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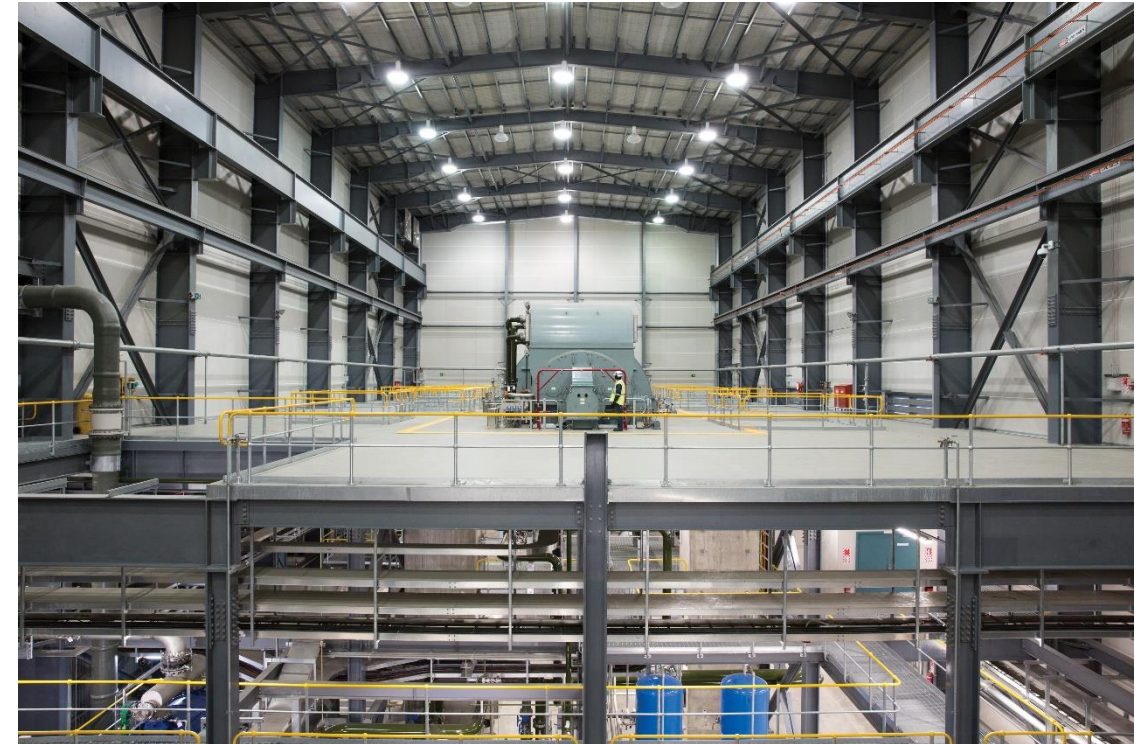
# Monthly Operating Report

October 2016

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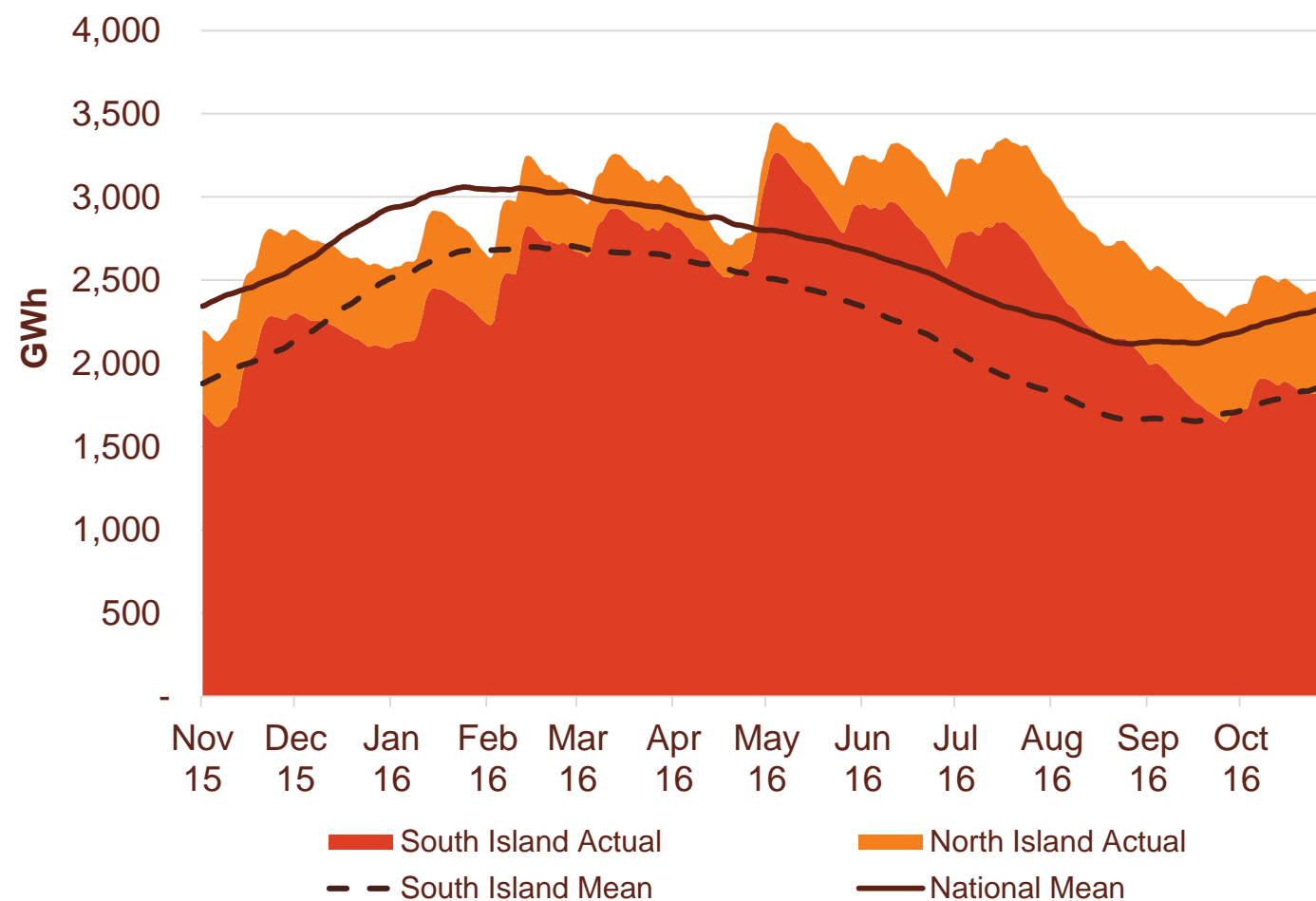
# October overview

- » For the month of October 2016 Contact recorded:
  - Electricity, gas and steam sales of 785 GWh (October 2015: 767 GWh)
  - Netback of \$76.41/MWh (October 2015: \$74.87/MWh) with a higher proportion of total sales through the C&I sales channel
  - Cost of energy was \$32.70/MWh (October 2015: \$27.11/MWh) on lower geothermal generation due to a scheduled outage at Te Mihi
- » Otahuhu futures settlement wholesale price for the 4th quarter of 2016 (ASX):
  - As at 11 November: \$54/MWh
  - As at 31 October: \$52/MWh
  - As at 30 September: \$57/MWh
- » As at the 14<sup>th</sup> of November 2016, South Island storage was 99% of mean (31 October: 105%) and North Island storage was 134% of mean (31 October: 130%)

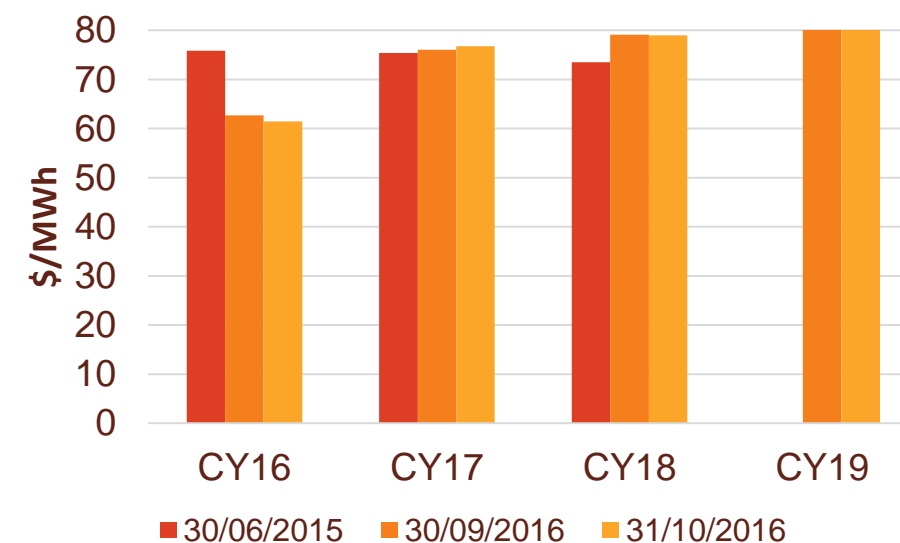


# Hydro storage and forward prices

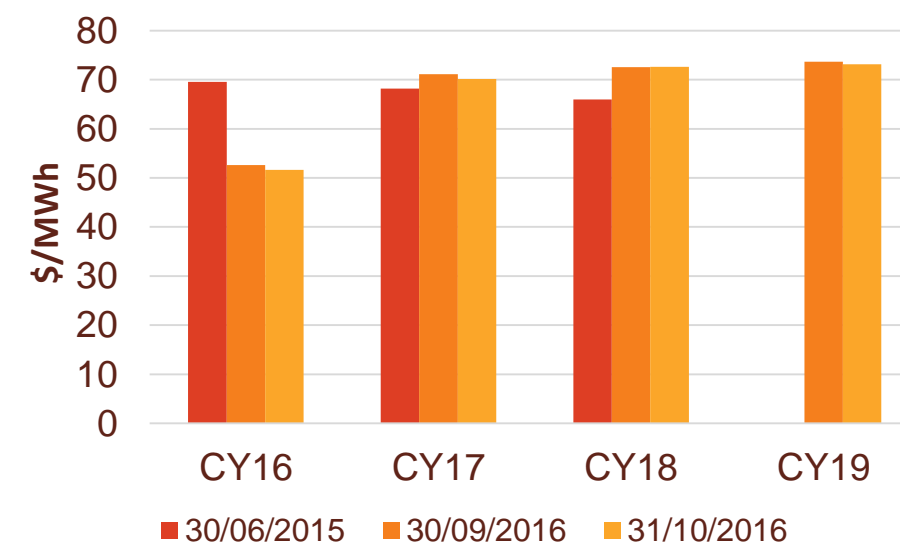
New Zealand hydro storage against mean



Otahuhu ASX futures settlement

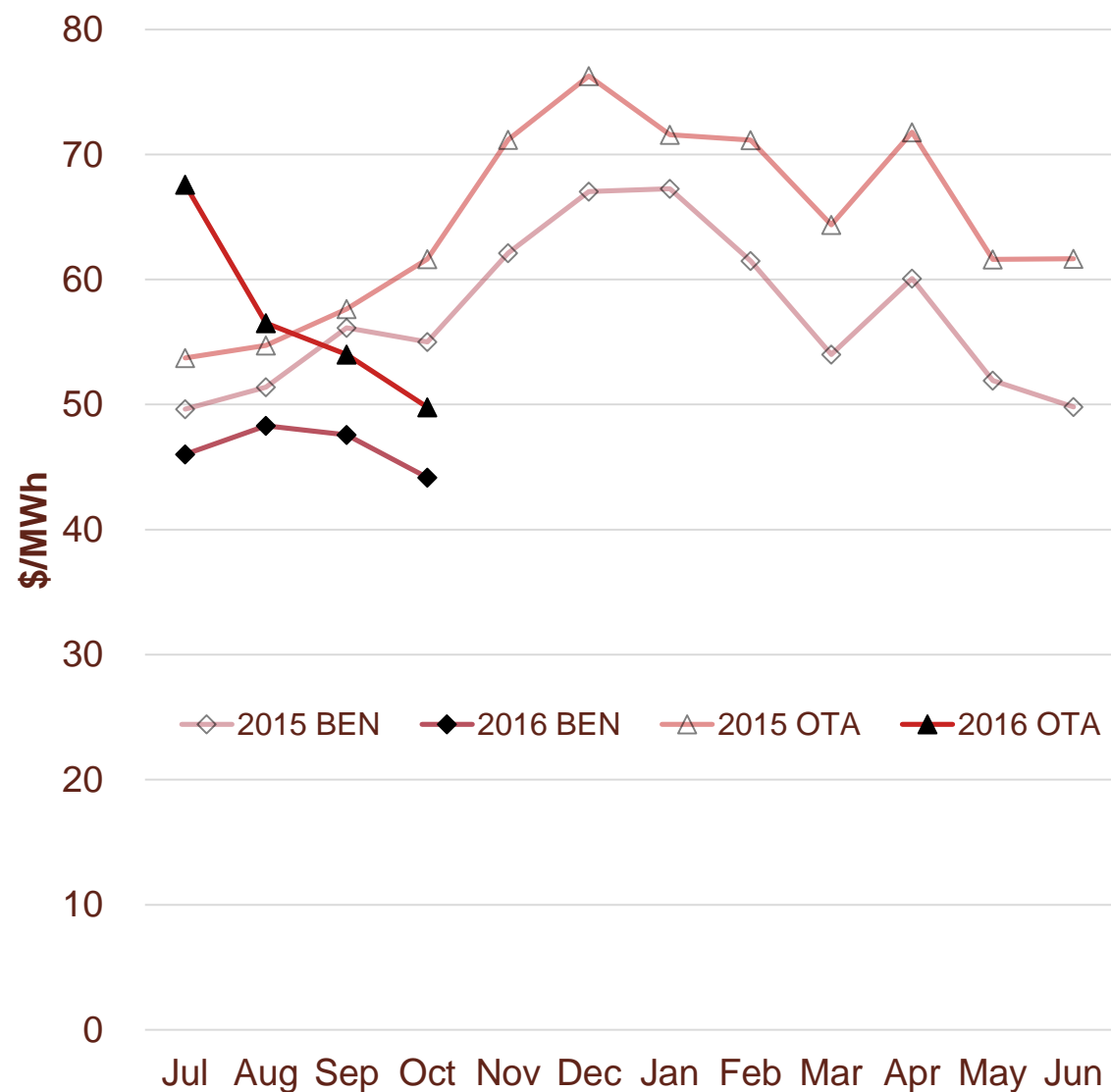


Benmore ASX futures settlement



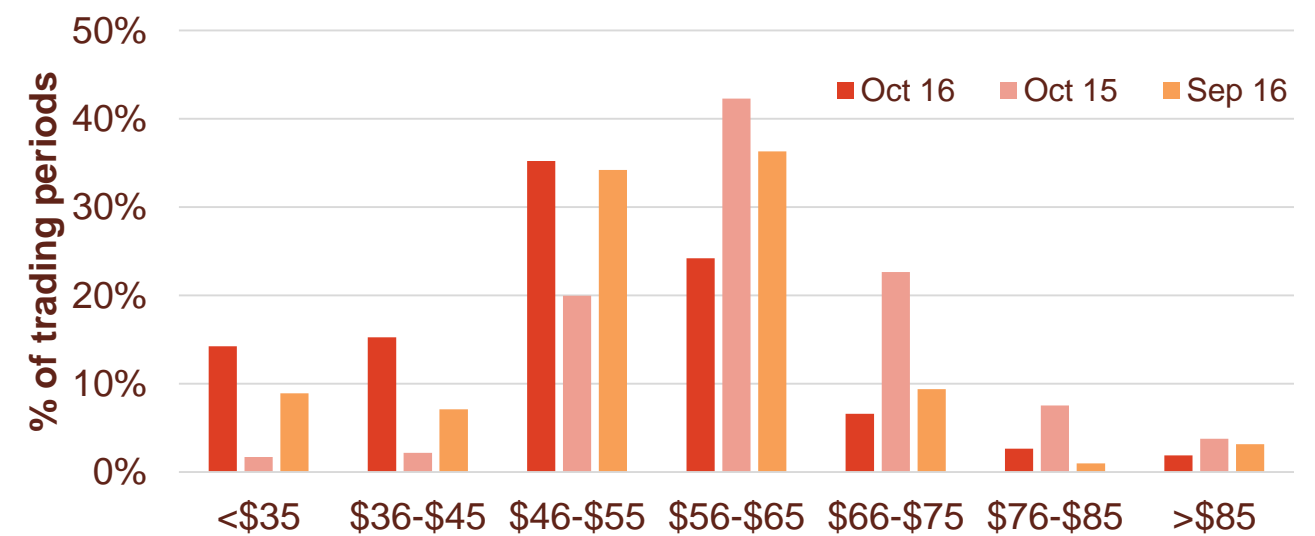
# Wholesale market

## Wholesale electricity pricing

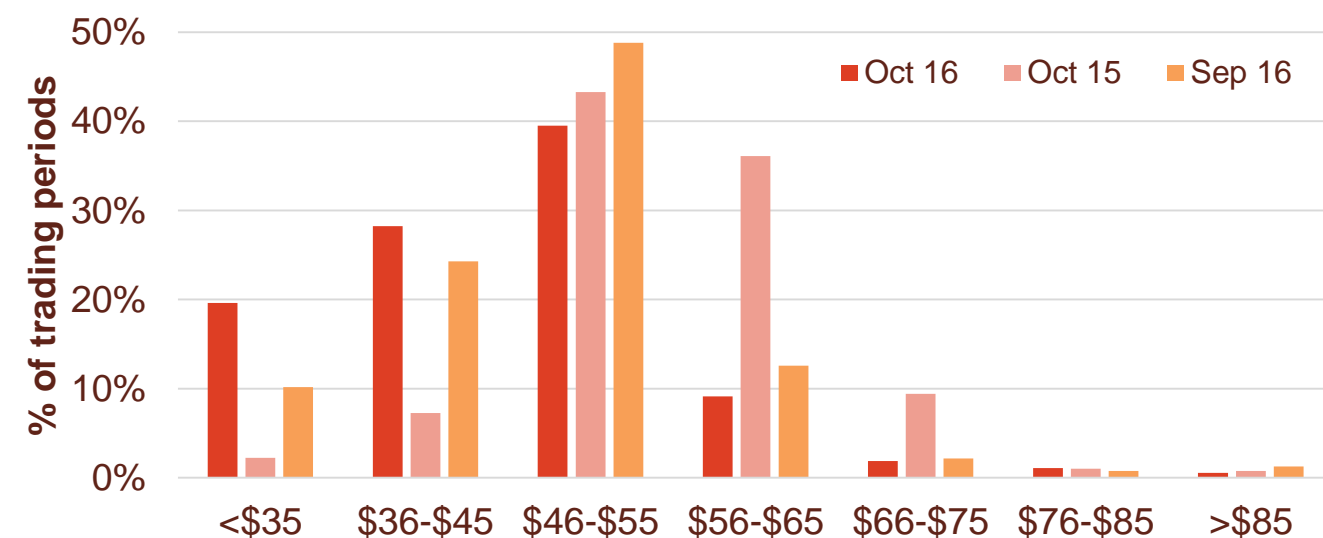


## Distribution of wholesale market price by trading periods

### Otahuhu node



### Benmore node

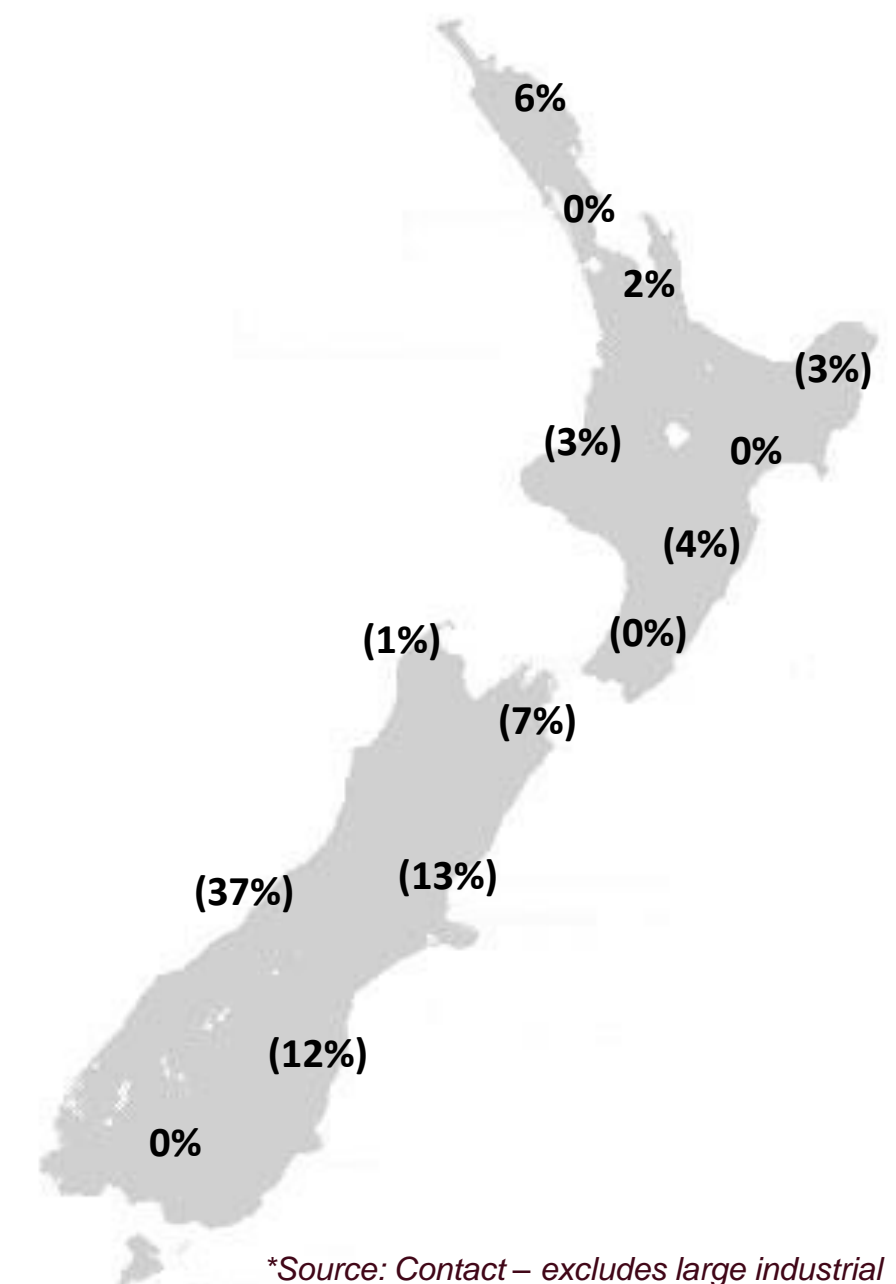
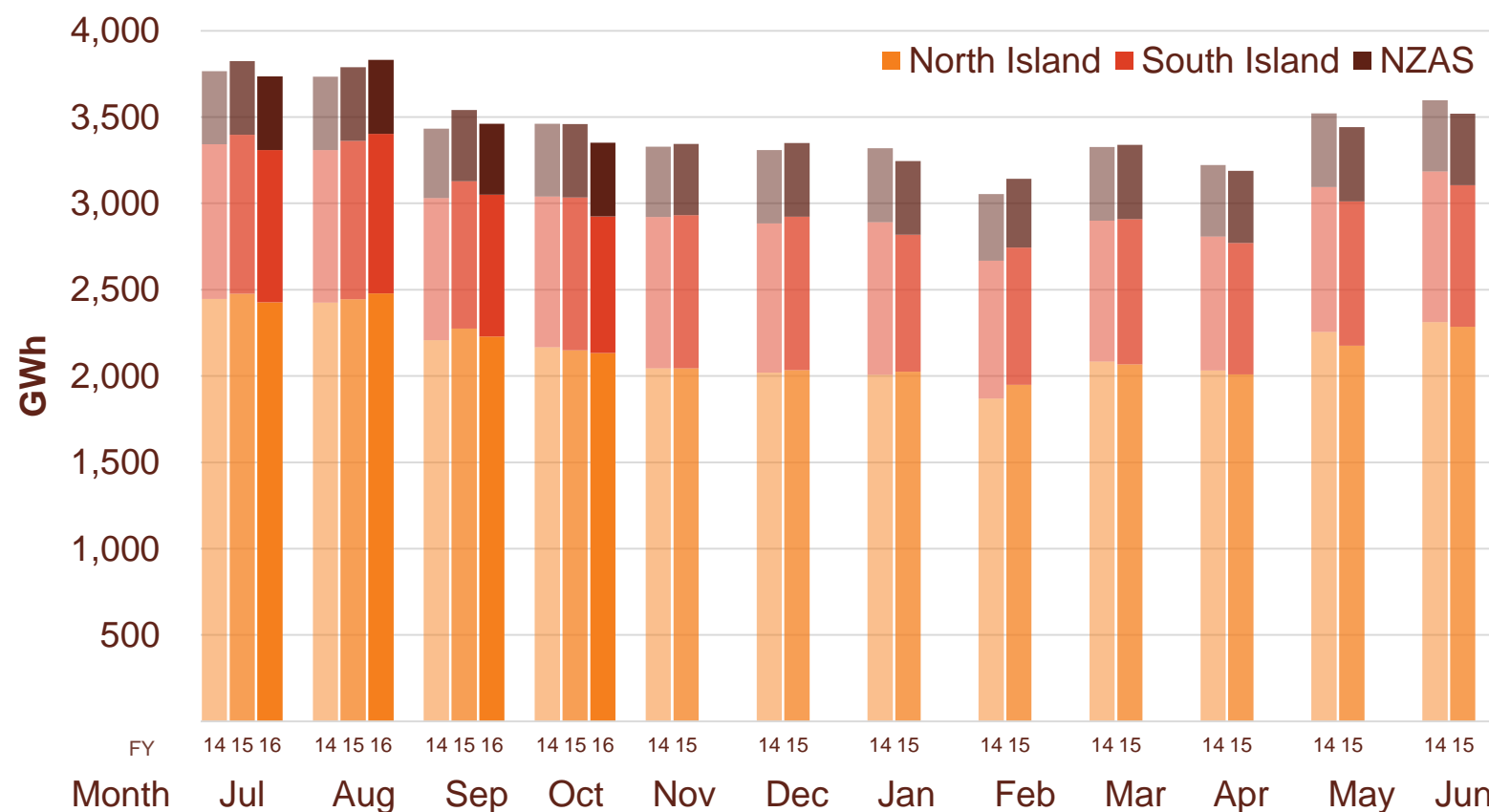


# Electricity demand

- » New Zealand electricity demand was down 3.1% on October 2015 (-3.2% on October 2014).
- Cumulative 12 months demand for November 2015 to October 2016 of 40,945 GWh is 0.8% lower than the prior comparative period.

## Regional demand change (%) on October 2015\*

### Total national demand (FY15, 16 and 17)

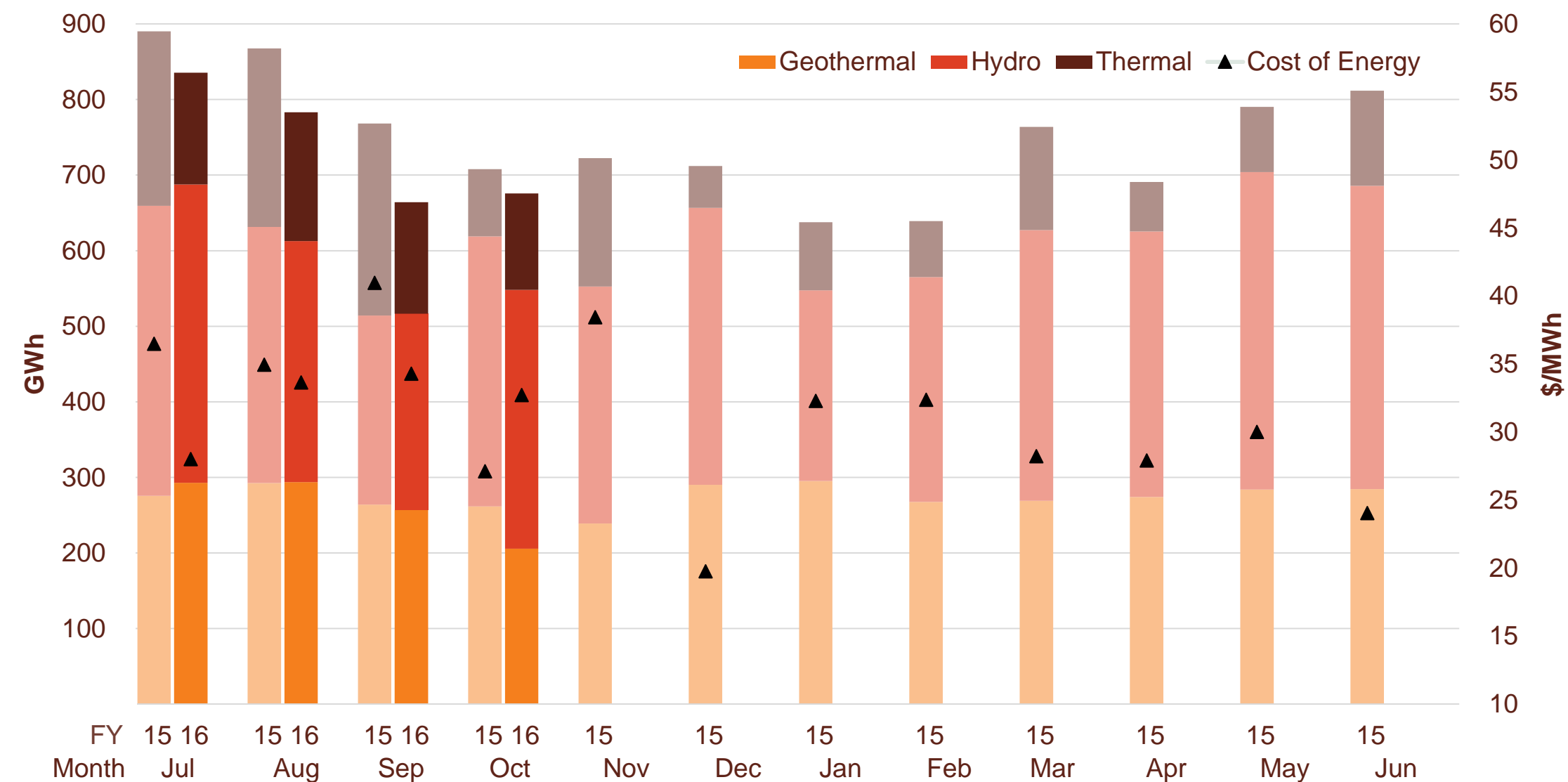


Source: Contact and Electricity Authority grid demand (reconciled) [www.emi.govt.nz](http://www.emi.govt.nz)

\*Source: Contact – excludes large industrial

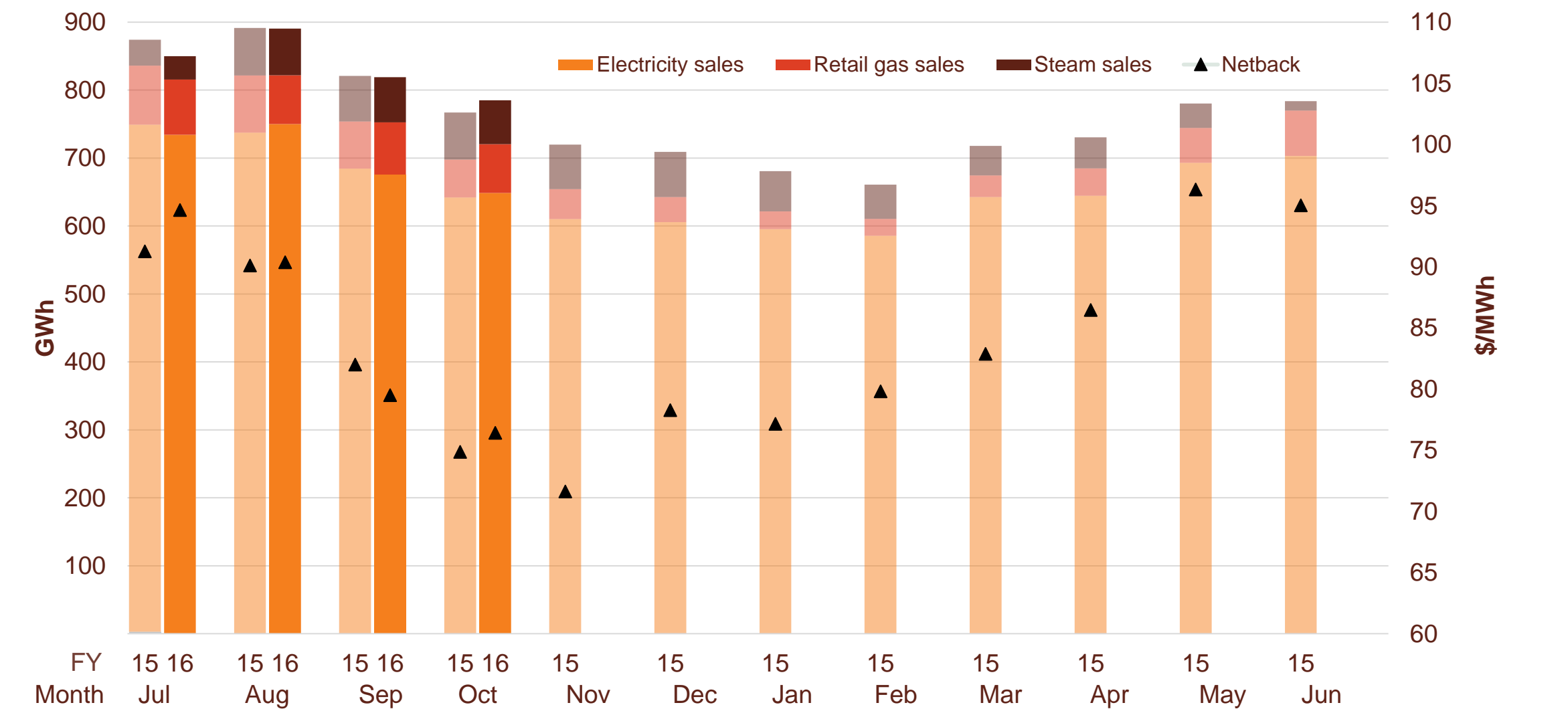
# Contact's generation performance

## Generation mix and cost of energy (FY16 and 17)



# Contact's retail performance

Retail sales volumes and netback (FY16 and 17)



# Contact's operational performance

Data		Measure	The month ended October 2016	The month ended October 2015	The month ended September 2016	Four months ended October 2016	Four months ended October 2015
Netback	Mass market electricity sales	GWh	301	309	330	1,420	1,490
	Commercial & industrial electricity sales	GWh	348	333	345	1,389	1,320
	Retail gas sales	GWh	72	56	77	302	296
	Steam sales	GWh	65	69	66	234	244
	Total retail sales	GWh	785	767	819	3,344	3,351
	Average electricity sales price	\$/MWh	173.49	174.45	178.35	183.81	186.46
	Electricity direct pass through costs	\$/MWh	(76.06)	(76.78)	(76.01)	(76.54)	(77.48)
	Electricity and gas cost to serve	\$/MWh	(12.61)	(16.07)	(13.57)	(12.34)	(14.23)
	Netback	\$/MWh	76.41	74.87	79.50	85.31	84.93
	Electricity line losses	%	5%	4%	5%	5%	5%
	Retail gas sales	PJ	0.2	0.2	0.2	1.0	1.0
	Electricity customer numbers <sup>1</sup>	#	423,000	423,000	423,000		
	Gas customer numbers <sup>1</sup>	#	62,500	61,000	62,500		
Cost of energy	Thermal generation	GWh	128	89	148	594	810
	Geothermal generation	GWh	205	262	257	1,048	1,094
	Hydro generation	GWh	343	357	260	1,316	1,330
	Spot market generation	GWh	676	708	664	2,959	3,234
	Spot electricity purchases	GWh	670	658	699	2,918	2,930
	CfD sales/(purchases)	GWh	(5)	(12)	(79)	(79)	22
	GWAP	\$/MWh	45.35	55.83	50.08	50.48	54.11
	LWAP	\$/MWh	(49.73)	(60.65)	(53.57)	(55.67)	(57.84)
	LWAP/GWAP	%	110%	109%	107%	110%	107%
	Gas used in internal generation	PJ	1.3	1.1	1.5	6.0	7.4
	Gas storage net movement <sup>2</sup>	PJ	(0.1)	0.0	(0.5)	(1.33)	(1.16)
	Unit generation cost	\$/MWh	(33.48)	(29.98)	(35.41)	(32.45)	(36.48)
	Cost of energy	\$/MWh	(32.70)	(27.11)	(34.29)	(32.16)	(35.02)
LPG	LPG sales	tonnes	5,623	5,451	6,477	26,867	26,787
	LPG customer numbers (includes franchises) <sup>1</sup>	#	75,500	72,000	76,000		

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



# Glossary of terms

## Netback

Measures the performance of the retail 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

*Add:* Revenue from steam 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 energy supply business.

Cost of energy reflects the total operational costs of supplying the energy sold. It does not include any capital return expectations.

Wholesale electricity revenue from our generating assets

*Less:* Electricity purchase costs from the wholesale market to supply customers

*Less:* Electricity transmission costs and levies

*Less:* Gas and diesel purchase costs

*Less:* Gas transmission costs and levies

*Less:* Carbon emissions costs

*Less:* Generation operating costs and head office allocation

Netback and cost of energy is divided by the total retail sales volumes (electricity, gas and steam sales) to be expressed as \$/MWh

# Keep in touch

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