



STOCK EXCHANGE LISTINGS: NZX (MCY) / ASX (MCY)

## NEWS RELEASE

### **Mercury boosts renewables investment, committing to expansion of Kaiwera Downs wind farm**

**7 June 2024** – Mercury NZ Limited has today confirmed it will proceed with the expansion of the Kaiwera Downs wind farm near Gore, following a long-term agreement signed with New Zealand Aluminium Smelters last week.

#### **Key highlights**

- > Capital expenditure of \$486 million for the project brings Mercury's total FY24 commitment to new renewables over \$700 million.
- > Once completed, the 155 MW project (525 GWh pa) will generate enough electricity to power the equivalent of ~73,000 homes per year.
- > It will bring the total capacity of the Kaiwera Downs wind farm to 198 MW, the second largest in New Zealand.
- > Construction is expected to start in June 2024 and reach full generation by the end of calendar year 2026. Construction contracts are now executed but remain conditional on Mercury issuing Notice to Proceed (NTP). The only condition to issuing NTP is the Electricity Authority approving the remaining NZAS supply contracts.
- > We expect to issue NTP to all contractors in June once regulatory approvals have been granted.

"We're excited to start another project that will help Aotearoa New Zealand move to a lower-carbon future. We're committed to playing our part, and increasing New Zealand's renewables is a key way we can contribute," said Mercury's Executive GM Portfolio, Phil Gibson.

Mr Gibson said a strategic high-quality pipeline positioned Mercury well to help lead the transition to more renewables. The expansion of the Ngā Tamariki geothermal station is currently in construction, and the Kaiwaikawe wind farm near Dargaville is nearing Final Investment Decision.

"New Zealand's future is brighter because of the role of renewables, and we're keen to see more renewable generation projects delivered at the scale and pace required to meet New Zealand's climate change goals," said Mr Gibson.

"As we continue to grow, we want to be a positive part of all the communities we show up in. We know there are many in the Gore community who are deeply interested in this project, and we're committed to continuing to work with the community as we have with the first stage of Kaiwera Downs," said Mr Gibson.

"We take our duty of care extremely seriously, and do not underestimate the expectation of us to construct and operate in a responsible manner.

We acknowledge Hokonui Rūnanga, the local community and all stakeholders for their support and we look forward to continuing to work with our delivery partners, Vestas, Higgins, Electronet and all other sub-contractors engaged in this project."

**ENDS**



**Howard Thomas**

General Counsel and Company Secretary  
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**ABOUT MERCURY NZ LIMITED**

Mercury generates electricity from 100% renewable sources: hydro, geothermal and wind. We are also a retailer of electricity, gas, broadband and mobile services. We're listed on the New Zealand Stock Exchange and the Australian Stock Exchange with the ticker symbol 'MCY', with foreign exempt listed status. The New Zealand Government holds a legislated minimum 51% shareholding in the Company.

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

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# Kaiwera Downs Stage 2 Investment.

NZAS commitment to NZ paves the way for the expansion of Kaiwera Downs wind farm

7 June 2024



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# MERCURY COMMITS TO THE EXPANSION OF KAIWERA DOWNS WIND FARM.



## NZAS agreement paves the way for Kaiwera Downs expansion



Mercury has signed a long-term agreement for up to 20 years with New Zealand Aluminium Smelters. We are pleased to have played a role in supporting NZAS' commitment to operating in New Zealand



Mercury has committed to the construction of Kaiwera Downs wind farm expansion, a 155 MW and 525 GWh per annum generation development project near Gore<sup>2</sup>



First generation is expected by mid CY26 and full generation by the end of CY26. This expansion will bring the total capacity of the Kaiwera Downs wind farm to 198 MW or 672 GWh. NZ's second largest wind farm



Forecast capital expenditure<sup>1</sup> of \$486 million brings Mercury's total FY24 commitment to new renewables to over \$700 million with the geothermal expansion at Ngā Tamariki announced in Sep-2023



A multi-contract delivery approach will be utilised, similar to the first stage wind farm which was completed in Nov-23 on time and under budget. Stage one is a 43MW wind farm with annualised generation of 147GWh



New Zealand's future is brighter because of the role of renewables. The electricity sector is undergoing transformational growth, we're excited to be at the forefront of this

<sup>1</sup>Capital cost excludes capitalised interest and sunk costs

<sup>2</sup>Construction contracts are now executed but remain subject to the Electricity Authority approving the remaining NZAS supply contracts

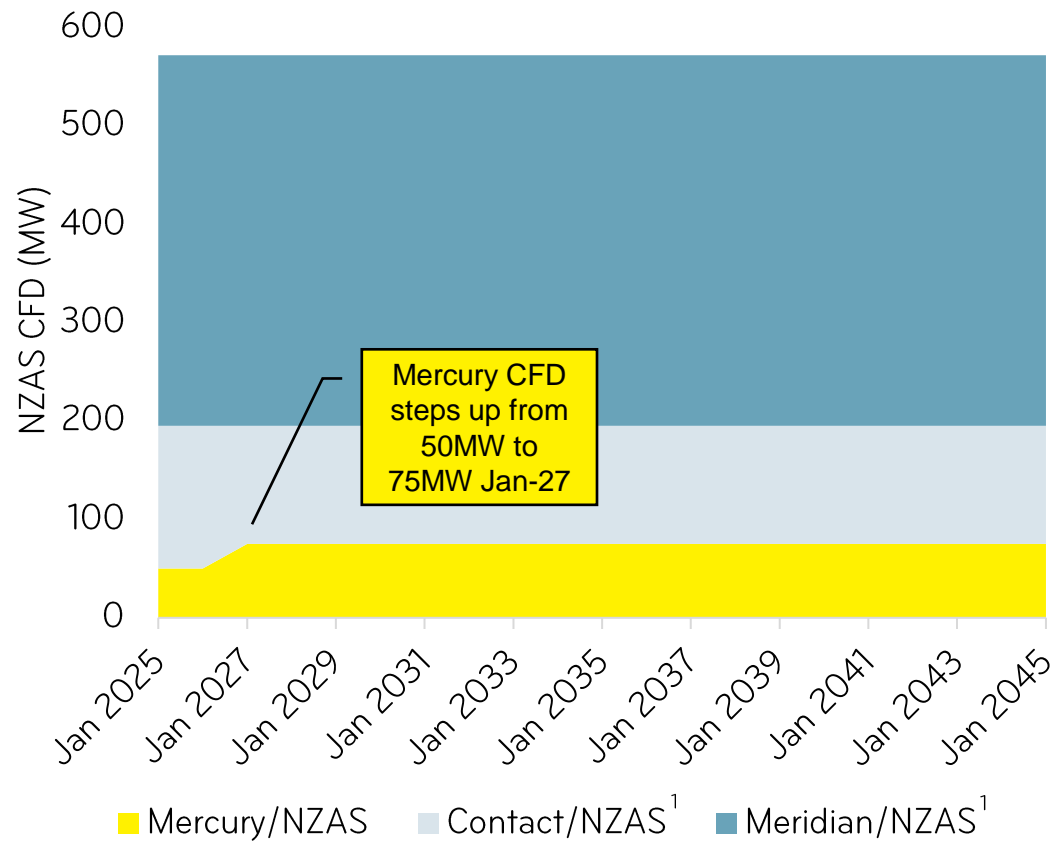


# LONG-TERM CFD WITH NZ ALUMINIUM SMELTER IN SUPPORT OF THE PROJECT.



Mercury's CFD pricing is equivalent to firmed renewables

Key messages



- Mercury has signed a long-term agreement for a CFD with New Zealand Aluminium Smelters in support of the project. The agreement will take effect from 1 January 2025 for a period of 20 years, with baseload volume stepping up from 50MW to 75MW in 2027
- A CFD is a long-term financial agreement between an electricity generator and buyer at an agreed price
- Mercury's CFD pricing is equivalent to firmed renewables, however pricing terms are confidential
- There are no restrictions on NZAS ability to on-sell any volume under the CFD and NZAS has a right to terminate (based on an annual termination cost) with 24 months' notice no earlier than 31 December 2034

<sup>1</sup> Estimated MW based on separate announcements by Contact and Meridian on 31 May 2024, excludes demand response



# HIGH QUALITY GENERATION INVESTMENT.



## The success of stage 1 paves the way for stage 2

Project Specification	Stage 2	Stage 1
Full Generation	Late 2026	November 2023
WTG Supplier	Vestas	Vestas
O&M Contractor / Term	Vestas / 30 years	Vestas / 30 years
Turbines	36 x V136-4.3MW	10 x V136-4.3MW
Turbine Tip Height / Tower Height	156m / 88m	145m / 77m
Rotor Diameter	136m	136m
Total Capacity	155 MW	43 MW
Net Capacity Factor	38.7%	39.0%
P50 Yield	525 GWh pa	147 GWh pa
Capital Cost <sup>1</sup>	\$486m	\$112m
Sunk Costs	\$5m	
Total Operating Costs <sup>2</sup> (First full year pa)	\$17.3/MWh	\$22.5/MWh
EBITDAF Impact (First FY)	\$43m	\$15m
LCOE <sup>3</sup> at Gore (real)	~\$82/MWh	~\$64/MWh

<sup>1</sup> Capital cost excludes capitalised interest and sunk costs

<sup>2</sup> Total operating costs include operating expenditure and direct costs

<sup>3</sup> Illustrative Levelised Cost of Electricity (LCOE) real at Gore based on an assumed 7% WACC

## Key messages

- Kaiwera Downs stage 2 (KD2) wind farm is a long dated high quality generation development option located in the Gore District 11km east of Mataura
- Resource consents were originally granted in 2008, extended in 2018 and a final amendment was received in July 2023 to increase the turbine tip height for KD2
- The Long Run Marginal Cost (LRMC) of KD2 is ~\$95/MWh (based on the LCOE of ~\$82/MWh real at Gore). This LRMC can be compared with the average baseload firmed wholesale price at Gore. Selling above this price for the life of the project would be sufficient to return a positive net present value. Refer to slide 9 for further information
- KD2 capital costs are relatively higher than KD1 due to higher civil costs (inflation), electrical works (substation and cabling) and foreign exchange impacts

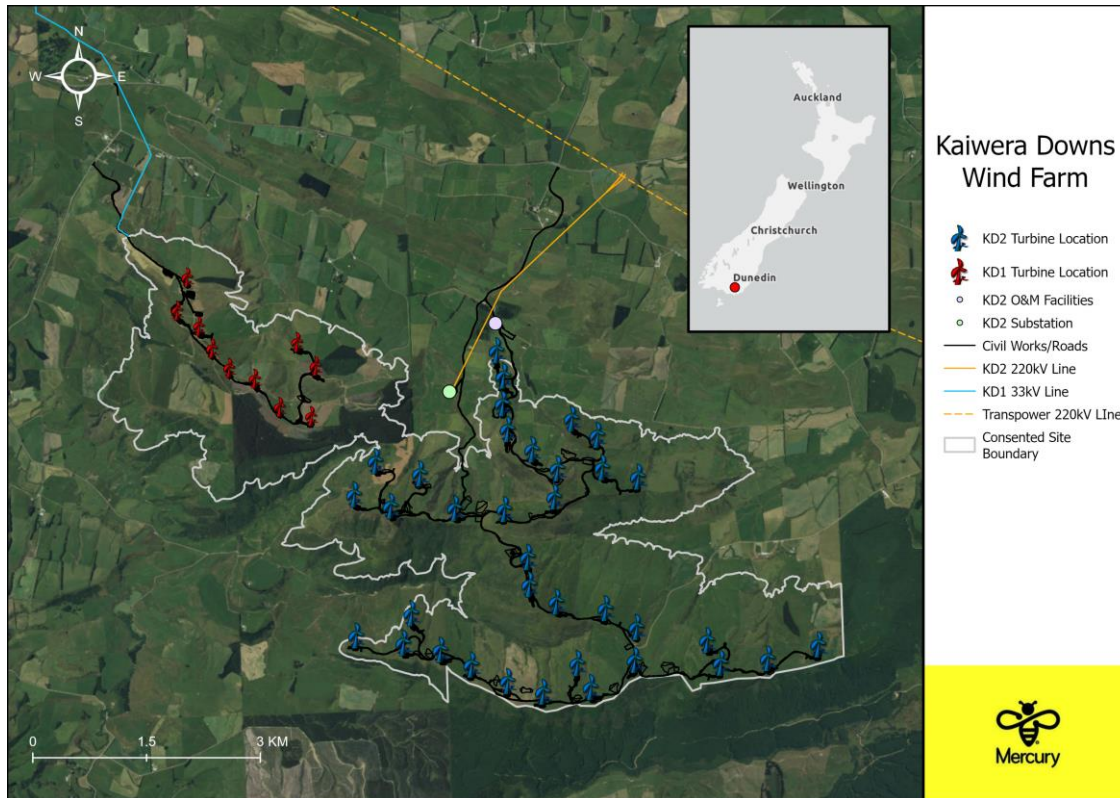




# KAIWERA DOWNS WIND FARM WILL BE THE SECOND LARGEST IN NEW ZEALAND.



## Kaiwera Downs Stage 1 and Stage 2 Layout



## Key messages

- Kaiwera Downs stage 2 wind farm does not share any infrastructure with the completed stage 1 wind farm.
- A 220kv transmission line and associated substation with 2 x 220kV transformers and switchroom connected to the Transpower 220kV network
- A multi-contract delivery approach, similar to the Kaiwera Downs stage 1 wind farm project





# HIGH QUALITY GENERATION PIPELINE.



## Kaiwaikawe wind farm progressing through Pre-FID

Project	Capacity (MW)	Generation (GWh pa)	Type & Location	Stage	Progress Comment
Ngā Tamariki OEC5	46	390 uplift	Geothermal near Reporoa	Construction	First generation late Cal-25
Kaiwera Downs II	155	525	Wind farm near Gore	Construction	First generation mid Cal-26 Full generation end of Cal-26
Kaiwaikawe	74	220	Wind farm near Dargaville	Pre-FID	FID anticipated in Cal-24
Beyond FY25					
Puketoi	228	1,080	Wind farm near Pahiatua	Pre-FID	Scheme optimisation and development work progressing
Mahinerangi 2	138	470	Wind farm near Dunedin	Consented	Development work progressing
Tararua repowering	60MW Uplift, to 221MW	270 uplift	Wind farm near Palmerston North	Pre Re-consenting	Developing the repowering strategy
Various other prospects	1500	~5,000	Various	Prospecting, Feasibility and Consenting	




## Key messages

- Construction of Ngā Tamariki OEC5 started in Apr-24
- We are continuing to assess Mahinerangi 2 wind farm project. Changes to turbine technology and regulation are likely to result in consent amendments
- Progress on various other prospects in different stages of development continues

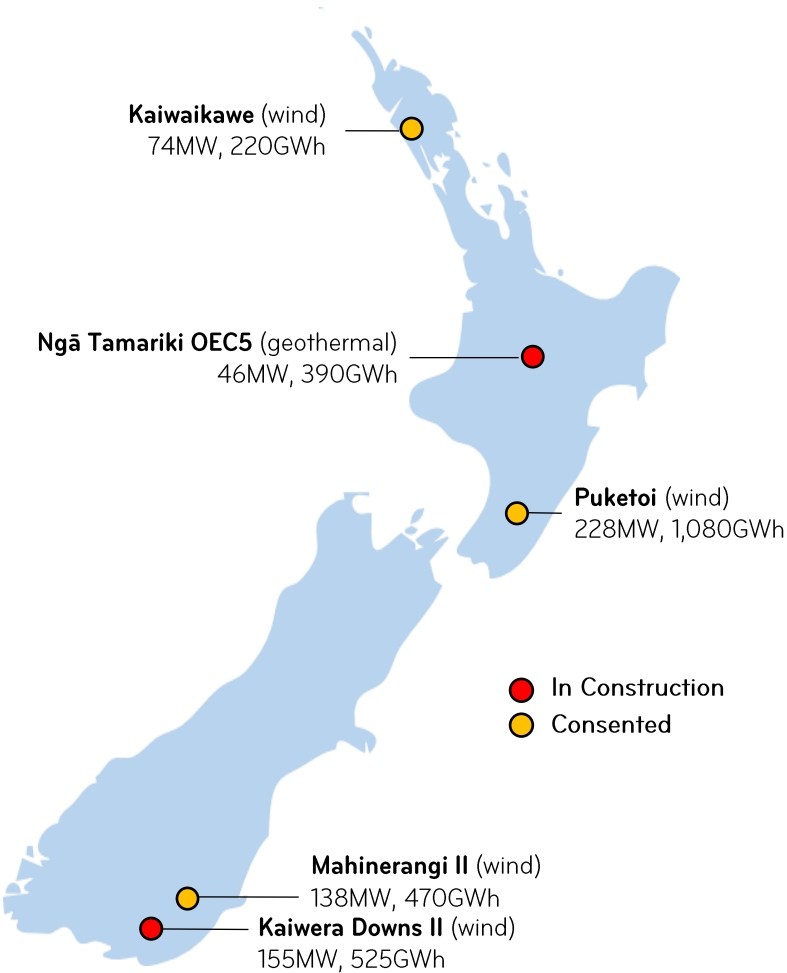


# STRONG GENERATION DEVELOPMENT PERFORMANCE.

## OUR TRACK RECORD

-  Turitea South wind farm fully operational in FY23, increasing annual generation on average by 370GWh
-  Kaiwera Downs stage 1 wind farm fully operational in HY24 increasing average annual generation by 147GWh. The project was on time and under budget
-  Committed to a 390GWh Ngā Tamariki geothermal expansion in HY24 with first generation expected late calendar 2025

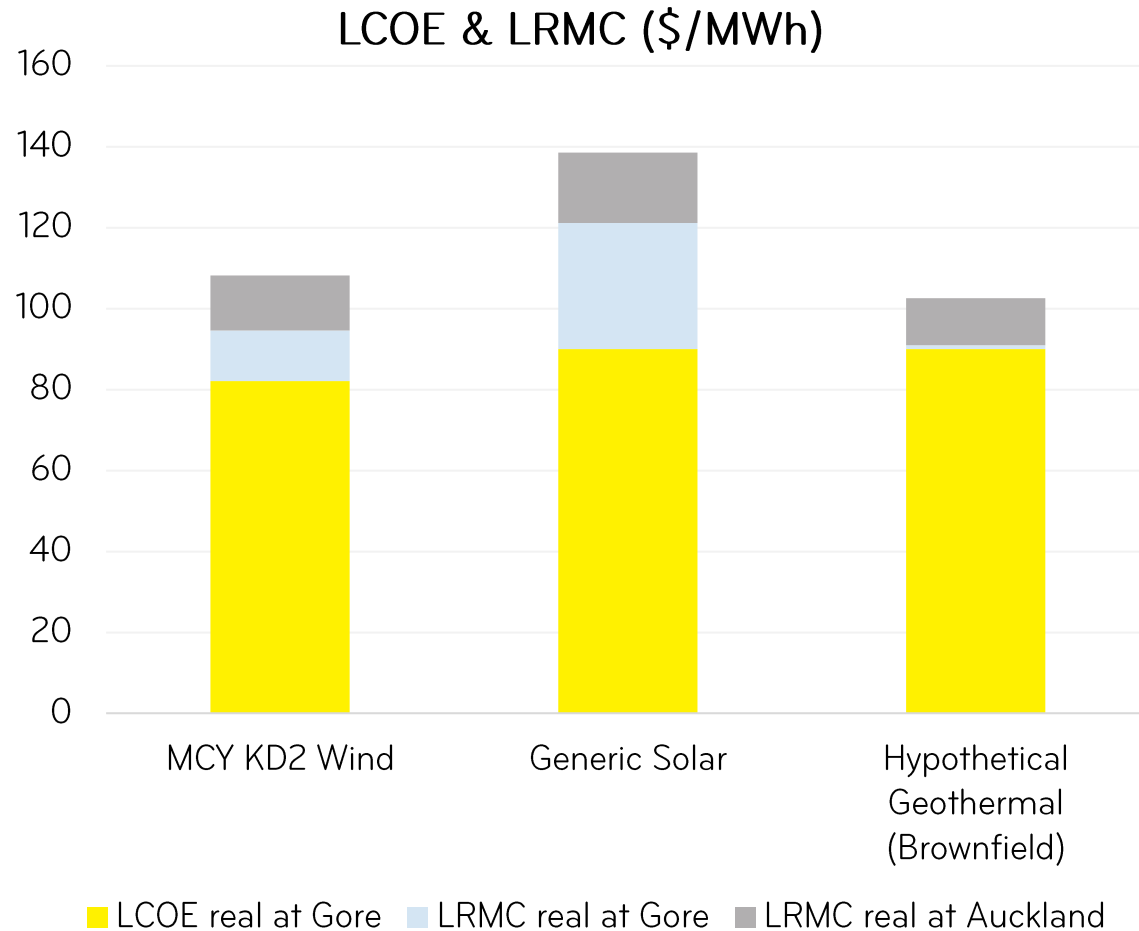
## PROJECTS UNDER CONSTRUCTION OR CONSENTED



# KAIWERA DOWNS IS A HIGH QUALITY INVESTMENT - LRMC AT AUCKLAND



## KD2 wind LCOE & LRMC relative to other technologies



## Key messages

- LCOE and LRMC (\$/MWh) information for generation projects can be difficult to interpret and benchmark across technologies and locations
- Our preferred benchmark is LRMC Real at Auckland. This can be benchmarked against a long-term wholesale price and any generation project across NZ at Auckland
- The chart highlights how LRMCs can differ materially across technologies even if developed at the same location
- LCOE real at Gore refers to the required year 1 average revenue (\$/MWh) to achieve WACC return, this considers long term inflation
- LRMC real at Gore refers to the required year 1 average spot price to achieve WACC return. This considers GWAP/TWAP profile over time
- LRMC real at Auckland reflects the location factor adjustment to scale the Gore grid price to Auckland



