

## Infratil Monthly Operational Report

21 December 2012

Infratil's Monthly Operational Report for December 2012 is available [here](#).

Infratil has released its interim report and it is [available](#) here.

Infratil is also now producing reports in a format tailored to smartphone and tablets (such as iPad). If you have one of these devices you may find it a more convenient way to read Infratil's information releases. To download the free Infratil App search for "Infratil" in the Apple Store or for the Android app on Google Play from January 2013.

Paul Gough has joined the Infratil Board as an independent director. Paul is a New Zealander and partner in STAR Capital Partners, a private equity fund based in London where he specialises in the transport and energy sectors and is a director of several international companies. Infratil's Chairman David Newman noted that Paul would add both diversity in thinking and the experience of working across Europe and Asia to the Infratil Board.

### TrustPower

The Electricity Authority has extended the submission deadline for the Transmission Pricing Methodology Review to 1 March 2013.

Between October and November short-term wholesale electricity prices rose slightly as lake storage levels reduced. By the end of November South Island storage was 106% of average while North Island storage was 87% (in both cases down about 15% over the month).

Longer-term wholesale prices remained flat and well down on where they were the same time last year or earlier in 2012 when lake storage levels were threatening all-time lows. The baseload hedge price for the period to March 2015 is now about 7.5c/kwh, against about 9.0c/kwh in late 2011 or early winter 2012.

### Infratil Energy Australia/Lumo

Lumo has increased customer numbers 14% over the last twelve months, or 36,000 accounts since March.

Customers	Electricity	Gas	Total
November 2012	332,162	145,254	477,416
March 2012	313,984	127,804	441,788
November 2011	292,846	127,400	420,246

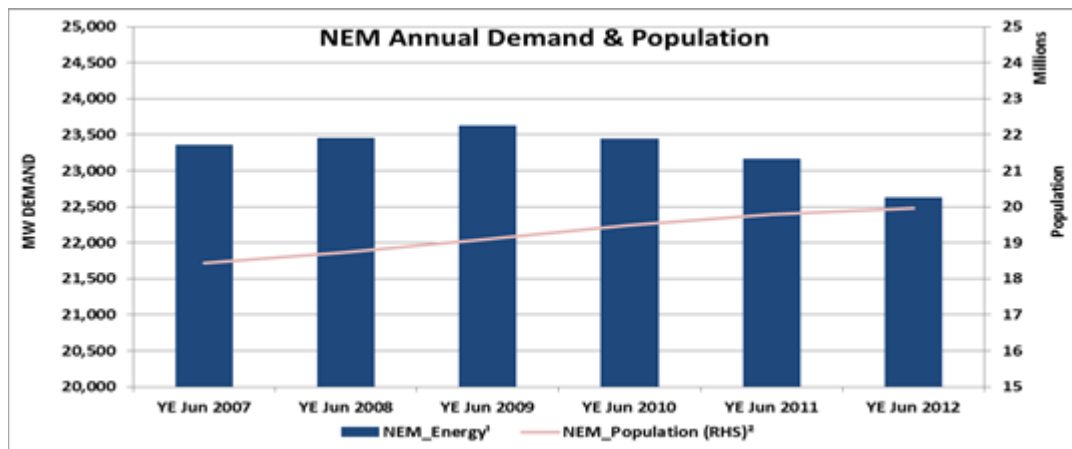
Potentially of great importance for Lumo’s growth plans, the South Australian Government has announced that it is to follow the recommendation of the Australian Energy Market Commission and will deregulate retail prices for electricity and gas from January 2013 which will bring that state into line with Victoria.

The experience of Victoria is that deregulation increases consumer choice, incentivises retailers to innovate and lowers regulatory costs. However, deregulation of prices in South Australia will take time to filter through. The existing price controls were only relevant for some consumers, largely being some of AGL’s electricity customers and some of Origin’s gas customers, and muting the impact of the deregulation, both companies have agreed to a discount from 1 February 2013 and to fix components of the prices charged for the relevant customers for two years.

The South Australian market comprises approximately 800,000 electricity and 380,000 gas customers, with Lumo having about a 5.5% share of the former.

Price deregulation is the trend across the National Electricity Market states (SA, VIC, NSW and QLD) and the Australian Energy Market Commission is now reviewing whether competition is effective in NSW and QLD.

Another feature of the National Electricity Market is declining electricity consumption, especially on a per-capita basis.



The decline reflects reduced industrial load, retail energy efficiency schemes, rooftop solar (which is not included in the consumption figures), and higher retail prices. The latter point is apparent from the following table which shows the standing offer of an incumbent South Australian retailer to an average customer, and the tariff breakdown (all dollar figures in the table are A\$).

YE June (ex GST)	2011	2012	2013
Wholesale electricity	10.7c/kwh	11.8c/kwh	11.4c/kwh
Carbon/Green	0.8c/kwh	0.9c/kwh	3.1c/kwh
Network	10.0c/kwh	12.6c/kwh	16.2c/kwh
Retail	3.0c/kwh	3.2c/kwh	3.3c/kwh
Total	24.6c/kwh	28.8c/kwh	34.0c/kwh
1 February 2013 discount			(3.1c/kwh)
Average account	\$1,719	\$2,018	\$2,165

A feature of these price changes is the relatively stable cost of wholesale energy but the markedly higher network charges.

Wholesale energy prices are being held down by increasing renewable generation and less demand (in part due to higher tariffs) while network charges are being driven up as increasing peak demand from air conditioners requires investment in network capacity.

## Z Energy

Since October a strong NZ\$ and softer oil and refined product prices has lowered the retail price of fuel and helped overall industry demand.

Z is also continuing to expand its retail network with Z Broadway near Wellington Airport opening to very strong customer demand. A new Z service station in Wellington's Vivian Street is also progressing well with an anticipated opening in March 2013. In a mature fuels market, strategically positioned flagship sites with the full Z convenience offer provide an important competitive edge.

Z is also in the advanced stages of re-negotiating its crude oil supply terms. Earlier in the year Z captured a \$5 million per annum saving by changing its source of imported refined fuels to a Korean refinery and it is expected that the renegotiation of crude products will also deliver material cost savings.

The Ministry of Business, Innovation and Employment has just concluded a public submission process on the resilience in the New Zealand domestic and global liquid fuel supply chain. With the gap between industry fuel storage and fuel demand widening over time, this could have material consequences for the future of New Zealand's energy infrastructure. All submissions on this matter, including from Z, can be viewed at <http://www.med.govt.nz/sectors-industries/energy/energy-security/oil-security/oil-security-review-2012/submissions>.

## NZ Bus

During November, the Collective Employment Agreement for the Auckland combined unions, representing approximately 900 drivers, was ratified. This is only the second time in the last 20 years of bargaining where full industrial action has been avoided, so this was an outstanding result. The agreement is a significant step forward in the employment relationship as NZ Bus strives to deliver New Zealand's best passenger transport service.

In early December the first new ADL Enviro200 bus was unveiled in Wellington. These are of the highest quality and are powered by the environmentally friendly Euro 5+ low emissions engines. They are equipped with very comfortable Italian designed high back seats, air conditioning, step free entrance and exit, and a wheelchair ramp and priority seating for mobility impaired customers.

NZ Bus' November patronage was 2% lower than the same month last year, mostly due to the residual impact of the 2011 Rugby World Cup. For the 12 months to the end of November, patronage is up 2% or 1.3 million trips.

<b>Northern passenger trips</b>	<b>November</b>	<b>8 months to 30 November</b>	<b>12 months to 30 November</b>
2011	3,381,835	26,450,074	37,923,217
2012	3,255,089	26,678,143	38,941,205
Change	-3.7%	0.9%	2.7%

<b>Southern passenger trips</b>	<b>November</b>	<b>8 months to 30 November</b>	<b>12 months to 30 November</b>
2011	1,739,950	14,055,722	20,291,659
2012	1,772,627	14,190,200	20,567,830
Change	1.9%	1.0%	1.4%

## Wellington Airport

November passenger numbers were up 8% relative to the same month in 2011.

Domestic passengers were up 9%, with Jetstar's 50% capacity increase on Auckland and Christchurch making a big impact and Air New Zealand responding competitively with innovative promotional fares helping to stimulate demand. Air New Zealand's special *Night Rider* services, operating late night flights between Auckland and Wellington have proved popular, with the flat rate \$29 fares sold out several weeks in advance.

International passenger numbers and capacity were both up 2%. Late November saw international attention on Wellington as part of The Hobbit world premiere and a marked increase in Australian visitors.

Wellington Airport has made a submission to the Commerce Commission following the release of the Commission's draft review of the impact of Wellington Airport's new

information disclosures. The Commission is assessing the effectiveness of the new disclosure in promoting outcomes consistent with a competitive market.

The Commission is scheduled to publish its final report in February 2013. Later in 2013 similar reviews will also be undertaken of Auckland and Christchurch airports.

	<b>Domestic Month</b>	<b>Domestic 12 Months</b>	<b>International Month</b>	<b>International 12 Months</b>
November 2011	393,547	4,419,482	59,328	697,732
November 2012	426,582	4,555,171	60,561	722,030
Annual change	8.4%	3.0%	2.0%	3.4%

## **Snapper**

Snapper continues to be recognised for its achievements and was listed in the Deloitte Fast 500 as one of the fastest growing technology companies in Asia Pacific region. Snapper Mobile has also been short listed for the MasterCard International Transport Ticketing awards to be presented in London in early 2013.

Snapper's efficiency and effectiveness is being reflected in the New Zealand market with new products and services under development for launch in early 2013.