

*Contact*<sup>TM</sup>

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# Monthly Operating Report

May 2018

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# May overview

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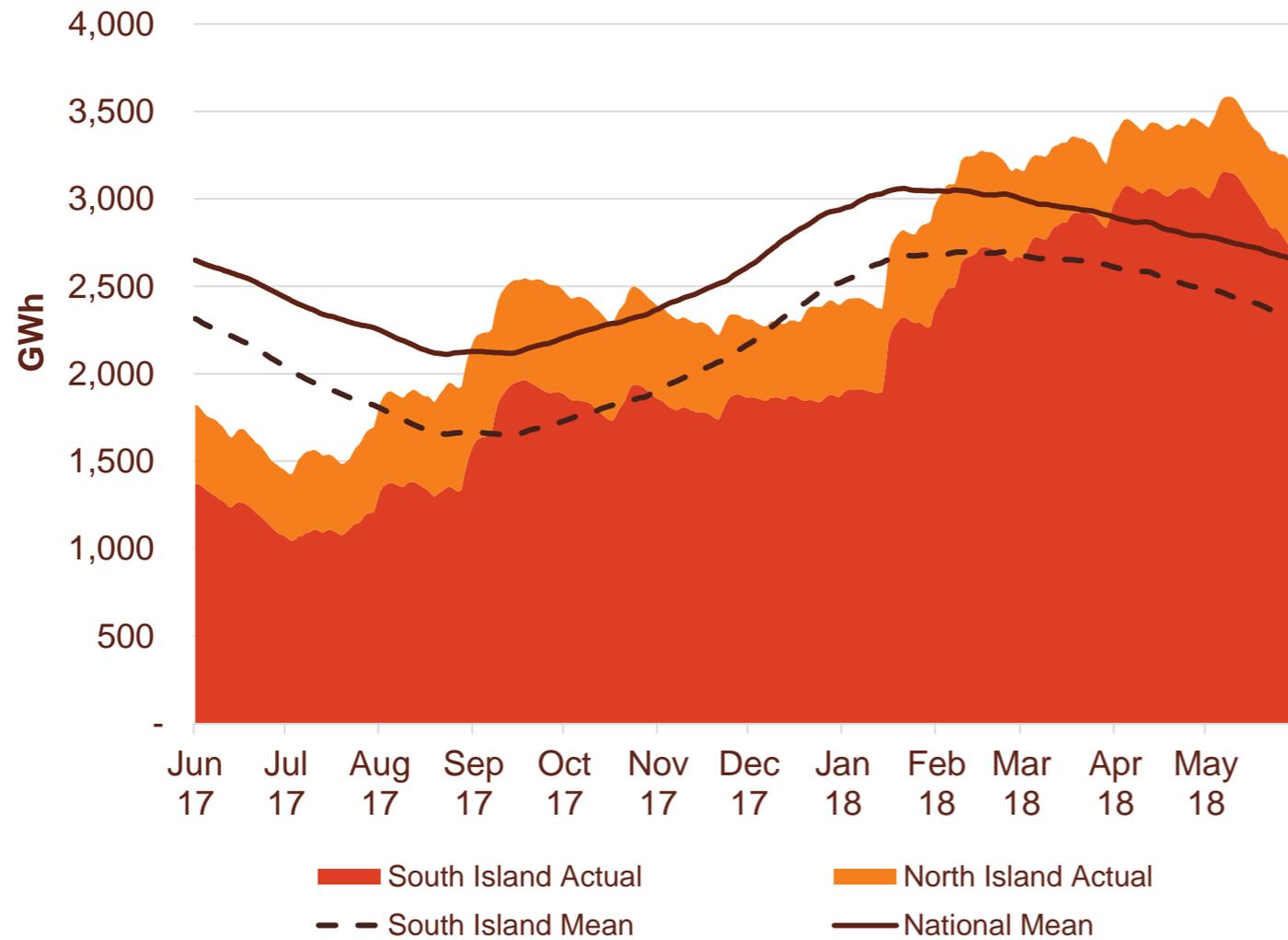
- » For the month of May 2018 Contact recorded:
  - Electricity and gas sales of 685 GWh (May 2017: 711 GWh)
  - Netback of \$91.02/MWh (May 2017: \$92.49/MWh)
  - Cost of energy was \$21.93/MWh (May 2017: \$34.48/MWh)
  
- » Otahuhu futures settlement wholesale price for the 2<sup>nd</sup> quarter of 2018 (ASX):
  - As at 15 June 2018: \$65/MWh
  - As at 31 May 2018: \$65/MWh
  - As at 30 April 2018: \$65/MWh
  
- » As at 15 June 2018, South Island controlled storage was 118% of mean (31 May 2018: 127%) and North Island controlled storage was 148% of mean (31 May 2018: 134%)
  - As at 15 June 2018, total Clutha scheme storage (including uncontrolled storage) was 49% of mean
  - Inflows into Contact's Clutha catchment for May 2018 were at 110% of mean (April 2018: 117%, March 2018: 112%, February 2018: 119%)



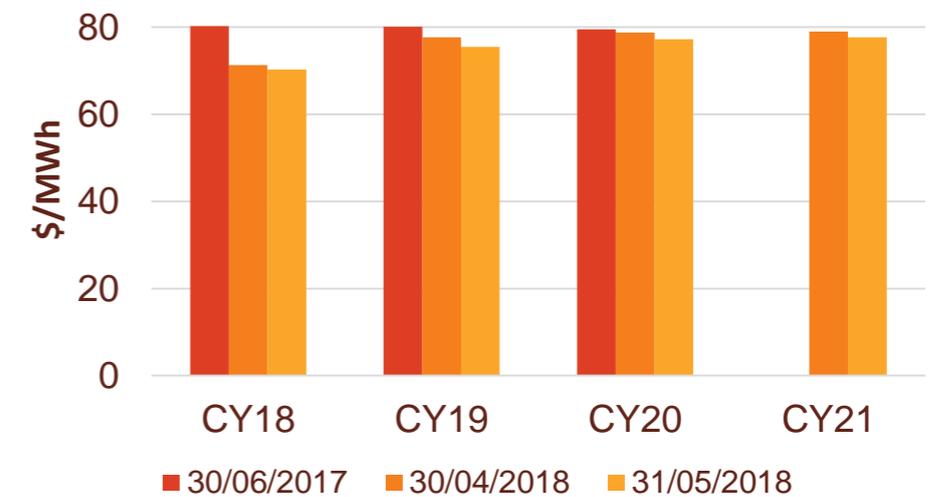
- » Over the past two months, Contact has announced changes to the Board which will take effect from 1 September 2018
- » As part of the changes, Rob McDonald (pictured), currently a director of Contact will become Chairman
- » It is expected that Contact will appoint new Directors over the coming months to fill the gaps left by the resignation of Sir Ralph Norris and the previously announced resignation of Sue Sheldon

# Hydro storage and forward prices

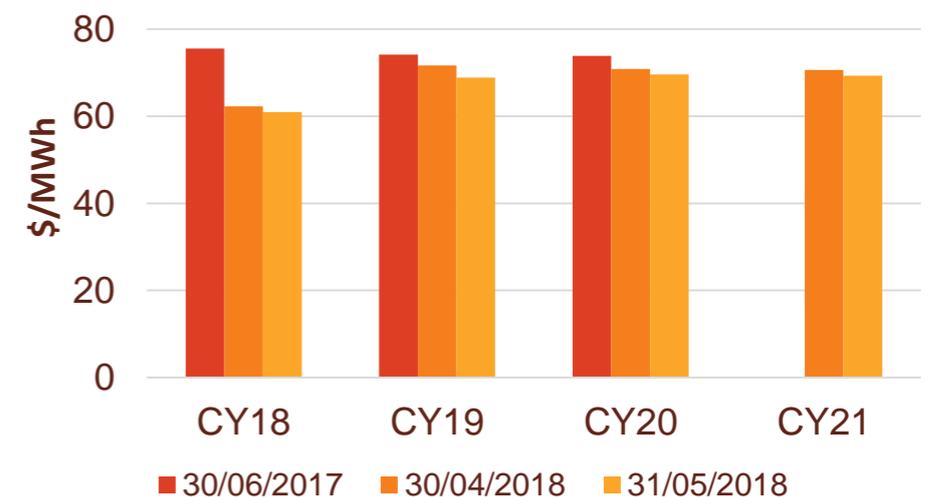
New Zealand controlled hydro storage against mean



Otahuhu ASX futures settlement

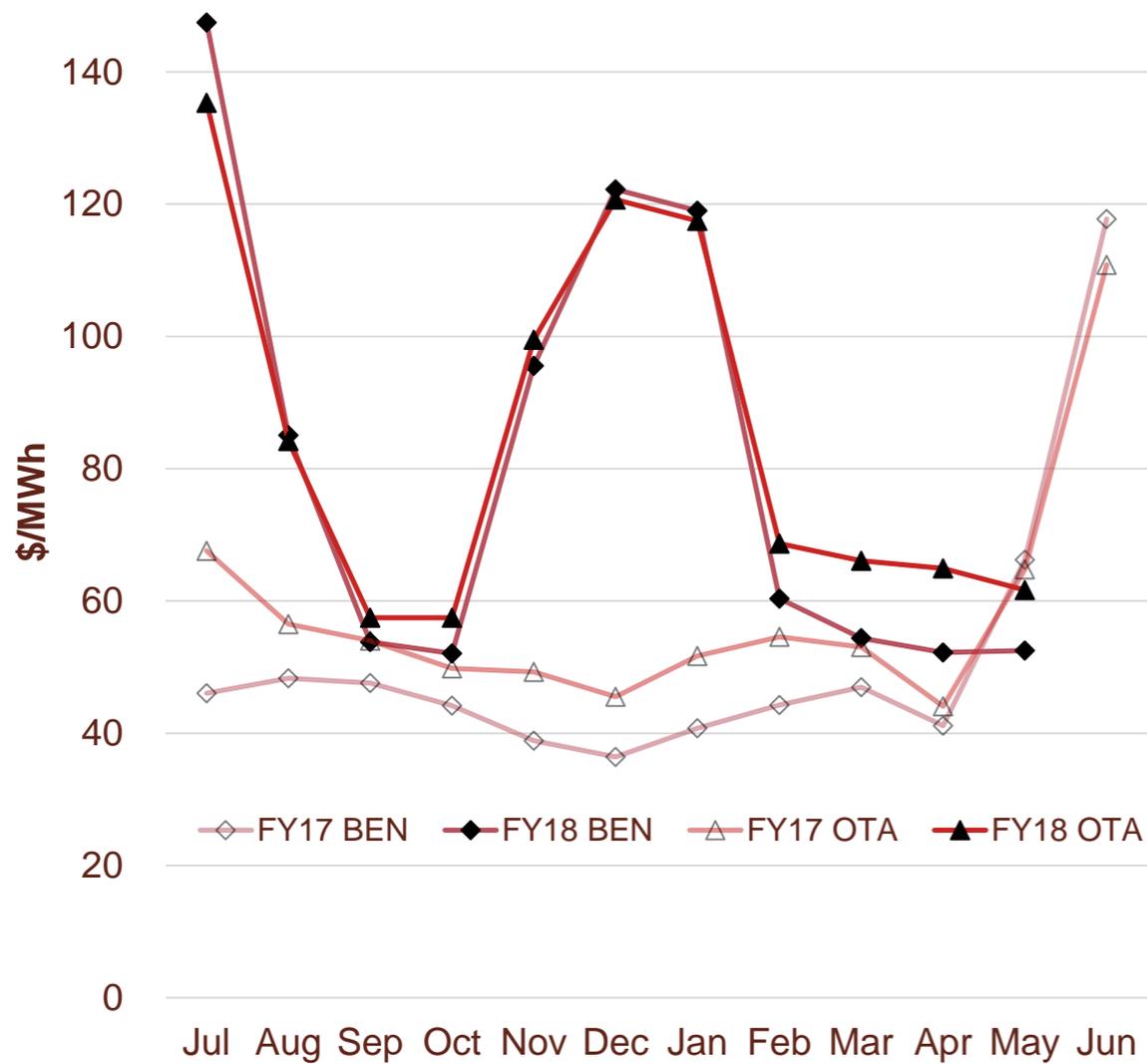


Benmore ASX futures settlement



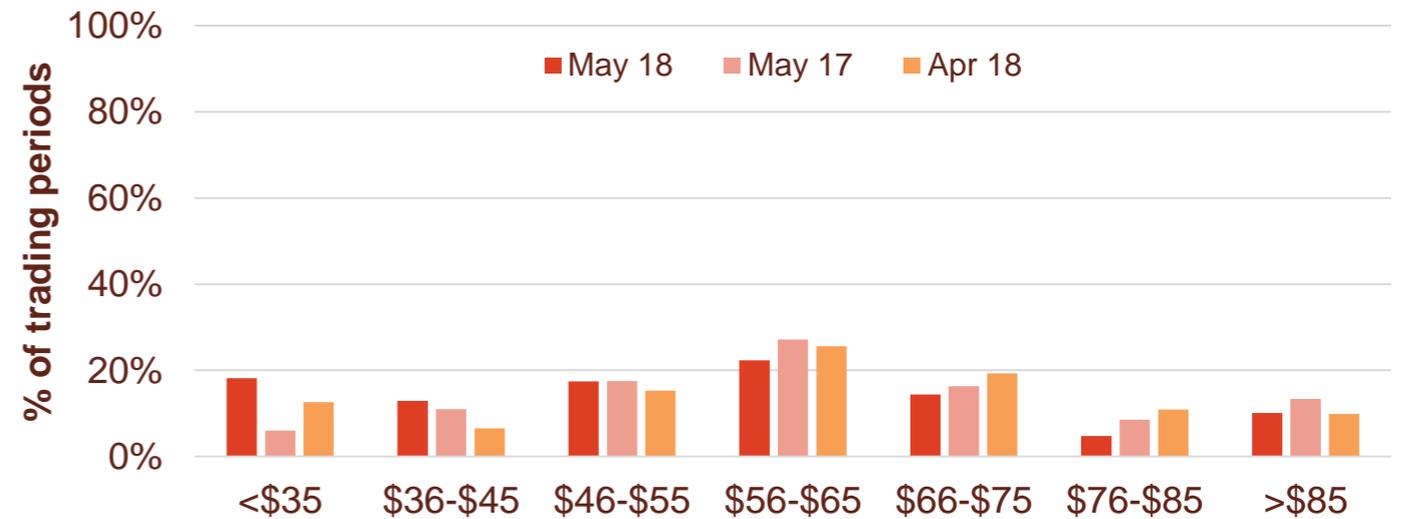
# Wholesale market

## Wholesale electricity pricing

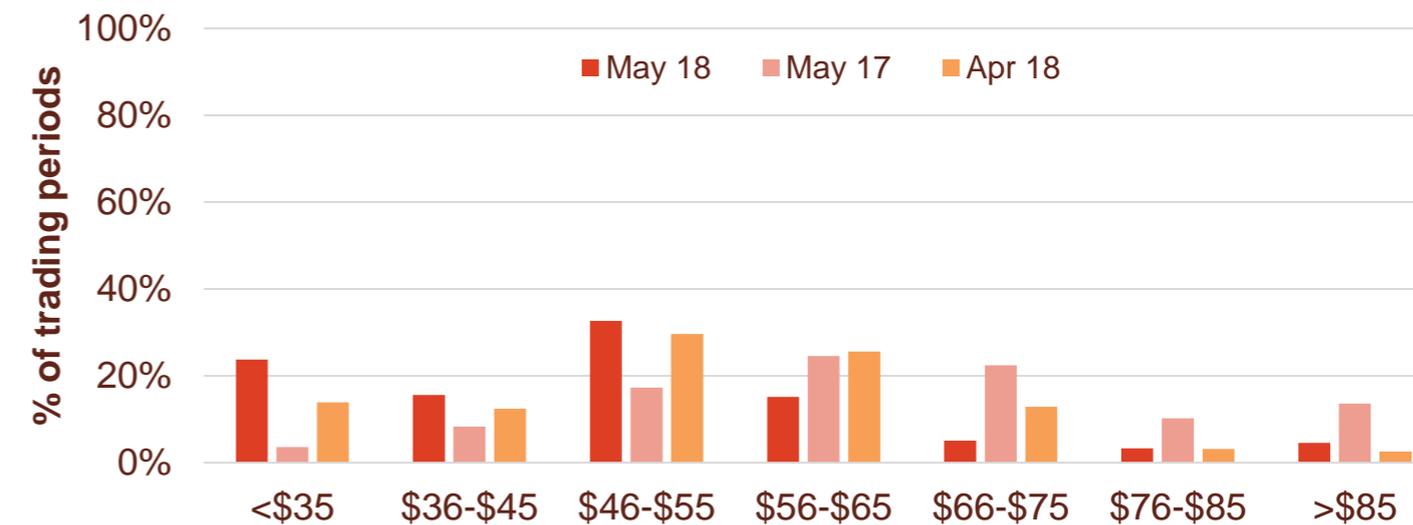


## Distribution of wholesale market price by trading periods

### Otahuhu node



### Benmore node

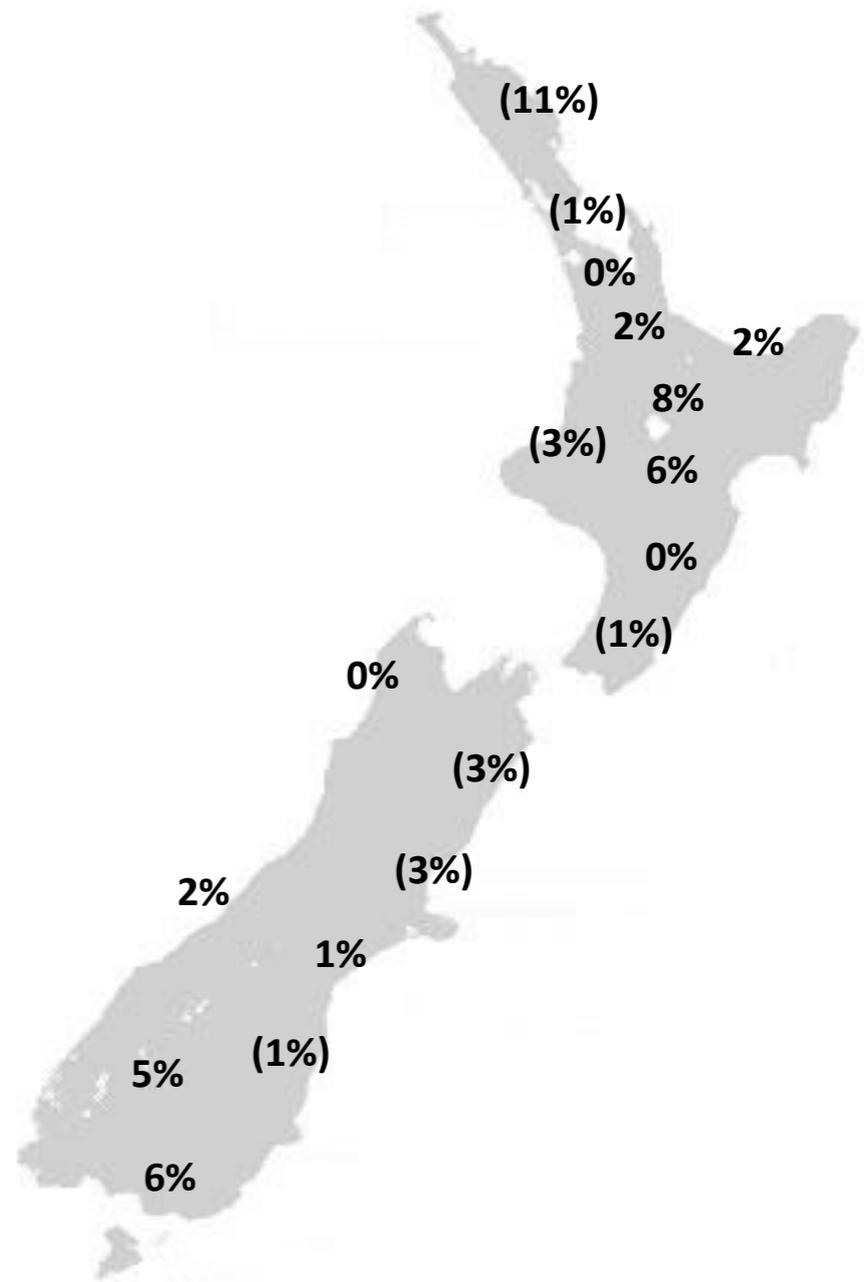
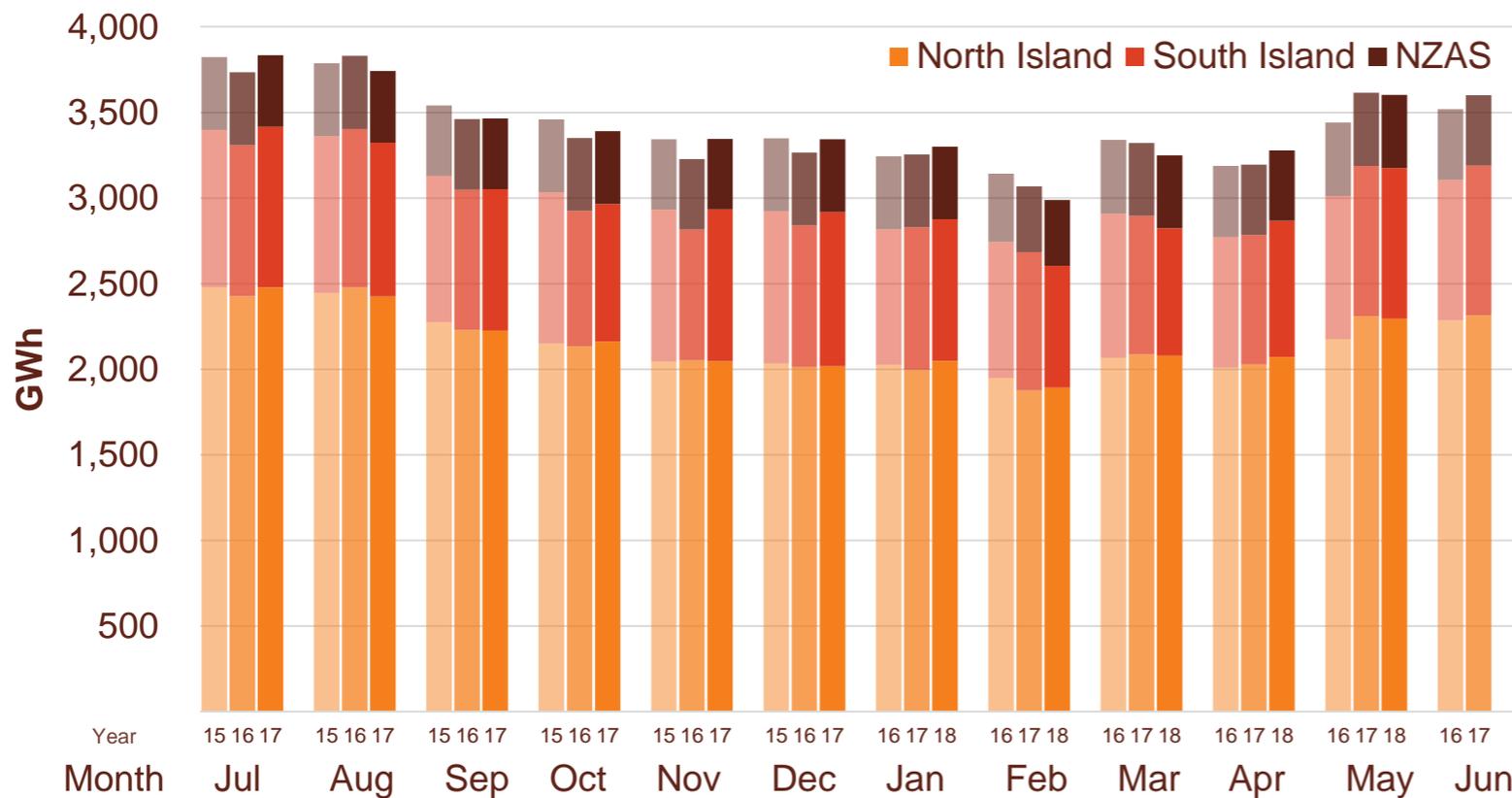


# Electricity demand

- » New Zealand electricity demand was down 0.3% on May 2017 (up 4.7% on May 2016)
- Cumulative 12 months demand for June 2017 to May 2018 of 41,139 GWh is 0.7% higher than the prior comparative period.

## Regional demand change (%) on May 2017

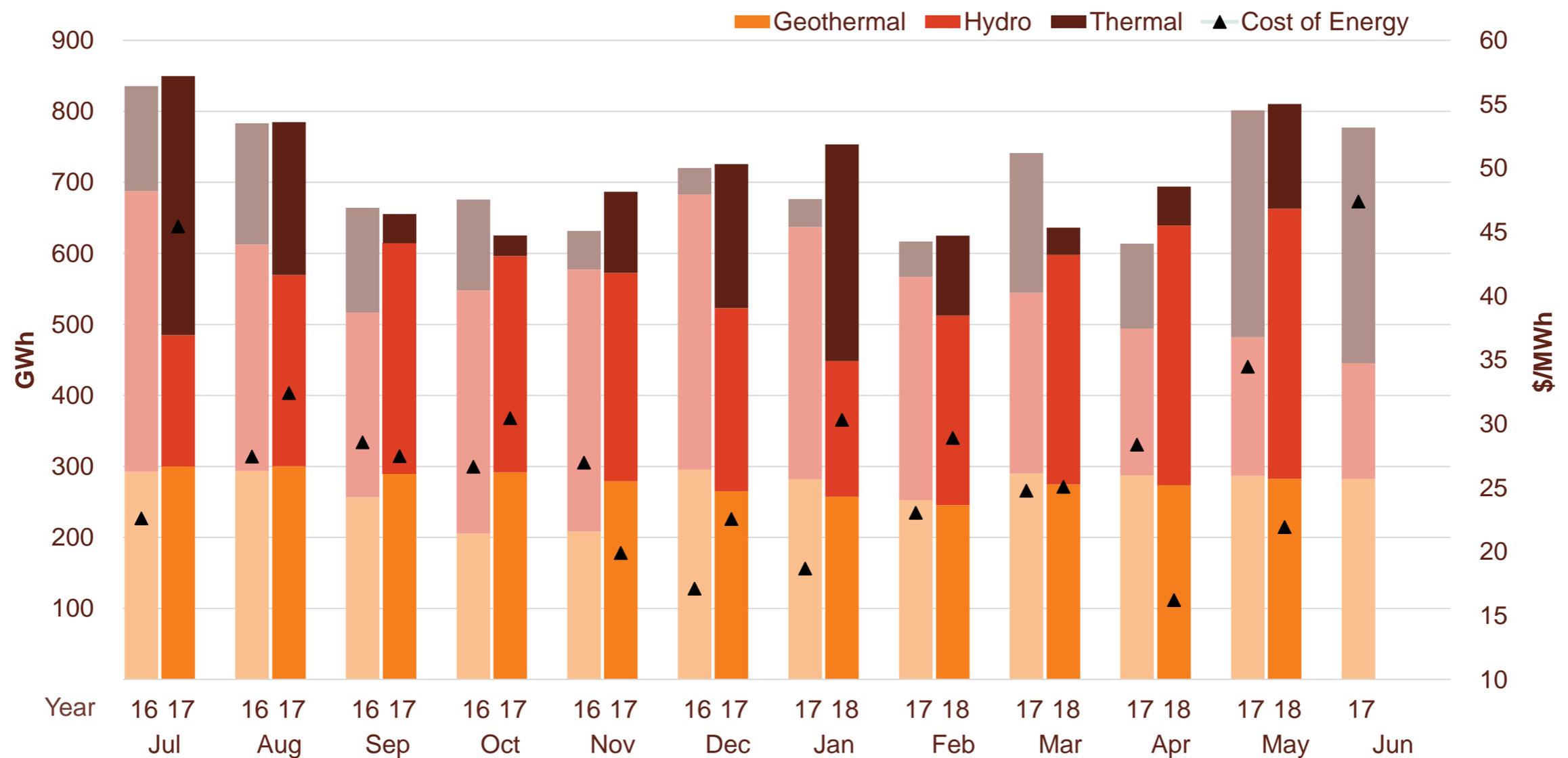
### Total national demand (FY16, 17 and 18)



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

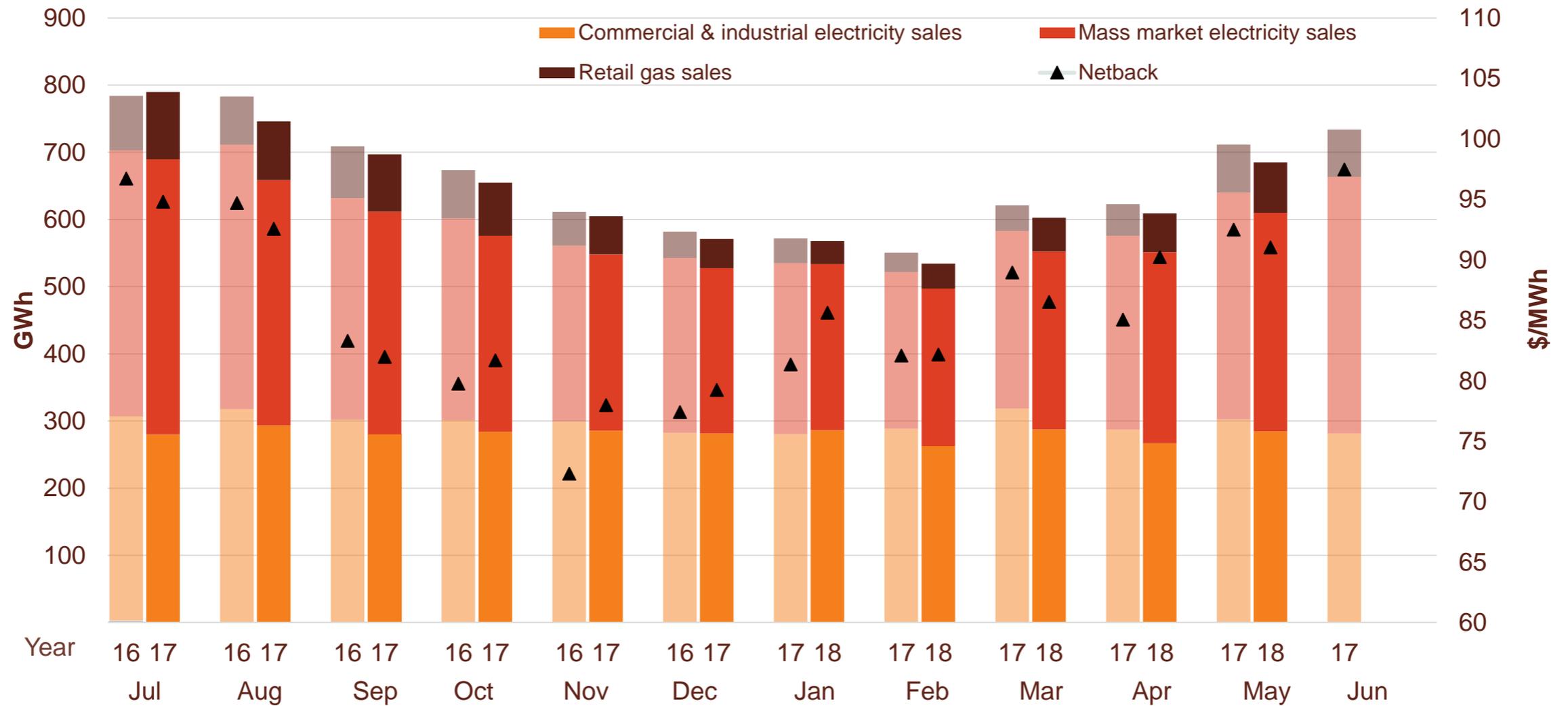
# Contact's Generation business performance

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



# Contact's Customer business performance

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



# Contact's operational performance

		Measure	The month ended May 18	The month ended May 17	The month ended April 18	Eleven months ended May 18	Eleven months ended May 17
Customer	Mass market electricity sales	GWh	325	338	285	3,264	3,320
	Commercial & industrial electricity sales	GWh	285	302	267	3,092	3,282
	Retail gas sales	GWh	75	71	57	706	614
	<b>Total electricity and gas sales</b>	<b>GWh</b>	<b>685</b>	<b>711</b>	<b>609</b>	<b>7,061</b>	<b>7,217</b>
	Average electricity sales price	\$/MWh	193.58	192.93	190.90	188.43	185.37
	Electricity direct pass thru costs	\$/MWh	(83.46)	(79.81)	(82.71)	(83.53)	(80.94)
	Electricity and gas cost to serve	\$/MWh	(11.52)	(13.36)	(12.13)	(12.47)	(13.74)
	Netback	\$/MWh	91.02	92.49	90.22	86.22	85.54
	Actual electricity line losses	%	8%	8%	5%	6%	5%
	Retail gas sales	PJ	0.3	0.2	0.2	2.4	2.1
	LPG sales	tonnes	6,783	7,124	5,556	64,978	65,079
	Electricity customer numbers	#	417,500	422,500	417,500		
	Gas customer numbers	#	65,000	63,500	65,000		
	LPG customer numbers (includes franchises)	#	87,500	78,500	86,500		
	Generation	Thermal generation	GWh	147	320	55	1,624
Geothermal generation		GWh	283	287	274	3,059	2,951
Hydro generation		GWh	380	195	366	3,163	3,399
<b>Spot market generation</b>		<b>GWh</b>	<b>810</b>	<b>802</b>	<b>694</b>	<b>7,846</b>	<b>7,760</b>
Spot electricity purchases		GWh	663	694	582	6,740	6,984
CfD sales		GWh	88	99	77	593	670
Steam sales		GWh	39	29	55	564	593
Commercial & industrial electricity sales		GWh	4	4	8	89	91
GWAP		\$/MWh	58.12	64.65	56.92	83.26	48.30
LWAP		\$/MWh	(63.80)	(69.54)	(64.88)	(89.96)	(53.88)
LWAP/GWAP		%	110%	108%	114%	108%	112%
Gas used in internal generation		PJ	1.3	2.7	0.7	16.0	14.3
Gas storage net movement		PJ	0.4	(1.1)	0.5	0.13	(2.42)
Unit generation cost		\$/MWh	(28.68)	(38.82)	(24.82)	(32.99)	(31.80)
Cost of Energy		\$/MWh	(21.93)	(34.48)	(16.21)	(27.85)	(25.59)

# 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 and direct electricity sales from Te Rapa

*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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