's investments in accordance with sound investment principles, to ensure that the Trust Fund is sustainable in the long term.
- o The trustees are committed to managing the Trust's investment portfolio to maintain and grow its value, while balancing risk and return.
- o The Trust has the risk profile of a moderate investor with a low to medium risk. The trustees prefer to have a higher allocation of income assets than growth assets. In achieving the capital growth required the trustees are not prepared to experience significant fluctuations in investment returns.
- o The investment strategy of the Trust is to develop a moderate investment portfolio with the asset allocation to be kept within the following limits:

Cash	10% to 15%	(currently 22%)
Fixed interest	50% to 55%	(currently 6%)
Property	8% to 10%	(currently 20%)
Australasian shares	15% to 25%	(currently 52%)
World shares	0% to 10%	(currently 0%)
- o As the current investments do not align with the stated strategy, the trustees will focus on reducing investments in cash, property and Australian shares, and targeting the area of fixed interest (bonds). These changes will be made over time as appropriate.

Operating companies

- o During 2009 Development Enterprises Limited (DEL) was restructured and is now a holding company, with trustee directors. Ownership of the two commercial properties, the OPAC, Comvita and OTK Orchards shares, and the CT scanner at Whakatane Hospital remains within DEL.
- o Energy Options Charitable Company Limited (EOCCL) is a charitable company under direct ownership of the Trust. EOCCL works closely with government agencies and other funders to source funding for energy efficiency projects throughout New Zealand, bringing valuable income to the Eastern Bay.
- o Energy Options Limited (EOL) is 100% Trust owned and carries out many of the Trust's proactive community projects, including the delivery of the retrofit insulation programme in the Eastern Bay of Plenty. The business also operates in other areas throughout New Zealand, with branches in Tauranga, Rotorua, Gisborne, Hawke's Bay and Marlborough. The trustees expect to receive dividend flows from EOL on the basis of a 10% return on shareholder capital.



I. Distributions

- The trustees are committed to obtaining the best possible social and economic return on the money distributed as grants.
- The strategic plan will continue to reflect a mix of reactive distributions (initiated by the community) and proactive distributions (initiated by the Trust).
- There has been pressure from some consumers for the trustees to consider a universal distribution or rebate to consumers. During 2007, the Trust carried out significant consultation with its beneficiaries, and as a result, decided to keep to the status quo in the meantime.
- During 2010, a working party will carry out further work and consultation with interested groups of the Trust's beneficiaries.
- As an independent source of community funds, the Trust can enhance the community by assisting with the provision of facilities, educating people on energy use, assisting with energy-efficient initiatives, and helping to ensure that disadvantaged groups in our community do not miss out on energy-related services. The trustees are committed to ensuring that this source of funding remains available

4. Strategic Focus

Vision

'Energising our community'.

Guiding Principles

The overriding purpose of the Trust is to ensure the fulfillment of the terms of the Trust Deed and adherence to trustee law and the relevant legislation, while ensuring that strategy is developed which will guide future trustees in their long-term planning and decision making.

The Guiding Principles developed by the trustees reflect this approach:

- o Fulfillment of the Trust Deed, trustee law and the relevant legislation;
- o Use of professional ethics;
- o Efficient and transparent organisation;
- o Ensuring sustainability of the Trust and the trust fund;
- o Adding value to the Eastern Bay community as a whole;
- o Helping the community to become more energy wise;
- o Acting in good faith and doing what is right for the Trust's beneficiaries, long term.

Mission

To create long term benefits for the Trust's beneficiaries and their communities by appropriate application of the trust fund towards energy related purposes.

Areas of focus

This Strategic Plan focuses on five main areas:

- a. Management of the Trust;
- b. Management of trust assets and investments;
- c. Distribution;
- d. Stakeholder relationships;
- e. Consumer advocacy.



a. Management of the Trust

GOAL	STRATEGIES	ACTIONS
Adherence to terms of Trust Deed.	Implement and monitor strategies under other key focus areas against Deed criteria.	Finalise strategies by 31 March. Annual review as part of strategic planning.
Adherence to relevant legislation	Trustee Act 1956 Electricity Act 1992 Energy Companies Act 1992 Electricity Industry Reform Act 1998 Commerce Act 1986	Ongoing. Annual review as part of strategic planning.
Operate within a professional code of conduct.	Adhere to the Trustees' Code of Conduct. Maintain a formal trustee performance review process. Maintain a trustee training programme. Continue membership of NZ Trustees Association. Continue membership of Energy Trusts of New Zealand (ETNZ). Maintain and adhere to the Guidelines for Access to Information by Beneficiaries of Electricity, Community and Consumer Trusts.	Ongoing. Ongoing. Ongoing. Annually. Annually. Ongoing.
To be a professionally run operation.	Seek and implement best practice across operations. Ensure synergies are implemented wherever possible. Implement best practice Human Resource principles.	Annual review Ongoing / monthly Ongoing / monthly



b. Management of Trust assets and investments

GOAL	STRATEGIES	ACTIONS
<p>Maintain and enhance the value of all assets individually and collectively.</p>	<ul style="list-style-type: none"> • Full annual review of operating companies – financial / asset management / strategic plan / operational / reporting. • Formal annual review of all investments. • Monitor and review directors' performance and refreshment. • Regular meetings of all directors (HEDL, EOL & EOCCL) and trustees. • Review business structures to ensure tax efficiency. • All trustees educated and aware of industry issues. 	<p>Horizon in May. Energy Options and EOCCL: formal annually and as per annual report requirements.</p> <p>Annual appraisal.</p> <p>Annual appraisal process.</p> <p>HEDL once yearly (August). EOL / EOCCL at least twice yearly.</p> <p>Ongoing training.</p>
<p>Grow asset base.</p>	<ul style="list-style-type: none"> • Investigate investment opportunities as appropriate, based on agreed investment policy and strategy. • Increase HEDL shareholding to 100%. • EOL to provide fair and reasonable return. • Where appropriate, dispose of assets in full or part. • Preference for investments that will supply and enhance energy resources in the district. • Gearing where appropriate. • Investment portfolio outside Horizon to be diversified outside network industry. • Broader investment base. • Benchmark opportunities for presentation to the trust (F&I committee). 	<p>Finance & Investment committee to seek professional advice and make recommendations to full Trust.</p> <p>Purchase the shares not already owned by EBET.</p> <p>EOL to return 10% on shareholder capital.</p> <p>Investment portfolio outside Horizon to achieve long-term average return of OCR (Official Cash Rate) + 2% per annum, being a mixture of both revenue return and capital growth in the value of investments. <i>A lower return is acceptable on specific investments where the Trustees consider there is justifiable public good.</i></p> <p>No more than 5% of investment fund invested in any one organisation.</p>
<p>Enhance local communities.</p>	<ul style="list-style-type: none"> • Primarily within the Eastern Bay of Plenty. • If external investment seek secondary benefits for the region. • Development of monitoring of community benefits of trusts' investments. • Investment outside region where appropriate. 	<p>Improved infrastructure and identified value add to regional economic development.</p> <p>Triple bottom line reporting: Financial / Social / Economic.</p>



c. Distribution

GOAL	STRATEGIES	ACTIONS
Adherence to Trust Deed definition of <i>'Energy Related Purposes'</i> .	Apply definition in considering all distributions.	Set proactive budget which considers distributions across all Energy Related Purposes.
Understand and consider needs of all beneficiaries and all communities.	<p>Survey benefits where appropriate.</p> <p>Act on findings of consultation process.</p> <p>Inform community of distributions.</p>	<p>Community sees distributions as fair and adding value.</p> <p>Ongoing.</p> <p>Annual Report, Energy Flash, website, media releases</p>
Achieve best social and economic return on funds distributed.	<p>Consider economic and social impact of distributions on the District.</p> <p>Review distribution profile.</p>	<p>Ongoing.</p> <p>Annual report.</p>
Ensure transparent, professional and efficient distribution policies and processes.	<p>Communication strategy for proactive and reactive.</p> <p>Review policies and processes.</p> <p>Implement fund awareness and accessibility campaign.</p> <p>Use score sheets when assessing applications for funding from the reactive distributions programme.</p>	<p>Annual review.</p> <p>Annually.</p> <p>Ongoing.</p> <p>Ongoing.</p>

d. Stakeholder relationships

GOAL	STRATEGIES	ACTIONS
<p>Further develop existing relationships with stakeholders.</p>	<p>Establish structured meetings with key partners.</p>	<p>HORIZON ENERGY</p> <ul style="list-style-type: none"> • Two-monthly meetings at Chair level. More at informal level. • HEDL chair & CEO, trustees twice yearly (<i>end May, end November - Horizon: 6 monthly full reports</i>). • Full Trust and board, annually. <p>DEL</p> <ul style="list-style-type: none"> • Full reports quarterly and written reports monthly. <p>ENERGY OPTIONS</p> <ul style="list-style-type: none"> • Full reports quarterly and written reports monthly. <p>EOCCL</p> <ul style="list-style-type: none"> • Full reports quarterly. <p>BENEFICIARIES</p> <ul style="list-style-type: none"> • Annual meeting with beneficiaries as per Electricity Act. <p>EBOP POWER SOCIETY</p> <ul style="list-style-type: none"> • Three times yearly outside AGM (April, August, December). <p>OTHER ENERGY CONSUMER REPRESENTATIVE GROUPS</p> <ul style="list-style-type: none"> • Ongoing. <p>IWI</p> <ul style="list-style-type: none"> • Develop. <p>LOCAL & REGIONAL AUTHORITIES</p> <ul style="list-style-type: none"> • Once each per year. <p>BUSINESS ORGANISATIONS (<i>EBOP Chamber of Commerce. Federated Farmers, Fonterra Networkers</i>)</p> <ul style="list-style-type: none"> • Ongoing. <p>ENERGY RETAILERS</p> <ul style="list-style-type: none"> • At least annually (all). • BOP Energy ongoing. <p>ITO's and TRAINING PROVIDERS</p> <ul style="list-style-type: none"> • Ongoing. <p>ENERGY TRUSTS OF NEW ZEALAND (ETNZ)</p> <ul style="list-style-type: none"> • Ongoing. <p>ENERGY EFFICIENCY & CONSERVATION AUTHORITY (EECA)</p> <ul style="list-style-type: none"> • Ongoing.
<p>Stakeholders are well informed, communicated with and consulted.</p>	<p>Produce a yearly Communications Plan.</p> <p>Annual Report.</p> <p>Energy Flash newsletter.</p> <p>Media releases.</p> <p>Website.</p> <p>Consultation with consumers.</p>	<p>Stakeholders feel able to relate to the trust at any level.</p> <p>Annually prior to AGM.</p> <p>Minimum of two, maximum of three per year.</p> <p>Monthly after trust meetings and extra as appropriate.</p> <p>Ongoing, update as appropriate.</p> <p>Focus groups – meet as required.</p>

e. Consumer advocacy

GOAL	STRATEGIES	ACTIONS
<p>Continue and further develop advocacy role on behalf of the Trust's beneficiaries.</p>	<p>Educate and inform Trust's beneficiaries on energy savings.</p> <p>Inform consumers about industry structure.</p> <p>Proactive approach to informing stakeholders of changing conditions or situations that may have a negative impact on consumers.</p> <p>Key stakeholders and media approached to include submissions/lobbying/editorial.</p> <p>Representation for and on behalf of the Trust's beneficiaries.</p>	<p>Energy Options and other key stakeholders.</p> <p>Energy Flash, ENERGYfest.</p> <p>Include in Energy Flash, ENERGYfest.</p> <p>Highlight topics and plan media management.</p> <p>As required.</p>



5. The future

In 2015, we see the trust as a governing body, administering its fund to enhance the region by the prudent investment of its resources into energy efficiencies, thereby creating sustainable energy solutions for our community.

To achieve this, the trust sees Energy Options Limited and Energy Options Charitable Company Limited as the vehicles to implement the strategies developed in this plan.

The trust will focus on investments and distributions which will assist in the achievement of its vision:

'Energising our community'

The key objectives to achieving the vision are:

1. Promoting energy efficiency in the District
 - a. Continuing the Trust's work on ensuring the supply of electricity to consumers in rural or remote areas by
 - o Exploring ways in which rural communities can reduce their reliance on uneconomic rural network assets.
 - o Assisting with the implementation of unique initiatives which solve uneconomic line issues.
 - b. Encouraging consumers in the District to become more energy efficient by:
 - o Assisting with the measuring of current energy efficiency of both domestic and commercial consumers.
 - o Exploring and supporting unique and effective ways for consumers to use energy more efficiently.

2. Maintaining and enhancing the Trust Fund

The Trust Fund will continue to be partially invested in a diversified portfolio, which continues to grow in excess of CPI, while at the same time maintaining annual cash returns, which exceed the risk-free rate of return (90 day bank bill rate).

The Trust's investments will align with the strategy outlined on page 6 (k).

Approximately 40% of the Trust's income will be placed in investments that provide a fair and reasonable return to the Trust whilst at the same time spreading any risk to the Trust fund by developing infrastructure particularly, but not exclusively, in the Eastern Bay of Plenty.

