



Monthly Operating Report

November 2018

November overview

For the month of November 2018

- » The Customer business recorded:
 - Mass market electricity and gas sales of 317 GWh (November 2017: 319 GWh)
 - Mass market electricity and gas netback of \$92.82/MWh (November 2017 \$90.39/MWh)
- » The Generation business recorded:
 - Contracted Wholesale electricity sales, including that sold to the Customer business, totalled 657 GWh (November 2017: 691 GWh)
 - Electricity and steam net revenue of \$68.71/MWh (November 2017: \$65.56/MWh)
 - Electricity generated (or acquired) in the month of 796 GWh (November 2017: 761 GWh)
 - The unit generation cost, which includes acquired generation was \$29.39/MWh (November 2017: \$31.54/MWh)

- » Otahuhu futures settlement wholesale price for the 1st quarter of 2019 (ASX):
 - As at 18 December 2018: \$128/MWh
 - As at 30 November 2018: \$96/MWh
 - As at 31 October 2018: \$112/MWh
- » As at 18 December 2018, South Island controlled storage was 97% of mean (30 November 2018: 104%) and North Island controlled storage was 73% of mean (30 November 2018: 66%)
 - As at 18 December 2018, total Clutha scheme storage (including uncontrolled storage) was 67% of mean
 - Inflows into Contact's Clutha catchment for November 2018 were 106% of mean (October 2018: 89% September 2018: 72%, August 2018: 99%)

In line with the new operating segments announced in August 2018 and the completion of the asset sales, the monthly operating reporting has been updated

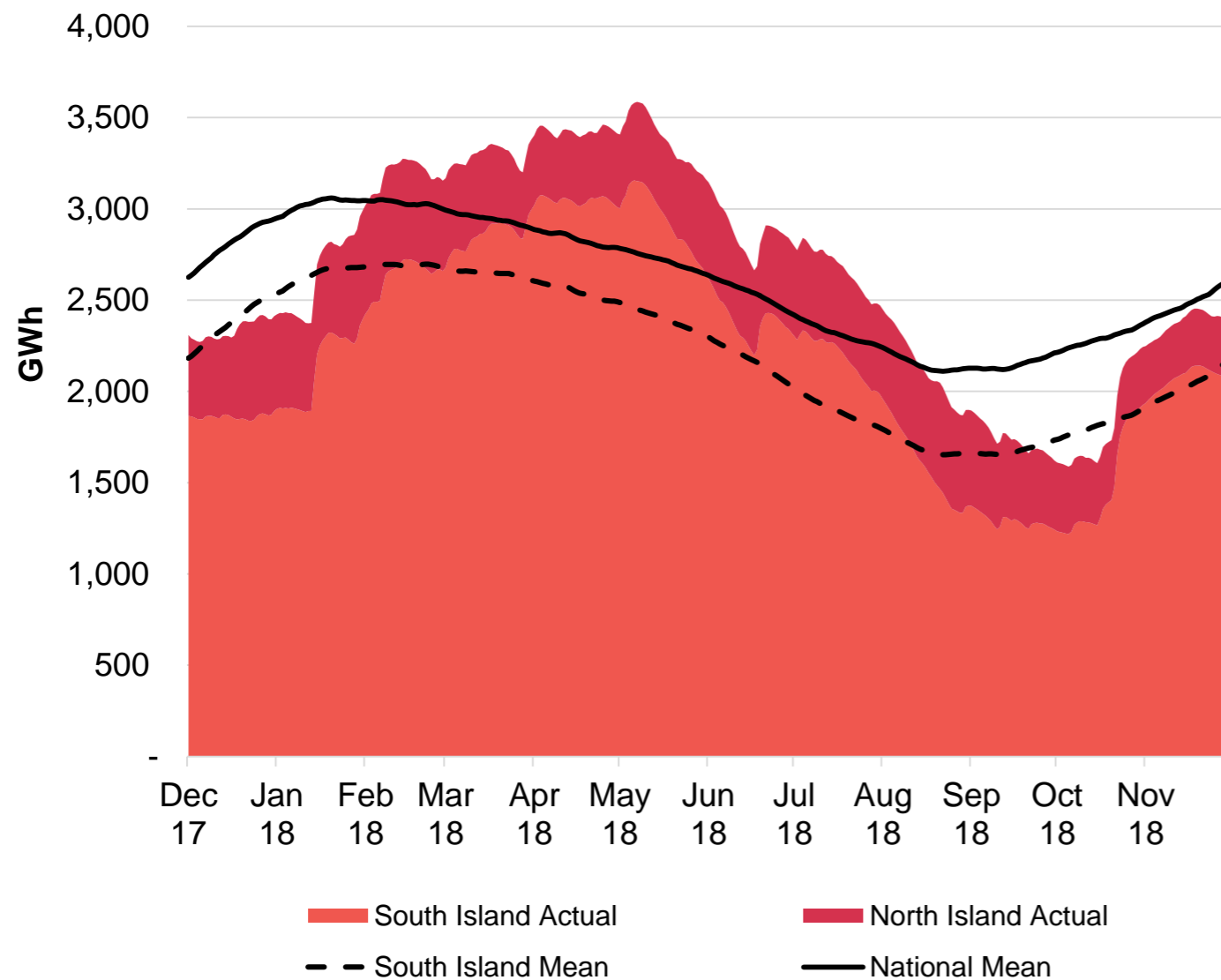
For more detail refer to page 6 onwards

Contact completed the sale of Rockgas on 30 November 2018

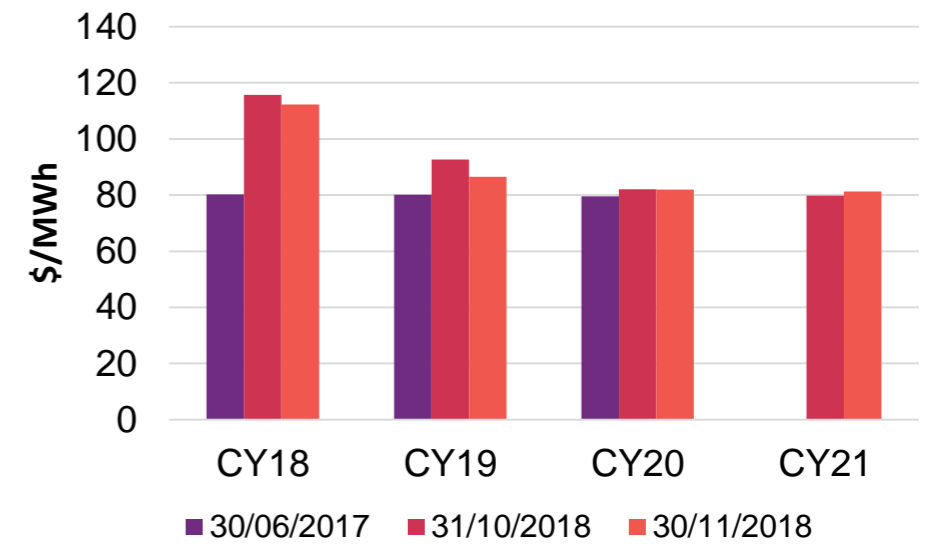
Contact's EBITDAF for FY19 for LPG was \$14m (unaudited)
Full year FY18 EBITDAF for LPG was \$32m, while the prior comparative period EBITDAF was \$17m

Hydro storage and forward prices

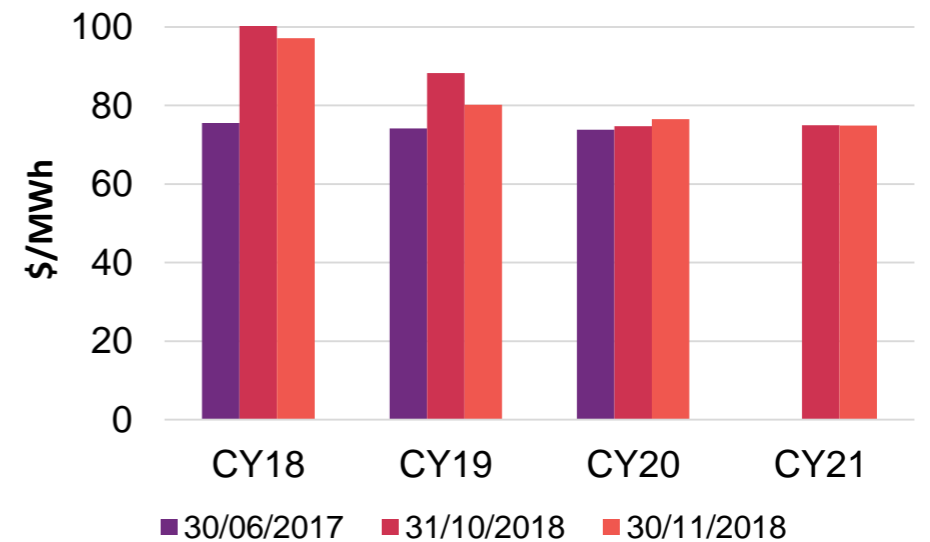
New Zealand controlled hydro storage against mean



Otago ASX futures settlement

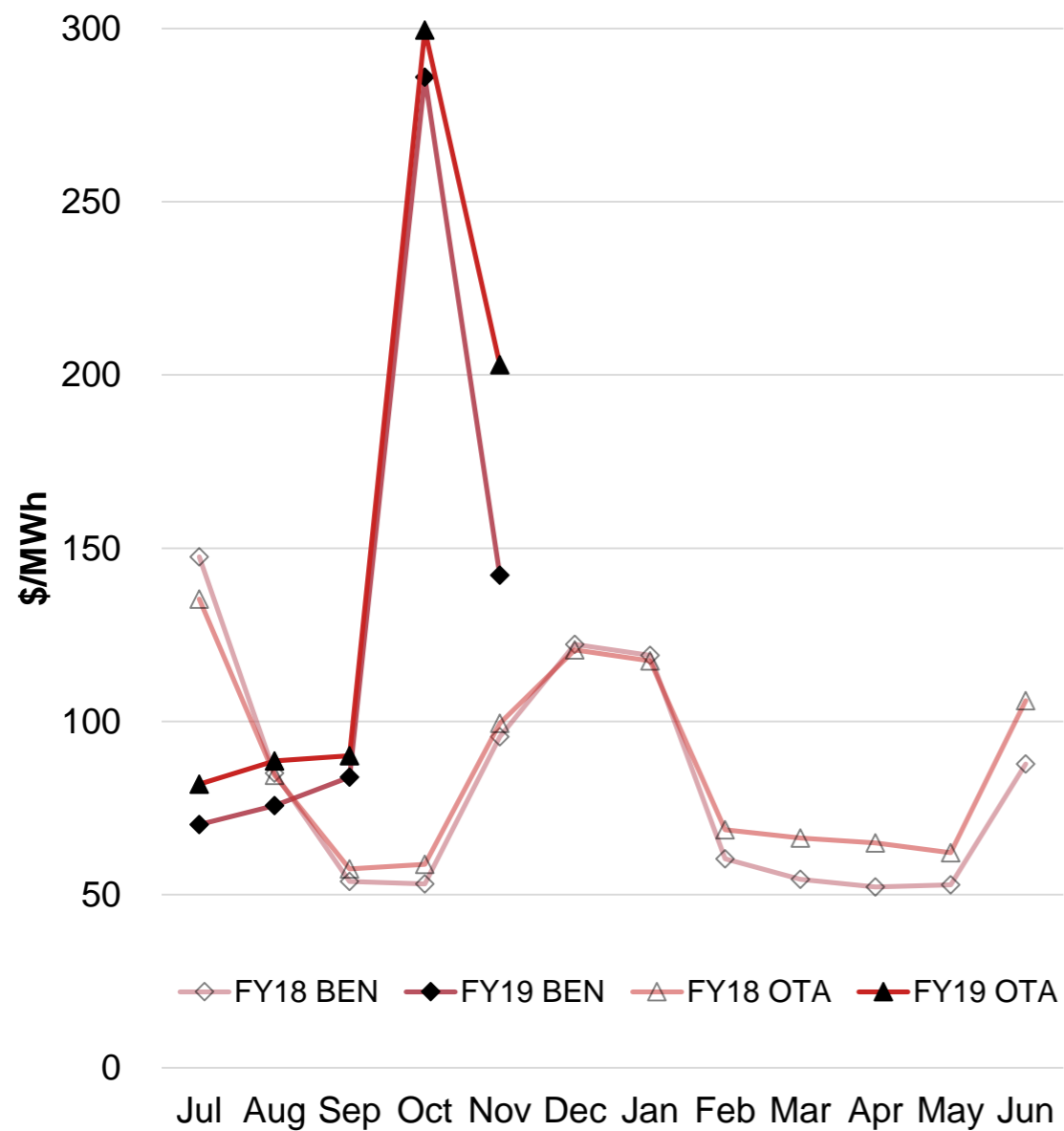


Benmore ASX futures settlement



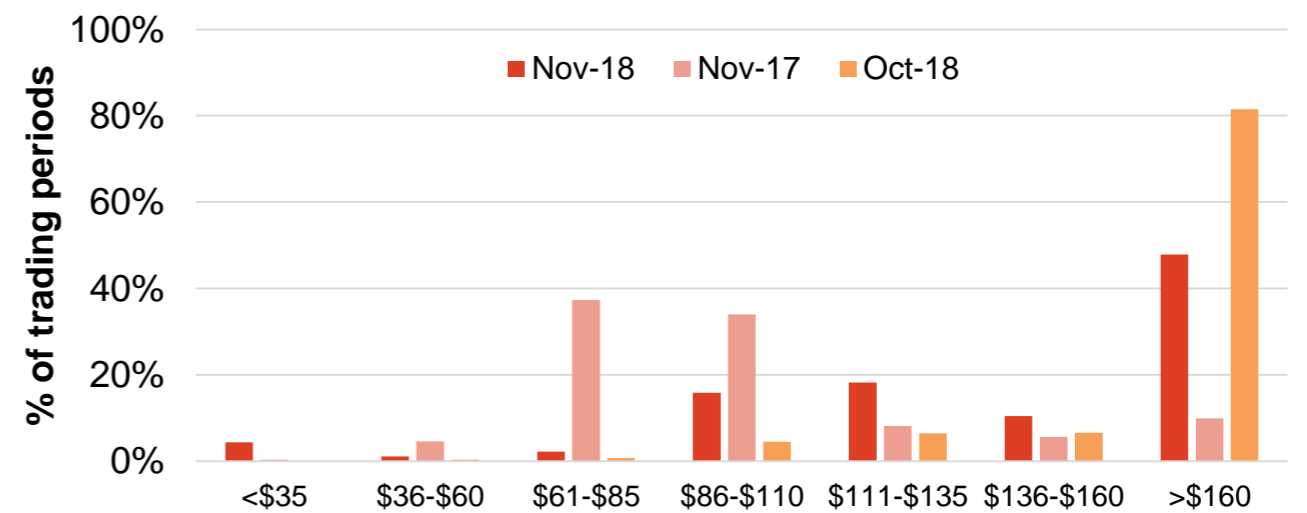
Wholesale market

Wholesale electricity pricing

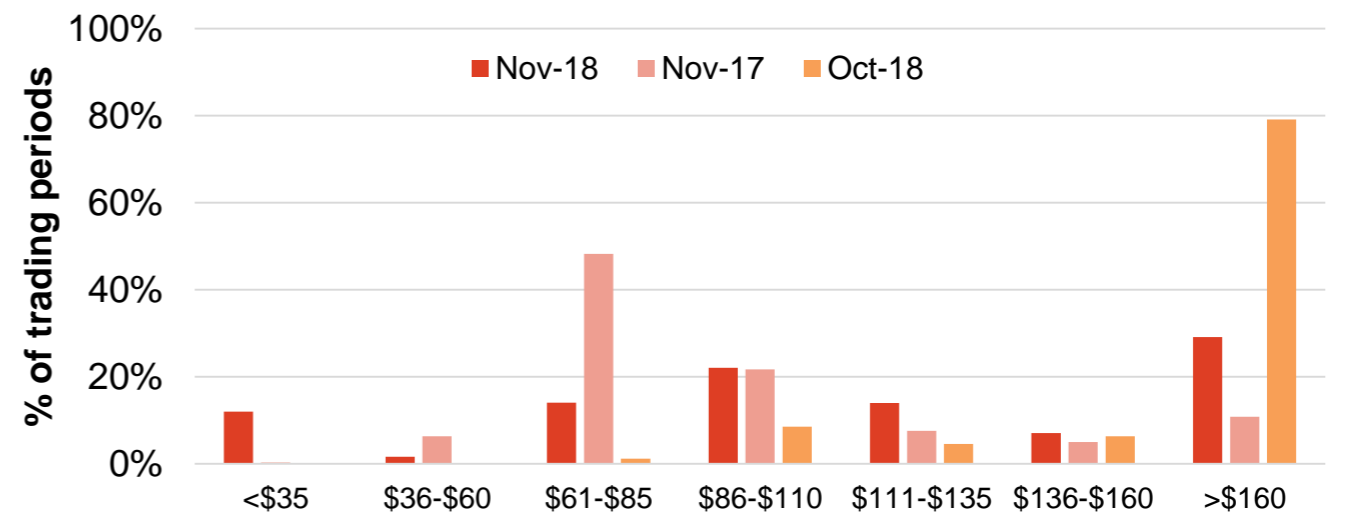


Distribution of wholesale market price by trading periods

Otahuhu node



Benmore node

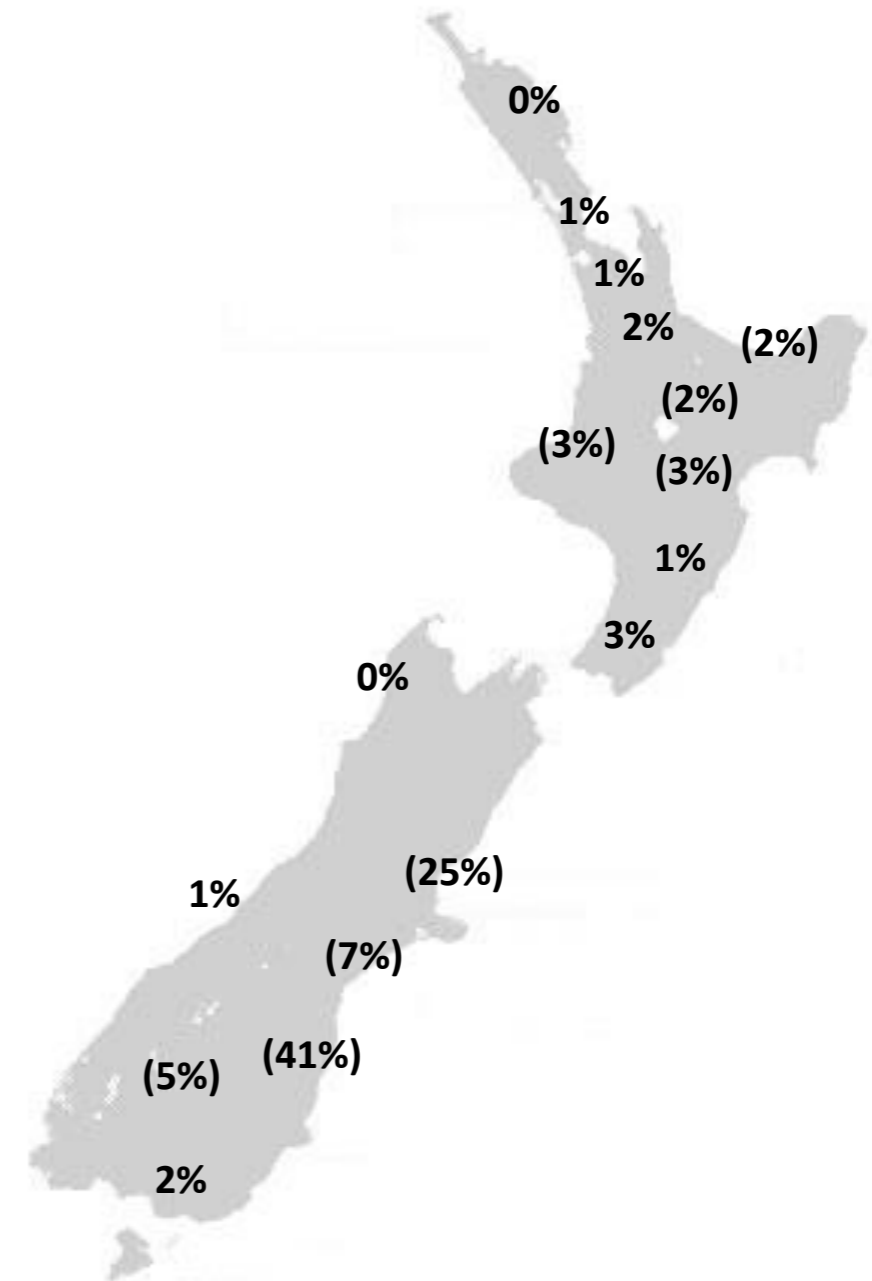
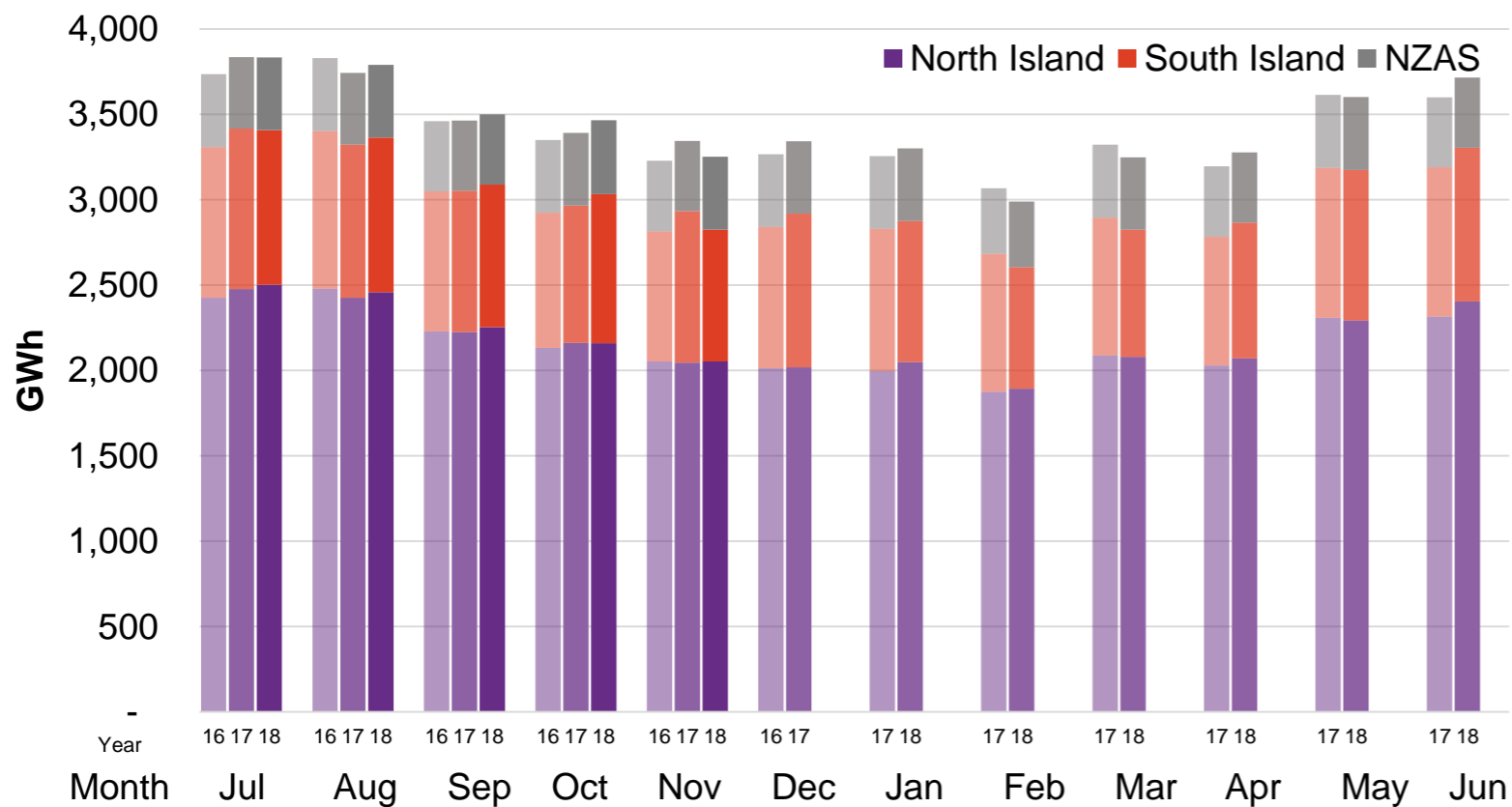


Electricity demand

- » New Zealand electricity demand was down 2.8% on November 2017 (up 0.8% on November 2016)
 - Cumulative 12 months demand for December 2017 to November 2018 of 41,318 GWh is 0.5% higher than the prior comparative period.

Regional demand change (%) on November 2017

Total national demand (FY17, 18 and 19)



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

New operating segments provide transparency

The new operating segments provide a clearer view of profitability in the operating businesses, as the segments exclude indirect Corporate costs

- » Combining C&I and Generation - C&I prices have trended to wholesale levels and large customers are a focus for decarbonisation and renewable development
- » Divested Rockgas

This presented an opportunity to develop clearer disclosures of net generation positions. This will assist with Wholesale channel optimisation decisions and a wider understanding of the drivers of Wholesale profitability

New operating segments



- » Revenue from delivering electricity, natural gas, LPG service revenue, broadband and other products and services to mass market customers less the cost of purchasing those products and services, and the costs to serve customers

- » Revenue from the sale of electricity to the wholesale market, to C&I customers and to the Customer segment, less the cost to generate and/or purchase electricity and costs to serve and distribute electricity to C&I customers

- » Corporate functions (Finance and Risk, Governance, People & Safety, Board, Leadership team and an allocation of ICT costs)

Customer business

What is 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 customers

Add: Revenue from gas sales, broadband and legacy meters

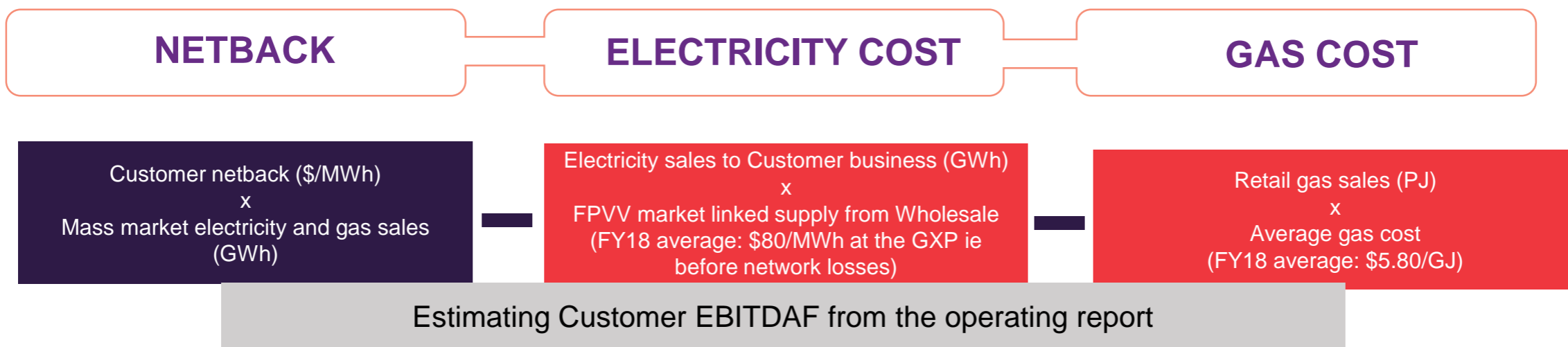
Less: Electricity distribution network costs, meter costs and electricity levies

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

Less: Direct operating costs to serve the customer, (excludes head office allocation)

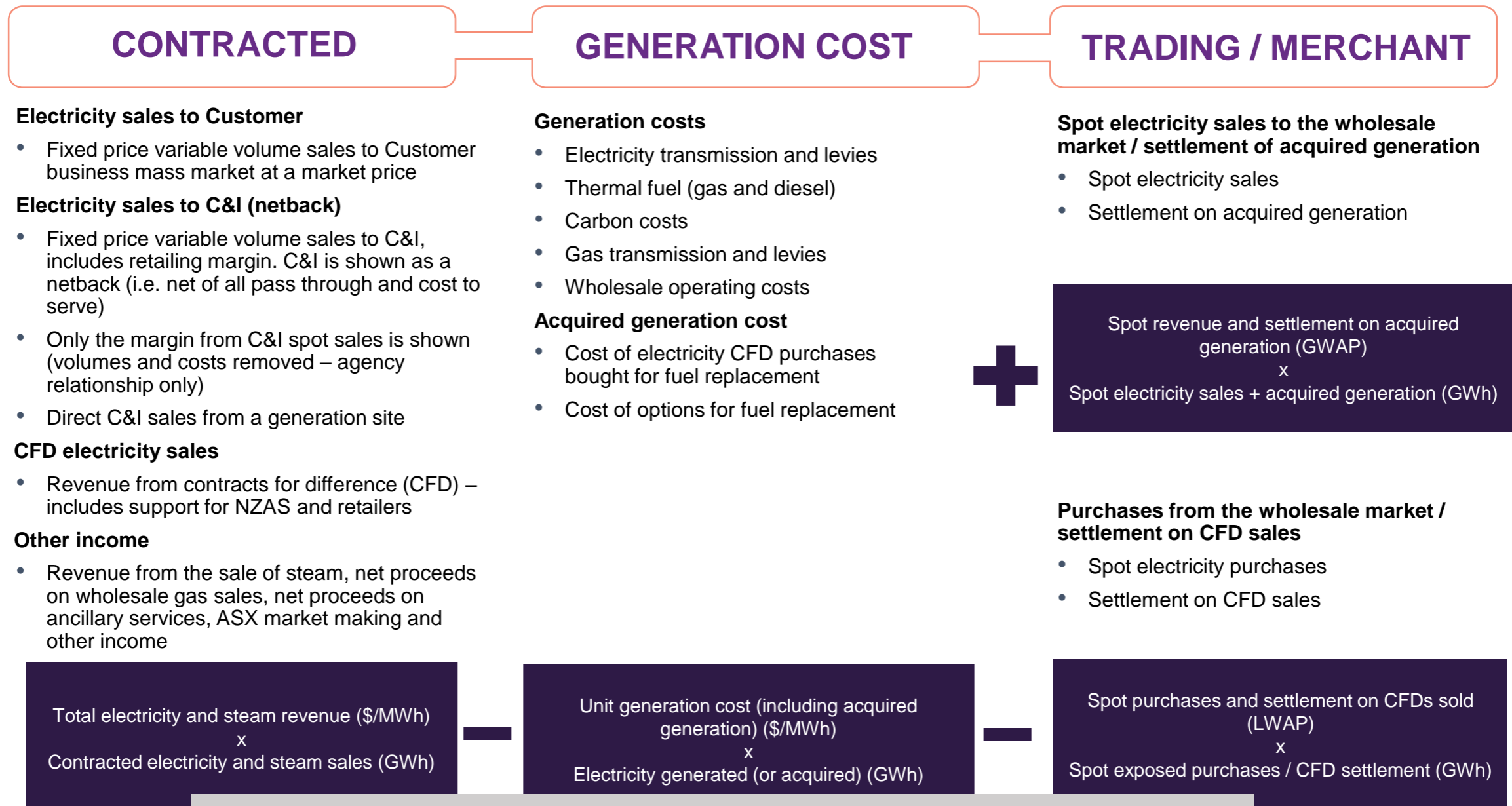
Less: Carbon emission costs on the sale of retail gas

Components of EBITDAF



Wholesale business

The wholesale business revenues are predominantly linked to ASX futures



Estimating Wholesale EBITDAF from the operating report

Additional insights

EBITDAF

Customer business EBITDAF (see page 8)

Add: Wholesale EBITDAF (see page 9)

Add: LPG EBITDAF - Sold 30 November 2018 - **FY18: \$32m, FY19: \$14m, FY20: nil**

Less: Corporate costs (FY18: \$24m), will only be updated at results (half and full)

FAQ:

Q: Why are Wholesale contracted sales higher than previously reported?

A: Contact now reports on the gross CFD sales made (these were previously net settled into wholesale revenue), this includes the CFD to support the Tiwai smelter and other market participants. The settlement costs of these contracts has also been included as an effective electricity purchase. Grossing up the CFDs also give a clearer understand of Contact's effective generation and sales position.

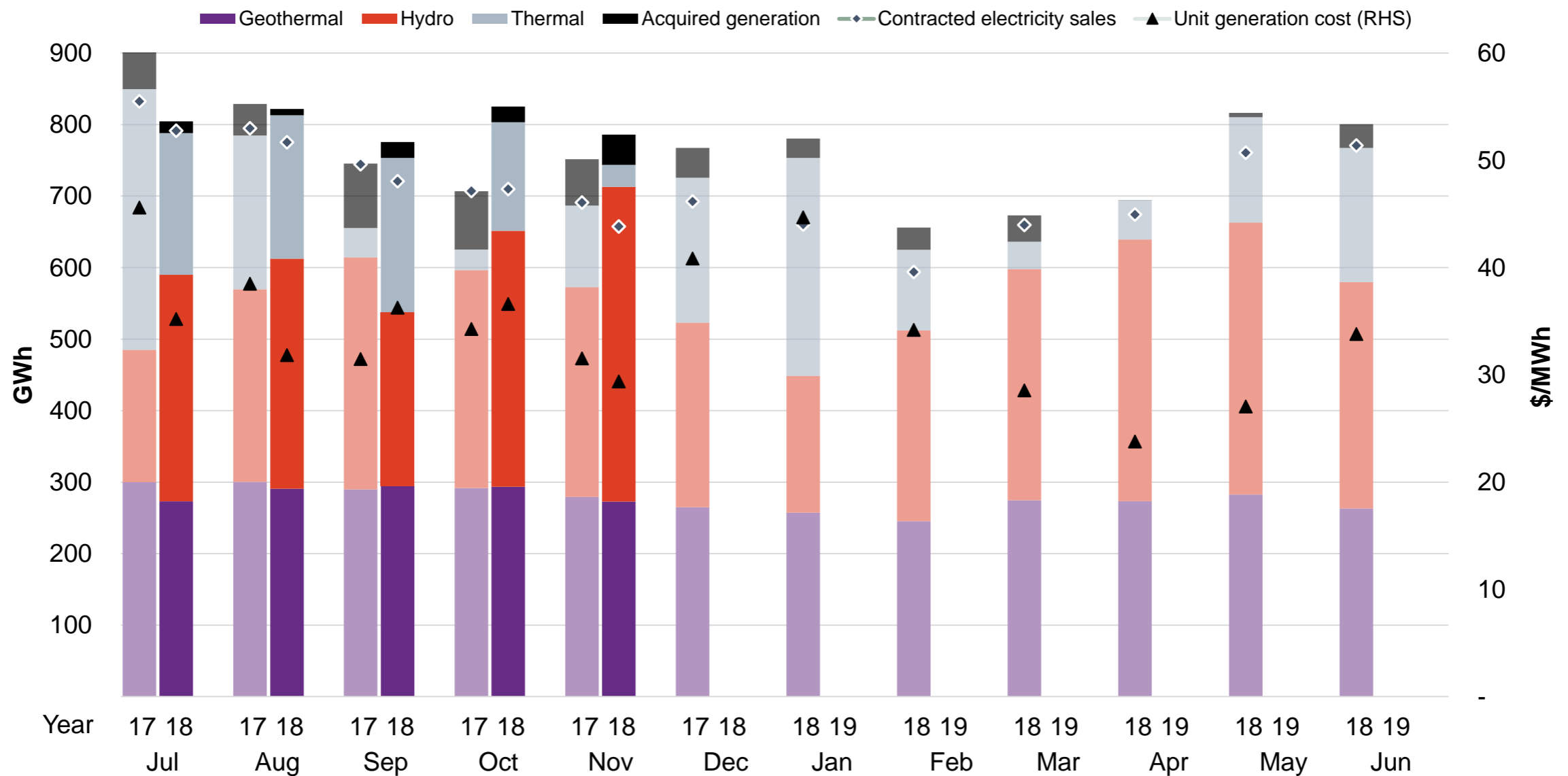
Q: Why are C&I sales volumes lower than previously reported?

A: Contact acts as an agent to allow some sophisticated C&I customers access to the wholesale spot market, as Contact does not take any risk or generate to cover this load, these sales (along with the costs) are eliminated from what is reported.

For further information please refer to page 14 for contact details to discuss.

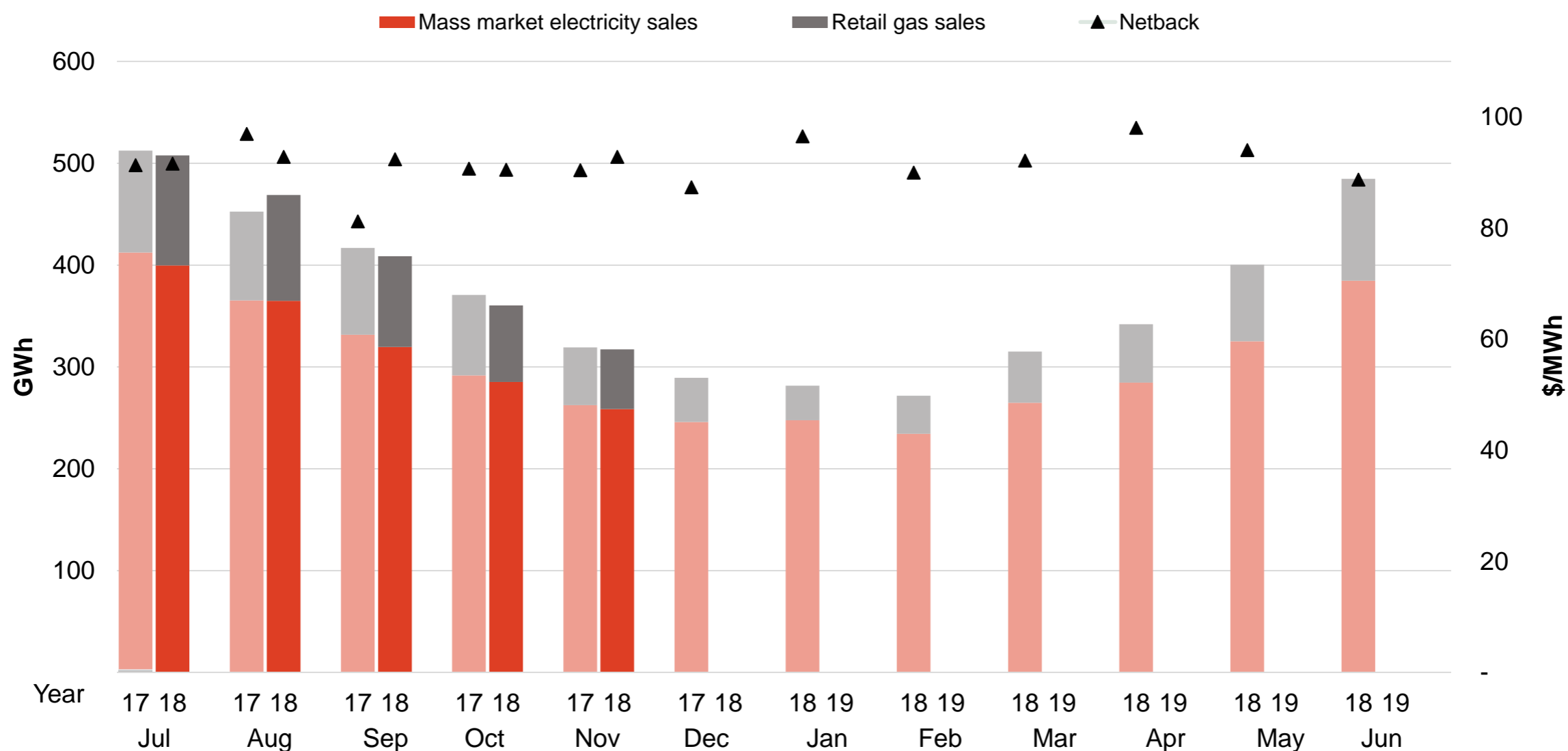
Contact's Wholesale business performance

Generation mix, gross sales position and unit generation cost (FY18 and 19)



Contact's Customer business performance

Retail sales volumes and netback (FY18 and 19)



Contact's operational performance

	Measure	The month ended November 18	The month ended November 17	The month ended October 18	Five months ended November 18	Five months ended November 17	
Customer	Mass market electricity sales	GWh	259	263	285	1,628	1,661
	Retail gas sales	GWh	59	57	75	435	408
	Mass market electricity and gas sales	GWh	317	319	360	2,063	2,069
	Average electricity sales price	\$/MWh	248.94	248.57	246.06	241.38	238.89
	Electricity direct pass thru costs	\$/MWh	(119.98)	(121.09)	(117.87)	(114.69)	(115.92)
	Cost to serve	\$/MWh	(20.85)	(22.79)	(19.27)	(16.16)	(17.04)
	Customer netback	\$/MWh	92.82	90.39	90.48	92.02	90.26
	Actual electricity line losses	%	8%	10%	7%	7%	8%
	Retail gas sales	PJ	0.2	0.2	0.3	1.5	1.3
	Electricity ICPs (rounded to the nearest 500)	#	406,000	417,500	406,500		
Gas ICPs (rounded to the nearest 500)	#	65,500	64,500	65,500			
Wholesale	Electricity sales to Customer business	GWh	282	292	306	1,751	1,799
	Electricity sales to Commercial and Industrial	GWh	261	297	261	1,312	1,453
	Electricity CFD sales	GWh	114	103	143	592	518
	Contracted electricity sales	GWh	657	691	710	3,655	3,770
	Steam sales	GWh	66	61	69	296	276
	Total electricity and steam net revenue	\$/MWh	68.71	65.56	78.04	79.23	76.01
	C&I netback (at the ICP)	\$/MWh	67.92	67.48	86.06	84.10	85.41
	C&I line losses	%	4%	6%	2%	4%	5%
	Thermal generation	GWh	31	114	152	797	764
	Geothermal generation	GWh	273	279	293	1,425	1,461
	Hydro generation	GWh	440	293	358	1,680	1,377
	Spot electricity sales	GWh	744	687	803	3,902	3,602
	Electricity sales - Direct	GWh	10	10	10	42	40
	Acquired generation	GWh	42	65	22	112	343
	Electricity generated (or acquired)	GWh	796	761	835	4,055	3,985
	Unit generation cost (including acquired generation)	\$/MWh	(29.39)	(31.54)	(36.62)	(33.88)	(36.71)
	Spot electricity purchases	GWh	(533)	(579)	(557)	(3,022)	(3,212)
	CFD sale settlements	GWh	(114)	(103)	(143)	(592)	(518)
	Spot exposed purchases / CFD settlement	GWh	(648)	(681)	(700)	(3,614)	(3,730)
	Spot revenue and settlement on acquired generation (GWAP)	\$/MWh	164.23	92.91	283.25	139.92	86.74
	Spot purchases and settlement on CFDs sold (LWAP)	\$/MWh	(181.10)	(100.50)	(297.49)	(143.71)	(91.87)
	LWAP/GWAP	%	110%	108%	105%	103%	106%
	Gas used in internal generation	PJ	0.5	1.3	1.5	7.6	7.5
Gas storage net movement (extraction) / injection	PJ	0.4	(0.0)	(0.5)	(2.1)	(0.1)	





Contact's operational performance - history

	Measure	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	
Customer	Mass market electricity sales	GWh	409	365	332	292	263	246	248	234	265	285	325	385	400	365	320	285	259
	Retail gas sales	GWh	100	87	85	79	57	43	34	37	50	57	75	100	108	104	89	75	59
	Mass market electricity and gas sales	GWh	509	453	417	371	319	289	282	272	315	342	400	485	508	469	409	360	317
	Average electricity sales price	\$/MWh	227.83	239.33	238.43	245.70	248.57	250.69	255.99	244.89	246.45	244.83	243.21	235.32	235.88	238.14	241.66	246.06	248.94
	Electricity direct pass thru costs	\$/MWh	(106.85)	(110.32)	(125.71)	(119.86)	(121.09)	(131.98)	(125.13)	(120.77)	(121.85)	(115.04)	(117.31)	(112.56)	(112.44)	(111.06)	(114.50)	(117.87)	(119.98)
	Cost to serve	\$/MWh	(14.25)	(14.48)	(17.17)	(18.92)	(22.79)	(20.54)	(25.21)	(23.82)	(22.09)	(18.12)	(16.21)	(15.21)	(13.26)	(14.64)	(15.15)	(19.27)	(20.85)
	Customer netback	\$/MWh	91.32	96.95	81.19	90.70	90.39	87.34	96.50	89.98	92.14	98.05	94.03	88.71	91.59	92.82	92.36	90.48	92.82
	Actual electricity line losses	%	7%	8%	6%	7%	10%	9%	7%	6%	4%	7%	11%	6%	5%	7%	8%	7%	8%
	Retail gas sales	PJ	0.3	0.3	0.3	0.2	0.2	0.1	0.1	0.2	0.2	0.2	0.3	0.4	0.4	0.4	0.3	0.3	0.2
	Electricity ICPs (rounded to the nearest 500)	#	420,000	420,000	419,500	419,000	417,500	416,500	415,500	415,000	414,000	414,000	414,000	413,000	411,500	407,500	406,500	406,500	406,000
Gas ICPs (rounded to the nearest 500)	#	64,000	64,500	64,500	64,500	64,500	64,500	64,500	64,500	64,500	65,000	65,000	65,000	65,000	65,000	65,000	65,500	65,500	
Wholesale	Electricity sales to Customer business	GWh	443	397	354	314	292	270	267	249	277	304	366	409	423	394	346	306	282
	Electricity sales to Commercial and Industrial	GWh	284	293	288	291	297	283	285	261	288	268	284	253	254	269	267	261	261
	Electricity CFD sales	GWh	106	104	103	103	103	140	109	84	94	101	111	108	115	113	108	143	114
	Contracted electricity sales	GWh	833	795	745	707	691	693	660	594	660	674	761	771	791	775	721	710	657
	Steam sales	GWh	26	58	67	64	61	54	44	46	51	55	39	20	30	63	68	69	66
	Total electricity and steam net revenue	\$/MWh	90.04	82.23	73.92	65.89	65.56	65.84	70.75	70.82	76.15	75.93	84.45	94.86	91.34	83.58	72.82	78.04	68.71
	C&I netback (at the ICP)	\$/MWh	103.25	91.24	89.34	75.91	67.48	70.57	75.52	78.79	86.57	86.35	93.51	106.26	96.37	89.81	80.03	86.06	67.92
	C&I line losses	%	6%	3%	5%	5%	6%	1%	1%	3%	4%	4%	5%	4%	3%	4%	7%	2%	4%
	Thermal generation	GWh	365	215	41	29	114	203	305	113	38	55	147	188	198	201	216	152	31
	Geothermal generation	GWh	300	300	290	292	279	265	257	245	275	274	283	263	273	291	295	293	273
	Hydro generation	GWh	185	270	325	305	293	258	191	267	323	366	380	316	317	322	243	358	440
	Spot electricity sales	GWh	850	785	655	625	687	726	753	625	636	694	810	767	788	813	754	803	744
	Electricity sales - Direct	GWh	3	8	9	10	10	10	10	8	9	8	4	1	4	9	10	10	10
	Acquired generation	GWh	62	44	90	82	65	42	27	31	37	0	6	33	17	9	22	22	42
	Electricity generated (or acquired)	GWh	916	837	755	716	761	777	790	665	682	703	821	802	808	831	785	835	796
	Unit generation cost (including acquired generation)	\$/MWh	(45.60)	(38.49)	(31.48)	(34.29)	(31.54)	(40.85)	(44.68)	(34.21)	(28.56)	(23.78)	(27.06)	(33.82)	(35.22)	(31.85)	(36.27)	(36.62)	(29.39)
	Spot electricity purchases	GWh	(723)	(682)	(632)	(595)	(579)	(543)	(542)	(501)	(557)	(564)	(646)	(661)	(673)	(654)	(604)	(557)	(533)
	CFD sale settlements	GWh	(106)	(104)	(103)	(103)	(103)	(140)	(109)	(84)	(94)	(101)	(111)	(108)	(115)	(113)	(108)	(143)	(114)
	Spot exposed purchases / CFD settlement	GWh	(829)	(787)	(735)	(697)	(681)	(683)	(651)	(586)	(651)	(666)	(757)	(770)	(788)	(767)	(711)	(700)	(648)
	Spot revenue and settlement on acquired generation (GWAP)	\$/MWh	137.88	82.28	54.51	53.43	92.91	120.45	118.17	65.04	58.40	56.91	56.82	101.42	79.16	82.66	86.51	283.25	164.23
Spot purchases and settlement on CFDs sold (LWAP)	\$/MWh	(149.05)	(86.05)	(58.20)	(57.51)	(100.50)	(124.77)	(125.81)	(69.57)	(62.03)	(62.05)	(63.62)	(105.45)	(80.72)	(86.52)	(89.73)	(297.49)	(181.10)	
LWAP/GWAP	%	108%	105%	107%	108%	108%	104%	106%	107%	106%	109%	112%	104%	102%	105%	104%	105%	110%	
Gas used in internal generation	PJ	3.1	2.0	0.6	0.5	1.3	2.0	2.7	1.2	0.6	0.7	1.4	1.4	1.8	1.8	1.9	1.5	0.5	
Gas storage net movement (extraction) / injection	PJ	(1.0)	(0.2)	0.5	0.6	(0.0)	(0.7)	(0.5)	0.2	0.3	0.5	0.4	(0.4)	(0.3)	(0.7)	(1.0)	(0.5)	0.4	

Keep in touch

Investors

Matthew Forbes - Investor Relations Manager

-  investor.centre@contactenergy.co.nz
-  contact.co.nz/aboutus/investor-centre
-  +64 4 462 1323
-  +64 21 072 8578

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