



# Right. Now.



**Meridian.**

**Meridian Energy Limited. Investor Letter.**  
For the six months ended 31 December 2023.

28 FEBRUARY 2024.

Today we are reporting net profit after tax of \$191 million for the six months ended 31 December 2023. This is \$10 million (5%) lower than the same period last year.

Our operating earnings (EBITDAF<sup>1</sup>) of \$443 million, increased by \$18 million (4%) over the same period last year, benefiting from higher retail and wholesale sales.

The Board has announced an interim ordinary dividend of 6.15 cents per share, 3% higher than last year's interim dividend. The interim ordinary dividend will be 80% imputed and Meridian's Dividend Reinvestment Plan will apply to this interim ordinary dividend at no discount to the average market price over a five-day period ending on 14 March 2024. Shareholders are reminded outcomes from discussions with the owners of the Tiwai Point aluminium smelter on a potential contract beyond 2024 remain uncertain. The interim dividend will be paid and new shares issued under the reinvestment plan on 26 March 2024.

Meridian's balance sheet remains in a strong position, with the company maintaining a BBB+ credit rating as defined by the agency Standard & Poor's.

Some key highlights of the first six months of this financial year are outlined below. If you'd like more information about our financial performance during this period, the full financial commentary is available at [meridianenergy.co.nz/about-us/investors/reports/interim-results-and-reports](https://meridianenergy.co.nz/about-us/investors/reports/interim-results-and-reports)



Neal Barclay,  
Chief Executive

Mark Verbiest,  
Chair

## Waitaki reconsenting

In July 2023 we submitted a reconsenting application to secure the generation outputs from the portion of the Waitaki Power Scheme (WPS) that we own and will operate for the next 35 years. Meridian and Genesis are owners and operators of the power stations making up the WPS, and the existing consent conditions for both companies expire in April 2025.

The scheme accounts for around 18% of Aotearoa's electricity and, more importantly, around 67% of the country's average hydro-

electricity storage. This means the continued operation of the scheme is critical for all electricity users.

The flexibility this scheme provides will also play a key role in New Zealand's continued electrification to combat the impacts of climate change, by enabling further growth of intermittent wind and solar electricity generation. The more wind and solar generation that is built, the more storage in our lakes can be used for peak or dry periods.

Together with Genesis, we are building a strong partnership with Waitaki Rūnaka (Moeraki,

Waihao and Arowhenua), as the representatives of mana whenua Ngāi Tahu Whānui, and the Department of Conservation for the long-term health of the catchment. This includes support for the reconsenting application and operation of the scheme for the next 35 years.

The reconsenting process still needs to run its course and we are reassured we have strong endorsement and support from iwi and the key parties in the region.

1. EBITDAF is a non-GAAP financial measure of earnings before interest, tax, depreciation, amortisation, unrealised changes in fair value of hedges, impairments and gains and losses on sale of assets.

## Renewable construction

We are now generating power from our latest wind farm development, Harapaki, in the Hawke's Bay. The first turbine of the 41-turbine wind farm began production in November 2023, with the remaining turbines being switched on progressively as we work towards full power by September 2024.

When completed, the wind farm, located north of Napier on SH5 in the Maungaharuru Range, will have 176MW of generation capacity – enough to power the equivalent of 70,000 households. The progress of the project has been pleasing given the devastation local communities suffered during Cyclone Gabrielle.

Construction is also well underway at our Ruakākā Battery Energy Storage System (BESS). The project will deliver New Zealand's first large-scale grid battery storage system, providing Meridian with a versatile North Island asset, situated south of Whangārei.

With a 100MW peak and offering two hours of energy storage, the BESS will offer the ability to store and release energy to the system between price periods and to participate in the North Island reserve electricity market. As intermittent renewable generation increases in this country, the Ruakākā BESS will help manage supply fluctuations through a low carbon footprint, further reducing this country's reliance on fossil fuels.

The project is on track for completion late this year.

## Renewable development

**Meridian is also continuing to progress its pipeline of renewable development options.**

In May 2023 we lodged consent for our 90MW Mt Munro wind farm in the Wairarapa.

We will also expand our operations at Ruakākā, with plans for a 120MW grid scale solar farm. Consent for the solar farm was lodged in September 2023.

In October 2023, Meridian reached agreement with NZ Windfarms to form a joint venture to repower and extend the Te Rere Hau wind farm, located near Palmerston North on the Tararua Ranges. This will be New Zealand's first wind farm repowering project and has the potential to generate seven times the annual renewable energy production of the existing wind farm. The project involves the design, construction and operation of up to 39 new turbines with generation capacity of up to 170 MW.

Consent preparation work is underway on a large-scale, onshore wind development option in Taranaki. Separately, in October 2023 Meridian and Europe-based Parkwind signed a memorandum of understanding for the exploration of offshore wind generation in New Zealand waters, focused principally off the Taranaki coast.

▼ Construction at the Ruakākā Battery Energy Storage System, near Whāngarei.





▲ Open Country Dairy's Awarua facility, near Invercargill.

## Customers

In the six months ended 31 December 2023, Meridian has seen retail sales volumes increase by 3%. Sales volumes in small/medium business, large business, agricultural and corporate segments in the six months to December 2023 grew by 1%, 6%, 9% and 3% respectively compared to the same period last year. Residential volumes were 1% lower than last year.

Meridian's Process Heat Electrification Programme has continued to gain momentum, supporting customers to switch from coal or gas boilers to those utilising electricity. In October 2023 we announced a partnership with Open Country Dairy, supporting replacement of their existing coal boiler with a high-pressure electric boiler. This change will result in a massive reduction of 41,110 tCO<sub>2</sub>e annually. In January 2024 we announced

a partnership with Fonterra that will see the company install a 20-megawatt electrode boiler at its Edendale site in Southland.

Fonterra's investment will reduce the Edendale site's emissions by around 20% or 47,500 tonnes of CO<sub>2</sub>e per annum – the equivalent of taking almost 20,000 cars off New Zealand roads.

Meridian also has a number of other process heat deals under negotiation.

## Hydrology

During the six months ended 31 December 2023, hydro inflows were 95% of average, with catchment storage levels at the end of January 2024 remaining slightly below average. Strong El Niño climate conditions are prevalent and expected to persist through into autumn, albeit with more variable rainfall patterns.

## Transmission costs

The complexity of operating the power system is expected to grow, with more diverse, distributed, and intermittent sources of both generation and load in the future.

In late 2023, Transpower submitted its next five-year work plan proposal for the period through to 2030. Transpower's plan highlights an ageing transmission grid, with significant volumes of assets requiring replacement or refurbishment within the next 10 to 15 years.

If approved, the result is potentially substantial transmission cost increases in the future, supporting significant proposed investment by Transpower. A final decision on Transpower's proposed work plan is expected from the Commerce Commission in November 2024.

## Concluding comments

We continue to focus on building new renewable generation to support the increased electrification needed to help Aotearoa New Zealand achieve its climate goals and reduce reliance on fossil fuels.

We are moving forward on our new customer approach that focuses on energy wellbeing and new solutions in transport, distributed generation and storage (e.g. rooftop solar with batteries), process heat and demand flexibility. A supportive consenting regime, strong partnerships and timely investment in transmission and distribution are critical to this country's future success.

On behalf of the Board and the Executive Team, we would like to thank our customers, our partners, our investors and everyone in our teams for your commitment to cleaner energy for a fairer and healthier world.

▼ Transmission lines in Southland.





**Meridian.**

The Power to  
Make a Difference.

► Turbine construction at the Harapaki wind farm in Hawke's Bay.