

VECTOR AND COMMERCE COMMISSION TO SETTLE FOLLOWING 2015 AND 2016 QUALITY STANDARD BREACHES

Following breaches of an electricity network quality standard in 2015 and 2016, Vector has announced today it is agreeing to a settlement with the Commerce Commission. A penalty hearing will take place in due course at which the details of the settlement will be heard.

Like other lines companies, Vector's prices and service quality are regulated by the Commission using a price-quality path, which means Vector is required to meet certain network quality standards, relative to its own historical performance, and is limited in the amount of revenue it can earn.

One of the Commerce Commission's quality standards is the average duration in minutes of network interruptions. The Commission found that Vector breached this quality standard by 51 minutes in the 2015 regulatory year and 13 minutes in the 2016 regulatory year.

Vector has noted to the Commission the circumstances that it believes contributed to its breach of the service quality standards in 2015 and 2016. These conditions included increased storm frequency and other weather-related impacts, increases in Auckland's traffic congestion, which have slowed travel times and can prevent maintenance crews from reaching network faults in a timely fashion and Vector's decision to prioritise safety of its people by introducing a best-practice policy to avoid working on live lines wherever possible, which can lead to extended outages.

Vector's Chief Network Officer Andre Botha said, "We understand the disruption these breaches have caused for some Aucklanders and we have been working hard on a range of measures to reduce the impact. However, we also believe the existing regime for quality control no longer reflects the reality of the changed operating environment, particularly in Auckland, and meeting these legacy quality standards will remain a significant challenge for ourselves and others in the industry.

"It is pleasing that we have been able to table these concerns with the Commerce Commission directly and we will continue to work constructively with them to determine new quality standards that will take effect on 1 April 2020 following the next regulatory reset process."

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About Vector

Vector is New Zealand's leading multi-network infrastructure company which delivers energy and communication services to more than one million homes and businesses across the country.

Vector is listed on the New Zealand Stock Exchange with ticker symbol VCT. Our majority shareholder, with voting rights of 75.1%, is Entrust.

For further information, visit www.vector.co.nz

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