

# Seasons

WINTER 2007



## Electricity costs – taking a long term view

**Managing costs is important to the success of any business – and farming is no exception. But what are your options when it comes to getting the best value from your electricity spend?**

Meridian Energy Rural Account Manager Dean Mackenzie spends a lot of time talking to farmers about their issues, and he says electricity costs are a common theme. "After staff, electricity is the second largest input cost for many farmers – particularly dairy farmers and large irrigators," says Dean. "Farmers tell us the real issue for them is how to manage that cost effectively. Of course, they're always looking for ways to reduce their costs, just like any other business. But what's come through strongly to me in talking with farmers is that they take a long term view of their business. They need to be able to budget on a 3-5 year timeframe, so above all they're looking for consistent pricing.

"In the past, many farmers with Time of Use (half hour) metering have used spot market pricing. The idea was to take advantage of lower summer spot prices because of lower summer demand for electricity. But in the last few years there have been some significant fluctuations in spot market prices. Fluctuations can happen for a variety of reasons, such as transmission outages and low hydro storage levels. It's basically supply and demand – when demand exceeds supply you can get some large price

spikes. These spikes can be pretty costly for farmers on spot pricing, and make it more difficult to manage their electricity spend," says Dean.

"What we've done is to create fixed price options for farmers, to give them consistency and certainty. Both our half-hourly (Time of Use) and non-half hourly metered farming customers can take advantage of fixed pricing options. These give farmers a fixed price per kilowatt hour for their electricity, for an agreed period – typically 3-5 years.

"These have proved pretty popular with farmers. They know what their electricity costs will be and they can budget accordingly," says Dean. "They may not be able to control the weather or the electricity market, but by being insulated from price fluctuations, they can have certainty about a key component of their costs."

Meridian Energy offers a range of pricing plans and tariffs to suit the way you use electricity in your farming business. If you'd like to discuss your options, please contact our Business Services Team on 0800 496 777 between 7.30am and 7.30pm, Monday to Friday, excluding public holidays.

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## FIVE GREAT REASONS TO BE WITH MERIDIAN ENERGY

We're proud to supply the electricity that powers many New Zealand farms. Here's a brief reminder of just some of the benefits of being a Meridian Energy farming customer.



**Dedicated account management** – our team of dedicated account managers is available when you need them. You can contact them by phone with any queries between 7.30am and 7.30pm weekdays (excluding public holidays). A Rural Account Manager can also visit you on your farm if you wish, to help you work out the best pricing options and discuss our specialist products and services for farmers.

**Very competitive pricing** – there's a natural fit between farmers and Meridian Energy which enables us to offer very competitive prices. Both our businesses are seasonal – and farmers' summer electricity loading fits our generation profile. Both farmers and Meridian Energy benefit from these synergies. We also offer buyers' group discounts as well to make pricing for farming customers even more attractive.

**Choice** – we offer farmers the choice of fixed pricing (for more budget certainty) or floating, for customers with both TOU (half-hourly) and Non-half hourly metering. The article on the front page of this issue has more information on our pricing options for customers.

**Fresh thinking** – we've developed some new services like Meridian Irrigation Manager and Business Online to help farmers manage their electricity costs better and get the best value from their electricity spend. We can also share our experience of trialling innovative approaches to help reduce costs and improve production on our own farms (such as eliminating stray voltage around the dairy shed).

**Supporting New Zealand farming** – we put something back into the rural communities we serve through our sponsorships (including the New Zealand Dairy Industry Awards), our involvement in regional and national field days, and our support of rural events.

If there is anything we can help you with, please contact our dedicated account managers on 0800 496 777 between 7.30am and 7.30pm Monday to Friday, excluding public holidays.

## Fresh ideas

**Energy efficient farming can make a real improvement to your bottom line. But it's not just through savings on energy costs. You may be surprised at some of the other benefits – and the impact on your farm profits.**



At our own dairy farms in North Otago, we've been able to trial some energy efficiency products and innovations. In the last issue of Seasons we shared our experience with eliminating stray voltage around the dairy shed, which resulted in more efficient milking and increased production. Another innovation we've trialled with excellent results is the **Varivac** vacuum pump control system.

Varivac is a kiwi product, designed and built by Opanake-based Corkill Systems Ltd. It works by controlling the level of vacuum in the dairy, so that the vacuum pump uses only enough energy for the number of cows being milked at any one time.

Here's what we found when we installed a Varivac system at our Kurow Dairy Farm:

- We saved money on electricity. With Varivac, the vacuum pump motor runs at around one third of its normal speed – which means savings on electricity costs of up to 25%
  - We reduced milking times significantly. Average milking time for our herd of around 600 cows went from around four hours to around two and a half hours – mainly because the cows were more comfortable and easier to handle as a combined result of installing the Varivac and eliminating stray voltage around the shed
  - There was a reduction in somatic cell counts, so our cows experienced less mastitis
  - Noise reduction was also a major benefit.
- Corkill Systems Ltd Sales Manager Vern Coxhead

says Varivac comes with a written guarantee of a drop in somatic cell counts. "It's just one of the benefits of the Varivac system," says Vern.

"The payback from installing Varivac comes from more than simply reducing the electricity needed to drive the vacuum pump. The system makes the cows more comfortable so they milk faster and more cleanly. The combined result is a huge reduction in electricity costs. We have documented cases of overall electricity savings of over 50% in the dairy shed.

"The average dairy shed uses \$1,000 to \$2,000 of electricity per month. Our experience shows farmers can save around \$500 – \$1,000 per month in electricity costs. Varivac systems start from around \$4,400, so a typical payback period is within 5-6 months – within a single season," says Vern.

Vern also points to other benefits from installing Varivac. "With reduced somatic cell counts and healthier animals, productivity per cow rises. Less water is needed around the shed, which is becoming increasingly important, and there's a significant drop in noise levels, which is also becoming a focus from an OSH perspective. And since the vacuum pump is running at lower speeds it lasts longer and there's less need for maintenance."

There are currently around 1100 Varivac systems installed around New Zealand. For more information on Varivac, contact our Business Services Team on 0800 496 777.

# Life after Gypsy Day

**If you moved to a new property on Gypsy Day, we hope your move went well. We'd like to wish you the best of luck at your new farm, and thank you for continuing to be with Meridian Energy.**

If there are sites at your new property that are supplied by other electricity companies, you may want to consider switching them to Meridian Energy. Having one electricity provider could be easier for you, and it could be more cost-effective too. Just contact us and we will be happy to provide you with a cost comparison.

## SUPPORTING NEW ZEALAND FARMING

Electricity is a big part of many farmers' input costs so it makes sense to choose your electricity supplier wisely.

Meridian Energy offers very competitive pricing for farmers, but we offer much more than that. We have a real focus on farming and we put a lot of effort into understanding farmers' issues and helping your business succeed. It's shown in:

- Our service – you can always talk to a real person who can help with your needs. We have dedicated account

managers you can talk to face to face or over the telephone – whichever is most convenient for you.

- Our solutions – with Meridian Energy you'll find some fresh thinking on how you can improve your bottom line. We've developed some innovative value-added services to help you manage your electricity spend and improve your farm productivity

If you would like to find out more, simply give us a call on 0800 496 777 – we'll do the rest. We're looking forward to hearing from you.

# New Zealand Dairy Industry Awards winners

The overall winners of the New Zealand Dairy Industry Awards for 2007 were announced at the National Awards Dinner in Invercargill on 12 May. Our congratulations go to:

**Sharemilker of the Year:** Matt and Julie Ross, Oamaru

**Farm Manager of the Year:** Daniel Woolsey and Emily Fraser, Wyndham

**Meridian Energy Farm Environment Award:** Craig and Hannah Fulton, Matamata

For a full list of award winners go to [www.dairyindustryawards.co.nz](http://www.dairyindustryawards.co.nz)

Meridian Energy is proud to be a sponsor of the Dairy Industry Awards. It's a wonderful opportunity to support an industry that Meridian Energy is very much involved in and which makes such a large contribution to New Zealand. We are also particularly pleased to be the sponsor of the Meridian Energy Farm Environment Award, which recognizes sustainable dairying practices.



Farm Manager of the Year winners, Daniel Woolsey and Emily Fraser (left) and Sharemilker of the Year winners, Matt and Julie Ross (right) at the presentation ceremony.

The regional winners in each category from the twelve regions around the country were:

|                        | Sharemilker of the Year Winner                        | Farm Manager of the Year Winner        | Meridian Energy Farm Environment Award winner | Dairy Trainee of the Year Winner    |
|------------------------|---|--|---|-------------------------------------|
| Top of the North       | Brian & Paulette Johns, Whangarei                     | Dave & Donella Ruatara, Whangarei      | Brian & Paulette Johns                        | n/a                                 |
| Auckland/Hauraki       | Dan & Sarah Murdock, Waitakaruru, Thames              | Ross Conder, Hikutaia                  | Gerard & Nicola Strange                       | Zarsha Osborne, Carlos Delos Santos |
| Waikato                | Craig & Hannah Fulton, Matamata                       | Eon Wallace, Cambridge                 | Craig & Hannah Fulton                         | Jimmy Gerritsen                     |
| Bay of Plenty          | Peter & Jenny Sinclair, Whakatane                     | Matthew Standish, Te Puke              | John Donaldson                                | n/a                                 |
| Central Plateau        | Matt Pepper & Louise Marillier, Taupo                 | Sam & Davina Webb, Rangitaiki          | Paul & Lynelle Kuriger                        | n/a                                 |
| Taranaki               | Christopher & Catherine Cook and James Murphy, Manaia | n/a                                    | Christopher & Catherine Cook and James Murphy | Tammy Rubie                         |
| Hawkes Bay / Wairarapa | Andrew & Monika Arbuthnott, Pahiatua                  | Michael & Lisa Wood, Pirinoa           | Andrew & Monika Arbuthnott                    | n/a                                 |
| Manawatu               | Arjan & Tracy van der Straaten, Aokautere             | n/a                                    | Rikke & Kathleen Hastie                       | Richard Sinclair                    |
| West Coast             | Matt & Sally Gallant, Hari Hari                       | James Burnby, Westport                 | Doug Butcher & Caroline Newick                | n/a                                 |
| Canterbury/North Otago | Matt & Julie Ross, Oamaru                             | Shaun & Joanne Back, Rangiora          | Matt & Julie Ross                             | Frances Beeston                     |
| Otago                  | Mark Watt & Kylie May, Kaitangata                     | Nigel Snell & Joanne Ede, Owaka        | Paul & Joanne Barton                          | n/a                                 |
| Southland              | Donald Kidd & Loshni Manikam, Winton                  | Daniel Woolsey & Emily Fraser, Wyndham | Mike & Daina Tuffin                           | Jonathon Bavin                      |

# Market Update

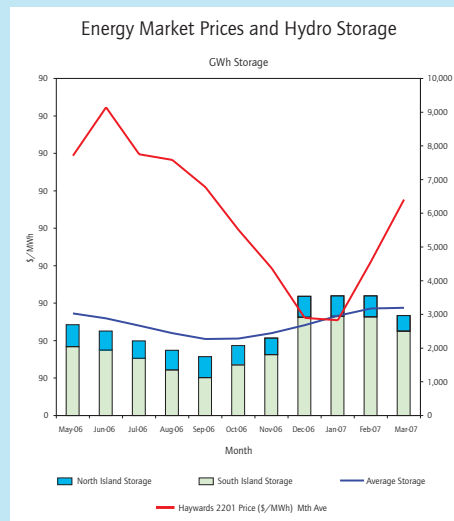
A combination of high storage levels in the hydro lakes and lower demand at the start of the year saw average prices on the electricity spot market reach a low of \$25.41 per Megawatt Hour in January. However, since then an increase in national demand and a steady reduction in hydro storage to below average levels has seen monthly average spot market prices increase. The average price for March was \$57.67 per Megawatt Hour.

Genesis' new 'e3p' (Energy Efficiency Enhancement) coal powered thermal unit at Huntly power station has been synchronised to the national grid and has commenced testing. The impact of e3p on spot market prices has yet to be determined.

## FUTURE OUTLOOK:

The average forward electricity spot price on the electricity hedge market for the next 12 months is

\$60.53/Megawatt Hour and \$64.9/Megawatt Hour for the following 12 months. The two year forward average price is \$62.72/Megawatt Hour.



(Source: M-Co)

Get energy efficient  
– win a free energy audit



Judging by the level of interest at Field Days and feedback from farming customers, there's an ever-increasing real awareness of the benefits of being energy efficient. To help you improve your own energy efficiency, we're offering you the chance to win an Energy Efficiency Audit worth \$1,000. With the results of the audit you'll be able to identify opportunities to make savings on your energy costs that could make a big improvement to your bottom line, year after year.

To go in the draw for a free Energy Efficiency Audit, simply email us at: [seasons@meridianenergy.co.nz](mailto:seasons@meridianenergy.co.nz) or write to us at: Seasons, Meridian Energy, PO Box 10 840, Wellington.

Include your name, address and contact numbers, and you'll be in the draw to win!

Prize draw terms and conditions: One prize of an Energy Efficiency Audit (including travel costs) will be given away. Draw closes on Friday 20 July 2007. Prize is not transferable and cannot be exchanged for cash. All eligible entrants will be automatically entered into the draw. Judge's 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 winner's names and photos for publicity purposes.

# Central Districts and South Island Field Days

**The Meridian Energy tents were busy places to be during the Central Districts and South Island Agricultural Field Days held in March at Fielding and Lincoln University respectively.**

Natasha Brown, who managed our presence at both events, said the main focus for visitors was finding out about what they could do to use electricity more efficiently, both on their farm and in their home. "The level of interest was extremely high," said Natasha. "There's clearly a lot more awareness of the benefits of energy efficiency and that was reflected at both field days.

"People are thinking ahead about how they can incorporate energy efficiency practices into their lives. For example, we had a lot of questions from people planning major renovations or building new homes wanting information on things like insulation, solar hot water heating and heat pumps, even home generation wind turbines for farms or lifestyle blocks.

"It was great to see people thinking about how they can get the best 'bang for their buck' when it comes to energy, and really pleasing to be able to share our knowledge and experience."

Meridian Energy will be at National Fielddays, to be held at Mystery Creek from 13-16 June, and the South Island Dairy Event on 18-20 June at Lincoln University. We look forward to welcoming you to our stand.



Demonstrating solar hot water heating at our Central District's Field Days stand.

## CONGRATULATIONS TO...

... Nico and Mira Steinmetz of Whangarei, who won our great prize of \$500 worth of Swanndri gear for the whole family in our Pohutukawa / Rata drawing competition. Nico and Mira are brother and sister and they'll be very popular in their family at the moment! We're also giving merit awards of a Meridian Energy beanie to keep out the winter cold to three entrants: Lisa Lamers of Christchurch, Annemieke van Vliet of Eketahuna and Nicole Callis of Dargaville. Well done and congratulations to all of you.

## WE'D LIKE TO HEAR FROM YOU

We'd like to hear what you think about Seasons, and what you'd like to see in future issues. Please let us know by writing to us at Seasons, Meridian Energy, PO Box 10 840, Wellington, or emailing us at [seasons@meridianenergy.co.nz](mailto:seasons@meridianenergy.co.nz)

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