MERIDIAN INTERIM RESULTS LIVESTREAM TRANSCRIPT

NEAL BARCLAY: Welcome to Meridian Energy's interim results announcement for the six months to 31 December 2020. I am Neal Barclay Chief Executive of the Company and I have with me Mike Roan our Chief Financial Officer.

I'll start by touching on a few of the highlights.

Operationally we had a reasonably successful six month, but financially the period was more challenging than the prior year. We did deliver our second highest level of interim EBITDAF, however the highest level was last year and that was 9% higher.

Mike will talk through the financial performance in more detail. But in summary the key factors impacting performance were lower hydro inflows leading to lower generation volumes in NZ and lower wholesale prices in Australia.

Now, when you stand back and look at it, it's reasonably clear that the electricity sector is performing well for New Zealanders. We have a very reliable, mostly renewable grid and importantly residential prices are the lowest they have been in real terms for 8 years. That suggests to me that there is a healthy degree of competition and choice for customers.

In the face of that competition, I am very proud of our Customers Team's ability to continue to grow our retail market share in both New Zealand and Australia whilst remaining focused on supporting customers in financial hardship. Our customer numbers and volumes of energy sold were both up and prices also held well in New Zealand. The slight negative in Australia was that electricity prices followed the wholesale trend - downward.

The project to migrate Meridian's customers onto the Flux platform is on track. But beyond the technology I believe we are making good progress in creating a lean and agile operating model that will ensure we remain competitive in future.

NZAS - now the last time an Aussie said to a kiwi - 4 more years, it was the cause of much despair in our country. Fortunately, this time round those words suggested a much better outcome.

And whilst we now have time to progress our smelter exit mitigation strategy, we have no intention of taking our foot off the pedal. Obviously, the closure of the smelter will create room to service new demand and one of our responses has been to create a 10-year product to support customers who choose to electrify their process heat. I expect to see some tangible sales progress this financial year. The opportunity for new large-scale, energy hungry demand in Southland is looking more likely than not, but the proof of the pudding is in the eating.

Needless to say, we are also very pleased with the progress Transpower is making enhancing the grid in the Lower South Island.

The certainty provided by the NZAS agreement, along with the confidence we are gaining in our mitigation strategy, enabled our Board to take a couple of key decisions Yesterday:

Firstly, they approved the build of our $395m Harapaki wind farm; and Secondly, they resolved to keep the interim dividend at a consistent level with the prior year.

The most impactful thing Meridian can do to combat climate change is to efficiently operate our fleet of renewable generation assets and to build new assets. However, we are also very focussed on managing our own carbon footprint and being an exemplar of sustainable business practice. In particular, we've made a commitment to halve of our gross operational emissions by 2030 and we are very focussed on achieving that goal.
We have just sold the last of our petrol and diesel engine vehicles in our passenger fleet - and that feels good. The next opportunity is the find electric alternatives for the utility vehicles that our hydro and wind asset maintenance teams rely. We aim to be totally electric within the next couple of years.

We are underway with our carbon sink project to plant 1 ½ million trees in the next 3 years. We've planted out 60h of our own land and we're looking at both partnering with other landowners and acquiring additional parcels of appropriate land to get the 1 ½ million stems in the ground.

I believe the rest of our ESG reference points shown here are well established, except maybe for process heat. I mentioned earlier that we have developed a decarbonisation product aimed at helping customers who rely on fossil fuels, mostly old coal boilers, to electrify their heat processes. We are talking 10-year contracts, sustainable low pricing, and a capital contribution towards the customers conversion costs. We think the opportunity could be significant and it could add an additional 250 to 500 gigawatt hours to demand. You can expect to hear much more about this as we progress.

I'll call out one further project we have underway. We have committed $4m to roll out a new network of at least 200 EV chargers. The network will be comprised mostly of AC chargers as we are seeing strong use cases for this kind of charging network developing overseas. Also, the obsolescence risk is much lower than for DC fast chargers. We have installed 12 to date and we've learnt a lot whilst establishing good capability. We are now in position to open up the sales pipeline.

We believe the certainty we have secured with a 4-year NZAS exit, will now shift the sector into a new phase.

The industry is responding to high wholesale price signals with new builds. The absence of new demand growth means these new developments will effectively displace existing fossil fuel-based generation and it is happening because renewables are already cheaper to build and to run. The age of the base load coal and gas generator in New Zealand is just about over – it certainly will be within the next decade.

New demand will also turn up, this country simply will not achieve its 2050 net carbon zero targets without scale electrification of process heat and transport. As an industry we have a lot more work to do to build a pipeline of new renewable projects large enough to meet the challenge. Certainly, a more flexible consenting environment will help with that, but I also think as an industry, we are getting ahead of the game.

Those of you who follow AGL and Origin will be aware that the near-term outlook in Australia is challenging. The orderly functioning of the energy markets is arguably not being helped by the political intervention at both Federal and State Government level. But Australians do live in the same world that we do, and they must also transition to a new low carbon energy system over time. So, for now, we believe that Australia remains a reasonable option play for Meridian.

I'll now hand over to Mike and he'll talk to the numbers in more detail.

MIKE ROAN: Thanks Neal

As you mentioned, we have had another strong six months.

While EBITDAF fell from record levels in the first half of 2020 it remains the second highest Interim print for our business.

The net profit after tax result was also pleasing, up 19%, but….as net profit after tax (or NPAT) includes an uplift of $88m from derivative and interest rate fair value movements that suggest a lift in cash in later periods, I tend to think of NPAT as a secondary indicator of current period performance.

My key measure, operating cashflows fell from $266m last year to $187m this half largely following EBITDAF, but it did get thrown around a little as we made the final tax payment from a bumper financial year last year, and at $187m, it is still a strong level of cash production for our business.

Even though EBITDAF and operating cashflows fell, they continue to support consistent levels of ordinary interim dividend payment.

Yes, that means we will pay an ordinary dividend of 5.70 cps again that is imputed at 86%.

This might be getting a little monotonous as this is the third year in a row that the Interim dividend has been set at this level but just like last year when I said that a repeat of the FY19 interim dividend seemed like the right approach, this feels like the right decision again this year.

We have of course resolved the uncertainty that drove our thinking last year but doing so came at a cost…..and as you will have noted from our market release this morning we are also investing just under $400m into what will become NZ's second largest wind farm so there is a balancing act when it comes to affordability.

To be clear, we don't expect material constraints in relation to dividend payments, but as I noted during the NZAS investor briefing in January, we are working through our choices pretty carefully to make sure that shareholders not only see benefits now through strong dividend flow but also, that our balance sheet is flexible enough to manage future opportunity and risk.

With this in mind, an option that Meridian is considering is the introduction of a dividend reinvestment plan. No decision has been made on it yet and investors shouldn't expect that it will be introduced as we continue to work through alternate choices. Investors will be notified in the normal fashion if a decision to proceed is taken.

But given these moving parts, maintaining that interim ordinary dividend seemed prudent as it doesn't signal anything in particular.

So on to NZ Energy Margin. By now you should be used to this waterfall chart.

The first thing to note is that NZ Energy Margin fell by $58m when compared to first half performance last year.

As this explains the majority of the Group EBITDAF fall, it is useful to go into what happened.

So starting at the left…customer revenue actually increased by $69m reflecting ongoing growth in customer connections and prices. This was superb and follows on from what we presented last year – a focussed and capable customer team at work.

At the same time, generation spot revenues lifted but total production volumes were down by 511 GWh on last half year, and this largely accounted for the fall in Energy Margin.

Of course, and as you can see, the cost to supply customers lifted faster than customer and spot revenue but our relationships with customers will endure, whereas spot revenues can be fickle so we like our underlying positioning.

Finally, the cost of derivative sales outweighed the value they created. This is something that our wholesale team always works on but there isn't much of a story there as some of the transactions that make up those buckets are risk trades.

So moving on.

This slide builds on the customer growth story.

We continue to grow our customer base successfully both in terms of numbers and average price paid which reflects the hard work our customer teams put into our brand position, product propositions and relationships.

Specifically, our PowerShop NZ and Meridian customer teams lifted customer numbers, or ICPs, by just over 9000 in the six months across the residential, small business and agricultural segments while growing the average sales price.

The same direction of travel played out in the corporate and industrial segment with volumes sold and prices both lifting.

And as the NZ retail electricity market is amongst the most competitive on the planet, that is quite a feat. So when you reflect on the comment that Neal made at the start of our announcement, that kiwi households are paying less for electricity now than they were 8 years ago in real terms, it suggests our retail brands are in good health.

This slide builds on the production point I made in the Energy Margin slide.

In the first half of the year, we produced 6,676 GWh which was 511 GWh lower than the previous comparable period.

The reason for this was twofold. First, production volumes in the first half of last financial year were the highest we have ever seen, so maintaining that run rate was always going to be a challenge. Second, storage in Lake Pukaki started the six month period lower than we might have otherwise wanted and it ended the period well below average as well. While that piece is not as obvious on this slide, if you look at our monthly operating reports, you will see what I am talking about.

Now, if you look at the combined catchment inflow graph you will see that in July and August inflows were about average, so we couldn't build storage (or generate large volumes). And while inflows in September and October look significant, unfortunately the storm that arrived was too large to catch and we had to spill 255GWh of energy past our power stations rather than use it to excite electrons. Those inflows were useful nonetheless as they lifted lake storage back to more normal levels but then we ran into November….December….and January. One way to think about inflows during that period is that they were half of the inflows experienced over the same months in the prior year. A bit of a bugger for a business that relies on them.

That said and as anyone who relies on the weather knows, it never gives you quite what you are looking for, so our job is to deal with the swings and roundabouts.

And given our interim results were strong, we are pretty happy.

But, the reason I am showing Jan 21 on this slide. Even though it is not part of the interim period it is important that you know that the Southern hydro lakes have not had the rain that they might expect this summer, we typically rely on 3-4 storm events each summer to fill those southern hydro lakes and so far we have had one.

As our January operating report showed we are currently biding our time and waiting for the next on. So production volumes, and revenue, will be lower than we hoped until the next storm system arrives.

This isn't unusual it just reflects the business we are in and we carry a strong balance sheet to make sure that we can provide dividend stability even if and as operating cashflows go through a drought every now and then - everything reverts to average over time.

And for those who might think I am trying to signal something, I am not. I am just stating the obvious, we are waiting for rain.

The graph on the right is fascinating – at least I think it is.

We had strong growth in customer numbers in Australia through April 2020 and then that growth slowed materially.

If we had time, I would ask why you thought that might be but you are probably already there – yes COVID. Our Aussie mates were locked up tight for an extended period and while they had time on their hands, they obviously spent it doing things other than thinking about switching electricity provider – which is actually interesting as average household consumption grew by around 20% during their lockdown periods so household costs would have gone up materially, while they were thinking about those other things.

Anyways, growth in customer numbers since April was lower than we wanted, but remember our team in Melbourne have been in lockdown and working from home for nearly 12 months now too…so they are doing it tough…regardless, they remain focussed on lifting that run rate while maintaining the positive progress you see here. So a quick thanks and shoutout to them for their commitment (and the humour they showed) during the tough times.

Energy Margin in Australia in the first six months fell by $6m when compared to 1st half of 2020. While customer revenues in both electricity and gas segments lifted by $11m, this was not enough to cover the material fall in wholesale prices experienced in Australia that Neal mentioned.

And while we run the business in a similar way to NZ, in that it is vertically integrated, we like to run a little long to account for changes in hydrology, so this length was sold into prices that were lower than expected.

I won't go into a soliloquy here about wholesale prices in Australia, rather if you are interested, I recommend you read transcripts from the large integrated Australian electricity businesses interim announcements.

My summary here is that they have massive incentives to find a solution to these wholesale price outcomes – as they appear unsustainable from their perspective – and we should be beneficiaries of any adjustments that they have to make.

While they work those through we will continue to focus on customer growth and balance in our portfolio, while recognising that if it takes time, those low wholesale prices could reduce Energy Margin in Australia more directly in FY22 as hedges roll off.

And all this as the Green State hydro catchments finally filled up after a multi-year drought.

Regardless we continue to like Australia as a place to invest as its long run decarbonisation prospects are similar to New Zealand, and we want ensure we are positioned to benefit from that adjustment without taking overarching risk.

Put another way, while EBITDAF delivery in Australia might be volatile in the short term, we will continue to manage risk by being reasonably balanced between generation and retail, while growing the business over time.

Last, the eagle-eyed amongst you - which probably sums up everyone on this call - will have noticed that on the previous slide contracted sales revenue fell by $5m while on this slide I noted that electricity and gas sales to customers lifted by $11m. The difference is $16m in financial contract sales that were not made this year (as compared to last) and are bundled into this slide as part of the financial product set. Might as well get ahead of any questions on this one.

Nothing too much to note on Operating costs.

Back in August I suggested that operating costs would land in the $261m to $266m range this financial year. That continues to look like a reasonable forecast given the $126m spent through the first six months.

One thing that I did say that might be worth picking up on is that we were looking at our cost profile carefully – primarily in the generation maintenance and project spaces - given NZAS's decision to terminate our contract effective 31 August 2021 at that time.

I also noted that if that played out that this could result in material falls in opex.

However, given the amended contract that will see NZAS stay through December 2024, those changes no longer make sense. So I don't have as much to say on this front as I thought I would last August.

That said, we do remain focussed on operating costs given the expected revenue associated with that relationship has reduced by close to forty percent over the next four years.

And another thing I thought I would update you on is that we continue to carry a reasonably large provision for doubtful debts. If you remember, I noted that we had lifted the provision from $5m in FY19 to $15.7m in FY20. That provision still sits at $13.3m in the interim statements.

Last point I would make is in relation to the capex forecast.

We noted that we expected to spend between $70 to $80m this financial year – possibly a little more depending on what played out. I can now say that capex will likely land at the top of the range this year largely due to the fact that the migration of customers from the Velocity platform to Flux is going well as Neal has mentioned, and we expect the majority of the spend from that initiative will land this financial year. Neal will talk to this in greater detail in a bit.

So what does this all mean… Largely a repeat of what I said at the outset.

We had the second highest level of interim EBITDAF in the first half of this year. It was down $43m or 9% on last year but that was to be expected. So we are pretty happy.

That said, as I also mentioned earlier….the second half is off to a slow start.

January landed with a bit of a thud and our wholesale team continues to exercise the financial contracts we have to manage risk when it doesn't rain. So we will see where we land at year end.

And going back to the start for the third but last time, NPAT lifted by $36m this half.

We don't set that out specifically on this slide rather we focus on underlying NPAT, which is a non-GAAP measure. We do this as we feel it is useful as it strips out the non-cash fair value movements otherwise captured within NPAT.

You can decide on the measure that works for you as we present them all in our financial statements but the graph here shows that underlying NPAT fell by $28m or 15% which is consistent with the fall in EBITDAF, another non-GAAP measure.

Now we don't have a slide on the balance sheet this time round, largely as there is little to see on that front.

But I would be remiss if I didn't go back to the FY20 announcements where I noted that if NZAS exited in August 2021, that we would likely see a reduction in the value of our NZ generation facilities – possibly by $690m and $1.3b.

The world has played out differently which is great news so there is no change to the value of our NZ generation facilities to announce.

And that seems like a good place to finish.

The agreement with NZAS has created a really solid platform from which we not only need to restore but grow earnings from. It will take some hard graft to do this over the next four years but that is what we are here to do. We know that you have sacrificed short term earnings to do this given the lower contract price, but we can assure you that it is a far stronger position to be in than the counterfactual.

And of course, I back us to do just that – restore and grow EBITDAF levels as we work through the next four years.

Neal back to you.

Thanks Mike. I'll now touch on a few elements of market and regulatory developments as we go.

So aside from the current dry period (which remember is part and parcel of a hydro based system), the main thematic in NZ is the building tension in the gas market.

While delivery from the Pohokura field is often the reference point on the supply side, a number of other fields appear to have also passed their production plateaus and entered deliverability declines.

Gas demand is concentrated in a small number of large industrial users and they are facing and uncertain future. The decisions that Methanex make, and they are by far New Zealand's largest energy user, will have major implications.

The electricity sector needs gas and/or coal as a firming solution for at least another decade, so finding options to provide the upstream gas players enough certainty to continue to invest in a reliable level of service is a challenge that we all need to get our heads around.

I personally believe a market led approach will achieve that, and ultimately the market will deliver a diverse and efficient range of dry year firming solutions that will reduce our dependence on fossil fuels.

As an example, Meridian is looking at the possibility of a flexible hydrogen production plant that can reduce electricity consumption during dry years and sell that demand response as a service to the market. And there are other ideas bubbling to the surface.

But there are plenty of sceptics, and I sense some unease with our current Government. Fair enough, so our industry needs to demonstrate progress sooner rather than later.

The abrupt nature of this country's Alert level 4 lockdown and the ongoing economic impacts weighed on electricity demand in 2020.

I think we were all surprised with the bounce back and the reasonably firm demand following that Level 4 lockdown. However, not surprisingly, given how COVID has changed our lives, demand was characterised by higher residential and lower business demand.

All up though it is difficult to draw any conclusion from the actual demand observed in the recent past to what we might expect to see the next few years.

Last year, the uncertainty relating to the future of NZAS forced us to pull back from the start line on our Harapaki wind option.

Following the NZAS deal in January we tasked the Harapaki Team to reconstitute the business case quick smart. They have done an awesome job doing just that and we were able to present the business case to our Board yesterday which they duly approved.

Harapaki will be New Zealand's second largest wind farm and is located along the Maungaharuru Ridge just North of Napier. The Project has strong economics, it's a great fit for our portfolio and it will support future retail growth.

Also, working with our suppliers, we believe we will produce the most sustainable wind farm in New Zealand to date. And I'm personally quite chuffed about this one because I hail from Hawkes Bay and this will undoubtedly help boost the local economy and create some jobs.

Harapaki will be Meridian's 10th wind farm development and it will bring total annual energy production from those farms to 3,800GWh, and total carbon abated to between 2 and 3.8 million tonnes per annum. We've learnt a lot from each of the previous projects, so we are confident in the economic projections for the wind farm and also our ability to deliver it as planned.

We intend to host investors at the site in May, and you'll hear more from Owen on that shortly.

The Team will now get on and get it built and we'll continue to focus on deepening our future development pipeline.

We are also moving forward with a couple of development options in Australia. Having a robust capacity firming strategy in Australia is pretty fundamental, which is why we have been progressing battery augmentation at the Hume hydro power station. The battery now has development approval and we're hoping to bring an investment decision to our Board later this year.

The Rangoon wind farm development is in the process of gaining development approval. Any investment decision will likely not be til about 2022.

Like NZ, our vertically integrated Australian position is tilted to a long generation position. So, the future success of our organic retail growth strategy in Australia has a bearing on the timing of some of these new builds.

The Electricity Authority completed their investigation into wholesale electricity market during the flood events of December 2019. And they concluded that a confluence of factors led to a highly unusual period of wholesale market activity and as a result an Undesirable Trading Situation or UTS occurred.

The next step is for the Authority to consult on how they want to correct the UTS and they will probably do that later in March. If they choose to reset prices for the UTS period, provided that process includes resettlement of hedge contracts, and in particular the ASX futures products, then we estimate Meridian's bottom line for that period will be reduced by less than \$2m. You may recall that we took a \$5m provision in the accounts as at 30 June 2020.

We welcomed the Climate Change Commission's draft advice on the need to increase our national efforts to tackle climate change and, in the Commission's words, 'lock in net zero by 2050'.

It is very clear that the electricity sector is a big part of the solution to reducing our country's emissions. I've touched on my following points already, but it is telling that as of today there is around 2,000GWhs of new wind farms either being built or about to be built in NZ. And 1,300GWhs of new geothermal is also committed. These developments tally to more than 7.5% of total electricity demand in NZ, yet over the last decade we have seen virtually no growth in demand. All of these new developments will displace existing fossil fuel-based generation because renewables are already cheaper to build and to run.

The growth in renewable energy does create some challenges that need to be overcome. I mentioned that the reliability of the gas system will require further investment and at a time when we are busily migrating away from it. We also need new solutions to manage hydro shortage in a dry year without gas or coal. But most critically in my mind, we need to dramatically speed up the consenting process for the massive amount of new renewable generation, transmission and distribution assets that we collectively need to build.

So I think these challenges are certainly not insurmountable and some of the solutions are already starting to emerge. I've no doubt, with RMA support from Government, our industry has the capacity, the capability, and the innovative chops to build the renewable generation required to decarbonise the bulk of the energy sector. And most importantly, we will do it cheaper than ever before and faster than previously imagined – we simply must.

Our job at Meridian is to ensure we do our bit. As a rallying cry for the troops, we remain committed to a target of maintaining our market share of grid scale generation. If you do the maths, that goal is actually a bit more exciting for our Team, than what it may sound.

We gave the NZAS story fairly good hearing last month, so we'll leave it there for now. Suffice to say, we will ensure we keep the market well informed as to how we progress with our smelter exit strategy, which is laid out on this slide, consistent with what we showed you in January.

After lingering uncertainty following big shifts in the UK retail electricity landscape, E.ON have committed to closing Powershop UK.

The termination agreement with E.On secures the Flux UK revenue stream for the next two years, but we expect to complete the migration of Powershop Customers onto E.ON's new system hopefully by September this year.

Migration of Meridian NZ customers onto Flux is going well. We are now at the stage of commencing the migration of more complex billing and time of use customers. The scalability and usability of the platform is proving to be better than we anticipated at this stage. So whilst E.ON has chosen a different path, we are still confident Flux offers a unique and advanced solution to energy retailers and Nic Kennedy and her Executive Team now have the clear air to focus on marketing their product internationally.

I'll just wrap up with a few closing comments.

We remain very pleased with the customer growth we are achieving and the work we are doing to transform our retail operating model. There is still a lot of improvement possible, and necessary, if we want to remain competitive, and I can assure you we do.

January and February have been parched in our South Island catchments. And the outlook for the next few weeks, at least, remains dry. Accordingly, we are working to conserve lake storage, which along with the new NZAS pricing, will have a dampening impact on our second half earnings. The analysts will have seen in our January operating report for our generation volumes that were 19% down on the prior year. That is just the nature of the game we are in and as Mike pointed out, that is also why we run a reasonably conservative balance sheet.

I've made my views clear on the Climate Change Commissions draft advice. To my mind it's a bold pathway this country needs to take to achieve the low carbon future we must aspire to. I believe the electricity sector with a little RMA help can handle all the demand thrown at it and the technology is improving at such a rate that we'll do it cheaper than in the past. We will probably see significant wholesale price volatility at times as new firming solutions emerge, but there is nothing in my view to suggest the electricity market, as it operates today, cannot meet New Zealand's needs and support the imperative to lock in net zero by 2050.

Thankyou. That's a wrap from us. We can now move to questions and we'll take those from the floor here in Wellington and then we'll move to the phones.

-QUESTION TRANSCRIPT TO COME-

ANDREW HARVEY GREEN: Morning team, great to be back in the room and no questions on the shelter. In terms of your Australian growth profile around the wind, I'm assuming and I'm taking what you're saying, in essence, you're looking to back the growth in Powershop Australia, you're not looking to develop wind to sell to other parties?

NEAL BARCLAY: If anyone on the floor has a question, just announce yourself too, for the people on the call. But that's Andrew Harvey Green, as you probably picked up from his voice. That's right, Andrew. We're running a vertical-led strategy. So our success in growing our retail business will very much drive our environment to supplement that with generation developments. It won't perfectly match the whole way through of course but that's the nature of what we're trying to do.

GREEN: OK. The next question is around flux and I guess just understanding the changes that are going on in the UK. , you obviously you had some exclusive relationships there which prevented you from marketing that further. I mean, what, I guess, is the degree of confidence around the ability to find an alternative party or parties that might take on Flux?

NEAL BARCLAY: Yes, as part of the wind-up negotiation, the exclusivity has now lapsed, so we can market to other parties straight-off. We do have, and based on the developments we've done in New Zealand, particularly in C & I and in complex billing, we think we've got a pretty compelling and unique proposition that covers all market segments. So more work to do, and we certainly don't have a sale on the books today, but that's the focus for Nic and her team. I'm reasonably confident, that also in Australia there are some opportunities starting to emerge. So we'll see how we go.

GREEN: The last question from me, your two competitors who announced over the last week or so, both talked about interest in the Trustpower retail assets. You were noticeably absent in talking about that. Do you have any comments around that and any interest?

NEAL BARCLAY: If we did have an interest, we would have signed a nondisclosure agreement so we wouldn't be talking about it. No but we've been reasonably successful in growing our retail business organically. We think that's probably the smart way for us to progress. But look, when assets like that come on to the table, we always have a think about it, so we'll see how that plays out.

TIM MOWBRAY: Hi, Tim Mowbray, AMP. Just on the Harapaki wind farm development and any potential, you know, development, are you able to give a bit of an overview on the timing of the spend on that and the potential mix of funding in terms of cash flow, debt, and also lead on any other potential future development, what the lead-in time I guess from decision made to spend would be? I'm trying to get an overview of the actual spend over coming years and funding.

>>MIKE ROAN: So payments actually flow either today or tomorrow, having completed signing of contracts, to get the major vendors underway. And then payments are staged, $395 million of payments are staged, over the next six months. So depending on specific milestones struck and as I - well, I did in my answer there - said we first power before the wind farm comes online, so if you jump 36 months from now, you're early, mid-two -- 2024, so a year before that we expect first power.

TIM MOWBRAY: Any comments in terms of funding, cash flows, debt, are you thinking that or...?

MIKE ROAN: So we have adequate facilities and a balance sheet to fund it as we are, but as I noted when I was talking earlier, we are looking through balance sheet flexibility and what mechanisms we might want to support the delivery of not just that wind farm, but as Neal mentioned, we have a couple of options out of Australia, and we're obviously looking at other things in New Zealand. So we're thinking those through pretty carefully. The one I mentioned here was the dividend re-investment plan. But until we actually finalise/confirm the approach we take with the board there's probably not too much more to say here.

NEAL BARCLAY: I think you asked about the question of life cycle? Rule of thumb, it's usually about a 10-year cycle from an idea through to sticking a shovel in the ground. Some of that's involved in just understanding the wind resource, organising landholder agreements and so forth, but then the consenting process is also very protracted in New Zealand, so that's why we're quite hopeful that we'll, with the RMA reform that's currently under way, get a bit more of a streamlined process for these renewable projects, and bring that 10-year timeframe forward. We do have a couple of wind farm options that are far more progressed than 10 years which gives us a bit more cover. If we look forward to the sort of demand growth we think is going to be required to decarbonise the energy sector in this country and the amount of renewables needing to be built, we're planning on an outlook where Meridian is building a new wind farm and delivering it every three years.

NEVILLE GLASS: Morning team, Neville, Jardin. Just on Harapaki to start with, the cost per megawatt is a bit higher than expected to me. I wonder if there was any COVID on the CapEx. When we look at other wind farms -- future wind farms, are they likely to be cheaper, higher capacity, can you give us any cover on that?

MIKE ROAN: I guess it depends on what you're expecting there in terms of unit costs. The way I'd frame it is our unit costs have gone up marginally since we looked at it last July/August but that's only because of the identification of risks available. We're pretty confident in terms of the unit costs and the release of numbers in terms of the overall spend for the wind farms. We still see Harapaki easily in the money.

NEAL BARCLAY: There are some shipping increases costs at the margins. A bit of good news last night we were able to knock in the currency as a reasonable gain.

NEVILLE GLASS: Another way to phrase that question is you see yourself with future wind farms an competitors?

NEAL BARCLAY: Certainly in the $60 to $65 range, there is no reason to suggestion the value or the cost of wind farms will be significantly higher than that. As you know, the technology is getting bigger, it's making itself more available for sort of level 2-type sites. Sorry, it is not level 2...

MIKE ROAN: Class 2.

NEAL BARCLAY: Class 2 sites. So you can get more generation at a lower capacity factor, cheaper.

NEVILLE GLASS: Next question, on the 250 to 500 gigawatt hours on industrial heat conversion, you talked about a contract product. It sounds very interesting. How should we as analysts think about it in terms of pricing and perhaps your share of the capital involved if you got to the 250 to 500, what range of capital should we expect? If we're guesstimating pricing, is below, say, where it is trading today?

NEAL BARCLAY: My notes originally said sustainable NZAS-type pricing but then we realised that NZAS pricing had changed quite a lot. We're talking about pricing consists with what NZAS was paying before they cancelled the contracts. It's pretty compelling, I think. It looks like it's a price point that's good enough to get a number of customers motivated and the costs in line so that they can actually do the conversion. In terms of our capital contribution, it's going to be vary by each instance, Nev. We're not trying to put a firm number around it but certainly anywhere, I don't know, probably South of 10 million bucks all-up.

NEVILLE GLASS: Great. With an extraordinarily high forward curve, for the next four years at least - I recognise your comments about retail pricing. In terms of your own recovery, up to $5 a megawatt hour and C & I in the mass market channels - Should we expect that trend to continue, do you think?

NEAL BARCLAY: High wholesale prices?

NEVILLE GLASS: The flow through to retail pricing around C & I and mass market?

NEAL BARCLAY: I think we all look beyond the immediate wholesale market. We see that as being driven by, as would you know, concerns and constraints in the gas market. We're hoping that some forward investment starts to resolve that. But, certainly, also this build programme that's been announced with ourselves and our competitors, must have a softening impact on the forward price curve I would have thought. So I think long-term, I would not expect to see significant change in retail pricing in this country because the underlying economics won't take you there.

NEVILLE GLASS: Maybe to expand on that one, you're suggesting perhaps the market will look forward to an end of 2024 exit of NZAS...

NEAL BARCLAY: That's a logical suggestion but that doesn't mean it will have play out like that.

NEVILLE GLASS: Analysts' predictions are always wrong.

NEAL BARCLAY: So are CEOs'.

NEVILLE GLASS: Thank you.

ANNOUNCER: Your next question is from the line of Stephen Hudson from Macquarie. Please go ahead, thank you.

STEPHEN HUDSON: Hi Neal and Mike, can you hear me OK?

NEAL BARCLAY: Yes

STEPHEN HUDSON: Just a couple from me, perhaps to for you, Neal. On NZAS - look, forgive me, you may have covered this off post the January announcement, but I think on the spot, aluminium and the smelters are generating about... Leveraged to New Zealand and global carbon prices. Why are you so convinced that the smelter leaves in December 2024. That's my first question. My second question for you is around the wind development team that you've been carrying for the last 10 years. I think, you know, with decent hindsight, that's proven to be the right decision. Can you give us an idea of how big that team is and can you contrast that with perhaps some of the other development teams out there? A quick question for you, Mike, a hybrid capacity, can you give us an idea what that is and what your current hybrid level is?

NEAL BARCLAY: Thanks, Stephen. On NZAS, I guess the point is they may, in fact, not close shop but they'd lose the option to buy energy, at least off Meridian. So our mitigation strategy is very much focused on building alternate sources of demand and also sources of demand that we think are more aligned with the decarbonisation efforts for our country. If we're successful on that, then they will struggle, I think, to get the firm pricing commitment from the market that they've enjoyed to-date. Certainly, if our strategy is successful, the pricing that they are getting for the next four years is in no way sustainable. It was a deal struck to buy a bit of time for Southland, for the economy and for the industry to manage the exit in an orderly fashion. That's not sustainable pricing going forward. I'd just add one more comment in case anyone from NZAS is listening, I think the only way they could continue to operate in this country would be if they got serious about providing reasonable demand-response to the market. They have the capability. It's a very valuable solution for the industry, and that would be an angle for them. But, certainly, they've lost the option at this stage. I think you're right, they are making a lot of money for the next few years and we hope that they invest some of that in tidying up the site. As a New Zealander, that really does need sorting. On the wind development team, thanks for recognising that, Stephen. We have - yes, we have carried the team, but we've kept them very busy. Just to give you an example, the project director on Harapaki, the project manager and the chief electrical engineer were all involved in Te Uku and Mill Creek wind farms. They've developed a lot. Beyond that, the team is probably another three key individuals that have good IP around particularly modelling and understanding wind resource. Which when you're working out the cost on these things, the amount of wind you get turns out to be a very big thing. We've developed a lot and learned a lot in that area. That core team, I would call it about six individuals around they're all deployed on Mill Creek - sorry, on Harapaki.

MIKE ROAN: Hydro capacity, Steve. So everyone knows, I'm simply reading from the daily hydro strategy that comes out. It's interesting, or at least I think it's bloody interesting. New Zealand's storage sits at about 74% of average. I'll use average numbers. I can talk about percentages full as well. South Island storage about 71%. Our storage facility, Pukaki, 65. So Pukaki is a little less full an average storage. Interesting, North Island is at 90% but it gives you a sense of how small North Island's storage is compared to South Island's. The bit with droughts gets more and more interesting. One is your storage level but, two, what sort of in-flows are you receiving. The in-flow level is probably as interesting as the storage level at the moment, Stephen. We're getting in-flows into the Waiau, which is Fjordland, at just over 30% now. As I say, of course there is a bit of a storm system going on down there, which, touch wood, let's hope it rains more than the forecast would suggest. It's reasonably dry. You're hearing that now from other circles as well. It doesn't only affect hydro storage obviously. It affects drinking water and water in your garden and it affects farmers on the South Island. We're pretty careful, hopefully you've picked that up, that the balance of our portfolio is on the storage. As we've both said this morning, it is part of the business that we're in, really, and we carry a good balance sheet to work our way through whatever Mother Nature has got to throw at us really.

STEPHEN HUDSON: That's actually useful comment. You probably misheard my question or it was my fault. My question was about hybrid capacity...

MIKE ROAN: Was I the only one?

STEPHEN HUDSON: That answer was useful.

MIKE ROAN: Steve, apologies, I must be the only one in the room. Everyone is looking at me like I'm crazy. But our hybrid capacity, balance sheet capacity, we're working through at the moment. So you can look at our balance sheet metrics and look at our S&P ratios and requirements and work out if we're spending just under $400 million on a wind farm, what it might mean for any form of hybrid instrument alongside considering things like dividend re-investment plan. We could take on a few hybrids if that's the choice we decided we needed to make.

STEPHEN HUDSON: Yes. That's very clear. Thanks, guys.

ANNOUNCER: Thank you very much. Your next on the phone is from Peter Wickman, please go ahead.

PETER WICKMAN: Greetings. I just wondered what you see with Genesis and Mercury and the future plans for the possibility of South Island power making its way up to Auckland? Do you have a crystal ball on that possibility? Long term?

MIKE ROAN: Peter, the first thing I would say is, and you might need to rephrase the question, I have a bit of a habit of missing the point, but the power obviously from the Waiau obviously does flow into Auckland at the moment. I guess you're talking about augmentation from an HVC from Auckland. Is that where you're heading?

PETER WICKMAN: Exactly. And just the way connections happen at the moment.

NEAL BARCLAY: That has been mooted, a new high voltage connection between Southland and Auckland where most of the customers are and where there is a brilliant water resource. That would be, in my view, a nation-building sort of decision, quite visionary. So I - you know, I'm not sure if it's on Transpowers to do list just yet but certainly over the next, if you're sort of thinking over that 30-year timeframe, Peter, that sort of transmission capacity, I think would be in New Zealand's long-term interests. The point I'd make about transmission and I'll make it to anybody who listens, it is single-biggest enabler of competition in our market. It is important that the transmission is kept up to speed with new developments. Ideally, they're a wee bit before new generation gets built so that that enables all the generators to compete hard against each other, which ultimately gives you a much better outcome for New Zealanders.

PETER WICKMAN: And batteries, do you think a lot of people will be going into batteries for that purpose?

NEAL BARCLAY: I think - well we have been looking at a battery ourselves in terms of when NZAS leave and we have a surplus supply of energy in the lower South Island, assuming we haven't soaked that up with new demand. There's transmission improvements that can get the energy out of the Southland region. Then you run into constraints of the HVDC and potentially north of Wellington but sort of south of Taupō. And a battery, a large-scale 100-megawatt-type battery can provide, if you like, further capacity or reserves that allow you to increase electricity on those transmission lines. So we get the most out of the electricity already in the ground relatively cheaply. That's a live option for us that we are progressing and I expect us to do just that, and build that within the next four years.

PETER WICKMAN: Going forward with people's private finances, and provisional bad debts, percentage-wise, retail versus commercial, what would be the percentage as a total?

MIKE ROAN: Oh, it's - Peter, you've got me on the fly. I'd have to do the numbers. I'd have to grab a calculator. But as I said, the kind of carrying provision we've got at $13 million on a customer kind of set of contracts that sits, over a year, just over a billion dollars, $1.3 billion off the top of my head. So the level of provision that we're holding for bad and doubtful debts is particularly low. Honestly...

PETER WICKMAN: Yes, I was mainly interested...

NEAL BARCLAY: Sorry, Peter, I would just add to that that the level of bad debt we experience is very, very low. Since you've given me the opportunity, I'd just point out that Meridian does have the lowest disconnection rates in history for some time. We have a specific team that works with customers in hardship and vulnerable customers. We think they do a bloody good job and get us a good result and get those customers a good result.

PETER WICKMAN: I was mainly looking at the future of incomes of people, with high levels of unemployment with COVID retirements and the CPI rate really not measuring the cost of living increases as opposed to reduced prices for cell phones and big TVs. So I'm just saying that the payments the Government make and pensions don't seem to be keeping up with the cost of living, yet the power price seems to, as you've said earlier, have come down. I was just concerned about people's financial ability to continue that, you know, that was my area -- main area. I was using private versus retail as a barometer of what it is, like New Zealand versus Australia.

NEAL BARCLAY: Peter, we all have views about people in hardship in this country, and levels of poverty I think none of us would accept. In the electricity industry, we do what we can. Anyway, I think we better move on - thank you, Peter.

>> ANNOUNCER: Your next question is on the line from Cameron Parker. Please go ahead, thank you.

CAMERON PARKER: Hi, guys, just a couple from me. Look, how should we be or how have you been thinking about Harapaki's PPAs and do they potentially relate to what Genesis is running in terms of its programme? Also just with regarding to the termination of the swaption, any update on that yet

MIKE ROAN: Thanks, Cameron. Hey, no intents on PPA-ing off the back of Harapaki. Think I you heard us say our customers team has done phenomenal job of growing our business organically and at least our portfolio analysis says we will soak up that energy for our own use at the rate that we are growing. Of course, we're always open to any form of commercial arrangement that makes sense for Genesis or anyone else. But, for right now, we have haven't had strong enough interest to earn a PPA off the back of Harapaki, and our portfolio growth says that we can use it ourselves. So, you know, it follows that vertically integrated proposition that we mentioned for both New Zealand, Australia. In terms of swaption, there's no real update. We've re-initiated the RFI that we started back in 2018. We haven't made any calls on that as yet but we're just working through with the counterparts that might be able to provide a product to us. Or not. You know, those counterparts are your traditional counterparts through to, as Neal mentioned, conversations with demand side and possibly NZAS if they find interest in that demand product and solution. So we don't know where it'll land yet. We know we have some time to land it. We're pretty comfortable that we have a suite of options that if we can't complete in a traditional sense, that we can manage that risk anyway. So we'll see where it goes.

CAMERON PARKER: That's all from me.

NEAL BARCLAY: Thanks.

ANNOUNCER: Your next question is from Grant Swanepoel.

GRANT SWANEPOEL: A couple of quick questions. Just on operating costs, are we still on track for a 10 million benefit from the flux system?

MIKE ROAN: Yes. Simply put.

GRANT SWANEPOEL: Is that next year or the following year?

MIKE ROAN: Yes, from next year. I think the benefits were a little larger than that over time.

NEAL BARCLAY: Some of those cost benefits were avoided CapEx in terms of maintaining systems or upgrading to alternate suppliers as well, Grant, but we're pretty confident we're seeing the value already starting to emerge to be honest.

GRANT SWANEPOEL: Fantastic. Following on Cam's questions on PPA, the big catch point in the industry seems to be when NZAS leaves. Are they considering negotiating with you on a delayed contract or is that still off in the future?

MIKE ROAN: Oh, nothing to say, Grant. We haven't...

NEAL BARCLAY: No, we sealed the four-year deal last month and we have got no intention of reengaging because, like I say, we have an alternate strategy at this stage.

GRANT SWANEPOEL: Perfect. And my final question is just following on from Neville's on Harapaki, it just appears that 395 million of CapEx, 542 gigawatt hours, it appears about \$5 to \$8 more expensive than those wind farms. Is there something I'm missing?

MIKE ROAN: Might be. What's your basis, Grant

NEAL BARCLAY: We have a \$62 per megawatt on those costs. I'm not sure what...

GRANT SWANEPOEL: Which rate which you using for that assumption?

MIKE ROAN: Our underlying cost. So just around 6%, Grant.

NEAL BARCLAY: Look, I'm not going to make observations about other people's project economics. I'd just say that we've learnt quite a lot of previous wind farms that we've built and I remember, you know, at the time we were building Mill Creek, Snowtown 2 was being redeveloped. A year later Snowtown were written down and the costings came in about square.

GRANT SWANEPOEL: Thank you, that's the end of my questions.

>> ANNOUNCER: There are no further questions on the phone. Please go ahead.

NEAL BARCLAY: We will wait until the man tells us. Thank you. I think that's all the questions. Thank you for tuning in. Hopefully that was informative. Have a good rest of the day. Cheers.