

*Contact*™

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# **Monthly Operating Report**

**July 2017**

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# July overview

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- » For the month of July 2017 Contact recorded:
  - Electricity and gas sales of 842 GWh (July 2016: 816 GWh)
  - Netback of \$94.36/MWh (July 2016: \$96.46/MWh)
  - Cost of energy was \$47.80/MWh (July 2016: \$25.20/MWh) with hydro generation for the month of 185 GWh down 210 GWh, or 53% on July 2016
  
- » Otahuhu futures settlement wholesale price for the 3rd quarter of 2017 (ASX):
  - As at 11 August 2017: \$95/MWh
  - As at 31 July 2017: \$106/MWh
  - As at 30 June 2017: \$109/MWh
  
- » As at 11 August 2017, South Island storage was 63% of mean (31 July 2017: 57%) and North Island storage was 102% of mean (31 July 2017: 105%)
  - As at 11 August, total Clutha storage was 30% of mean.

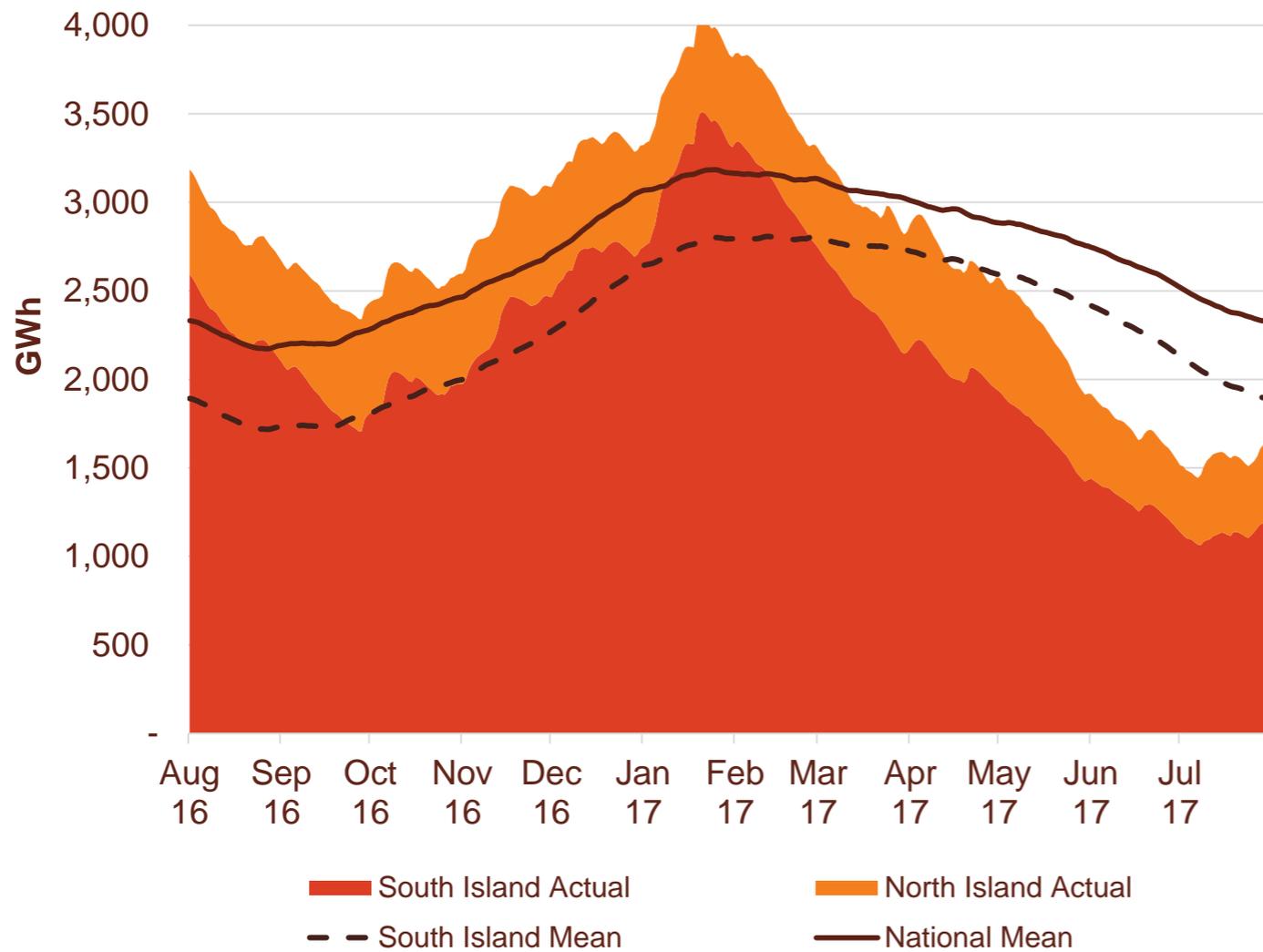


Climate  
Bond  
Certified

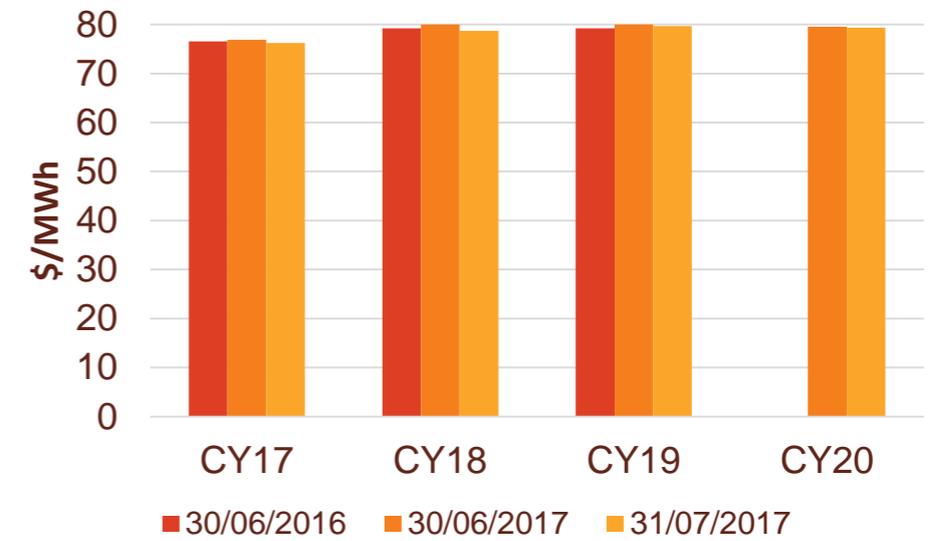
- » Contact's Green Borrowing Programme, unveiled in August, is a first for a New Zealand corporate and enables debt investors and lenders to access a broad range of Climate Bond Initiative (CBI) certified green debt instruments issued by Contact

# Hydro storage and forward prices

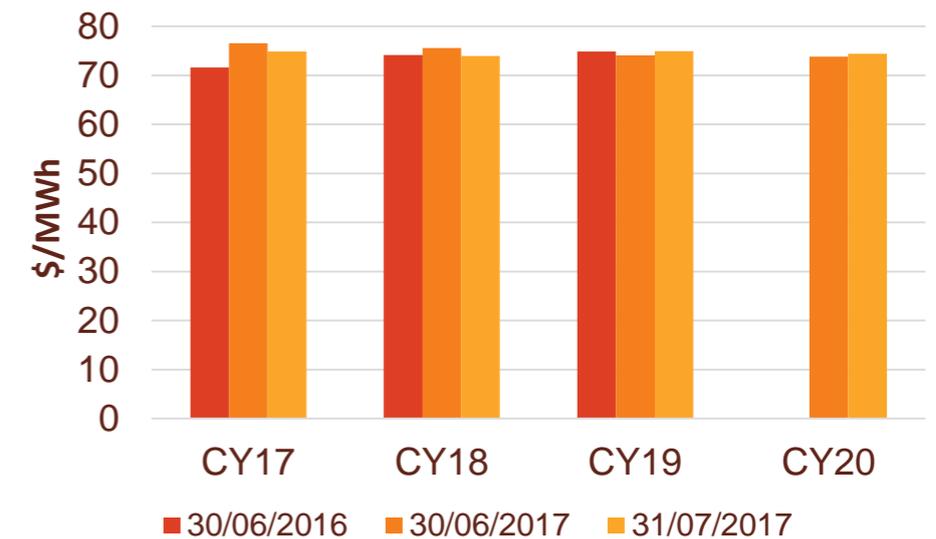
New Zealand hydro storage against mean



Otahuhu ASX futures settlement

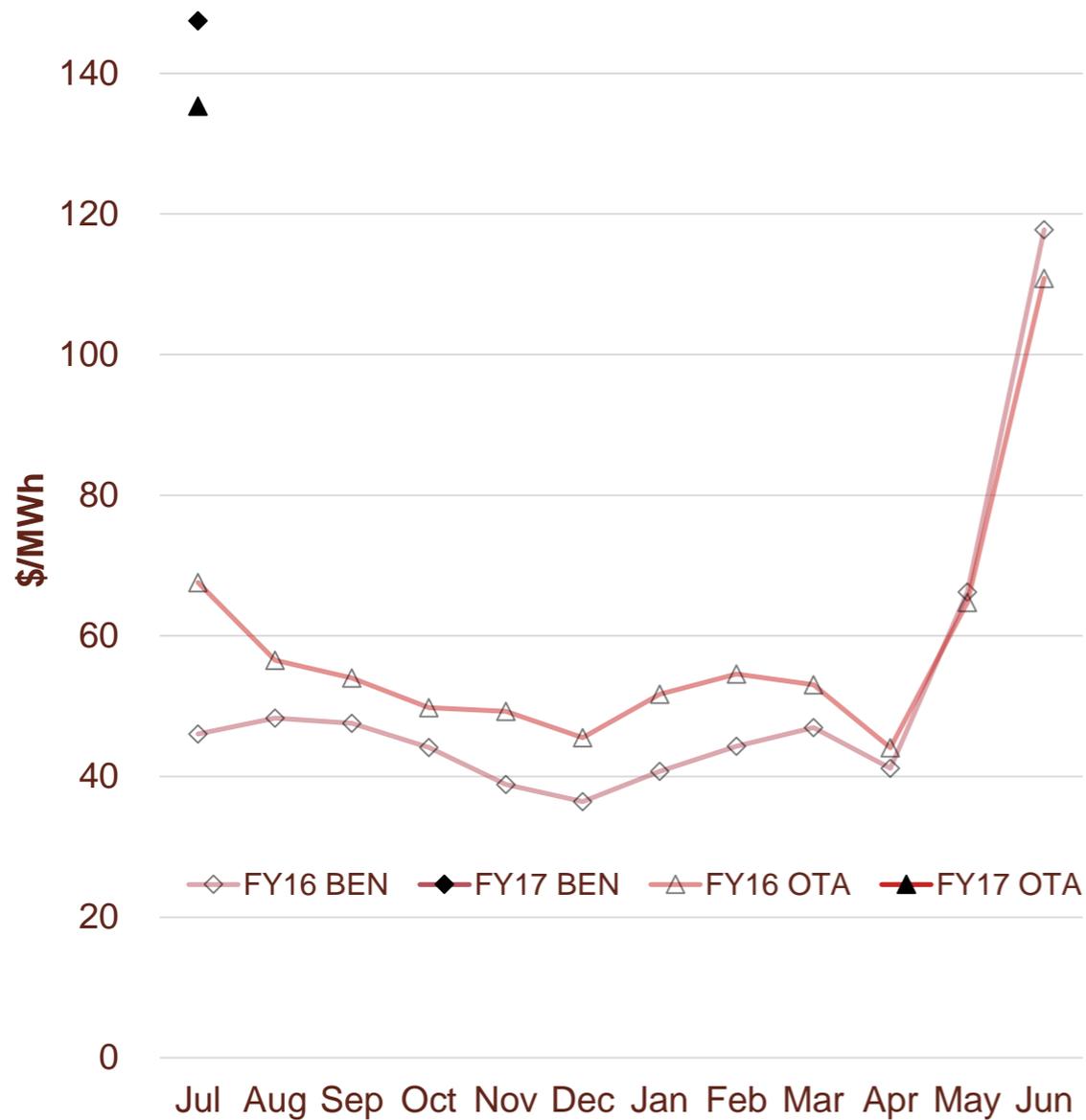


Benmore ASX futures settlement

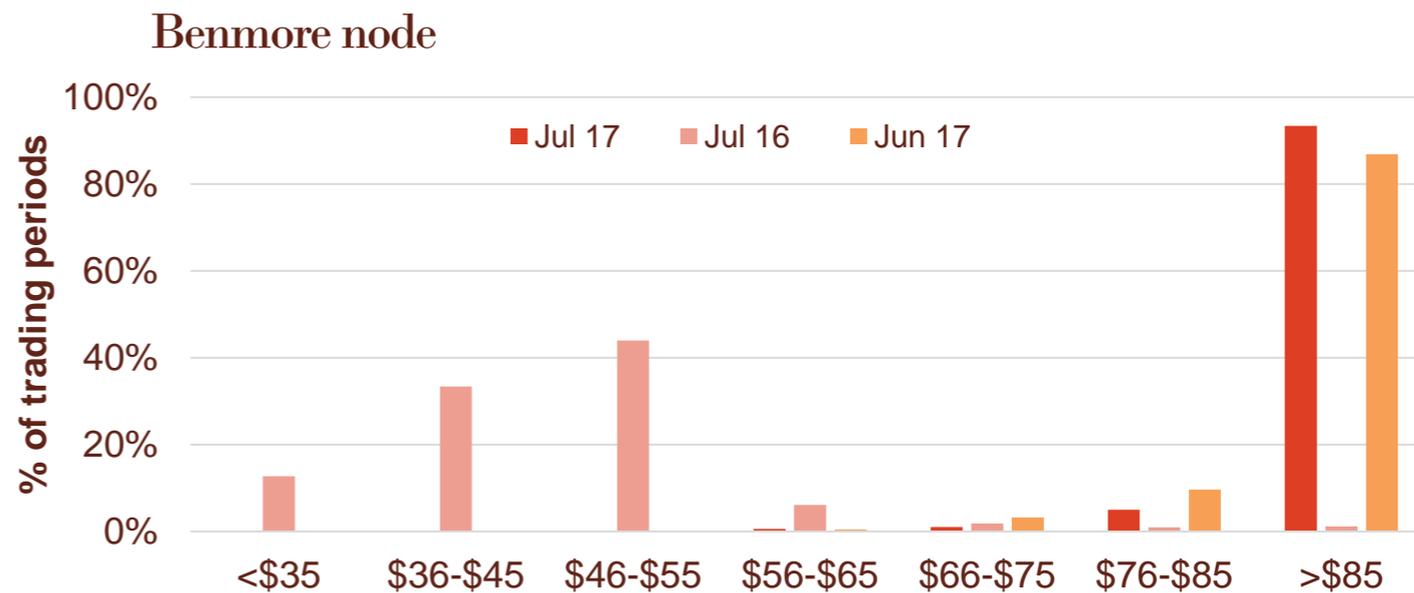
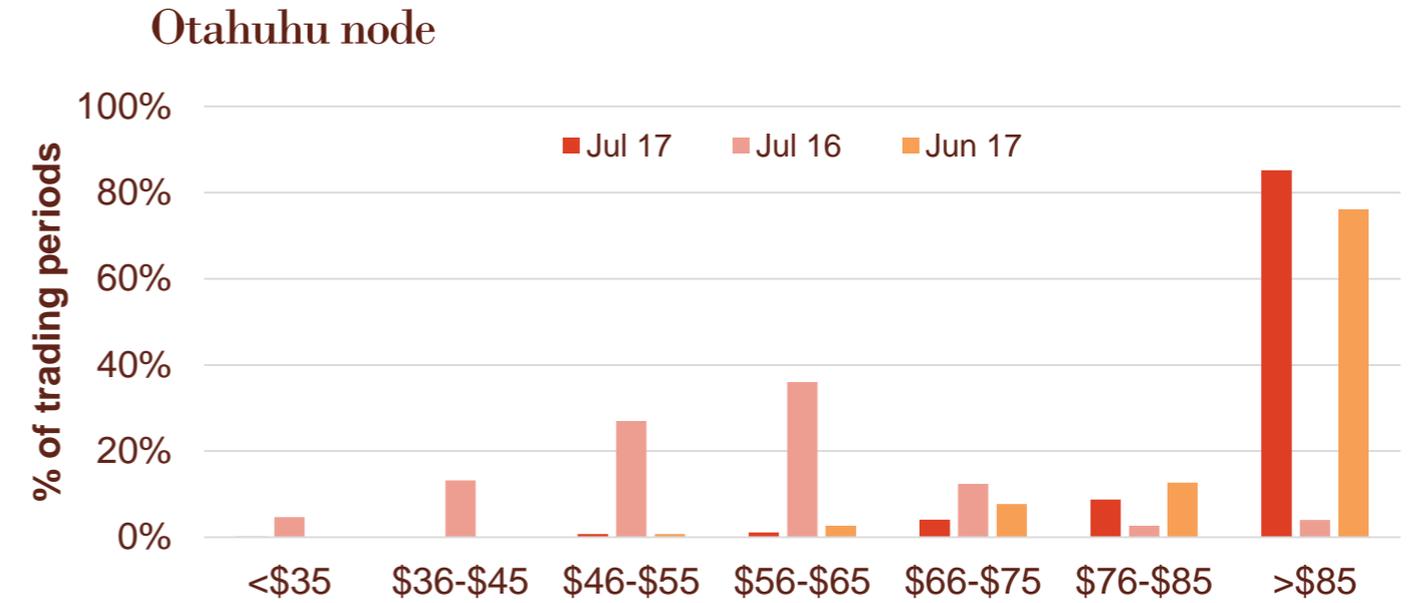


# Wholesale market

## Wholesale electricity pricing



## Distribution of wholesale market price by trading periods

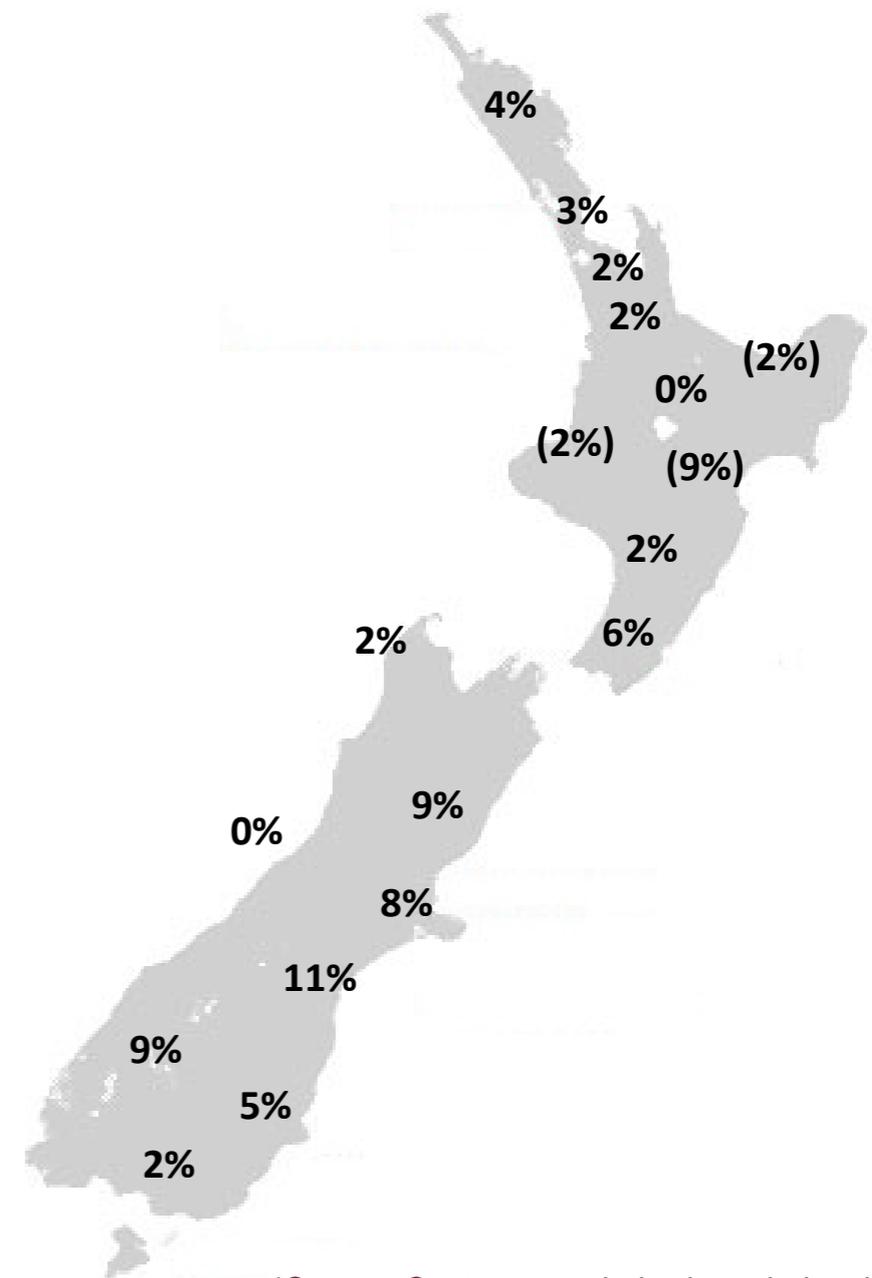
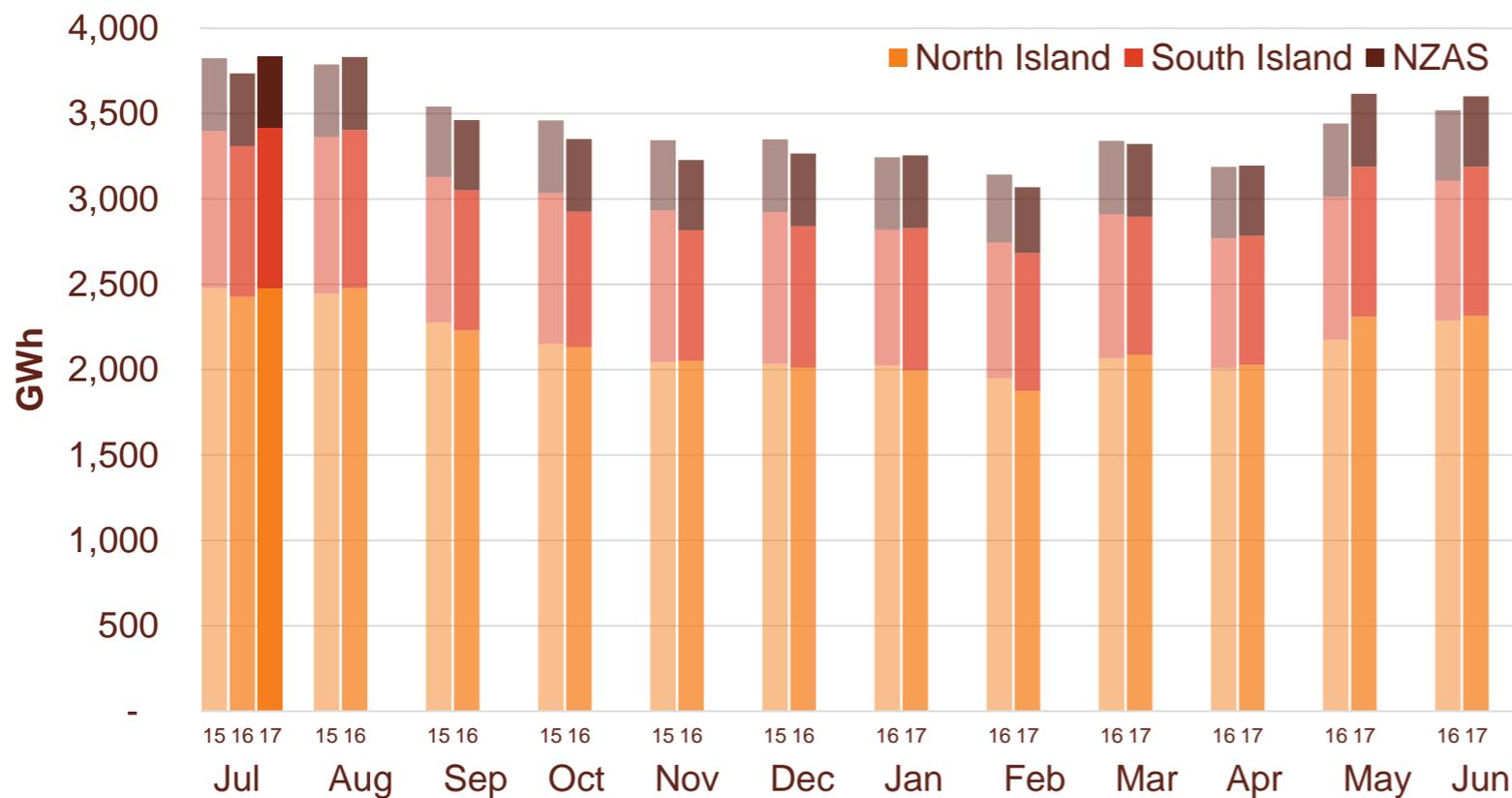


# Electricity demand

- » New Zealand electricity demand was up 2.7% on July 2016 (up 0.3% on July 2015).
- » Cumulative 12 months demand for August 2016 to July 2017 of 41,027 GWh is 0.2% lower than the prior comparative period.

## Regional demand change (%) on July 2016\*

### Total national demand (FY16, 17 and 18)

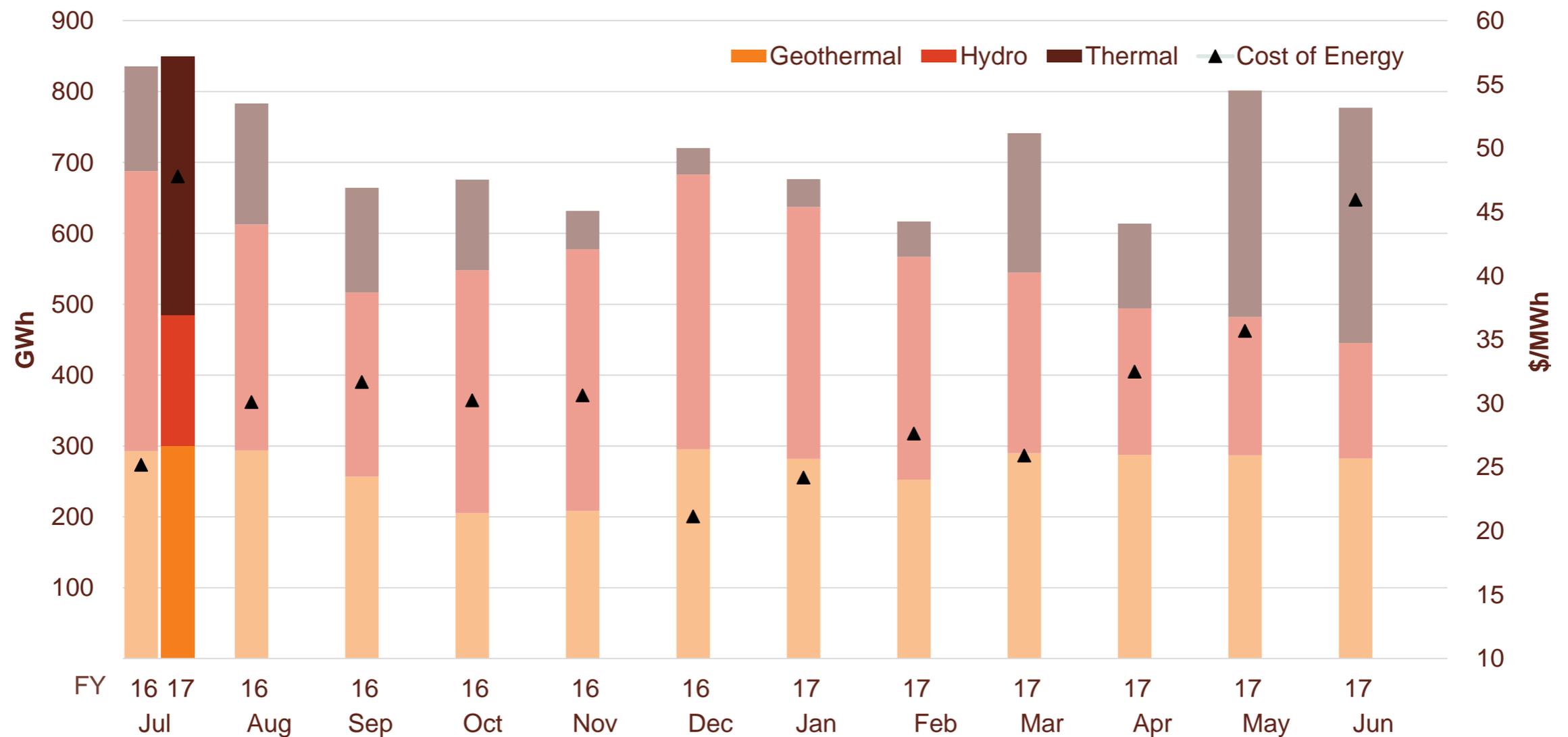


Source: Contact and Electricity Authority grid demand (reconciled) <http://www.emi.ea.govt.nz>

\*Source: Contact – excludes large industrial

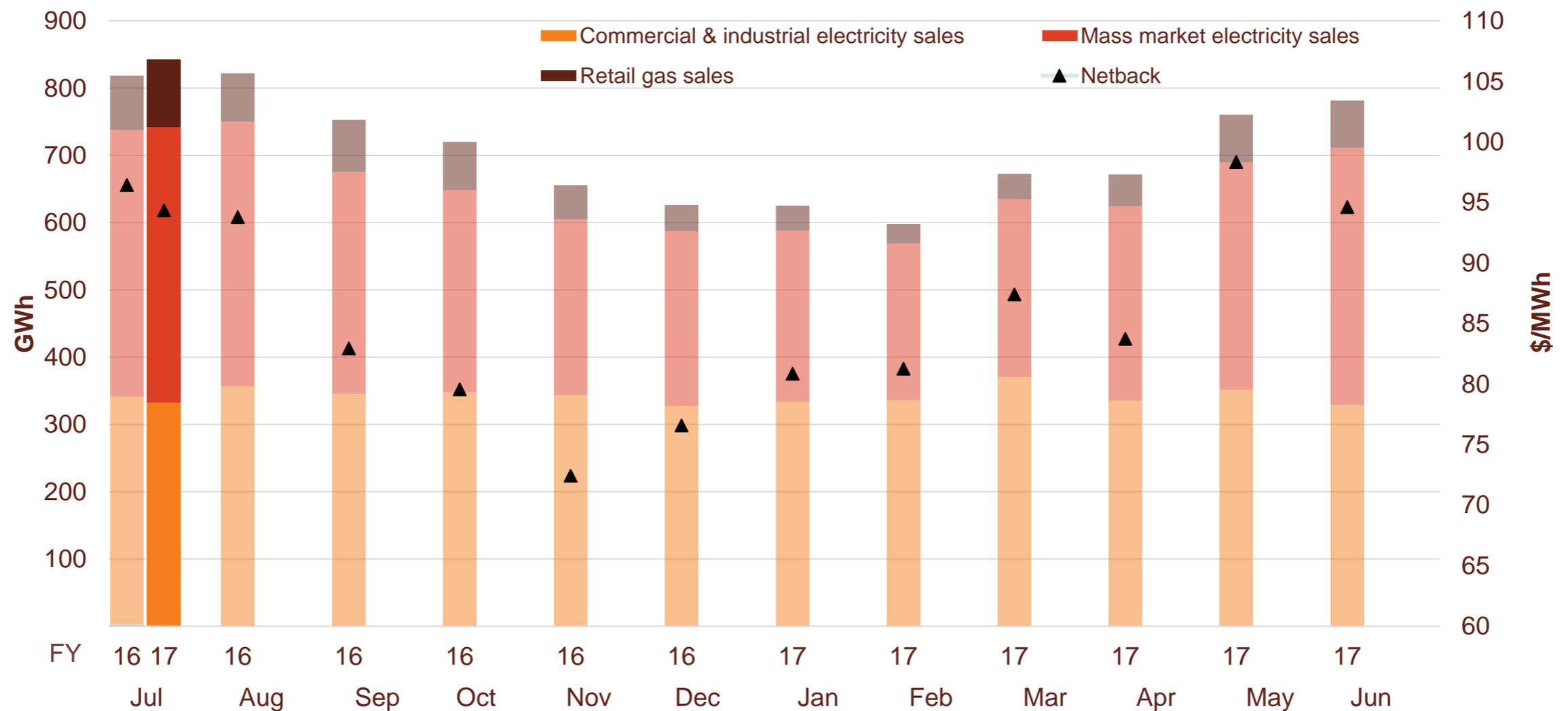
# Contact's generation performance

## Generation mix and cost of energy (FY17 and 18)



# Contact's retail performance

## Retail sales volumes and netback (FY17 and 18)



# Contact's operational performance

		Measure	The month ended July 2017	The month ended July 2016	The month ended June 2017
Customer	Mass market electricity sales	GWh	409	396	382
	Commercial & industrial electricity sales	GWh	333	339	329
	Retail gas sales	GWh	100	81	70
	Total electricity and gas sales	GWh	842	816	781
	Average electricity sales price	\$/MWh	190.20	193.48	192.71
	Electricity direct pass through costs	\$/MWh	(77.06)	(77.64)	(78.28)
	Electricity and gas cost to serve	\$/MWh	(10.18)	(11.93)	(12.92)
	Netback	\$/MWh	94.36	96.46	95.75
	Electricity line losses	%	6%	6%	5%
	Retail gas sales	PJ	0.3	0.3	0.3
	LPG sales	tonnes	7,749	7,433	7,622
	Electricity customer numbers <sup>1</sup>	#	423,500	425,500	423,000
	Gas customer numbers <sup>1</sup>	#	64,000	62,000	64,000
	LPG customer numbers (includes franchises) <sup>1</sup>	#	80,500	76,000	80,000
Generation	Thermal generation	GWh	365	148	332
	Geothermal generation	GWh	300	293	282
	Hydro generation	GWh	185	395	163
	Spot market generation	GWh	850	835	777
	Spot electricity purchases	GWh	788	779	745
	CfD sales / (purchases)	GWh	(16)	13	(3)
	Steam sales	GWh	26	34	10
	GWAP	\$/MWh	137.68	54.36	109.94
	LWAP	\$/MWh	(152.11)	(62.64)	(121.33)
	LWAP/GWAP	%	110%	115%	110%
	Gas used in internal generation	PJ	3.1	1.4	2.8
	Gas storage net movement	PJ	(1.0)	(0.2)	(0.6)
	Unit generation cost	\$/MWh	(40.86)	(27.66)	(41.28)
	Cost of energy	\$/MWh	(47.80)	(25.20)	(45.98)

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

# Glossary of terms

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## 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

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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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## Investor Relations

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