



Energy News and ABB

New Zealand Electricity Survey

3rd QUARTER - 2018 - SURVEY RESULTS

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About ABB

ABB (ABBN: SIX Swiss Ex) is a pioneering technology leader in electrification products, robotics and motion, industrial automation and power grids, serving customers in utilities, industry and transport & infrastructure globally. Continuing a history of innovation spanning more than 130 years, ABB today is writing the future of industrial digitalization with two clear value propositions: bringing electricity from any power plant to any plug and automating industries from natural resources to finished products. As title partner of Formula E, the fully electric international FIA motorsport class, ABB is pushing the boundaries of e-mobility to contribute to a sustainable future. ABB operates in more than 100 countries with about 135,000 employees. www.abb.com

About Energy News

Energy News is New Zealand's online news and information service for the energy sector. The website (www.energynews.co.nz) was launched in 2008 and now boasts more than 5,000 readers every month from 300 subscribing organisations. Its readership consists of New Zealand energy sector organisations and service companies spanning the electricity, oil and gas, petroleum and alternative energy value chain.

The subscription-based site provides daily news, executive interviews, opinion and commentary. It also hosts a suite of information resources including two large databases of sector participants and energy resources. Other information tools include 30-minute electricity prices, supply and demand monitoring, petroleum permit deadline summaries and an oil price monitor.

About Gentrack

Pairing deep market knowledge with essential software for essential services, Gentrack currently enables over 90 of the world's most progressive utilities to lower service costs, foster innovation and confidently navigate market reform.

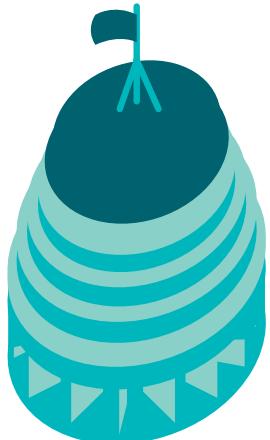
Gentrack Velocity is a leading billing and customer engagement solution for utilities, providing a full range of proven capabilities along with hosted and managed services options for energy networks, new entrant energy retailers, and larger utilities in competitive markets, where flexibility, uniqueness and compliance are essential.

More info: www.gentrack.com

3rd quarter – The rules have changed

In response to our 3rd quarter survey, the sector thought:

Change is good



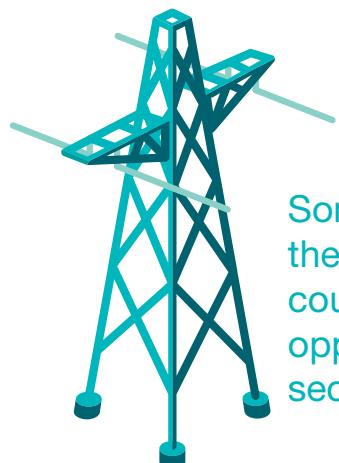
Indicated electricity policy direction so far appears to be going in the right direction

Carbon pricing is important



It's safest to assume a carbon price higher than \$25/tonne for investment planning

More change is needed



Some changes to the electricity market could create better opportunities for the sector

Strengthen the renewables fleet



Building up the renewable generation fleet should help meet targets set by the Government

3rd quarter survey highlights:

The Government is moving in the right direction

More than 60 per cent of respondents think that the coalition is doing great or ok, and the general indicated policy direction is what this country needs.

Electricity Price Review expectations

The survey went live before the first EPR paper was released. Outcomes survey respondents most want to see from the review include simplified lines company tariffs, revised market arrangements to better enable distributed energy technology, and stronger regulations to address energy poverty. Coming in a close fourth was that no change is needed.

Plan for a higher carbon price

It is safest to assume a carbon price closer to \$40 or \$100 per tonne for investment decisions – according to respondents – as the \$25 price cap may become a thing of the past.

Increase the renewables fleet

Fast-tracking the build of already-consented renewable power generation might be one way to effectively meet the government's target for 100% renewable power generation in an average hydrology year by 2035. The range of answers to this question show there is no 'one way' to achieve this – it will require a range of initiatives.

Separate but working together

The popular view is that the Commerce Commission and Electricity Authority should remain as separate entities, but should better align their requirements from those they regulate.

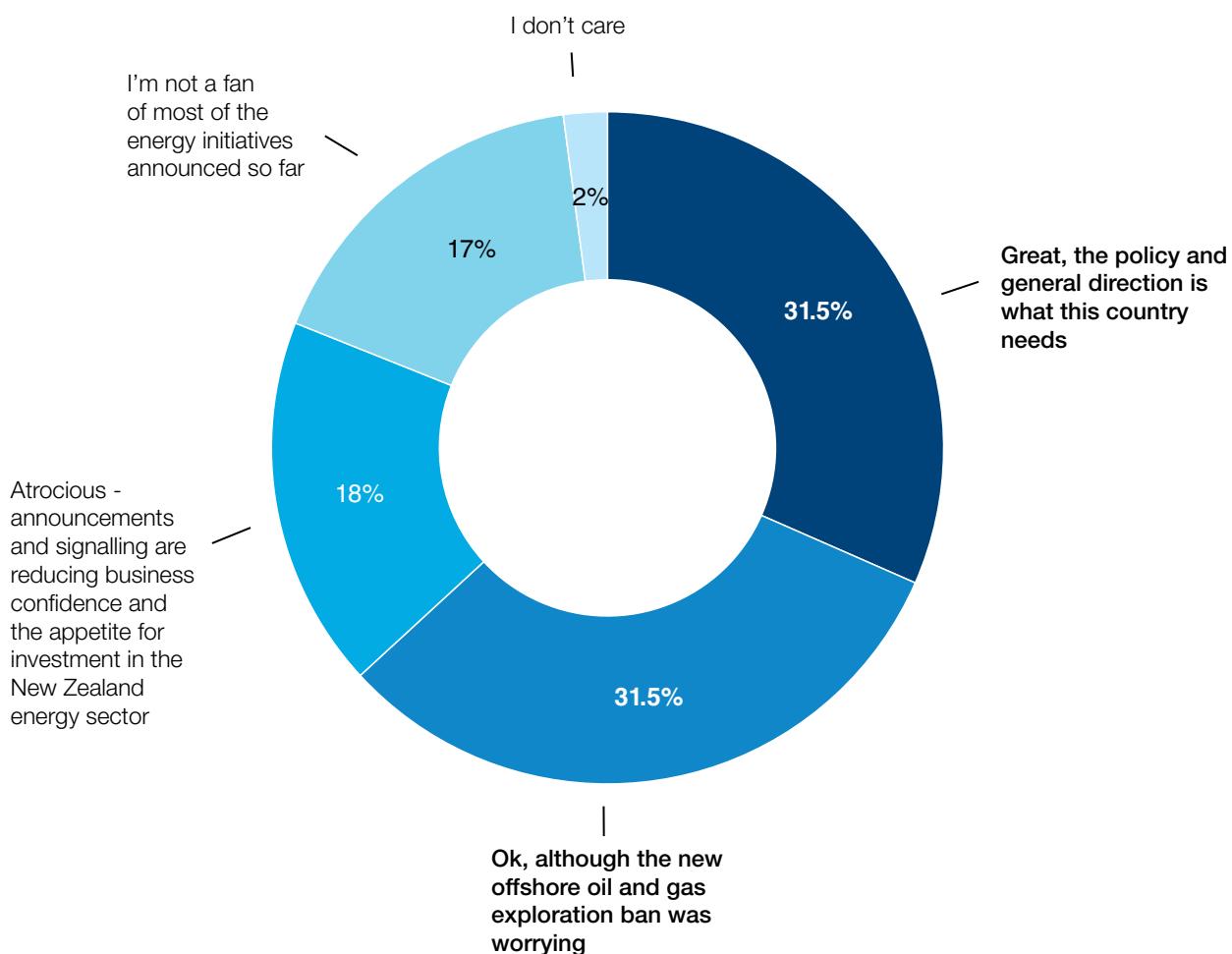
We had over 200 respondents complete the 3rd quarter Energy News and ABB Electricity Survey, providing an insight into the sector's thoughts on the direction of electricity policy and regulation in this country.

Thanks to our industry advisory panel, who have helped to develop the surveys this year. The final instalment is due to go live in November.



Question 1

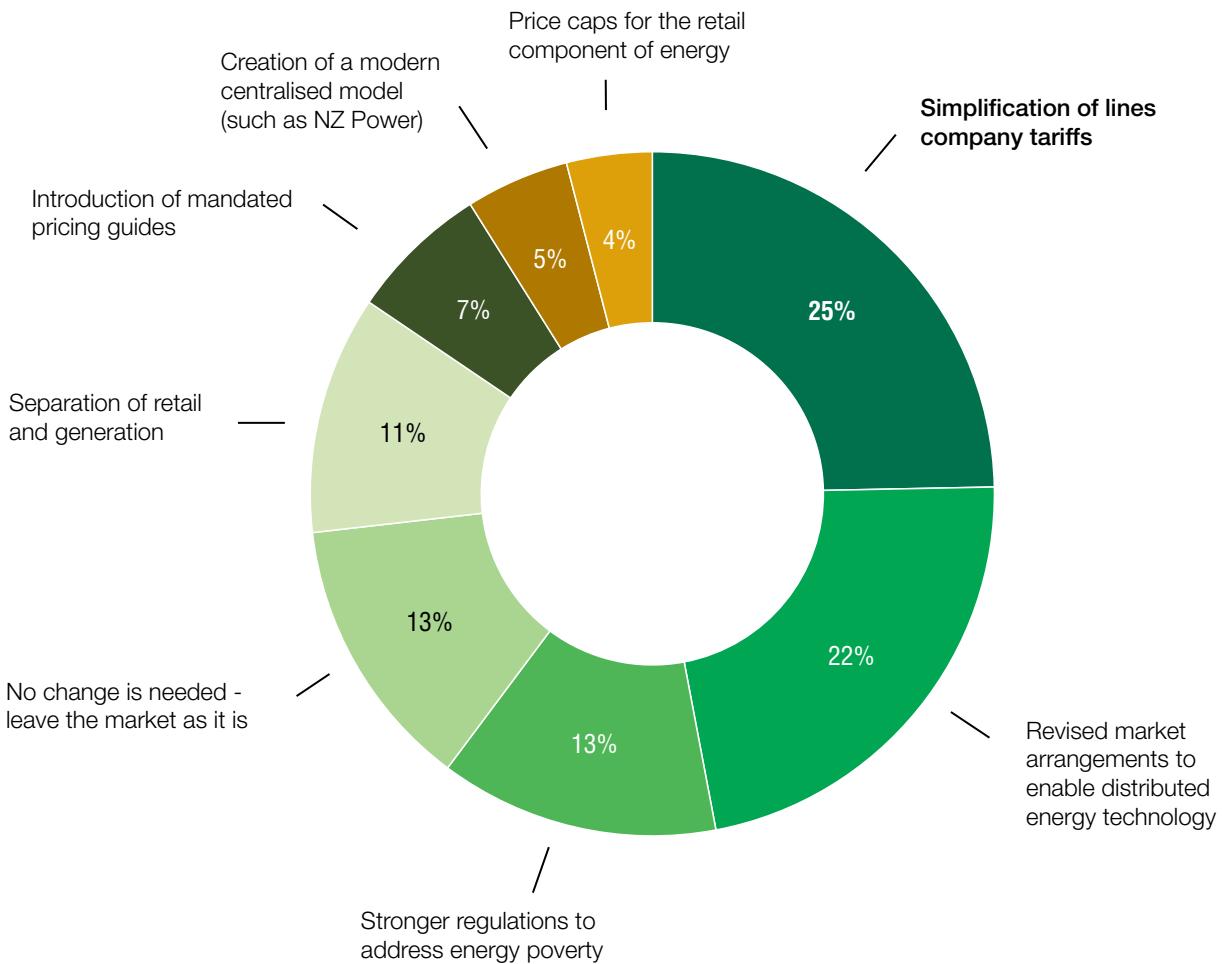
We are coming up to 12 months since we had a change of Government for the first time in nine years. With special consideration of the energy sector, how do you think the coalition is performing so far? Choose one:



- Great, the policy and general direction is what this country needs – 31.5%
- Ok, although the new offshore oil and gas exploration ban was worrying – 31.5%
- Atrocious - announcements and signalling are reducing business confidence and the appetite for investment in the New Zealand energy sector – 18%
- I'm not a fan of most of the energy initiatives announced so far – 17%
- I don't care – 2%

Question 2

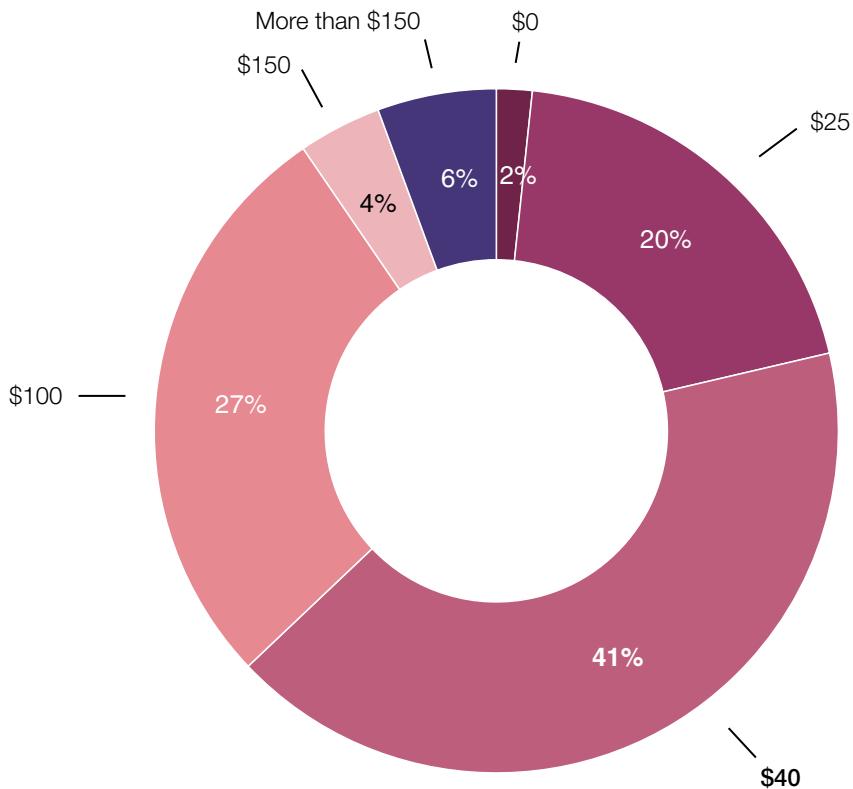
The Electricity Price Review expert advisory panel is due to release its first report for discussion in coming weeks. There are plenty of opinions on what outcomes will ensure fair pricing going forward. Here is your chance to join in. Of the following options, what are the top three outcomes you want to see from this review?



- Simplification of lines company tariffs – 25%
- Revised market arrangements to enable distributed energy technology – 22%
- Stronger regulations to address energy poverty – 13%
- No change is needed - leave the market as it is – 13%
- Separation of retail and generation – 11%
- Introduction of mandated pricing guides – 7%
- Creation of a modern centralised model (such as NZ Power) – 5%
- Price caps for the retail component of energy – 4%

Question 3

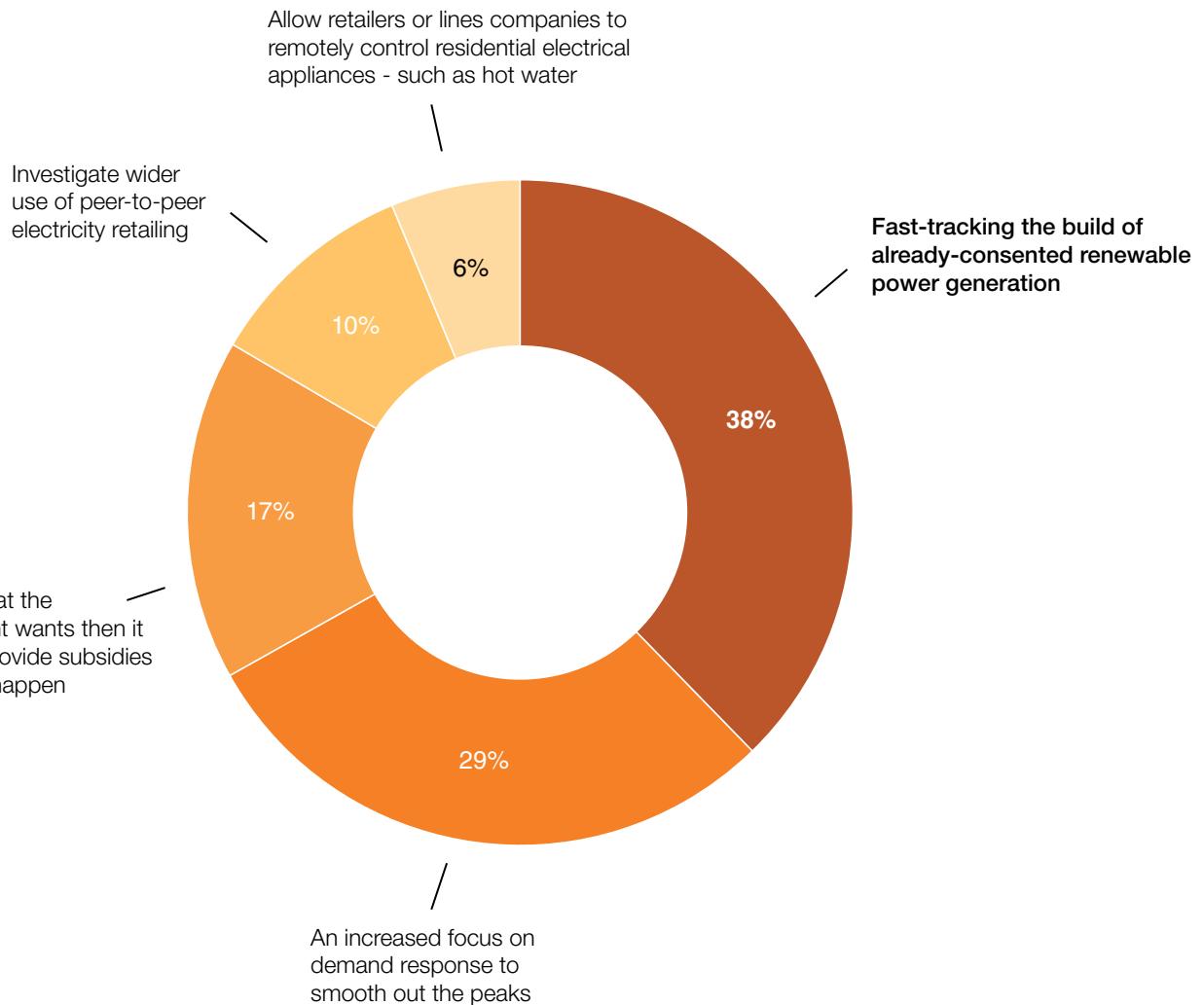
The Ministry for the Environment is consulting on changes to the Emissions Trading Scheme. It states the current \$25 per tonne price cap on carbon may be lifted. The carbon price is currently nearing \$25. Given this potential change, what price should companies be assuming for investment decisions? Pick one:



- \$0 – 2%
- \$25 – 20%
- \$40 – 42%
- \$100 – 28%
- \$150 – 4%
- More than \$150 – 6%

Question 4

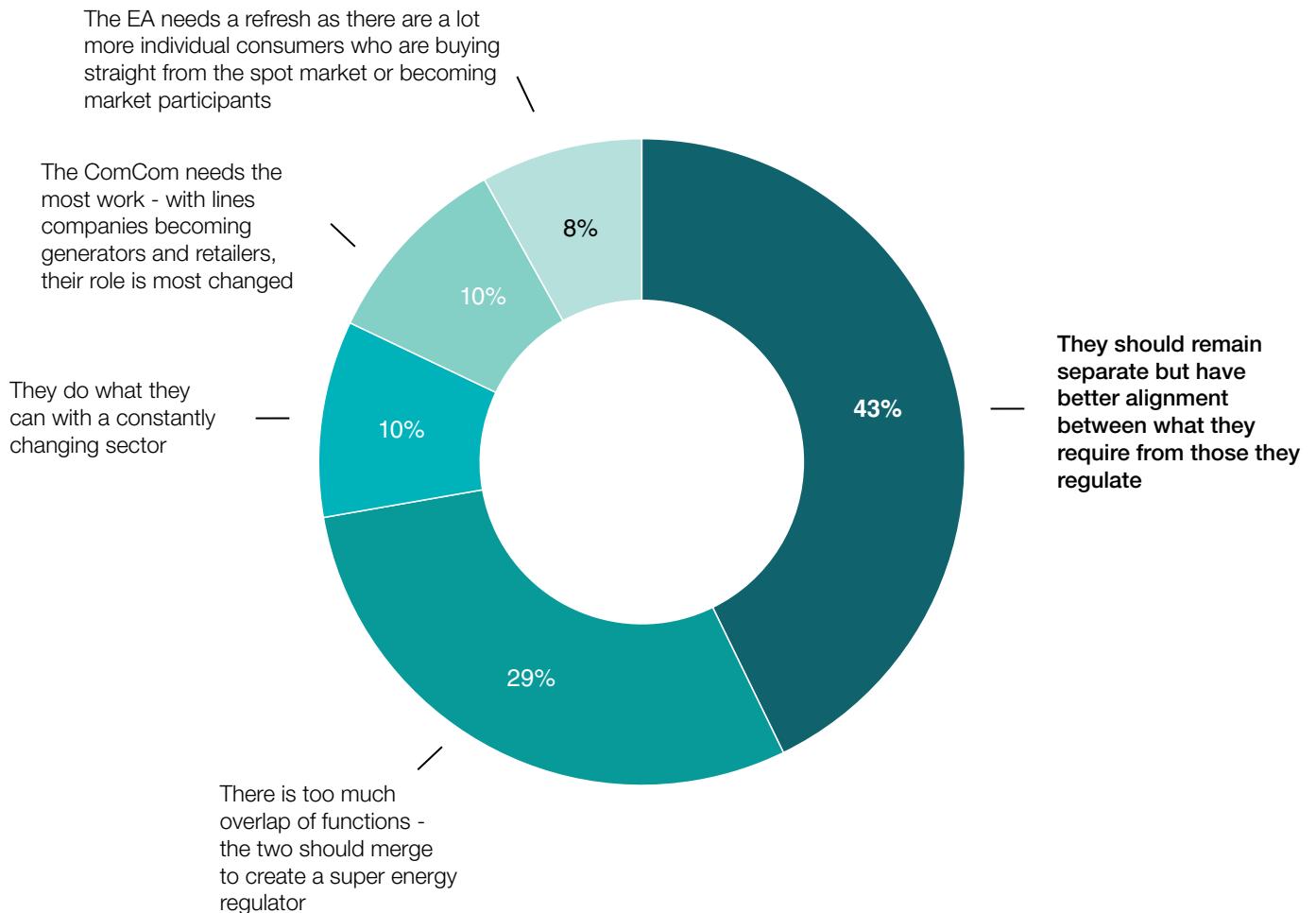
The Government has also set a target for 100% renewable power generation in a year of average hydrology by 2035. What is the best way for the sector to work towards this? Choose one:



- Fast-tracking the build of already-consented renewable power generation – 38%
- An increased focus on demand response to smooth out the peaks – 29%
- If this is what the Government wants then it needs to provide subsidies to make it happen – 17%
- Investigate wider use of peer-to-peer electricity retailing – 10%
- Allow retailers or lines companies to remotely control residential electrical appliances - such as hot water – 6%

Question 5

With the roles of energy companies evolving quickly it is becoming harder for the Electricity Authority and Commerce Commission to remain fit for purpose. How do you think the responsibilities of the two watchdogs align with the changing sector? Choose one:

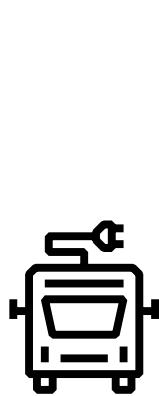


- They should remain separate but have better alignment between what they require from those they regulate – 43%
- There is too much overlap of functions - the two should merge to create a super energy regulator – 29%
- They do what they can with a constantly changing sector – 10%
- The ComCom needs the most work - with lines companies becoming generators and retailers, their role is most changed – 10%
- The EA needs a refresh as there are a lot more individual consumers who are buying straight from the spot market or becoming market participants – 8%

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10–12

minutes charging time
for 300 extra kilometers



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equivalent to about 10
million cars

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