Question and Answer

Operator

[Operator Instructions] Your first question today comes from Grant Swan from Craigs.

Grant Swanepoel
Craigs Investment Partners Limited, Research Division

Just on the wholesale gas side, can you guys give some sort of color on what the current mix is on cheap gas in that portfolio and what it might look like in FY '14? And then just on your -- usage rates, you indicated you see customers following international norms. With the market having fallen 1% FY '13, what is your expectation for FY '14? I mean, FY -- yes, FY '14? Those are my 2 questions.

Simon MacKenzie
Group Chief Executive Officer

Sorry, Grant. Good morning. It was a little bit kind of hazy, the reception here. But my understanding of your question was with respect to how much cheap gas we have still with regards to Kapuni, was that the correct question?

Grant Swanepoel
Craigs Investment Partners Limited, Research Division

Yes. Thanks, Simon. And it wasn't the link that was hazy. It was more the question that was hazy. And what you expect the earnings to look like on that division next year?

Simon MacKenzie
Group Chief Executive Officer

Okay. So we don't have any more cheap legacy gas in our portfolio. And Shane, you can give an indication with regards to -- estimates with regards to looking forward on the gas side.

Shane Sampson
Former Acting Chief Financial Officer

So I think in our accounts, we've indicated that we took around 6-point-something petajoules of gas. In broad terms, if you talk about $2 million of value for each of those petajoules, that would get you to the right kind of ballpark and from what we can see them, the analyst community is pretty much sitting on those kind of numbers in terms of the forecast for next year. So hopefully, that won't come as a surprise.

Simon MacKenzie
Group Chief Executive Officer

And then with respect to the volumes, what I mean by the international trends we are seeing, both in New Zealand and internationally, there has been a trend for reduced energy consumption. We see that particularly in the Auckland region, where the revenue -- sorry, the consumption per user is not increasing, and in some cases, reducing. And we would expect that trend to continue, flat to reducing on a per user basis. Of course, the difference in Auckland is that we also grow customers onto our network. The reason for the reducing volume from our research is that customers are much more active with respect to how they're managing their energy purchases, and that comes in 2 shapes. One is, whereby customers are actively looking to do things, such as turn off the lights because of the cost pressure in energy, as well as look to put on new technology solutions, whether those range through things such as more energy-efficient appliances, and where we see the other trends coming in lighting with regards to things such as LED lighting, which consumes a lot less energy than traditional lighting. So we see those trends continuing, and the other trend being customers being much more active in how they manage their energy purchases. I think it's important to note, Grant, also off the back of that, from a network perspective, as we noted in the presentation, that our revenues obviously are determined by the Commerce Commission. They are principally derived by -- with respect to our asset base. What we are seeing is a bit more of a disconnect between what we call demand in volume, because people still flick the lights on, they may not leave them on as long, type of issue. So our networks are very much invested in, from a demand perspective, as opposed to the volume perspective. Hence, our revenues are pegged to asset values, obviously, with the rate of return determined by the commission being used as the effect of that determines off that asset value how much revenue we can earn. Our fact -- our pricing methodologies, we are moving towards a more cost-reflective basis being more fixed.

Operator

Your next question comes from Matt Henry from Goldman Sachs.

Matthew Allan Henry
Goldman Sachs JBWere Pty Ltd, Research Division

My main micro questions are, can you just -- I presume the change to the contract, gas transmission contract, is that going earnings neutral? Can you just confirm if that's the case? The second question is just, you say you're comfortable with consensus. Can you just tell us what your understanding on consensus is? And thirdly, can you just give us some more color into your -- the battery initiative, how you intend to market that? Are you already marketing it and what sort of consumer interest are you finding?

Simon MacKenzie
Group Chief Executive Officer

Yes, Matt. The first question, I think I'll pass over to Shane. But maybe I'll let you pass, go for that one first, Shane.

Shane Sampson
Former Acting Chief Financial Officer

So I'm not sure in terms of commercial sensitivity what we've seen about those contracts. But certainly, in our gas transmission business, we are on a revenue cap from 1 October rather than a price cap. So therefore, if you like, if there's any rebalancing between customers, it doesn't impact our overall revenues. So I wouldn't speak to the specific customer, but that would be the general principle.

Simon MacKenzie
Group Chief Executive Officer

Was that -- sorry, it was a little bit hard to hear. Was it actually that or was it the contact metering contracts?

Matthew Allan Henry
Goldman Sachs JBWere Pty Ltd, Research Division

No, [indiscernible].

Shane Sampson
Former Acting Chief Financial Officer

Okay, cool. And on consensus, according to our numbers, the consensus across the analysts looks like $575 million EBITDA.

Simon MacKenzie
Group Chief Executive Officer

With regards to your last question, Matt, with our PV, we very much, as signaled earlier, saw this as a program to ascertain demand and also, for us importantly, understand the network benefits and network interface. So we have connected over 50 customers on this program. We have seen very strong demand for this. We haven't gone out with a major marketing campaign. It has been very much through social media and channels, particularly in the renewables kind of world. By way of example, we had, as I said, 50 customers connected up. But in order of magnitude, higher than that with regards to people signing up and registering interest. The solution, I think, is unique and observed as unique by the jurisdictions in the sense that the main factor of it is really bringing in battery storage and also control technology that integrates with our network. So that, that energy is usable 24/7 either by the customer or the network, and it optimizes the use of the solar energy generated with, obviously, the network characteristics. The solution can also facilitate further down the path. If needs be, we can integrate into it other technology in the home and/or services, such as electric vehicles if they were wanting to be charged in the home as well. So we see this as very, very much where the world is going. The cost curves of solar has obviously been reducing, i.e. the panels, but what we're also observing is battery technology is also significantly reducing. But the most complex area is actually the control of those devices and how they interface with our network.

Operator

Your next question today comes from [indiscernible] from Energy News.

Unknown Attendee

I just have a couple of questions. One is just around the sort of expectations around CapEx spend going forward, [indiscernible] projects on the horizon, and as well as around smart metering and just, you mentioned that there's been some interest in how things have gone on new rollout from overseas. I'm just wondering if Vector's looking at getting involved in any overseas projects.

Simon MacKenzie
Group Chief Executive Officer

Yes, sure. The CapEx is obviously, we split that between the regulated and unregulated sides. As we mentioned, we continue to invest in the regulated side of the business in accordance with the growth projections we have, and there is a slight increase in forecast going forward with CapEx there. We disclosed that through our asset management plans. And in the unregulated side of our business, the capital will increase, and there is a reflection of the increased customer contract volumes for the smart metering rollout. With regards to your second question, smart metering, we mentioned overseas interest. Yes, we have had interest from overseas parties with regards to probably 2 kind of key areas, one is how we've rolled out in New Zealand. This extended up into the U.K., where U.K. government was looking at how they actually facilitate smart metering in the U.K. So we had some interface with Department of Energy up there, as they really wanted to understand how we had done this in New Zealand. But more importantly, from a growth opportunity perspective, in Australia, is very much looking at smart metering there outside of Victoria. And we are actively participating and looking at the opportunity for us to well service over into Australia.

Operator

Your question comes from Andrew Harvey-Green from Forsyth Barr.

Andrew Rupert Pelham Harvey-Green
Forsyth Barr Group Ltd., Research Division

Just a couple of questions around the technology business. My first question is around CapEx requirements on the gas metering side of things, and then obviously, the purchase from Contact is [indiscernible] CapEx requirement. Can you give us sort of a feel around how much and when that's likely to be?

Shane Sampson
Former Acting Chief Financial Officer

Andrew, it's certainly not a material amount that comes in through that acquisition. So there's an increase, but it's not big. I don't think I've -- we've given any indication of where we'll see that transaction going, so I won't go there now. But not a material increase in the overall CapEx.

Simon MacKenzie
Group Chief Executive Officer

Okay. And probably, just fair to say that the way in which that may change would be if there was a decision to move from the gas traditional meters to smart meters. So obviously, we would only do that if there was some contract in place to reflect that transition as well.

Andrew Rupert Pelham Harvey-Green
Forsyth Barr Group Ltd., Research Division

Yes, okay. And secondly, are you just -- give us a little bit of a feel for revenue growth you've been seeing within the technology business, I mean the meters business and telecommunications business services?

Shane Sampson
Former Acting Chief Financial Officer

The bulk of the growth in that segment is coming out of the metering, with a strong growth in the number of smart meters. So that's the bulk of the growth in there. And we continue to expect in the upcoming year that double-digit growth in the technology segment overall in revenues and earnings.

Andrew Rupert Pelham Harvey-Green
Forsyth Barr Group Ltd., Research Division

Okay. And so the telecommunications business is relatively steady?

Shane Sampson
Former Acting Chief Financial Officer

Certainly, telecommunications business continue to contribute in the EBIT, but the growth is predominantly coming out of metering.

Operator

Your next question comes from Greg Main from First NZ Capital.

Gregory Main
Jarden Limited, Research Division

I just want to clarify the CapEx question. You sort of inferred that, the $283 million this year, you inferred that it's going to be slightly more going forward. I mean, you've got there the meters, the Contact meters business, which you said isn't great. So does that sort of imply you expect CapEx to be in that $300 million to $320 million range in FY '14?

Shane Sampson
Former Acting Chief Financial Officer

Greg, we'd expect it to be a bit higher than that. If you look at our [indiscernible] numbers, plus the continued growth in the smart metering business, and so we're probably more, selling above the upper end of your range rather than within that range you've got there.

Gregory Main
Jarden Limited, Research Division

Okay. And secondly, obviously, with the regulatory decisions that have impacted gas [indiscernible] to a certain extent, you're sort of obviously inferring that there's sort of a mixed impact in your costs that you can take out off to offset some of that impact. I mean, how much -- sort of that eternal question, how much efficiency do you think you can actually continue to take out of the business from? [indiscernible] especially when you continue to sort of give some of that back to the regulators. And then likewise, on CapEx, I mean, your asset management plan, I think, has higher CapEx for FY '13, depending on how you split the timing. And some of that, you probably put to try to pull back on. So how much leeway have you actually got around with those numbers?

Simon MacKenzie
Group Chief Executive Officer

Well, I think probably the first part of your question is with regards to costs. We obviously have to be fully cognizant of the costs in the model and the pricing model that's used for the Commerce Commission. We continually -- I mean, I think, break it into 2 parts, we continue to drive operating efficiency in the business, which is not only just costs, but it's also speed of service and through some of the developments, such as our smartphone app, that's reduced the number of call center costs, for example, when we have outages. So those kind of reflect those adjustments. I think it's fair to say that it is -- we're not seeking big cost reductions out of the business in the operating side at the moment, because that is actually also coming with, obviously, maintenance activities that we have to keep up with. So we're seeing that reasonably small levels of costs being taken out of the regulated side of the business. With respect to CapEx, probably the biggest issue there is around how quickly growth occurs in the subdivisions in particular, as we've seen continued strong growth in the subdivision activities. But one of the other aspects when you link that to the extent of capital expenditure in that space is the way in which we seek developer contributions given the regulatory timing and context, because for us, it's very important to ensure that where the -- the return from the commission sits with respect to the timing of developments is critical from a timing perspective and how much they should be contributing. What I mean, probably, in a roundabout way is that capital contributions from those developers we fundamentally peg to, what is the uptake expectation of the subdivision, as well as what is the timing of the cash flow with respect to the regulatory reset period. Other than that, we continually focus on how we seek to find much more innovative and cost-effective ways to deploy network, particularly with -- and mind where customers' choice is going and other solutions such as renewable space. So we're actively not looking only at the solar area and the impacts that they may have, but also things such as LED lighting, is another key area we see. And looking at substitutes with typical network investments, such as more cables underground through potentially rolling out LED solutions in various areas. The other area that we're also focusing on is large-scale battery storage and how that may also assist to manage peaks on our network through switching between adjacent areas, as opposed to just solely bearing more cables in the ground. So doing a lot of work in that, much more the technology end of the capital investment. Coordination of projects with other parties like we have done with Transpower, and I think one of the other really big issues that we are focusing on is just basically the way in which we tender out and manage contractors for large-scale projects and ensuring that we're getting open and transparent pricing through those processes.

Operator

Your next question today comes from Steve Hudson from Macquarie Securities.

Stephen Hudson
Macquarie Research

Just a couple of quick questions. I just wondered if you could split out the $15 million of DPP callback between fiscal year '14 and '15. I think you've disclosed that number in the accounts today. And then just secondly, related to what you were just talking about, I just wondered if you can split out your customer contributions in CapEx for this year? How much of the CapEx was actually customer contributions? And then thirdly, can you give us a feel for what the -- your electricity revenue now is in terms of fixed versus variable, you mentioned there's obviously been a change in the pricing model post the reset and redetermination, so I just wondered if you could give us a split.

Simon MacKenzie
Group Chief Executive Officer

Sure. Shane will take you through those ones.

Shane Sampson
Former Acting Chief Financial Officer

Stephen, in terms of the callback, roughly, if you take that $15 million, we had $15.4 million or something in the accounts, if you split that into quarters, it's probably close enough in terms of the impact on the upcoming financial year. And in terms of the customer contribution, so customer contributions for the year were about $32.7 million overall, and that was about $25 million in electricity, $3.7 million in gas transportation, and in technology, about $3.6 million. And finally, in terms of fixed and variable, it's varied a bit between the different segments. So the -- in the residential space, which is about 56% of our revenue, we were running at about 7% fixed. And we've lifted that to about 24%, in the current regulatory year [indiscernible], we're continuing to work on, given our costs broadly fixed, we're looking to move that more -- to be more reflective of the cost base over time.

Simon MacKenzie
Group Chief Executive Officer

Yes, so Steve, one of the other things that we are doing is, because we also have to recover transmission charges, we're moving to separate the recovery of those out separately from our residential lines count charges, such that under the legislation, where we're called by having to have a certain percentage of, a tariff with low fixed rate. We don't actually have the recovery of transmission bundled up into that, which, in essence, lowers our own distribution revenue recovery to a lower fixed percentage.

Stephen Hudson
Macquarie Research

Okay, that's [indiscernible]. And sorry, just to clarify, Shane, I think the $33 million of customer contributions, how much of that would have shown up in the CapEx numbers that you've disclosed?

Shane Sampson
Former Acting Chief Financial Officer

Well, effectively, all of the capital contributions will relate to CapEx in some shape or form. So I think as Simon talked about before with the developer, we might spend, for example, say we might spend $1 million on a development, the capital contribution will be less than that and will be affected around what we assume the uptake is in the revenues of that. So if you like, you can look at using that $30 million off the CapEx, if you want to wanted to look at what the net cash flow impact was.

Operator

Next question today comes from Craig Grant [ph] from One Part Limited [ph].

Unknown Analyst

Three questions, if I could. Firstly, it's more a clarification, I guess having the Chairman here is helpful for this one. Just wanting to confirm that the [indiscernible] to deliver sustainable and growing dividends is still in place, given you've guided for a reasonable reduction in EBITDA for '13 out of '14 -- or '14 out of '13. And in the second question, I know, Simon, you mentioned in your presentation about the fact there's a number of the price reductions that you've had to put through hadn't come through to -- reflected into consumers' bills. Have you got a feeling that, or I'm interested in your views as to whether you think that the proposed Labor Party policy for the single-buyer model will go some ways to ensuring that those sorts of reductions are passed through to consumers?

Michael Peter Stiassny
Former Chairman

Craig, I'll answer your question around dividend. I think we're very aware of the need to provide certainty and clarity around the dividend. So we are still very focused on lifting dividend, and what we are signaling with the increase is a bottom position rather than something that will lower over time. So this is the bottom position, and can only increase.

Simon MacKenzie
Group Chief Executive Officer

Sorry, just with respect to your second question. As we noted, we haven't seen those price reductions passed through, only a minority of retailers in Auckland. It's fair to say that we mentioned about the Labor-Greens policy, I don't have a view on whether or not that will make any difference. From my read of it, I don't think it really went into mechanisms around ensuring pass-throughs from lines businesses to -- through to consumers. However, I do think that, certainly we know, in discussions with the Electricity

Authority, they are very focused on ensuring there's healthy retail competition and transparency with regards to market and pass-throughs and so forth. So -- but I mentioned, the Electricity Authority will be very much more focused on how this does fit into the overall mix of ensuring there's a competitive market.

Operator

Your next question today comes from David Lewis from Milford Asset Management.

David Lewis

I just want to get a little bit more color on your financial policy, please, in terms of how you think about, firstly, dividends, and secondly, gearing internally, what sort of metrics you look at, whether it's the payout ratio, net debt and EBIT to equity, if you have a target for that. And also, relating to the gearing, what the commitment, I guess, is to the credit rating and how you think about that at the current level?

Shane Sampson
Former Acting Chief Financial Officer

David, our financial policy has been quite clear that our dividend flows off the operating cash flow less replacement CapEx line with the target of 60% over time. And I think as we've signaled in previous periods, we pay well below that. So I think 2010, 51%; 2011, 56%; 2012, 53%; and this year, 49%, recognizing the upcoming regulatory impact. And as Michael put it before, we're not -- shareholders want some certainty. So we've paid it lower than that target, 60%, recognizing that there are some challenge in the years coming up. So that's our policy. The -- in terms of the gearing, we don't have a specific commitment to the credit rating agencies. They obviously do look at forecasts for our business. And certainly in terms of the last report that they put out, they were comfortable with where we were heading. I think if you compared us to some of the Australian companies, for example, our gearing is quite a bit lower. So does that cover your question, David?

David Lewis

Yes, broadly. I mean, is there any reason you couldn't operate the business at BBB flat?

Shane Sampson
Former Acting Chief Financial Officer

We've been quite focused on retaining BBB+. And so we -- I guess, I won't speculate in terms of other ratings we might end up at. We're at BBB+ stable currently.

Simon MacKenzie
Group Chief Executive Officer

Yes, I think also that we're obviously waiting for the Merits Appeal process and discussed -- obviously, had discussions from a board perspective around our policies, particularly with regards to the 60% target and also the credit rating metrics. We have always articulated our intention to remain BBB+. But I think it's very important to put that in the context of the regulatory environment in New Zealand as well. And I don't think it would be prudent for us, at this point in time, to go looking to change it, until such time as we see we're -- the regulatory regime finally lands with post the Merits Appeal and also Standard & Poor's potentially looking at the global methodology.

Michael Peter Stiassny
Former Chairman

So I think, David, we're kind of at 2.1. We're changing our mix from regulated to nonregulated business, so we're being creative and pushing the envelope in that regard. And then at the same time, we're sending some very strong messages to our shareholder base of conservatism and certainty in the way we do business. And it's finding the marriage between those 2, I think.

Operator

I have a follow-up question from Grant Swan from Craigs.

Grant Swanepoel
Craigs Investment Partners Limited, Research Division

Sorry about this. Simon, you mentioned that the retailers haven't passed on the discounts. Do you have a clear sight into what is going on, on their contracting with the customers in terms of changes, in terms of locking in price points at lower levels if you sign up for a 2- or 3-year contract, et cetera? Or is your assumption based on just the headline number that you see?

Simon MacKenzie
Group Chief Executive Officer

Basically, what we're working off is the reported stats from MOBI. And so they published the stats for Auckland, and that was -- that actually came from these stats. I'm not really going into why or not the retailers may or may not be passing them on. The issue we're making is that if they're not being passed on, it does make, in our view, a bit of a mockery of the regulatory regime. Because the intention of the regime is that those benefits get passed on to consumers. And so for us, when we drive efficiencies and drive productivity as a business and through a reset process, which as you know, occurs normally every 5 years, our objective is obviously to deliver a better result through that 5-year period, through cost-efficiency, productivity, to earn better than the regulatory return, get reset down, that's something that should actually be being shared with consumers. And so the bigger issue for us is why, from a regulatory perspective, it doesn't seem to be occurring. It's not saying it might not occur in the future, but apparently from the stats provided, that doesn't appear to be occurring.

Grant Swanepoel
Craigs Investment Partners Limited, Research Division

So can I infer that you're implying that this is not a competitor regime out there, that this level of churn you're seeing in the market is not really having an impact on competitive pricing and that there's not a difference between regulatory market and competitive market?

Simon MacKenzie
Group Chief Executive Officer

No. You shouldn't infer anything from it. We're really just much more focused on particularly making sure that those gains that we make from our lines services go through to consumers. So I'm not making any inference on the nature of the competition in the market. I actually think that that's much more of an issue, as I mentioned earlier, for the Electricity Authority to plan [ph] on. And I certainly know that I've got ongoing work streams around facilitating customers' information and transparency, which is probably, best to speak to Carl Hansen at EA on that.

Shane Sampson
Former Acting Chief Financial Officer

But we do endorse [indiscernible].

Operator

Thank you. We are showing no further questions at this time.

Simon MacKenzie
Group Chief Executive Officer

If there's not any -- no further questions, we'd just like to thank everyone for attending this morning. And if analysts have any further questions, please contact Daniel. And if media have any questions, contact Sandy with the contact details provided. So thank you very much for joining us.

Shane Sampson
Former Acting Chief Financial Officer
Thank you.