



meridian

Release

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

Meridian Energy extends 400MW first notice period on NZAS agreement

22 March 2016

Meridian Energy and New Zealand Aluminium Smelters Ltd (NZAS) have agreed to amend their electricity agreement by extending the first period within which NZAS can give a one year 400MW notice to Meridian. The period within which such notice can be given by NZAS has been extended from 30 April 2016 to 29 July 2016. The second period when the smelter may give a 400MW notice remains unchanged and commences on 30 April 2017. All other terms of the Agreement remain unchanged.

“This extension allows NZAS more time to evaluate its future capital requirements over coming years for the plant before making a decision on the contract volume,” said Meridian Chief Executive Mark Binns.

“It will also give the smelter time to factor in outcomes of the Electricity Authority’s Second Issues Paper in relation to Transmission Pricing which may deliver the smelter a significant saving on transmission costs,” said Mr Binns.

Following the 31 July 2015 contract amendment, Meridian disclosed a summary of the history of the Tiwai Point Electricity Contracts and key outcomes. This summary is republished with the above 400MW notice date amendment included.

In addition a conformed copy of the current contract (with commercially confidential clauses redacted) is now available on the Meridian website at <http://www.meridianenergy.co.nz/investors>

ENDS

Note: below is the updated summary of the history of the Tiwai Point Electricity Contracts and key outcomes.

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Chief Executive
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Tiwai Point smelter electricity agreement – history and key outcomes

Original Agreement

- Three Physical Supply Agreements (1963) (1981) and (1993) totalling 540 MW with predecessor companies to Meridian and NZAS.

2007 Agreement

- Changed contract from a supply contract to a Contract for Difference style contract (i.e. not direct supply but a hedging contract).
- Volume 572 MW.
- Price to be increased significantly upon contract commencement on 1 July 2013.

2013 Variation

- Price reduced from that agreed in 2007.
- Step up in price agreed if in the future aluminium prices on the London Metal Exchange increased above set levels in New Zealand dollars.
- Contract price incentives for NZAS to reduce volume from 572 MW to 400 MW from 1 January 2017.
- NZAS obtained various additional termination rights including:
 - One-off notice of termination on 1 July 2015 to terminate with effect from 1 January 2017.
 - Rolling 12 month notice of termination any time after 31 December 2016.
- NZAS gets right to reduce volume under the agreement to 400 MW, effective at any time between 1 January 2015 and 31 December 2016, on giving 12 months prior notice.
- Meridian receives guarantees from the parent companies of the NZAS shareholders.

2015 Variation

- Meridian agrees to re-price the full contract volume (572 MW) from 1 January 2017 through to 31 December 2030 on contract terms (other than price) similar to those that it had previously agreed to supply 400 MW from 1 January 2017.

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- Price increased for the full 572 MW to a blend of the price agreed in 2013 for 400 MW (post 1 January 2017) and a more market-related price for 172 MW.
 - The price per MWh applying if in the future aluminium prices on the London Metal Exchange increased above set levels in New Zealand dollars is adjusted upward.
 - NZAS's additional rights of termination amended to the extent that the first date it can now provide notice of termination is 1 January 2017 (i.e. termination on 1 January 2018).

2016 Variation

- NZAS's initial right to give 12 months' notice reducing contract to 400 MW is extended to 29 July 2016 (effective 29 July 2017) and can be exercised again any time on or after 30 April 2017 (effective 30 April 2018).