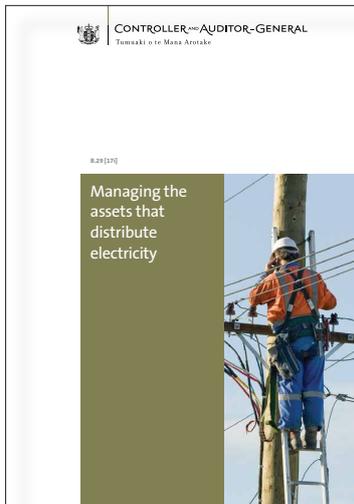




Summary of our report

Managing the assets that distribute electricity



Electricity distribution businesses own networks that distribute electricity throughout New Zealand. It is important that they manage their networks well to ensure a safe and reliable supply of electricity to their consumers, now and in the future.

We looked at how electricity distribution businesses were managing, maintaining, and investing in their networks to ensure that they could provide services to consumers for the long term.

We considered this in two ways. First, we analysed publicly available financial information of all electricity distribution businesses. Secondly, we reviewed the asset management practices of three electricity distribution businesses. We chose Alpine Energy Limited, Unison Networks Limited, and Waipa

Networks Limited (the three companies). Although we reviewed the practices of three companies, we encourage all electricity distribution businesses to consider whether our findings also apply to them.

Examining the asset management practices of the three companies, we found that they have adequate base asset knowledge, and there are appropriate initiatives to improve network resilience and ensure continuity of supply.

However, there is room for improvement. Electricity distribution businesses own assets with long useful lives, and we expect them to understand the financial effects of maintaining and replacing these assets for a substantial portion of the assets' life. Instead, the three companies' focus was largely on the short term. With a longer-term focus, the three companies can make better-informed decisions about how to manage their networks.

Improving knowledge of asset condition, performance of critical assets, and risk management strategies would complement the asset management practices that we observed. These are fundamental for electricity distribution businesses as their networks continue to expand and continual challenges, such as extreme events and natural disasters, and new technologies emerge.

Vital statistics:

- 32 pages
- Presented to Parliament on 20 June 2017
- Download from www.oag.govt.nz
- Contact: reports@oag.govt.nz