

Monthly Operating Report

October 2014



meridian



October Highlights



In the month to 12 November 2014, national hydro storage rose from 85% to 93% of historical average

South Island storage now sits at 92% of average and North Island storage at 98% of average

Meridian's October 2014 monthly inflows were 94% of historical average

Meridian's Waitaki catchment storage decreased to 87% of average at the end of October 2014

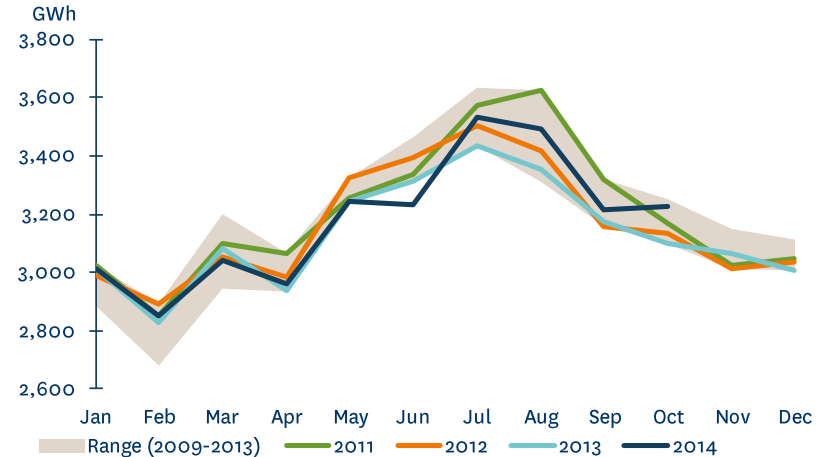
Electricity demand in October 2014 was 4.1% higher than in October last year, reflecting higher early irrigation season load

Demand in the 2014 calendar year is showing modest growth compared to the same ten month period last year

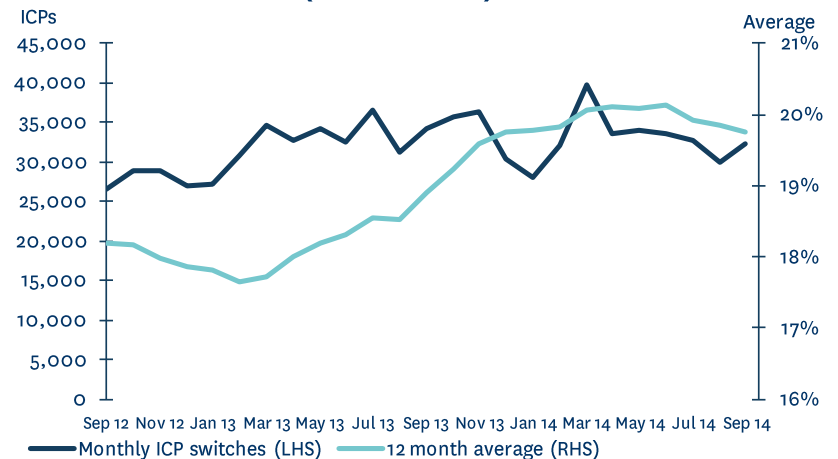
Market Data

- Demand in October 2014 was 4.1% higher than the same month last year
- Early irrigation season load is higher than last year due to lower rainfall
- Demand in the 2014 calendar year is showing modest growth compared with the same ten month period last year
- New Zealand Aluminium Smelters' average load during October 2014 was slightly below the 572MW base quantity of the NZAS agreement
- The number of switches for all retailers in September 2014 was 7.5% higher than the previous month and was 5.6% lower than September 2013
- 12 month average switching rate of 19.8% at the end of September 2014

NATIONAL DEMAND

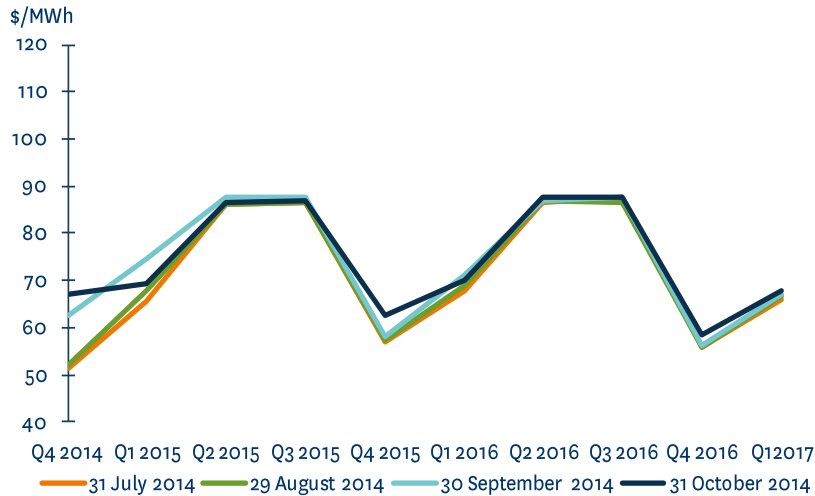


MARKET ICP SWITCHING (ALL RETAILERS)

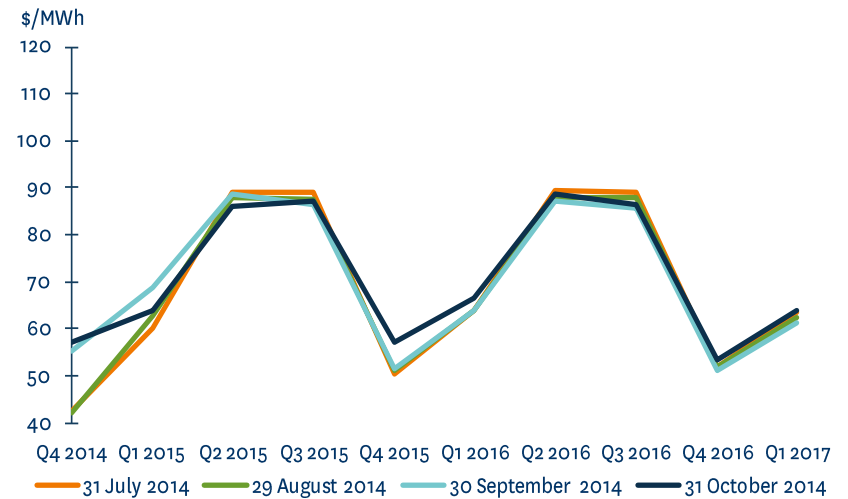


Market Data

OTAHUHU ASX FUTURES SETTLEMENT PRICE

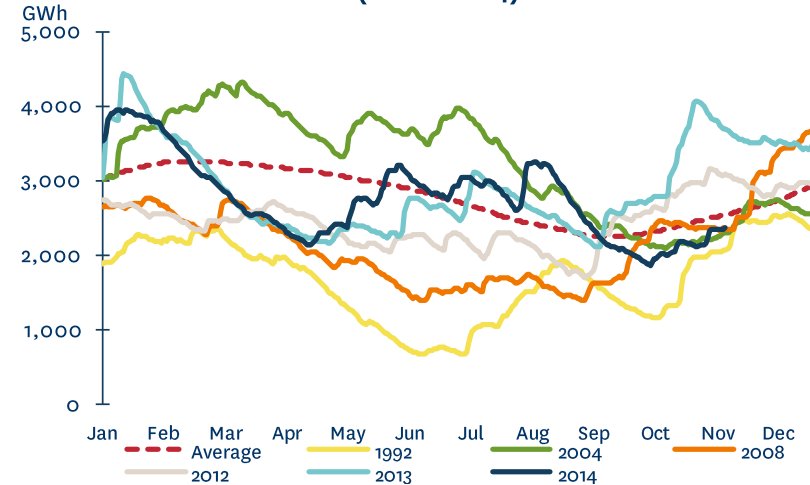


BENMORE ASX FUTURES SETTLEMENT PRICE



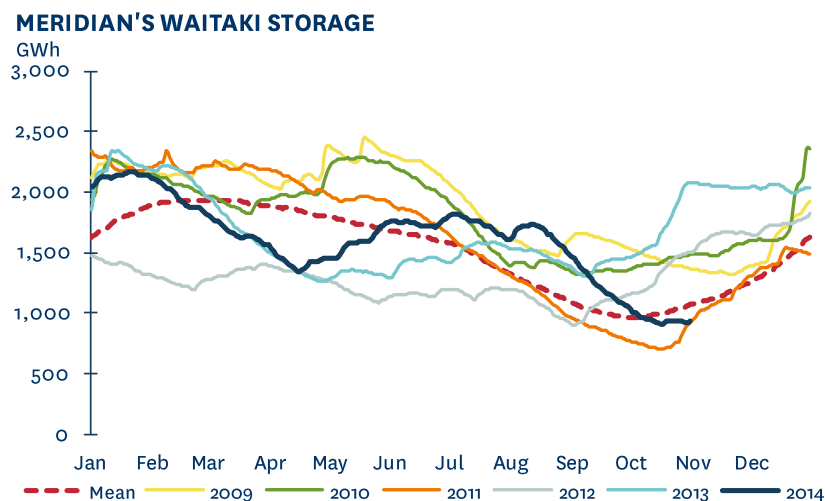
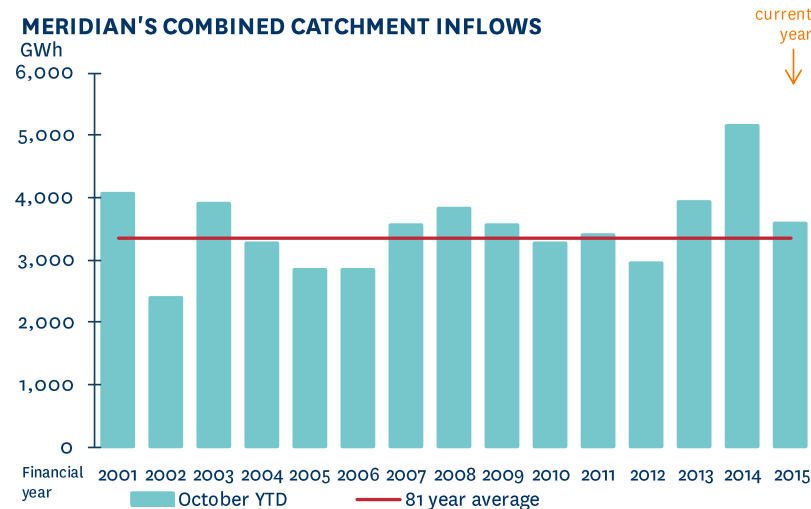
- Declining hydro storage has seen recent rises in near term ASX futures prices. 2015 and 2016 prices showed little movement from earlier months
- National storage rose from 85% of average on 13 October 2014 to 93% of average by 12 November 2014
- South Island storage rose to 92% of historical average by 12 November 2014. North Island storage has risen to 98% of average

NATIONAL HYDRO STORAGE (12 NOV 2014)



Meridian Operating Information

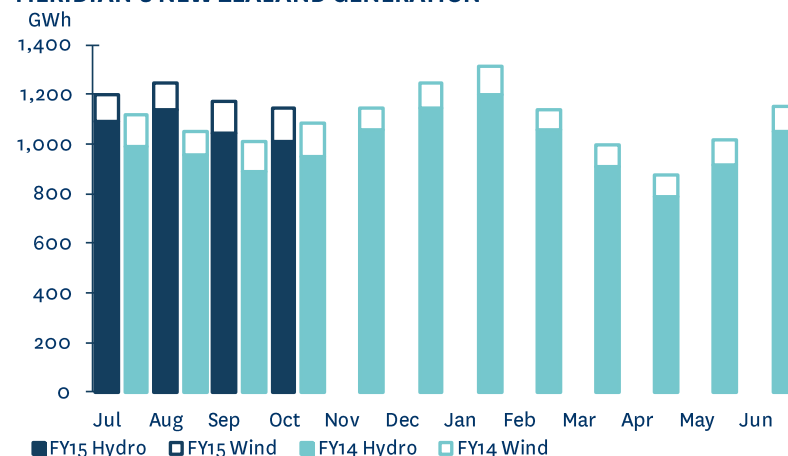
- October 2014 monthly inflows were 94% of historical average
- To date this financial year inflows are 107% of historical average, reflecting comparatively high inflows in July and August 2014
- Meridian's Waitaki catchment storage at the end of October 2014 declined to 930GWh, which was 87% of historical average
- Waitaki storage at the end of October 2014 was 55% lower than the same time last year
- Storage in Meridian's Waiau catchment rose during October 2014



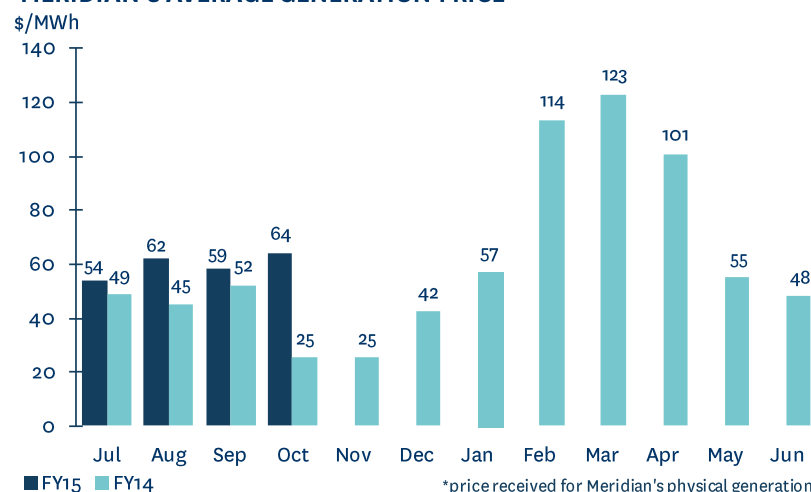
Meridian Operating Information

- Meridian's New Zealand generation in October 2014 was 5.5% higher than the same month last year
- To date this financial year Meridian's New Zealand generation is 11.7% higher than the same period last year
- The average price Meridian received for its generation in October 2014 was 152.7% higher than the same month last year
- The average price Meridian paid to supply contracted sales in October 2014 was 141.6% higher than the same month last year
- To date this financial year, the average price Meridian has received for its generation is 39.9% higher than the same period last year

MERIDIAN'S NEW ZEALAND GENERATION



MERIDIAN'S AVERAGE GENERATION PRICE*

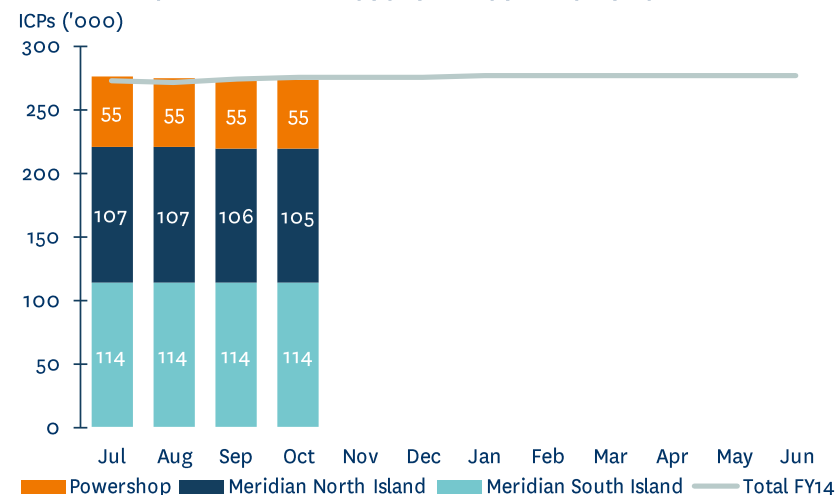


*price received for Meridian's physical generation

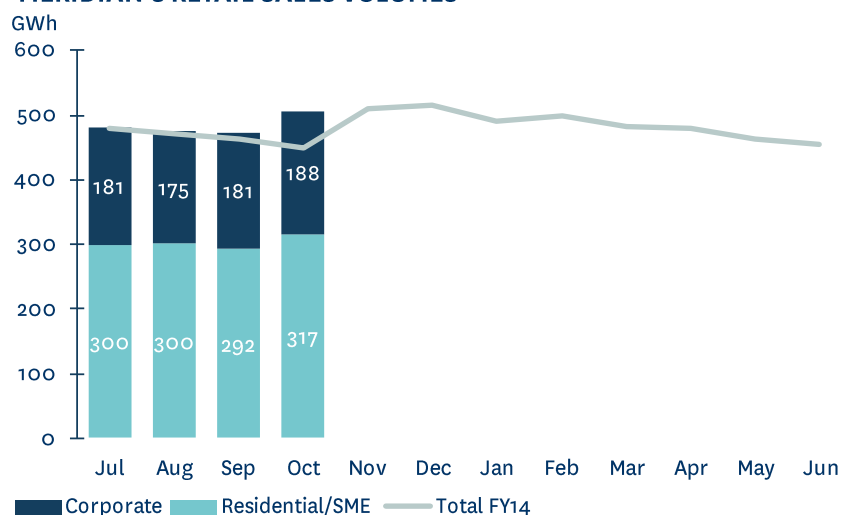
Meridian Operating Information

- Meridian's New Zealand customer connection numbers fell slightly during October 2014
- Retail sales volumes in October 2014 increased by 12.6% compared to October 2013
- Compared to October 2013, residential/SME sales volumes increased by 19.3% and corporate sales volumes increased by 2.9%
- Dry conditions in October 2014 have seen an increase in irrigation load volumes
- To date this financial year Meridian's retail sales volumes are 4.0% higher than the same period last year
- This reflects a 5.2% increase in residential/SME sales volumes and a 2.1% increase in corporate sales volumes

MERIDIAN'S NEW ZEALAND CUSTOMER CONNECTIONS



MERIDIAN'S RETAIL SALES VOLUMES*



Meridian Operating Information

	October 2014 month	October 2013 month	September 2014 month	August 2014 month	4 months to October 2014	4 months to October 2013
New Zealand Contracted Sales¹						
Retail contracted sales volume (GWh)	505	448	474	475	1,935	1,860
Average retail contracted sales price (\$/MWh)	\$95.6	\$97.8	\$107.3	\$113.0	\$108.1	\$110.8
NZAS sales volume (GWh)	426	426	411	426	1,688	1,688
Sell side derivative volumes ² (GWh)	87	82	125	170	476	183
Wholesale contracted sales average price (\$/MWh)	\$50.4	\$49.3	\$50.7	\$50.7	\$50.5	\$50.9
Total New Zealand customer connections ³	274,319	275,870	274,821	275,410		
New Zealand Generation						
Hydro generation volume (GWh)	1,010	953	1,046	1,141	4,290	3,788
Wind generation volume (GWh)	134	132	124	108	473	474
Total generation volume (GWh)	1,144	1,085	1,170	1,249	4,763	4,262
Average generation price ⁴ (\$/MWh)	\$64.2	\$25.4	\$58.5	\$62.4	\$59.8	\$42.7
Acquired generation volume ⁵ (GWh)	48	82	114	120	424	516
Cost of acquired generation (\$/MWh)	\$77.5	\$76.7	\$86.3	\$84.8	\$85.3	\$84.6
Cost to supply contracted sales (\$/MWh)	\$68.2	\$28.2	\$60.4	\$70.7	\$64.4	\$46.1

1. Contracted sales volumes and volume weighted average price received from contracted customers less distribution costs

2. Excludes the sell-side of virtual asset swaps

3. Meridian Retail and Powershop New Zealand installation control points (ICPs), excluding vacants

4. Volume weighted average price received for Meridian's physical generation

5. Excludes the buy-side of virtual asset swaps



Glossary

Acquired generation volumes	buy-side electricity derivatives excluding the buy-side of virtual asset swaps
Average generation price	the volume weighted average price received for Meridian's physical generation
Average retail contracted sales price	volume weighted average electricity price received from retail customers, less distribution costs
Average wholesale contracted sales price	volume weighted average electricity price received from wholesale customers, including NZAS
Combined catchment inflows	combined water inflows into Meridian's Waitaki and Waiau hydro storage lakes
Cost of acquired generation	volume weighted average price Meridian pays for derivatives acquired to supplement generation
Cost to supply contracted sales	volume weighted average price Meridian pays to supply contracted customer sales
Customer connections (NZ)	number of installation control points, excluding vacants
GWh	gigawatt hour. Enough electricity for 125 average New Zealand households for one year
Historic average inflows	the historic average combined water inflows into Meridian's Waitaki and Manapouri hydro storage lakes over the last 81 years
Historic average storage	the historic average level of storage in Meridian's Waitaki catchment since 1979
HVDC	high voltage direct current link between the North and South Islands of New Zealand
ICP	New Zealand installation control points, excluding vacants
ICP switching	the number of installation control points changing retailer supplier in New Zealand, recorded in the month the switch was initiated
MWh	megawatt hour. Enough electricity for one average New Zealand household for 46 days
National demand	Transpower's Daily Demand reporting, adjusted for embedded generation from Meridian's Te Uku, White Hill and Mill Creek wind farms
NZAS	New Zealand Aluminium Smelters Limited
Retail sales volumes	contract sales volumes to retail customers, including both non half hourly and half hourly metered customers
Sell side derivatives	sell-side electricity derivatives excluding the sell-side of virtual asset swaps