

Tuesday, 24 January 2017

ERM POWER ANNOUNCES LGC FULFILMENT PLAN FOR 2016

Please find attached a release on the above subject.

A handwritten signature in grey ink, appearing to read "Phil Davis".

Phil Davis
Group General Counsel & Company Secretary
ERM Power Limited

About ERM Power

ERM Power is an Australian energy company operating electricity sales, generation and energy solutions businesses. The Company has grown to become the second largest electricity provider to commercial businesses and industrials in Australia by load, with operations in every state and the Australian Capital Territory. A growing range of energy solutions products and services are being delivered, including lighting and energy efficiency software and data analytics, to the Company's existing and new customer base. ERM Power also sells electricity in several markets in the United States. The Company operates 497 megawatts of low emission, gas-fired peaking power stations in Western Australia and Queensland.

www.ermpower.com.au

Tuesday, 24 January 2017

ERM POWER ANNOUNCES LGC FULFILMENT PLAN FOR 2016

ERM Power Ltd [ASX: EPW] today announced it would meet its obligations under the Large-scale Generation Certificate (LGC) Scheme through a combination of surrendering certificates and paying the Clean Energy Regulator (CER) \$123 million for calendar 2016.

Due to market and pricing conditions and within the Scheme design, ERM Power has elected to pay the shortfall charge in lieu of surrendering 1.9 million LGCs.

As advised in June, the market price for LGCs has more than doubled and traded up toward \$90 per certificate during FY2017 versus the non-tax deductible shortfall charge of \$65 per certificate.

By electing to pay the shortfall charge of \$65 per certificate in place of surrendering 1.9 million LGCs, ERM Power has adopted an approach which accelerates the utilisation of tax losses and preserves the right to purchase and surrender certificates for 2016 within the prescribed three-year window.

The impact is an incremental tax charge of \$37 million which is recognised at 31 December 2016. A consequence of this strategy is that franking credits are made available for future dividends.

This does not change ERM Power's previously stated outlook for the FY2017 full year and as previously noted, earnings will be weighted to the second half.

ERM Power's outlook for Australian Retail EBITDA¹ in FY2018 is consistent with market consensus and does not include any assumptions for further payment of LGC shortfall charges.

The Company will provide its half-year financial results for FY2017 on February 23.

ERM Power continues to meet surrender requirements for all other green schemes, including Greenpower. ERM Power supports the principles of the Scheme and benefits of cleaner energy, having purchased millions of LGCs in recent years and having developed more than 2,500MW of low-emission gas-fired power generation, which will prove critical to the transition to renewables.

About ERM Power

ERM Power is an Australian energy company operating electricity sales, generation and energy solutions businesses. The Company has grown to become the second largest electricity provider to commercial businesses and industrials in Australia with operations in every state and the Australian Capital Territory. A growing range of energy solutions products and services are being delivered, including lighting and energy efficiency software and data analytics, to the Company's existing and new customer base. ERM Power also sells electricity in several markets in the United States. The Company operates 497 megawatts of low emission, gas-fired peaking power stations in Western Australia and Queensland. www.ermpower.com.au

For further information

Sarah McNally

Investor Relations Manager

Phone: +61 7 3020 5513; Mobile: +61 409 004 298

Email: smcnally@ermpower.com.au

¹ EBITDA: Earnings before interest, tax, depreciation, amortisation and impairments