



# ***Meridian Energy***

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MONTHLY OPERATING REPORT *May 2014*

# May Highlights

In the month to 10 June 2014, national hydro storage increased from 92% to 103% of historical average, with South Island storage now at 112% of average and North Island storage at 41% of average

Improved storage saw ASX forward prices for 2014 reduce

Meridian saw the 2<sup>nd</sup> highest May inflows on record this month

Meridian's Waitaki catchment storage lifted significantly to sit at 104% of historical average at the end of May

Meridian continues to experience growth in retail contracted sales volumes and customer connections compared to the previous financial year

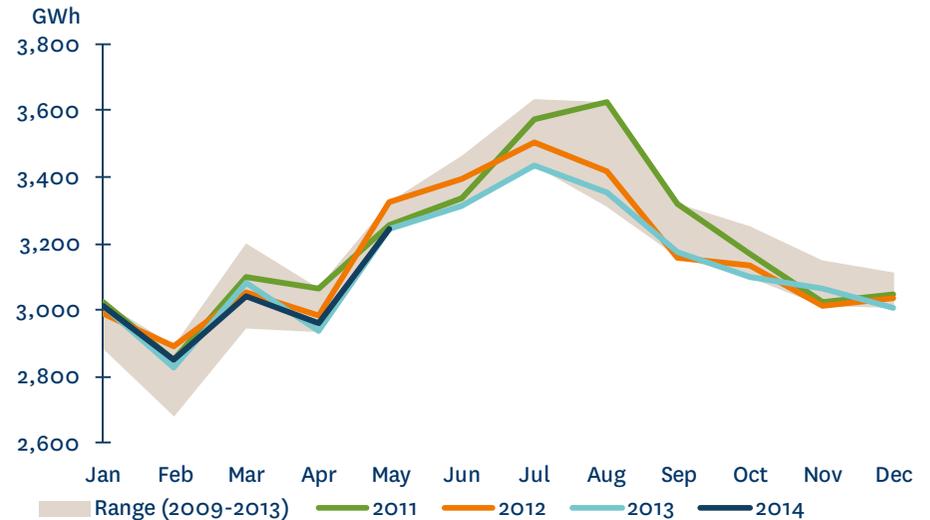
Australian customer numbers now exceed 11,400, with another 2,100 in the process of switching in



## Market Data

- Demand in 2014 remains flat compared to the same period last year
- New Zealand Aluminium Smelters' average load during May 2014 was consistent with the 572MW base quantity of the NZAS Agreement
- The number of switches in April 2014 fell from the near record level seen in the previous month, however it was 3.3% higher than April 2013
- 12 month average switching rate of 20.1% at the end of April 2014

### NATIONAL DEMAND

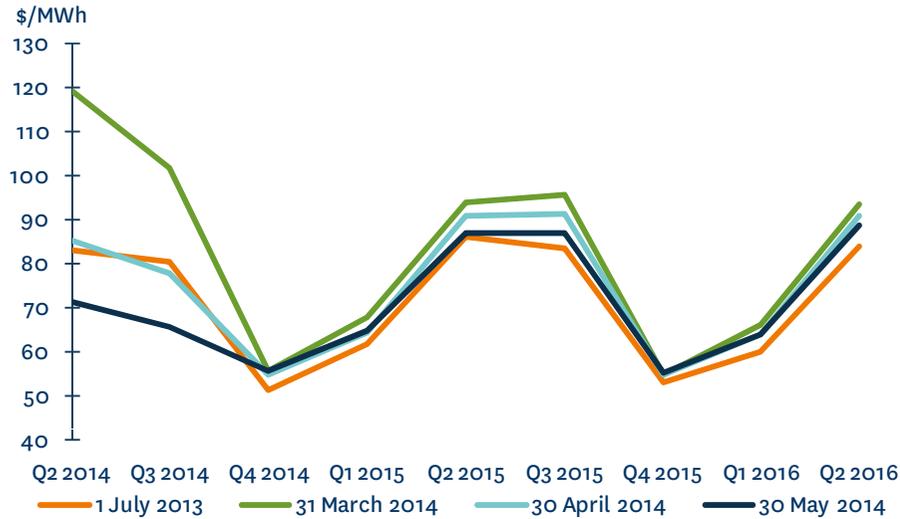


### MARKET ICP SWITCHING (ALL RETAILERS)

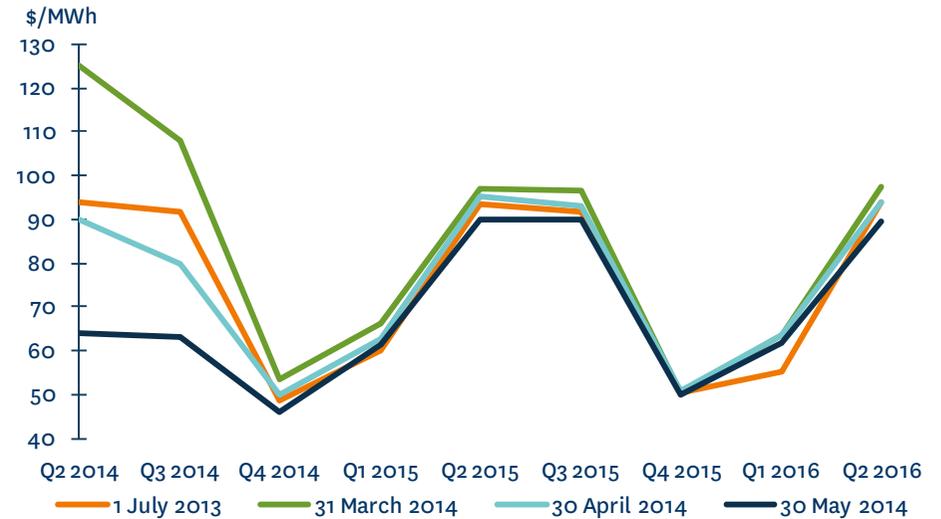


# Market Data

## OTAHUHU ASX FUTURES SETTLEMENT PRICE



## BENMORE ASX FUTURES SETTLEMENT PRICE



- Improved hydro storage saw 2014 ASX futures prices continue to drop
- National storage has risen from 92% of average on 12 May 2014 to 103% of average by 10 June 2014
- South Island storage has risen to 112% of average by 10 June 2014. North Island storage remains comparatively low at 41% of average

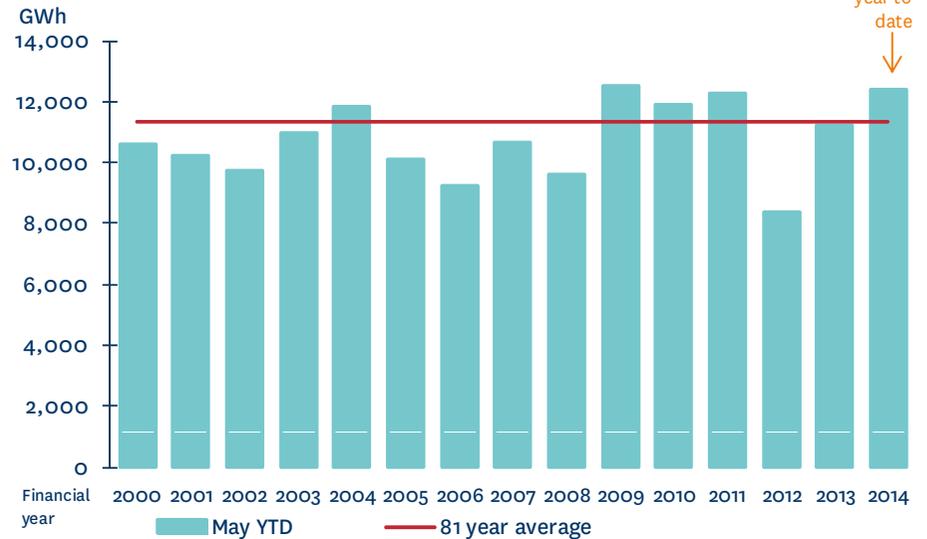
## NATIONAL HYDRO STORAGE (10 JUNE 2014)



## Meridian Operating Information

- May monthly inflows were at 184% of historical average, representing the 2<sup>nd</sup> highest May inflows on record
- To date this financial year inflows are 109% of historical average, largely due to high inflows in May 2014 and during Spring 2013
- Meridian's Waitaki catchment storage at the end of May was 1,753GWh, which was 104% of historical average
- At the end of May, Meridian's Waitaki storage was 36% higher than the same time last year

**MERIDIAN'S COMBINED CATCHMENT INFLOWS**



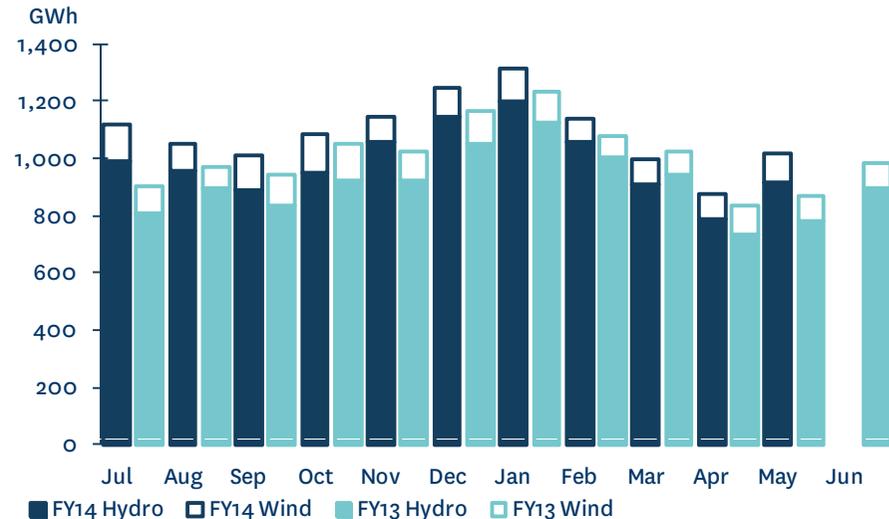
**MERIDIAN'S WAITAKI STORAGE**



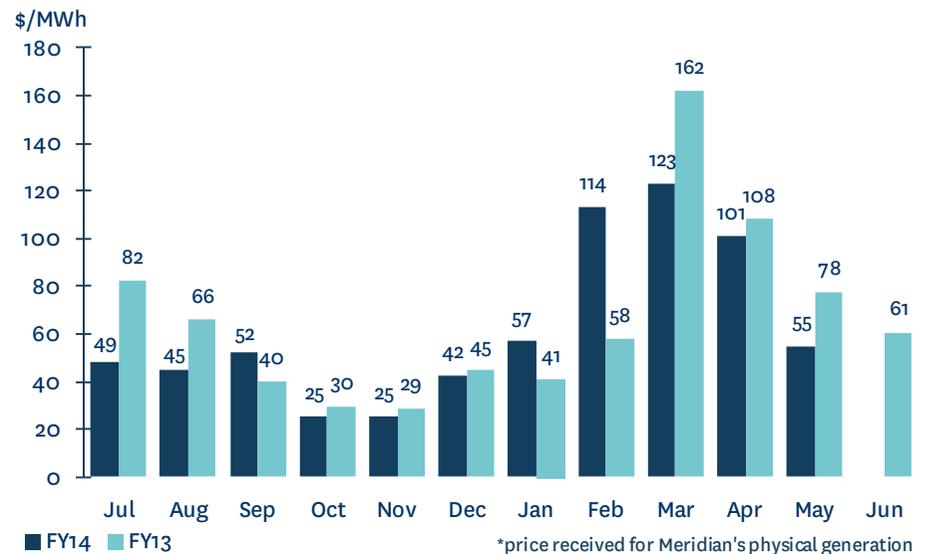
## Meridian Operating Information

- Meridian's New Zealand generation in May was 16.8% higher than the same month last year
- To date this financial year Meridian's New Zealand generation is 8.2% higher than the same period last year
- This financial year includes higher wind generation, 6.9% more than the same period last year
- Wetter conditions saw the average price Meridian received for its generation in May decrease from the higher levels seen in recent months
- Drier conditions in 2013 mean this average price is also 29.1% lower than in May 2013
- The average price Meridian paid to supply contracted sales in May 2014 also declined

**MERIDIAN'S NEW ZEALAND GENERATION**



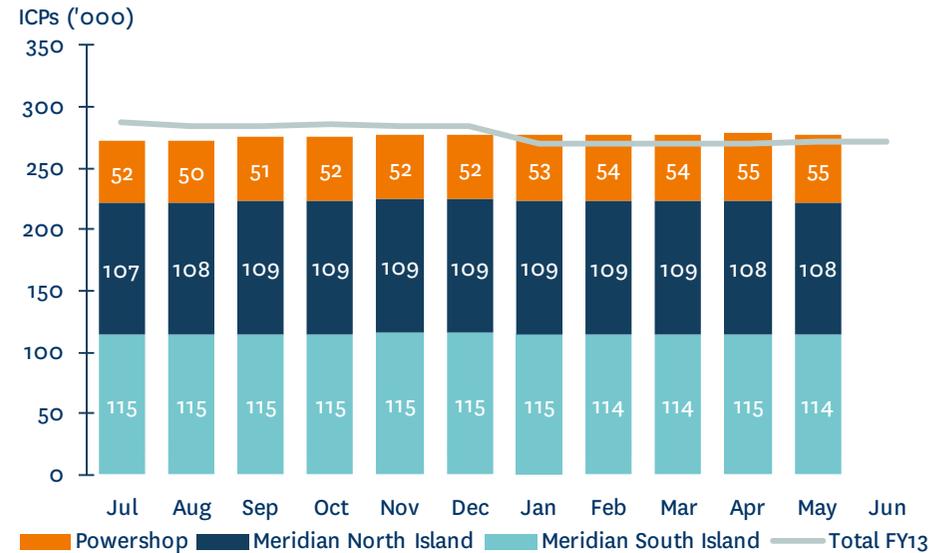
**MERIDIAN'S AVERAGE GENERATION PRICE\***



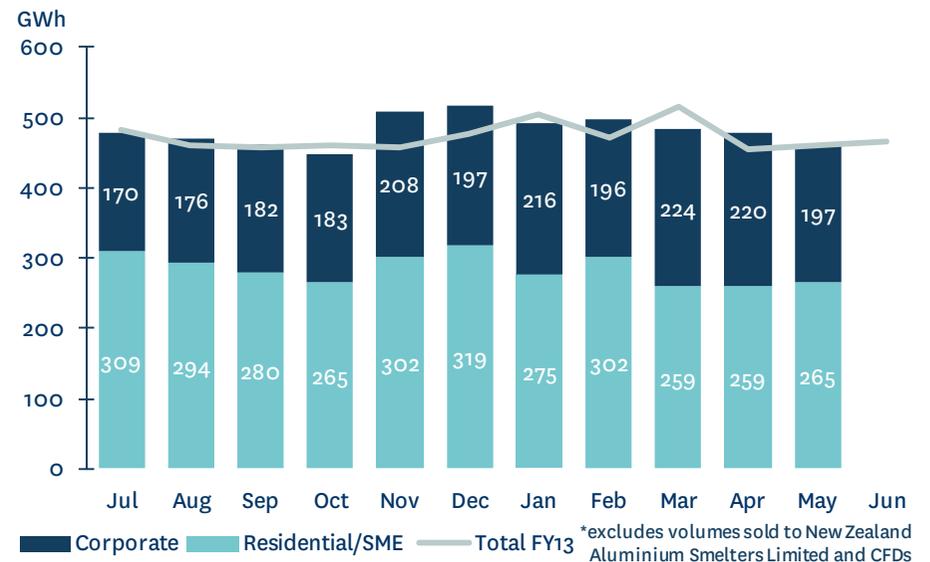
## Meridian Operating Information

- Meridian's New Zealand customer connection numbers have increased by 2.0% since 1 July 2013, reflecting growth in Meridian North Island (+1.9%) and Powershop (+7.2%) customer connection numbers
- To date this financial year Meridian's retail sales volumes are 2.0% higher than the same period last year
- Retail sales volumes in May 2014 increased by 0.6% compared to May 2013, through a combination of higher Residential/SME sales and lower Corporate sales
- Australia customer numbers now exceed 11,400, with another 2,100 in the process of switching in

### MERIDIAN'S CUSTOMER CONNECTIONS



### MERIDIAN'S RETAIL SALES VOLUMES\*



## Meridian Operating Information

	May 2014 month	May 2013 month	April 2014 month	March 2014 month	11 months to May 2014	11 months to May 2013
<b>New Zealand Contracted Sales<sup>1</sup></b>						
Retail contracted sales volume (GWh)	462	460	479	482	5,299	5,196
Retail contracted sales average price (\$/MWh)	\$116.0	\$111.4	\$112.1	\$91.9	\$102.4	\$104.7
NZAS sales volume (GWh)	426	426	412	426	4,599	4,474
Sell side derivatives volumes <sup>2</sup> (GWh)	57	102	53	80	811	1,066
Wholesale contracted sales average price (\$/MWh)	\$54.6	\$75.7	\$54.7	\$51.1	\$51.2	\$60.8
Total New Zealand customer connections <sup>3</sup>	277,412	271,087	277,810	277,404		
Powershop Australia customer connections <sup>4</sup>	11,435	-	8,081	5,880		
<b>New Zealand Generation</b>						
Hydro generation volume (GWh)	915	784	785	907	10,855	10,020
Wind generation volume (GWh)	103	87	93	90	1,144	1,070
<b>Total generation volume (GWh)</b>	<b>1,018</b>	<b>871</b>	<b>878</b>	<b>997</b>	<b>11,999</b>	<b>11,090</b>
Average generation price <sup>5</sup> (\$/MWh)	\$55.1	\$77.6	\$100.9	\$122.9	\$61.3	\$65.4
Acquired generation volume <sup>6</sup> (GWh)	146	264	165	123	1,148	1,817
Cost to supply contracted sales (\$/MWh)	\$58.6	\$80.4	\$103.8	\$125.1	\$66.2	\$71.4

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. Financially responsible market participants, excluding vacants

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

6. Excludes the buy-side of virtual asset swaps



## Meridian's New Zealand Energy Margin

Meridian has made small changes to how New Zealand Energy Margin is set out, compared to the financial information disclosed in the company's Offer Document. The sell-side and buy-side impacts of virtual asset swaps (VAS) have been removed from wholesale contracted sales and net cost of acquired generation respectively. These are now shown in a net VAS position, as a separate component of Energy Margin, and as presented in the company's 2014 interim results.

Energy Margin numbers from the Offer Document with this VAS reclassification are shown below. Total Energy Margin has not changed.

Meridian Energy Limited	Interim Results Presentation						Offer Document (VAS reclassified)									
	FY13 Half Year Actual			FY14 Half Year Actual			FY13 Full Year Actual			FY14 Full Year PFI			FY15 Full Year PFI			
	volume	price	\$	volume	price	\$	volume	price	\$	volume	price	\$	volume	price	\$	
	GWh	\$/MWh		GWh	\$/MWh		GWh	\$/MWh		GWh	\$/MWh		GWh	\$/MWh		
<b>Contracted Revenue</b>																
Retail Contracted Sales	2,794	\$109.0	\$304.5m	2,886	\$102.9	\$296.9m	5,661	\$105.6	\$597.7m	5,563	\$103.5	\$575.7m	5,629	\$102.9	\$579.2m	
NZAS Aluminium Sales	2,401			2,524			4,886			5,011			5,011			
Sell side CFDs	488			435			1,129			496			240			
Wholesale Contracted Sales	2,889	\$55.3	\$159.8m	2,959	\$49.9	\$147.6m	6,015	\$61.9	\$372.0m	5,507	\$50.9	\$280.5m	5,251	\$49.7	\$261.0m	
<b>Total Contracted Sales</b>	<b>5,683</b>	<b>\$464.3m</b>		<b>5,845</b>	<b>\$444.5m</b>		<b>11,676</b>	<b>\$969.8m</b>		<b>11,070</b>	<b>\$856.2m</b>		<b>10,880</b>	<b>\$840.3m</b>		
<b>Net VAS Position</b>	<b>453<sup>1</sup></b>	<b>\$8.1m</b>		<b>554<sup>1</sup></b>	<b>\$10.2m</b>		<b>998<sup>1</sup></b>	<b>\$10.0m</b>		<b>1,123<sup>1</sup></b>	<b>\$7.8m</b>		<b>1,148<sup>1</sup></b>	<b>\$3.8m</b>		
<b>Net Cost of Acquired Generation</b>	<b>1,030<sup>2</sup></b>	<b>-\$40.5m</b>		<b>665<sup>2</sup></b>	<b>-\$24.9m</b>		<b>1,965<sup>2</sup></b>	<b>-\$48.3m</b>		<b>1,152<sup>2</sup></b>	<b>-\$22.1m</b>		<b>848<sup>2</sup></b>	<b>-\$22.2m</b>		
<b>Net Spot Exposure</b>																
Meridian Generation Spot Revenue	6,050	\$47.7	\$288.3m	6,651	\$39.7	\$263.8m	12,071	\$64.9	\$783.4m	13,136	\$56.0	\$735.0m	13,148	\$60.0	\$789.4m	
Costs to Supply Contracted Sales	5,793	-\$51.5	-\$298.5m	5,965	-\$42.9	-\$255.7m	11,987	-\$71.1	-\$852.0m	11,377	-\$60.5	-\$688.3m	11,193	-\$63.1	-\$706.6m	
<b>Net Spot Exposed Revenue</b>			<b>-\$10.2m</b>			<b>\$8.1m</b>			<b>-\$68.6m</b>			<b>\$46.7m</b>			<b>\$82.8m</b>	
<b>Other Market Revenue/(Costs)</b>			<b>\$2.0m</b>			<b>-\$3.0m</b>			<b>\$2.2m</b>			<b>-\$7.9m</b>			<b>-\$8.3m</b>	
<b>NZ ENERGY MARGIN</b>			<b>\$423.7m</b>			<b>\$434.9m</b>			<b>\$865.1m</b>			<b>\$880.6m</b>			<b>\$896.3m</b>	
LWAP:GWAP <sup>3</sup>	1.10			1.10			1.12			1.11			1.08			

<sup>1</sup> Notional VAS volumes

<sup>2</sup> Acquired generation volumes

<sup>3</sup> Ratio between the price per unit received for Meridian's physical generation and the price paid to supply each unit of contracted sales, inclusive of the impact of line losses

More information on Energy Margin is available on pgs 30-31 of Meridian's FY14 Interim Results Presentation:

<http://www.meridianenergy.co.nz/assets/Uploads/half-yearly-results-presentation-2013.pdf>



## Glossary

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