

Contact™

Monthly Operating Report

May 2017

May overview

- » For the month of May 2017 Contact recorded:
 - Electricity and gas sales of 761 GWh (May 2016: 744 GWh)
 - Netback of \$92.31/MWh (May 2016: \$98.66/MWh)
 - Cost of energy was \$35.69/MWh (May 2016: \$27.55/MWh) with hydro generation down 225 GWh, or 54% on May 2016

- » Otahuhu futures settlement wholesale price for the 2nd quarter of 2017 (ASX):
 - As at 12 June 2017: \$73/MWh
 - As at 31 May 2017: \$66/MWh
 - As at 30 April 2017: \$57/MWh

- » Softer front-end ASX futures pricing observed over the last 12 months is flowing through to C&I contract tariffs which are down 4% on the prior period

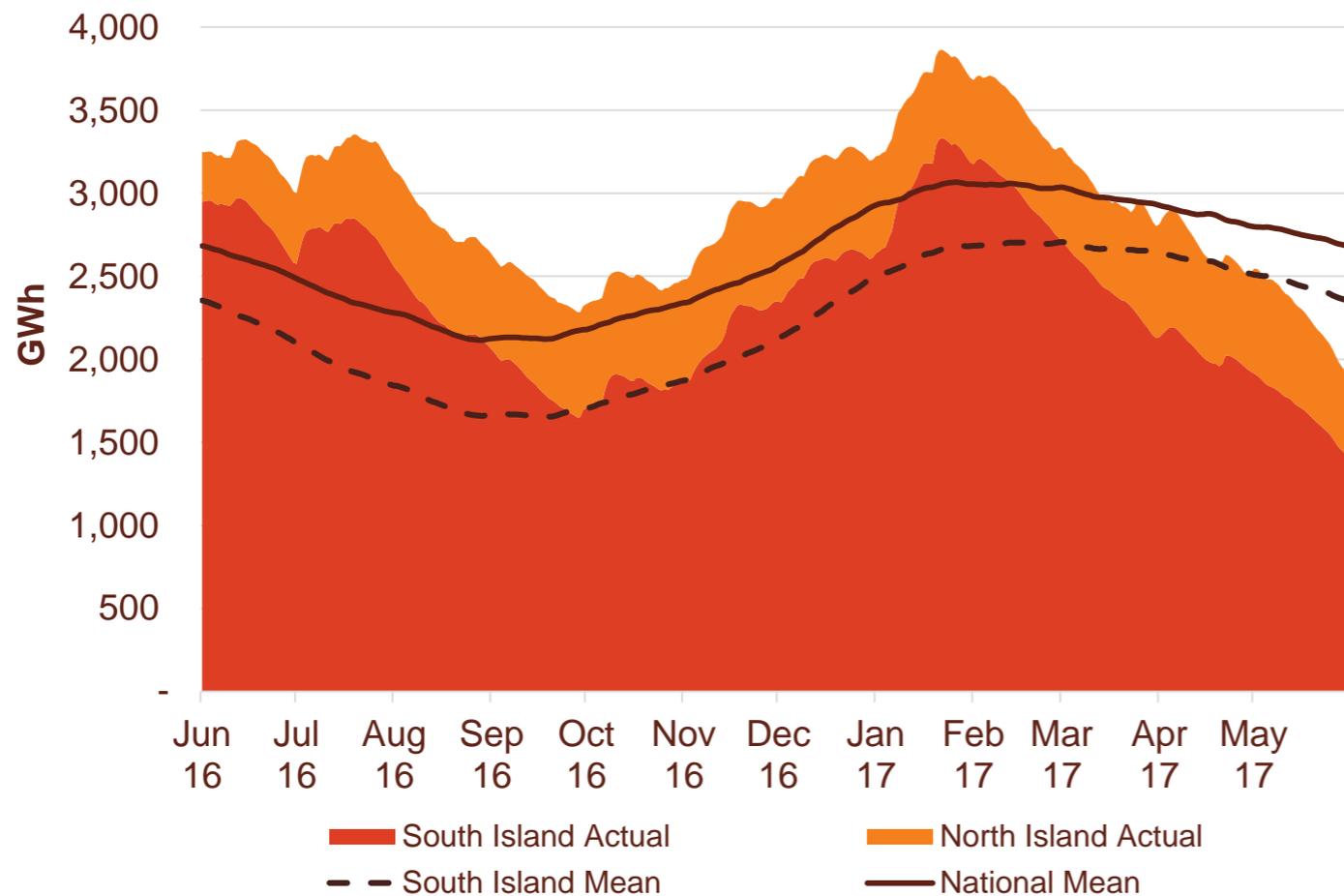
- » As at the 12th of June 2017, South Island storage was 60% of mean (31 May 2017: 68%) and North Island storage was 151% of mean (31 May 2017: 186%)
 - As at the 12th of June total Clutha storage was 16% of mean. Autumn inflows (March – May) into Contact's Clutha catchment were 45% of mean



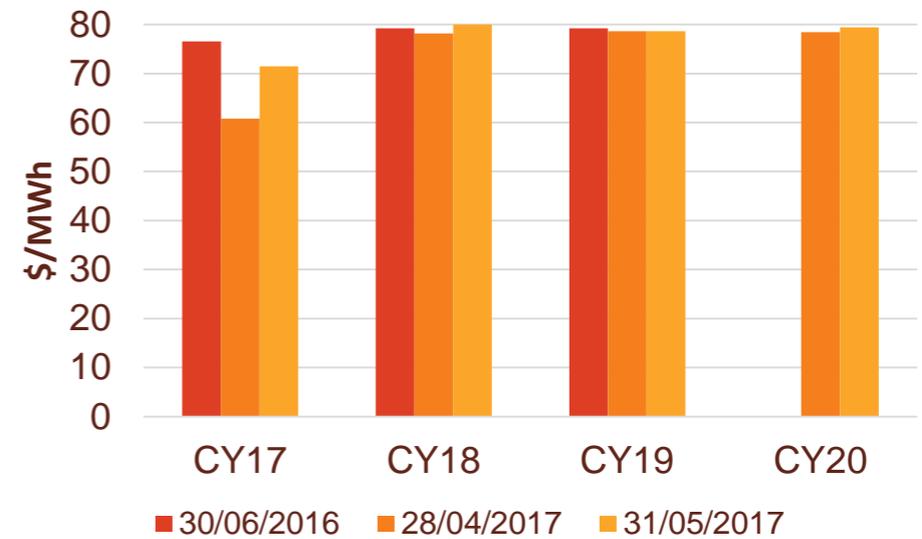
- » In May Contact extracted 1.1 PJ from its Ahuroa Gas Storage facility to support its thermal generation plant in Stratford

Hydro storage and forward prices

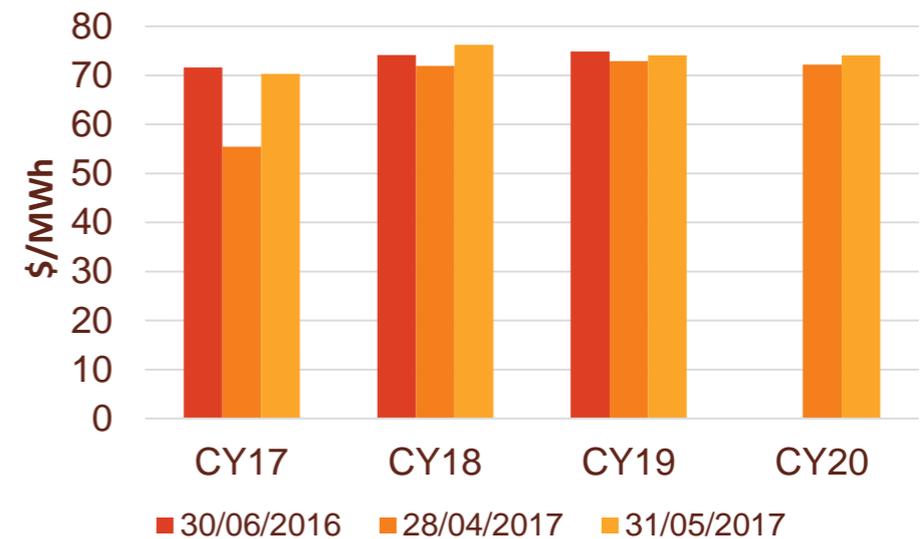
New Zealand hydro storage against mean



Otahuhu ASX futures settlement

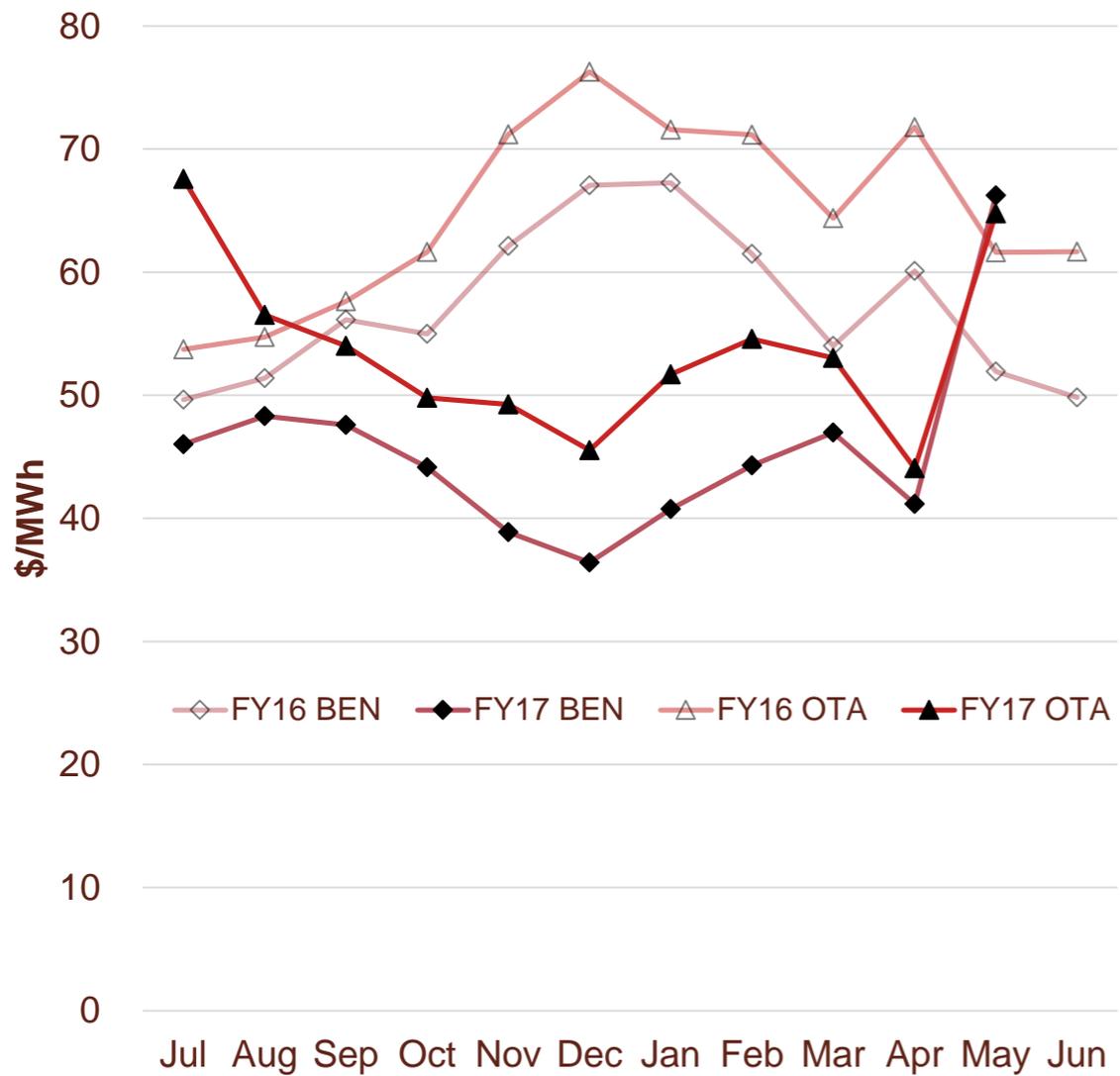


Benmore ASX futures settlement



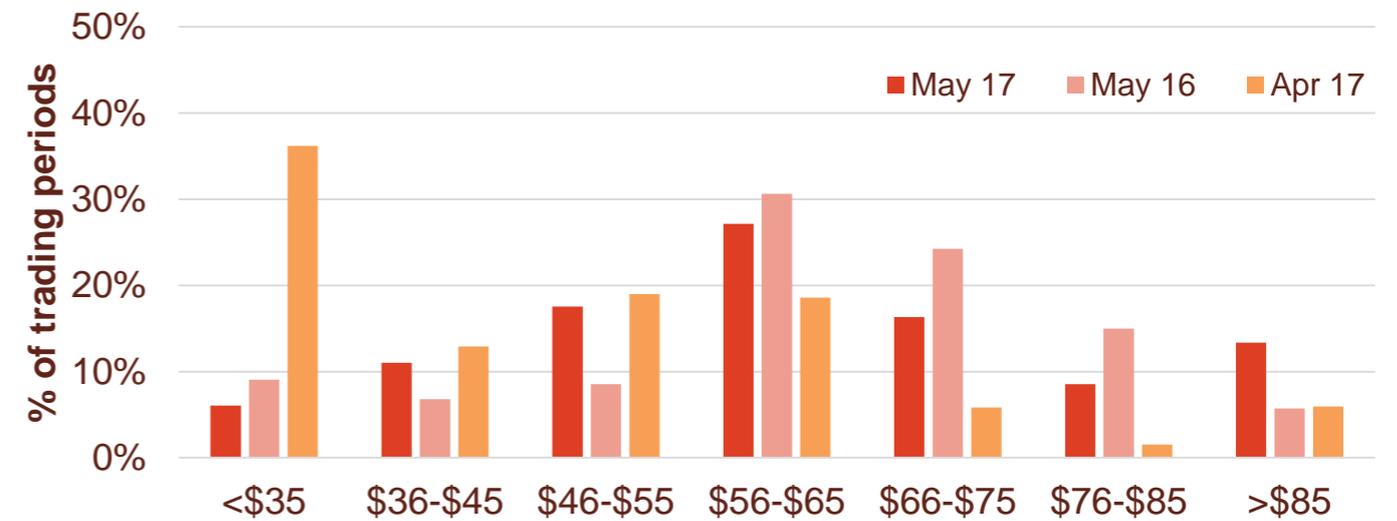
Wholesale market

Wholesale electricity pricing

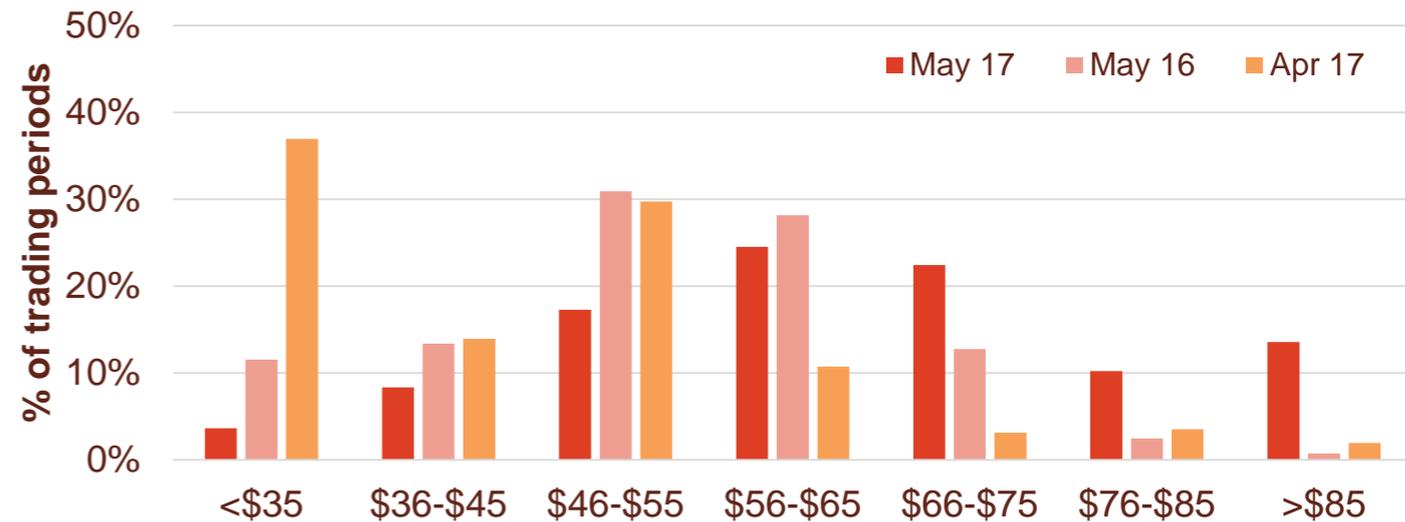


Distribution of wholesale market price by trading periods

Otahuhu node



Benmore node

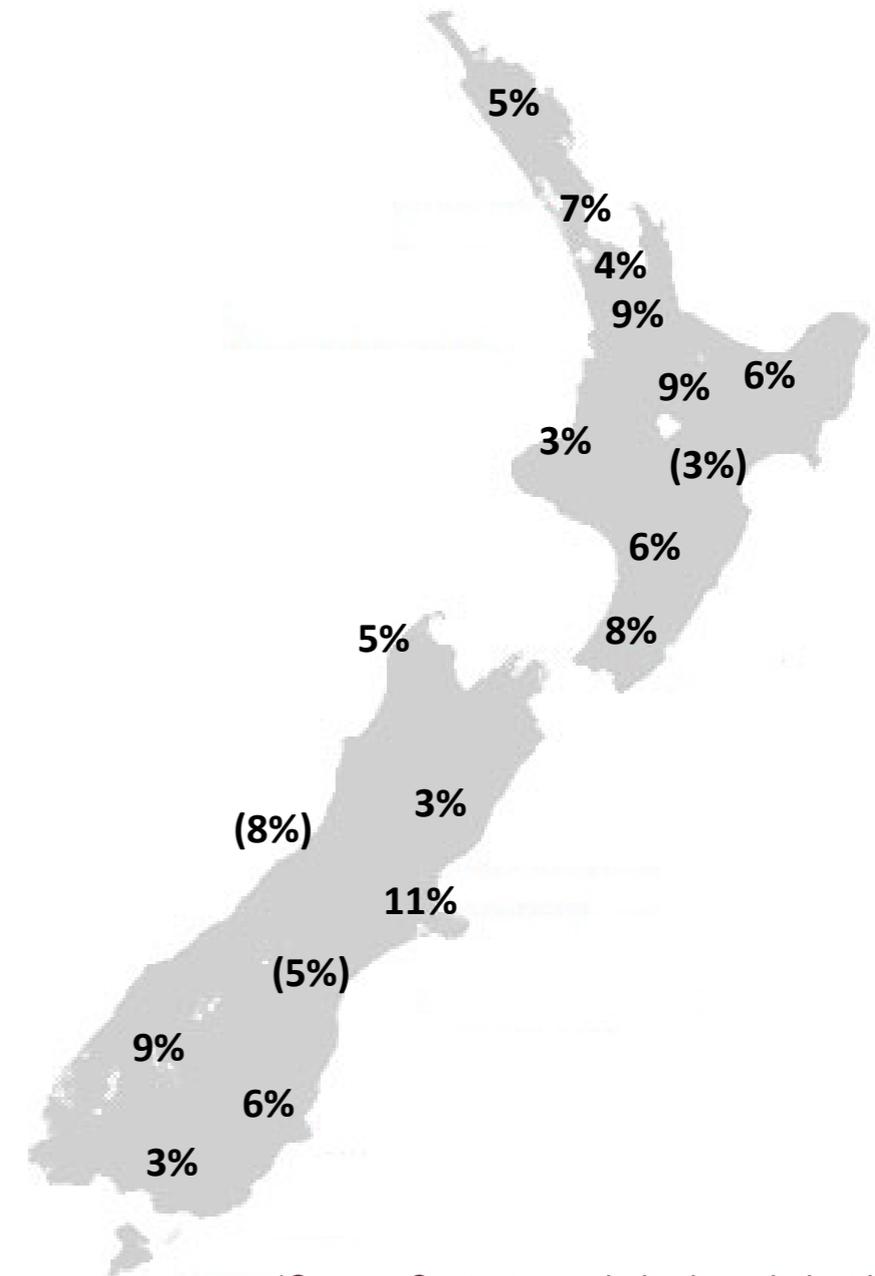
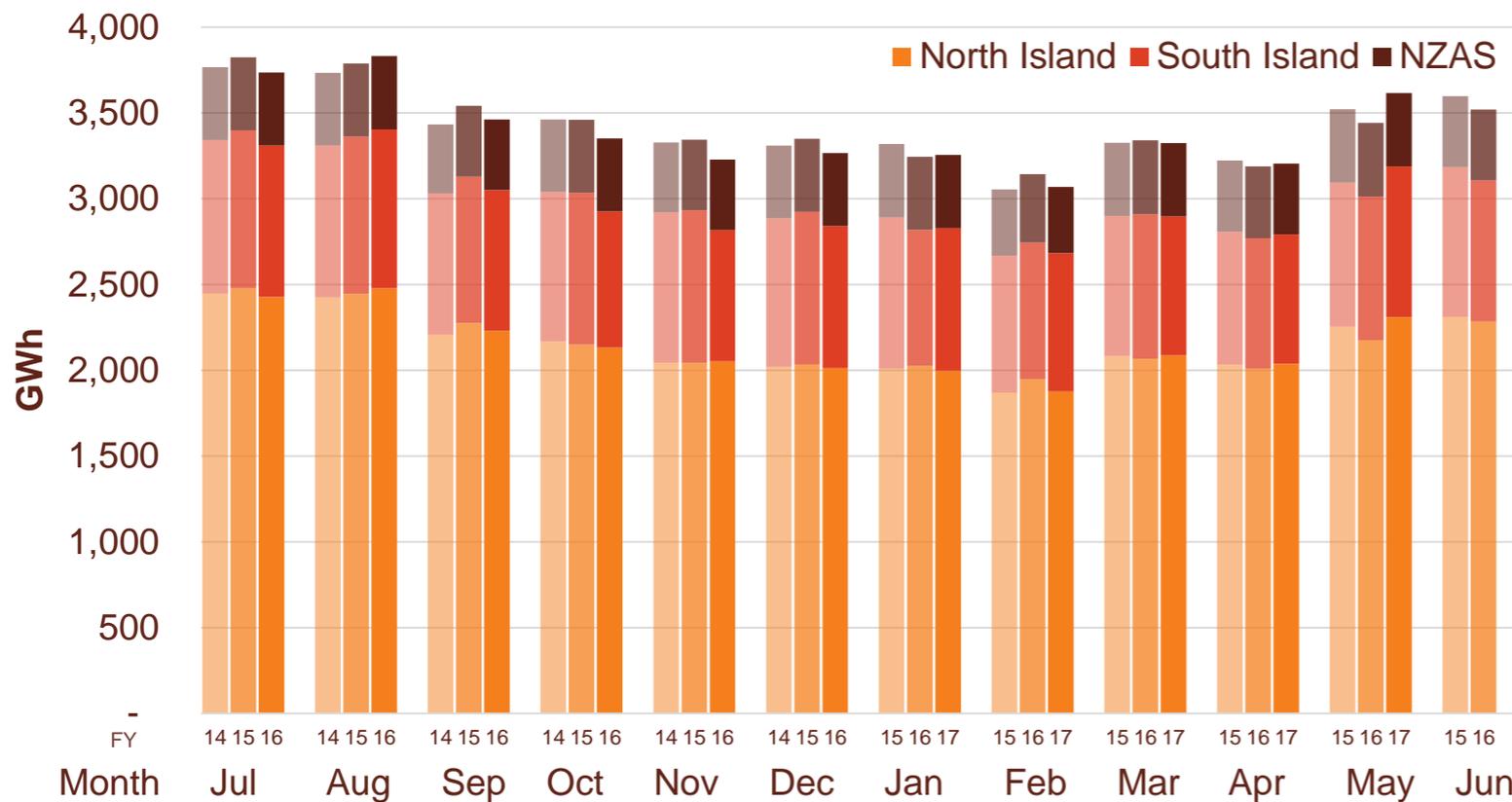


Electricity demand

- » New Zealand electricity demand was up 5.1% on May 2016 (up 2.7% on May 2015).
- » Cumulative 12 months demand for June 2016 to May 2017 of 40,853 GWh is 1.0% lower than the prior comparative period.

Regional demand change (%) on May 2016*

Total national demand (FY15, 16 and 17)

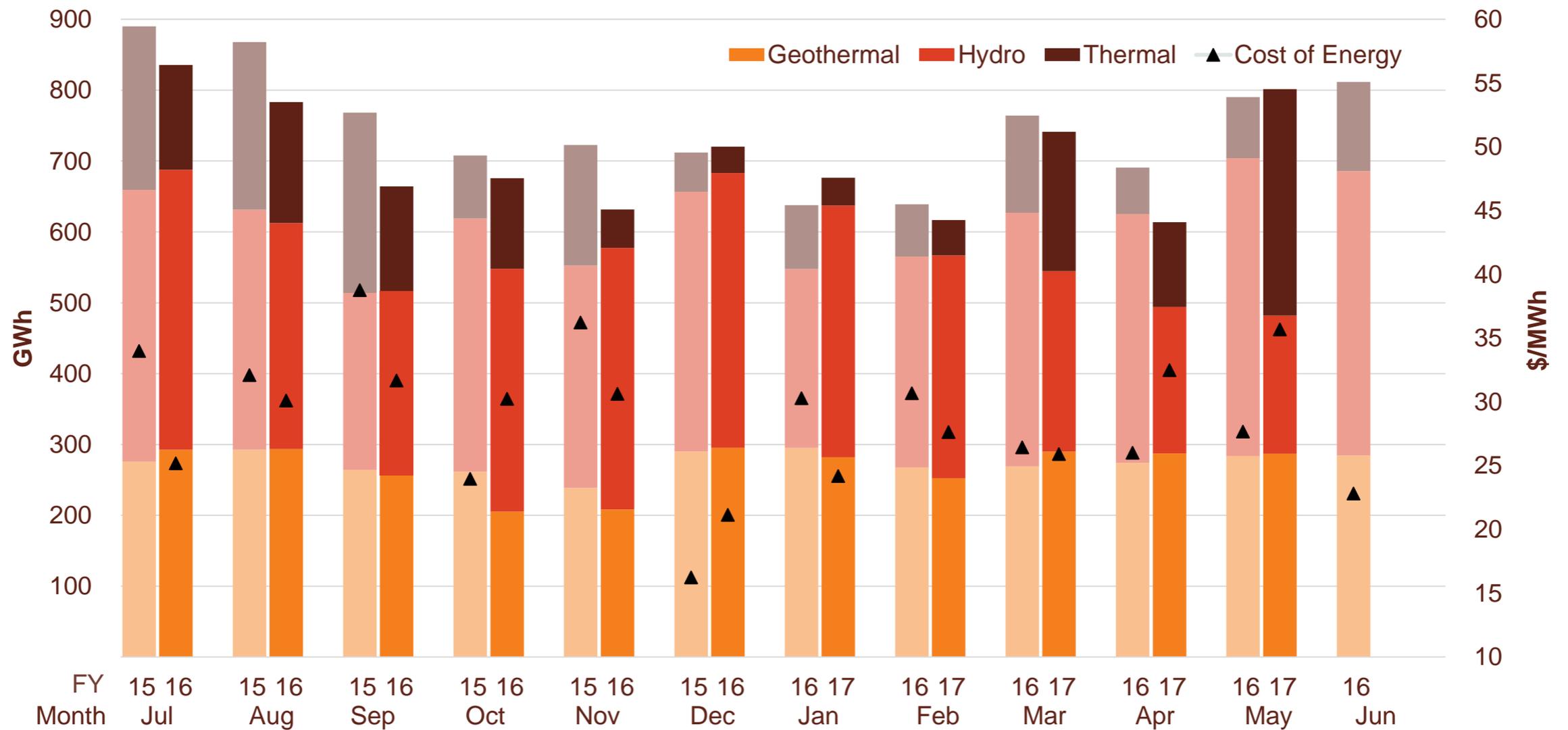


Source: Contact and Electricity Authority grid demand (reconciled) <http://www.emi.ea.govt.nz>

*Source: Contact – excludes large industrial

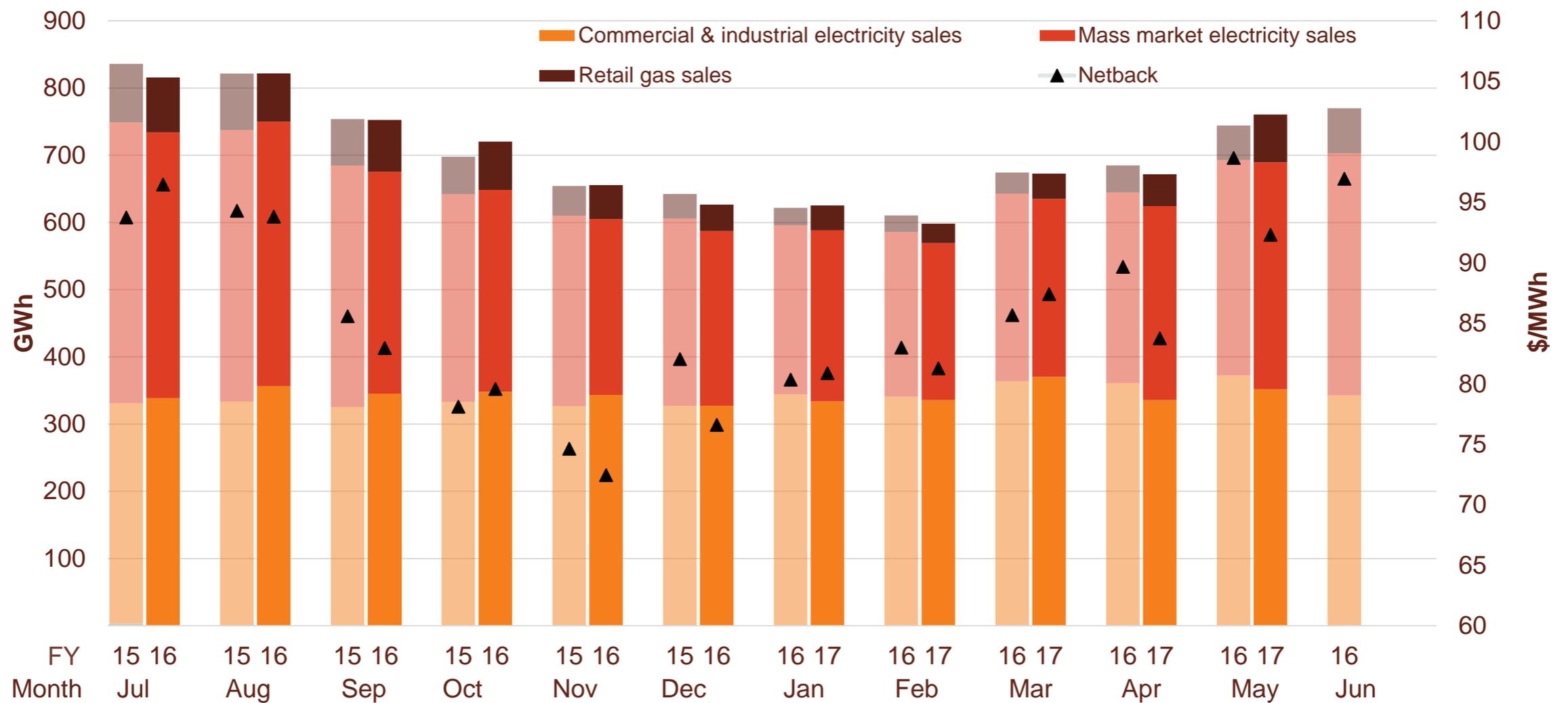
Contact's generation performance

Generation mix and cost of energy (FY16 and 17)



Contact's retail performance

Retail sales volumes and netback (FY16 and 17)



Contact's operational performance

Data		Measure	The month ended May 2017	The month ended May 2016	The month ended April 2017	Eleven months ended May 2017	Eleven months ended May 2016
Customer	Mass market electricity sales	GWh	338	321	289	3,320	3,431
	Commercial & industrial electricity sales	GWh	352	372	336	3,786	3,756
	Retail gas sales	GWh	71	51	47	614	551
	Total electricity and gas sales	GWh	761	744	672	7,721	7,739
	Average electricity sales price	\$/MWh	185.62	186.12	176.45	178.04	179.11
	Electricity direct pass through costs	\$/MWh	(74.09)	(71.96)	(75.20)	(75.20)	(75.05)
	Electricity and gas cost to serve	\$/MWh	(12.57)	(10.58)	(13.63)	(13.26)	(13.47)
	Netback	\$/MWh	92.31	98.66	83.75	84.89	86.48
	Electricity line losses	%	7%	8%	2%	5%	5%
	Retail gas sales	PJ	0.2	0.2	0.2	2.1	1.9
	LPG sales	tonnes	7,124	5,976	5,339	65,079	62,612
	Electricity customer numbers ¹	#	422,500	424,000	422,000		
	Gas customer numbers ¹	#	63,500	61,500	63,000		
	LPG customer numbers (includes franchises) ¹	#	78,500	74,500	78,000		
Generation	Thermal generation	GWh	320	86	120	1,410	1,488
	Geothermal generation	GWh	287	284	287	2,951	3,013
	Hydro generation	GWh	195	420	206	3,399	3,690
	Spot market generation	GWh	802	790	614	7,760	8,190
	Spot electricity purchases	GWh	739	744	631	7,397	7,479
	CfD sales / (purchases)	GWh	54	(15)	0	257	71
	Steam sales	GWh	29	36	50	593	612
	GWAP	\$/MWh	64.90	54.31	44.19	48.33	59.00
	LWAP	\$/MWh	(68.49)	(60.72)	(47.35)	(53.75)	(64.34)
	LWAP/GWAP	%	106%	112%	107%	111%	109%
	Gas used in internal generation	PJ	2.7	1.0	1.2	14.3	14.9
	Gas storage net movement ²	PJ	(1.1)	0.5	(0.3)	(2.4)	(0.6)
	Unit generation cost	\$/MWh	(38.35)	(25.56)	(34.94)	(31.55)	(32.25)
	Cost of energy	\$/MWh	(35.86)	(27.66)	(32.67)	(28.94)	(29.54)

¹ Data has been rounded to the nearest 500 and reflects numbers as at month end.

Glossary of terms

Netback

Measures the performance of the Customer business.

This enables the performance of the retail channels to be measured without using an energy cost. The netback is meant to cover, inter alia, the net purchase cost, capital return, risk margin and a retail margin.

Electricity revenue from mass market and C&I customers

Add: Revenue from gas sales

Less: Electricity distribution network costs, meter costs and electricity levies

Less: Gas distribution network costs, meter costs and gas levies

Less: Operating costs to serve the customer, including head office allocation

Cost of Energy

Measures the performance of the Generation business.

Cost of energy reflects the total operational costs of generating and procuring electricity sold to customers. It does not include any capital return expectations.

Wholesale electricity revenue from our generating assets

Add: Revenue from steam sales

Less: Electricity purchase costs from the wholesale market to supply customers

Less: Electricity transmission costs and levies

Less: Gas and diesel purchase costs (excluding gas purchases for retail gas sales)

Less: Gas transmission costs and levies

Less: Carbon emissions costs

Less: Generation operating costs and head office allocation

Netback and cost of energy is divided by the total retail sales volumes (electricity and gas sales) to be expressed as \$/MWh



Keep in touch

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