

Seasons

SPRING 2006



Meridian Energy's Kurow Dairy Farm, Otekaieke, North Otago

Welcome to the first issue of *Seasons*

– Meridian Energy's newsletter for farming customers

***Seasons* is a reflection of the importance we place on the farming sector, and our desire to build long-term relationships that benefit farmers, Meridian Energy and New Zealand as a whole.**



It's one way for us to share information and let you know about new developments that may be of interest to farmers.

The name *Seasons* reflects one of the many common factors we share. Seasonality is key to both the farming business and the electricity business, and as you read this

we are reflecting on what has been a very difficult winter. The impact on farms has been significant, and so has the effect on New Zealand's electricity transmission system. As we move into spring and one of the busiest periods of the year, we are seeing some downward movement in the price of electricity on the spot market. You can read more about that, along with long-term pricing forecasts, elsewhere in this issue. We'll be including regular market updates in future issues of *Seasons*.

Building a long-term relationship with the farming community means contributing to the development of that community. So I'm delighted to be able to announce that Meridian Energy is now a sponsor of the New Zealand Sharemilker of the Year competition. We are looking forward to the opportunity to be involved with what has become a key event in New Zealand's rural calendar.

Energy is a significant component of any farming or horticultural business. Thank you for trusting Meridian Energy to provide the electricity that powers your business. I hope you find this first issue of *Seasons* enjoyable and informative.

KEITH TURNER
Chief Executive

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MEET THE TEAM

DEAN MACKENZIE RURAL ACCOUNT MANAGER



It's always good to put a face to a name – so in each issue of *Seasons* we'll introduce a member of Meridian Energy's rural business team.

Dean Mackenzie is one of Meridian Energy's Rural Account Managers. His job is to make sure you get the best value from your electricity spend. Dean sees his role as bringing together the synergies between farmers and Meridian Energy – and adding value to both.

"There are a lot of similarities between the farming business and the electricity business," says Dean. "They both rely heavily on the elements and they operate on a seasonal basis. There are also a lot of potential synergies, for example with irrigation which is summer-loaded in terms of electricity use. My role is to make those synergies work – for farmers, in terms of cost savings and efficiencies, and for Meridian Energy in terms of managing electricity demand and the opportunity to develop new products for farmers.

"Meridian Energy's approach is very strongly about building long-term relationships, not just getting the business. That means making the effort to get to know farmers and understand their issues – which is something I really enjoy. The farming community as a whole are some of the most approachable clients I have ever dealt with. They are also strong networkers who communicate well with each other, and the results show that our approach is appreciated."

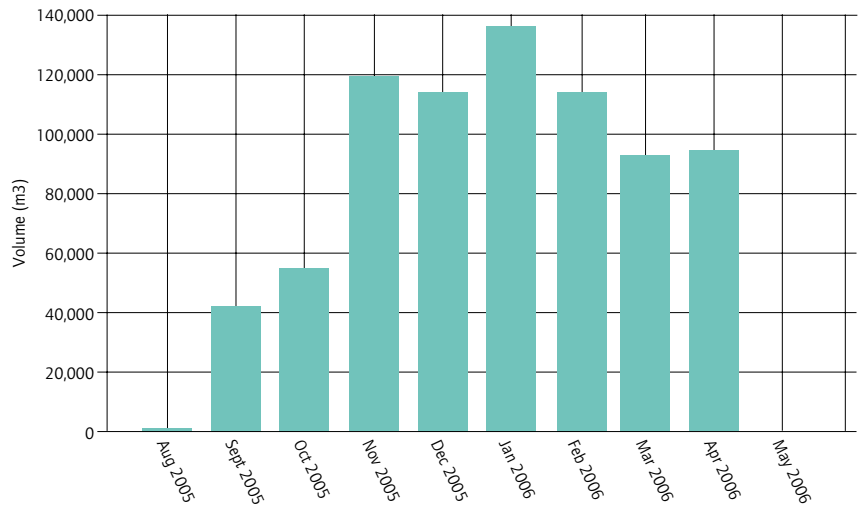
In his spare time Dean is studying for an MBA (he's about halfway through) which takes up a lot of his time. He's also a keen fisherman, windsurfer and mountain biker. Now that he's retired from playing rugby he's taken up the whistle, and referees in the weekends. He's a fervent Crusaders supporter and puts their success down to culture, teamwork and crowd support – "plus," he says, "we can also throw in some fog if the game is in doubt."

Dean spends much of his time on the road with customers. "Although," he says, "with the weather, calving and other things, sticking to a schedule of appointments has been a challenge recently!" He's available to talk to farming customers and can be contacted on 03 353 9537 or 021 756 243.

Manage your irrigation costs

Irrigators who are looking for ways to manage their costs better now have the tools to do so, with a new service from Meridian Energy.

Monthly Irrigation for AAA Limited



Legend - 02 Aug 2005 to 30 Apr 2006:

Volume for: Site / ICP: 000000 AA Road / 0000000000AAA

Monthly Irrigation Volumes – just one of the graphs available in Meridian Irrigation Manager

Meridian Irrigation Manager provides online access to simple, easy to understand graphs and reports about your irrigation volumes and costs. It uses flow meters to record the volume of water pumped at each of your irrigation sites, then combines this information with your electricity usage and cost data. You can view and analyse this information through a variety of graphs and reports, at account and individual site levels.

The result is better, more detailed information about your irrigation costs which can help irrigators understand their irrigation spend and manage it more efficiently, says Rural Account Manager Dean Mackenzie. "Meridian Irrigation Manager gives you information you wouldn't be able to get

otherwise. It can help you make decisions on the best times to irrigate, and spot opportunities to increase efficiency.

"One of the advantages is that the information can be analysed and used in a number of ways," says Dean. "For example, local authorities are increasingly demanding detailed information on water usage, which can be difficult to provide. With Meridian Irrigation Manager the information is all available, so the task becomes a much easier one."

If you'd like more information about Meridian Irrigation Manager contact our Business Services Team on 0800 496 777 between 7.30am and 7.30pm Monday to Friday, excluding public holidays.

Proudly supporting New Zealand sharemilkers

We're proud to announce that Meridian Energy is now a sponsor of The New Zealand Sharemilker of the Year competition.



Energy's focus on generating energy from sustainable resources.

The competition also celebrates outstanding achievement. "Sharemilkers play a huge part in

There's a natural fit between the objectives of the competition and our own approach. The Sharemilker of the Year is all about making the best use of your resources, which is exactly the principle behind Meridian

New Zealand's dairy industry, and the annual competition is a great way to highlight their contribution," says Meridian Energy Sponsorship Manager Yvonne Way.

"It's great to be associated with an event that gives sharemilkers the opportunity to develop their skills and their business. It's also great to be able to support the efforts of the many volunteers throughout the country who work very hard to run the regional competitions and national final. We're delighted to join the family of sponsors and we're looking forward to a long and successful involvement."

Electricity Market Update

In each issue of *Seasons*, we'll be providing an overview of what's been happening in the electricity market over the past few months, and the broad outlook for the next few months.

First, what's been happening in the market.

The graph below left shows the average monthly electricity 'spot' market price for the Haywards reference point from January to June this year, along with the storage levels for the North and South Island hydro lakes. Like any other market, the electricity market is driven by supply and demand. In New Zealand, major components of electricity supply include the level of storage in the hydro lakes, and the transmission network (the National Grid). In March, a drop in storage levels combined with several planned transmission outages saw prices rise significantly. Although storage dropped again in April, transmission was

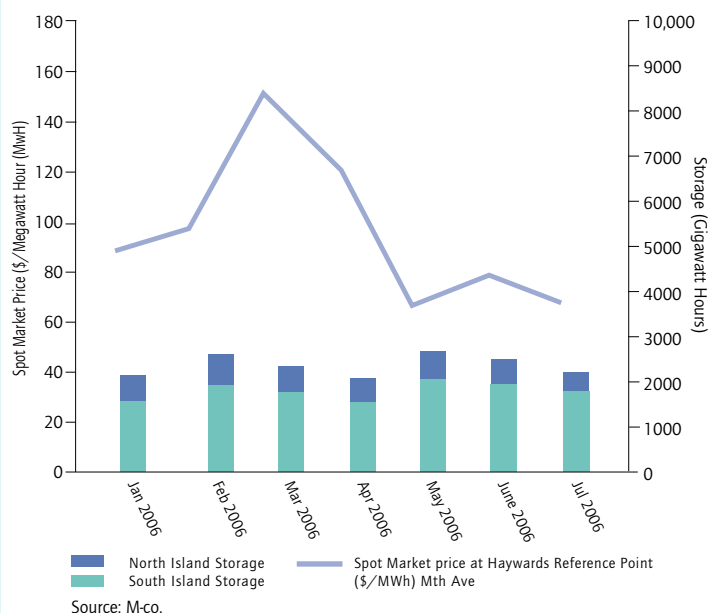
more stable, and prices dropped again in May through a rise in storage levels.

June saw another spike in prices when bad weather caused several regional grid emergencies (which some South Island farmers will be only too well aware of). The weather also led to an increase in national demand during peak daytime periods, and the two combined to send prices higher. On 19th June, record demand levels coupled with a transmission outage caused prices to go as high as almost \$10,000 per Megawatt Hour in one half hour trading period! This single period resulted in an increase in the monthly average spot market price of almost \$6.50/Megawatt Hour.

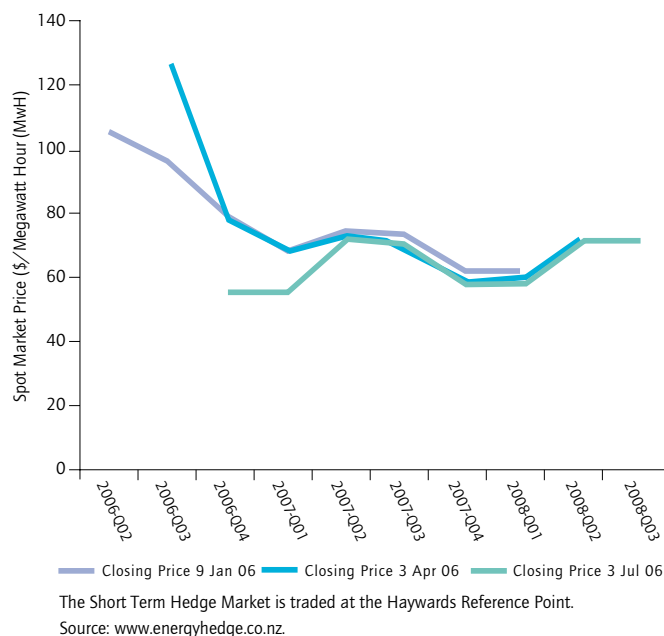
FUTURE OUTLOOK:

The graph below right shows the closing electricity prices on the energy hedge market for the next two years out to the third quarter of 2008. The energy hedge market was established by the leading electricity market traders to provide a transparent forward curve for electricity prices. It shows a significant decrease since April due to a corresponding increase in hydro storage levels in late April. The average forward price for the next 12 months is \$65.7/Megawatt Hour, and \$67/Megawatt Hour for the 12 months after that.

Energy Market Prices and Hydro Storage



Short Term Hedge Market Closing Prices



Out and About

2006 was the third year Meridian Energy has been an exhibitor at National Fielddays, and interest from farmers was as strong as ever.

Meridian Energy's Fiona Shrapnell (pictured at our stand) says visitors were keen to find out about Meridian Energy's wind generation projects, and the whole area of renewable electricity generation. "Sustainability is central to both farmers and Meridian Energy, and it was great to be able to bring people up to date with what we're doing," says Fiona.

Energy efficiency on farms was another area of interest. Many farmers took the opportunity to discuss how energy efficient products such as the Mahana Blue water heating unit and the Varivac vacuum pump control system could benefit their

bottom line. Meridian Energy's experience of energy efficient farming at our own farms in North Otago provided a real-life case study.

As major users of electricity, pricing was also high on the agenda, and for many farmers it was a good opportunity to discuss optimum pricing plans for their situation.

According to Fiona, the best part of Fielddays was simply the opportunity to talk to farmers about the issues that are important to them. It's the same at the other farming events that we regularly contribute to, such as SIDE (South Island Dairy Event) and regional field days. We look forward to continuing to be a part of these important rural events.

Visit us at the Royal New Zealand Show in Christchurch, 15-17 November 2006.



We're farmers too!

Energy efficiency on our farm



A Mahana Blue water heating unit can help reduce electricity costs.

One of the reasons the farming sector is so important to us is that we're well and truly part of it - we have our own dairy farm in Kurow, North Otago. The property has an effective area for milk production of 179 hectares, with 616 cows.

With the support of our resident sharemilkers, Bill and Lynwen Morgan, we've been testing out some ways of improving energy efficiency, with some excellent results. Having our own farm means that when we talk to our customers about energy efficiency we can back it up with our own experience. And our experience shows that energy efficiency pays off in a number of ways - some of which you may not expect.

We've trialed a number of products and approaches on our farm, including:

- Removing stray voltage around the cow shed.
- Reducing noise, vibration and energy use from vacuum pumps, using the Varivac system.

- Reducing the energy required for hot water heating, using the Mahana Blue water heating unit.

We've found that these innovations have resulted not only in significant savings on energy, but also in healthier animals, improved milk production and greater efficiency.

We'll be sharing our learnings from our own farm in future issues of *Seasons*. In the meantime, if you'd like more information on energy-efficient farming and how it could benefit your business, contact our Business Services Team on 0800 496 777 between 7.30am and 7.30pm Monday to Friday, excluding public holidays.

KEEP UP TO DATE

If you'd like to know more about what's happening with electricity prices, you can subscribe to our weekly **Electricity Market Report**. It's a useful tool for farmers with electricity spot price exposure to understand how trends in the market could potentially impact their business.



The Electricity Market Report contains easy to understand graphs and commentary on spot market prices, electricity supply and electricity demand. It's emailed to you each week and you can unsubscribe any time you like. If you'd like to know more about Meridian Energy's Electricity Market Report, call our Business Services Team on 0800 496 777 between 7.30am and 7.30pm, Monday to Friday, excluding public holidays.

Check out *Seasons* online

Seasons is available to view on our website, www.meridianenergy.co.nz. You can also view current and previous issues of our other regular publications including *Currents*, our newsletter for residential customers, and *The Meridian Report*, our in-depth review of the New Zealand electricity industry.

Tell us what you think and you're in to win!

Red Band gumboots have been an icon on Kiwi farms for over 45 years. Every boot is assembled by hand from 100% natural, renewable resources, including nineteen different pieces of rubber. And the original design has been relatively unchanged since 1958.

You can win four pairs of brand new Skellerup Red Band gumboots for you and your family. Just write or email us to let us know what you think about *Seasons* - what you liked, what you didn't like and what you'd like to see in future issues.

Send us your feedback by Thursday 30 November 2006 and you're in the draw! Meridian Energy, PO Box 10 840, Wellington seasons@meridianenergy.co.nz



Prize draw conditions: One prize of four pairs of red band gumboots will be given away. Prize draw is open to anyone providing feedback on *Seasons*. Draw closes on Thursday 30 November 2006. Prize will be drawn Friday 8 December 2006. Prizes are not transferable and cannot be exchanged for cash. All eligible entrants will be automatically entered into the draw. Judges' decision is final and no correspondence will be entered into. One entry per response received. Employees and contractors of Meridian Energy and their immediate families, and employees of Meridian Energy's agencies are ineligible to enter. The winning entry will be drawn and the prize winner notified by phone (using the phone details on our records) or in writing, during the five working days following the prize draw. Meridian Energy reserves the right to use the prize winners' names and photos for publicity purposes.