

## CEO's Address to Contact Energy 2014 Annual Meeting of Shareholders

For immediate release

Tuesday 14 October 2014

Tēnā koutou katoa,  
Ki ā tātou kua huihui mai i tēnei rā,  
nau mai haere mai ki runga i te kaupapa – te hui-ā-tau.  
Na reira tēnā koutou, tēnā koutou, tēnā koutou katoa

I am Dennis Barnes, your CEO. I'd like to join Grant in welcoming you here to Wellington and to this, our 16th AGM.

You heard us sing our waiata - mai i runga. We sang this as a leadership team at a breakfast with our neighbours at Wairakei on the Te Mihi opening day and when we signed the Ohaaki mitigation agreement. The waiata was gifted to us a couple of years ago and us singing it is our way of showing respect.

Let me introduce you to my leadership team.

I'm pleased to say that you will recognise most of the names; although, some of their roles may have changed:

- Seated with the Board is Paul Ridley-Smith, Contact's General Counsel. We announced a month ago, this will be Paul's last AGM as he takes a well earned break before moving on to new challenges. Thank you Paul for your hard work; I know the team and I will miss your insights and challenge.
- Graham Cockroft is Contact's Chief Financial Officer.
- James Kilty is Contact's Chief Generation & Development Officer. James has spent the past year leading the implementation of our Retail Transformation programme.
- Nick Robinson is Contact's General Manager Corporate Affairs.
- Annika Streefland is Contact's General Manager of People and Culture.
- Mark Corbitt is our General Manager Information, Communication and Technology
- Tania Palmer is our General Manager Health and Safety.
- I would also like to welcome Vena Crawley to our leadership team. Vena started yesterday in the newly created role of Chief Customer Officer. The New Zealand retail electricity market is amongst the most competitive in the world and I am excited to have someone of Vena's calibre joining the team as we look to continue our recent improvements and leverage the system investments we have made.

At the end of this meeting I hope you will enjoy a cup of tea with us, introduce yourself to members of the team and share with us any thoughts you have about the company and its direction.

Now let's look at the year in review.

Our 2014 financial results reflect the progress we have made in all aspects of the business. I firmly believe that we are delivering on our promise we made to you to focus on improving our operational performance. When I look back on the past year there have been seven key events, strengthening our business as well as providing a more stable environment in which to operate;

1. The Pole 3 and the North Island grid upgrades allow our generation to more readily flow to customers
2. The State Owned Generators privatisations have been completed
3. Our \$905m refinancing programme completed
4. We switched on our new customer billing and service system
5. Te Mihi was commissioned
6. The National party was re-elected removing a degree of regulatory uncertainty
7. Contact commenced a television advertising campaign for the first time in 10 years promoting our brand and customer promise

I'll touch on some of these and some others more specifically now.

Health and safety remains our top priority at Contact. I firmly believe that the attitudes and processes that ensure everyone at Contact can return home safely every day to their families are closely connected to a company that performs well financially.

Our safety performance as measured by Total Recordable Injury Frequency Rate was flat for FY14 with 17 injuries occurring across four million hours worked on Contact Sites. It's disappointing that we did not improve on this measure during the year but I am pleased to say we have started the current year well with only one minor injury in the first 3 months.

Our focus for the next year is on continuing to evolve our positive safety culture. We are once again targeting a 20 per cent improvement in our safety performance.

We believe that New Zealand has to make a step-change in how it manages work related hazards and safety risks and we have been vocal and supportive during the process to revise the Health and Safety Act.

I'm pleased to say that during the year Te Mihi was completed and has been delivering lower cost, renewable geothermal electricity to New Zealand for five months.

Te Mihi is the newest member of our family of five geothermal power stations that together can power about 400,000 kiwi homes. Officially opened in August, it sits on the Wairākei steamfield and is a state-of-the-art geothermal power station that maximises generation efficiency and minimises the cost of each megawatt of electricity produced.

Within Contact, the development and operation of Te Mihi has contributed to an exponential growth in expertise. Earth scientists, chemists, operators, managers, and engineers of every kind have contributed to the development of Te Mihi and are now a part of our highly skilled geothermal workforce.

Flexibility is at the heart of Te Mihi's design. With two 83 MW steam turbines, the plant has been designed to make the best use of steam and maximise capacity. A vast network of pipes connects Te Mihi to the Wairākei steamfield, increasing overall efficiency and generation reliability, and allowing maintenance to be performed without the need for a costly shut down of the entire station.

With Te Mihi completed, geothermal generation now counts for a third of Contact's annual average generation and brings to an end an unprecedented period of investment.

In the last year we signed the Ohaaki Mitigation Agreement, a critical step in developing a mutually beneficial and respectful relationship with local hapu, Ngāti Tahu.

After 17 years of discussion we reached an agreement and are now working together on protecting their tāonga, or ancestral resources, while using leased land as part of our Ohaaki power station generation activities.

Reaching agreement was critical in enabling us to re-consent the Ohaaki power station for a further 35 years.

On the retail side of our business it's fair to say that the retail market continues to be highly competitive and we have worked hard to retain customers in a market defined by high levels of customer switching activity. During the year the number of customers switching electricity providers increased by 10 per cent. A continued focus on customer service and competitively priced products saw Contact's retail sales increase by one per cent.

In April we switched on our new customer billing and service system, which marks a major milestone in a multi-year transformation programme and a significant investment into the future of Contact.

The new system integrates and simplifies our information technology environment, but it is also designed to improve the quality of service we will be able to provide.

We are making good progress bedding in this new system.

The Retail Transformation programme represents an extraordinary effort by the people of Contact. It retires 20 old IT systems into one, integrates over 2,000 business processes and has migrated hundreds of thousands of customers data.

While the majority of customers won't have noticed our system change and have been enjoying things such as our new bill format and online functionality, there have been a small number who have experienced delays in receiving their bills or faced longer wait times when trying to get in touch with our contact centre soon after the system was switched on. We've been working hard to resolve these issues, ensuring no one is financially affected by any delays on our part and supporting impacted customers.

As we do each year, we have Customer Service Representatives here today to help with any specific queries you may have as a customer.

Our customers tell us that we need to offer simple, more transparent products and services that are connected to their needs, and that is what we are working towards to help our customers live more comfortably with energy.

We are well on the way to changing the way we do things, you may have seen our new ads on TV, or online, heard them on the radio or perhaps you've visited our new-look website. Following on from the introduction of our new brand last year, we've been taking a different approach to how we communicate with existing and potential customers, and this is something that will also take further shape in the next year.

Pricing and customer disconnections are two key issues that continue to be a focal point for the industry. Our approach involves regularly reviewing our pricing across the country so we strike a balance between providing a fair, reliable and competitive service, while remaining a profitable business. Part of our new customer proposition that we are promoting is products such as pay on pay day and smoothpay which gives customers more certainty about their monthly bill and greater flexibility around when they pay it.

It is also important to understand that not all of the costs in a power bill are within our control. A large part of a customer's bill is for Transmission and Distribution services that we do not control. Our job is to pass them on effectively and these may cause prices to change, up or down. As we committed to last year, the part of the energy and service components of the bill that we can control has not increased. It is likely that with the current oversupply in the market and the continued intense competition those prices will not rise for the foreseeable future.

As I mentioned earlier, we have created a new leadership role - 'Chief Customer Officer' which has been filled by Vena Crawley, to further strengthen our focus on customers, and to lead the charge in this area.

Contact prides itself on being the neighbour you'd want to have. It's a philosophy that we put in place in 2007, and it has helped guide us in all our community engagement and investment.

This year, we invested \$700k into New Zealand communities. We have funded groups such as 'Waicare' a community water quality monitoring and action programme that supports the restoration of local waterways in Auckland; 'Swim Well' in Taupō, which has provided free swimming lessons for thousands of kids in Taupō; and events which are important to the

communities themselves such as the Epic Mountain Bike race, the Alexandra Blossom Festival and the Contact Lake Taupō Challenge.

We have also entered into a new partnership with the Ākina Foundation, supporting the growth and development of social enterprises. Social enterprises are commercial businesses that aim to deliver social or environmental impact.

We are the co-principal partner of Ākina's programme called Launchpad, which is an intense 6 month programme that's helping eleven teams to get their businesses off the ground. The teams have some absolutely fantastic ideas like 'CareEd 4' who are developing alternative childcare options for working families; or 'Ora', who are creating innovations to support workplace health and safety measures; or 'Rate-my-flat' who are developing an online platform to share information about the quality of their housing.

There are plenty more of these wonderful businesses involved in this programme, and Contact are proud to be right there supporting them from the beginning.

Now to the future.

Our priorities for the year ahead are fairly simple;

We will be leveraging our existing asset base through integrating Te Mihi into our generation portfolio and increasing the amount of energy we produce from renewable sources.

We will improve our customers experience and reduce the cost of servicing our customers by realising the benefits of the implementation of our new customer billing and service system.

We will ensure that our thermal generation capacity provides security and attracts a fair return. The addition of Te Mihi to our generation fleet has reduced our generation costs, which combined with lower future gas take-or-pay constraints and having New Zealand's only gas storage facility, means our thermal power stations will only operate when we can achieve an economic return. These factors will help to make our earnings more predictable.

All of this work is only made possible by the energy, commitment and discipline of our people at Contact and through your financial support, as shareholders.

The Leadership Team and I are very proud of the Contact team and what they have achieved this year.

I would also like to thank the Board members for their contribution. The guidance and support they provide me remains invaluable.

We've had some major successes that stand us in good stead for the future. Our focus now is to leverage the investments we have made in both the generation and retail sides of our business, and to continue to position ourselves to meet the needs of customers and the market.

As you can see, our company, Contact, is in a great position to be able to rise to the opportunities and challenges ahead.

Thank you.

Tēnā koutou, tēnā koutou, tēnā koutou katoa.

**ENDS**