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# Monthly Operating Report

October 2017

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# October overview

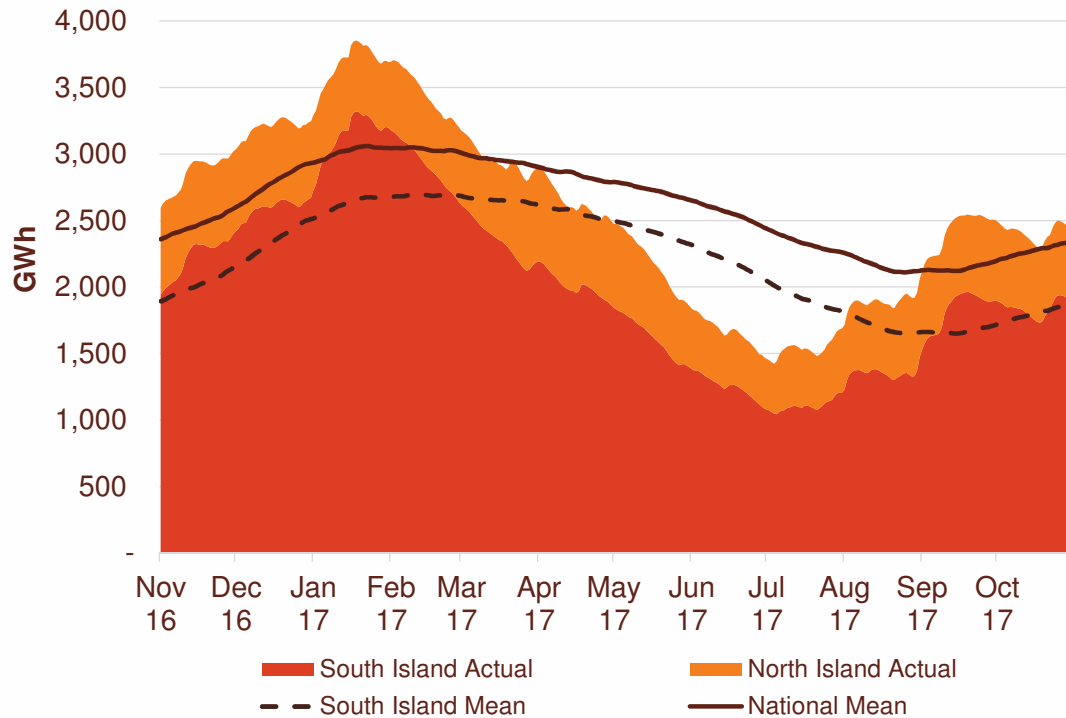
- » For the month of October 2017 Contact recorded:
  - Electricity and gas sales of 655 GWh (October 2016: 673 GWh)
  - Netback of \$81.99/MWh (October 2016: \$79.57/MWh)
  - Cost of energy was \$30.22/MWh (October 2016: \$26.82/MWh)
  
- » Otahuhu futures settlement wholesale price for the 4<sup>th</sup> quarter of 2017 (ASX):
  - As at 15 November 2017: \$70/MWh
  - As at 31 October 2017: \$61/MWh
  - As at 30 September 2017: \$52/MWh
  
- » As at 15 November 2017, South Island controlled storage was 100% of mean (31 October 2017: 98%) and North Island storage was 115% of mean (31 October 2017: 121%)
  - As at 15 November, total Clutha scheme storage (including uncontrolled storage) was 68% of mean
  - Inflows into Contact's Clutha catchment for October 2017 were at 47% of mean



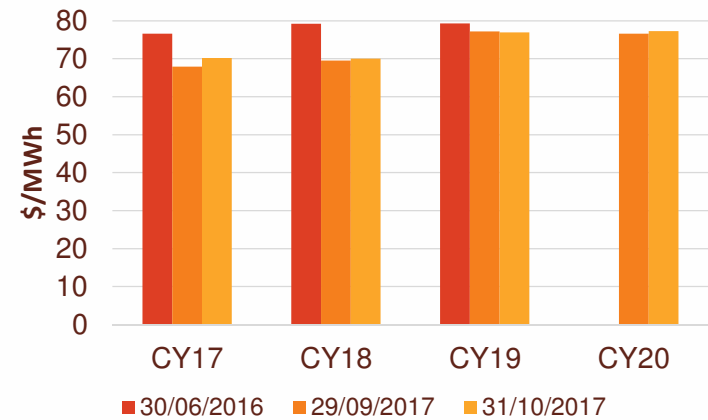
- » The proportion of total generation from renewable resources for the month of October 2017 was over 95%, the highest ever recorded by Contact.

# Hydro storage and forward prices

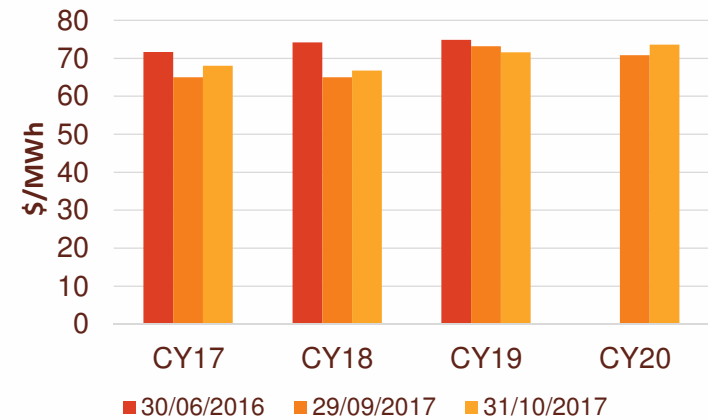
New Zealand controlled hydro storage against mean



Otahuhu ASX futures settlement

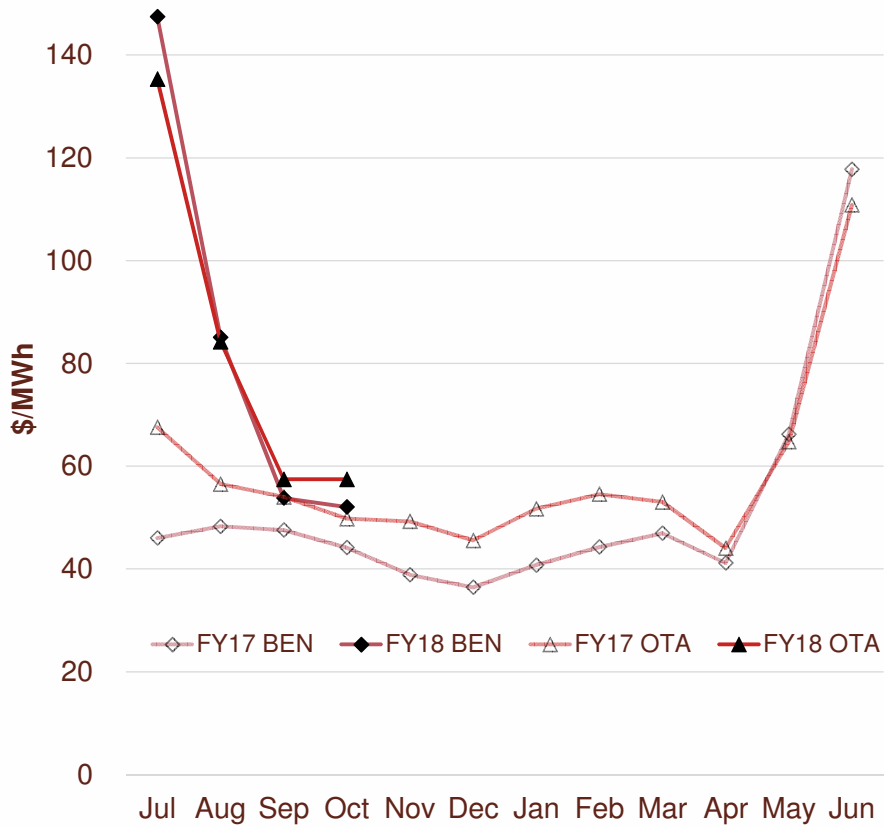


Benmore ASX futures settlement



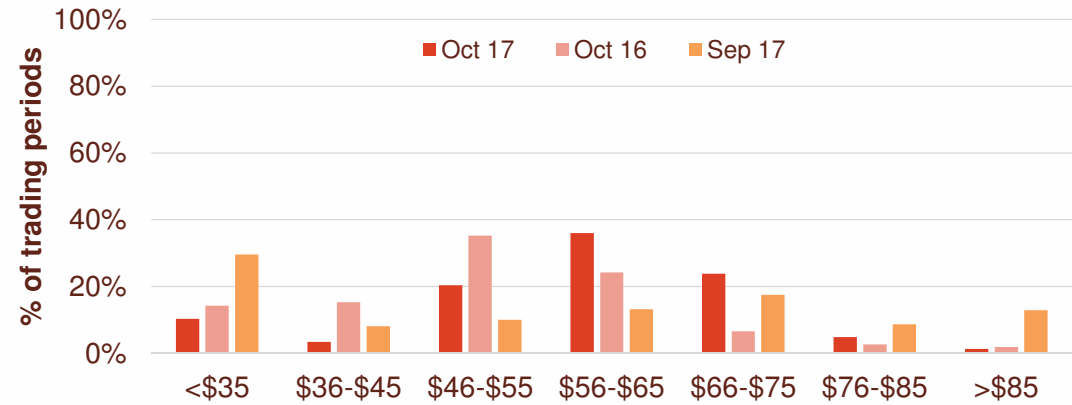
# Wholesale market

## Wholesale electricity pricing

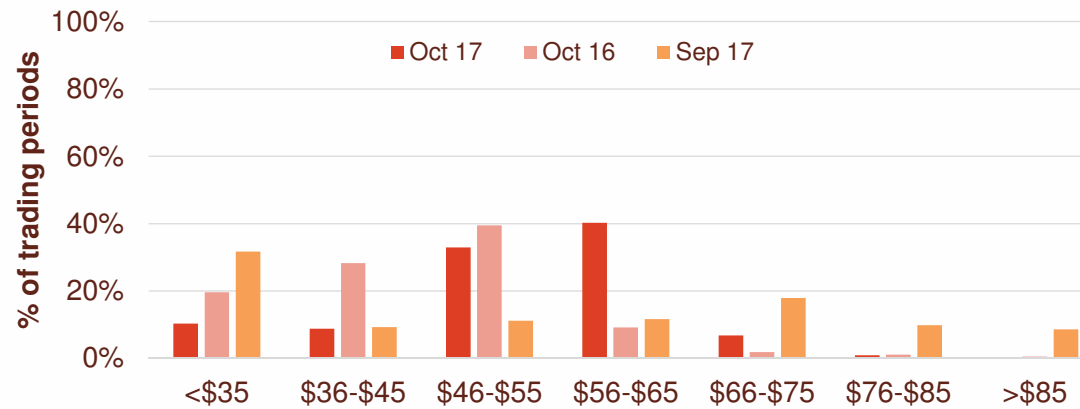


## Distribution of wholesale market price by trading periods

### Otahuhu node



### Benmore node

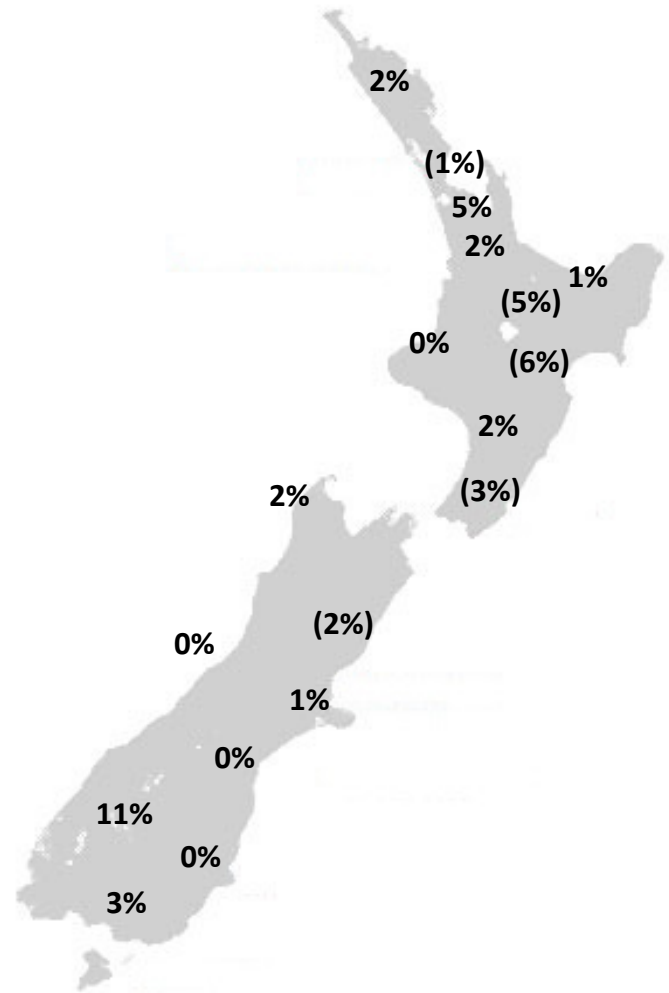
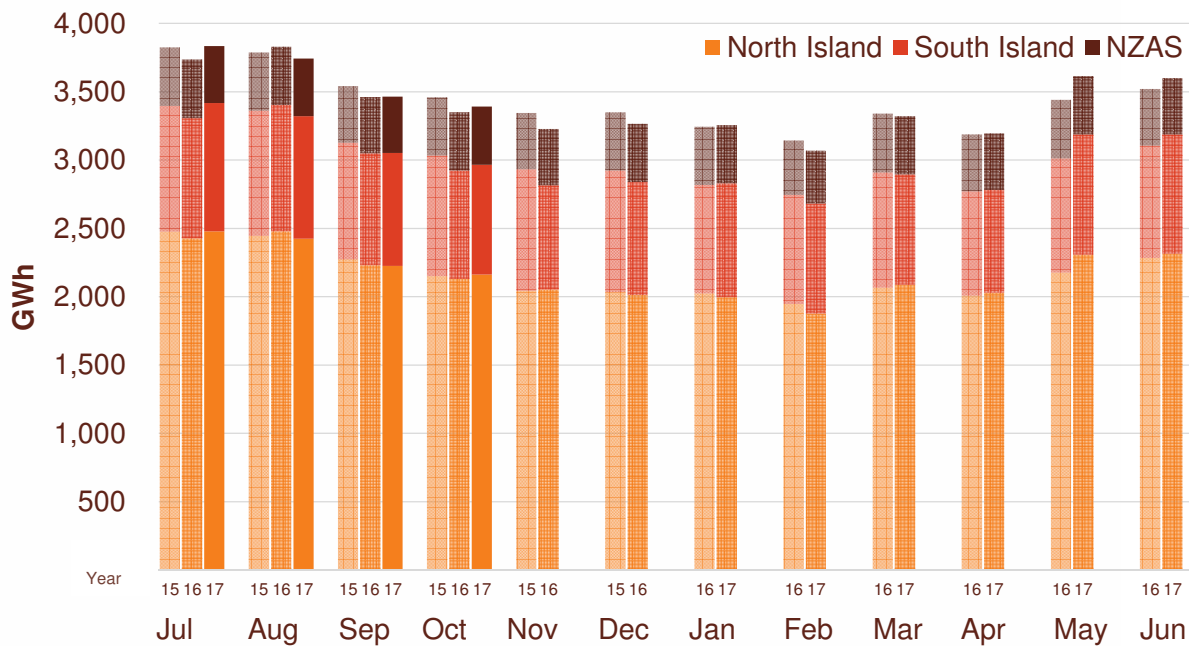


# Electricity demand

- » New Zealand electricity demand was up 1.2% on October 2016 (down 2.0% on October 2015).
- » Cumulative 12 months demand for November 2016 to October 2017 of 40,983 GWh is 0.1% higher than the prior comparative period.

## Regional demand change (%) on October 2016

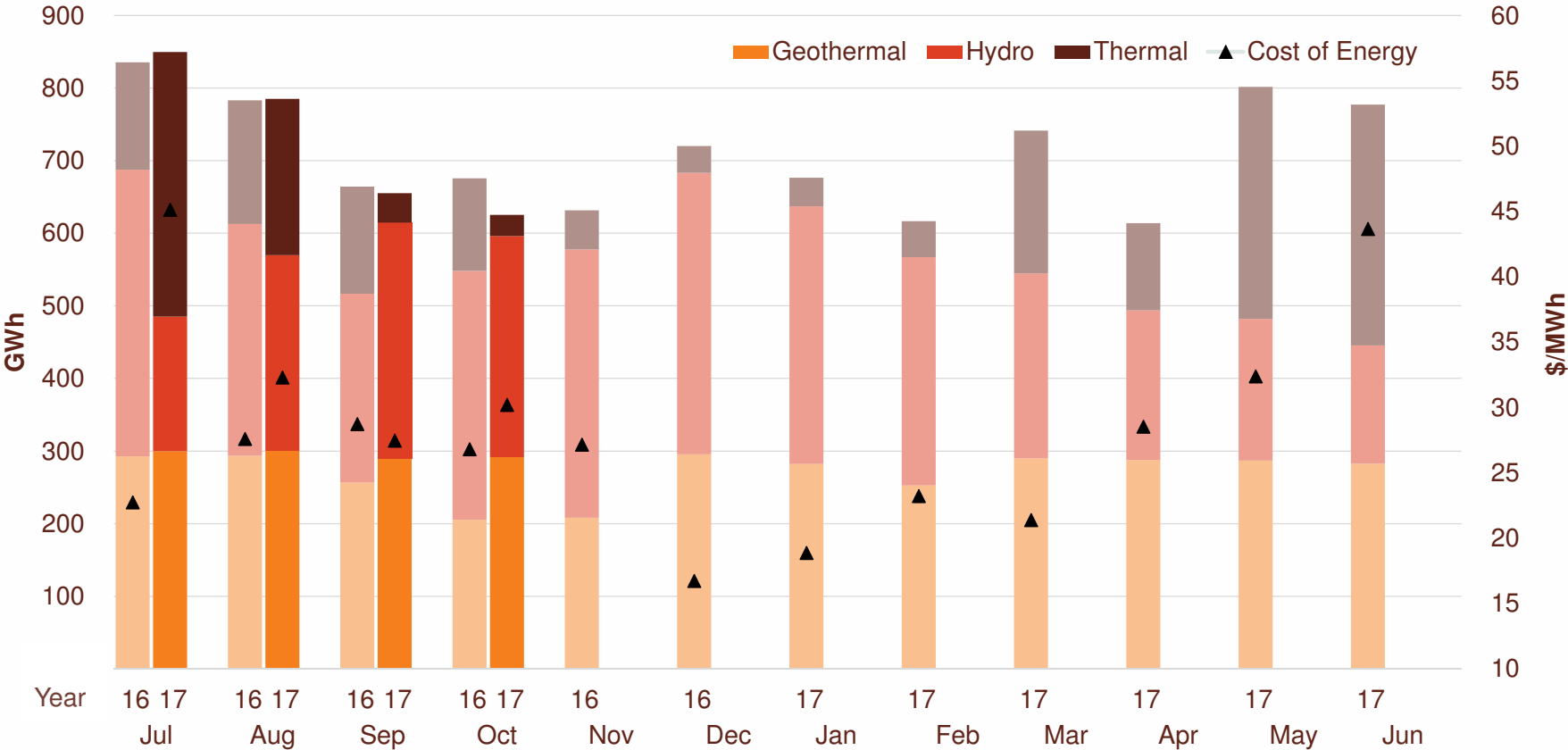
### Total national demand (FY16, 17 and 18)



Source: Contact and Electricity Authority grid demand (reconciled) <http://www.emi.ea.govt.nz>

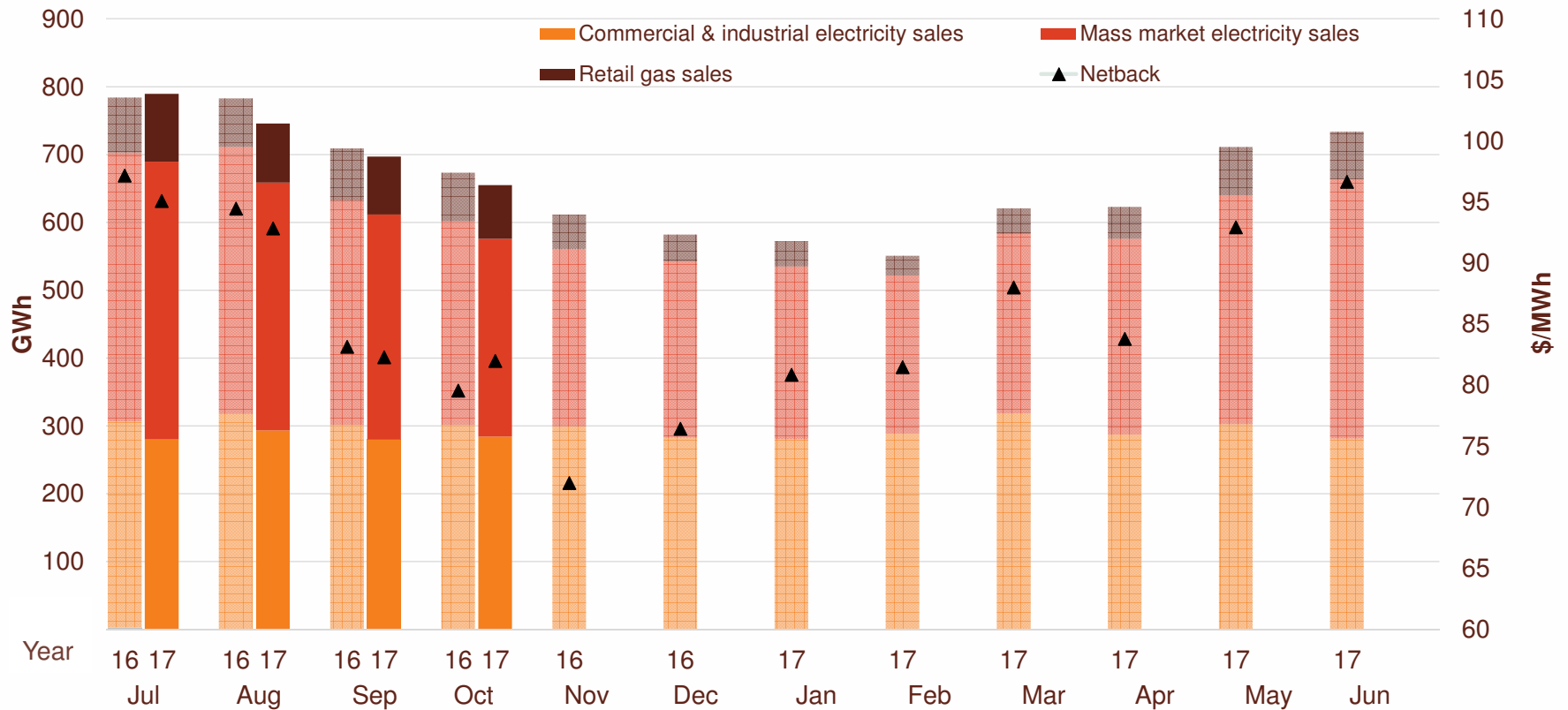
# Contact's Generation business performance

Generation mix and cost of energy (FY17 and 18)



# Contact's Customer business performance

## Retail sales volumes and netback (FY17 and 18)



# Contact's operational performance

Data	Measure	The month ended October 2017	The month ended October 2016	The month ended September 2017	Four months ended October 2017	Four months ended October 2016	
Customer	Mass market electricity sales	GWh	292	301	332	1,398	1,420
	Commercial & industrial electricity sales	GWh	284	301	280	1,137	1,224
	Retail gas sales	GWh	79	72	85	352	302
	Total electricity and gas sales	GWh	655	673	697	2,887	2,946
	Average electricity sales price	\$/MWh	183.87	181.20	191.54	192.42	190.73
	Electricity direct pass through costs	\$/MWh	(83.03)	(81.99)	(90.01)	(84.48)	(81.30)
	Electricity and gas cost to serve	\$/MWh	(12.29)	(13.71)	(11.68)	(11.26)	(13.43)
	Netback	\$/MWh	81.99	79.57	82.30	88.46	89.06
	Electricity line losses	%	6%	5%	6%	6%	5%
	Retail gas sales	PJ	0.2	0.2	0.3	1.1	1.0
	LPG sales	tonnes	6,064	5,623	6,558	27,742	26,867
	Electricity customer numbers <sup>1</sup>	#	422,500	423,000	423,000		
	Gas customer numbers <sup>1</sup>	#	64,500	62,500	64,500		
	LPG customer numbers (includes franchises) <sup>1</sup>	#	82,500	75,500	82,000		
Generation	Thermal generation	GWh	29	128	41	649	594
	Geothermal generation	GWh	292	205	290	1,181	1,048
	Hydro generation	GWh	305	343	325	1,084	1,316
	Spot market generation	GWh	625	676	655	2,915	2,959
	Spot electricity purchases	GWh	611	633	647	2,695	2,786
	CfD sales / (purchases)	GWh	19	32	(55)	13	52
	Steam sales	GWh	64	65	67	215	234
	Commercial & industrial electricity sales	GWh	10	10	9	31	33
	GWAP	\$/MWh	52.67	45.35	53.29	85.57	50.48
	LWAP	\$/MWh	(58.59)	(49.73)	(59.43)	(91.91)	(55.70)
	LWAP/GWAP	%	111%	110%	112%	107%	110%
	Gas used in internal generation	PJ	0.5	1.3	0.6	6.2	6.0
	Gas storage net movement <sup>2</sup>	PJ	0.6	(0.1)	0.5	(0.1)	(1.3)
	Unit generation cost	\$/MWh	(29.05)	(33.84)	(28.07)	(34.33)	(32.52)
	Cost of energy	\$/MWh	(30.22)	(26.82)	(27.47)	(34.18)	(26.41)



# Glossary of terms

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## Netback

Measures the performance of the Customer 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

*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 Generation business.

Cost of energy reflects the total operational costs of generating and procuring electricity sold to customers. It does not include any capital return expectations.

Wholesale electricity revenue from our generating assets

*Add:* Revenue from steam sales and direct electricity sales from Te Rapa

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

*Less:* Electricity transmission costs and levies

*Less:* Gas and diesel purchase costs (excluding gas purchases for retail gas sales)

*Less:* Gas transmission costs and levies

*Less:* Carbon emissions costs

*Less:* Generation operating costs and head office allocation

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

# Keep in touch

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