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## **Release**

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*Stock exchange listings: NZX (MEL) ASX (MEZ)*

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# Meridian Energy NZX retail investor presentation

25 July 2018

Attached is a presentation Meridian Energy Limited is making at an NZX retail investor evening on 25 July 2018.

### **ENDS**

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# MERIDIAN ENERGY.



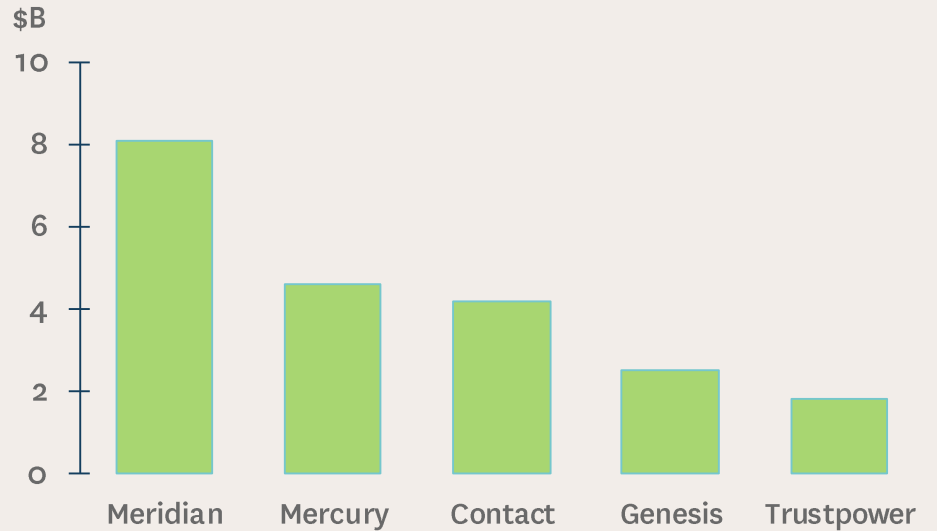
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NZX RETAIL  
INVESTOR  
EVENING  
MANAGEMENT  
PRESENTATION

MEMBER OF  
**Dow Jones**  
**Sustainability Indices**  
In Collaboration with RobecoSAM

# NZ electricity sector.

## ELECTRICITY COMPANIES MARKET CAP



Source: NZX

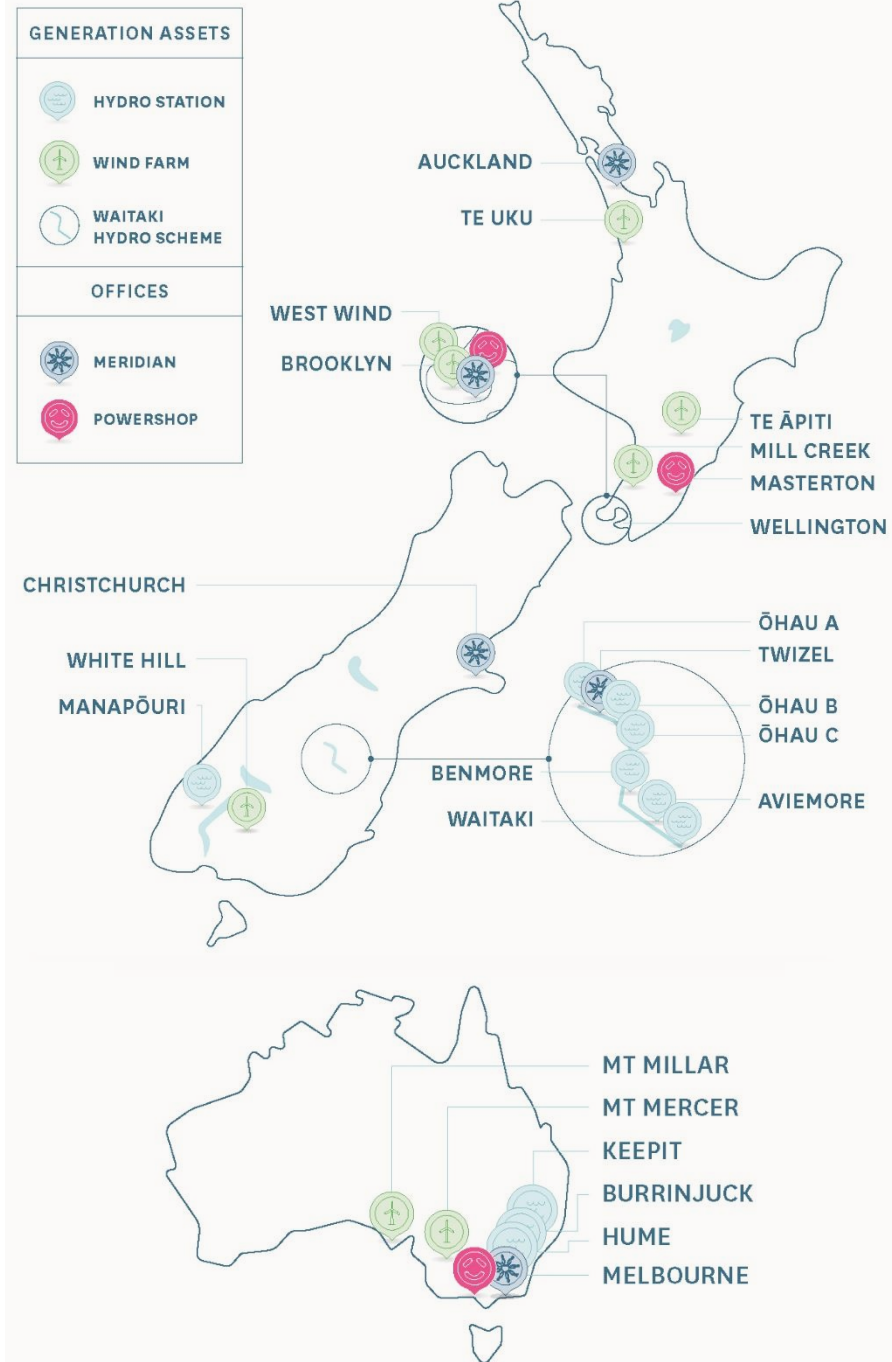
## Main industry participants are listed

- Five large retailer generators
- \$10b free float
- Defensive, high yield characteristics
- Frequently seen as bond proxies
- Competing in an electricity market with low growth in the last decade

# Meridian Energy.

\$8b company, listed in 2013, 51% Government owned

- The largest of the five vertically integrated NZ retailer generators
- 420,000 customers in 3 countries
- Diversified NZ customer sales, weighted towards business, commercial and agricultural
- 40% of generation covered by Tiwai Point contract (price guarantee, not supply)
- Strong sustainability focus



# Meridian Energy.



Meridian Energy's Benmore power station



Meridian Energy's Manapouri power station

NZ's largest generator, all production from renewable sources

- Seven big hydro stations – flexible plant with the country's largest storage
- With low operating costs and capital needs
- Five NZ wind farms, two in Australia
- Proven success operating in a high wind environment
- Backed with more than a decade of construction and operational experience
- Typical long generation position to manage variable hydro inflows

Long-term competitor in Australia

- Recent acquisition of further renewable generation and offtake agreements

# NZ demand.

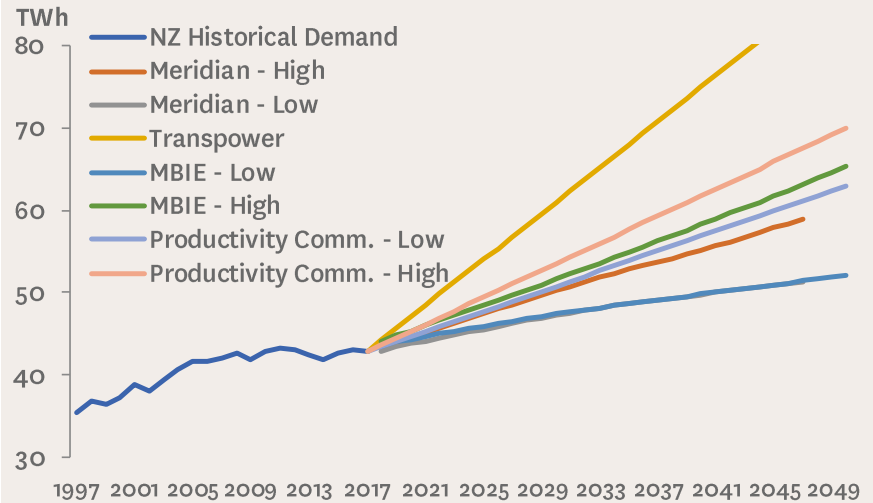
## Little demand growth in the last decade

- + Economic growth
- + Positive net migration
- - Industrial and manufacturing closure
- - Warmer than average temperatures
- - Growing impact of technology and efficiency gains
- +/- Variable irrigation load depending on rainfall

## Future demand growth is expected

- Likely to be modest in the short term, estimated between 0.5% and 1% pa on average
- New generation capacity will be needed, probably after 2021
- Older plant retirement will add to the need for new generation

### DEMAND FORECASTS



Source: Meridian Energy



# Tiwai Point smelter.



New Zealand Aluminium Smelter, Tiwai Point

12% of New Zealand's total annual demand

- CfD contract with Meridian on NZAS perpetual 12-month termination right
- International aluminium is recovering, LME prices up 13% in the last year
- Additional 50MW contract signed
- Aluminium remains a commodity exposed to cycles and Chinese supply decisions
- Meridian not expecting smelter closure, change in ownership may occur
- A smelter closure would trigger further South Island grid investment (majority of lower South Island generation can be dispatched now)
- Greater HVDC capacity and North Island line uprating possible in the medium term

# New technologies.

## Solar

- Solar uptake increasing in NZ as economics slowly improve
- NZ residential capacity factors are low (13%-15%) and payback high (13 years)
- Commercial solar opportunities are being developed
- Grid scale solar unlikely in NZ with competing land uses and winter peak demand
- Solar uptake is much higher in Australia with subsidy support
- Residential capacity factors and paybacks are better in Australia
- Grid scale development is happening in Australia as costs decrease significantly





# New technologies.



## Batteries

- Battery value for energy management is in load shifting (high to low price periods)
- Grid scale unlikely in NZ due to large hydro storage
- Grid scale possible in Australia with subsidy support
- Solar and batteries to achieve residential off-grid in NZ remains very expensive (20 year payback)
- Batteries also offer other value:
  - Back-up power
  - Grid and transmission support
  - Avoided infrastructure costs

# Climate change.

## We have seen:

- No significant change to catchment inflows over the last 100 years
- Some seasonal shift in inflows; drier autumns, wetter summers
- Snowpack and glaciers getting smaller

## It is projected to get:

- Wetter in our catchments, including winter
- With bigger individual rain storms
- Drier in irrigation areas
- Warmer everywhere
- Windier at our wind farms, especially in winter



Genesis Energy's Tekapo B power station



Contact Energy's Clyde Dam

# The political scene.

## New Zealand

- A carbon neutral NZ by 2050 will need increased electrification
- 100% renewable generation by 2035 will need to address NZ's dry year challenge
- Wide ranging electricity price review in progress, focus on fairness and equity
- Market has flat energy pricing and competitive driven churn
- Energy affordability can be an issue
- Transmission pricing changes would make charging more equitable

## Australia

- Lack of a coherent energy policy to support renewables
- Electricity is highly politicised with state and federal government reviews

## AVERAGE RESIDENTIAL ELECTRICITY COST

c/kWh

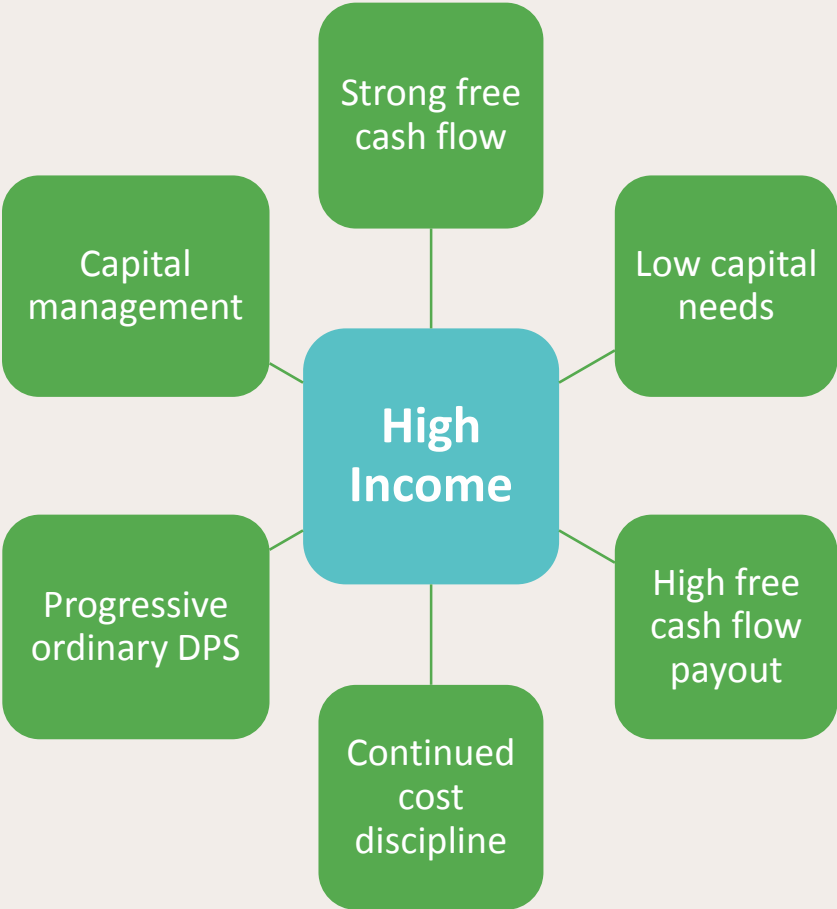


Energy	+1%	+3%	+0%	-3%	+1%	-1%
Lines	+7%	+4%	+7%	+0%	+4%	+3%

Mar-13    Mar-14    Mar-15    Mar-16    Mar-17    Mar-18

Source: Ministry of Business, Innovation & Employment

# Shareholder value.



Thank you.



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[www.meridianenergy.co.nz/investors/](http://www.meridianenergy.co.nz/investors/)

All currency amounts are in New Zealand dollars unless stated otherwise.