

Proportional Pricing Plan

Fixed and spot pricing combined

Meridian's Proportional Pricing Plan specifies the percentage of your electricity use in any half hour that is charged at a fixed rate. The balance is charged at electricity spot market rates plus an administration charge.

WHO'S IT FOR?

The Proportional Pricing Plan best suits customers who are interested in having a proportion of their electricity supply exposed to spot market movement, while mitigating risk by having a set percentage of their supply provided at fixed rates.

HOW IT BENEFITS YOU

Proportional pricing lets you select the level of risk that suits your business:

- you have some price certainty for the agreed proportion of load purchased at fixed rates
- your exposure to fluctuations in the spot market is limited to an agreed proportion of load.

HOW IT WORKS

The Proportional Pricing Plan is a fixed price, fixed percentage product.

The percentage of your future electricity consumption to be charged at fixed rates is set in advance. The remaining consumption is purchased at the applicable spot market rates plus an administration charge.

For example, in a four hour period 8am-12 noon, one business day last January, your business used a total of 5,625 kWh, costing a total of \$642.61 as shown in the following table:

Half Hour	Actual Volume (kWh)	% at Fixed Price	Fixed Price (\$/kWh)	Spot Price (\$/kWh)	Energy Cost Calculation (kWh) x (cents)	Bill
1	550	80%	0.1285	0.0694	$440 \times 0.1285 + 110 \times 0.0694$	\$64.17
2	600	80%	0.1285	0.0619	$480 \times 0.1285 + 120 \times 0.0619$	\$69.11
3	700	80%	0.1285	0.0600	$560 \times 0.1285 + 140 \times 0.0600$	\$80.36
4	750	80%	0.1285	0.0579	$600 \times 0.1285 + 150 \times 0.0579$	\$85.78
5	800	80%	0.1285	0.0568	$640 \times 0.1285 + 160 \times 0.0568$	\$91.33
6	750	80%	0.1285	0.0555	$600 \times 0.1285 + 150 \times 0.0555$	\$85.43
7	750	80%	0.1285	0.0505	$600 \times 0.1285 + 150 \times 0.0505$	\$84.68
8	725	80%	0.1285	0.0498	$580 \times 0.1285 + 145 \times 0.0498$	\$81.75
TOTALS	5,625	-	-	-	-	\$642.61

If your business used a total of 5,625 kWh and the agreed percentage of your consumption at fixed pricing is 80%, with the remaining 20% at spot pricing then in this example:

- 4,500 kWh would be purchased at the agreed fixed prices (5,625 kWh x 80%)
- 1,125 kWh would be purchased at the applicable spot prices per half hour (5,625 kWh x 20%).

There are no minimum or maximum volumes, and you pay only for what you actually use.

The dark blue line on the graph overleaf is an example of proportional pricing at work. When spot prices are low, the business pays less for the percentage of electricity purchased at spot market prices.

When spot prices are high, the business pays more for this proportion of its usage.

The proportion or percentage of electricity bought at fixed and spot market prices remains constant for the term of the contract.

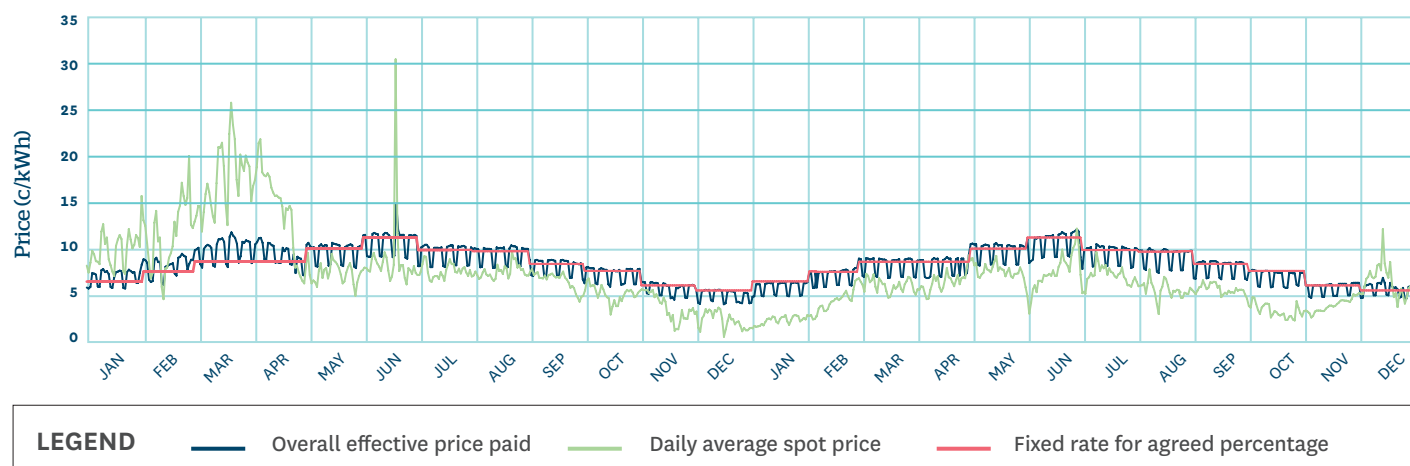


Proportional Pricing Plan

Fixed and spot pricing combined

Variations in supply and demand create price fluctuations on the spot market. As the graph below shows, these fluctuations can be quite marked.

Example of Proportional Pricing Plan in action



Note: Prices shown in this example are not indicative of future prices or offers.



THINGS TO CONSIDER

Meridian's Proportional Pricing Plan applies to the electricity component of the invoice only. Network charges, metering costs, local losses, GST and the Electricity Authority Levy are set separately and these charges may vary from time to time.

For more information on the electricity spot market, including current and historic prices, visit www.electricityinfo.co.nz
For general information on the NZ Electricity Market visit www.ea.govt.nz

It is important that any electricity purchaser that is exposed to spot price movements is fully aware of the risks associated with this. To help to ensure that participants in the wholesale electricity market and their customers are appropriately taking account of the risks of spot market exposure, the Electricity Authority has developed a spot price risk disclosure regime. We recommend you familiarise yourself with this regime and, should you wish to do so, apply the stress tests contained in the regime to your own circumstances. Further details on the regime can be found at <http://www.ea.govt.nz/industry/security-of-supply/stress-testing-regime>

FIND OUT MORE

For more information about how Meridian can help your business, contact your Account Manager, email business@meridianenergy.co.nz or call us on **0800 496 777**, Monday to Friday, between 7.30am and 5.30pm excluding public holidays. Or visit our website meridian.co.nz