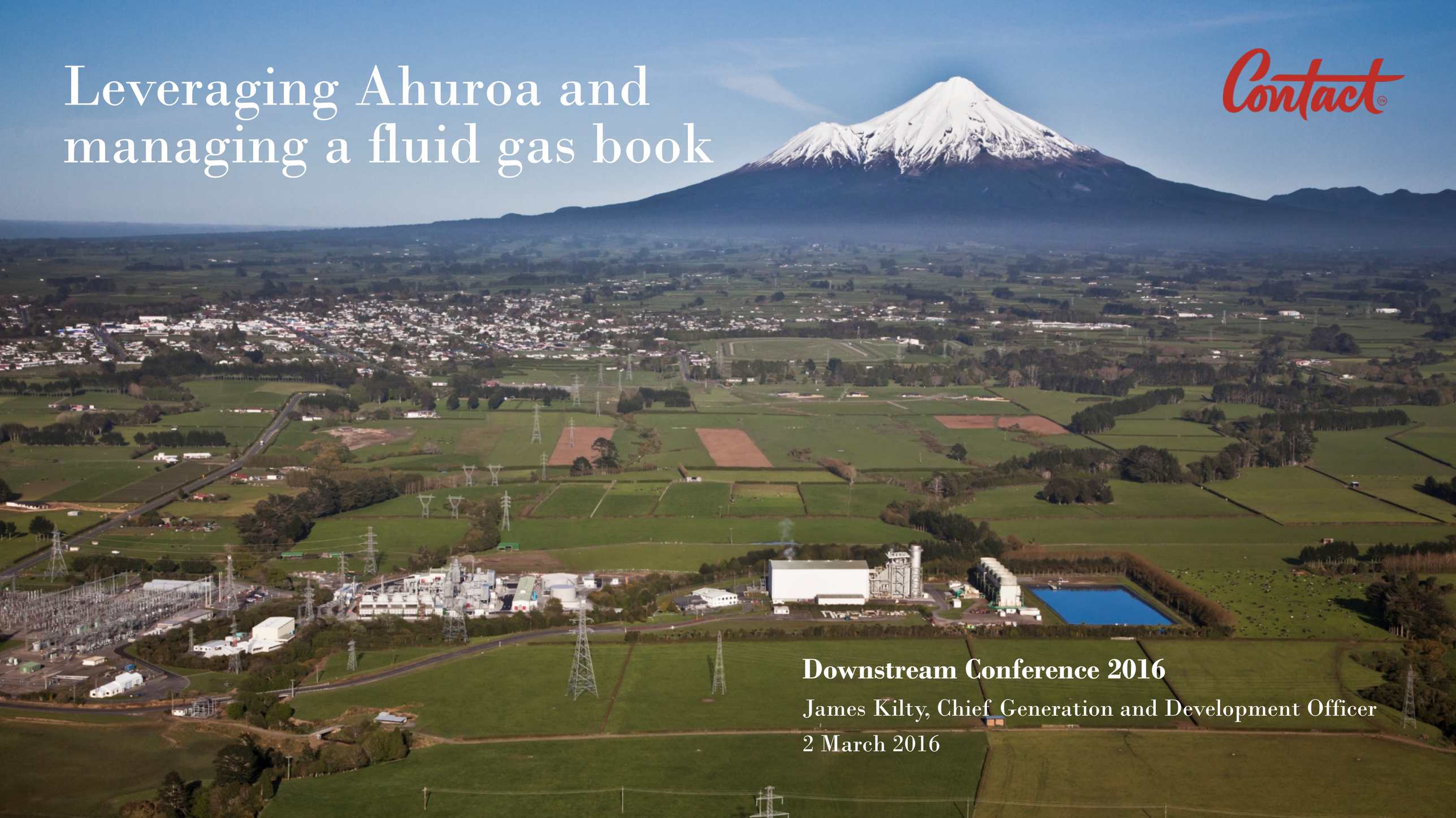
Leveraging Ahuroa and managing a fluid gas book



Downstream Conference 2016

James Kilty, Chief Generation and Development Officer

2 March 2016

Disclaimer

This presentation may contain projections or forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties.

Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks.

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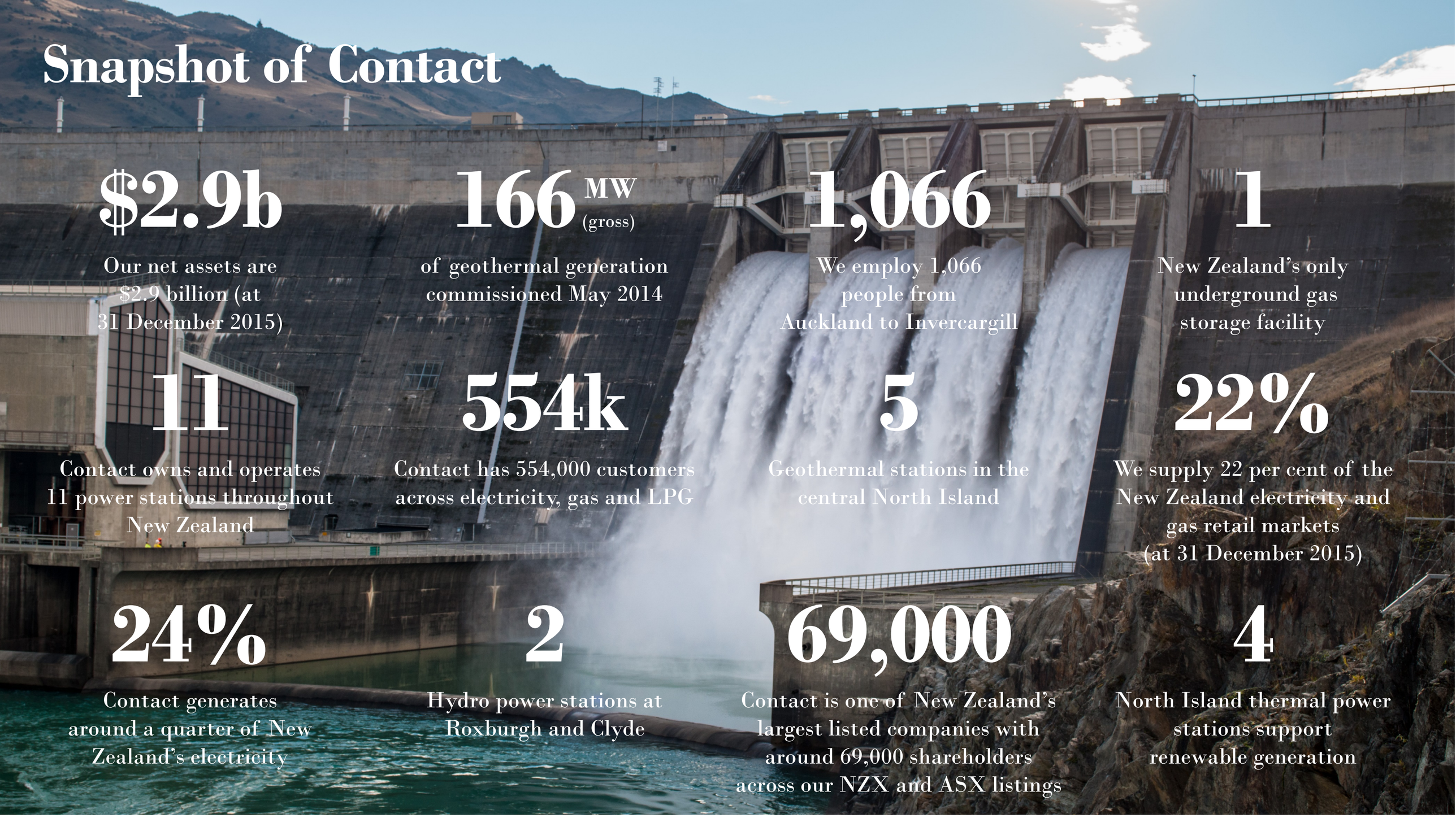
Snapshot of Contact



$2.9b

Our net assets are $2.9 billion (at 31 December 2015)

166 MW (gross)

of geothermal generation commissioned May 2014

1,066

We employ 1,066 people from Auckland to Invercargill

1

New Zealand's only underground gas storage facility

11

Contact owns and operates 11 power stations throughout New Zealand

554k

Contact has 554,000 customers across electricity, gas and LPG

5

Geothermal stations in the central North Island

22%

We supply 22 per cent of the New Zealand electricity and gas retail markets (at 31 December 2015)

24%

Contact generates around a quarter of New Zealand's electricity

2

Hydro power stations at Roxburgh and Clyde

69,000

Contact is one of New Zealand's largest listed companies with around 69,000 shareholders across our NZX and ASX listings

4

North Island thermal power stations support renewable generation

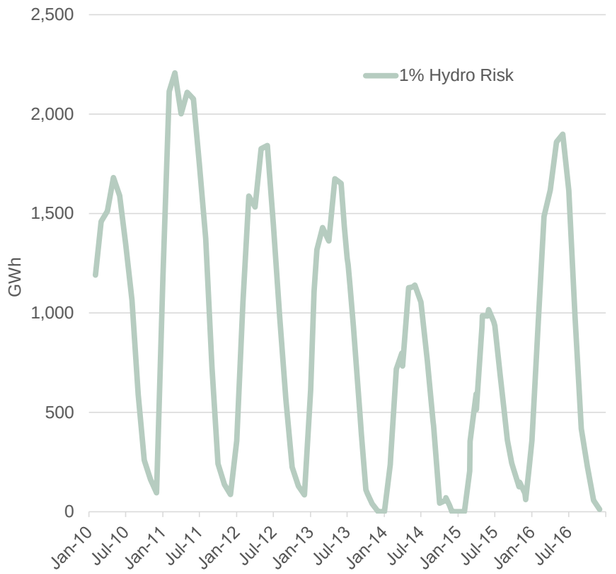
Contact has switched to lower cost fuel and has improved New Zealand's energy and capacity balance

Contact's actions have contributed to a competitive, reliable and sustainable electricity supply

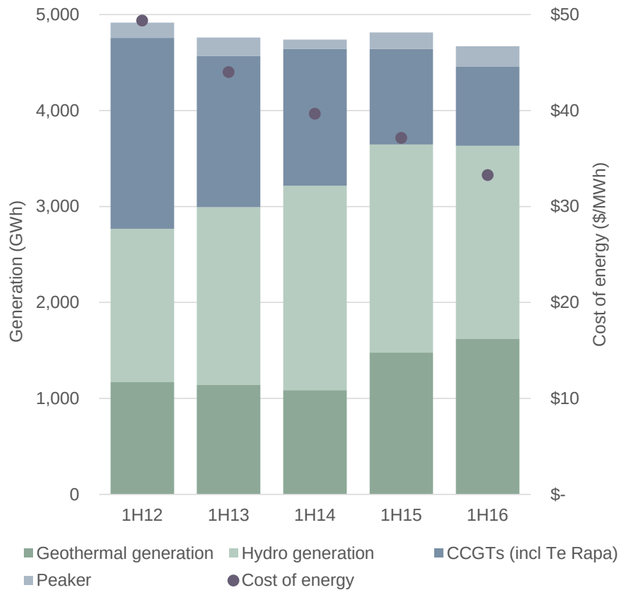
- Energy balance achieved with a reduction in gas contracting volumes by Contact
- Capacity balanced with the closure of Otahuhu
- Increased geothermal output
- System support provided through Ahuroa gas storage, Stratford peakers and the Whirinaki peaking plant
- Contact's 14 year contract with Meridian supports the continued operation of Tiwai

Thermal plant closures have restored balance following a period of reduced risk as new renewable generation was added

Hydro risk curve 2010 - 2016[1]



Generation by source



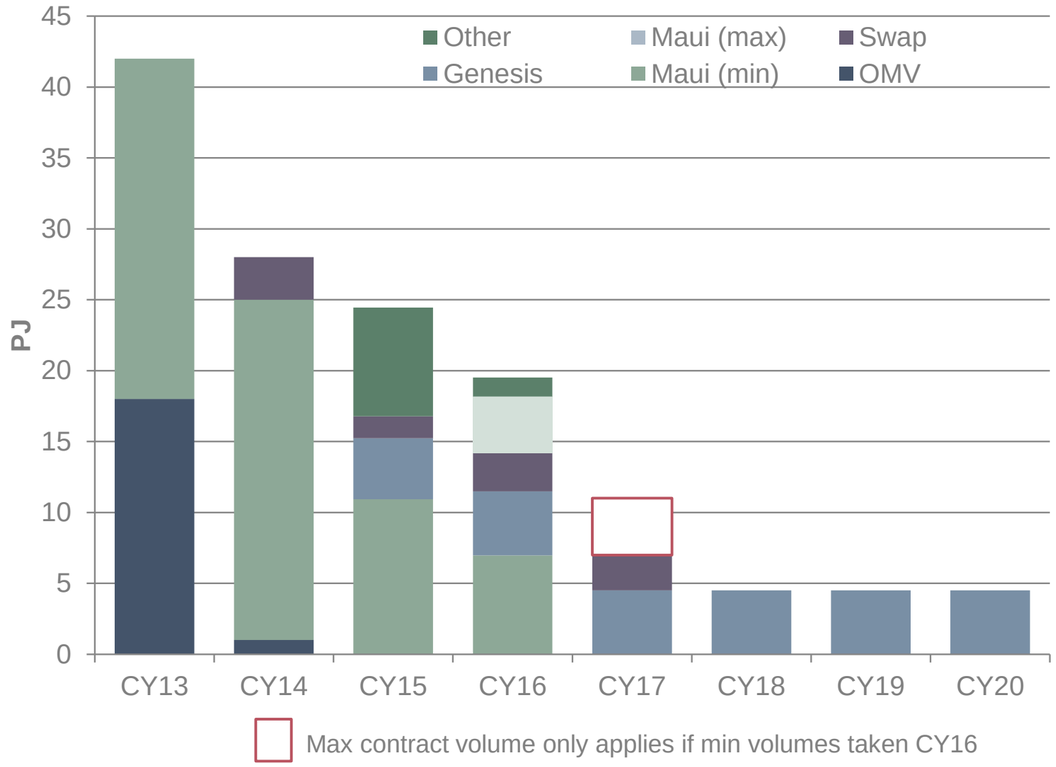
[1] Source: Transpower. The chart shows the required level of hydro storage to avoid an energy shortage in a dry year. The 1% curve represents the level required for there to be a less than 1% chance of shortage

Contact has changed its approach to gas purchasing

Contact has moved away from long term "take or pay" commitments to shorter term transactions

- No need to purchase all gas on a long term basis
- Adequacy of P50 reserves supports this approach
- Daily flexibility is a key requirement
- Spot market growth is encouraging but volumes are still small
- Ahuroa supports this approach

Contracted gas volumes



Ahuroa gas storage

27 TJ per day of injection

45 TJ per day of withdrawal (= 2 x 100 MW Stratford peakers)

17 PJ of storage capacity(= 2 x 100 MW Stratford peakers generating base-load for one year)

Ahuroa project history

$197m investment in a staged development spanning 2008-2010

- **Jun 2008** - Contact purchases depleted reservoir from Origin (ex Swift)
- **Dec 2008 to May 2009** - Injection of pad gas
- **Oct 2010** - First stage commissioned (45TJ/day withdrawal). Additional 2A wells drilled at Ahuroa
- **Oct 2010** - Stratford Peakers (2 x 100MW) commissioned
- **Oct 2013** - Origin sell TWN assets (including the Waihapa processing station) to NZEC JV who become operator
- **Nov 2013** - Ahuroa to Stratford pipeline commissioned
- **2014** – Contact establish in-house asset management team and maintenance team
- **Dec 2014 -** End of long term Maui ROFR gas agreement
- Ongoing refinement of sub-surface model with monitoring data to inform possible future development options

Ahuroa pipeline created options and reduced cost

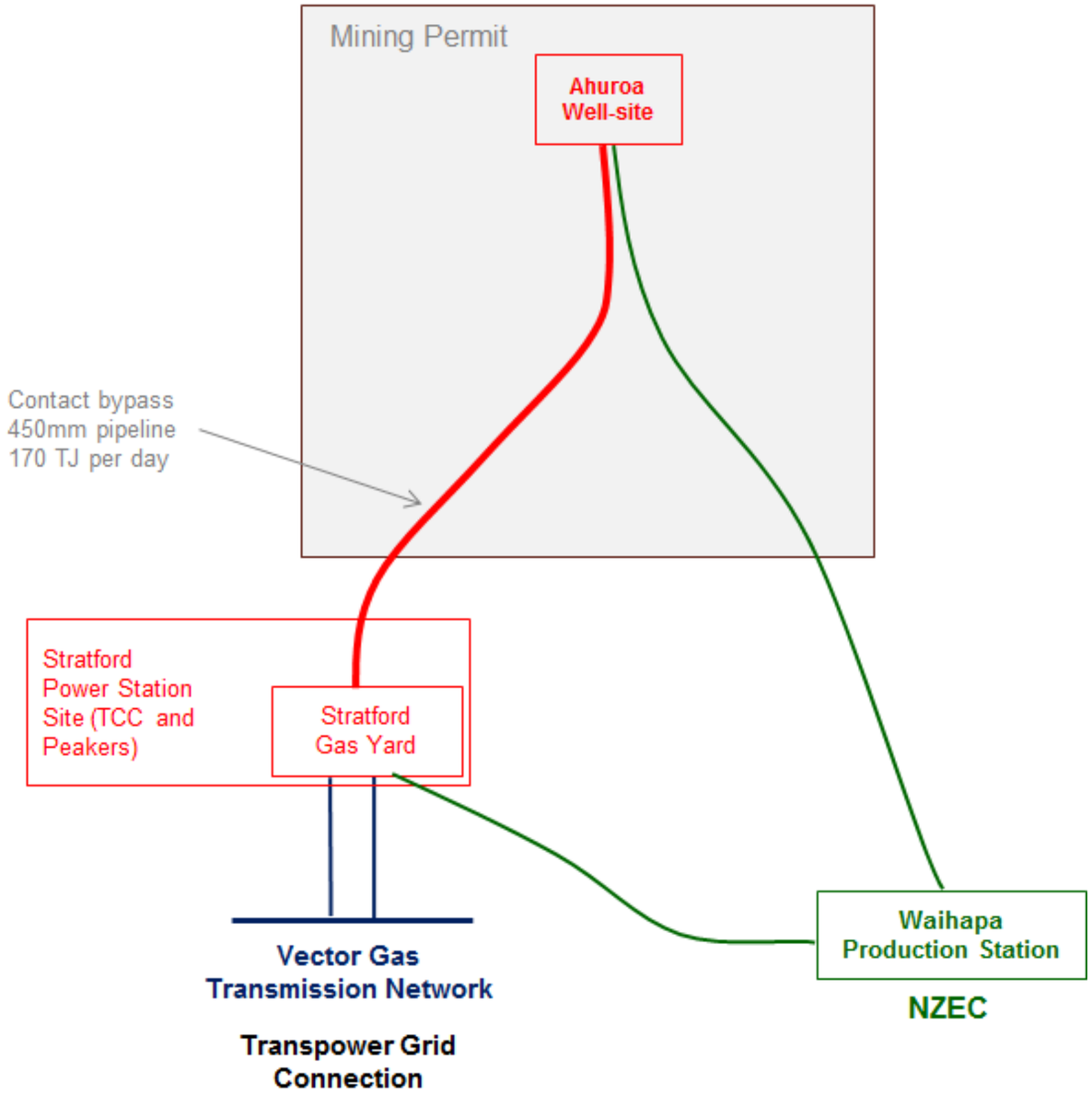
Investment payback rapid on cost savings alone and completes first stage of possible expansion

- 8.7km in length
- 450mm diameter
- 2 river crossings
- ~45 bar pressure
- ~4TJ line pack (2 x Peakers for 2 hours)
- 170TJ/day max capacity
- Creates a gas “loop” with the Waihapa Production Station

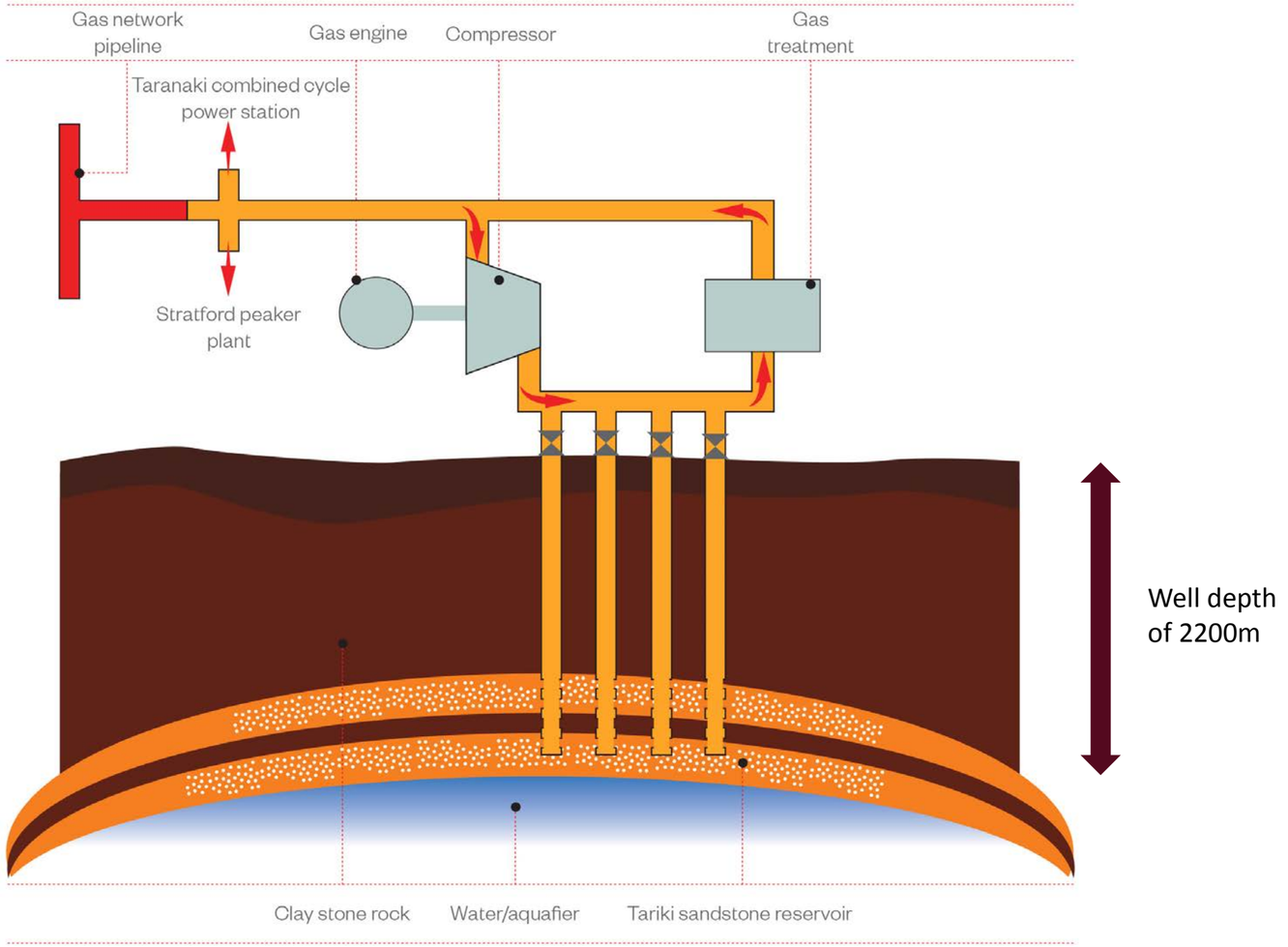
Stratford energy 'hub'

Integrated storage and generation assets with third party gas processing

- Contact can operate at Stratford independently of Vector
- Option of using two pipelines to supply Stratford
- NZEC JV operate Ahuroa under a long term agreement
- NZEC JV also provides gas processing services (water, LPG and condensate handling)



How Ahuroa works …



The role of Ahuroa gas storage is developing, adding value to Contact's thermal operations

» Cost

- Take-or-pay management key role during 2009 - 2014 period
- Injection of prepaid gas when electricity prices are low

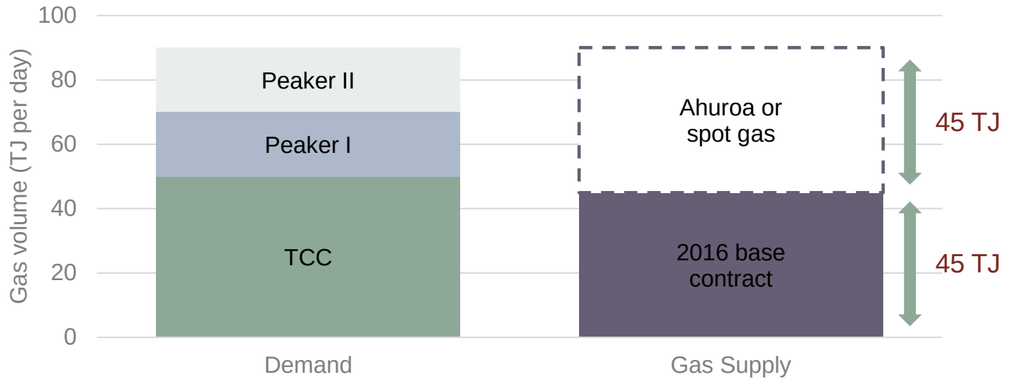
» Transition

- Provides more flexibility than gas contracts
- Option of purchasing lower cost inflexible gas rather than expensive flexible gas
- Option of under-purchasing gas and then using Ahuroa or purchasing spot gas depending on price

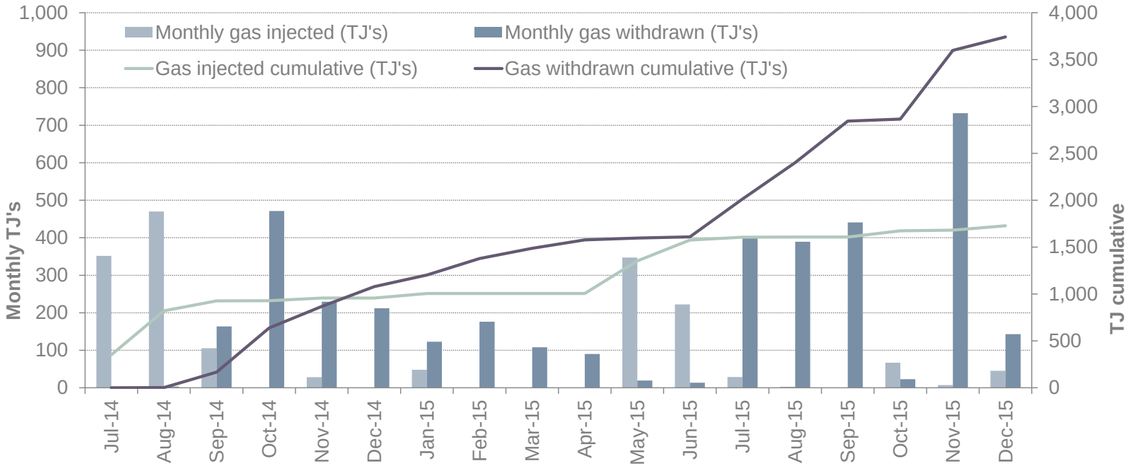
» Trading

- Seasonal gas shaping and sale of gas and electricity capacity products
- Third party usage requires expansion

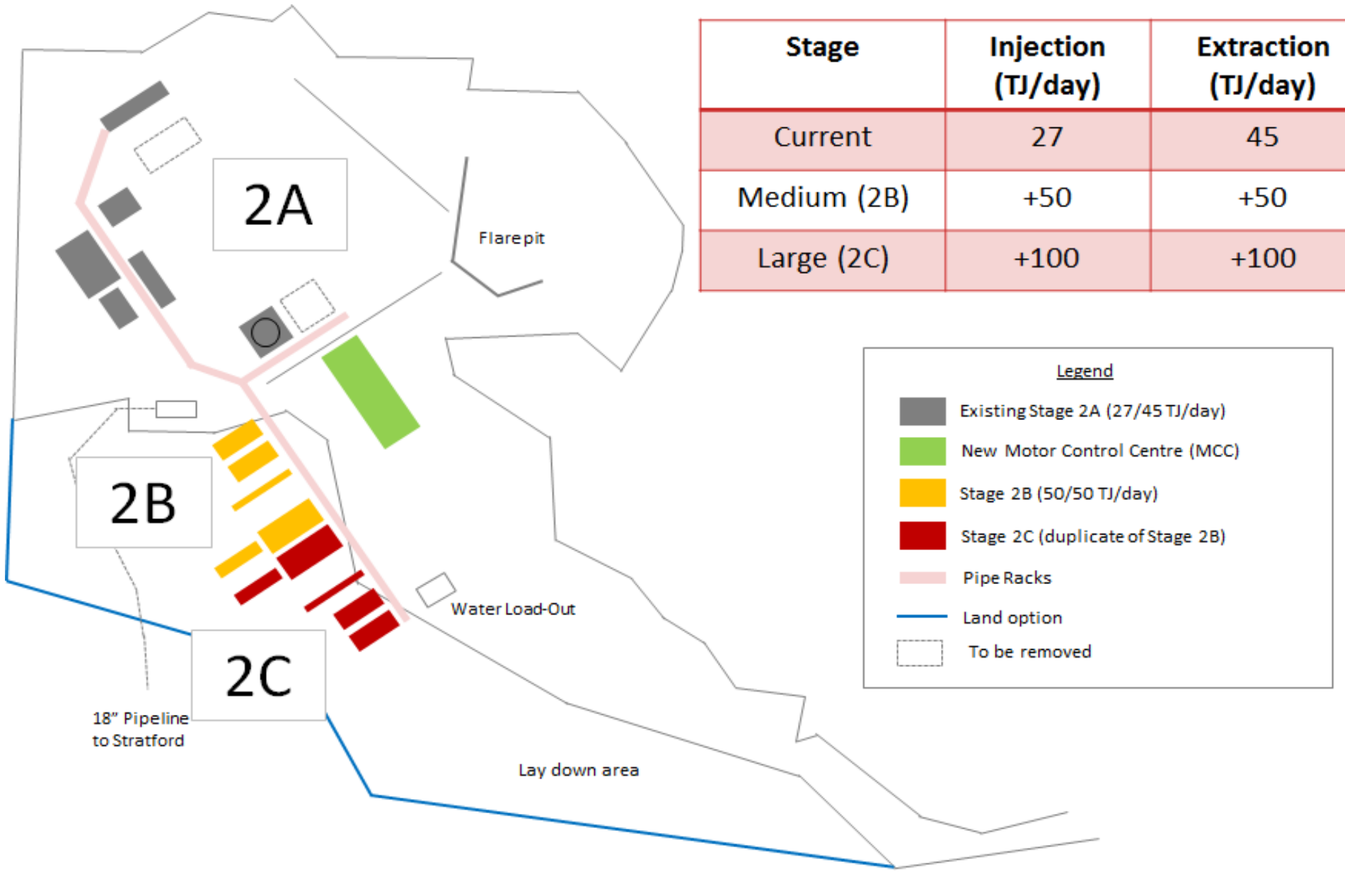
Daily Stratford generation



Ahuroa gas storage monthly injections and extractions

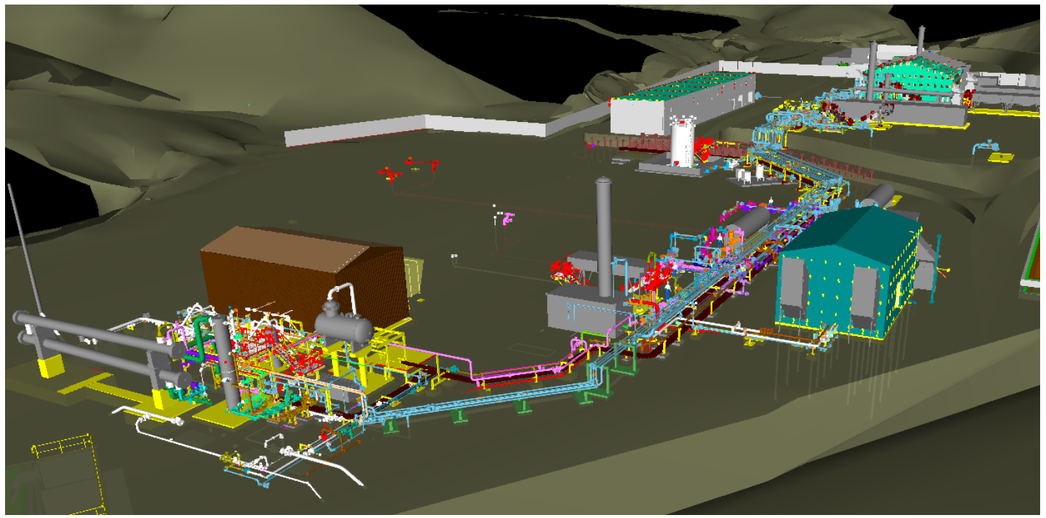


Expansion options



Stage	Injection (TJ/day)	Extraction (TJ/day)
Current	27	45
Medium (2B)	+50	+50
Large (2C)	+100	+100

- Contact already has resource consents for all expansion options
- Development time = ~2 years
- There are also some smaller options (e.g. just additional injection capacity)



Contact is confident that the industry will resolve North Island capacity uncertainty

If Huntly closes, North Island capacity is required irrespective of Tiwai plans

- North Island capacity assessments show a shortfall from 2019 if Huntly closes. These assessments assume the HVDC is flowing North at maximum capacity and so Tiwai's ongoing operation is irrelevant

- North Island capacity can be delivered through the retention of Huntly, the construction of new capacity, and/or the expansion of transmission capacity

- Flexible generation is required long term in all scenarios
  - Ahuroa is important in a market where gas supply is getting less flexible
  - Contact has consented thermal options should these prove the best solution

North Island supply and demand currently balanced with additional capacity required

Source: Transpower

Questions?