

Monthly Operating Report

December 2014



meridian



December Highlights



In the month to 12 January 2015, national hydro storage decreased from 98% to 93% of historical average

South Island storage now sits at 91% of average and North Island storage at 107% of average

Meridian's December 2014 monthly inflows were 81% of historical average

Meridian's Waitaki catchment storage reduced from 99% to 91% of average by the end of December 2014

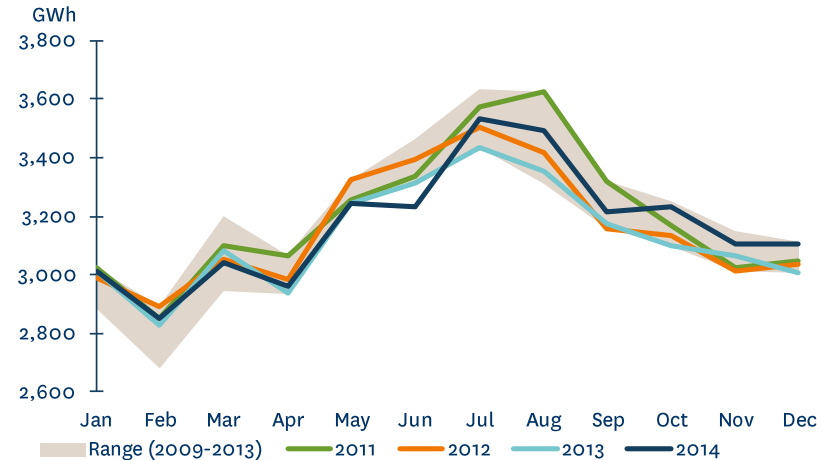
National electricity demand in December 2014 was 3.3% higher than the same month last year

Demand in the 2014 calendar year was around 1.3% higher than 2013

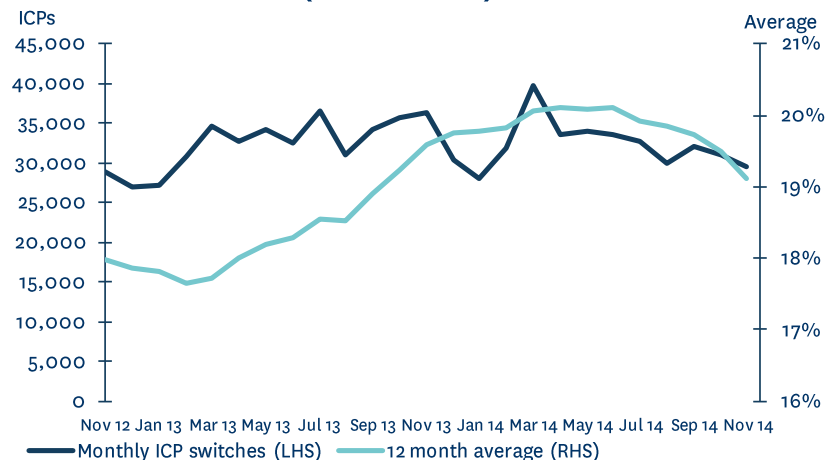
Market Data

- National electricity demand in December 2014 was 3.3% higher than the same month last year
- Demand in the 2014 calendar year is showing around 1.3% growth compared with the same twelve month period last year
- New Zealand Aluminium Smelters' average load during December 2014 was slightly below the 572MW base quantity of the NZAS agreement
- The number of switches for all retailers in November 2014 was 5.2% lower than the previous month and was 19.0% lower than November 2013
- The 12 month average switching rate for all retailers was 19.1% at the end of November 2014

NATIONAL DEMAND

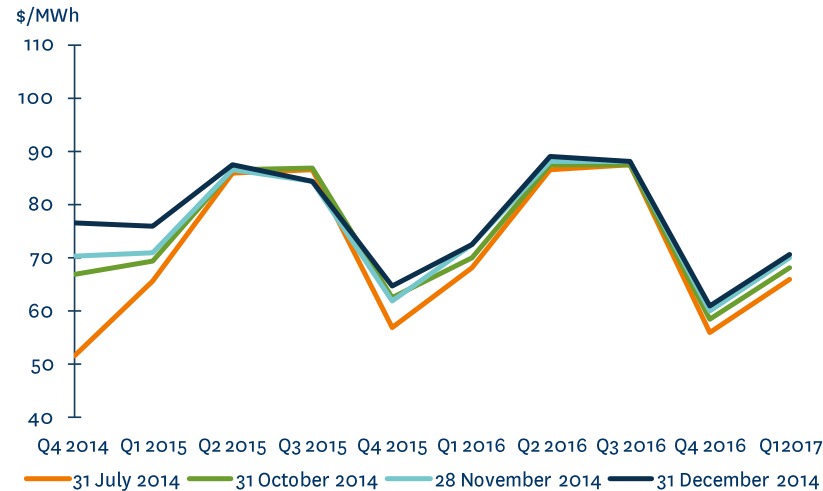


MARKET ICP SWITCHING (ALL RETAILERS)

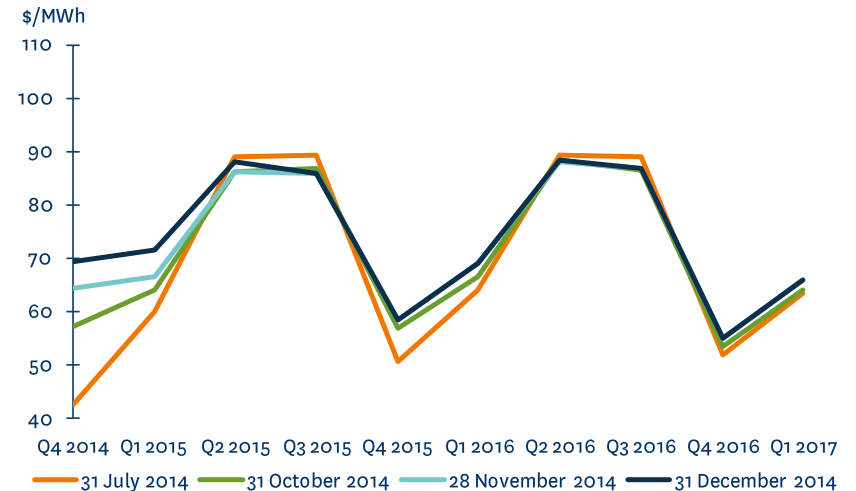


Market Data

OTAHUHU ASX FUTURES SETTLEMENT PRICE

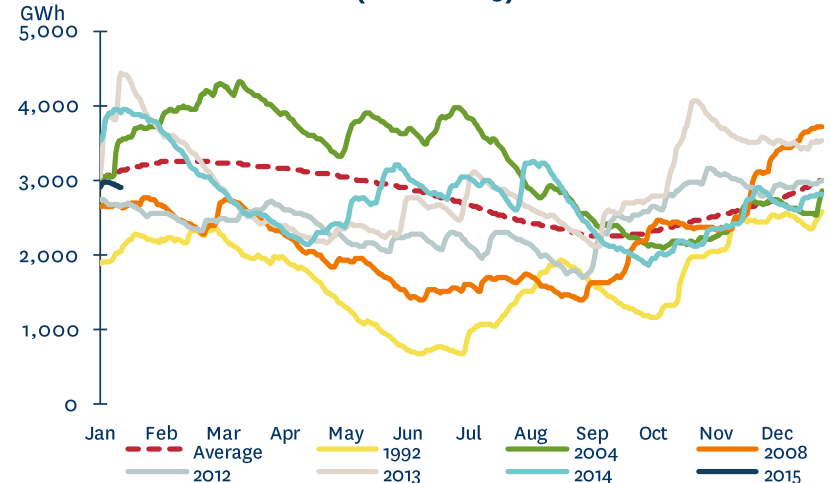


BENMORE ASX FUTURES SETTLEMENT PRICE



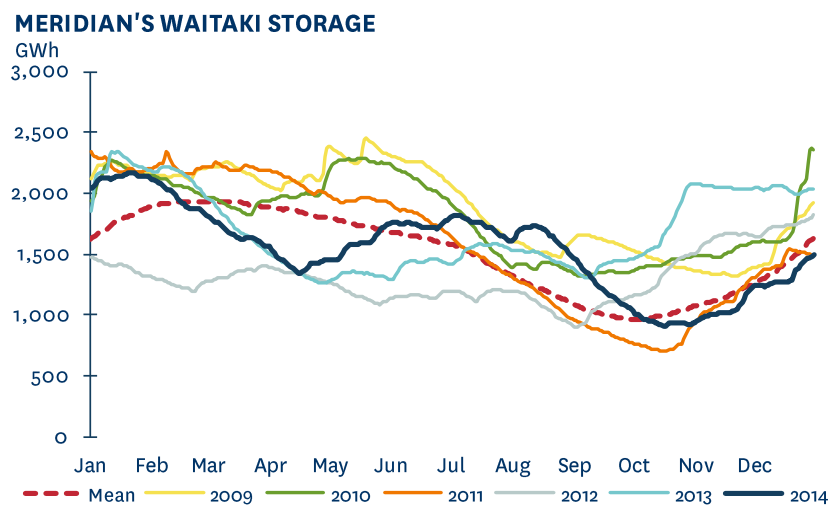
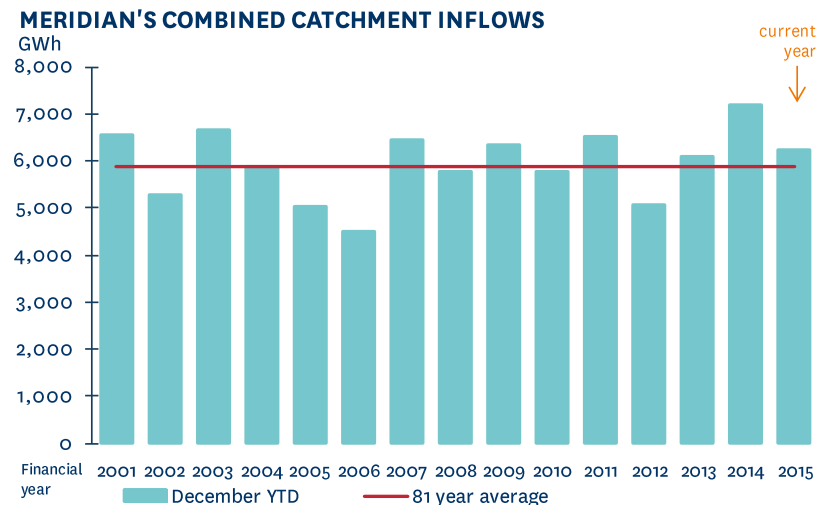
- December 2014 saw modest rises in near term ASX futures prices. 2015 and 2016 prices showed little movement from last month
- National storage decreased from 98% of average on 9 December 2014 to 93% of average by 12 January 2015
- South Island storage decreased to 91% of historical average by 12 January 2015. North Island storage increased to 107% of average

NATIONAL HYDRO STORAGE (12 JAN 2015)



Meridian Operating Information

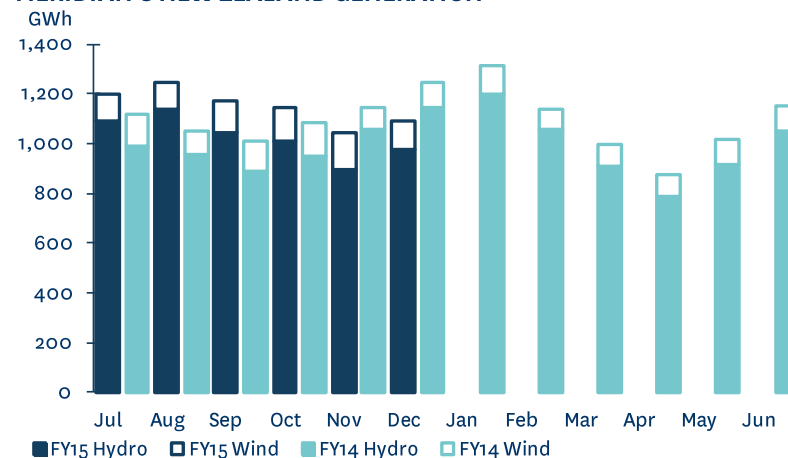
- December 2014 monthly inflows were 81% of historical average
- To date this financial year inflows are 106% of historical average, reflecting comparatively high inflows in July and August 2014
- Meridian's Waitaki catchment storage moved from 1,236GWh to 1,497GWh during December 2014
- Storage at the end of December 2014 was 91% of historical average, compared with the position a month earlier, where storage was at 99% of historical average
- Waitaki storage at the end of December 2014 was 27% lower than the same time last year
- Lower than average inflows into Meridian's Waiau catchment decreased storage during December 2014



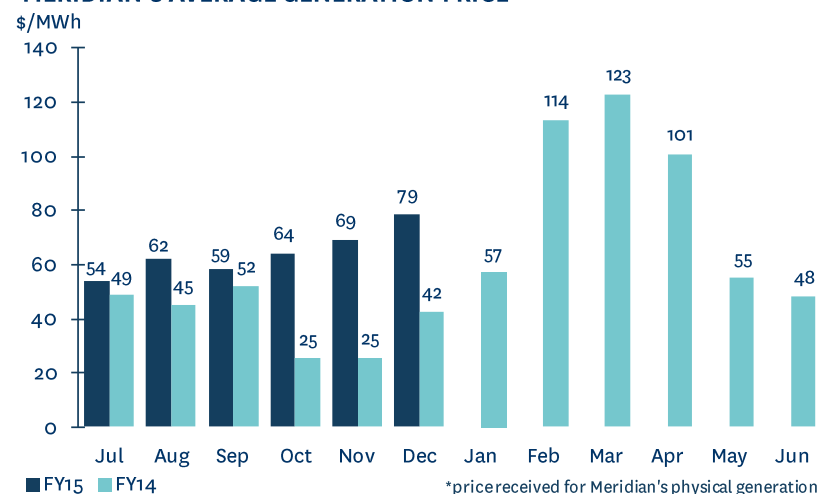
Meridian Operating Information

- Meridian's New Zealand generation in December 2014 was 12.2% lower than the same month last year
- To date this financial year Meridian's New Zealand generation is 3.8% higher than the same period last year
- The average price Meridian received for its generation in December 2014 was 85.6% higher than the same month last year
- The average price Meridian paid to supply contracted sales in December 2014 was 79.1% higher than the same month last year
- To date this financial year, the average price Meridian has received for its generation is 61.7% higher than the same period last year

MERIDIAN'S NEW ZEALAND GENERATION



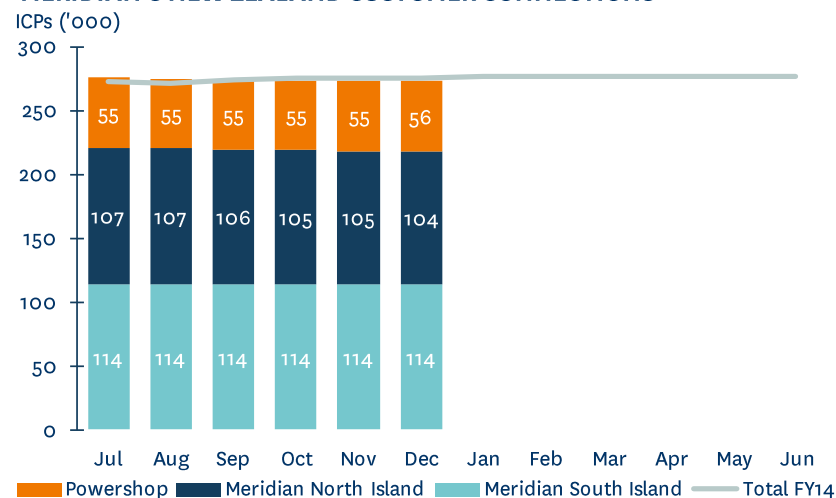
MERIDIAN'S AVERAGE GENERATION PRICE*



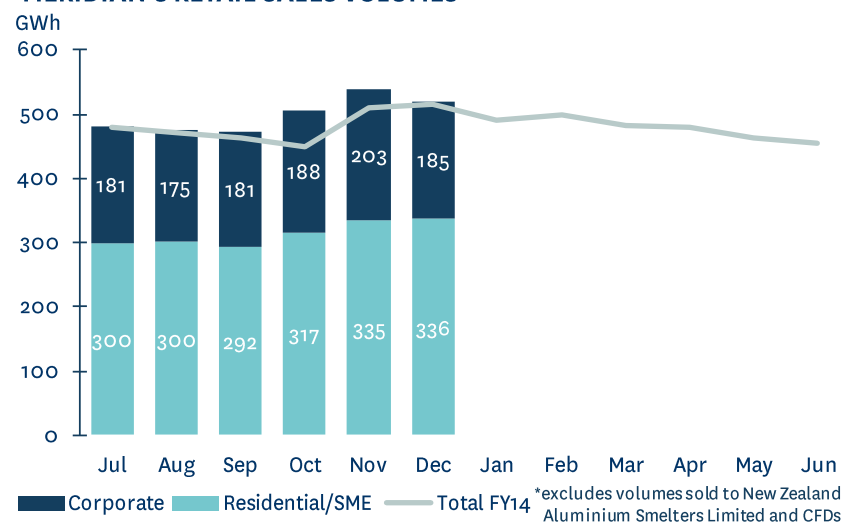
Meridian Operating Information

- Meridian's New Zealand customer connection numbers fell slightly during December 2014
- Retail sales volumes in December 2014 increased by 0.8% compared to December 2013
- Compared to December 2013, residential/SME sales volumes increased by 5.3% and corporate sales volumes decreased by 6.4%
- December 2014 has seen continued high irrigation load volumes
- To date this financial year Meridian's retail sales volumes are 3.7% higher than the same period last year
- This reflects a 6.2% increase in residential/SME sales volumes and a 0.2% decrease in corporate sales volumes

MERIDIAN'S NEW ZEALAND CUSTOMER CONNECTIONS



MERIDIAN'S RETAIL SALES VOLUMES*



Meridian Operating Information

	December 2014 month	December 2013 month	November 2014 month	October 2014 month	6 months to December 2014	6 months to December 2013
New Zealand Contracted Sales¹						
Retail contracted sales volume (GWh)	521	516	538	505	2,993	2,886
Average retail contracted sales price (\$/MWh)	\$87.6	\$85.6	\$93.4	\$95.6	\$101.9	\$102.9
NZAS sales volume (GWh)	426	426	412	426	2,525	2,525
Sell side derivative volumes ² (GWh)	61	122	69	87	606	435
Wholesale contracted sales average price (\$/MWh)	\$50.4	\$48.5	\$51.0	\$50.4	\$50.6	\$49.9
Total New Zealand customer connections ³	273,572	276,564	273,970	274,319		
New Zealand Generation						
Hydro generation volume (GWh)	979	1,145	894	1,010	6,163	5,991
Wind generation volume (GWh)	113	99	153	134	739	660
Total generation volume (GWh)	1,092	1,244	1,047	1,144	6,902	6,651
Average generation price ⁴ (\$/MWh)	\$78.9	\$42.5	\$69.2	\$64.2	\$64.2	\$39.7
Acquired generation volume ⁵ (GWh)	51	71	56	48	530	665
Cost of acquired generation (\$/MWh)	\$79.4	\$83.7	\$76.5	\$77.5	\$83.8	\$82.3
Cost to supply contracted sales (\$/MWh)	\$84.0	\$46.9	\$73.2	\$68.2	\$69.1	\$43.0

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