



meridian

Quarterly operating result announcement Meridian Energy Limited

Reporting Period

Three month period ending 31 December 2012

OPERATING STATISTICS	3 months to 31 Dec 2012 current quarter	3 months to 30 Sep 2012 previous quarter	3 months to 31 Dec 2011 prior quarter comparative	12 months to 30 June 2012 prior year comparative
Generation (GWh)				
- Hydro generation	2,893	2,540	2,719	9,790
- Wind generation	342	275	293	1,206
Total NZ Generation	3,235	2,815	3,012	10,996
Avg Price per MWh Generated ¹	\$31.21/MWh	\$60.88/MWh	\$69.12/MWh	\$98.79/MWh
Retail				
- Meridian Retail ICPs	235,879	236,305	241,158	239,414
- Powershop ICPs	48,794	48,484	41,999	47,890
Total Retail ICPs²	284,673	284,789	283,157	287,304
Powershop Contract Electricity Sales (GWh)	116	147	101	444
Meridian Contract Electricity Sales ³ (GWh)	1,303	1,293	1,434	5,503
Meridian Spot Electricity Sales (GWh)	454	450	434	1,744

Financial Results

Meridian's financial results for the six months ended 31 December 2012 will be presented on 25 February 2013 and its interim report will be publicly available following tabling in Parliament in early March 2013.

Operating Commentary

December quarter inflows were at historic average levels, following on from the above average inflows experienced in the September quarter. Catchment inflows were 98% of mean during the quarter compared with 85% during the same quarter last year. At the end of December, Meridian's combined catchment storage was at 1,829GWh, which is 113% of the historic mean and 344GWh (23%) higher than the same quarter last year. Even with higher generation, a number of significant inflow events

¹ Price received for Meridian's physical generation.

² Excluding vacant ICPs.

³ Retail sales exclude volumes sold to New Zealand Aluminium Smelters Ltd via RTA Power (NZ) Ltd.

during the quarter and in early January 2013 further increased lake levels and necessitated controlled lake spilling.

Despite continued low demand and pole outages supporting Transpower's upgrade to the HVDC, Meridian's generation volumes increased from the previous quarter, reflecting the higher inflows. Generation this quarter was 7% higher than the same quarter last year, including a 17% increase in wind generation.

Higher generation during the quarter lifted Meridian's weekly national generation market share from 30% in early September to above 40% by late December.

The higher levels of storage reduced average wholesale prices from levels seen last quarter and in the previous year. Generally, prices remained steady over the quarter, although the 20 days where HVDC outages were experienced between October and December drove periods of high price separation between the North and South Islands. The new Pole 3 commissioning is now expected in late April 2013.

Workplace health and safety for all permanent and contract staff continues to be a major focus of Meridian's operational performance. It has been 15 months since a lost time injury has been recorded and injury frequency rates continue to be better than industry benchmarks. Good metrics are not necessarily an appropriate indicator of a company's safety performance and Meridian continues work to ensure its culture reflects the high importance of staff health and safety.

During the quarter, work continued on the Mill Creek wind farm near Wellington, New Zealand. In December 2012, Meridian commenced construction on the Mt Mercer wind farm, in Western Victoria, Australia. First power was delivered from Meridian's joint venture Macarthur wind farm in Western Victoria, Australia during October 2012.

Meridian continued to rationalise its generation development pipeline to reflect current generation oversupply and low demand growth. This has resulted in a number of organisation changes to Meridian's development team.

Retail competition remains high, with monthly market ICP churn at 18%, down slightly from levels seen in the previous financial year. Meridian's total ICP numbers decreased slightly during the quarter, reflecting ongoing South Island reductions and lower Meridian Retail North Island and total Powershop acquisition numbers.

Meridian also passed another milestone in its multiyear investment in refurbishment and reconfiguration of the Benmore hydro station with the commissioning of the second of three new transformers. Benmore is Meridian's second largest hydro station and the South Island anchor for New Zealand's HVDC link. Meridian is also committed to a refurbishment programme for its Waitaki hydro station.

Meridian continued to focus on its core business, announcing the sale of its Energy for Industry subsidiary to Pioneer Generation Limited in December 2012. Meridian is also marketing its United States solar business, which will then complete Meridian's strategic objective of exiting non-core businesses. Meridian is currently considering its options with respect to its interest in the Macarthur wind farm, although no decision is imminent.

The Electricity Authority (EA) has extended its consultation period on proposed changes to its transmission pricing methodology to March 2013. In principle, Meridian supports the changes proposed by the EA, as it will remove distortions from the market and provide a more efficient allocation of transmission costs. Meridian is particularly pleased that the EA's analysis supports a change to pricing for the HVDC link. Through the consultation process, Meridian will be offering suggestions on how the EA's proposal can be simplified.

During the quarter Meridian received a Sustainable 60 award for environmental performance, while the West Wind wind farm won the Energy and Resources category at the 2012 New Zealand Engineering Excellence Awards.

Outlook

An update on hydrology conditions, the outlook for the June 2013 annual results and the factors likely to affect those results will be provided at the half year results briefing on 25 February 2013.