



Wednesday 13 November 2024

## Chair's address to ASM

Kia ora koutou,

On behalf of Contact Energy Board of Directors, I would like to begin by thanking our people, our customers and you our shareholders for what has been a successful year characterised by growth, delivery and performance.

As I share my reflections of the past year, I want to acknowledge the energy sector opportunities and challenges and talk about how Contact continues to play a leading role in the electrification transition.

For Contact, 2024 has been a year of strong financial performance, significant investment in growth and a granular focus on project delivery as we see our world-class geothermal power station at Tauhara, and soon our other new geothermal plant down the road, Te Huka 3, come online.

### Strategic update and highlights of the year

I am also very pleased to report that we are progressing well against our strategy to be a leader in the decarbonisation of Aotearoa New Zealand.

Our priorities remain to:

- Grow demand for renewable electricity,
- Develop new, flexible, renewable electricity generation,
- Decarbonise our portfolio,
- And create outstanding customer experiences.

The Board is pleased to see the business executing and delivering on our Contact26 strategy.

I am particularly proud to tell you that our new geothermal power station at Tauhara is now fully operational and delivering 160MW of renewable energy to the New Zealand electricity system.

It is a fantastic long-term asset for New Zealand, and we can confirm it is the country's largest capital project started - and delivered - since the pandemic. We look forward to our official opening next week with the Prime Minister.

Te Huka 3 is expected to be fully operational by the end of this year. Together these new geothermal stations will deliver enough renewable energy to power the equivalent of 260,000 Kiwi homes.

We have operated on the Wairakei geothermal steamfield for generations with our power plants there producing close to 3TWh of renewable electricity. In May we announced our refreshed approach to the long-term sustainable development of the steamfield.

Today I am pleased to announce the Board has approved a final investment decision on the first stage of replacing Wairakei over the coming five years with a new 100 MW binary plant to be built at Te Mihi, Te Mihi Stage 2.

Mike will talk in further detail in his address about this significant new geothermal project.

Our retail business continued to focus on innovation for our customers with growth in customer connections and numbers, as well as an increase in the popularity of our time of use plans that support, and reward, customers to use energy off peak.

However, I do want to acknowledge retail prices. It has been well documented the country is going through a period of increased transmission and lines charges; charges forecast to step up in the next year and beyond. The result will be rising prices for consumers as we pass those costs on.

It is somewhat ironic that a portion of these price increases are due to higher interest rates, rates that were implemented to reduce inflation.

### **Energy delivery and market commentary**

There are two themes I want to touch on today.

First, there has been significant commentary on whether the energy market is delivering for New Zealand after the highly volatile spot prices we saw in August. It is important to acknowledge this.

These unprecedented market conditions were a direct result of a shortage of gas and a dry hydrological year. I want to assure you that Contact is playing its part in our commitment to support the security of energy supply while simultaneously focusing on increasing renewable generation and the resilience of the electricity network.

Having said that we also recognise the very public impact the situation had on certain businesses and communities, and while the elevated electricity prices did not affect most as they were appropriately hedged, it did impact some.

It is interesting to note that wholesale prices have now fallen well below the long-run marginal cost yet there has been deafening silence by those advocating change.

As we transition to a renewable energy future, there will be periods of high prices and very low prices. That is the market. The market is functioning. And we are preparing the company to be well positioned for this.

The government has an important role in providing stable market settings, and an environment that supports investment and long-term infrastructure competition. This will support the significant investments in the transition to electrification we all make.

At Contact we have invested significantly.

To continue investments and to grow, the market needs certainty that allows companies like Contact to invest in renewable generation to support the decarbonisation of New Zealand.

Deindustrialisation helps no one.

We are working hard on the opportunities that come from the abundant natural resources that can support New Zealand industry in the electrification transition. We are committed to growing and supporting New Zealand's economic prosperity and global competitiveness.

### **Manawa Energy**

And so, to the second theme.

I want to touch briefly on Contact's September announcement of our intention to bring our company together with Manawa Energy.

For the past 18 months, we have been working hard on this acquisition. It is now pending regulatory review and Commerce Commission clearance, which we would hope to be completed by the middle of next year.

While it is a long process, our view is that the combination of Contact and Manawa will allow our two companies to accelerate investment further. The team is particularly focused on the opportunities offered by bringing two companies together and how it can help the market more generally in managing hydro flows and our complementary assets.

We believe this acquisition will bring more competition to the energy market and support more independent energy generators and retailers to enter and compete in the market.

The investment and growth of the last year would not be possible without the hard work of my fellow directors, our CEO Mike Fuge and the entire Contact team. To you, I say thank you.

In the coming year, we remain committed to our Contact 26 vision. We will continue collaborating with stakeholders, exploring new technologies, and advocating for policies that accelerate electrification. Together, we can build a more sustainable, prosperous New Zealand.

Ngā mihi nui.

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### **Investor enquiries**

Shelley Hollingsworth  
Investor Relations and Strategy Manager  
+64 27 227 2429  
[shelley.hollingsworth@contactenergy.co.nz](mailto:shelley.hollingsworth@contactenergy.co.nz)

### **Media enquiries**

Louise Wright  
Head of Communications and Reputation  
+64 21 840 313  
[media@contactenergy.co.nz](mailto:media@contactenergy.co.nz)