

10 August 2023

## Contact to invite interest in long-term electricity supply agreements

Contact Energy (Contact), in collaboration with its 100%-owned energy solutions business Simply Energy, invites interested parties to submit a proposal for up to 50 megawatts of electricity via hedge contracts (0.4TWh p.a.) for a minimum period of five years, starting from 2024.

Contact Chief Executive Officer, Mike Fuge, said the pro-active release of an open tender aligns with Contact's commitment to decarbonisation and is designed to meet the surge in requests Contact is receiving from businesses who want long-term electricity contracts to support their decarbonisation targets.

As New Zealand's leading developer of baseload renewable geothermal electricity, with more than 225MW already under construction, Contact is in a unique position to respond to the unprecedented customer demand. The tender is an orderly way to not only manage the volume of requests but also to deliver competitive pricing and extend the term of our sales book.

"It's fantastic to see customers looking to support our leading renewable development pipeline. These long-term commitments are good for New Zealand as they provide long term pricing certainty for significant electricity users, and encourage the continued development of new renewable generation."

Mr Fuge said Contact has made no secret of its willingness to grow the number of long-term electricity agreements beyond those already contracted. "We want to continue to grow demand for our renewable electricity by displacing thermal generation and supporting new electricity demand. We're delighted to be opening this new avenue for a wide range of parties beyond the traditional market participants."

Interested parties (who meet the criteria for 'wholesale investor' under the Financial Markets Conduct Act 2013) are invited to participate in a Request for Proposals process. Simply Energy will be the key point of contact for this process with tender documents available by contacting [RFP\\_Bids@simplyenergy.co.nz](mailto:RFP_Bids@simplyenergy.co.nz).

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## Summary of key terms of the Long Term CFD Tender:

See the Request for Proposals – Long Term Hedge Products term sheet for full terms and conditions.

<b>Start date</b>	1 January 2024
<b>Location for settlement</b>	Otahuhu
<b>Contract type</b>	Baseload electricity swap (CFD)
<b>Term</b>	Minimum 5 years; Maximum 7 years
<b>Total volume available</b>	50 megawatts (50 MW)
<b>Minimum bid volume</b>	5 megawatts (5 MW)
<b>Price</b>	Set by competitive tender
<b>Closing date for responses</b>	Final responses are due by 14 September 2023

## About Simply Energy:

Simply Energy is an energy solutions business 100% owned by Contact. Together Simply Energy and Contact are on a mission to accelerate New Zealand's low-carbon transition and create a more sustainable, better New Zealand.

With a team of over 50 energy specialists and energy innovators, Simply Energy takes care of the day-to-day energy supply for many of New Zealand's largest businesses and enterprises. Simply Energy also works with a network of energy industry partners, to design and set-up innovative energy solutions to help customers use energy better and to help them make the switch to low-carbon electricity.

## More information:

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Request for Proposals

# **Long Term Hedge Products**



# Introduction

In response to growing interest in risk management products for longer term hedging, Contact Energy (“Contact”) and its 100%-owned energy solutions business Simply Energy are collaborating to invite interested parties to submit a proposal for a Long-Term Base-Load Electricity Swap for up to 50MW (able to be executed with multiple parties with a minimum bid volume of 5MW) at a nominated grid injection point from 01 Jan 2024 for a minimum period of five years (up to a maximum period of seven years).

We welcome responses from a variety of counterparties both those already operating in New Zealand as well as those planning to establish their presence in the region.

Interested parties are invited to participate in this Request for Proposals (“RFP”) process.





# Who we are

**Contact is one of New Zealand's largest electricity generators with a diverse mix of baseload and peaking assets.**

We generate electricity through hydro, geothermal and thermal sources with a collective capacity of 2.0GW, producing 8TWh in FY2023, approximately 20% of New Zealand's total electricity. Contact also has a large retail business with more than 580,000 customer connections across broadband, gas and electricity.

**Simply Energy is 100% owned by Contact and together Simply Energy and Contact are on a mission to accelerate New Zealand's low-carbon transition.**

With a team of over 50 energy specialists and energy innovators, Simply Energy takes care of the day-to-day energy supply for many of New Zealand's largest businesses and enterprises. The same team, working with a network of energy industry partners, is also responsible for the design and set-up of innovative energy solutions.



# Our vision

**Contact's strategy is to lead the decarbonisation of New Zealand with an aim to produce 95% of our generation from renewable sources by FY2027.**

Our strategy focuses on the orderly transition to renewables, looking to attract new industrial demand with globally competitive renewables and building renewable generation and flexibility on the back of new demand.

Contact's world-class geothermal development pipeline will produce clean, low carbon, renewable electricity that operates 24/7 and is not reliant on the weather. Contact has 225MW of new geothermal projects under construction with new plants coming online in FY2024 and FY2025.

These projects represent a combined investment of \$1.2 billion in our current renewable energy build programme and we have further opportunities in our development pipeline (all subject to final investment decisions) including an expansion of our existing Te Mihi geothermal station (the "GeoFuture" project), alongside solar and wind projects, which could see Contact grow its renewable assets to 10.3TWh p.a. by the end of FY2027.



# The New Zealand electricity market is in transition

The coming decade represents an exciting period for the New Zealand electricity market, as the decarbonisation and electrification of transport and industrial processes continue to gather momentum.

The key drivers supporting this transition are clear:



**Maturing carbon policies and reduction in gas reserves which have substantially increased the cost of thermal generation.**



**Support for industrial decarbonisation projects through the GIDI fund.**



**A growing migration of major data centres into New Zealand.**



**Uptake of electric vehicles and conversion of heating to electricity in a retail setting.**

All of which have created the environment that supports the development of significant new renewable projects which promise to further advance the decarbonisation of New Zealand.



# Increasing demand for long term hedge products

**As demand grows and renewable generation increases, prices are becoming increasingly volatile on both an intra-day and inter-day basis.**

In this environment certainty of supply is critical and in recent months, we have seen a notable surge in the demand for long-term hedge products, specifically Power Purchase Agreements (PPAs), Fixed Price Volume Variance (FPVV) contracts, and long-term Contract for Difference (CFD) agreements.

As the only established generator developing a significant geothermal project pipeline, Contact is in a unique position to respond to this demand. We are therefore pro-actively releasing this tender to invite interested parties to bid for volume which we can support against reliable and competitive baseload renewable generation.





# Key Terms

Contact and Simply Energy are inviting interested parties to submit a proposal for up to 50MW of CFDs at selected nodes (oversubscriptions and bids at multiple nodes may be considered), with a minimum bid volume of 5MW. These CFDs will be backed by Contact's portfolio.

Negotiations and contract execution is expected to involve multiple counterparties.

We are anticipating responses from a diverse range of respondents with varying hedging requirements and are therefore open to accepting a single fixed price (escalating at PPI) or as a quarterly fixed price schedule (see example in RFP Response Form and confirmation, which are available on request). Note that when bidding using the quarterly price schedule the total term must still be a minimum period of five years and comprise of consecutive quarters i.e., bids for only Q1-2024 and Q1-2028 would not be accepted.

The key terms of the CFD are tabled below with further detail and defined terms provided in the confirmation (available on request).

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<b>Start date</b>	1 Jan 2024
<b>Term</b>	(Respondent to indicate), minimum term is 5 years from Start Date for up to 7 years.
<b>Product description</b>	Base-load electricity swap
<b>Fixed price payer</b>	Respondent
<b>Floating price payer</b>	Contact Energy Limited or Simply Energy Limited (Depending on arrangement)
<b>Fixed price</b>	(Respondent to indicate)
<b>Fixed price escalation</b>	Fixed price + PPI (see proposed formula and definition in attached confirmation) or quarterly price schedule – a combination of both options may also be considered.
<b>Floating price</b>	Final Price at WRK2201, SFD2201, OTA2201, HAY2201 or BEN2201
<b>Calculation period</b>	Half hourly
<b>Credit</b>	Execution via Hedge Settlement Agreement (HSA) preferred
<b>Settlement period</b>	Monthly
<b>Quantity</b>	(Respondent to indicate), the minimum Quantity is 5MW up to 50MW.
<b>Ability to on-sell</b>	Yes
<b>Knock Out option (Demand Response)</b>	Optional. Respondents are asked to indicate their appetite to discuss this option on the RFP response form, further detail will be discussed at stage 2 of the process.  It is envisaged that under any negotiated knock out arrangement, Contact will have the option of "knocking out" the volume for the purposes of demand response, for a fixed number of trading periods over the term by giving [X] days' notice. The Fixed Price would be discounted by mutual agreement to reflect this option.
<b>Documentation</b>	ISDA (or alternative format by negotiation), Respondent must be a 'Wholesale Investor' under the Financial Markets Conduct Act 2013

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# Process for response

Simply Energy will be the key point of contact for information relating to this RFP. All responses and requests for information should be directed to:

**[RFP\\_Bids@simplyenergy.co.nz](mailto:RFP_Bids@simplyenergy.co.nz)**

There are three documents that make up the document set of this RFP:

- this term sheet
  - the RFP response form (available on request)
  - the confirmation (available on request)
- (together the 'RFP documents')

Respondents are invited to take part in a two-stage process.

## Stage 1

Each interested party is required to:

Sign and return the RFP Response Form (available on request), indicating:

- Preferred Term (minimum period of five years, maximum period seven years)
- Volume required (minimum volume 5MW, bids for smaller volume may be considered)
- Proposed Strike Price and price format (quarterly or Single Fixed Price plus PPI escalator)
- Preferred Node

All questions and RFP Response Forms may be submitted by email to **[RFP\\_Bids@simplyenergy.co.nz](mailto:RFP_Bids@simplyenergy.co.nz)**

Key dates for this first stage are as follows:



**7 September 2023**

Questions arising from this RFP should be raised by 5:00pm



**14 September 2023**

Proposals required to be submitted by 5:00 pm

## Stage 2

The second stage will involve finalising contractual terms for all products with preferred counter parties during the final quarter of CAL2023.

# Terms and Conditions

By responding to this RFP, Respondents are deemed to have agreed to be bound by the following terms and conditions:

## 1 Accuracy of Information

- Contact and its group companies ('Contact') does not warrant the accuracy or reliability of any information provided by Contact and shall not be responsible for it in any manner whatsoever.
- Contact may rely on the Proposal and all information provided by the Respondent during the RFP process (eg. Correspondence and negotiations)

## 2 No Agreement

- This RFP is not an offer but is merely an invitation to the Respondent to make an offer. Nothing in the conduct of this RFP gives rise to any agreement or other legal obligation between Contact and the Respondent or obliges Contact to reach an agreement with the Respondent, in relation to the services and/or products that are subject of this RFP, unless or until the parties have executed a binding agreement for those services and/or products.

## 3 Validity of Proposal

- The Respondent agrees that its Proposal may not be withdrawn or amended after being submitted and will remain valid until 31 December 2023, unless Respondent specifies otherwise.

## 4 Contact's Rights

- Issuance of this RFP does not oblige Contact to accept any Proposal in relation to this RFP, proceed with any negotiations, or enter into any contractual arrangements with any persons.
- Contact may at any time, and without giving any reason:
  - change the RFP process and/or key dates.
  - negotiate with any Respondent(s) to the exclusion of other Respondents at any time during or after the evaluation process.
  - negotiate privately with and/or award a contract to any other person or company.
  - refuse to accept a Proposal for any reason.
  - evaluate the Proposal using whatever criteria they deem appropriate.
  - accept any Proposal even though it may be late, or not in accordance with this RFP; and/or
  - cancel, amend, or withdraw the RFP.
- The Respondent shall not make any claim against Contact arising from the exercise by Contact of its rights and discretions.

## 5 Notification

- All Respondents will be notified in writing of the outcome of the RFP. Contact shall not be required to give reasons to accept or reject any Proposal. Any further information provided to unsuccessful Respondents will be supplied at Contact's discretion.
- Responses to questions on the RFP that are submitted to Contact by Respondents will be copied to all other prospective Respondents.
- Preferred Respondent(s) will be selected to enter into further negotiations with the aim of concluding an Agreement that reflects the terms of the relevant term sheets in this RFP.



## **6 Costs and Liability**

- Contact will not be liable whether in contract, tort (including negligence) or otherwise for any costs (including legal costs), damage, expense, or loss, which may be directly or indirectly incurred by the Respondent, its affiliates, or any other party, with regard to this RFP, including in relation to:
  - reviewing or analysing any information in relation to this RFP or the RFP process.
  - preparation and submission of the Proposal.
  - negotiating the agreement; or
  - lost expectation of profits or other benefits which that Respondent expected to accrue from any acceptance of its Proposal.
- The Respondent acknowledges that in incurring expenditure or liabilities or entering into arrangements on the basis of this RFP, it does so at its own risk.

## **7 Governing law**

- This RFP shall be governed by, and construed according to, New Zealand law.

## **8 Conditions relating to agreements**

- Any agreement's arising from this RFP will be governed by the terms of the existing ISDA Master Agreement between Contact and the Respondent. If no ISDA Master Agreement exists, the parties shall enter an ISDA Master Agreement or a bespoke arrangement to document the terms envisaged in the attached draft Confirmation.
- Submissions will only be accepted from "Wholesale Investors" as defined in the Financial Markets Conduct Act 2013.
- Acceptance of any offer is dependent on a counterparty credit rating satisfactory to Contact.

