

*Contact*™

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# **Monthly Operating Report**

**June 2017**

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# June overview

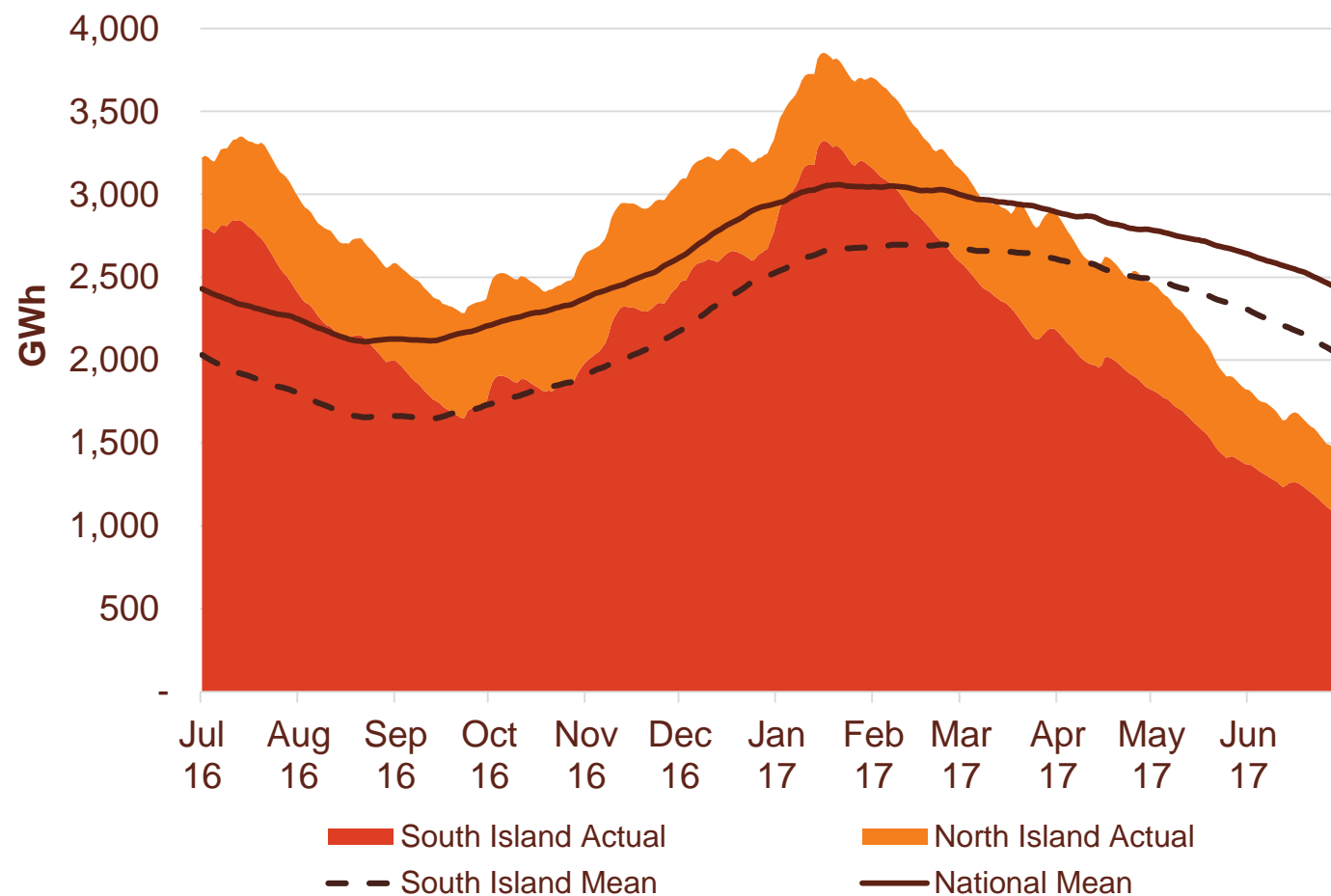
- » For the month of June 2017 Contact recorded:
  - Electricity and gas sales of 781 GWh (June 2016: 770 GWh)
  - Netback of \$95.75/MWh (June 2016: \$96.95/MWh)
  - Cost of energy was \$45.98/MWh (June 2016: \$22.82/MWh) with hydro generation for the month of 163 GWh down 238 GWh, or 59% on June 2016
  
- » Otahuhu futures settlement wholesale price for the 3rd quarter of 2017 (ASX):
  - As at 17 July 2017: \$118/MWh
  - As at 30 June 2017: \$109/MWh
  - As at 31 May 2017: \$99/MWh
  
- » Softer front-end ASX futures pricing observed over the last 12 months continues to flow through to C&I contract tariffs which are down 6% on June 2016
  
- » As at 17 July 2017, South Island storage was 53% of mean (30 June 2017: 56%) and North Island storage was 95% of mean (30 June 2017: 112%)
  - As at 17 July, total Clutha storage was 15% of mean. Inflows into Contact's Clutha catchment since March 2017 have been at 49% of mean



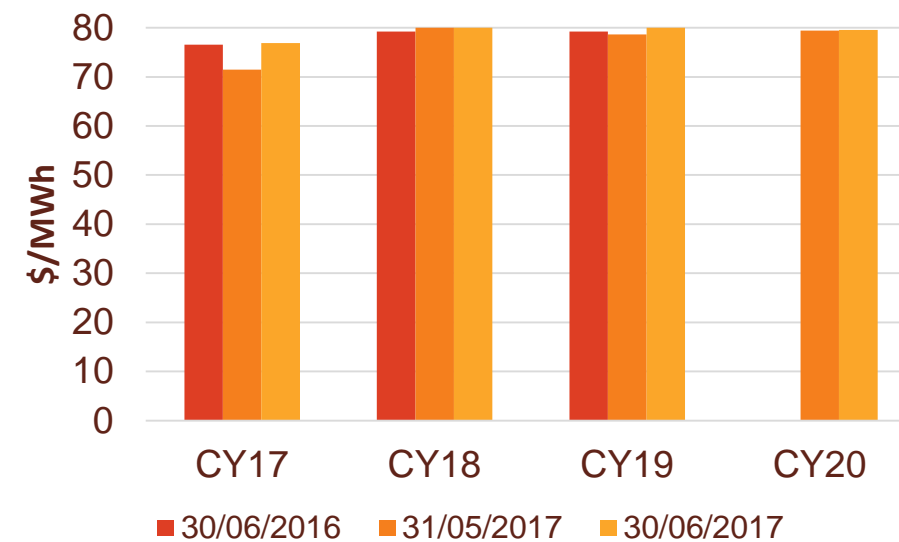
- » Geothermal production for the quarter ended June 2017 of 857 GWh was the highest ever recorded as efficiency gains on geothermal fluid processing increased generation by 2% on the prior comparative period

# Hydro storage and forward prices

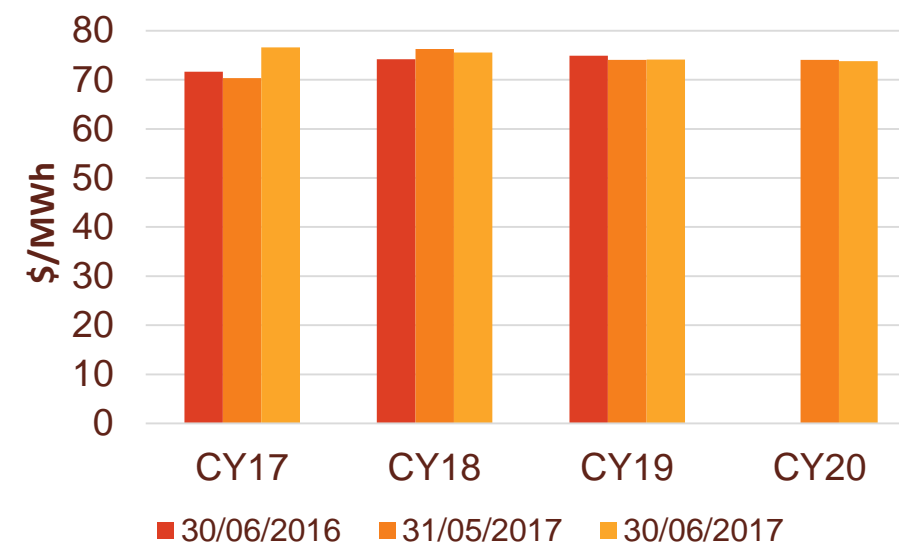
New Zealand hydro storage against mean



Otahuhu ASX futures settlement

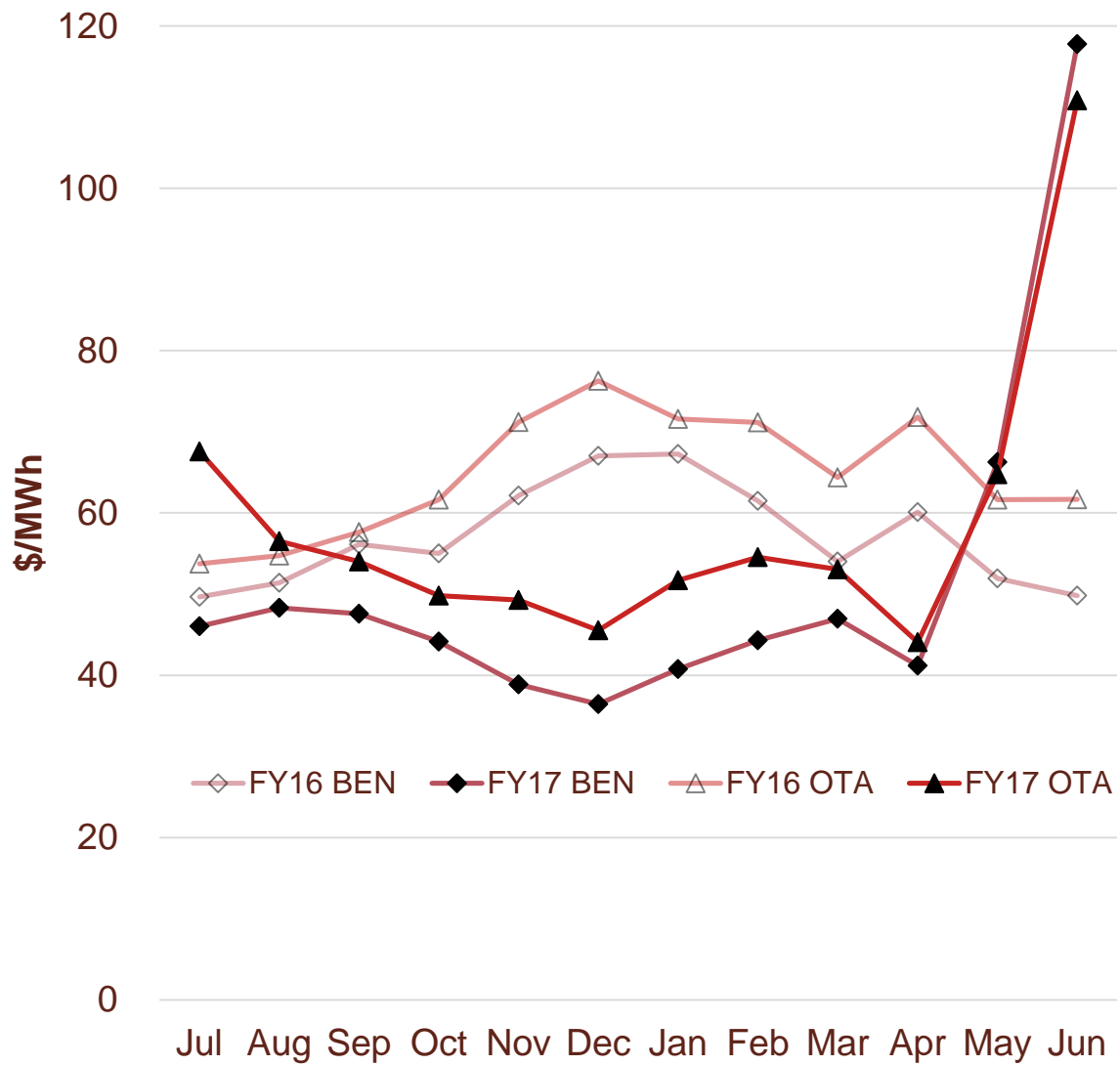


Benmore ASX futures settlement



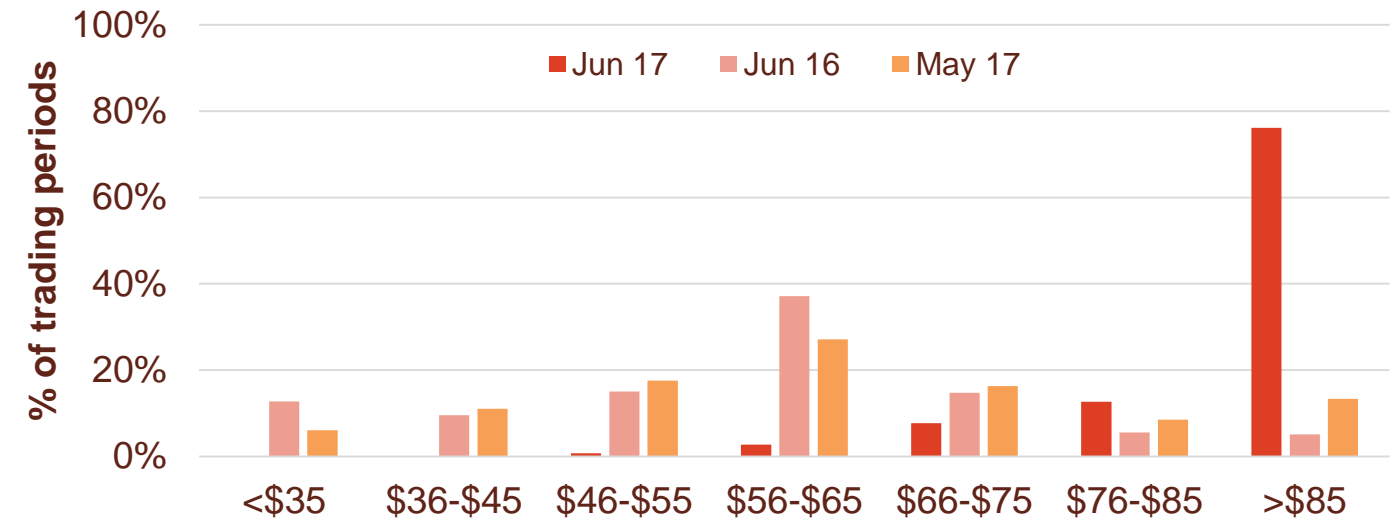
# Wholesale market

## Wholesale electricity pricing

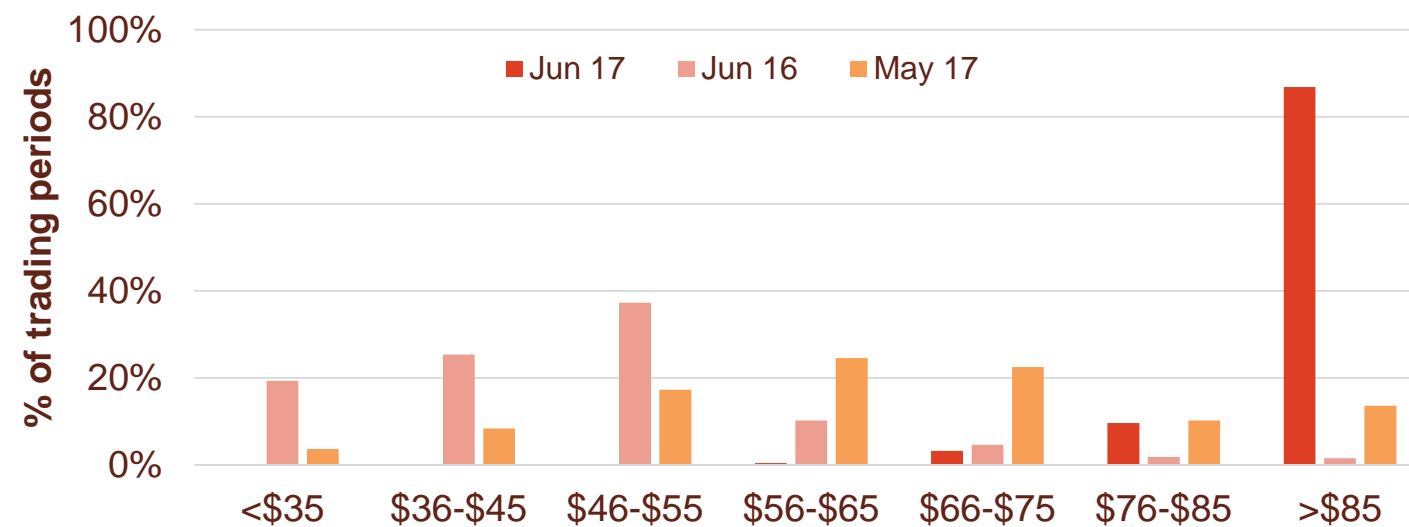


## Distribution of wholesale market price by trading periods

### Otahuhu node



### Benmore node

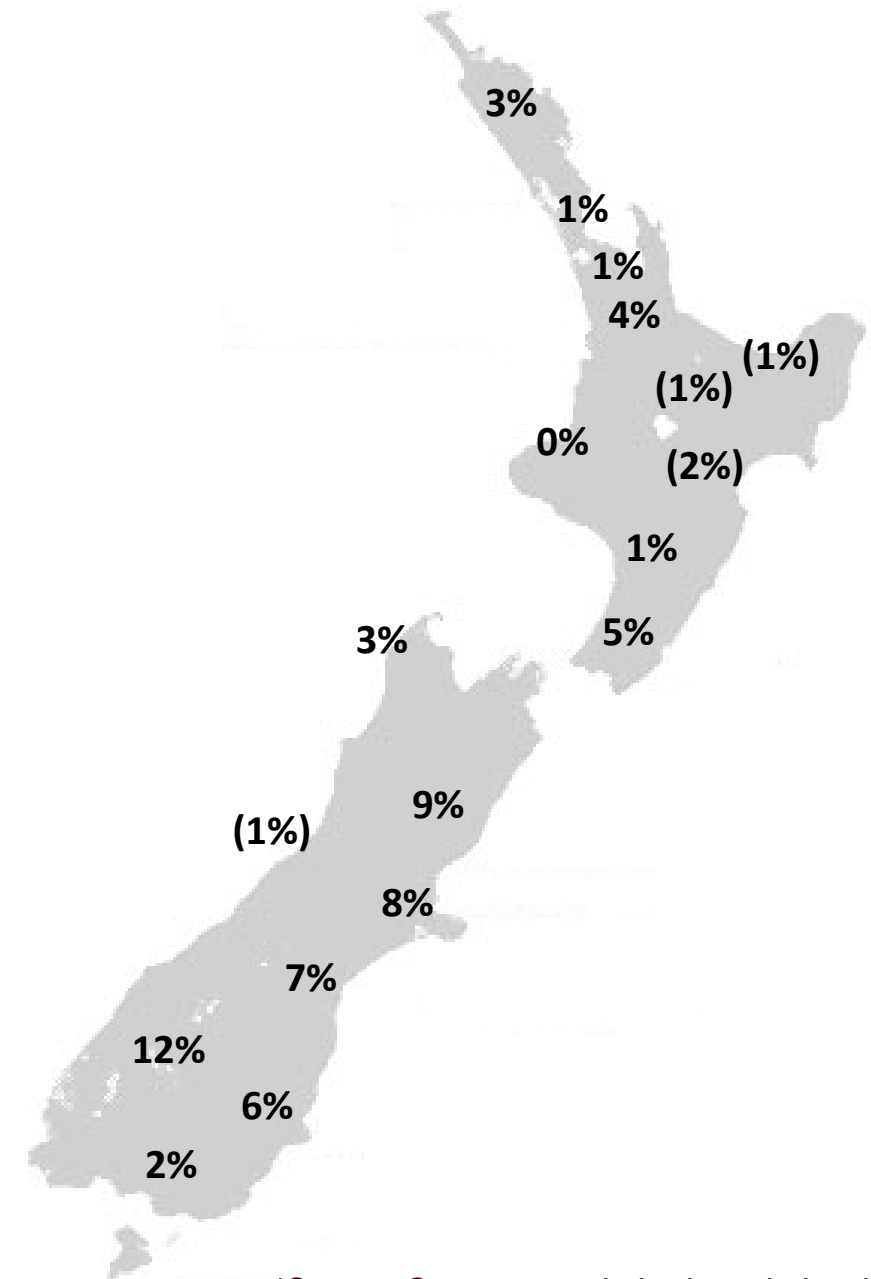
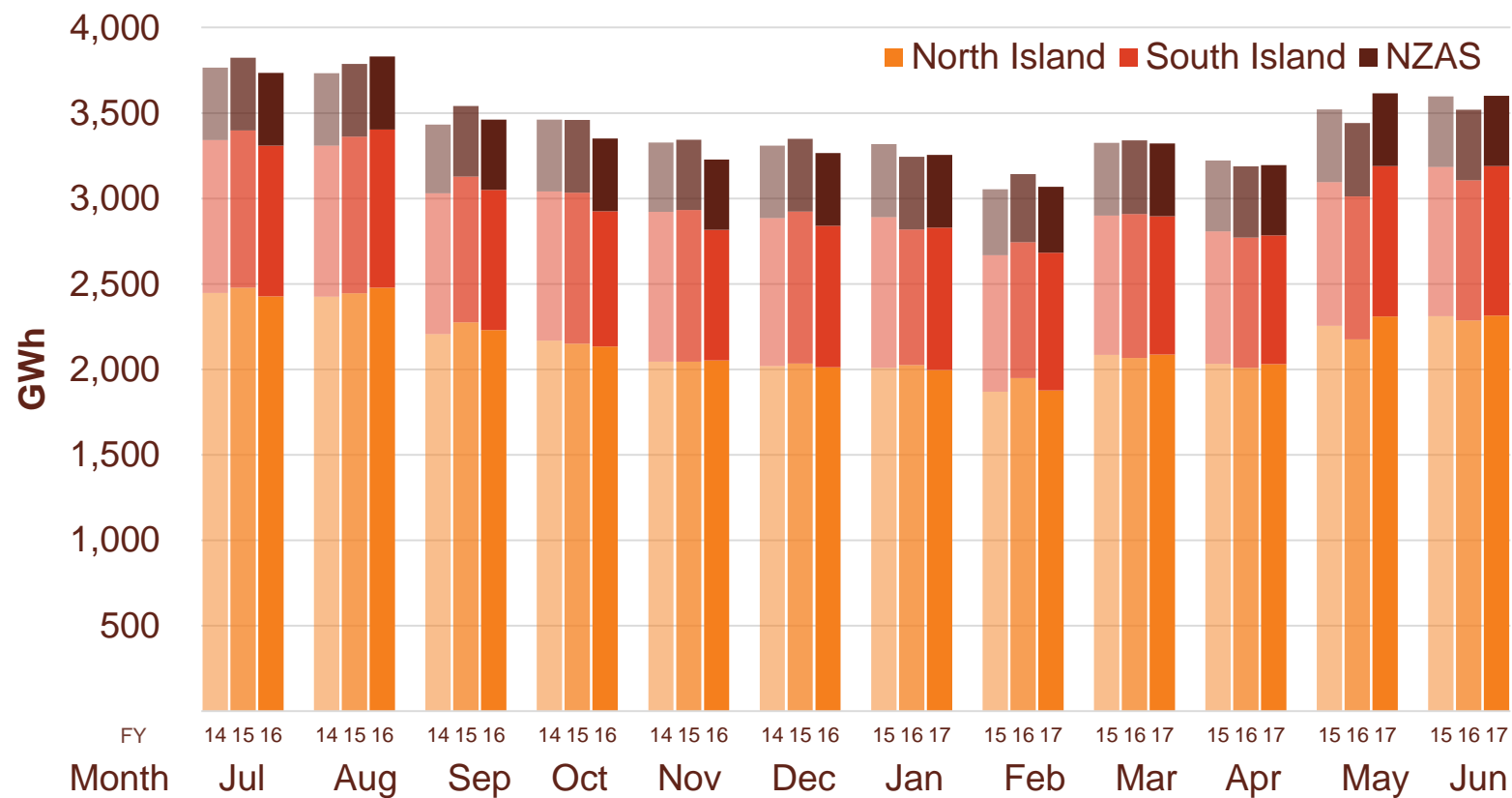


# Electricity demand

- » New Zealand electricity demand was up 2.3% on June 2016 (up 0.1% on June 2015).
- » Cumulative 12 months demand for July 2016 to June 2017 of 40,928 GWh is 0.6% lower than the prior comparative period.

## Regional demand change (%) on June 2016\*

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

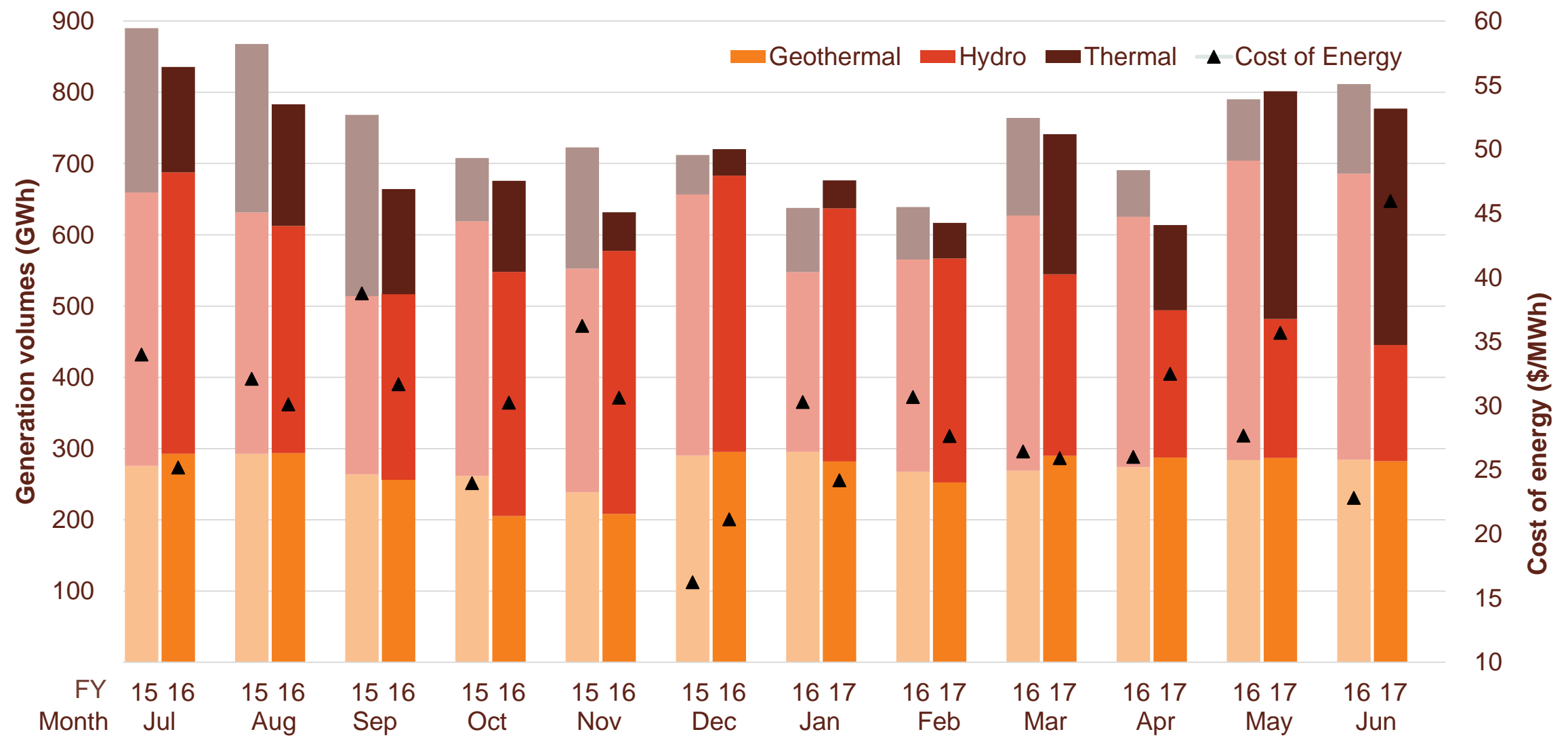


Source: Contact and Electricity Authority grid demand (reconciled) <http://www.emi.ea.govt.nz>

\*Source: Contact – excludes large industrial

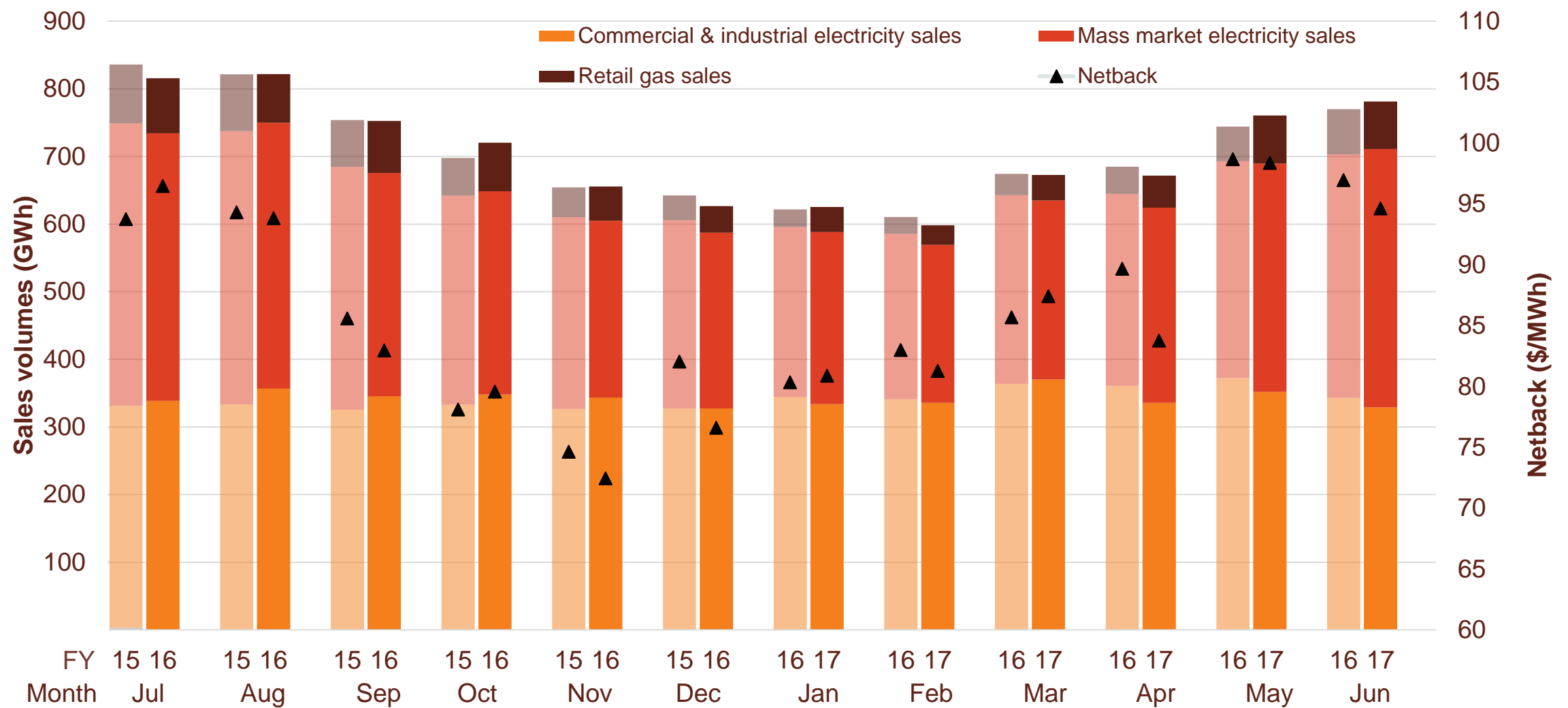
# Contact's generation performance

## 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 June 2017	The month ended June 2016	The month ended May 2017	Twelve months ended June 2017	Twelve months ended June 2016
Customer	Mass market electricity sales	GWh	382	360	338	3,702	3,792
	Commercial & industrial electricity sales	GWh	329	343	352	4,116	4,099
	Retail gas sales	GWh	70	67	71	685	618
	Total electricity and gas sales	GWh	781	770	761	8,503	8,509
	Average electricity sales price	\$/MWh	192.71	193.32	185.55	179.36	180.37
	Electricity direct pass through costs	\$/MWh	(78.28)	(80.21)	(74.04)	(75.47)	(75.51)
	Electricity and gas cost to serve	\$/MWh	(12.92)	(10.47)	(12.56)	(13.23)	(13.20)
	Netback	\$/MWh	95.75	96.95	92.30	85.89	87.43
	Electricity line losses	%	5%	7%	7%	5%	5%
	Retail gas sales	PJ	0.3	0.2	0.2	2.4	2.2
	LPG sales	tonnes	7,622	7,005	7,124	72,700	69,617
	Electricity customer numbers <sup>1</sup>	#	423,000	425,000	422,500		
	Gas customer numbers <sup>1</sup>	#	64,000	62,000	63,500		
	LPG customer numbers (includes franchises) <sup>1</sup>	#	80,000	75,500	78,500		
Generation	Thermal generation	GWh	332	126	320	1,742	1,614
	Geothermal generation	GWh	282	285	287	3,233	3,297
	Hydro generation	GWh	163	401	195	3,562	4,091
	Spot market generation	GWh	777	812	802	8,537	9,002
	Spot electricity purchases	GWh	745	751	739	8,144	8,231
	CfD sales	GWh	(3)	9	54	254	81
	Steam sales	GWh	10	14	29	602	626
	GWAP	\$/MWh	109.94	53.29	64.90	53.94	58.49
	LWAP	\$/MWh	(121.33)	(61.21)	(69.54)	(60.03)	(64.05)
	LWAP/GWAP	%	110%	115%	107%	111%	110%
	Gas used in internal generation	PJ	2.8	1.1	2.7	17.1	16.0
	Gas storage net movement <sup>2</sup>	PJ	(0.6)	0.3	(1.1)	(3.0)	(0.3)
	Unit generation cost	\$/MWh	(41.28)	(26.26)	(38.18)	(32.30)	(31.72)
	Cost of energy	\$/MWh	(45.98)	(22.82)	(35.69)	(30.38)	(28.94)

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



# 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

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*Add:* Revenue from gas sales

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*Less:* Electricity distribution network costs, meter costs and electricity levies

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*Less:* Gas distribution network costs, meter costs and gas levies

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*Less:* Operating costs to serve the customer, including head office allocation

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## 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

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*Add:* Revenue from steam sales

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

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*Less:* Electricity transmission costs and levies

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

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*Less:* Gas transmission costs and levies

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*Less:* Carbon emissions costs

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*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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