



# *Better energy future*



MERIDIAN ENERGY LIMITED Investor day presentation

MEMBER OF  
**Dow Jones  
Sustainability Indices**  
In Collaboration with RobecoSAM

# Disclaimer

The information in this presentation was prepared by Meridian Energy with due care and attention. However, the information is supplied in summary form and is therefore not necessarily complete, and no representation is made as to the accuracy, completeness or reliability of the information. In addition, neither the company nor any of its directors, employees, shareholders nor any other person shall have liability whatsoever to any person for any loss (including, without limitation, arising from any fault or negligence) arising from this presentation or any information supplied in connection with it.

This presentation may contain forward-looking statements and projections. These reflect Meridian's current expectations, based on what it thinks are reasonable assumptions. Meridian gives no warranty or representation as to its future financial performance or any future matter. Except as required by law or NZX or ASX listing rules, Meridian is not obliged to update this presentation after its release, even if things change materially.

This presentation does not constitute financial advice. Further, this presentation is not and should not be construed as an offer to sell or a solicitation of an offer to buy Meridian Energy securities and may not be relied upon in connection with any purchase of Meridian Energy securities.

This presentation may contain a number of non-GAAP financial measures, including Energy Margin, EBITDAF, Underlying NPAT and gearing. Because they are not defined by GAAP or IFRS, Meridian's calculation of these measures may differ from similarly titled measures presented by other companies and they should not be considered in isolation from, or construed as an alternative to, other financial measures determined in accordance with GAAP. Although Meridian believes they provide useful information in measuring the financial performance and condition of Meridian's business, readers are cautioned not to place undue reliance on these non-GAAP financial measures.

The information contained in this presentation should be considered in conjunction with the condensed interim financial statements, which are included in Meridian's interim report for the six months ended 31 December 2015 and is available at:

<http://www.meridianenergy.co.nz/investors/>

All currency amounts are in New Zealand dollars unless stated otherwise.

# Owen Hackston- welcome



# Today's presentation



**Chis Moller**  
Chair

Chair's perspective



**Neal Barclay**  
General Manager Retail

The retail market



**Janine Crossley**  
Group Treasury  
Manager



**Mark Binns**  
Chief Executive

Recent developments



**Jason McDonald**  
Head of Sales and  
Marketing

Retail detail



**Owen Hackston**  
Investor Relations  
Manager



**Paul Chambers**  
Chief Financial Officer

Meridian's strategy  
Powershop



**Guy Waipara**  
General Manager  
Markets & Production

Transmission pricing  
Hydro risk management  
Manapōuri



**Grant Telfar**  
Strategic Advisor

NZ demand growth  
Energy supply options



**Gillian Blythe**  
Strategy &  
Performance Manager

# Chris Moller - Chair's perspective

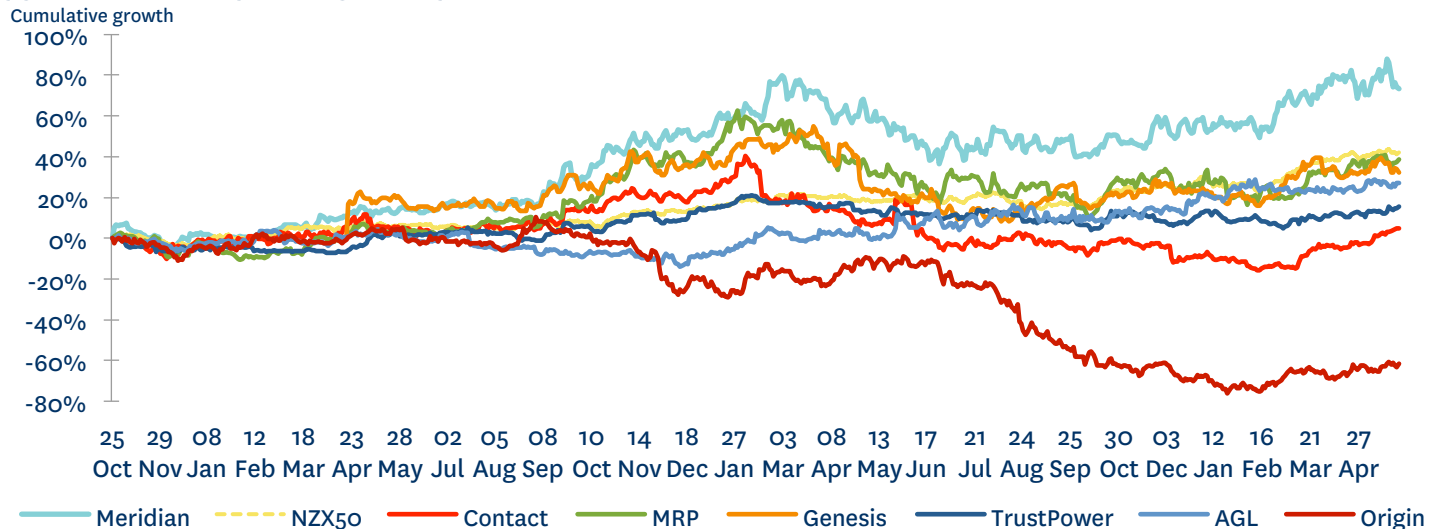




# Chair's perspective

- Approaching three years since listing
- It has been a volatile period with economic uncertainty, political risk, Tiwai decisions, RET indecision, TPM delays
- Meridian has performed well with a TSR of 106% since listing
- Which has come from a focus on the performance of our core business
- And delivering what we said we would

## COMPARATIVE PRICE PERFORMANCE



# Key messages from the Board

- Listed market scrutiny has brought new focus on costs and capital
- Strategic focus is right – protecting and growing shareholder value
- Low growth environment is providing heightened shareholder distributions
- Pleasing to be able to reward investors' loyalty
- Governance focus on safety, sustainability, diversity, responsible remuneration and managing risk
- No significant influence from the Crown
- The Board has confidence that Meridian is well placed to continue to deliver to shareholders



# Mark Binns - recent developments





# Swaption with Genesis

- 4 year contract signed, commencing 1 January 2019 (at conclusion of the current contract)
- Continues to allow for 100MW to be available year round, with an additional 50MW available from 1 April to 31 October each year
- Greater flexibility for Meridian and a modest cost increase
- Pleasing industry outcome with future national security of supply achieved



# Executive changes

- Glen McLatchie, General Manager of ICT resigned in December
- Sandra Pickering (Vodafone) appointed General Manager of ICT, joining in July
- Ben Burge, CEO of Meridian Energy Australia resigned in January
- Ed McManus joined the Executive as CEO of Powershop Australia
- Alan McCauley, General Manager of Retail resigned in March
- Neal Barclay, previously General Manager of Markets and Production, appointed General Manager of Retail
- Guy Waipara, previously General Manager of External Relations, appointed General Manager Markets and Production



**Mark Binns**  
Chief Executive



**Neal Barclay**  
GM Retail



**Paul Chambers**  
Chief Financial Officer



**Jacqui Cleland**  
GM Human Resources



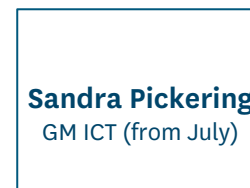
**Ed McManus**  
CEO Powershop Aus



**Jason Stein**  
General Counsel



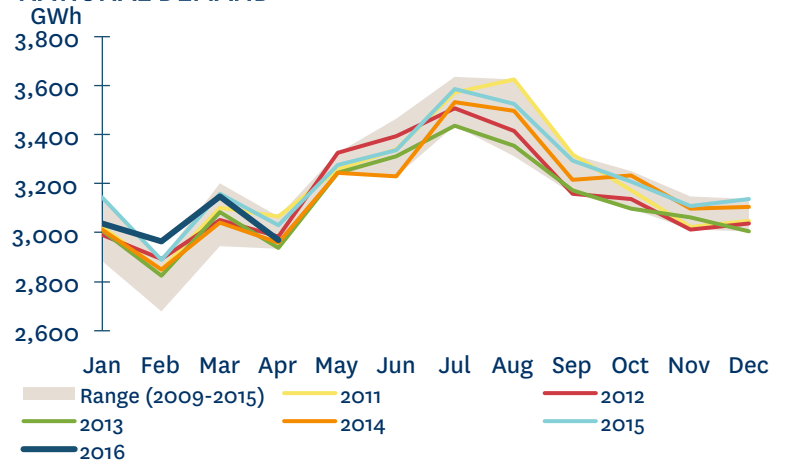
**Guy Waipara**  
GM Markets & Production



# Current operating conditions

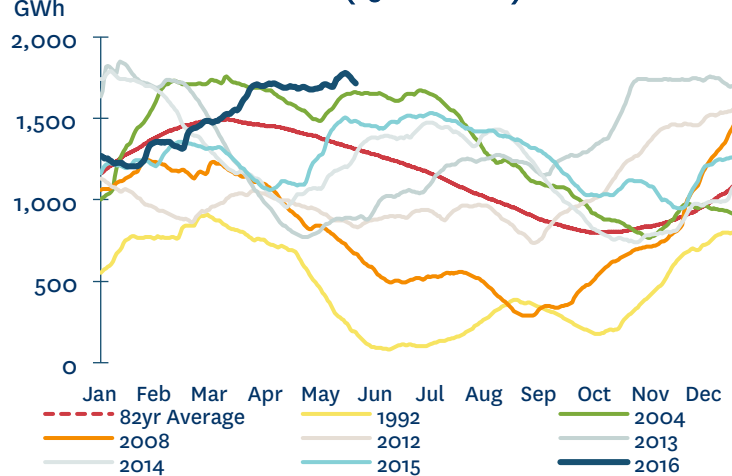
- Westerly weather patterns have seen warm, wet and windy conditions in May
- 1m of rain at Manapōuri in 10 days (record inflow)
- Lakes are full in both catchments, with spilling in the last two weeks
- January to April period has been the second warmest on record
- Reflected in lower demand and wholesale prices
- Early season snow pack is sitting above average
- Competitive pressures and switching levels are lasting features of the retail market
- 2019 ASX prices have moderated in the last few months

NATIONAL DEMAND



Source: Transpower Daily Demand

PUKAKI HYDRO STORAGE (25 MAY 2016)



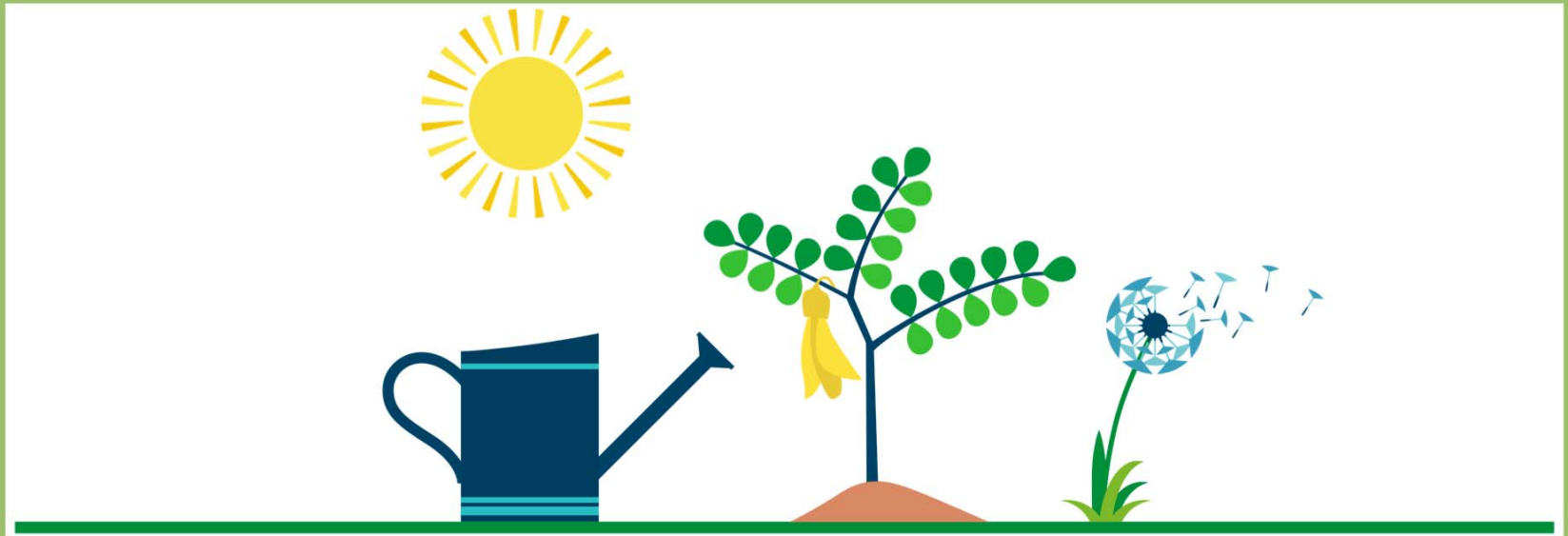
Source: NZX Hydro

## Other items of (continued) interest

- Transmission pricing proposal is a positive
- Beneficiaries-pay approach is fairer, more durable and simpler
- Still only a consultation paper, final decision expected by December 2017
- The EA's modelled impacts are only indicative
- Details of implementation will be very important
- Regular dialogue continues with the smelter's owners



# Paul Chambers - Meridian's strategy





# Meridian's approach to strategy

- We start with a very simple view of the outcomes we want
- Protection of shareholder value
  - Managing disruptive risks
  - Protecting earnings
  - Long-term business sustainability
- Growth in shareholder value
  - Improving comparative performance
  - Investing in markets and products where we have an edge
- We need to be working on what will materially influence shareholder value



# Requires investment in understanding and analysis

Market performance



Meridian's performance



Political & social pressures



Technology changes



Global changes



Customer trends



Competitor trends



# There are a lot of shiny pebbles out there

Electric vehicles



Domestic batteries



Grid scale batteries



Domestic & industrial solar



Grid scale solar



P2P business models



Hydrogen fuels



Marine generation



Hot rocks



Only a few shiny pebbles will be made of gold

# How we focus on what is material to shareholder value



Maintaining an open market in which we can compete effectively

Protecting and maximising our generation asset and wholesale position



## *Better energy future*



Developing opportunities for earnings growth

Growing retail value by making things easy for our customers and optimising our operations



# Maintaining an open market in which we can operate effectively

- Political pressures and regulatory change can seismically influence value
- The best long-term results for shareholders and customers are delivered in an open market
- Recent progress
  - Transmission pricing second issues paper confirms beneficiaries-pay methodology
  - Political focus on practical consumer issues rather than risky and impractical market overhaul
  - Firmed RET position in Australia
  - Solid evidence of a competitive market in New Zealand





# Protecting and maximising our generation asset and wholesale position

- 90% of Meridian's value comes from its generation assets
- Recent progress
  - Waitaki allocation plan close to confirming additional flexibility of water use and better backdrop to future re-consenting
  - Delivering a stay-in-business capital programme under \$65m per annum
  - Complete overhaul of generation control systems
  - New business information hub allowing a new suite of optimisation tools
  - Exposure to NZAS reduced through back-to-back arrangements with other generators



# Growing retail value

- Our industry only exists because customers need power
- Customer expectations are changing fast
- We have a significant opportunity to improve relative performance
  
- Recent progress
  - Performance drivers are improving – moderate price increases achieved, overdue debt being reduced, cost to serve pressure being contained
  - The profit gap is starting to close, retail segment performance is improving
  - Customer effort is reducing



# Developing opportunities for growth

- Meridian has strengths that can be profitably leveraged
- Without specific focus the size of core earnings can obscure opportunities
- Recent progress
  - Best New Zealand generation options have had consents and land agreements extended into 2020's
  - Economics of best wind options continue to improve
  - Australian retail business has reached 74,000 customers (by April 2016) and continues to grow
  - Steady state profitability achieved in Powershop Australia
  - npower contract signed and development is on track for Powershop UK

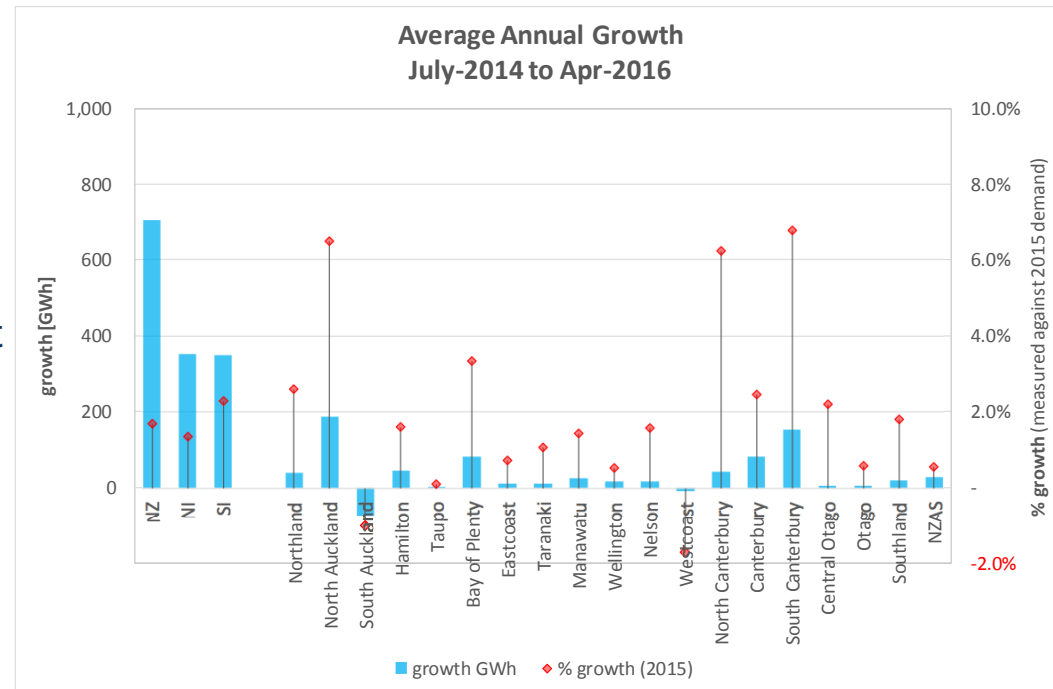


# Grant Telfar - New Zealand demand growth and energy supply options



# Recent demand growth

- Since July 2014:
  - 1,300GWh incremental demand growth
  - 1.1% demand growth over the last year
  - 2.6% demand growth over the last financial year
  - All regions have shown growth except Southern Auckland and the West Coast



Source: Electricity Authority

- Long run demand growth:
  - Since market start in 1996 demand has grown at a 1.5% rate until 2007
  - = 600GWh pa
  - Between 2007 and 2014 no net increase in demand was seen
  - Although it peaked highest in 2010

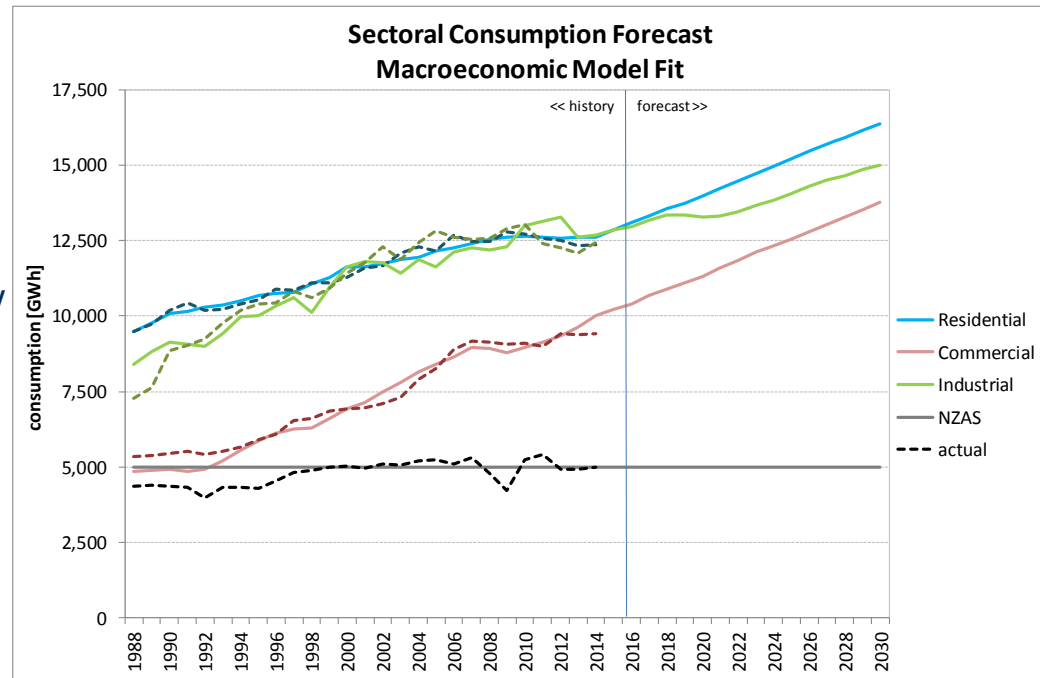
## Key message:

After a sustained period of low demand growth we have seen a return of demand growth over the last 20 months



# Future demand growth

- Future demand growth is uncertain in scale but will increase with a growing population and a growing economy:
  - Our ability to explain past demand growth is acceptable given uncertainties inherent in the economy
  - Past and future demand growth are primarily driven by population, housing, GDP, and price
  - Disruptive technology is not yet impacting this picture and will not materially change the high level picture for many years to come



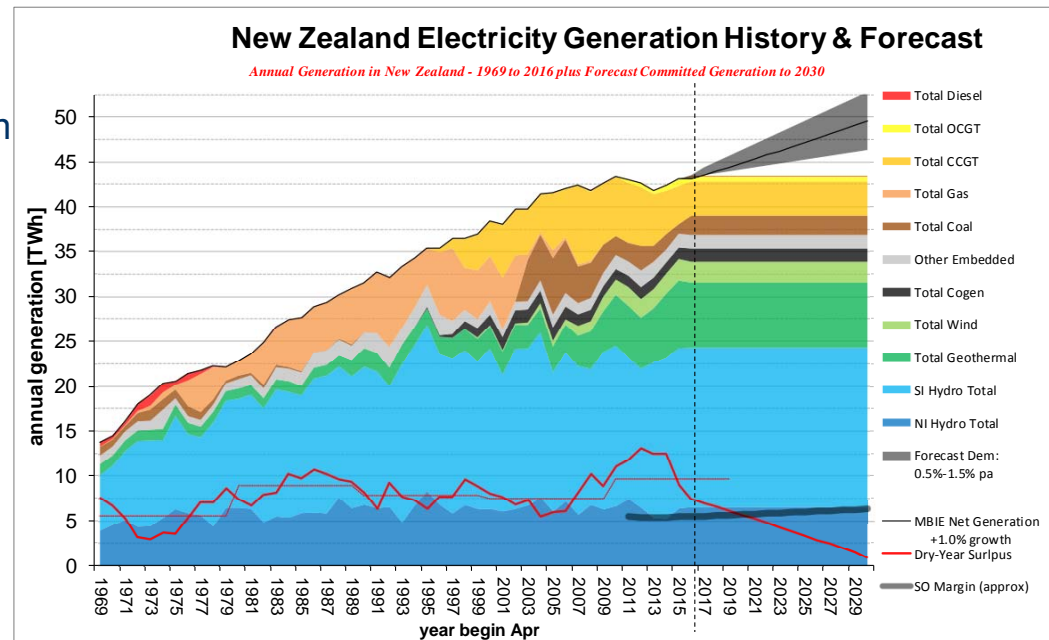
- Insufficient evidence to support a structural break in the macroeconomics:
  - Some early evidence suggesting a potential changing relationship between demand and growth
  - Recent changes to aggregate efficiency and to residential consumption/ICP

## Key message:

Expected electricity demand growth is uncertain in scale but remains robustly positive in the medium term

# Generation mix, demand growth & energy surplus

- The generation mix in NZ has changed markedly over time. Recently:
  - Since the late 1990's strong growth in new gas plant, especially CCGT
  - Since 2007 large growth in wind and geothermal
  - Since 2007 a stagnation of demand
  
- Since early 2014 a step change has occurred:
  - Demand growth has returned (1,300GWh)
  - 800MW of thermal plant has retired (3,300GWh)
  - Dry-year reserves have rapidly fallen from an all-time high to those last seen in 2006
  - Transpower reserve margins are looming
  - In the absence of new build, reserves will become inadequate:
  - Exacerbated by Rankine retirement/alleviated by smelter retirement

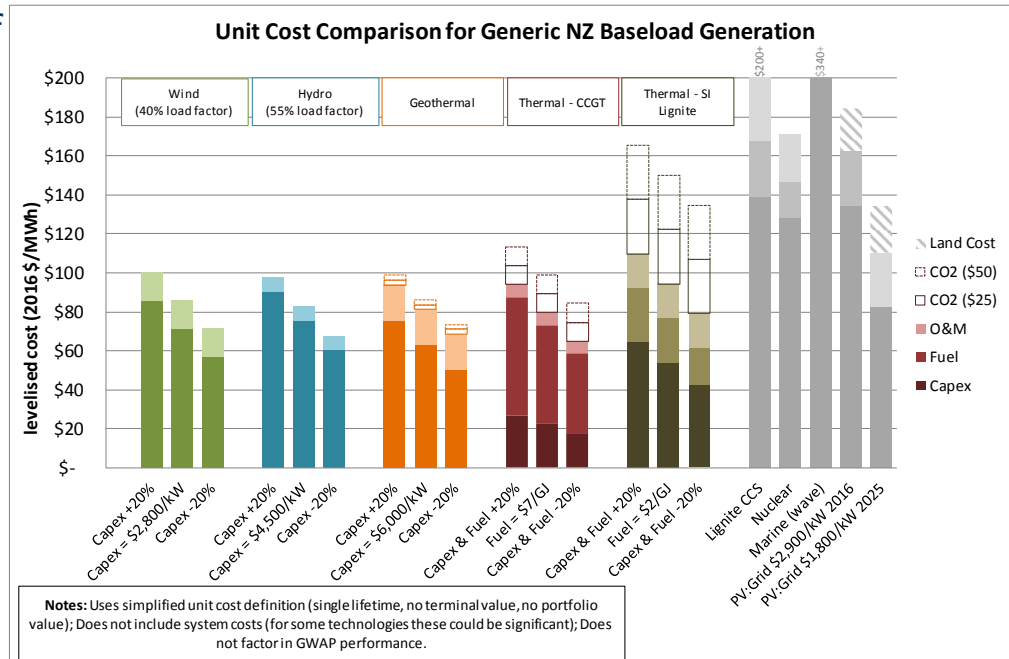


## Key message:

The market has a good track record in the commissioning of a range of new generation projects. We expect that to continue in the future

# New generation options and costs

- NZ is well positioned to deliver a range of new generation options at similar costs:
  - \$70-\$120/MWh range, mostly renewable
  - Some supporting gas
- Sufficient depth of quality renewable resource to cope with future uncertainty:
  - Wind is the largest untapped option
  - Enough renewables to meet needs of EVs
- New technologies are some way from being cost competitive with existing renewable (and thermal) options:
  - Grid scale solar is one to watch
  - Even in NZ – but it remains a big maybe
- Meridian remains focused on quality wind options that can be deployed in a timely, commercial fashion:
  - Maungaharuru (125-155MW), Pouto (90-110MW), Central Wind (120-145MW)



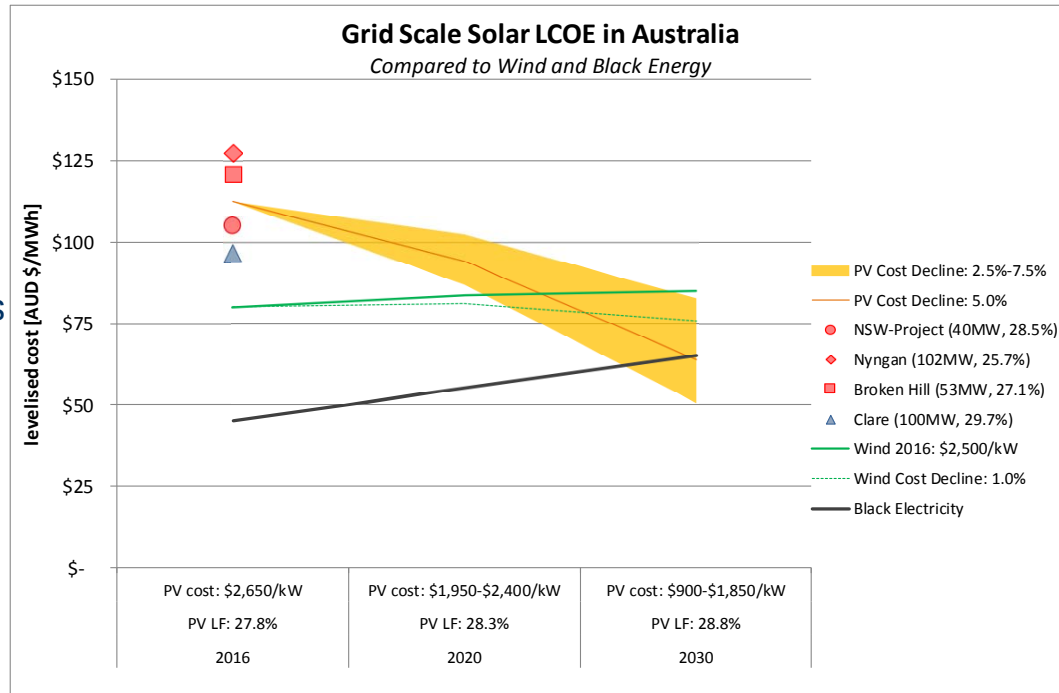
Source: Meridian

## Key message:

New generation costs are very similar across a range of technologies with unsubsidised renewables being a key resource for New Zealand's future

# New technologies update - solar

- Grid Solar PV in Australia:
  - Increasing capacity factors to 28-30%
  - Cost decline continues
  - Some eye-opening recent projects:
    - Clare @ \$80/MWh PPA; no subsidies
    - Close to competitive with wind now
    - Parity with wind very soon
- Grid solar PV in New Zealand:
  - “Best in class” suggests \$145/MWh:
  - @23% load factor, \$2,700/W (ac)
  - Well out of the money
- Residential solar:
  - Costs tracking sideways in AUS & NZ:
    - \$AU2.3/w and \$NZ3.3/w respectively
    - Scale efficiency yet to occur in NZ
    - Subsidies drive domestic uptake
    - Cross subsidy lines cost issue still present



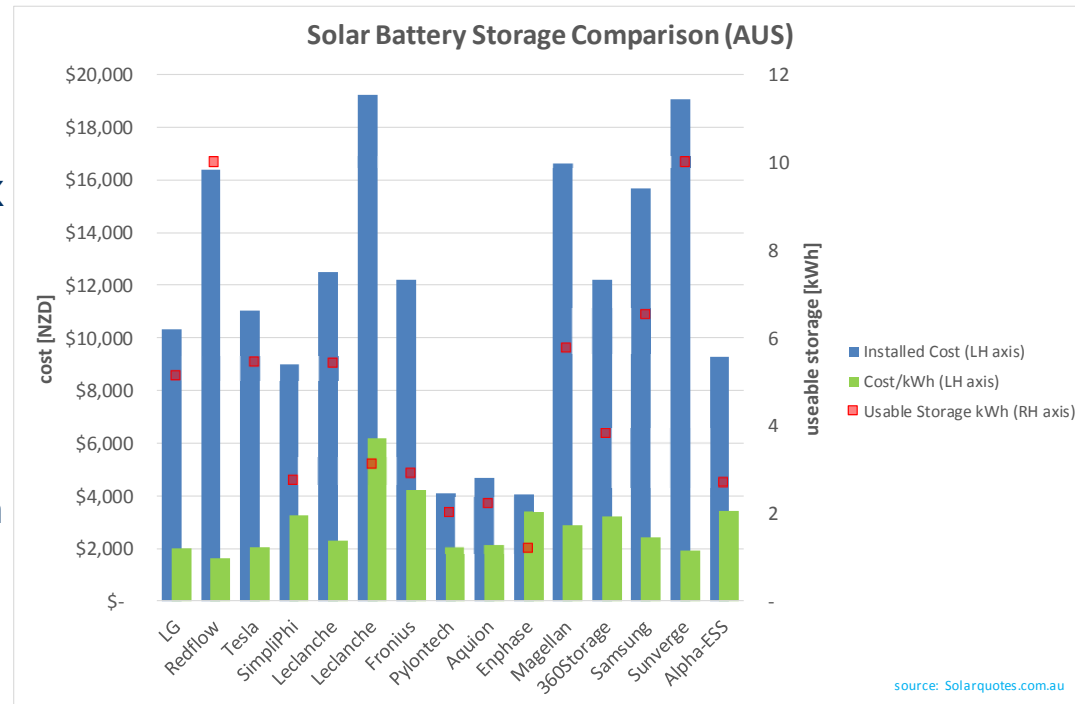
Source: Meridian

## Key messages:

Grid scale solar in Australia approaching parity with wind  
 Grid scale solar in New Zealand not a near-term prospect  
 Domestic solar remains a subsidy industry  
 People love solar

# New technologies update - batteries

- Residential batteries:
  - Costs are more expensive than first suggested in mid 2015
  - Data puts Tesla Powerwall at > \$10K AUD
  - Additional battery products launched in NZ & AUS giving competition to Tesla
  - The merits of going off-grid entirely in Australia are better than those in NZ but are still unattractive
  
- Domestic battery storage will add little value to grid level economics:
  - Value of battery storage in the NZ power system is currently < \$10/MWh while costs are >\$500/MWh
  - Costs will likely fall over time while the system value will increase – but the transition point is not for some time





# New technologies update - batteries

- Value of storage within the power system:
  - NZ has significant existing grid storage
  - Distribution & transmission costs savings are available via demand-side application
  - BUT lines are comparatively cheap to build, last longer and have better reliability
  - Flexible demand delivers many of the same benefits for a fraction of the costs

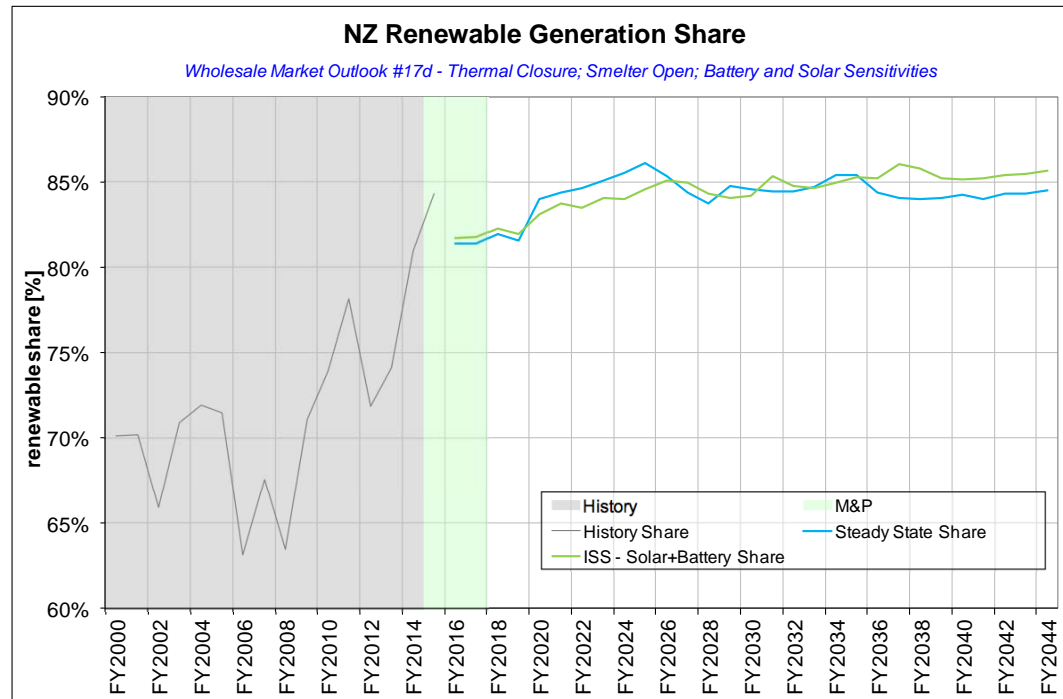


## Key message:

The role of batteries remains aspirational  
Demand side flexibility (smart grid) remains a better choice for long run cost savings

# New technologies - what it means for New Zealand

- The greening of the power system:
  - We explore resilience to possible green outcomes
  - Via a fundamentals based system expansion and simulation approach:
    - 1M PV rooftops and 1M batteries
    - 2.5GW wind, 1.6GW geothermal, 6GW hydro
- Consistent conclusions are reached:
  - Significant quantities of PV, batteries, and EV charging can be accommodated within the existing grid level power system
  - The value of PV and batteries to the grid level system do not exceed their costs
  - Grid level investment dynamics alter



Source: Meridian

# New technologies - what it means for New Zealand

- Electricity decarbonisation has limits with current technology:
  - PV generation largely displaces other new renewable generation options
  - The need for thermal-hydro swing and gas turbine profitability makes lowering emissions in a more significant fashion challenging
  
- Electric vehicles:
  - System able to deliver additional energy needs from primarily renewable sources
  - Allows up to 9-10MT of CO<sub>2</sub> to be retired from the energy system



## Key messages:

A predominately green, secure power system is achievable

Solar and battery technologies do little to aid with further power system decarbonisation

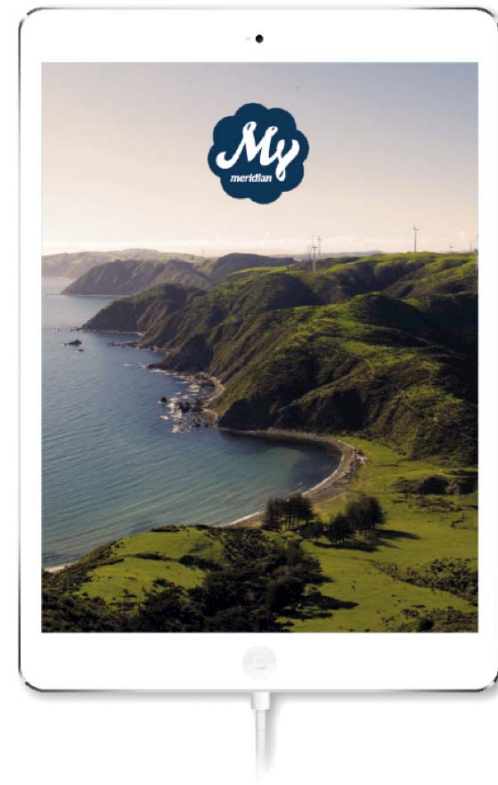
Electric vehicles make a more compelling NZ renewable-led decarbonisation story

# Neal Barclay - the retail market



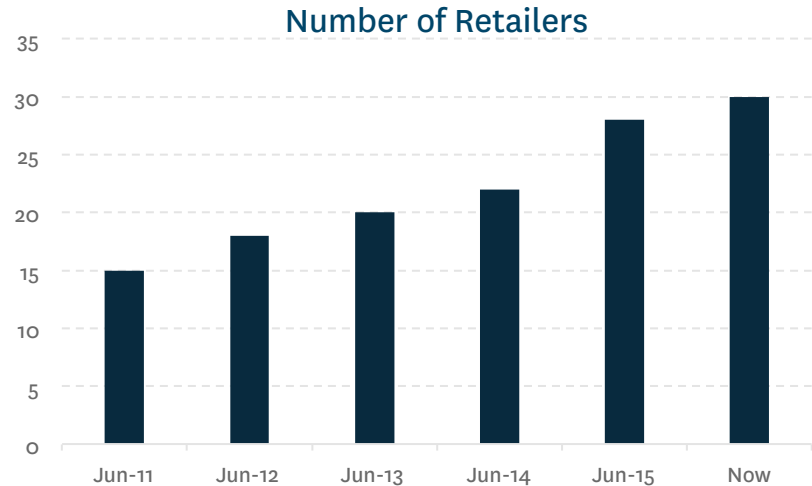
# The recipe for retail success involves a lot of steps

- Deep understanding of the customer is essential
- Frictionless end-to-end customer experience is being demanded
- Retailers are high volume businesses dealing with significant complexity – internal optimisation and alignment is essential
- “Silver bullet” offers / business models have limited reach, especially in a fragmented industry environment



# Growth in retail customer numbers

- The retail market is very competitive with market entry relatively easy
- There are more ways to participate in the electricity market beyond the traditional retailer model
- Increase in less-regulated intermediaries (brokers, consultants and aggregators) as information access is liberalised
- However, new retailers have not yet been tested by dry conditions in the new, tighter supply environment



Source: EA ICP retailer monthly reporting, based on when new retailers are identified as having their first ICPs in monthly reporting





# Price is still the number one lever - especially for residential

**\$200 Guaranteed savings**  
in your first year.

Lock in your rate until the end of 2016 and you could get  
**\$150\***  
off your first bill.

Lock in your rate until the end of 2017 and you could get  
**\$200\***  
off your first bill.

Plus you can get up to  
**23%\***  
discount when you pay your bill on time.

Make the **most** of your energy  
Fix your rate until the end of 2017  
up to **23%** discount + **\$200** worth of power\*  
SWITCH TO CONTACT

Six flights for two to be won!  
You and a friend could go here, there or anywhere. Pay your bill in full and on time before 20 June 2016 and you're in the draw for a chance to win.\*  
LEARN MORE NOW

**\$500**  
worth of energy

On average  
OUR CUSTOMERS  
SAVED  
**\$381**  
IN THE PAST 12 MONTHS

Join Contact and get **\$200** worth of power to use whenever you want  
FIND OUT MORE

Up to **\$950** off  
Get up to \$950 off your first bill when you lock in your special rate with us.

**\$150** FREE POWER  
over the year  
GUARANTEED SAVINGS

**\$50** OFF YOUR ENERGY BILL

Christchurch Flicksters saved **37%** last week with...

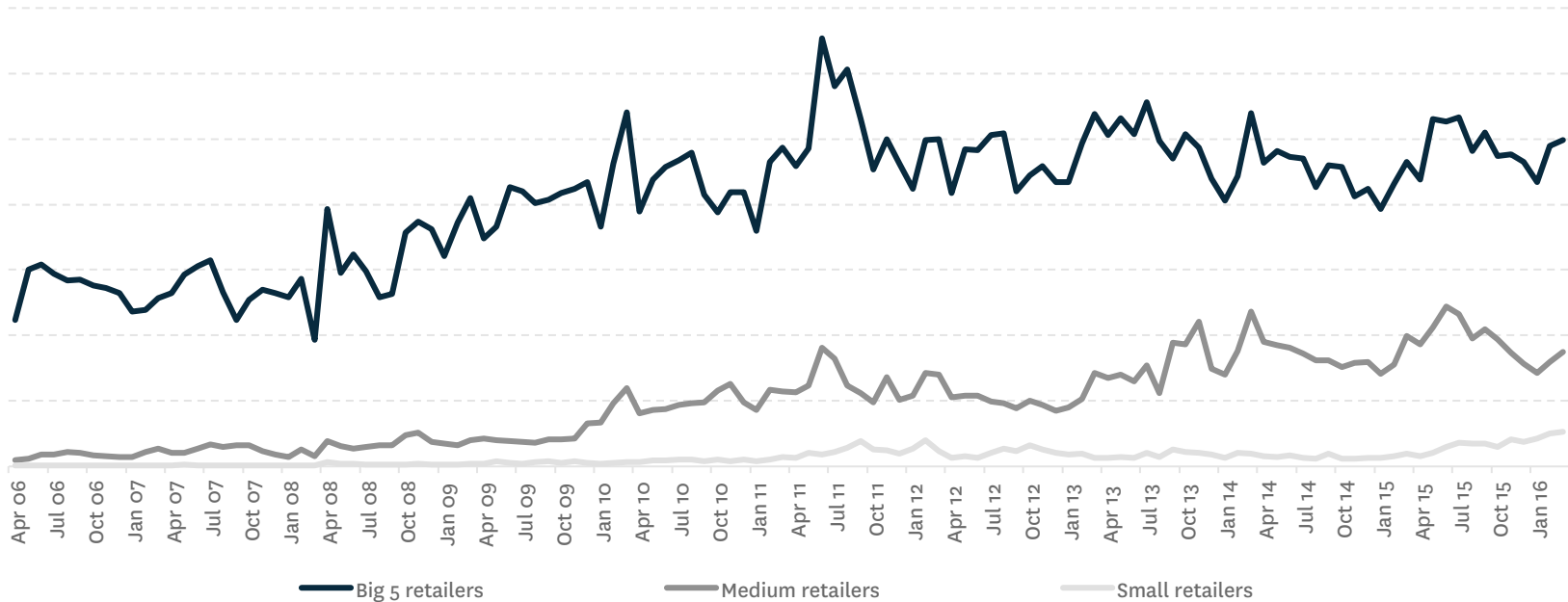
Switch to Pulse Energy and we won't increase your energy rate for **3** years\*

We've listened local, low prices and now...  
**15%** Prompt Payment Discount

JOIN FOR **POWER + BROADBAND** ON A 24 MONTH PLAN  
and get unlimited data broadband  
**\$49** a month for the FIRST year  
**\$79** a month for the SECOND year  
Trust power  
Exit Fees and Terms & Conditions apply

# “Middle tier” retailers are the movers, with new entrants beginning to feature

Market acquisition - by retailer groups\*



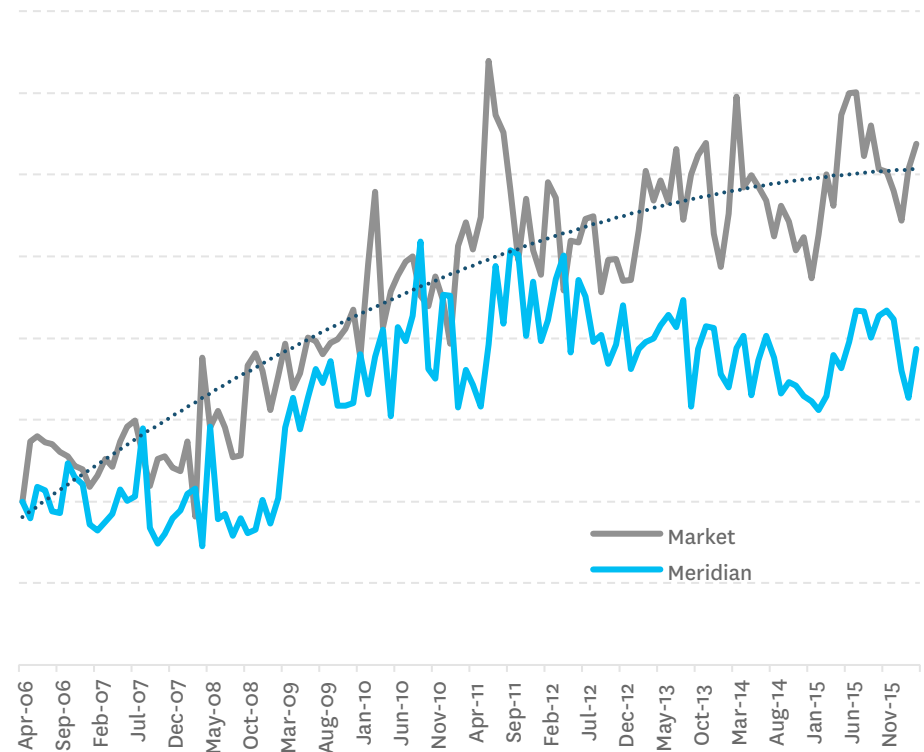
Source: EA monthly switching data, aggregated by size of retailer. Acquisition is based on ICP switches to the retailer

\*Note: Big 5 = >100k connections: Genesis, Contact, Mercury, TrustPower, Meridian; Medium retailers = >20k connections: Nova, Energy Online, Powershop, Pulse, Globug, Bosco

# The consequence - market switching remains strong and is expected to continue

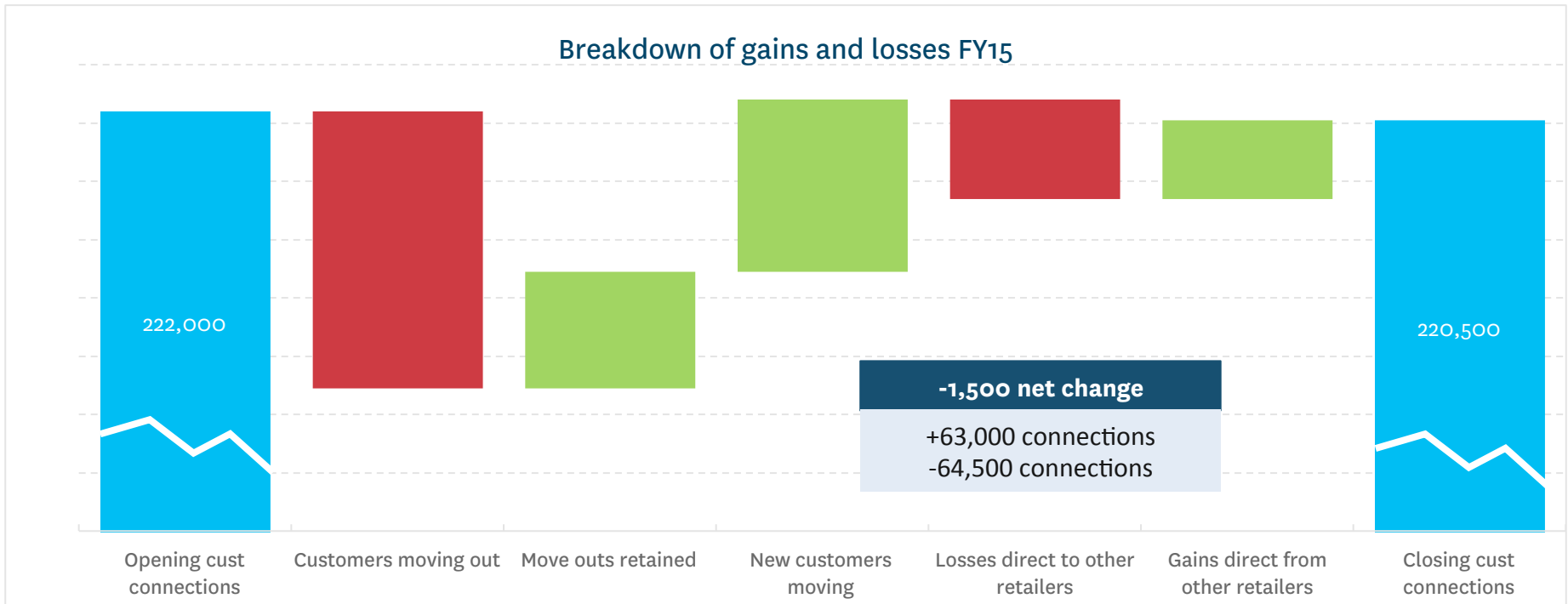
- Market switching rates will continue at the recent high levels
- Meridian Retail loss rates are lower than market, driven by:
  - Market switching very North Island heavy and Meridian has half its base in the South Island
  - Our focus is on high retention segments, account management model and other retention initiatives
  - And incumbency

Relative market losses - Meridian vs market



Source: EA monthly switching data, acquisition is based on ICP switches to the retailer

# Switching activity drives significant internal activity...



Source: Internal information on consumer movement between sites and retailers

Note: Total switching activity will differ to EA information. This data includes activity where a new household/business enters a site, but does not change retailers

- Internal efficiency and management of the customer through key points of the customer lifecycle is essential

# ...and “above the line” marketing and promo costs...

**\$18.9m**

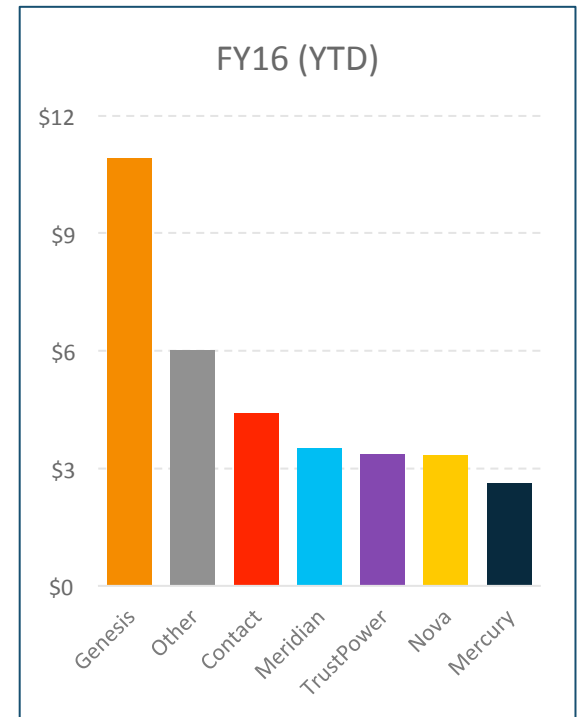
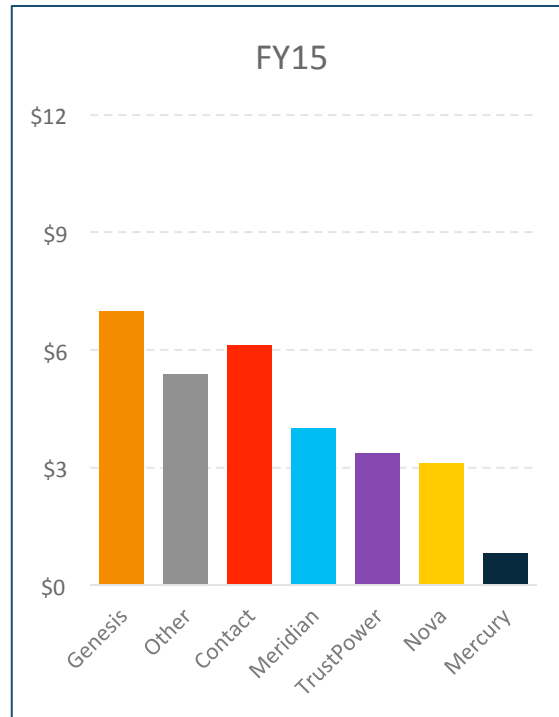
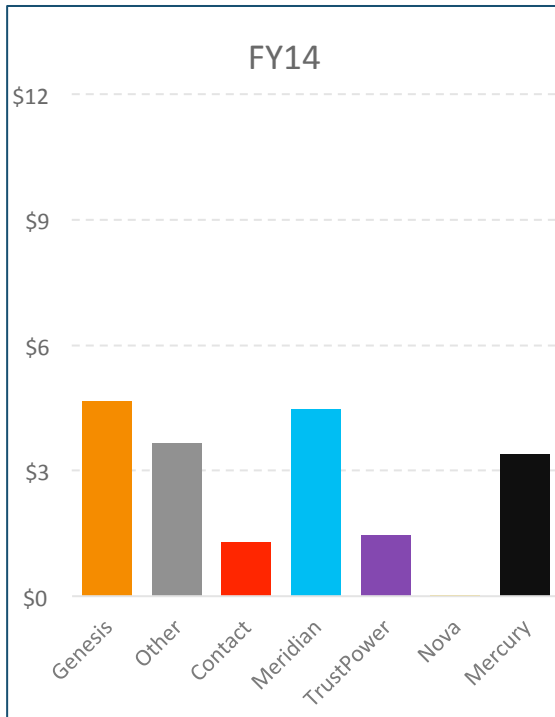
FY14

**\$29.7m**

FY15

**~\$34.2m\***

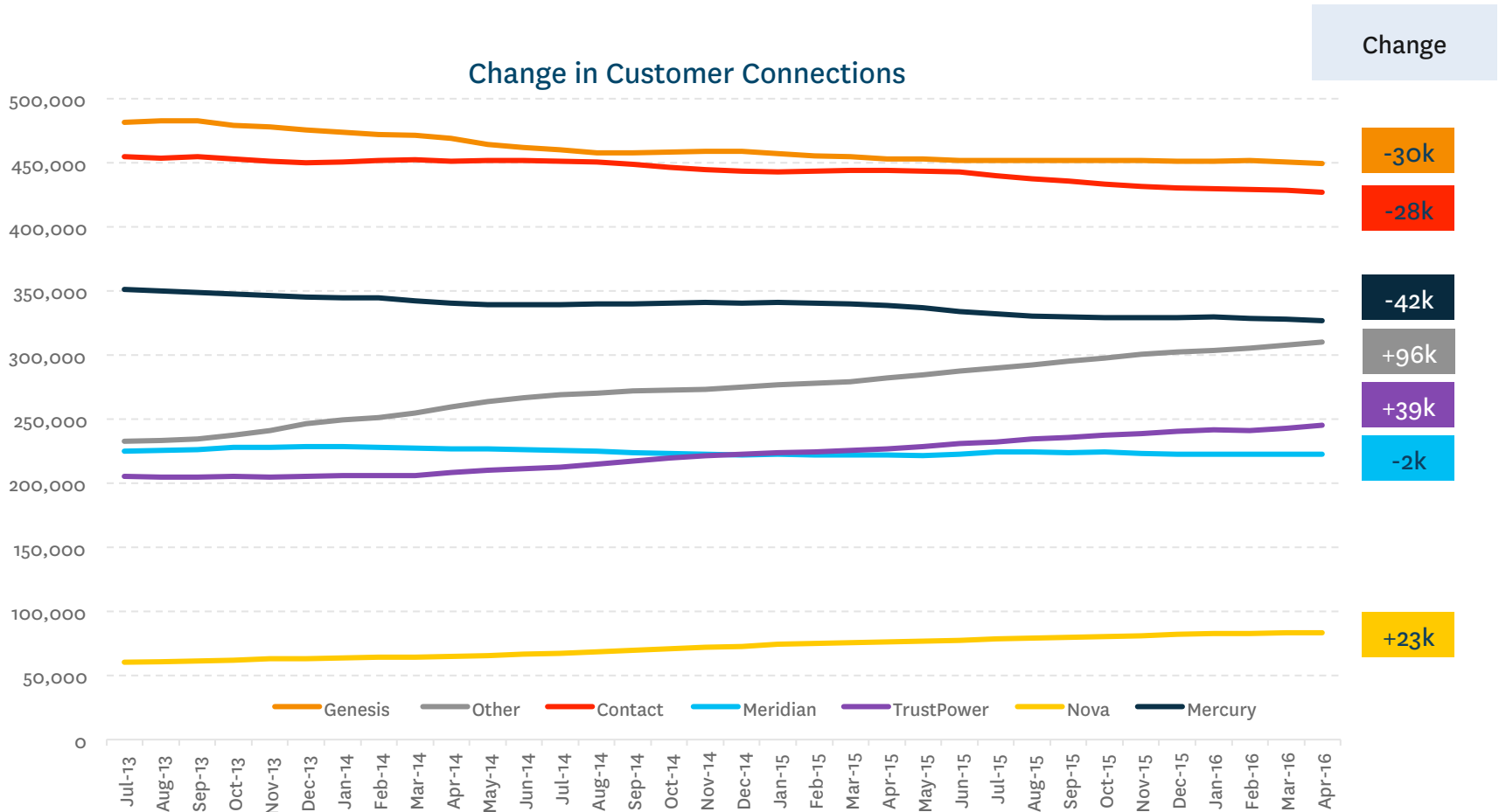
FY16\*



Source: TVmap /Nielsen Media Research

\*Note: FY16 is an annualised view of the 9 months to date in FY16

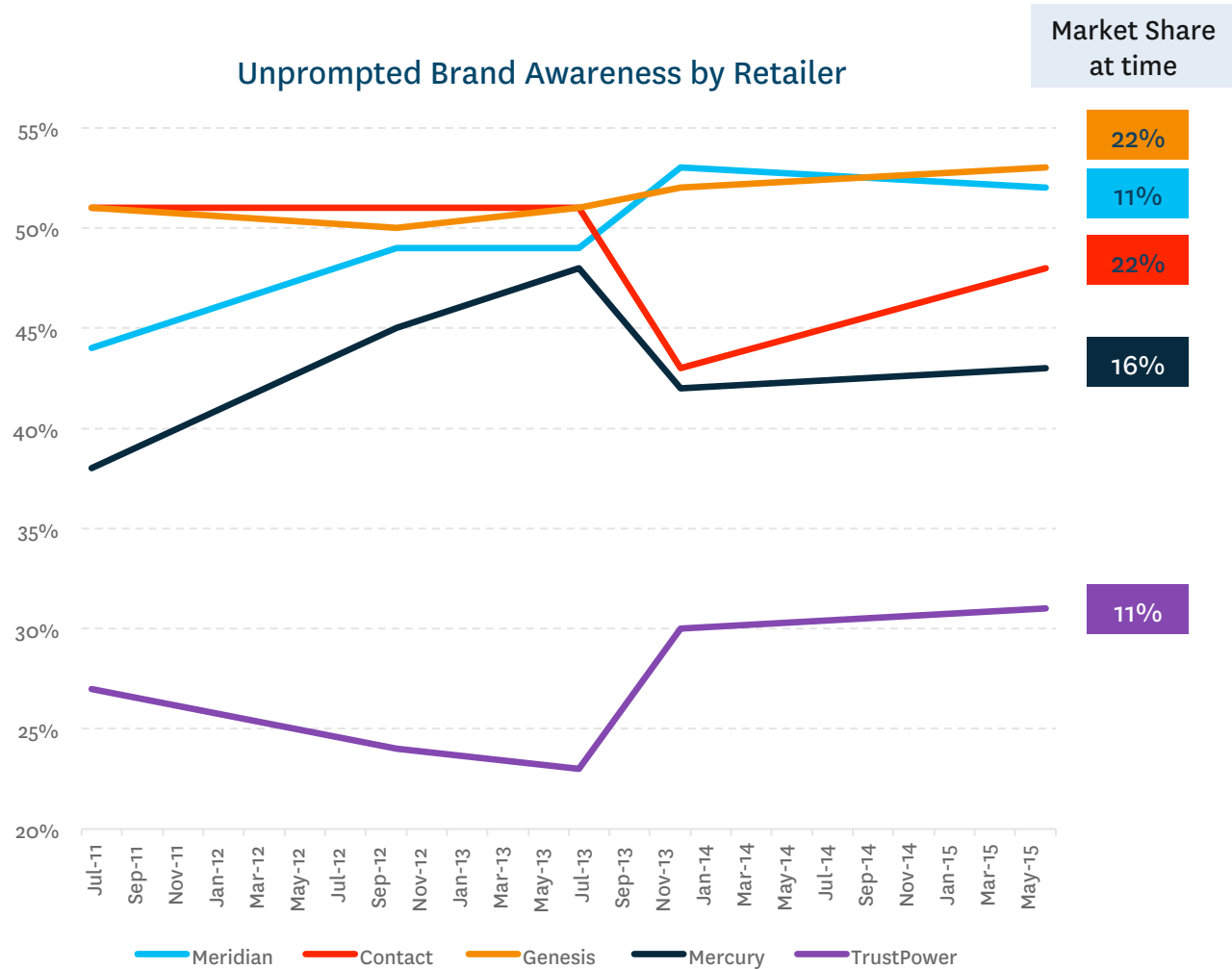
# ...and not very aligned to changes in market position



Source: EA ICP count information

# Meridian's retail brand is a strong platform

- With market share less than our peers – we punch above our weight in terms of brand awareness



Source: Colmar Brunton Meridian Brand Tracker



# Jason McDonald - retail detail



# Customers' needs can be disarmingly simple and are at the forefront of product and service design

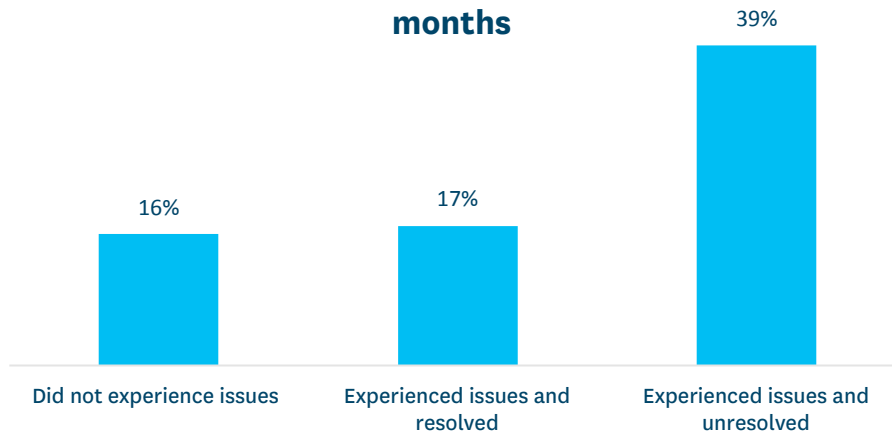
## Residential

- Trusted and reliable brand
- Easy to sign-up
- Good pricing plans
- Compelling join offers
- Environmentally friendly

## Business

- Reputation for excellent service
- Pricing plans to suit needs
- Speed of connection
- No interruption to supply

### Percentage likely to leave in the next six months



- Experiencing issues that are unresolved more than doubles customer's intention to leave, however experiencing issues that are resolved has only a minor effect

- Detractors are 80% more likely to leave than promoters

Source: Internal Customer Experience Monitor using our Customer Panel. Proportion of customers scoring 6-10 for likelihood to leave split by whether they experienced issues and the outcome of the issue experienced

# These are delivered by specific focus areas in each of our four segments...

## Agribusiness

### Current situation

Market leadership position having focused heavily on growth over last three years. Significant irrigation and dairy market share

### Strategy

Strong partnership model, industry investment and territory management differentiation

## Small-medium business

### Current situation

Small-medium business market is difficult to access given its fragmented nature, with highly varying needs by segment and customer

### Strategy

Grow volume through multiple sales channels and innovate on service

## Corporate-large business

### Current situation

We do basic service well, but have an advantage through our account management programme

### Strategy

Continue to enhance pricing and other products and service offerings to compete on value

## Residential

### Current situation

Challenging to hold share – large retailers giving more & new retailers developing differentiated offers. Current industry approach (sign-up credits & discounts) is becoming incrementally less effective

### Strategy

Defend hard. Continue to leverage sustainability position and improve tenure through product and service enhancement

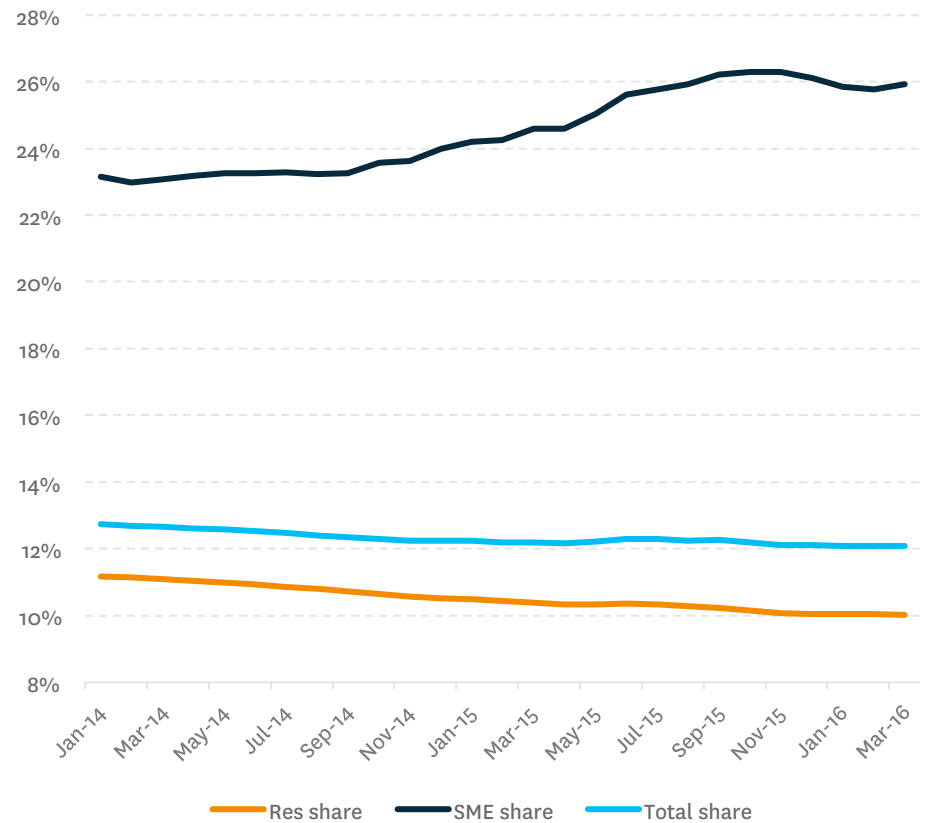
# Meridian's portfolio is weighted into the business segments

- Market share holding overall with business growth largely replacing residential loss

## Business Growth

- Focus on business segments through ongoing use of our Corporate Large Business and Agribusiness Teams.
- Ramp up of business focus for internal Telesales and more recently Direct Sales Teams

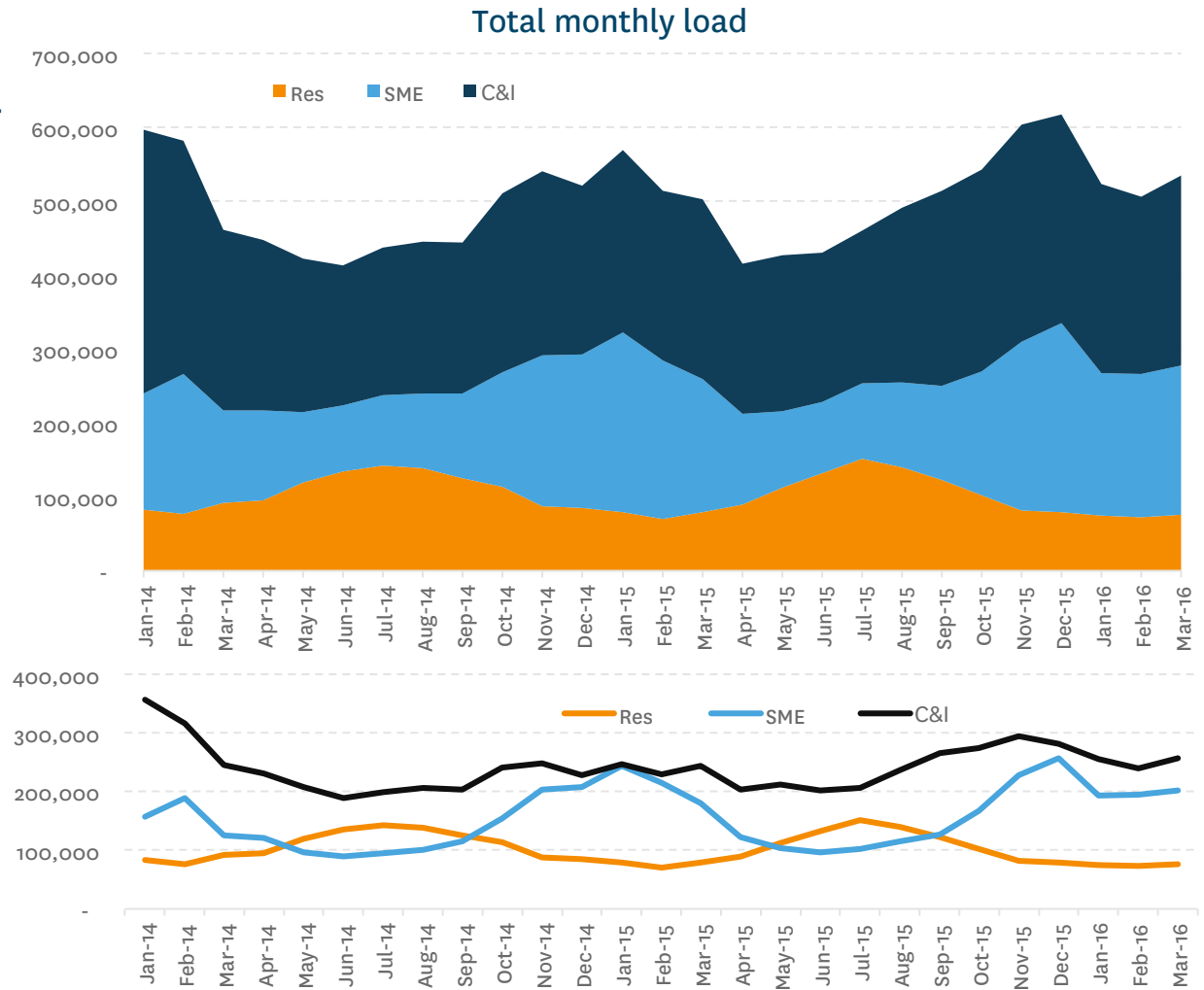
Residential and Business Market Share



Source: EA ICP count information for residential sites and the total market, by retailer. Business has been derived as the residual

# Meridian is weighting portfolio into the business segments

- Residential load decreasing but overall load slightly up due to move into higher consuming business segments

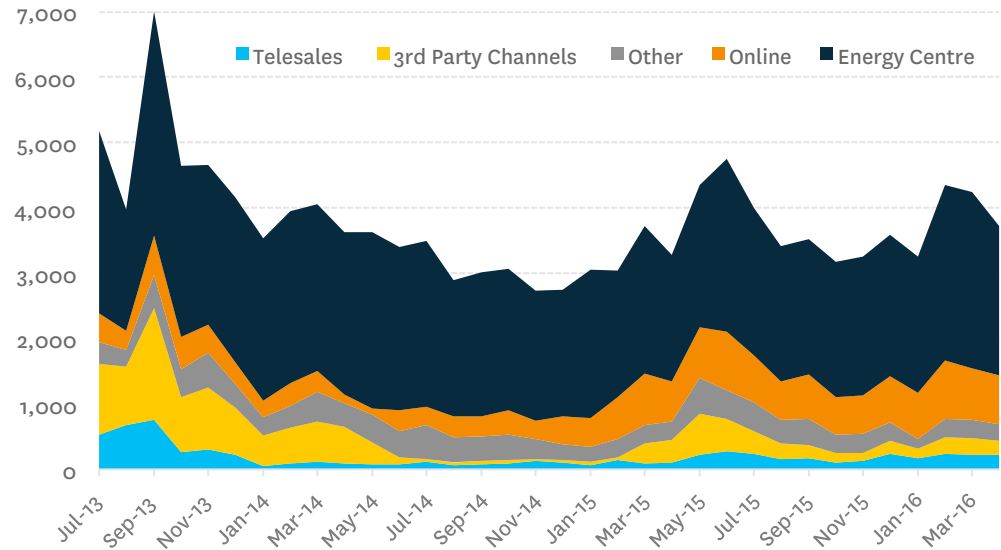


Source: Internal Margin and Load Forecasting Tool

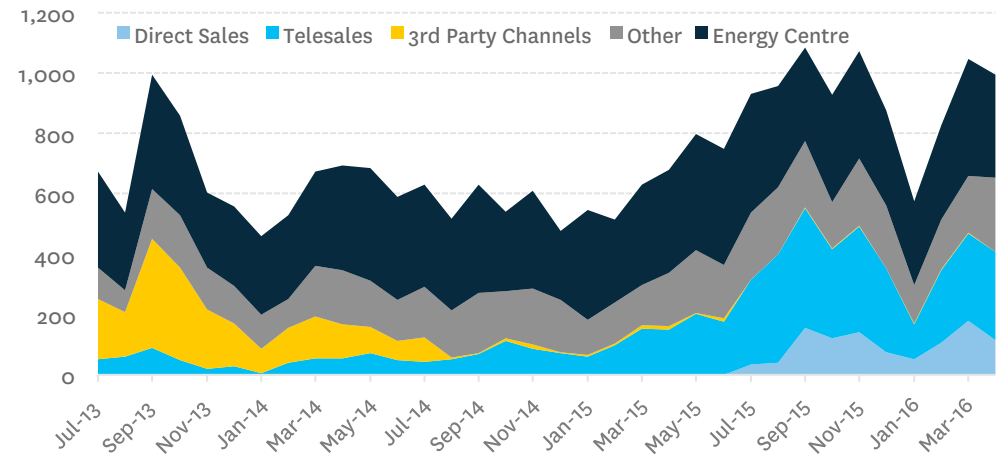
MERIDIAN ENERGY LIMITED Investor day presentation

# Acquisition channel efficiency is a key driver of value and retention

- Reduction in reliance on 3<sup>rd</sup> party door-to-door and Telesales
- Rise in online acquisition
- Inbound contact centre efficiency still sees the majority of volume



- Internal telesales focus on business
- Introduction of direct agents



Source: Internal information on all completed sales (passive and active) by our channel definitions

# In Year 2 of a 4 year investment programme to target customer pain points and new services

	Complete	In Progress	Planned
Easy to Join	<ul style="list-style-type: none"> <li>Mobile responsive website</li> <li>Optimised online join</li> <li>Direct Sales Team</li> </ul>	<ul style="list-style-type: none"> <li>On-boarding step change</li> </ul>	<ul style="list-style-type: none"> <li>Marketing automation</li> </ul>
Excellent service	<ul style="list-style-type: none"> <li>Knowledge rationalisation</li> <li>CRM 2016</li> <li>Buyer created tax invoices</li> <li>Online tools and self service 1</li> <li>Xero integration</li> <li>Outbound retention team</li> <li>Facebook launch</li> </ul>	<ul style="list-style-type: none"> <li>Enhanced email handling</li> <li>Agent desktop &amp; single customer view</li> <li>Integrate SMS &amp; social channel</li> <li>Business online overhaul</li> <li>Planned outage notification</li> </ul>	<ul style="list-style-type: none"> <li>Unified self service for all customers</li> <li>Enhanced multi-site billing</li> </ul>
Pricing to suit needs	<ul style="list-style-type: none"> <li>Automated pricing 1 &amp; 2</li> <li>Sales Quoting Tool</li> <li>Online quoting</li> </ul>	<ul style="list-style-type: none"> <li>Irrigation and other target market specific pricing</li> <li>Risk sharing prod's for irg. bus</li> </ul>	<ul style="list-style-type: none"> <li>Configure, price and quote integration</li> </ul>
Revenue & cost mgmt.	<ul style="list-style-type: none"> <li>Direct integration with service providers</li> <li>Credit decisioning</li> <li>Smart meter deployment</li> <li>Consumption data access</li> </ul>	<ul style="list-style-type: none"> <li>Smart event services</li> </ul>	<ul style="list-style-type: none"> <li>Efficiency savings</li> </ul>



# Paul Chambers - Powershop

**POWER YOU  
CAN LOVE**

# Powershop New Zealand



# Powershop New Zealand

- Customer satisfaction continues to exceed 90%, net promoter score of 47.7
- Recent focus has been on industrialising processes for use at scale
- Supports growth in Australia and expansion into the UK
- Market share is being maintained on low marketing spend
- Focus is now on implementing organisation structure to support development in multiple geographies
- And investment to re-energise the NZ retail business



# Powershop Australia

- Growing business with strong sources of competitive advantage:
  - Customer control
  - Renewable profile
  - Fair pricing
  - Differentiated service



# Powershop Australia

- High quality service experience:
  - Carbon neutral accreditation (National Carbon Offset Standard)
  - Most satisfied customers in Victoria (Canstar Blue)
  - Greenest electricity retailer (Greenpeace)
  - Best energy company for service (ServiceRage)
- 94% overall satisfaction (call centre)

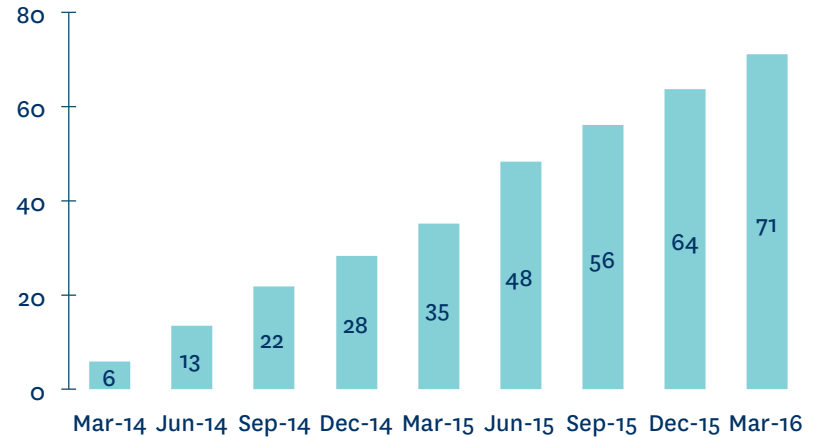


# Powershop Australia

- Acquisition rates:
  - 74k customers at end of April 16
  - Similar acquisition rates in both Victoria and NSW
  
- Improving earnings contribution
  - Past the customer numbers needed for 'steady state' break even
  - Promotional spend continuing to support future customer acquisition

## POWERSHOP AUSTRALIA CUSTOMERS

FRMP (ooo)





# Powershop Australia

- The market opportunity in Australia is significant:
  - Powershop has 2% market share of the 2.7m customers in Victoria
  - Equivalent to Pulse Energy's market share in NZ
  - Powershop has 0.6% market share of the 3.4m customers in NSW
  - Equivalent to Flick Energy's market share in NZ
  
- The big 4 (AGL, Origin, EnergyAustralia and Red/Lumo) have over 80% market share in Victoria and 90% in NSW





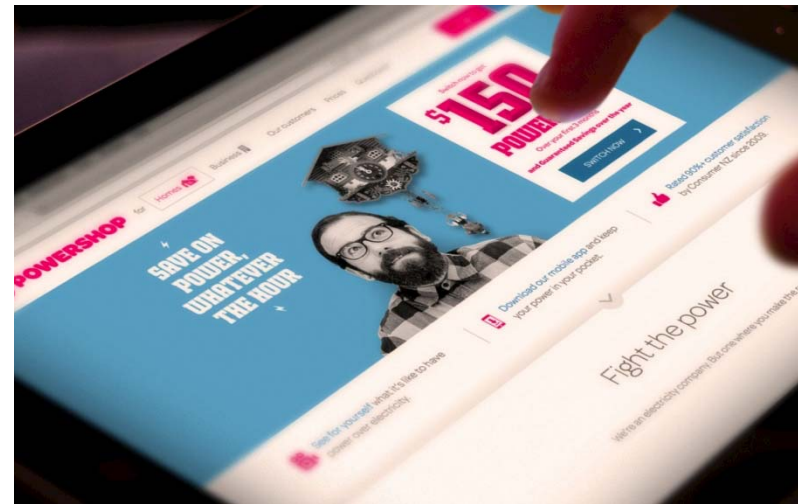
## **npower agreement**

- Franchise licence agreement with RWE npower signed in November 2015
- Will take the Powershop service platform and brand to the UK without Meridian carrying market exposure
- Staged delivery of electricity, smart meter integration, gas and dual fuel and white label offerings
- Two year establishment phase with npower paying fixed development fees and making milestone payments
- From full launch in late 2017, npower will pay an annual fixed fee and a variable per customer fee



# npower agreement

- npower is one of the 'big six' UK suppliers
- 3.5 million customers, 12% market share
- Low customer satisfaction and a recent IT upgrade failure has npower pursuing a differentiated offer
- View Powershop as a different way of engaging customers
- Part of RWE group which has 16 million customers across Europe



# Guy Waipara - transmission pricing



# Transmission pricing

- EA has proposed changes to the Transmission Pricing Methodology (TPM)
- Key components:
- Connection charge: largely same as current (~\$130m p.a.)
- Area-of-benefit (AoB) charge: adopts a beneficiaries-pay approach to recovering costs of large existing and new assets (~\$300m p.a.)
- Residual charge: recovers all remaining costs from load (~\$500m p.a.)
- Prudent discount policy: provides discounts to individual customers in specific circumstances



# Transmission pricing

- Proposal in line with the key principles Meridian has advocated:
  - Consistent treatment of HVDC
  - Beneficiaries-pay basis
- EA's indicative modelling: Meridian's 2019 charge would reduce from \$97m to \$39m
- However final decision still pending and implementation details to come
- EA aims to implement from April 2019



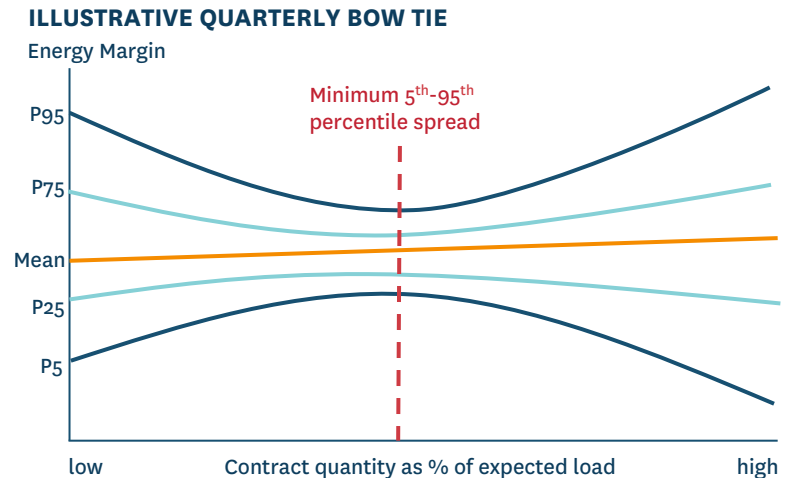


# Guy Waipara - hydro risk and Manapōuri



# Managing hydro risk

- Meridian has a wide toolbox to manage hydro and revenue variability risk
- Vertical integration limits exposure to spot prices
- Wind at 10% of our portfolio provides a degree of diversity
- Access to ASX and direct hedges
- Insurance against extreme dry periods
  - Huntly swaption
  - NZAS demand response
  - Access to lower lake levels
- Use of water between the Waitaki and the Waiau
- Portfolio is constantly assessed at least 3 years ahead
- Use a bow tie approach to ensure that our combined portfolio including insurance has our potential revenue maintained within as tight a range as possible





# The Waitaki chain

- Meridian's six stations on the Waitaki deliver over 50% of the company's generation
- Block dispatched with optimisation of the chain achieved within a range of constraints (resource consents and operational)
- Pūkaki is Meridian's and NZ's largest storage lake (1,750 GWh, operating range 518m-532.5m)
- Additional emergency storage can be accessed and is subject to current plan change proposal to improve this
- Annual average generation of more than 6,600 GWh
- Significant inflows from Tekapo (34%) and subject to a water management agreement with Genesis
- Limited storage across the chain below Pūkaki
- Working towards 2025 re-consent



# The Waiau catchment

- Te Anau and Manapōuri lakes are relatively small at 440 GWh when full
- Lakes can be filled in one significant rainfall event so they are typically cycled through the high to low range every 4-6 weeks
- Relatively consistent year round inflows of 5,430 GWh on average
- The Lake Manapōuri Guardians have an important overview and recommendation role on the operation of the catchment



# Manapōuri power station

- Operates within a National Park and World Heritage site
- Took 1,800 workers 8 years to tunnel 10 kms (drill and blast)
- 16 men lost their lives during construction
- Second tailrace tunnel was completed in the 5 years to 2002 (machine boring). Exceptional value to Meridian from Fletchers!
- Is now one of the world's most efficient power stations
- Undergone a major project to replace three of seven unit transformers
- Plan to replace the remaining unit and local supply transformers over the next two financial years (\$12m capex)



# Thank you

