



STOCK EXCHANGE LISTINGS: NEW ZEALAND (MCY) / AUSTRALIA (MCY)

## NEWS RELEASE

# Mercury Investor Day 2023

**15 March 2023** – Mercury is hosting its Investor Day 2023 in Palmerston North today, which includes presentations from the Executive Management Team and other senior managers of the company focusing on:

- > Generation asset management;
- > Energy transition and climate;
- > Future ready retail and integration; and
- > Mercury's portfolio and generation development.

The presentation materials from the Investor Day are attached. A video of the day will be loaded to <https://www.mercury.co.nz/investors/results-reports/presentations> after the event.

## ENDS

### Howard Thomas

General Counsel and Company Secretary  
Mercury NZ Limited

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## ABOUT MERCURY NZ LIMITED

We generate electricity from 100% renewable sources – hydro, geothermal and wind. We also sell utility services to our customers through our retail brands – Mercury, Trustpower and GLOBUG.

We're listed on the New Zealand Stock Exchange and the Australian Stock Exchange with foreign exempt listed status with the ticker symbol 'MCY'. The New Zealand Government holds a legislated 51% shareholding in the Company. Visit us at:

[www.mercury.co.nz](http://www.mercury.co.nz)



# Mercury Investor Day

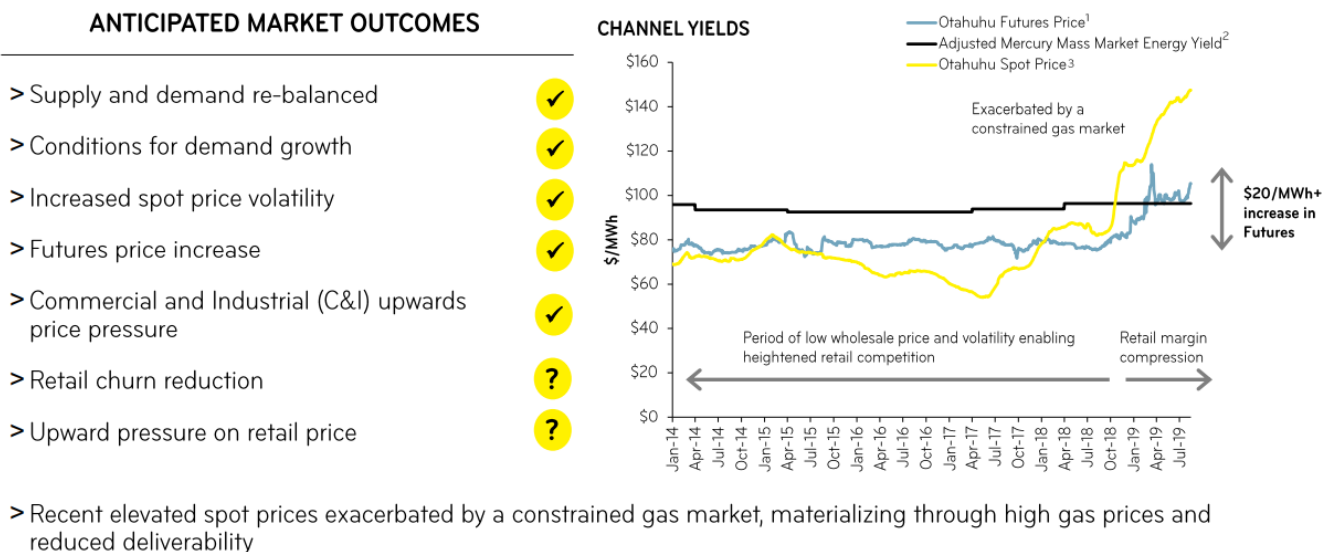
Palmerston North – 15 March 2023



# RETROSPECTIVE FROM 2019 MERCURY INVESTOR DAY – THE MARKET

- > Industrial load reductions weighing on New Zealand demand growth; green shoots appearing (new data centres under construction, energy conversion to renewables).
- > Spot prices volatile reflecting higher thermal fuel costs and hydro conditions.
- > Electricity futures prices reflect higher thermal running costs (fuel and carbon).
- > Commercial & Industrial energy yields lifting when contracts mature in-line with forward curve. Contract maturities lengthening. Longer term PPAs more common.
- > Retail churn lower reflecting tight market conditions and a focus on loyalty.
- > Retail yields lifting but lower than inflation. Customer care a key focus.

## MERCURY'S ELECTRICITY MARKET THESIS HAPPENING



12  
<sup>1</sup> 2 year forward price starting 3 quarters ahead  
<sup>2</sup> Adjusted for indicative average losses, profile and cost to operate  
<sup>3</sup> Rolling 12 months



Graphic from 2019 Investor Day presentation

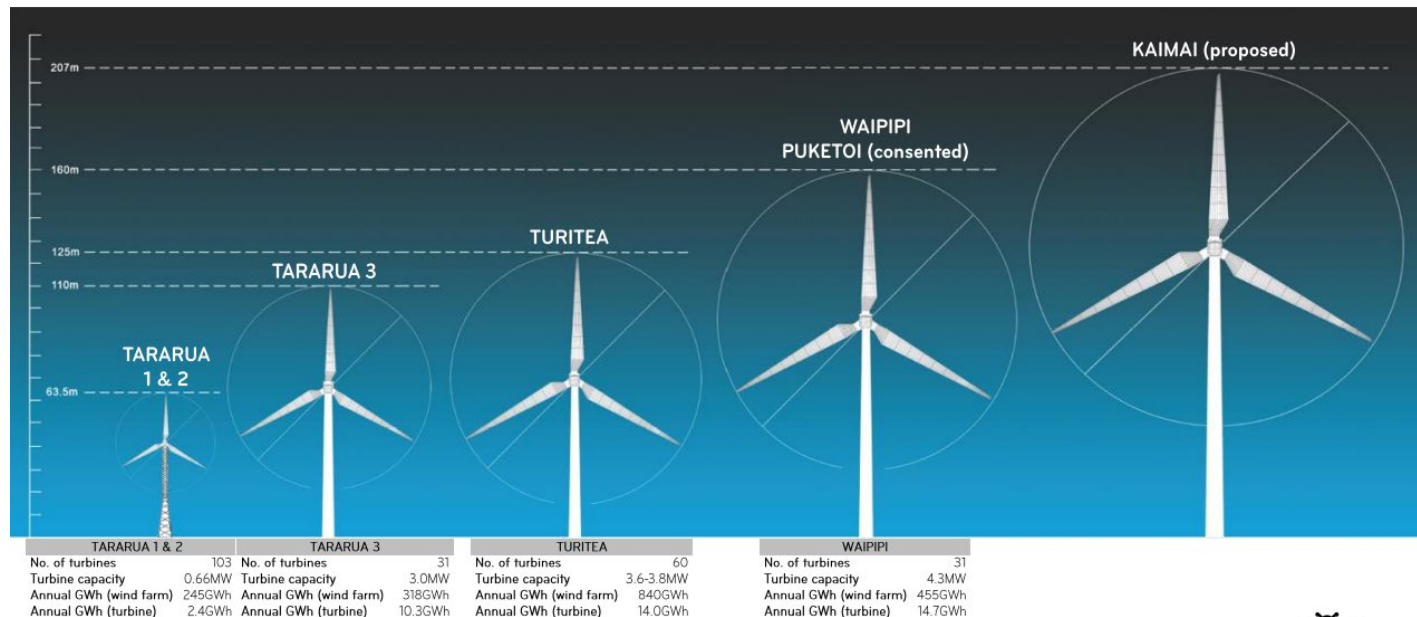




# RETROSPECTIVE FROM 2019 MERCURY INVESTOR DAY – WIND OPPORTUNITY?

- > The 2019 opportunity in wind prophetic?
- > Tilt Renewables transaction in 2021 culminates in Mercury acquiring Tilt's New Zealand operations. Tararua 1, 2 and 3, Mahinerangi and Waipipi wind farms bought.
- > Turitea North complete, Turitea South commissioning in April 2023.
- > Kaiwera Downs stage 1 under construction, expected to be operational in October 2023 lifting Mercury's annualised wind production to 2,100GWh.
- > Progressing Kaiwaikawe, Kaiwera Downs stage 2 and Puketoi wind farms (consents extended) through detailed investigations, constructability to business case within 6-18 months.

## THE OPPORTUNITY IN WIND



16



Graphic from 2019 Investor Day presentation





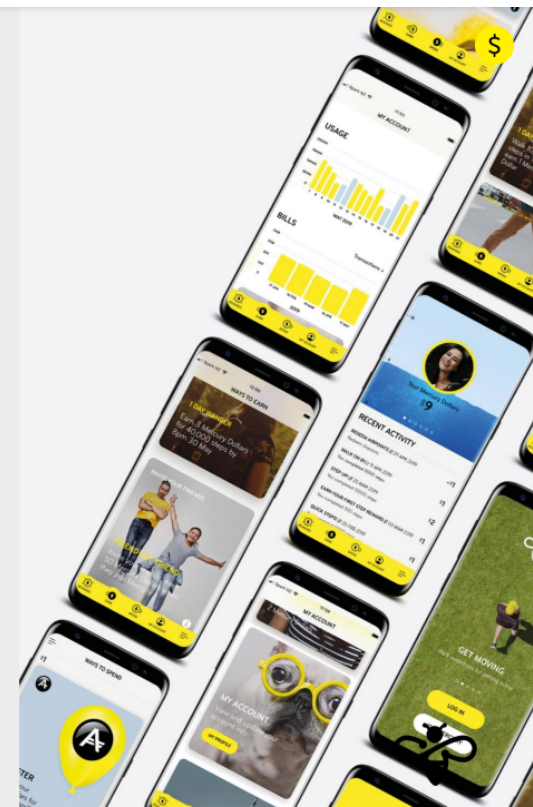
# RETROSPECTIVE FROM 2019 MERCURY INVESTOR DAY – EXCELLENCE

- > A focus on operational excellence evolves into the Thrive programme, delivering \$47m in FY22 against an improvement target of \$30m. We are working to make ‘thriving’ an ongoing mindset and move towards a more adaptive operating model and adopting new ways of working.
- > Mercury acquires the Trustpower mass market retail business in May 2022. Integration of retail businesses well advanced. Synergies of \$35m targeted following integration.

## FOCUS ON OPERATIONAL EXCELLENCE

- > Opportunities exist to deliver greater productivity, efficiency and portfolio value at Mercury improving energy margin and lowering operating and capital costs. Key themes:
- > **Value optimisation:** Customer Lifetime Value (CLV) and profitability models informing business decisions, increased data analytics and focused management reporting, better network pricing matching, move to more tailored customer pricing, clearer identification of drivers of negative customer profitability and credit management
- > **Lift self-service and inbound customer interactions:** Mercury Go, My Account and easy customer journeys
- > Aligned **High Performance Teams**, management training and induction
- > **Reduce manual tasks:** process simplification, digital assistants, robotics and intelligent automation
- > **Incremental generation improvements:** geothermal fuel rebalancing opportunities at Rotokawa, review of major maintenance scheduling and strategic procurement

10



Graphic from 2019 Investor Day presentation



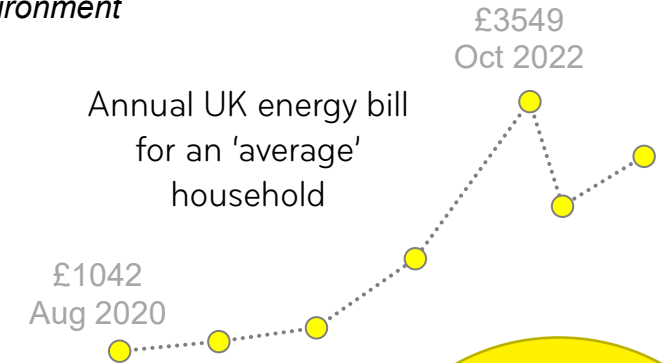
# THREE KEY GLOBAL TRANSITIONS IMPACTING MERCURY

Emerging from COVID disruptions – 'the energy crisis', digitalisation and workforce changes create a dynamic environment



## The energy transition

- > The global energy crisis has resulted in high prices and reactive policy changes.
- > Security of supply has been tested, and governments have stepped in to maintain affordability as energy bills peak.



## The digital transformation

- > We are in the midst of a rapid digitalisation of society. We have seen advances in artificial intelligence and automation and exponential growth in the number IoT devices and data use.

Estimated  
**25 billion IoT devices**  
generating  
**80ZB** of data  
by **2025**

## The future of work

- > The workforce is changing – the population is aging, there is a growing number of employees working remotely, diversity is increasing, and turnover has jumped post-covid.
- > As artificial intelligence and automation are more readily adopted, the type of work that people do will also change.

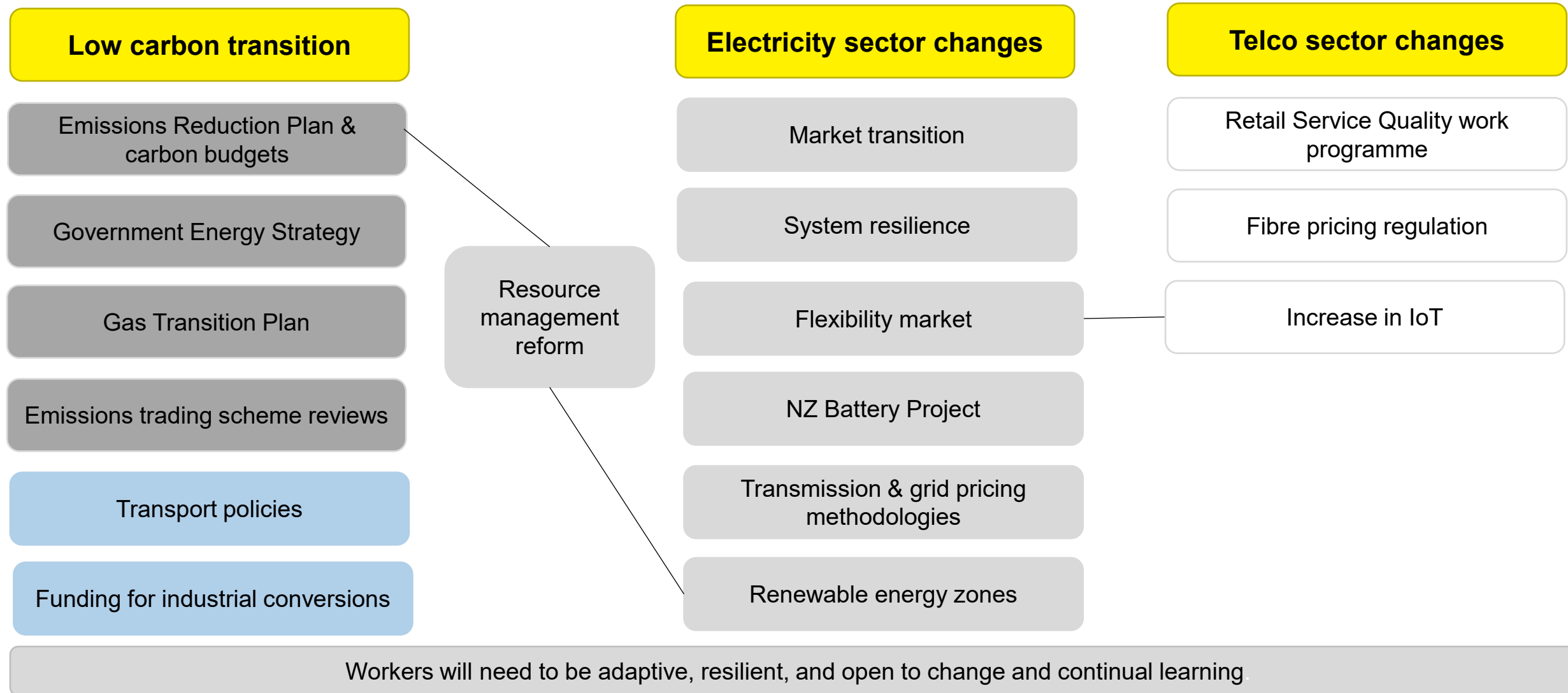
**U.S. annual voluntary turnover**  
expected to be  
**20% higher**  
than pre-covid



# HOW THE GLOBAL TRANSITIONS SHOW UP IN NEW ZEALAND



*The transitions are showing up in regulatory changes, often with interconnections that require careful management*



 = impacts electricity demand

 = impacts both electricity demand and renewable generation

 = impacts renewable generation

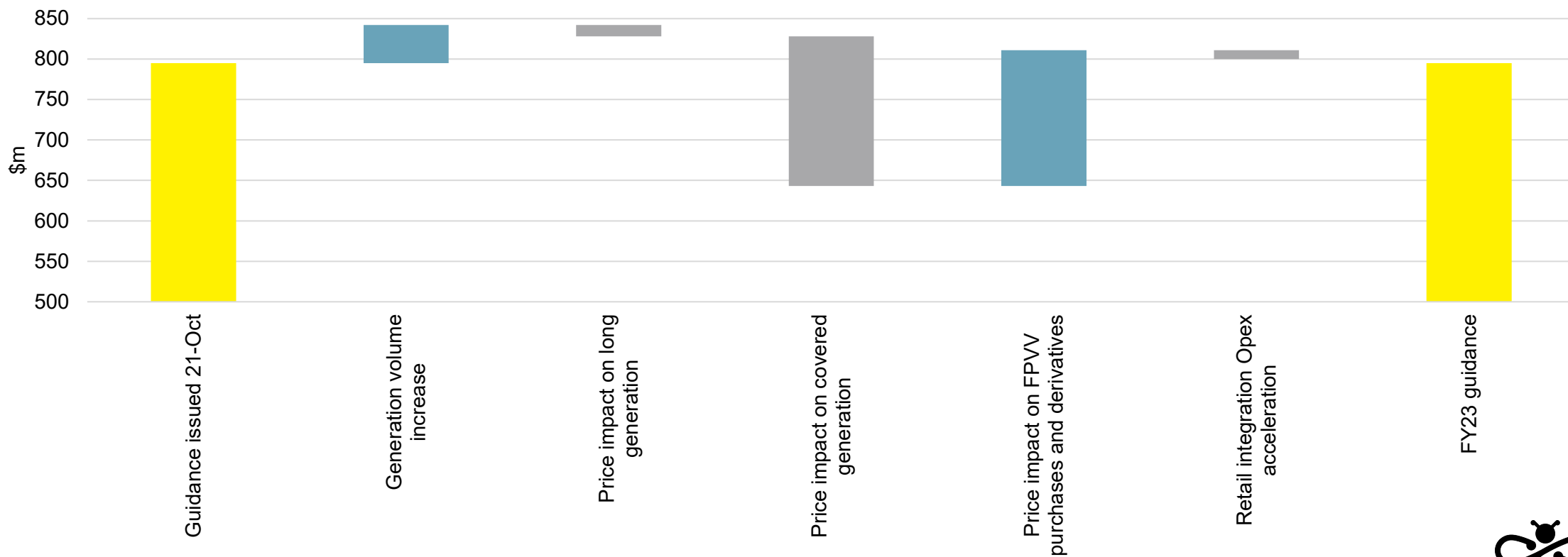
 = impacts telco





# FY23 GUIDANCE BRIDGE

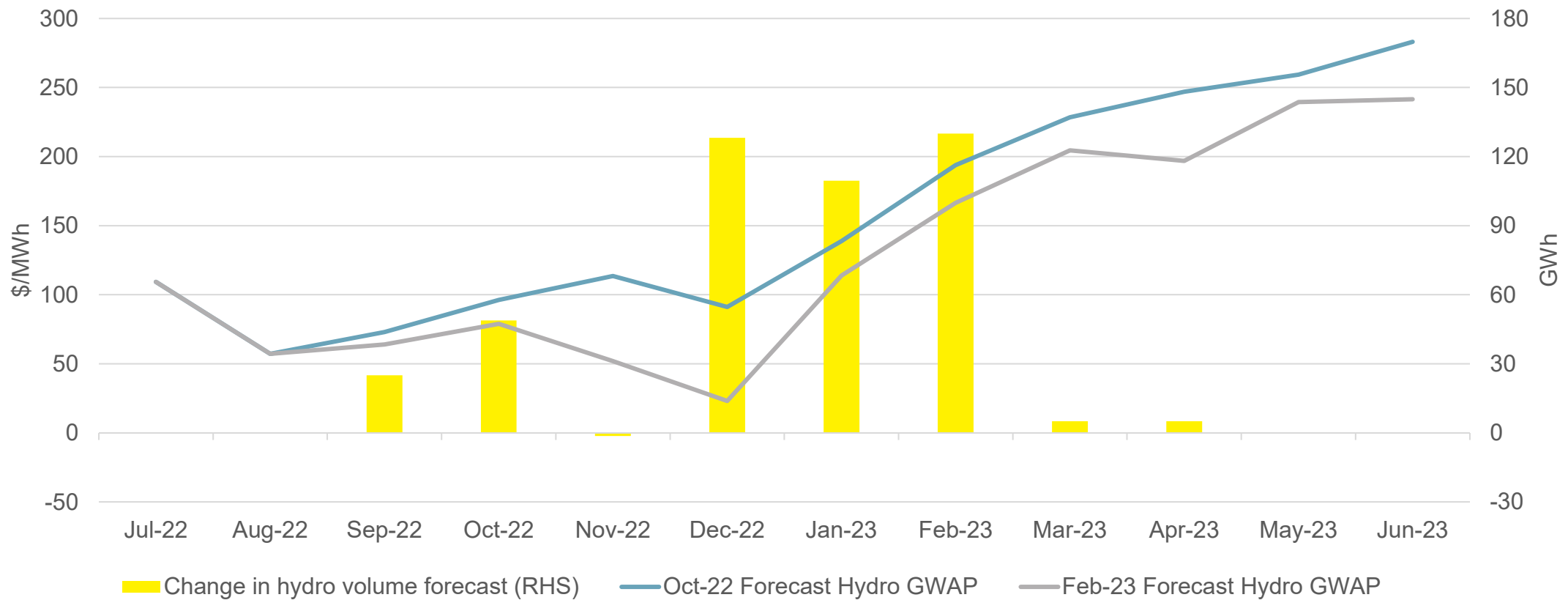
- > Additional ~400GWh generation volume since October 2022, mostly attributable to hydro generation (circa \$45m).
- > Reduction in actual and forward prices impacts on long generation (circa \$15m).
- > Increased hydro generation and lower prices results in a mismatch between the forecast GWAP of covered generation, and FPVV purchases and derivative settlements (circa \$20m).



# FY23 HYDRO GENERATION REVENUE

> Lower FY23 hydro GWAP forecast (~\$28/MWh) driven by combination of:

- decrease in actual / forecast prices relative to what was forecast in October
- additional hydro generation during lower priced periods



# Generation Asset Management

**STEW HAMILTON**

General Manager Generation

15 March 2023

**MATT KEDIAN**

Head of Operations - Generation





# GENERATION – OUR APPROACH

## PROVIDING RESILIENT ENERGY GENERATION & ENERGY CAPACITY



### **BETTER TOGETHER**

Leveraging location and  
diversity to manage risk and  
grow performance



### **PROTECT & ENHANCE VALUE**

Investment programme to  
sustain long-term  
performance



### **OPTIMISE PERFORMANCE**

Incremental improvements &  
long term plan



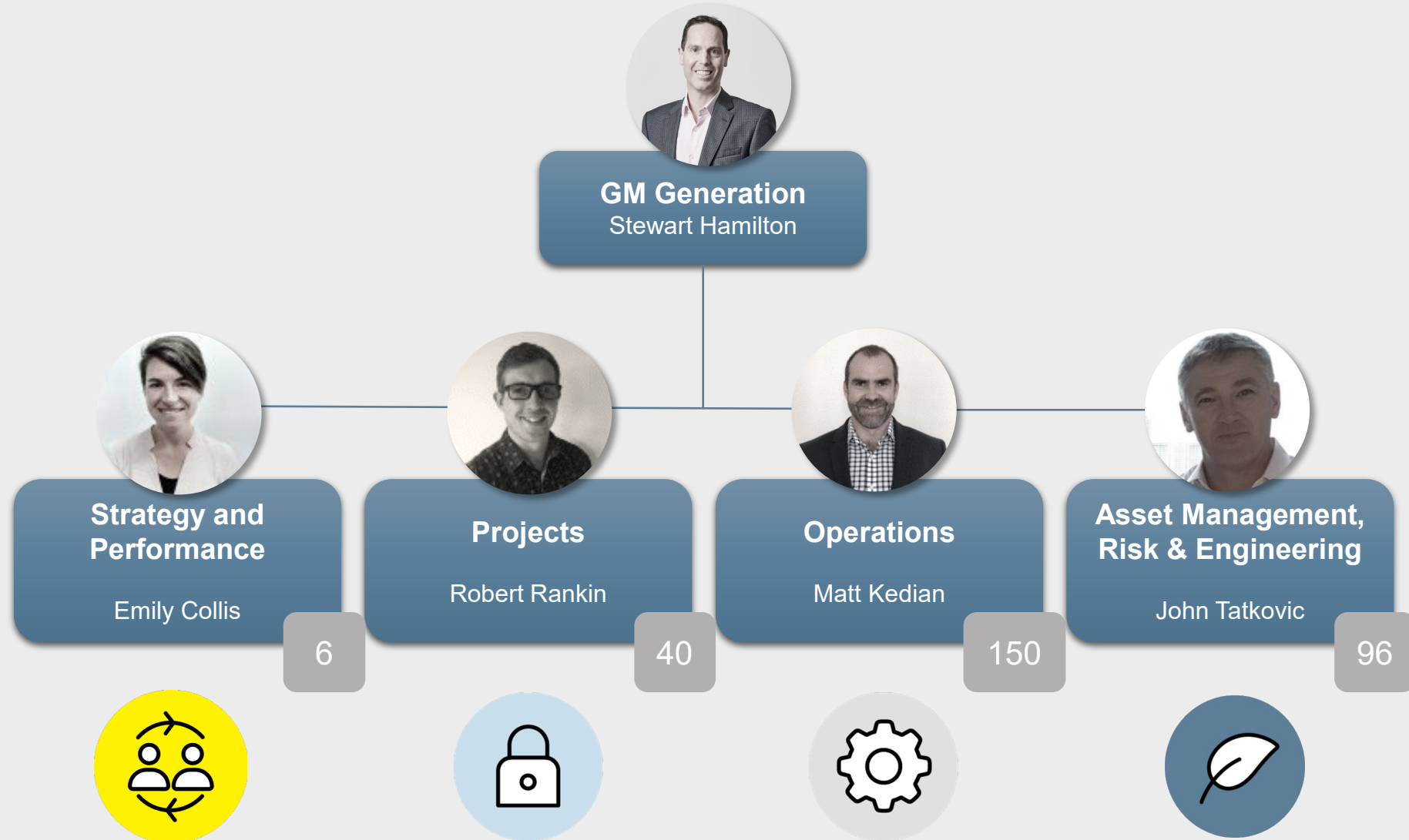
### **MANAGE RISK**

Understand risk and develop  
resilience of assets



# GENERATION – AN EXPERIENCED AND CAPABLE TEAM

PROVIDING RESILIENT ENERGY GENERATION & ENERGY CAPACITY



# GENERATION - THRIVING TODAY, SHAPING TOMORROW

PROVIDING RESILIENT ENERGY GENERATION & ENERGY CAPACITY



## BETTER TOGETHER

Leveraging location and  
diversity to manage risk  
and grow performance





# HEALTH, SAFETY AND WELLBEING CULTURE

## Safety Culture

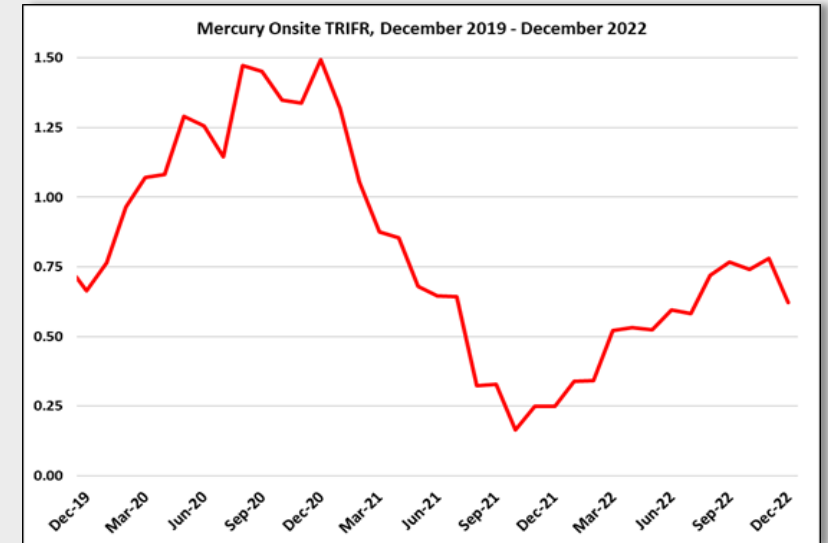
- > Safety 2.0 - “learning from” incidents – not just preventing.

## Critical Risk Management

- > Focus on the risks that can lead to fatality e.g. driving, height, electrical, dropped objects.

## Process Safety team

- > WorkSafe prosecution from July 2021 Rotokawa loss of containment of steam.
- > Process Safety team formed with seven engineers (many from oil and gas) to lift approach and risk management.



# GENERATION - THRIVING TODAY, SHAPING TOMORROW

PROVIDING RESILIENT ENERGY GENERATION & ENERGY CAPACITY



## PROTECT & ENHANCE VALUE

Investment programme  
to sustain long term  
performance





# MAINTAIN AND ENHANCE HYDRO STATION CAPACITY

	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35	FY36	FY37	FY38	Station Age	Capacity	Generation Upgrade	Scope	Cost	
Aratiatia (3 Units) Complete							Rehab														Lead In			Turbines 2				55	1 Unit sized for Flow 28MW, 2 x 30MW	~15GWh p.a	All Generators, Governors, 1 x turbine. 2 x Turbine Refurb	\$49m	
Ohakuri (4 Units) planning	Rehab															Lead In	Generators											58	+1-2MW Per Unit	~25GWh p.a	All Generators	~\$40m	
Atiamuri (4 Units) Planning													Lead In	Rehab														61	+1-4MW Per Unit	tbc	All Turbines, Generators, Governors	~\$90m	
Whakamaru (4 Units) Complete						Rehab																						63	+6MW Per Unit 4 x 31MW	~28GWh p.a	All Turbines, Generators, Governors	\$76m	
Maraetai 1 (5 Units)												Lead In	Rehab															68	+5-8MW Per Unit	~32GWh p.a*	All Turbines, Generators, Governors	~\$140m	
Maraetai 2 (5 Units)																Lead In	Rehab																
Waipapa (3 Units)																					Lead In	Rehab											
Arapuni (8 Units)	Generators 5-8																																
Karapiro (3 Units) Underway			Class 4					Lead In	Rehab																			72	+5MW Per Unit 3 x 37MW	~32GWh p.a	All Turbines, Generators, Governors	~\$80m	





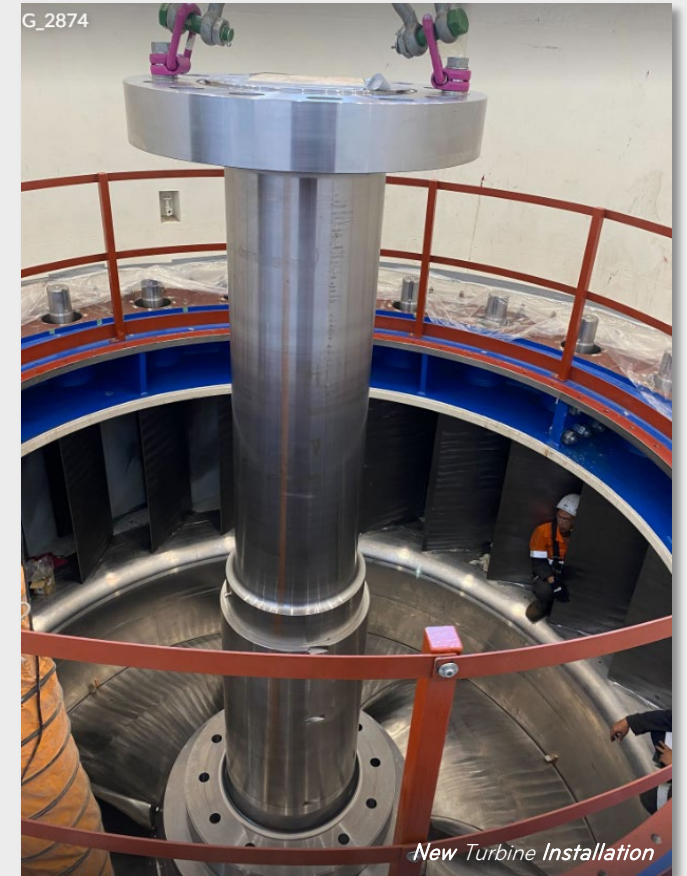
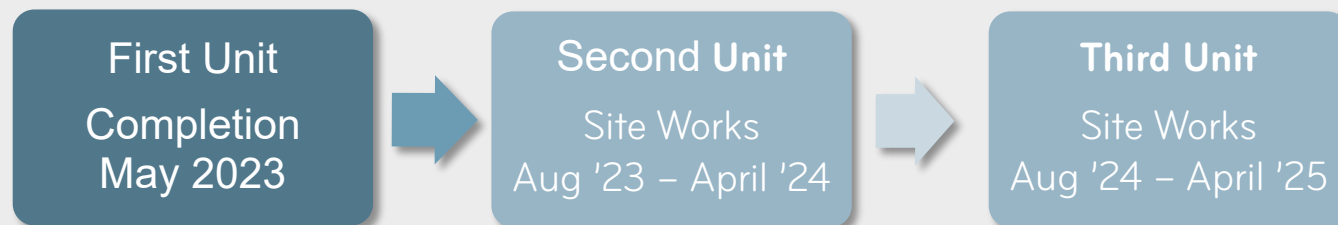
# KARĀPIRO UPDATE

Karāpiro rehabilitation project is an \$80m investment in the power station originally commissioned in 1946. The project includes replacement for all three generating units including generators, turbines and governors.

The project protects value by extending asset life by 50 years and enhances value by providing an additional 5MW per unit, increasing capacity from 96MW to 112.5MW (32GWh/year).

The main generating unit scope is being delivered by Andritz Hydro. The project includes replacement of intake gates.

Timeline for implementation:





# GEOTHERMAL FUEL SUPPLY SECURED FOR THE LONG TERM

Commencing eight “make up” wells and one well repair in drilling campaign FY23-FY25.

The campaign will see an investment of \$128m<sup>1</sup> and is due to commence in March 2023 and be completed in late 2024.

Field	Well	FY23-FY25	FY26-FY30 <sup>3</sup>
Kawerau	Production	2	1
	Injection	1	1
Ngā Tamariki <sup>2</sup>	Production	1	0
	Injection	1	0
Rotokawa Joint Venture (Mercury / TN2T gross)	Production	3	1
	Injection	0	1
Total		8	4

<sup>1</sup> typical standard deep well project cost is ~\$14m, inclusive of well pad preparation, construction and pipeline installation

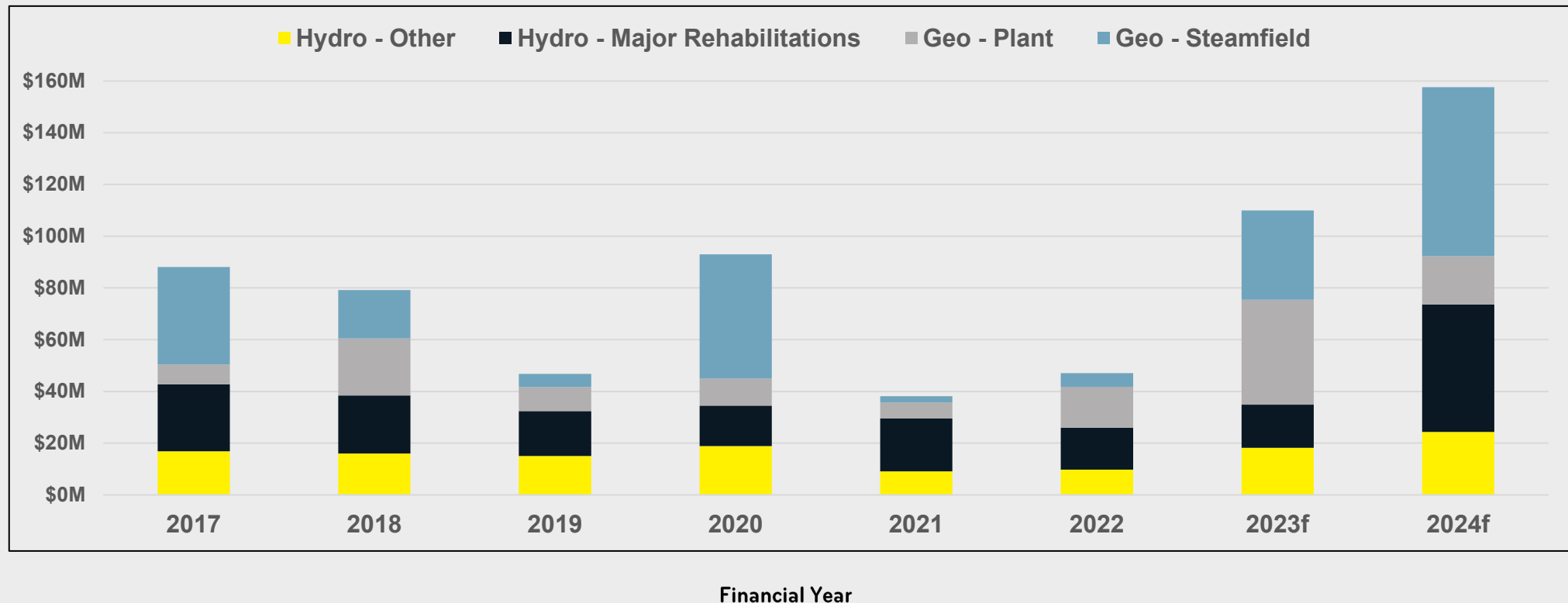
<sup>2</sup> supports OEC5 upgrade | <sup>3</sup> Historic average drilling rate 2014-2020 is 1.2 wells/year. Forward projection drilling rate circa 1.3 wells/year.





# SIB CAPEX REFLECTS HYDRO RE-INVESTMENT AND GEOTHERMAL DRILLING ACTIVITIES

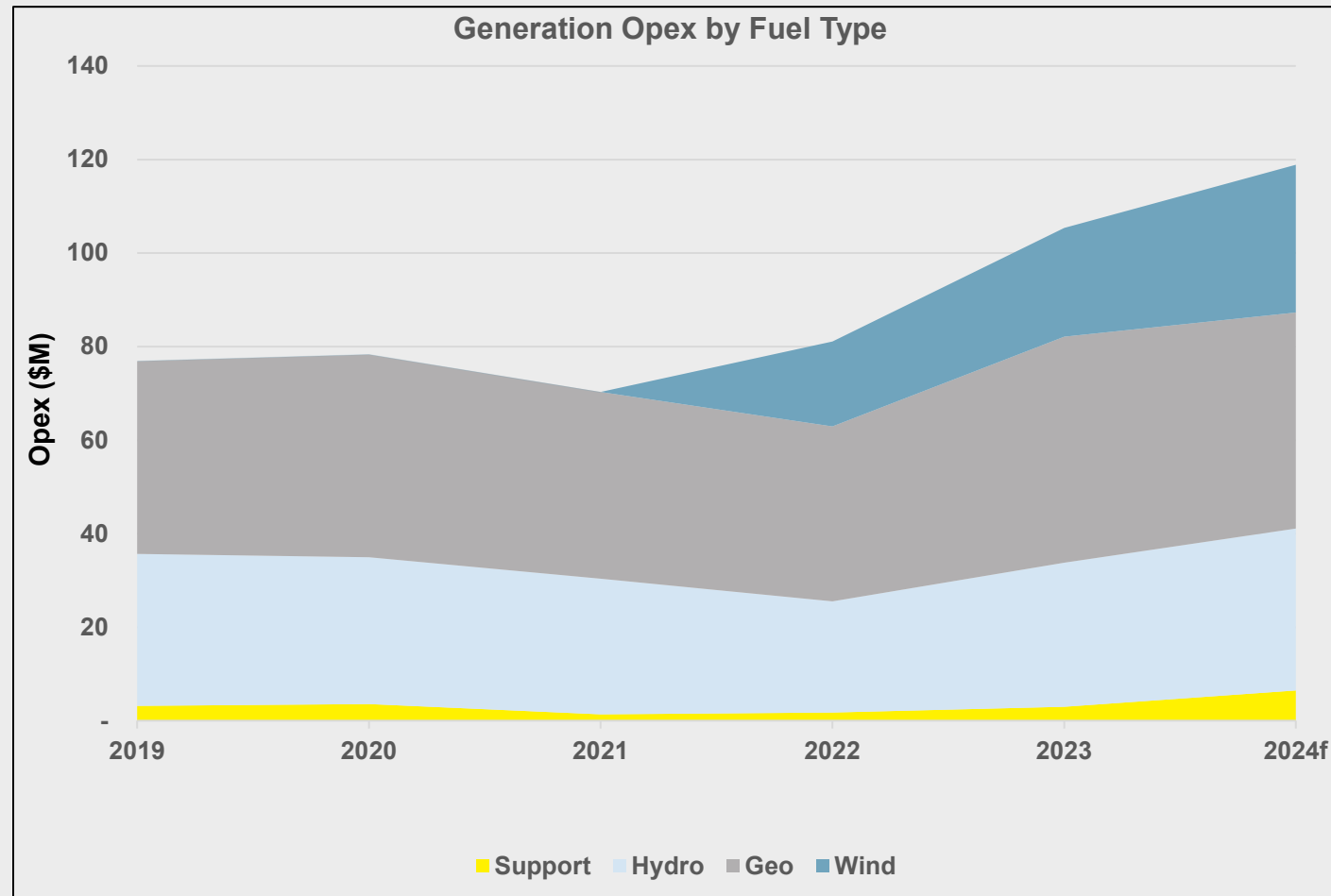
- > Varies year-on-year due to geothermal drilling and hydro re-investment activities
- > Wind SIB CAPEX minimal as almost always OPEX





# OPEX REFLECTS ACTIVITIES TO IMPROVE ASSET RESILIENCE

- > Growth reflects foundational work to improve asset resilience plus supporting growth in generating assets across wind and geothermal.





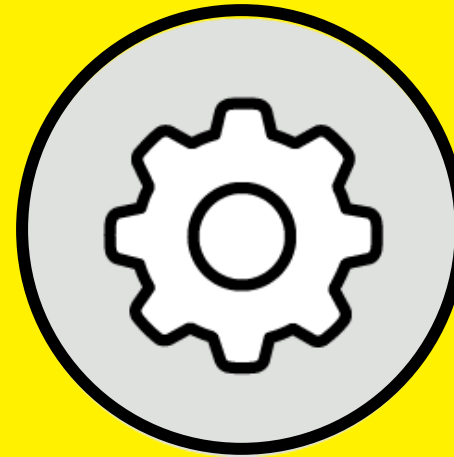
# NGĀ TAMARIKI OEC5 – INCREASING GEOTHERMAL CAPACITY

- > Developing a project to enhance the value of the Ngā Tamariki Power Station by ~37MW (314GWh/year) by adding a fifth generating unit (OEC5), increasing total station capacity to ~123MW (net).
- > Currently progressing negotiation of main contracts, final feasibility and resource consenting prior to final investment decision.
- > The conceptual design is complete, the team is clarifying technical requirements and progressing preliminary design with Ormat (EPC Contractor) to de-risk the project and obtain firm final contract prices.



# GENERATION - THRIVING TODAY, SHAPING TOMORROW

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## OPTIMISE PERFORMANCE

Incremental  
improvements and long  
term plan

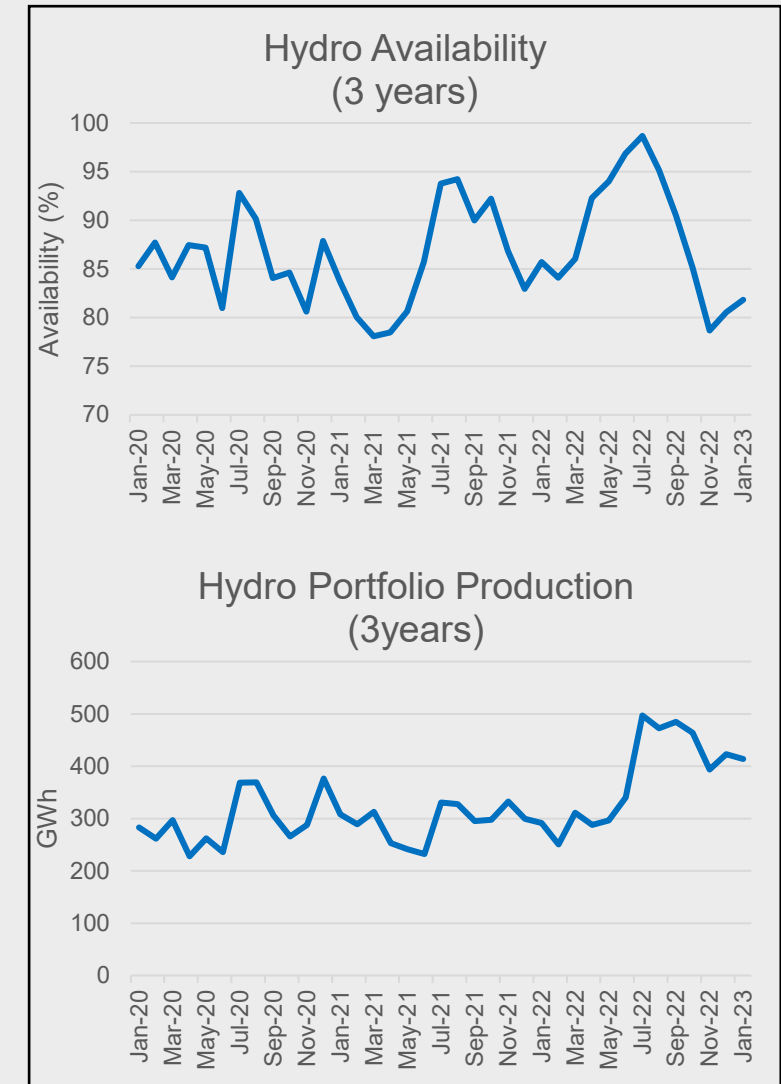






# HYDRO PERFORMANCE

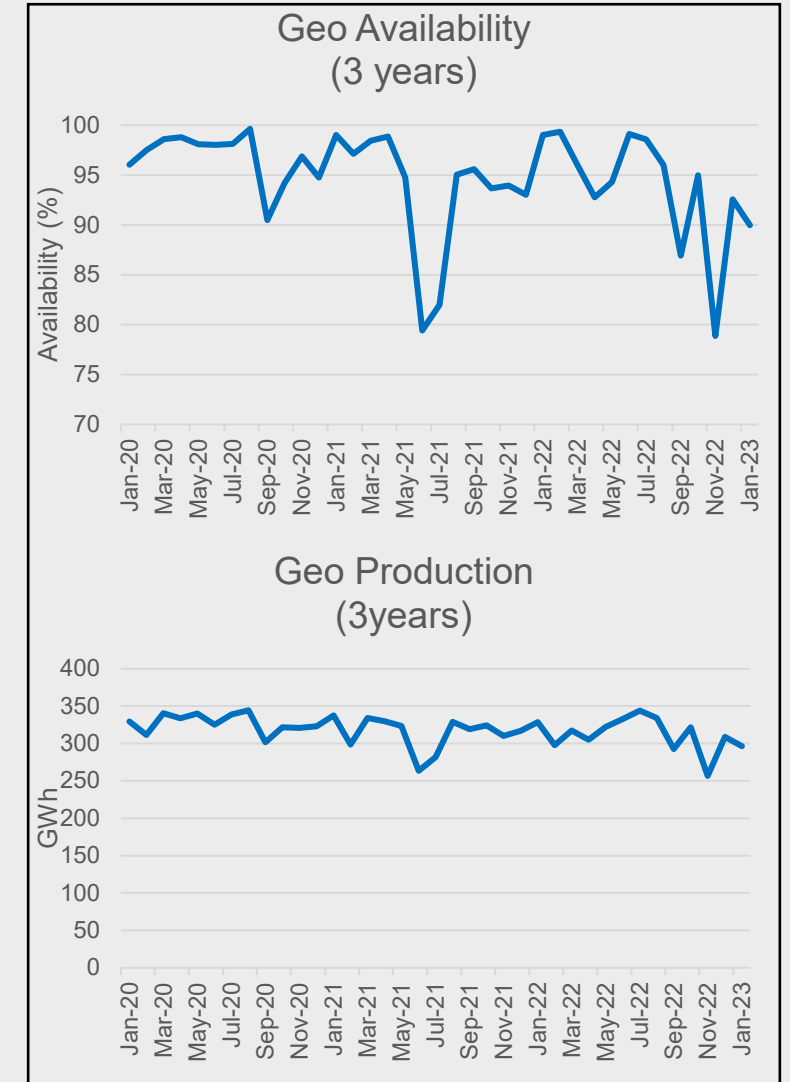
- > Hydro Production Volumes have increased in FY23 after stable and relatively low inflows in the previous three years.
- > Optimisation Team formed to support continued works to maximise the value of our generating assets in the short and long term.
- > Examples of Thrive improvements recently achieved:
  - Maraetai power station low tailwater operation restriction removal – enables longer periods of on peak generation without spill = GWAP uplift. Annual benefit (ongoing) ~ \$450k.
  - Waipapa power station output and flow increase, particularly at low headwater levels – 2.5MW increase plus 20cumec flow increase = GWAP uplift, reduced spill. Annual benefit ~ \$300k.
  - Hydro multiple frequency keeping (ancillary service) functionality increase, water value loss reduction, maintenance legacy reduction.





# GEO THERMAL PERFORMANCE

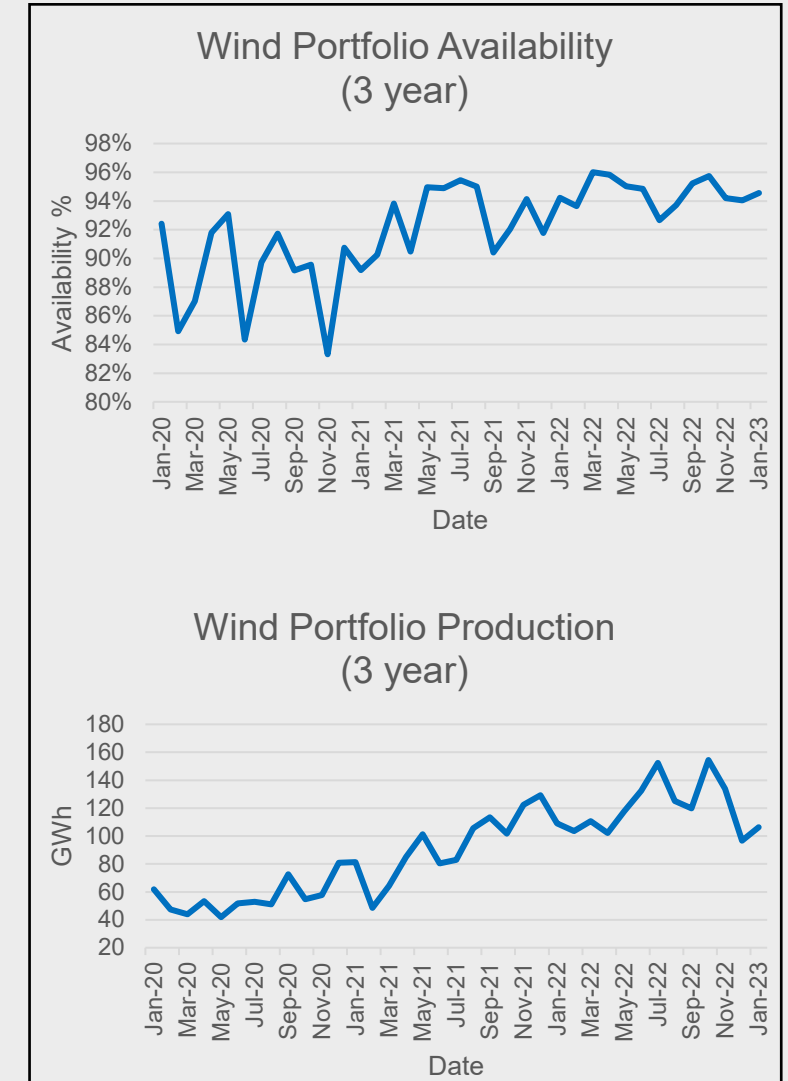
- > Geothermal production volumes continue to be stable, FY20 = 3,777GWh, FY21 = 3,757GWh and FY22 3,715GWh.
- > Optimisation Team also maximising value of our geothermal assets.
- > Examples of Thrive workstreams include:
  - Improving management of non-condensable gas accumulation in Mokai OEC units (OEC31) (\$100k).
  - Reducing inlet pressure on Mokai STG10, (\$1m @ 100% equity).
  - Removal of a restriction in the NAP reinjection system, improving output (\$200k @ 100% equity).
  - Assessment of the motive fuel selection for NTM OEC05 which could raise capacity by 1.4MW (\$2m).
  - Control system optimisation at NTM improving performance (\$1m).





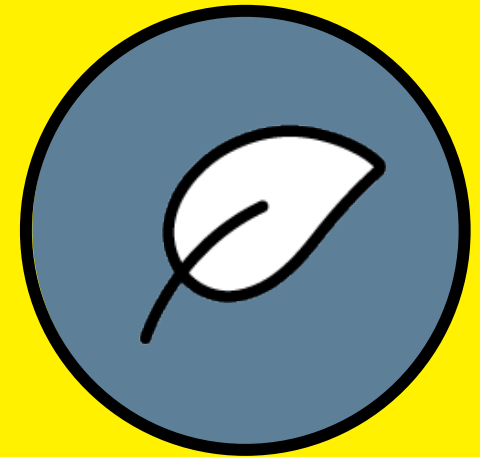
# WIND PERFORMANCE

- > Wind portfolio FY22 production of 1,330GWh
  - Ex-Tilt assets availability improved to 94.0% (+3.44% on FY21)
  - Turitea North completion first year in operation - achieved availability of 96% (+1.5% on target).
- > Wind portfolio FY23 YTD production of 889GWh
  - Wind portfolio FY23 YTD availability of 94.3% (+1% on same period FY22).
  - Below target of 985GWh and -2% on same period FY22.
  - Wind resource FY23 YTD below forecast (wind speed -5% on forecast and -1% on same period FY22).
- > Opportunities
  - Availability improvement in FY23 for Turitea as second year of operation begins (+2.0% target on FY22).
  - Availability improvement in FY23 for Tararua 3 with full site availability (+0.5% YTD on same period FY22).
  - Asset life extension for Tararua 1&2 turbines.
  - Kaiwera Downs in full production during FY24 (annualised 147GWh).
  - Turitea full site production from end of FY23 (853GWh).



# GENERATION - THRIVING TODAY, SHAPING TOMORROW

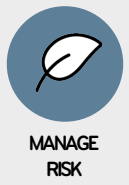
PROVIDING RESILIENT ENERGY GENERATION & ENERGY CAPACITY



## MANAGE RISK

Understand risk and  
develop resilience of  
assets





# KAWERAU RECOVERY

Existing 113.7MW Steam Path and Generator were damaged in 2021 and the full refurbishment is set to be completed in FY23.

The replacement equipment is supplied by Sumitomo Corporation and manufactured by Fuji Electric in Kawasaki Japan.

The equipment is in final stages of testing, packaging and is due for shipment to New Zealand in March 2023.

The replacement of the existing Steam Path and Generator will be completed between late April and the end of June 2023.

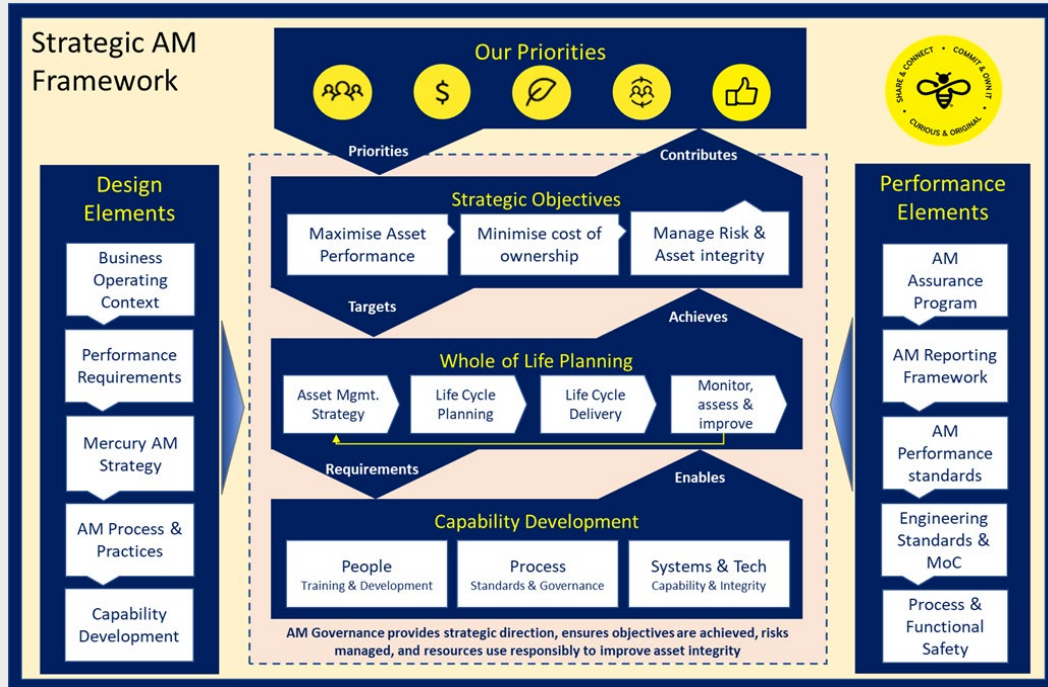
The \$36m project protects the value of generation of the Kawerau power station (net output 106MW).

Final insurance payment expected in FY24.





# ASSET MANAGEMENT – A CONTINUOUS APPROACH & CORE STRENGTH

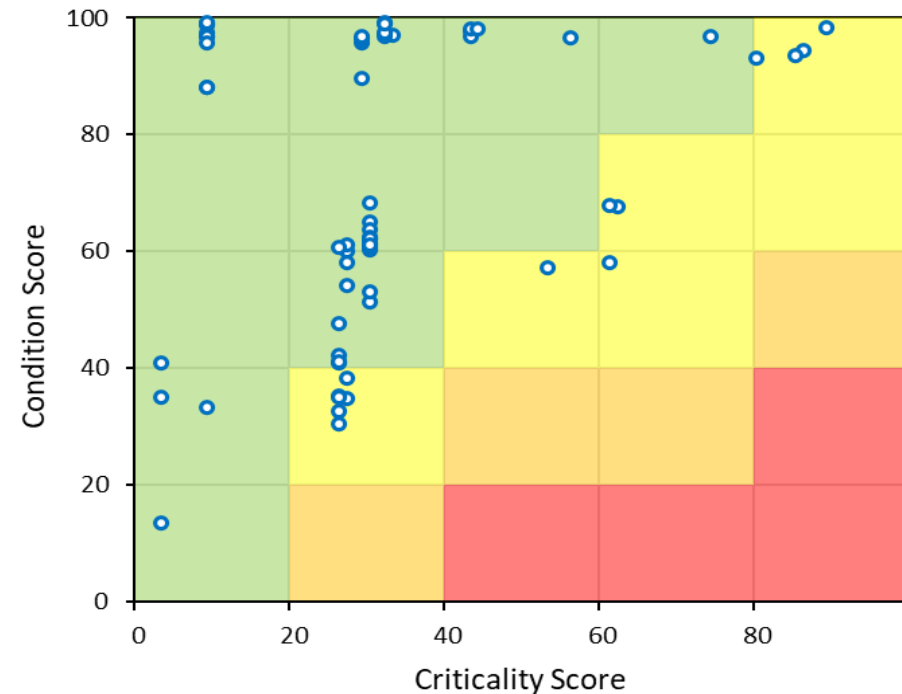


The asset management framework adopted by Mercury is designed to enhance, focus and accelerate delivery of strategic objectives, as follows:

1. **Maximising Asset Performance through process optimisation**
2. **Minimising Cost of ownership through continuous improvement**
3. **Managing Asset integrity and critical risk over the long term**

Critical risk management is a key pillar. Whole of life planning supported by asset condition-criticality assessments at the individual asset level allows for bespoke asset strategies to be developed and adjusted over time. This helps us protect value and minimise risk while supporting strategic and sustaining investment decisions over the life of our assets.

Transformer risks



Our risk-based approach to asset management focusses re-investment on the assets that matter most.

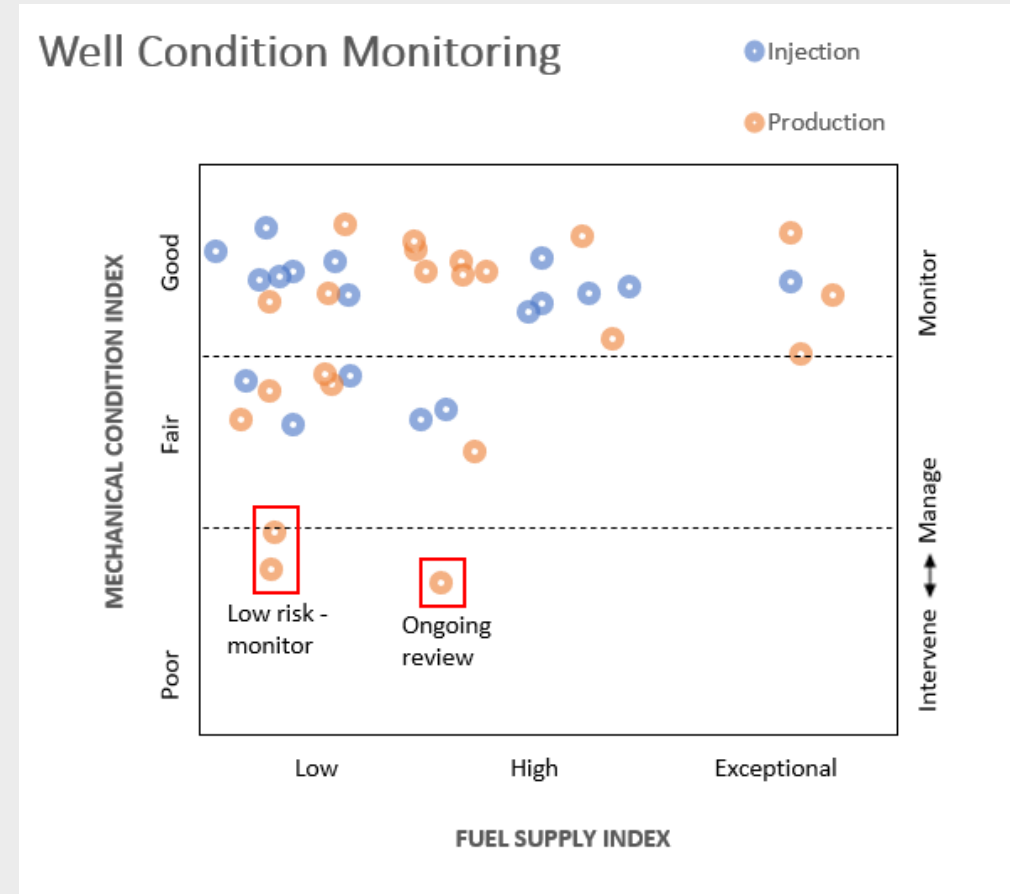
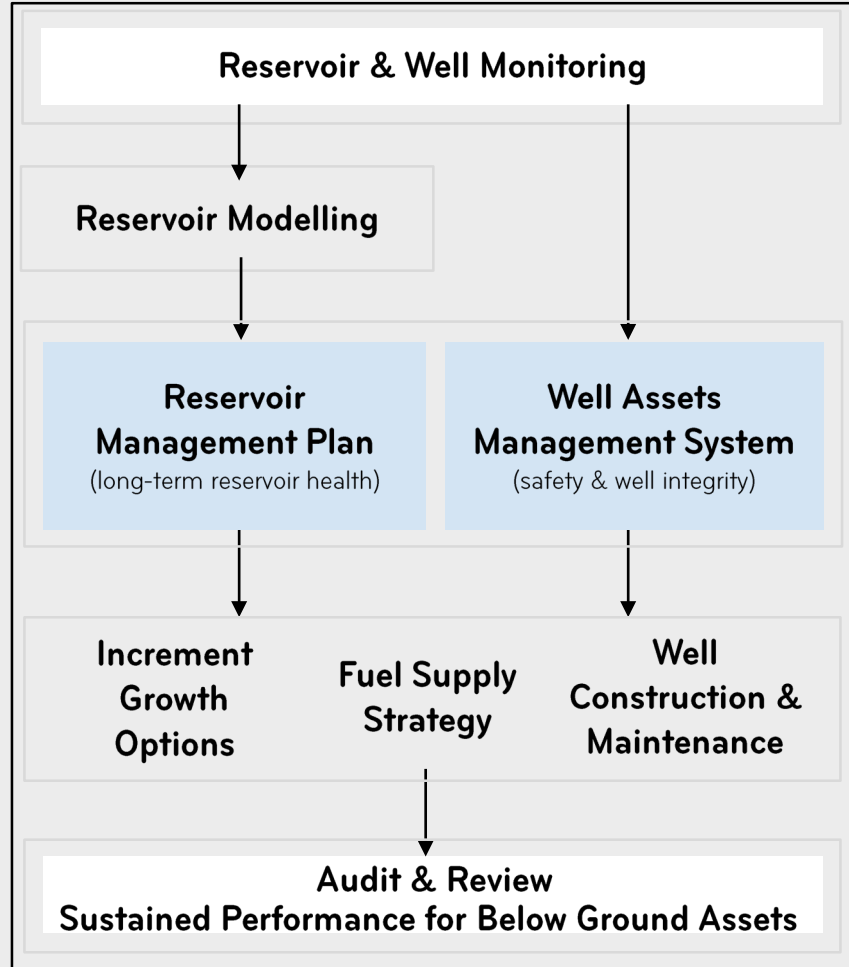
Taking a condition-criticality approach to asset risk allows us to efficiently monitor asset lifecycle risks across our large asset portfolio.

Condition monitoring programs allow our engineers to assess assets throughout the life cycle and adjust asset strategies against defined performance standards





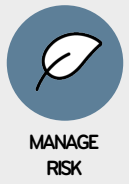
# EFFECTIVE MANAGEMENT SYSTEMS FOR BELOW GROUND ASSETS



Reliable Assets

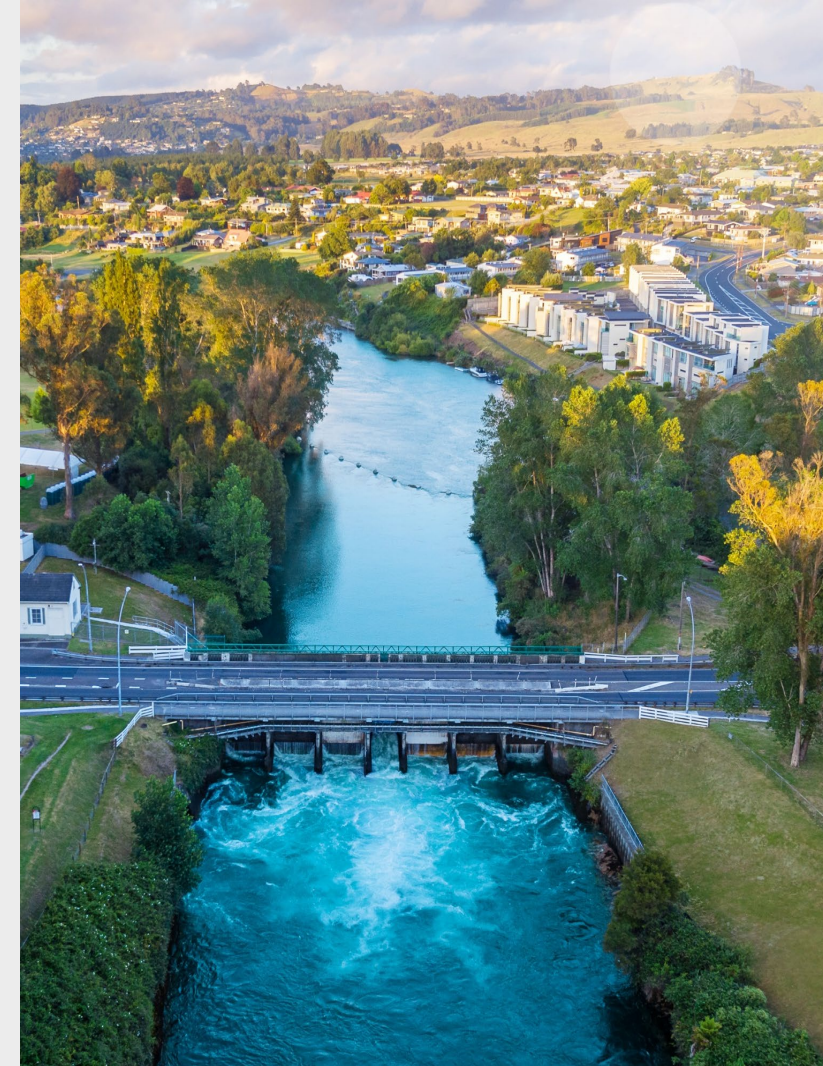
FY22 Generation  
Availability 94%





# INVESTMENT IN DAM SAFETY and RISK MANAGEMENT

- > Nine dam structures on the Waikato Hydro system aged 60-97 years.
- > Including Taupō control gates.
- > Contains and regulates flow from the reservoir on the River.
- > Dam Safety guidelines (NZSOLD) are becoming regulations.
- > Mercury team set up to measure, assess and manage risks associated with dam structures.



# GENERATION – OUR APPROACH

## PROVIDING RESILIENT ENERGY GENERATION & ENERGY CAPACITY



### **BETTER TOGETHER**

Leveraging location and diversity to manage risk and grow performance



### **PROTECT & ENHANCE VALUE**

Investment programme to sustain long term performance



### **OPTIMISE PERFORMANCE**

Incremental improvements and long term plan



### **MANAGE RISK**

Understand risk and develop resilience of assets



# Energy Transition and Climate

**LUCIE DRUMMOND**  
General Manager Sustainability



# TAKING A WHOLE OF SECTOR APPROACH TO THE ENERGY TRANSITION



*Working with others to ensure the pace of change supports the transition*

The BCG report 'The Future is Electric' sets out how the electricity sector can contribute to these decarbonisation actions by navigating four key challenges:

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## Develop new renewable generation at pace

- > Industry project pipeline of 10.9GW will meet forecast requirement of 4.8GW by 2030.
- > Imperative that updates to NPS REG and the new resource consent framework support pace of development.

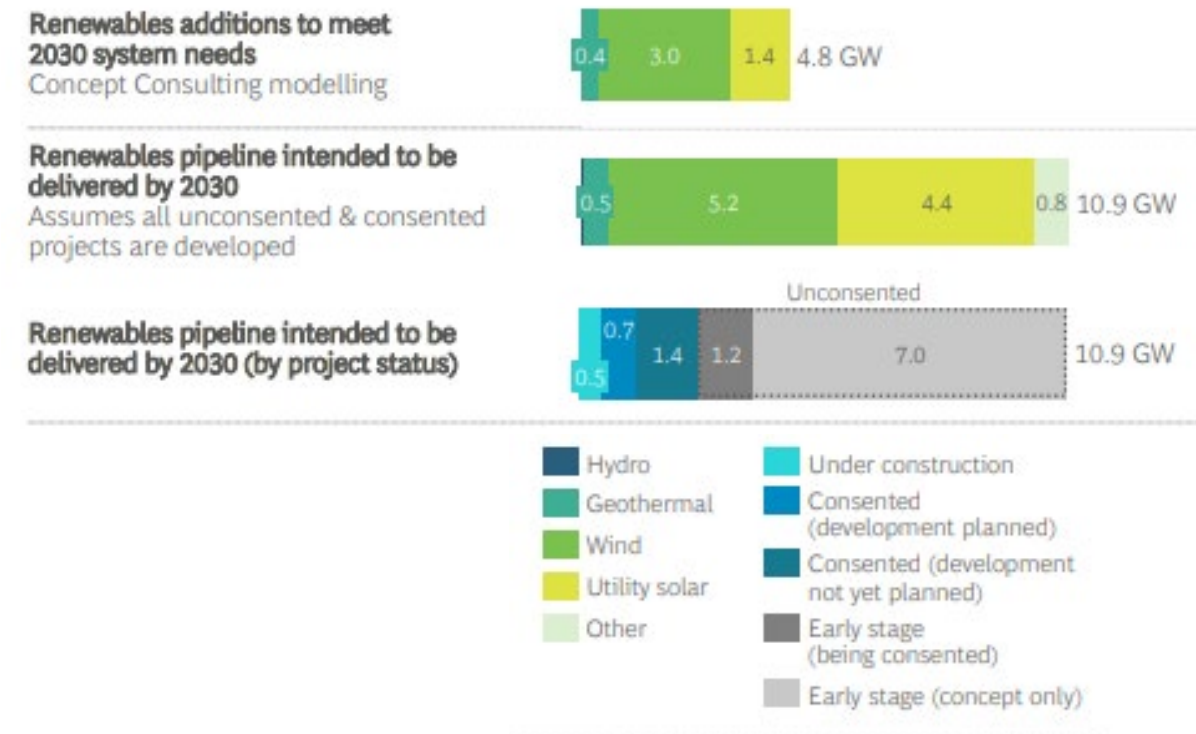
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## Manage reliability during peak demand

- > More battery storage and fast start peakers (including gas) required to provide supply side flexibility.
- > Market to evolve to encourage right energy and capacity mix.

Sector pipeline of renewables well placed to meet 2030 demand.

### Exhibit 76: Utility-scale renewables pipeline to 2030



Source: Concept Consulting modelling; BCG analysis; Transpower (BCG The Future is Electric – November 2022)





# TAKING A WHOLE OF SECTOR APPROACH TO THE ENERGY TRANSITION



Key transition challenges need to be navigated to ensure outcomes for end users

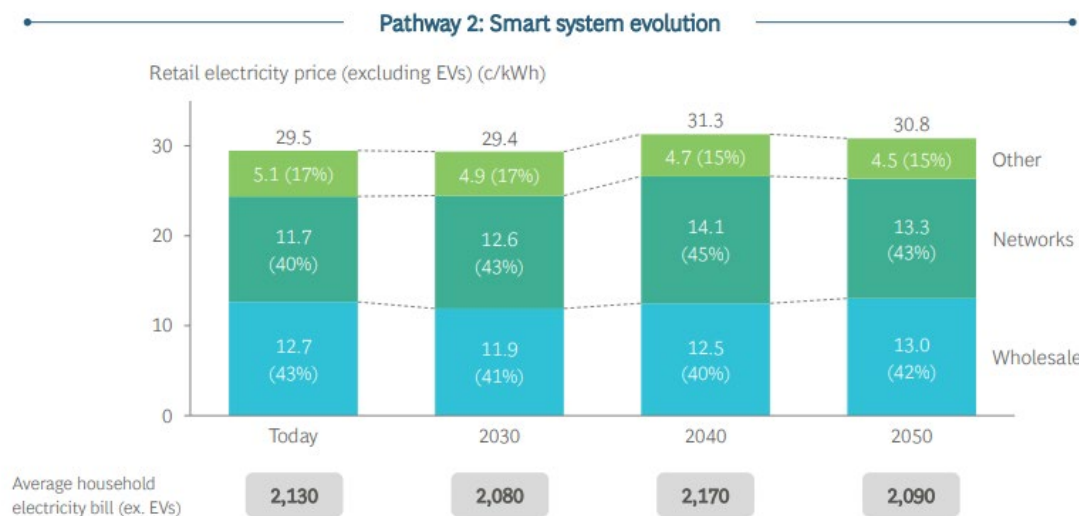
## Managing dry year energy supply risk

- > Preferred pathway in the report has a mix of more renewables (wind and solar already in pipeline), gas generation (200MW OCGT) and larger-scale demand response.

## Investment in transmission and distribution

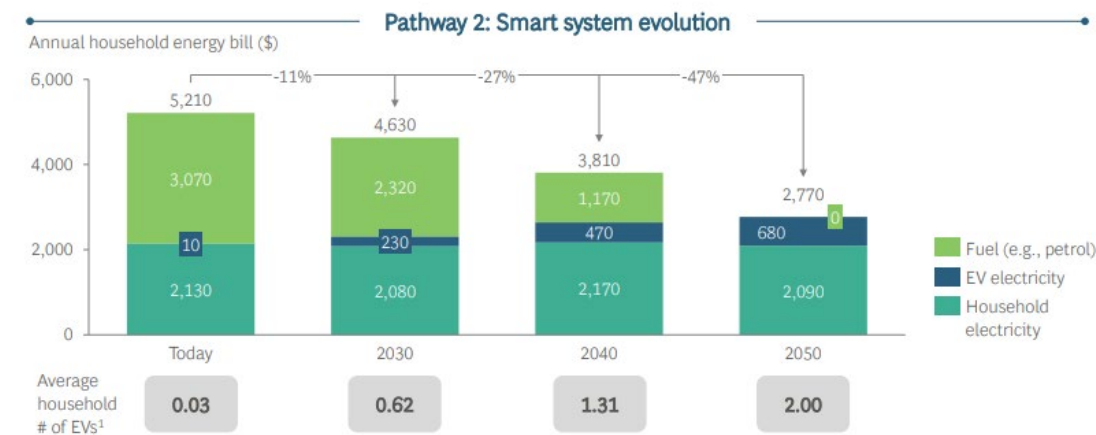
- > Significant investment required in transmission and distribution. Investment for resilience likely to emerge post-cyclone Gabrielle.
  - > Regulatory changes needed to support network investment required to support a smart energy system and build resilience.
- 
- > Momentum for sector collective work continues – companies across the sector have been working on a sector commitment to deliver a low carbon energy system.

Exhibit 55: Retail household electricity price (excluding EVs)



Source: Concept Consulting modelling, BCG analysis

Exhibit 53: Average (mean) annual energy bills over time for illustrative 2 car household



1. Illustrative example whereby the average household owns two cars in total

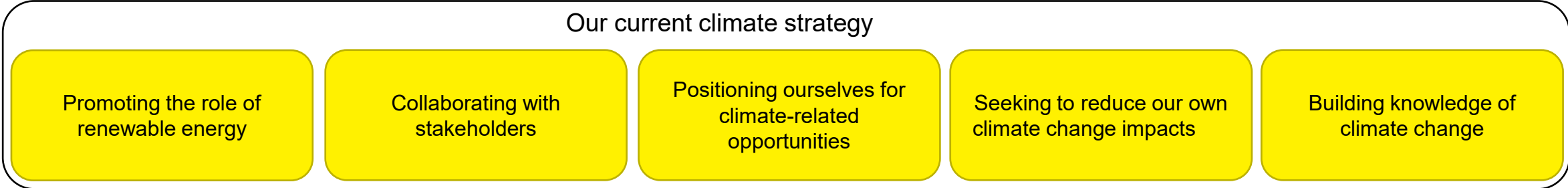
Source: Concept Consulting modelling, BCG analysis



# REDUCING OUR CLIMATE IMPACT AND ADAPTING TO CHANGE

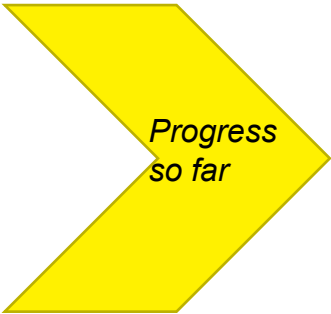


Positioning for opportunities and building knowledge to support preparedness



Playing our part

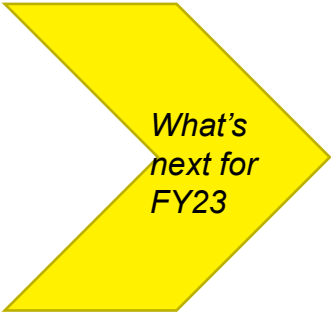
Playing a leading role



Mercury have reduced our Scope 1 emissions by ~60% since 2015 and ranks at ~40<sup>th</sup> in terms of emissions for NZ organisations covered by the ETS

Five years of climate-related disclosures

Through continued investment in renewable generation, our emissions intensity has gone from ~70kg CO2/MWh in 2015 to ~30kg CO2/MWh in 2022 vs grid average of ~100kg CO2/MWh



Action plan to reduce our emissions – with measures and targets

Ramping up for New Zealand Climate Standard in FY24

The electricity sector can support 70% of New Zealand's emissions reductions required to achieve net zero by 2050<sup>1</sup>

1. BCG report 'The Future is Electric' page 9

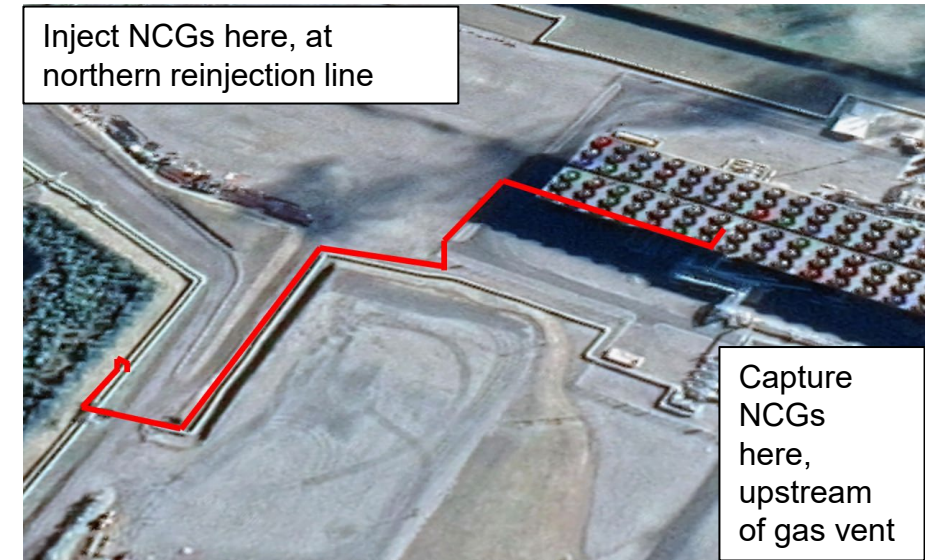


# PLAYING OUR PART – REDUCING OUR EMISSIONS

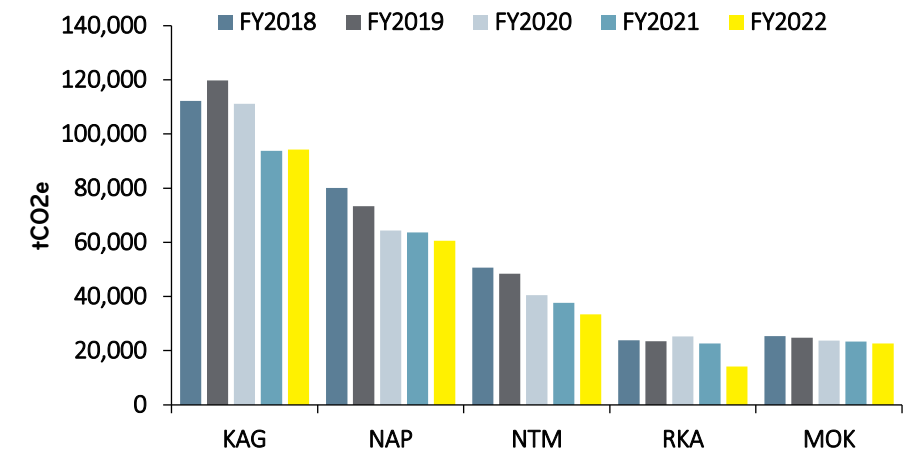


*Continuing to invest in research and development of technology that could support geothermal emissions reduction*

- > Fugitive geothermal emissions make up ~98% of Mercury's Scope 1 emissions and ~68% of our overall GHG footprint<sup>1</sup>.
- > Mercury is actively developing technology and trialling methods to reduce these emissions and is working with others in the sector.
- > The trial at Ngā Tamariki started November 2021 and has reinjected over 8k tonnes CO<sub>2</sub>-e (~25% of total station emissions/year) with no adverse effects identified.
- > Still in testing and development. The next steps are:
  - expansion of the existing binary plant system – continuing to understand performance and impact on reservoir.
  - starting research and development aimed at understanding a solution for flash plant emissions, specifically for the Kawerau Power Station.



GEOTHERMAL EMISSIONS



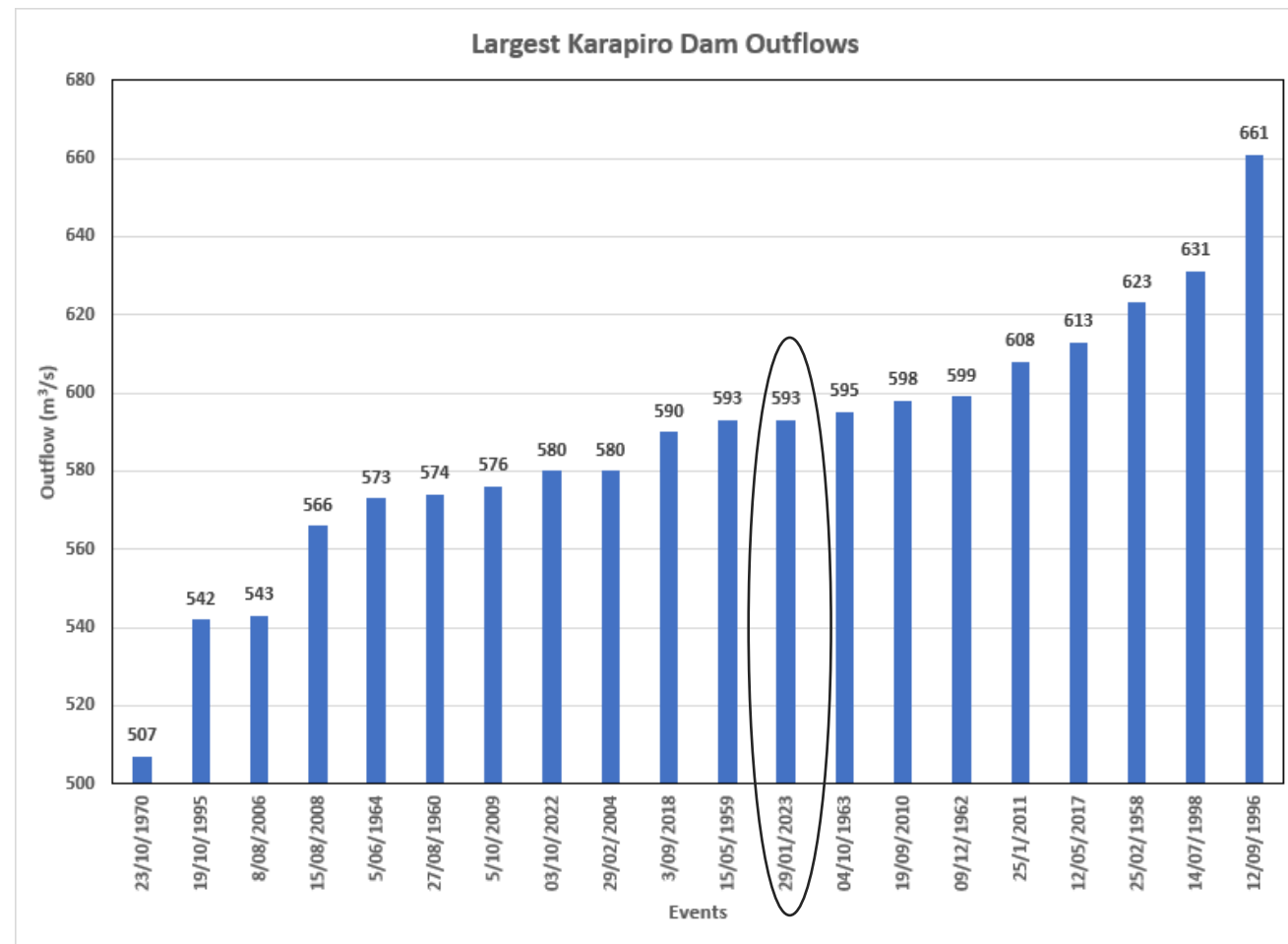
<sup>1</sup> Based on FY21 GHG inventory

# CONTINUOUS IMPROVEMENT OF OUR CLIMATE DISCLOSURES



*Leveraging what we have learnt through voluntary disclosure as we move into the New Zealand Climate Standard*

- > Starting in 2018 has enabled a staged approach to improving our climate disclosures.
- > In FY23 we will adopt as much of the new New Zealand Climate Standard as possible, ahead of our FY24 obligation.
- > This year we are:
  - introducing a third climate scenario to assist with our identification of risks and opportunities.
  - focussing on addressing any disclosure gaps.
  - refining our approach to disclosing 'material risks'.
- > We continue to build knowledge on predicted climate impacts specific to our business and are working with others across the sector to create energy sector scenarios that can help with understanding system risks.



# TAKING A COLLABORATIVE APPROACH TO IMPROVE RESILIENCE



*Working with others on our social and environmental impact – diverse perspectives, increased capacity, aligned goals*

Meaningful  
and enduring  
support for  
customers  
experiencing  
hardship

- > Programme approach to customer care
- > Addressing the digital divide

Working in  
effective teams  
with our key  
suppliers

- > Gathering more information to understand supply chain impacts, e.g. modern slavery
- > Focussing on building culture with key contractors

Iwi  
relationships

- > Updating our approach based on feedback received from iwi partners

Evolving how  
we restore  
natural  
resources

- > Waikato Catchment Ecological Enhancement Trust
- > Taskforce of Nature-based Financial Disclosures



# Portfolio, Energy Transition and Generation Development

**PHIL GIBSON**  
General Manager Portfolio

**TIM THOMPSON**  
Head of Wholesale Markets



# ADVANTAGED PORTFOLIO WELL POSITIONED FOR THE TRANSITION

## 100% renewable generation

- > Three low-cost complementary fuel sources in baseload geothermal, intermittent wind with flexible hydro capable of firming and peaking

## Substantial peaking capacity

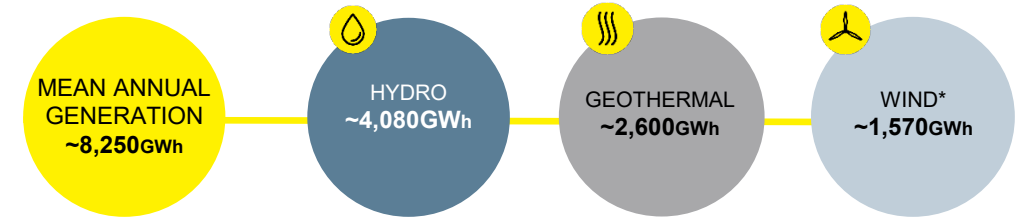
- > The Waikato hydro system is the largest group of peaking stations in the North Island able to firm intermittent renewables

## Superior asset location

- > North Island generation located near major load centres; rain-fed hydro catchment inflows aligned with winter peak demand

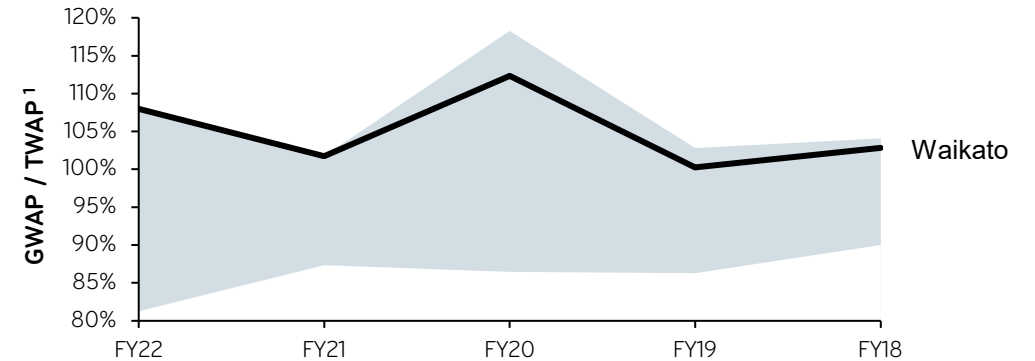
## Experienced trading & risk management

- > 50+ years of senior management experience in wholesale markets, risk management and trading



- 💧 WAIKATO HYDRO SCHEME CAPABLE OF RAMPING FROM 0 TO FULL LOAD (>1000MW) IN ~5 MINUTES
- 💧 LARGEST NORTH ISLAND RESERVE PROVIDER
- > FLEXIBILITY TO FIRM WIND IN CONSTRUCTION

WAIKATO HYDRO GWAP TO TWAP<sup>1</sup> vs. NATIONAL CATCHMENT RANGE



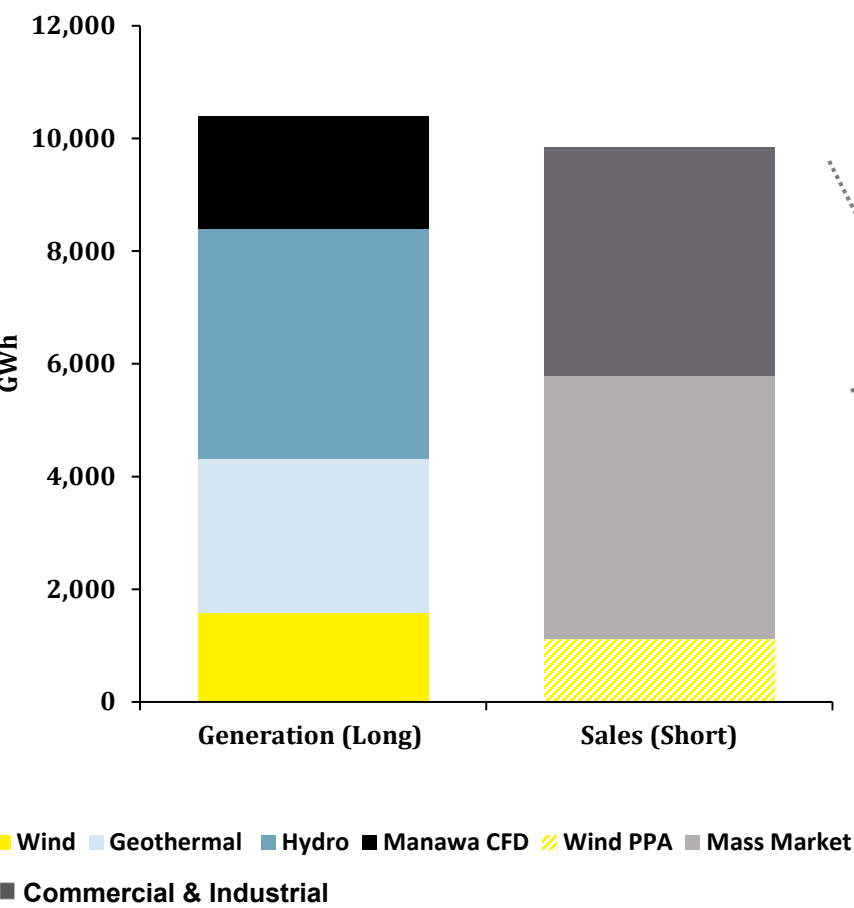
\* Includes only operating assets (i.e. Turitea North only)

<sup>1</sup> Generation Weighted Average Price (GWAP) vs. Time Weighted Average Price (TWAP) at OTA2201



# ADVANTAGED PORTFOLIO WELL POSITIONED FOR THE TRANSITION

## FY2024 INDICATIVE NET POSITION BREAKDOWN

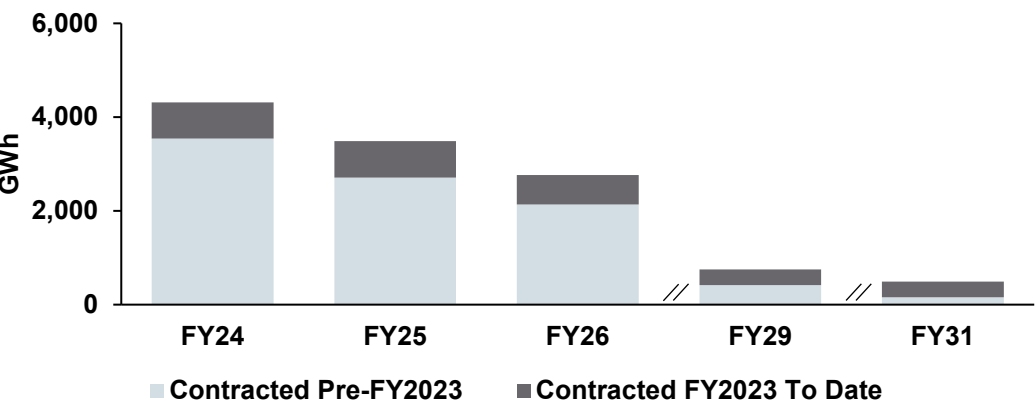


> Integrated portfolio, usually net long generation with movement year-on-year due to hydrology, plant availability and values of sales

### Call outs:

- > We have options available to replace roll off of Manawa hedge acquired with Trustpower acquisition
- > The term of C&I sales is extending with ~320GWh of 10 year contracts signed in the last 12 months
- > PPAs associated with intermittent generation reduce firming requirement

## COMMERCIAL & INDUSTRIAL





# ENERGY TRANSITION – OUR VIEW ON CHALLENGES & OPPORTUNITIES

## Electricity demand must grow to meet our carbon targets

- > Long-term growth is inevitable as electrification is New Zealand's best decarbonisation option
- > Acknowledge demand growth has yet to materialise

---

## Market transitioning from solely energy constrained to energy AND capacity constrained

- > Capacity currently met by flexible hydro and thermal plant
- > Hydro is finite & reliable thermal capacity is being retired

---

## Increased intermittency will lead to increased volatility

- > *"When the sun shines, the sun shines. When the wind blows, the wind blows..."*
- > Correlated intermittent generation will lead to spot price volatility

CORRELATION OF WIND FARM GENERATION (CY2022)

	Te Uku	Waipipi	Turitea	West Wind	Mahinerangi
Te Uku	100%	34%	17%	2%	13%
Waipipi		100%	56%	44%	19%
Turitea			100%	46%	18%
West Wind				100%	17%
Mahinerangi					100%

**BCG REPORT\*:** *"Analysis of the existing pipeline of flexible, supply-side resources identifies that the current ambition of participants may need to increase to achieve peak demand by 2030"*

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\*BCG Report – 'The Future is Electric': [\[link\]](#)



# ENERGY TRANSITION – MAINTAINING OUR COMPETITIVE ADVANTAGE

**Mercury will maintain our advantage by having the best people and development pipeline to complement our existing advantaged portfolio**

## **Market capable of navigating the transition**

- > Minor modifications rather than wholesale changes are required

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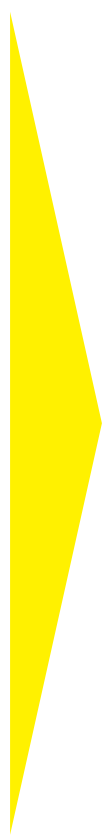
## **Diversity is increasingly important**

- > Diversity of location and fuel will limit correlation and aid in portfolio management and execution

---

## **Flexibility is increasingly valuable**

- > Flexible capacity solutions will be needed as the market becomes increasingly constrained
- > Thermal will be required as part of the transition

- 
- > Mercury will advocate for timely and appropriate modifications to market settings that ensure market confidence is maintained

- 
- > We are technology agnostic
  - > We continue to incorporate market and portfolio impacts in prospect assessment

- 
- > Pursuing 'flex' options as a core feature of our growth pipeline both on the supply and demand side
  - > Mercury will play our part supporting thermal to ensure security of supply through the transition



# PROVEN CAPABILITY AND EXPERIENCE POSITIONING US WELL FOR GROWTH

## Demonstrated market understanding and experience

- > We have a proven track record of generation development across fuels with integration into the wider portfolio
  - > We understand what good projects are and how to bring them to market
- 

## Development and project management capability

- > In-house development team with domestic and international experience across wind, geothermal and solar
  - > Specialised expertise across the project lifecycle – from prospecting to commissioning
- 

## Proven development partner

- > Long-term commercial partnerships with Māori landowners and other key stakeholders
- > Established supplier relationships across geothermal and wind

### GENERATION GROWTH POST 2008

Construction – ~2,800GWh\*

Acquisition – ~1,100GWh

### IN-HOUSE DEVELOPMENT TEAM

30+ pax with experience in wind, solar and geothermal in the US, UK, Australia and NZ

### GENERATION IN PARTNERSHIP

Nga Awa Purua Geothermal Power Station  
(65%)

Mokai Geothermal Power Station (25%)

\*Equity share and only operating assets



# OUR TECHNOLOGY CHOICES – “ONE SIZE DOES NOT FIT ALL”

Our development approach is to leverage Mercury’s advantages and partner where there is value and learning

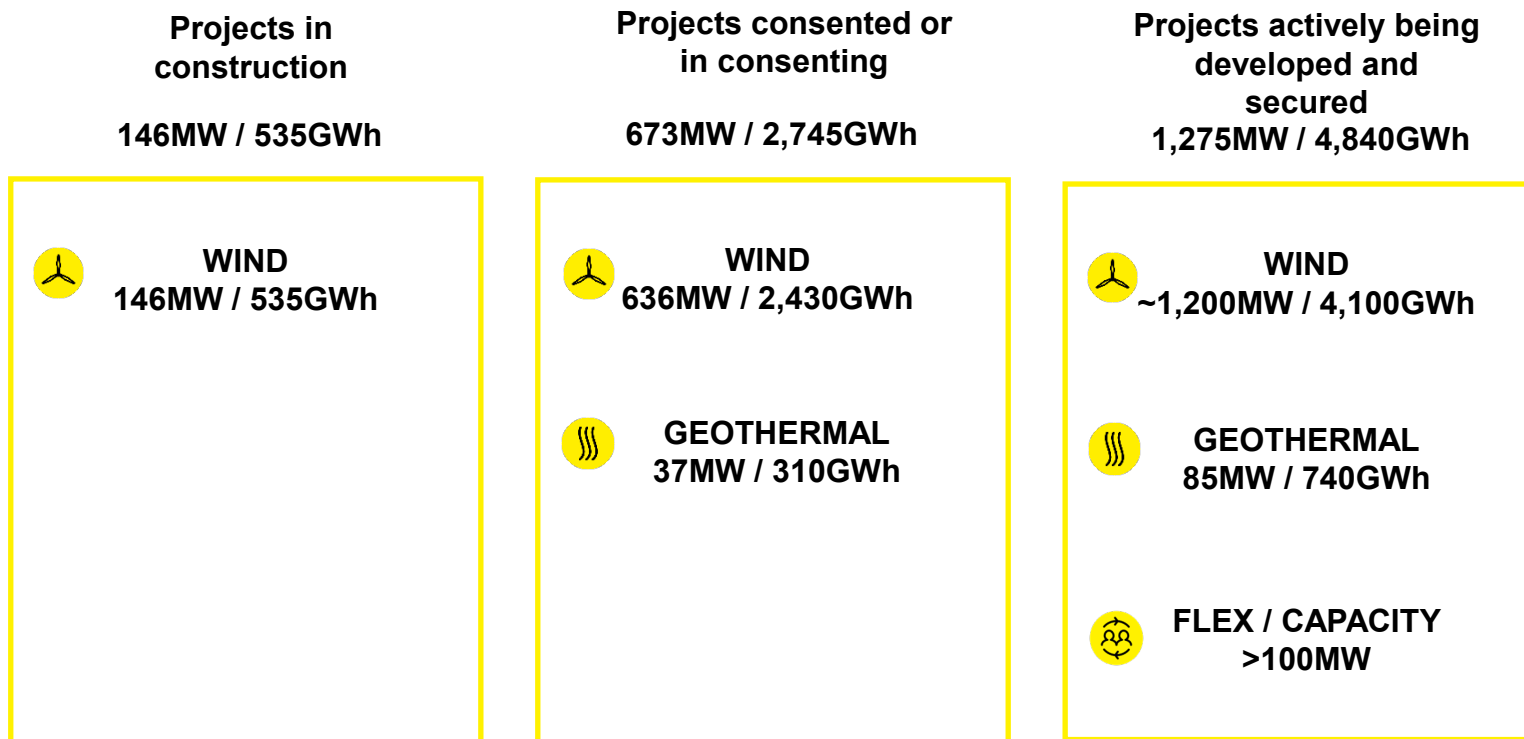
	Build	Partner	Acquire	
Energy ↑	Wind	✓		Strong portfolio of options - strengthened through Tilt acquisition
	Solar		✓	Opportunities to partner (e.g. access, supply-chain, expertise, offtake) to bring large industry pipeline to market
	Geothermal	✓		Existing brownfield and greenfield options
Capacity ↓	BESS	✓	✓	Opportunities to leverage existing portfolio and relationships both on supply and demand side
	DER / Flex	✓	✓	

Open to M&A

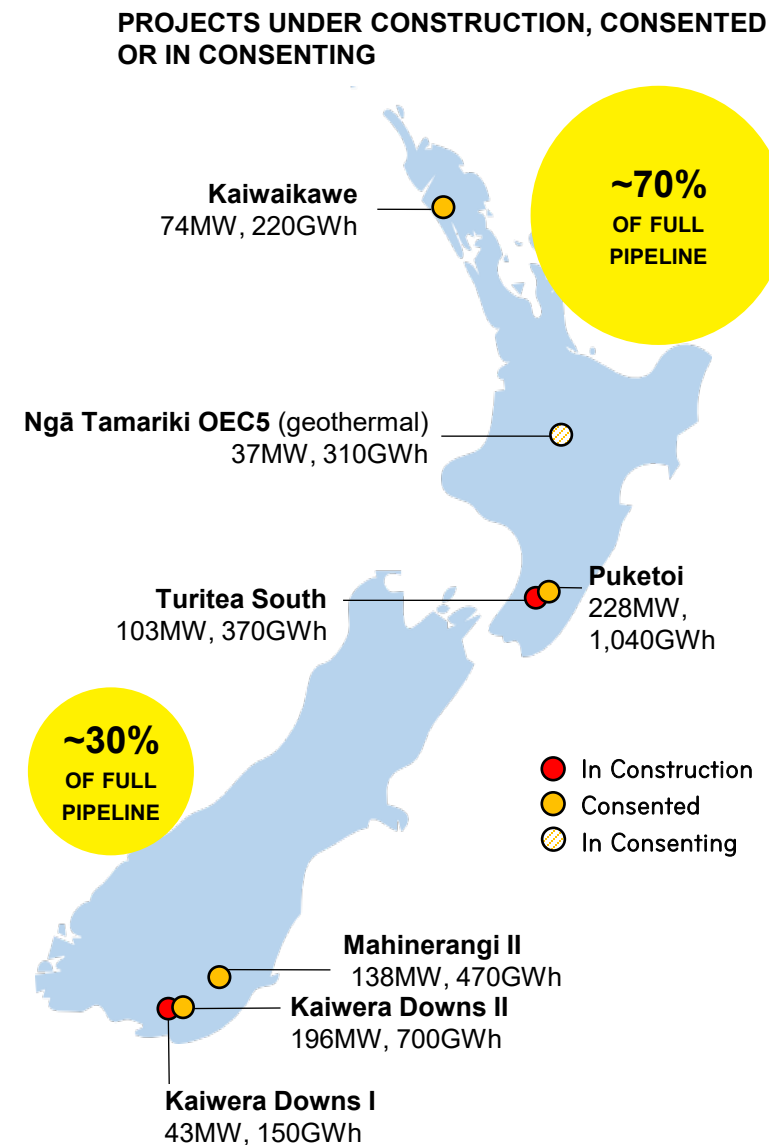


# WE HAVE A LEADING PLATFORM FOR GROWTH

**Growing and diversified pipeline of >2,000MW and >8,000GWh  
Equivalent in size to Mercury's existing generation portfolio**



- > Flexibility to respond to changing market conditions with premium projects secured, a pipeline of projects at various stages of readiness, and an ability to scale up and accelerate through partnership.



# Future Ready Retail & Integration

**CRAIG NEUSTROSKI**  
GM Commercial Operations

15 March 2023

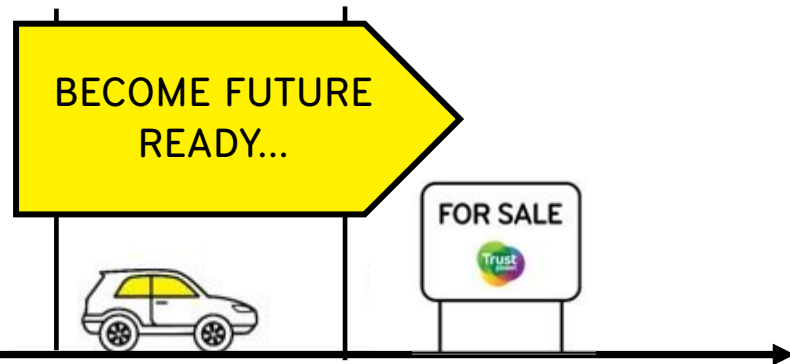
**FIONA SMITH**  
GM Customer Operations

**NICK PUDNEY**  
Head of Integration





# OUR JOURNEY TO FUTURE READY



> We purchased Trustpower to **accelerate our retail strategy** and journey to become a Future Ready organisation...

- New Zealand's largest multi-utility business
- Capability to deliver multiple products and services
- Provides scale efficiency to reinvest in technology



# MERCURY RETAIL

> Our focus has been on bringing two businesses together while also maintaining momentum.



## Retail integration programme

- > Single Retail Leadership Team
- > Optimised across brands
- > Early synergies have been delivered



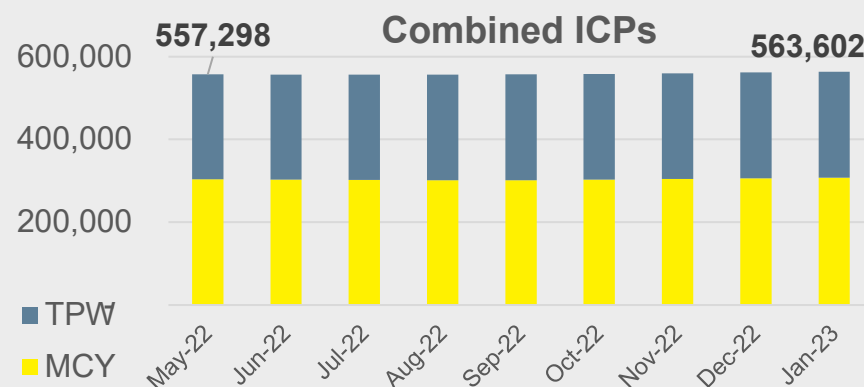
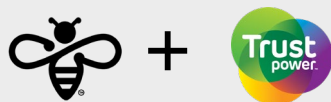
## Stable/Modest growth in electricity connections

- > Electricity ICP churn at 16% (annualised).
- > Customer churn at 11% (annualised).

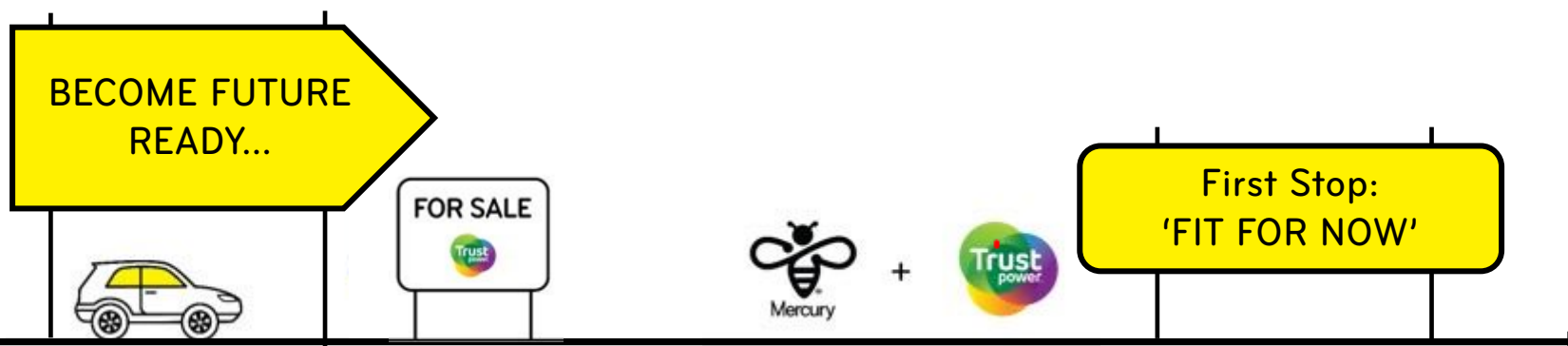


## Completed acquisition of NOW NZ

- > 25K Broadband connections
- > 70 employees



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- New Zealand's largest multi-utility business
- Capability to deliver multiple products and services
- Provides scale efficiency to reinvest in technology

> 'Fit For Now' is about creating a **common operating model...**

## That delivers:

- One brand
- Customers migrated onto a one tech stack (Gentrack and Salesforce at the core)
- One succeeding culture, supported by adaptive ways of working

## And enables:

- Decommissioning of duplicate technologies
- Realising synergies



# DELIVERY OF SYNERGIES ON TRACK

- > On track to realise forecast cost synergies (Opex and Capex) over 3-year period

**\$35m**

**\$10m** of synergies to be realised in year 1 through:

- > Corporate shared services
- > Technology
- > Core retail business activity

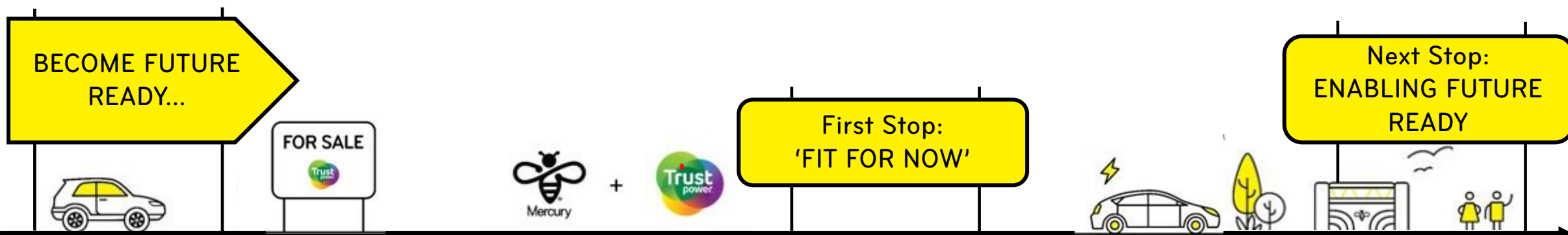


Additional synergies to be realised through FY24-FY25 from:

- > Shift to Common Operating Model
- > Retirement of duplicate technologies
- > Becoming Future Ready



# OUR JOURNEY TO FUTURE READY



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## And enables:

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- Realising synergies

> **Fit For Now** is the springboard to focusing on **Enabling Future Ready**

- Iterative investment into future-fit technology platforms
- Automation and robotics
- One succeeding culture



# ENABLING FUTURE READY

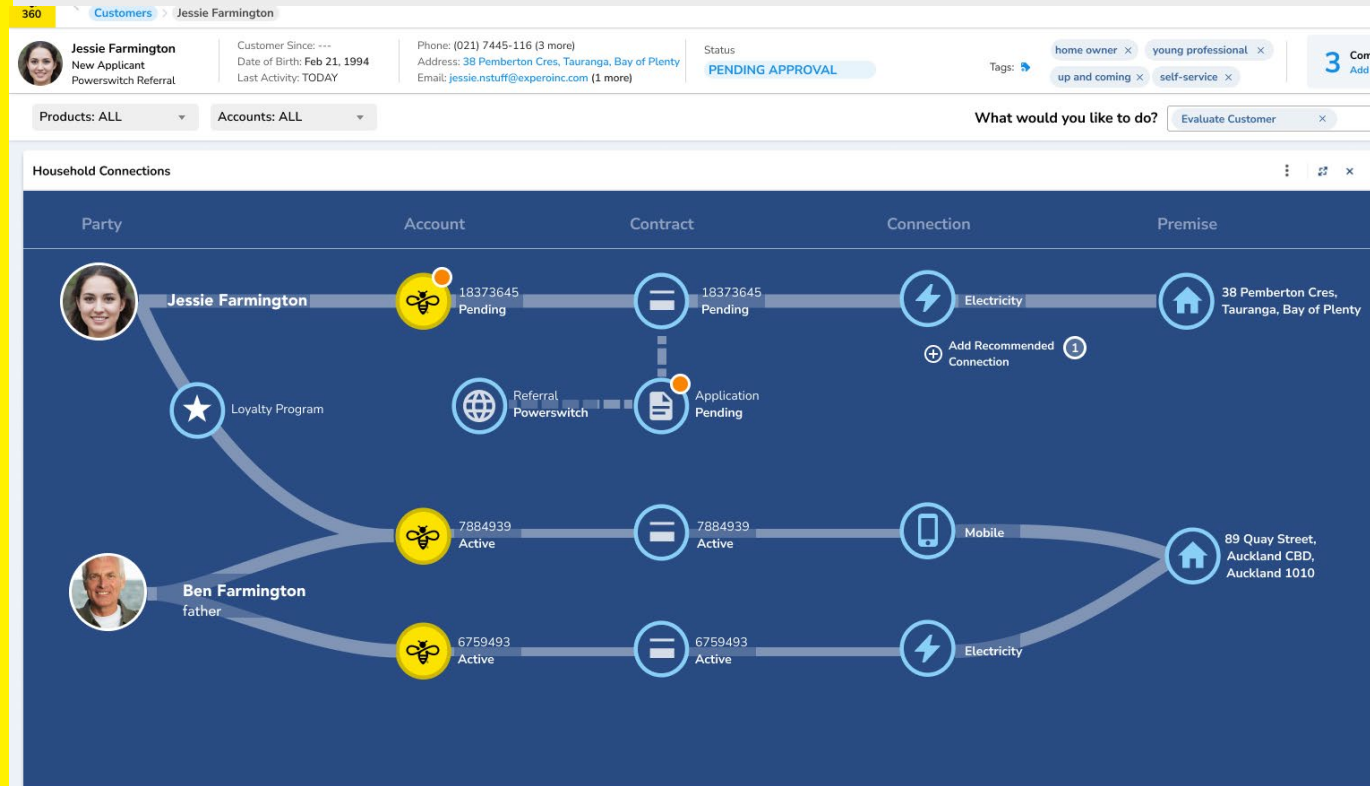
We have a clear focus over the next two years...

Two-year programme of transformation:

- > enhance our capability to **continuously deliver propositions** which are relevant & compelling
- > improving **Customer Experience (CX)** through insight & personalisation
- > leveraging **digital technology** to gain efficiencies
- > **building adaptive capability** across our people

Delivering:

- > customer experience relevancy driving **tenure and advocacy**
- > reduced risk of disruption by creating a **more dynamic & capability deep organisation**
- > an efficient **cost to serve**
- > a **fit for future** workforce



*Using technology, data and insights, we have an opportunity to improve customer experience and personalisation*



*Note: all data depicted in this image is fictional*



# TANGIBLE BENEFITS FROM SMART INVESTMENTS

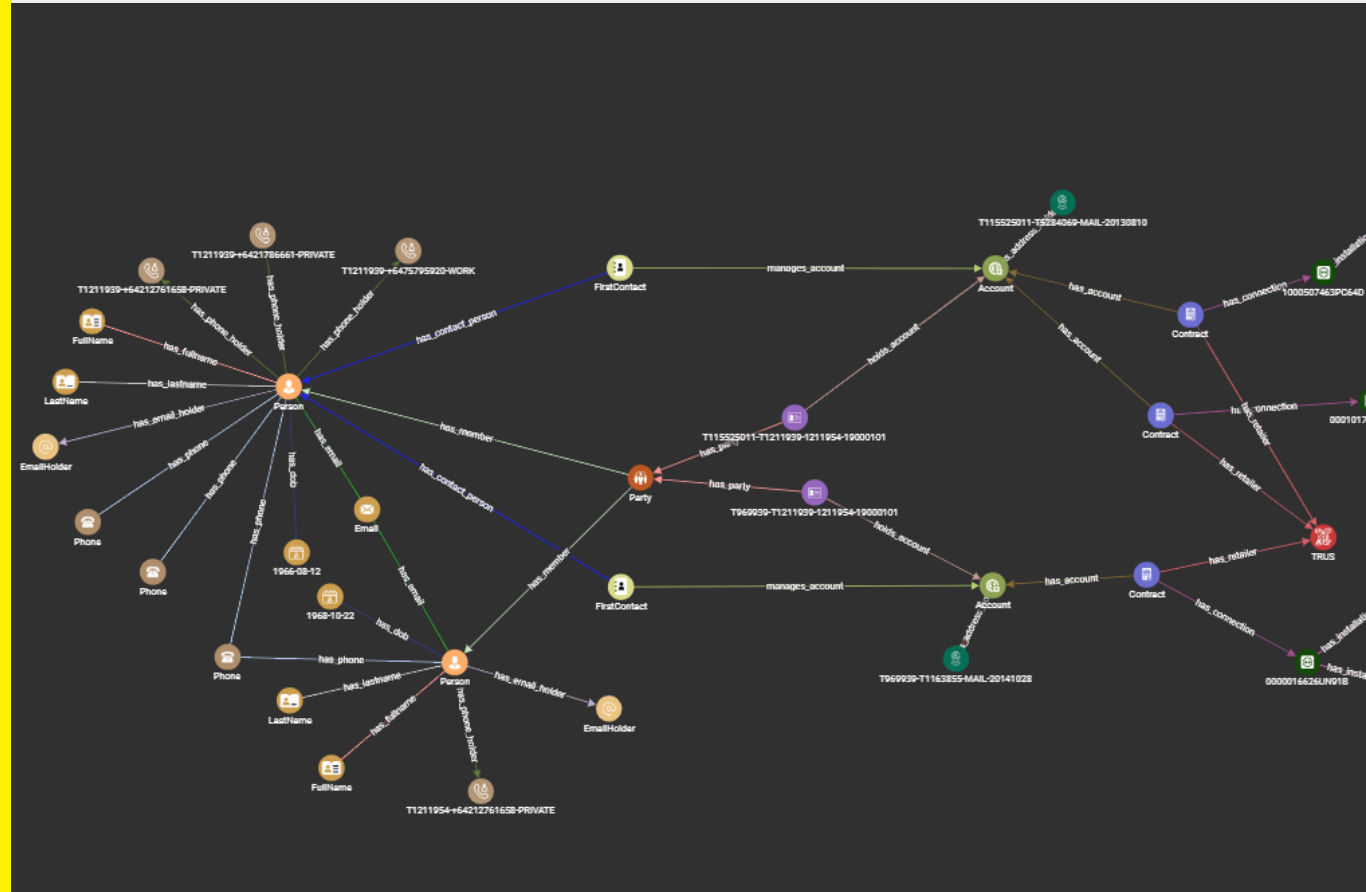
Enabling Future Ready means investing in the right places...

Technology:

- > **Digital customer:** Social connections matter more than ever
- > **Next best action:** Insight gathering bots
- > **Open AI language tools:** ChatGPT (friend or foe)
- > **Digital interventions:** Reduce human interventions
- > **Customer lifecycle:** Insight = Ongoing Relevancy

One succeeding culture:

- > **Adaptive delivery models:** Test & Learn
- > **Capability:** Fit for future work force
- > **Crowd sourced capability:** The power of the whole



*Using technology, data and insights, we have an opportunity to provide cross-selling opportunities and increase loyalty*



*Note: all data depicted in this image is fictional*



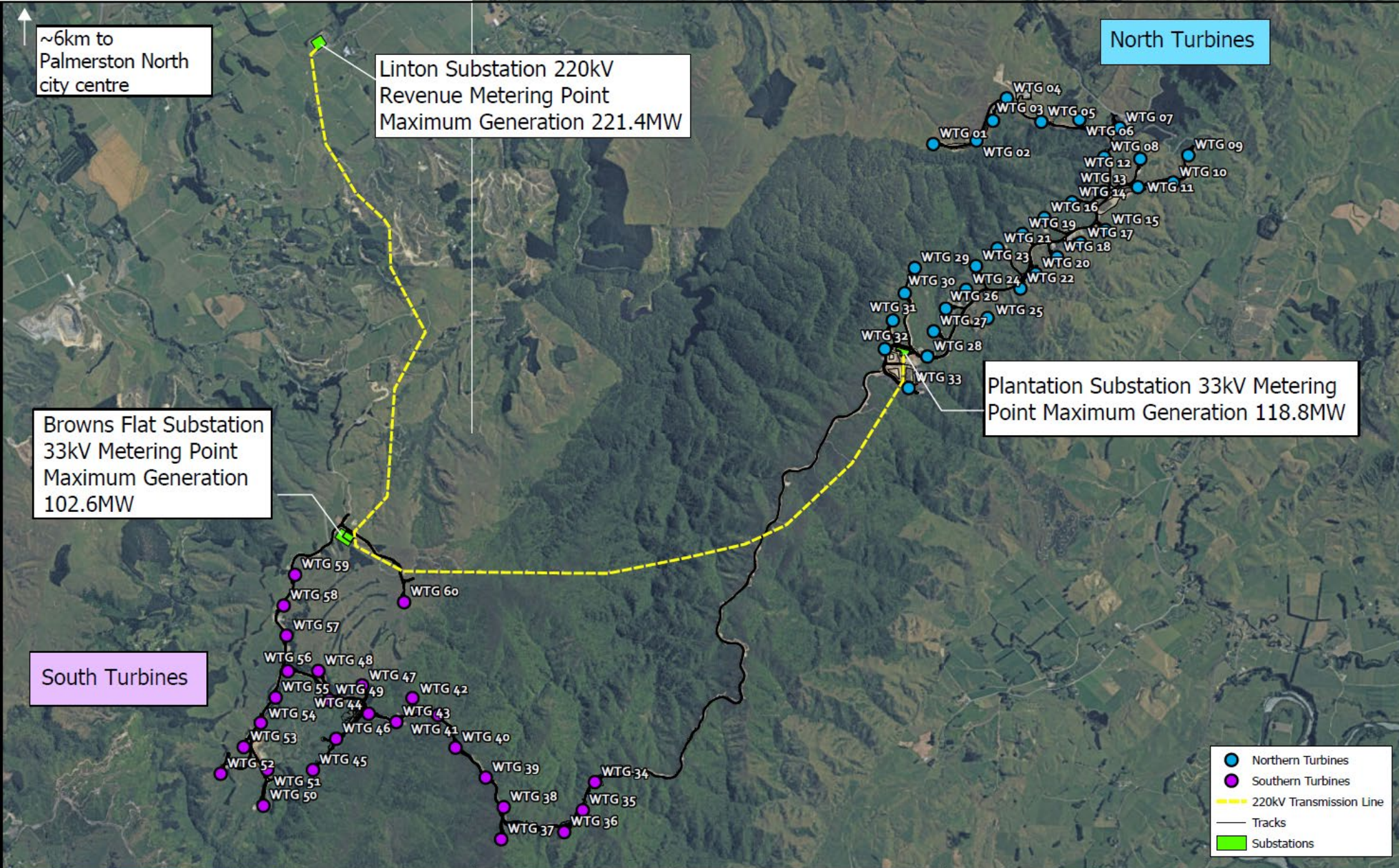


# Turitea Wind Farm

Investor Day Site Visit – Thursday 16 March 2023







**2005**

**Early investigations and feasibility**

**2011**

**Consented, after which the project was paused**

**2017**

**Restarted following turbine technology and market developments**

**2019**

**Contracts signed and construction started**

**Jan 2022**

**Turitea North (33 WTGs) fully online**

**April 2023**

**Turitea South (27 WTGs) commissioning**





# TRANSMISSION LINE



## TRANSMISSION LINE

**12 km, 220kV  
20 poles, 18 towers  
(8 by helicopter)**

**Grid connection at  
Transpower's Linton  
substation**

**Double circuit line,  
current configured  
into a single circuit**

**Constructed by  
Electrix under a  
Design-Build  
contract**

**2 Substations –  
Plantation in the  
North, Browns Flat in  
the South**

**Built to allow  
expansion for future  
projects i.e. Puketoi**





# WIND FARM



# WIND FARM

**North – 119MW, 33x3.6MW  
South – 103MW, 27x3.8MW**

**Vestas V112. 125m tip  
height, 69m WTG hub  
height, 55m blades**

**1M hours - TRIFR 10.7  
~160 sediment and  
erosion control devices  
Lizards, bats and birds**

**842GWh Output  
North – 470 GWh  
South – 372 GWh**

**25km of roading  
42km of 33kV cable**

**25 year service and  
availability contract with  
Vestas**





# WIND FARM CONSTRUCTION - FOUNDATIONS





# WIND FARM CONSTRUCTION – FOUNDATION AND HARDSTAND





# WIND FARM CONSTRUCTION – TOWERS AND TURBINES





# WHAT WE'VE LEARNED





# WIND FARM TOUR – THURSDAY 16 MARCH

Please ensure you have:

- > Covered shoes - safety shoes/boots if you have them.
- > Wrist to ankle clothing.
- > Jacket/layers.
  
- > Hard hats, safety glasses and vests will be provided.
- > Completed Turitea Water Catchment Reserve Health Declarations (if not already completed).
- > 8:30 a.m. pickup from your accommodation.



