

*Contact*<sup>TM</sup>

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# **Monthly Operating Report**

**November 2016**

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# November overview

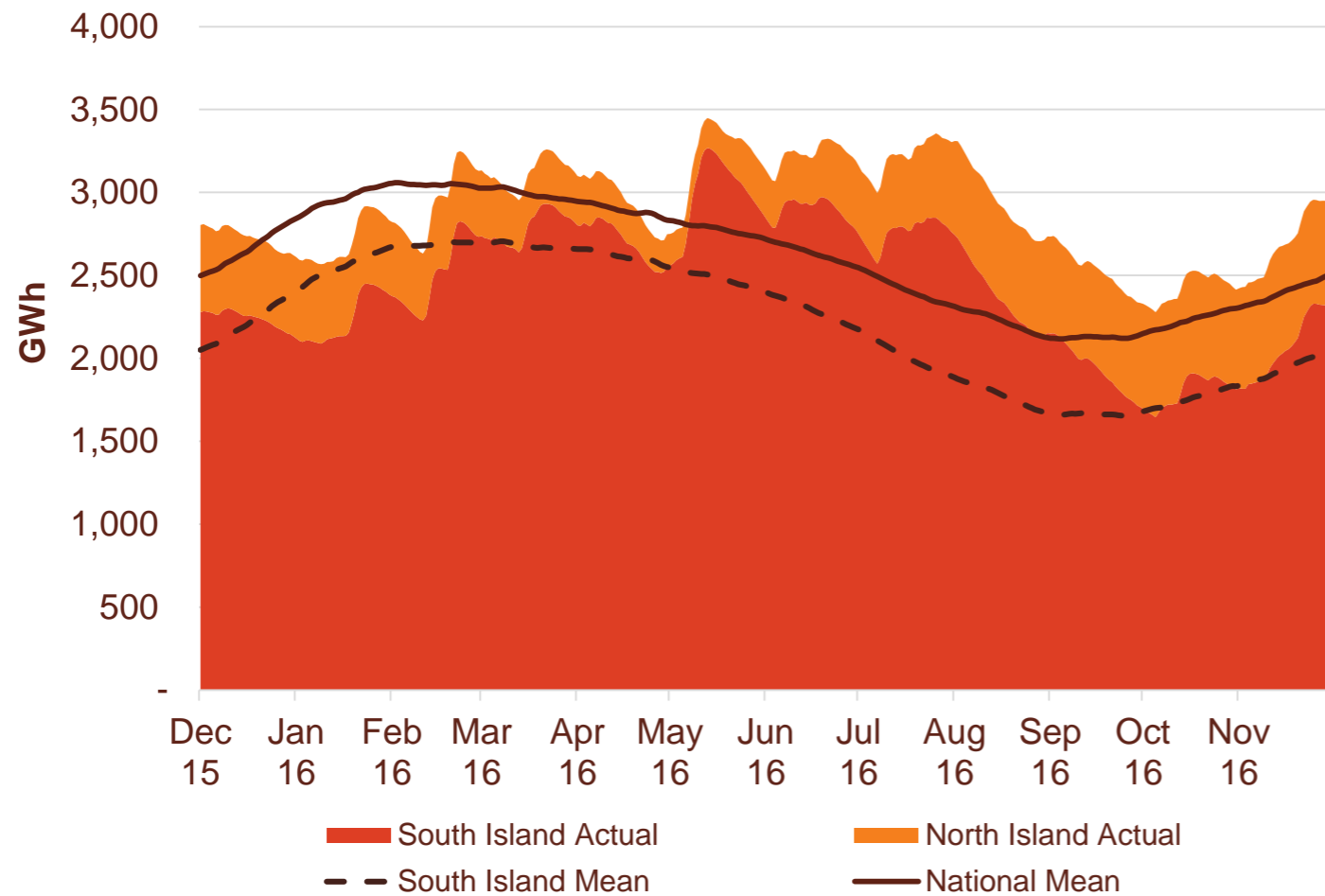
- » For the month of November 2016 Contact recorded:
  - Electricity, gas and steam sales of 715 GWh (November 2015: 720 GWh)
  - Netback of \$69.43/MWh (November 2015: \$71.63/MWh) with a lower proportion of total sales through the mass market electricity sales channel
  - Cost of energy was \$32.43/MWh (November 2015: \$38.43/MWh) on lower thermal generation and storage gas extraction
  
- » Otahuhu futures settlement wholesale price for the 4th quarter of 2016 (ASX):
  - As at 14 December: \$50/MWh
  - As at 30 November: \$49/MWh
  - As at 31 October: \$52/MWh
  
- » As at the 13th of December 2016, South Island storage was 109% of mean (30 November: 116%) and North Island storage was 135% of mean (30 November: 139%)



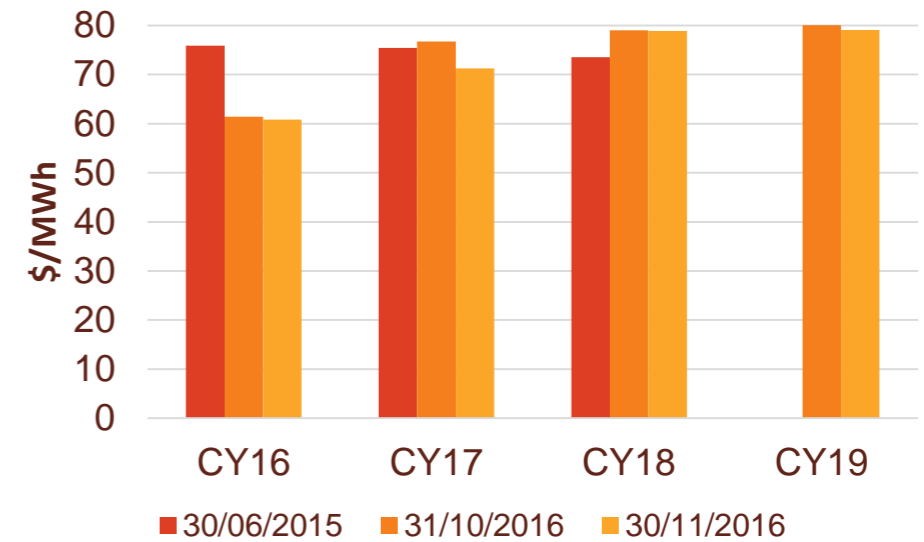
- » Te Mihi returned to the market following an extended planned outage on 30 November

# Hydro storage and forward prices

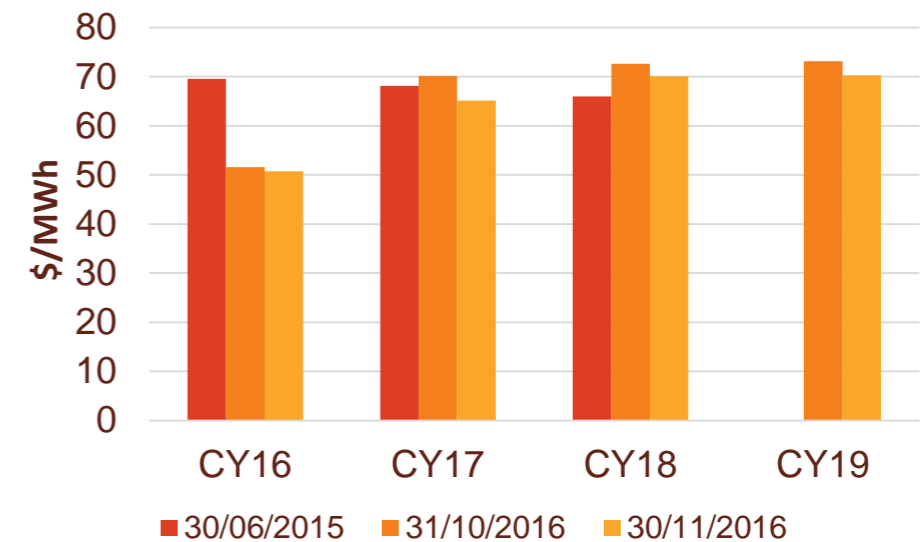
New Zealand hydro storage against mean



Otahuhu ASX futures settlement

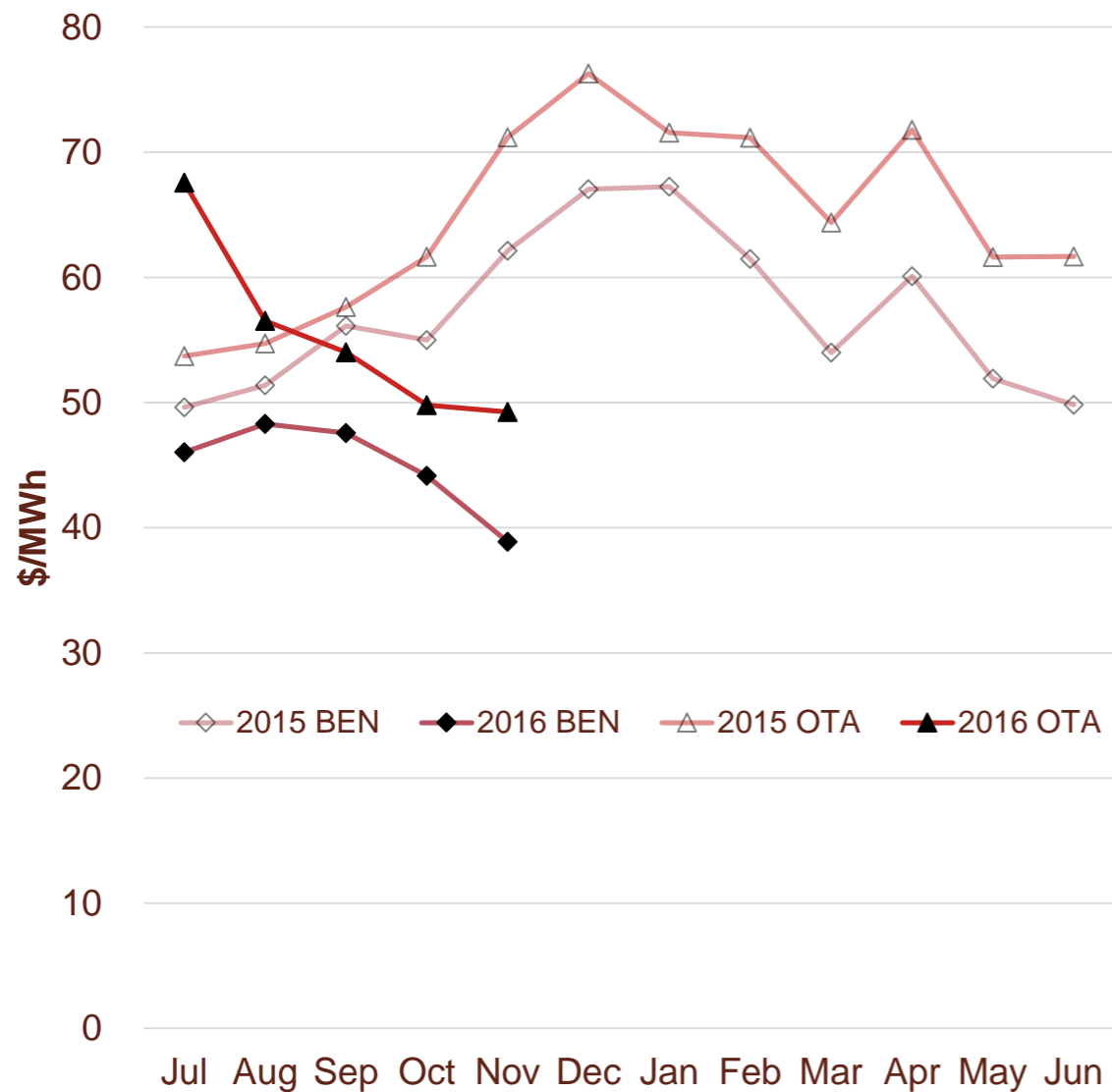


Benmore ASX futures settlement



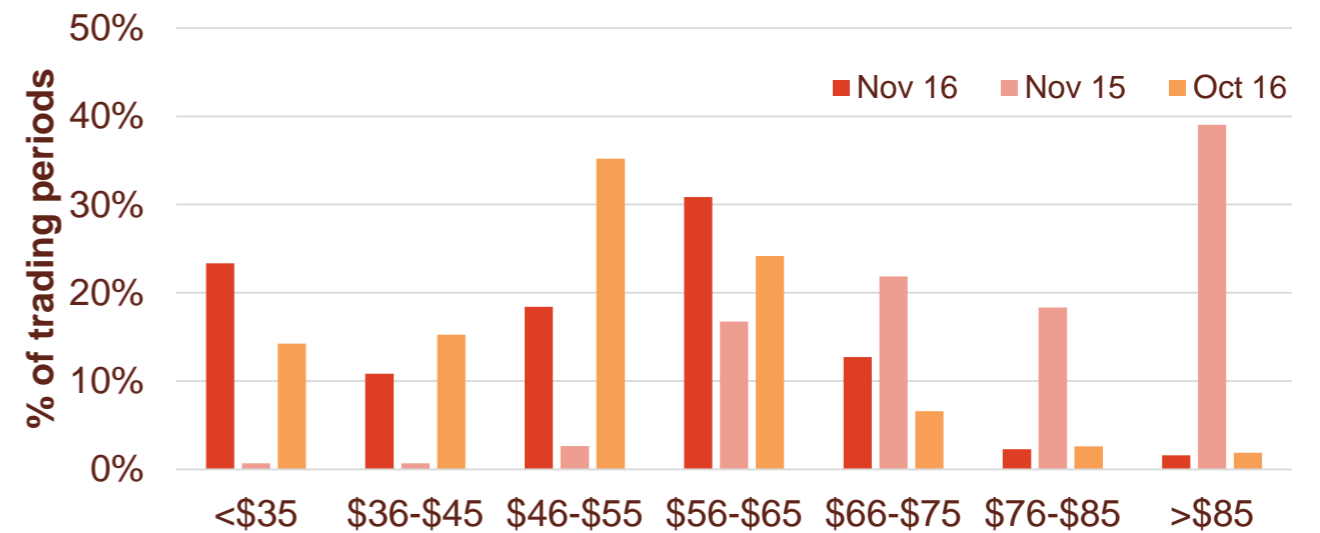
# Wholesale market

## Wholesale electricity pricing

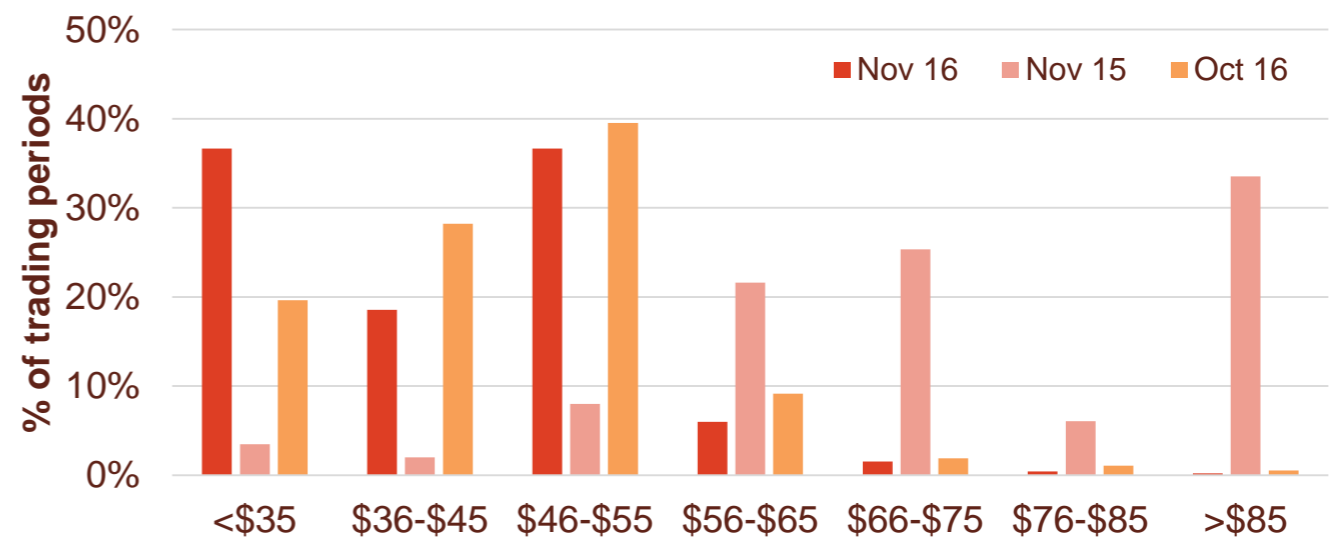


## Distribution of wholesale market price by trading periods

### Otahuhu node



### Benmore node

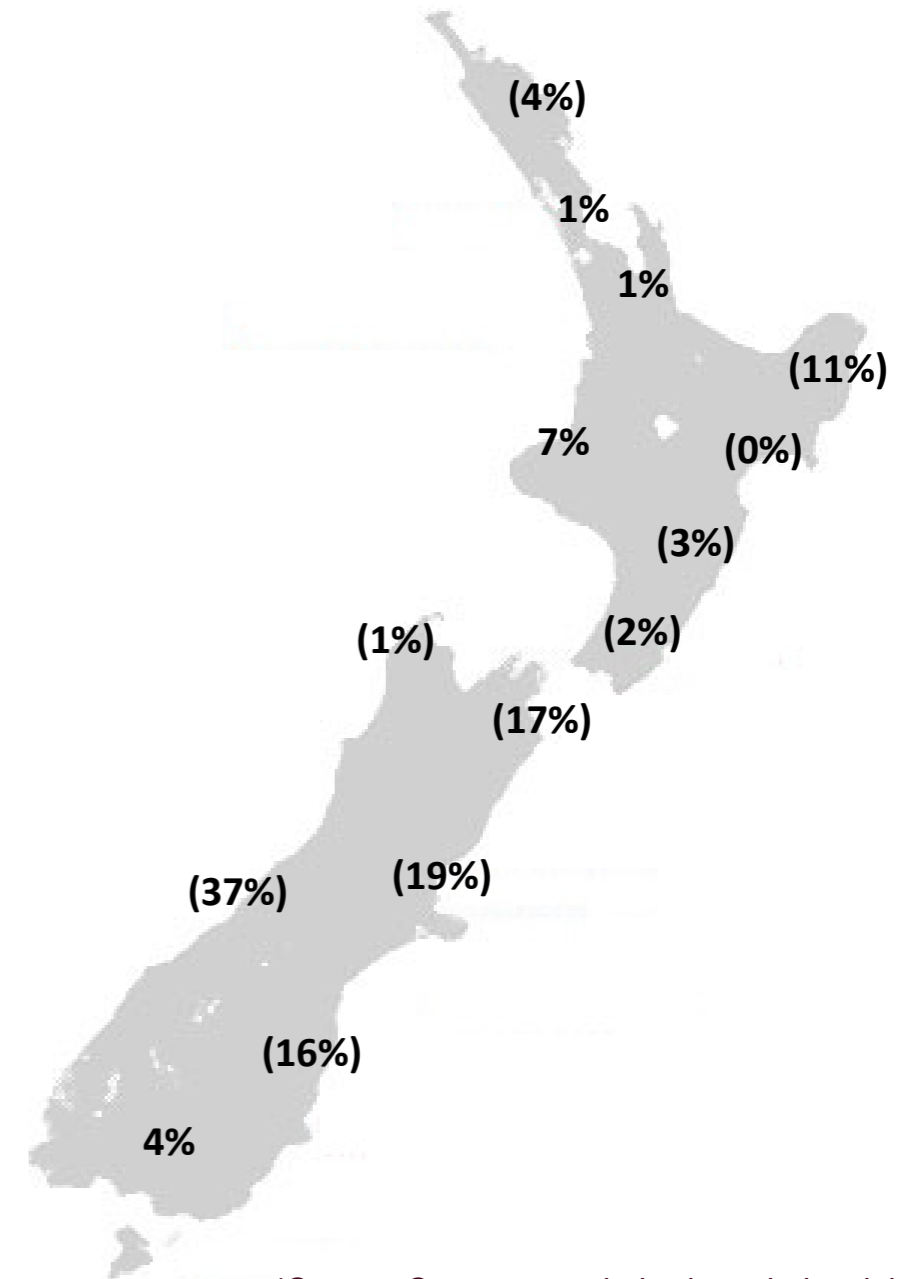
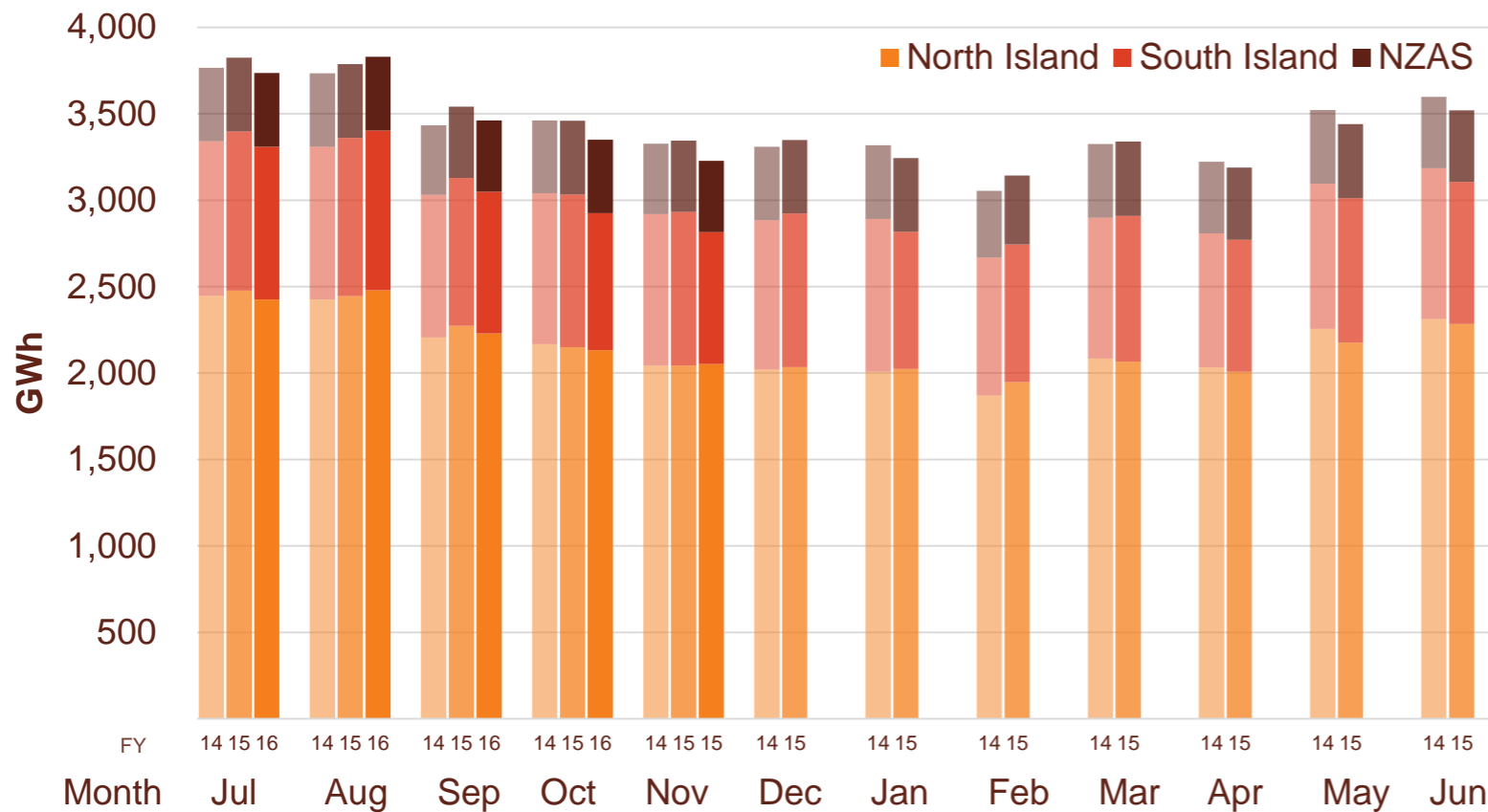


# Electricity demand

- » New Zealand electricity demand was down 3.5% on November 2015 (down 3.0% on November 2014).
  - Cumulative 12 months demand for December 2015 to November 2016 of 40,828 GWh is 1.2% lower than the prior comparative period.

## Regional demand change (%) on November 2015\*

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

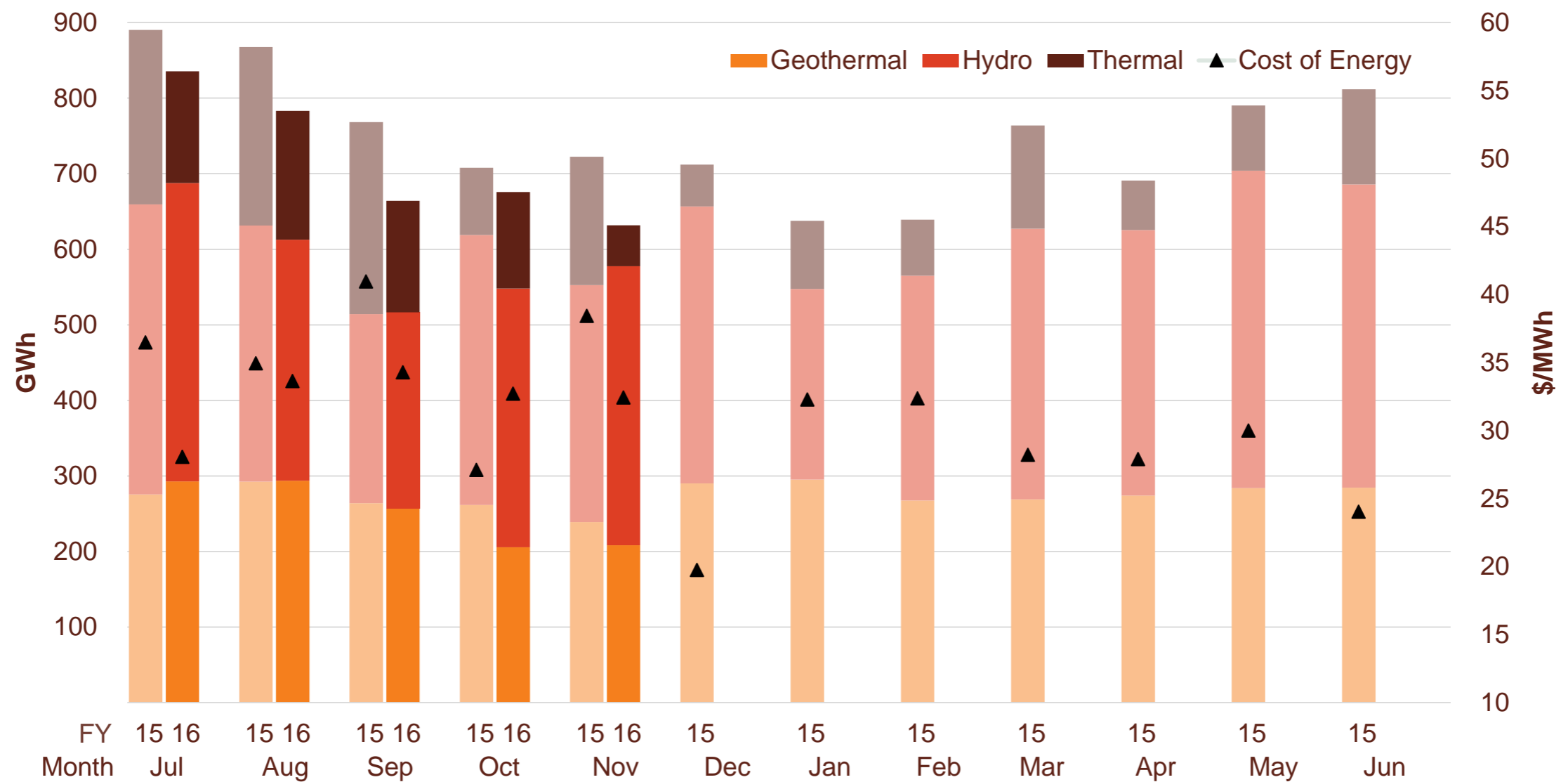


Source: Contact and Electricity Authority grid demand (reconciled) [www.emi.govt.nz](http://www.emi.govt.nz)

\*Source: Contact – excludes large industrial

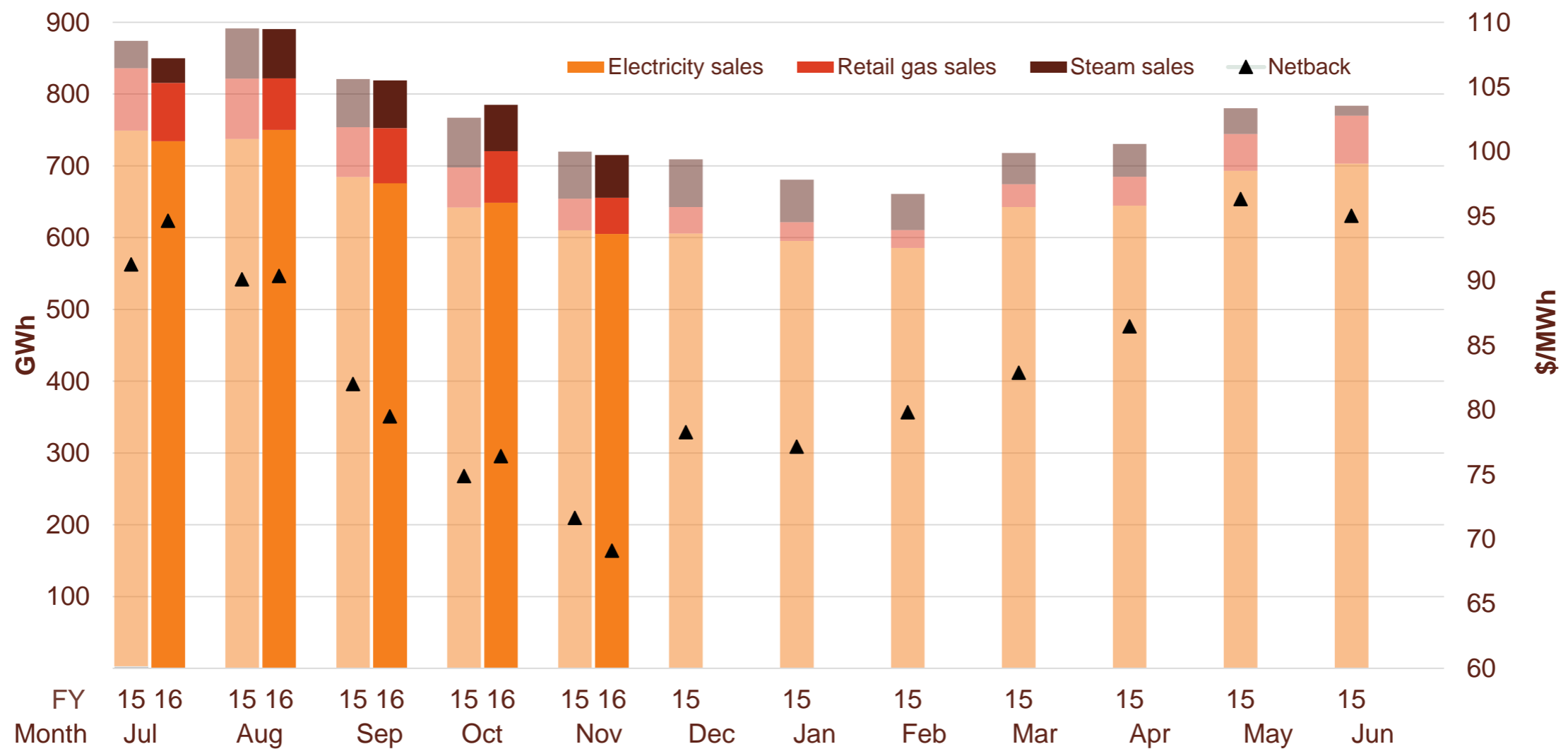
# Contact's generation performance

## 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 November 2016	The month ended November 2015	The month ended October 2016	Five months ended November 2016	Five months ended November 2015	
Netback	Mass market electricity sales	GWh	261	283	301	1,681	1,774
	Commercial & industrial electricity sales	GWh	344	327	348	1,732	1,647
	Retail gas sales	GWh	50	44	72	352	340
	Steam sales	GWh	60	66	65	294	310
	Total retail sales	GWh	715	720	785	4,060	4,071
	Average electricity sales price	\$/MWh	164.23	168.96	173.49	180.34	183.34
	Electricity direct pass through costs	\$/MWh	(74.81)	(77.17)	(76.06)	(76.23)	(77.43)
	Electricity and gas cost to serve	\$/MWh	(13.47)	(13.60)	(12.61)	(12.54)	(14.12)
	Netback	\$/MWh	69.43	71.63	76.71	82.80	82.58
	Electricity line losses	%	5%	6%	5%	5%	5%
	Retail gas sales	PJ	0.2	0.2	0.2	1.2	1.2
	Electricity customer numbers <sup>1</sup>	#	422,500	422,000	423,000		
	Gas customer numbers <sup>1</sup>	#	62,500	61,000	62,500		
Cost of energy	Thermal generation	GWh	54	170	128	648	980
	Geothermal generation	GWh	208	239	205	1,256	1,333
	Hydro generation	GWh	369	314	343	1,686	1,644
	Spot market generation	GWh	632	723	676	3,590	3,957
	Spot electricity purchases	GWh	628	641	670	3,546	3,571
	CfD sales / (purchases)	GWh	(15)	16	(5)	(94)	37
	GWAP	\$/MWh	41.55	63.93	45.35	48.91	55.90
	LWAP	\$/MWh	(47.46)	(69.76)	(49.73)	(54.21)	(59.98)
	LWAP/GWAP	%	114%	109%	110%	111%	107%
	Gas used in internal generation	PJ	0.7	1.7	1.3	6.8	9.0
	Gas storage net movement	PJ	0.3	(0.7)	(0.1)	(1.06)	(1.88)
	Unit generation cost	\$/MWh	(32.44)	(37.82)	(33.48)	(32.44)	(36.72)
	Cost of energy <sup>2</sup>	\$/MWh	(32.43)	(38.43)	(32.70)	(32.21)	(35.62)
LPG	LPG sales	tonnes	5,882	5,265	5,623	32,749	32,053
	LPG customer numbers (includes franchises) <sup>1</sup>	#	76,000	72,000	75,500		

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

<sup>2</sup> In November 2016, Contact refined its accounting treatment for the costs incurred in operating the Ahuroa Gas Storage facility which resulted in an increase in the November 2016 cost of energy by \$1.8m (relating to the period 1 July 2016 - 30 November 2016). This is reflective of the expected FY17 run rate. Historically, operating costs associated with gas injection were added to gas inventory costs on the balance sheet. There are no cash implications arising from this reclassification.



# Glossary of terms

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## Netback

Measures the performance of the retail 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

*Add:* Revenue from steam 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 energy supply business.

Cost of energy reflects the total operational costs of supplying the energy sold. It does not include any capital return expectations.

Wholesale electricity revenue from our generating assets

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

*Less:* Electricity transmission costs and levies

*Less:* Gas and diesel purchase costs

*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, gas and steam sales) to be expressed as \$/MWh

# Keep in touch

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