

A high-angle, close-up view of a white wind turbine's nacelle and three blades. The turbine is positioned on a lush green hillside. In the background, a vast blue ocean stretches to the horizon under a sky with scattered white clouds. Other wind turbines are visible in the distance on the left and right. The overall scene is bright and clear, suggesting a sunny day.

# ***Meridian Energy***

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MONTHLY OPERATING REPORT *April 2014*



# *April Highlights*

In the month to 12 May 2014, national hydro storage increased from 71% to 92% of historical average, with South Island storage now at 94% of average and North Island storage at 69% of average

Improved storage saw ASX forward prices for 2014 reduce

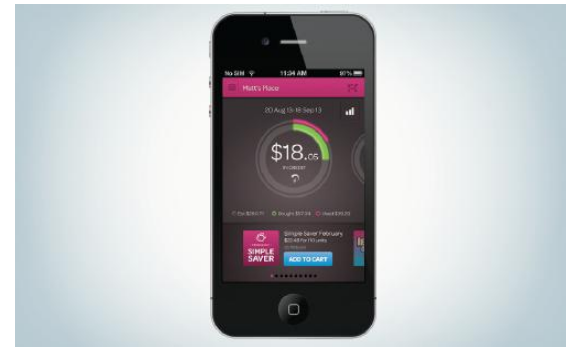
Meridian's inflows were 75% of average during April

Meridian's Waitaki catchment storage sat at 81% of historical average at the end of April

Near record level of customer switching numbers in New Zealand during March 2014

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

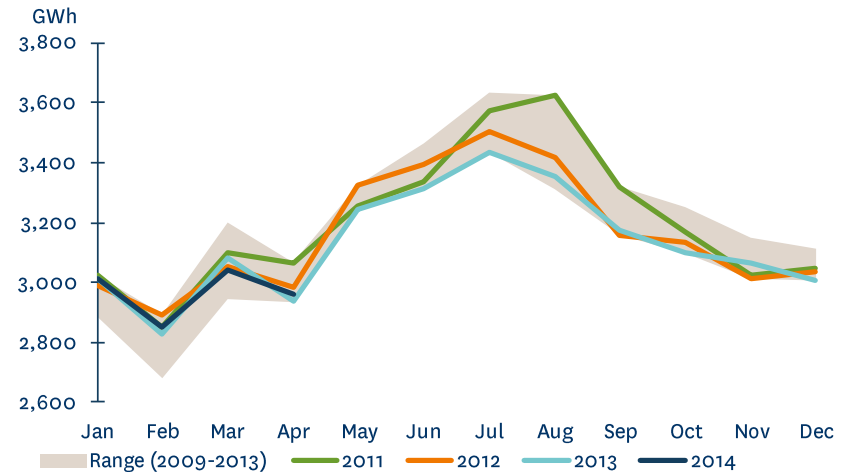
Australian customer numbers now exceed 8,000, with another 2,800 in the process of switching in



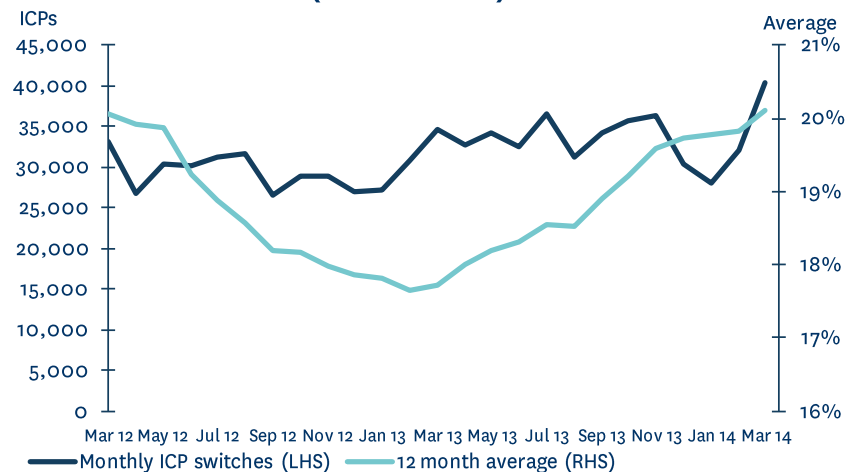
## Market Data

- Demand in 2014 remains flat compared to the same period last year
- New Zealand Aluminium Smelters' average load during April 2014 was slightly below the 572MW base quantity of the NZAS Agreement
- The number of switches in March 2014 exceeded 40,000, the second highest monthly number on record and 16.5% higher than March 2013
- 12 month average switching rate of 20.1% at the end of March 2014

### NATIONAL DEMAND

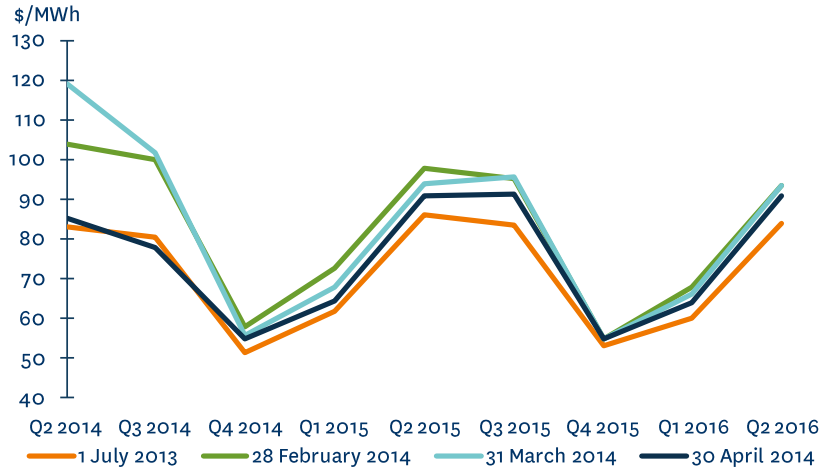


### MARKET ICP SWITCHING (ALL RETAILERS)

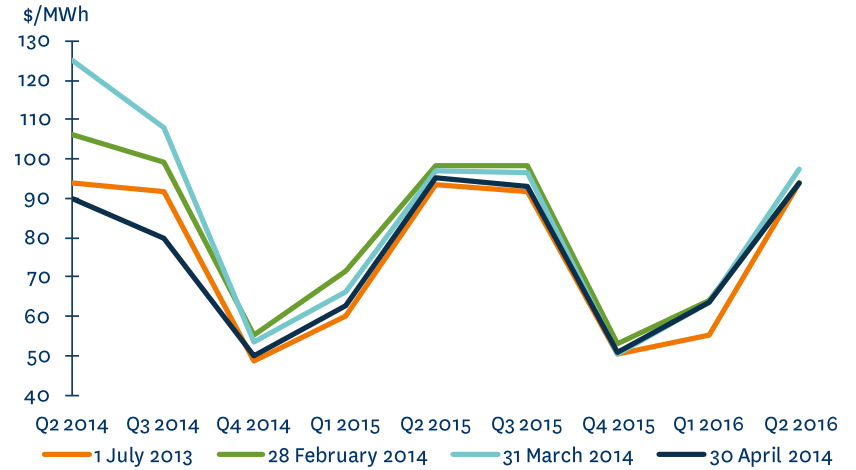


## Market Data

### OTAHUHU ASX FUTURES SETTLEMENT PRICE

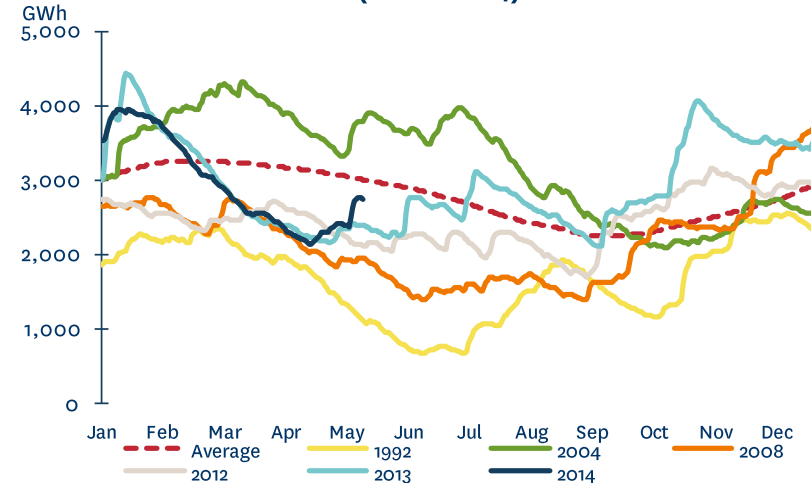


### BENMORE ASX FUTURES SETTLEMENT PRICE



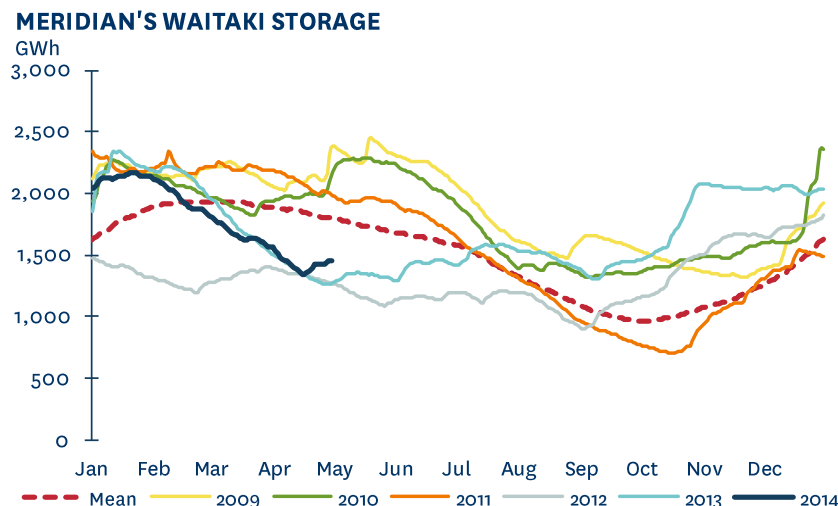
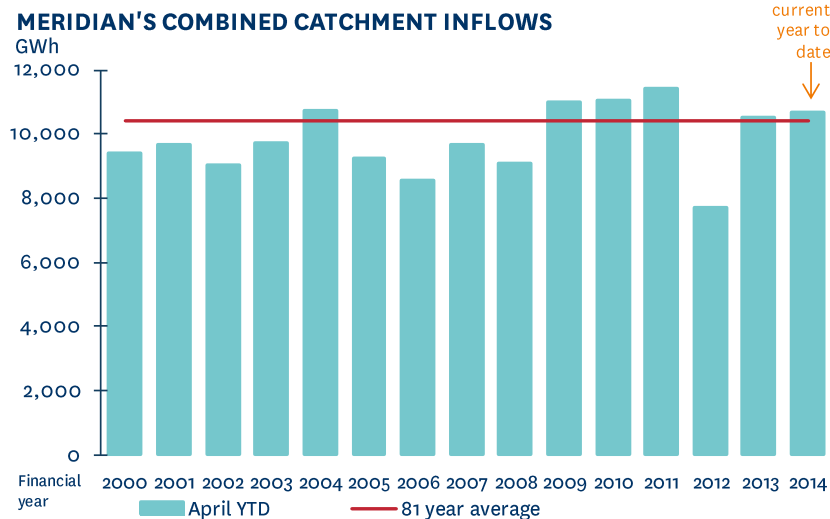
- Improved hydro storage saw 2014 ASX futures prices drop significantly from March 2014 levels
- National storage has risen from 71% of average on 11 April 2014 to 92% of average by 12 May 2014
- South Island storage is now back near average, having dropped below 70% of average in mid April 2014

### NATIONAL HYDRO STORAGE (12 MAY 2014)



## Meridian Operating Information

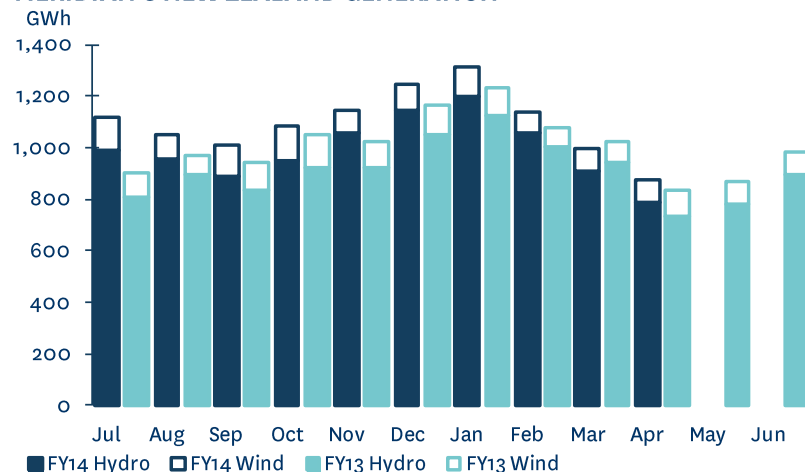
- April monthly inflows were at 75% of historical average
- To date this financial year inflows are 103% of historical average, largely due to high Spring 2013 inflows
- Meridian's Waitaki catchment storage at the end of April was 1,458GWh, which was 81% of historical average
- At the end of April, storage was 14% higher than the same time last year



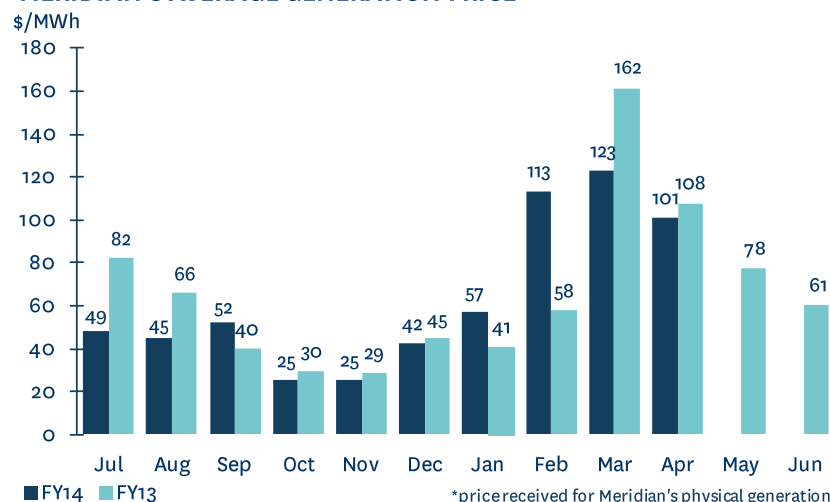
## Meridian Operating Information

- Meridian's New Zealand generation in April was 5.1% higher than the same month last year
- To date this financial year Meridian's New Zealand generation is 7.5% higher than the same period last year
- This financial year includes higher wind generation, 5.9% more than the same period last year
- Continued dry national conditions saw the average price Meridian received for its generation in April remain high
- However, drier conditions in 2013 mean this average price is 6.5% lower than in April 2013
- The average price Meridian paid to supply contracted sales in April also remained high

**MERIDIAN'S NEW ZEALAND GENERATION**



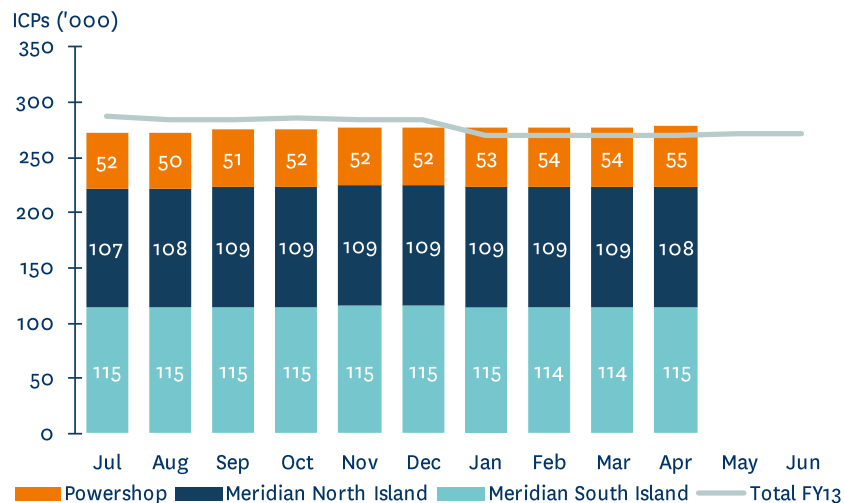
**MERIDIAN'S AVERAGE GENERATION PRICE\***



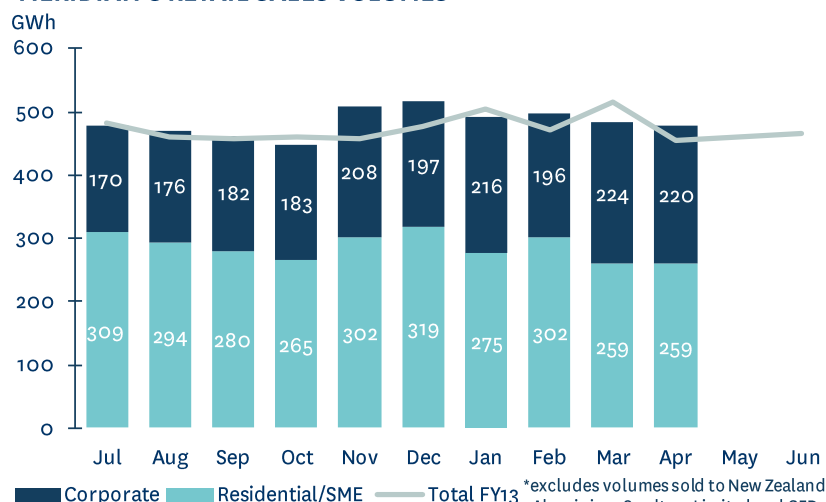
## Meridian Operating Information

- Meridian's New Zealand customer connection numbers have increased by 2.1% since 1 July 2013, reflecting growth in Meridian North Island (+2.2%) and Powershop (+7.0%) customer connection numbers
- In January 2013, Meridian's customer connection numbers dropped by around 14,000, reflecting Energy Direct NZ's decision to operate as an independent retailer at that time
- To date this financial year Meridian's retail sales volumes are 2.1% higher than the same period last year
- Retail sales volumes in April 2014 increased by 5.4% compared to April 2013, with higher Residential/SME and Corporate sales
- Australia customer numbers now exceed 8,000, with another 2,800 in the process of switching in

### MERIDIAN'S CUSTOMER CONNECTIONS



### MERIDIAN'S RETAIL SALES VOLUMES\*



## Meridian Operating Information

	April 2014 month	April 2013 month	March 2014 month	February 2014 month	10 months to April 2014	10 months to April 2013
<b>New Zealand Contracted Sales<sup>1</sup></b>						
Retail contracted sales volume (GWh)	479	455	482	498	4,837	4,737
Retail contracted sales average price (\$/MWh)	\$112.5	\$99.7	\$91.9	\$92.2	\$101.2	\$104.0
NZAS sales volume (GWh)	412	412	426	384	4,173	4,049
Sell side derivatives volumes <sup>2</sup> (GWh)	53	97	80	88	753	963
Wholesale contracted sales average price (\$/MWh)	\$54.7	\$74.3	\$51.1	\$52.1	\$50.8	\$59.2
Total New Zealand customer connections <sup>3</sup>	277,810	270,289	277,404	277,226		
Powershop Australia customer connections <sup>4</sup>	8,081	-	5,880	3,710		
<b>New Zealand Generation</b>						
Hydro generation volume (GWh)	785	731	907	1,056	9,940	9,236
Wind generation volume (GWh)	93	104	90	86	1,041	983
<b>Total generation volume (GWh)</b>	<b>878</b>	<b>835</b>	<b>997</b>	<b>1,142</b>	<b>10,981</b>	<b>10,219</b>
Average generation price <sup>5</sup> (\$/MWh)	\$100.8	\$107.9	\$122.9	\$113.4	\$61.9	\$64.2
Acquired generation volume <sup>6</sup> (GWh)	165	207	123	21	1,003	1,553
Cost to supply contracted sales (\$/MWh)	\$103.8	\$110.3	\$125.1	\$122.0	\$67.0	\$70.5

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.

<b>Meridian Energy Limited</b>	<b>Interim Results Presentation</b>						<b>Offer Document (VAS reclassified)</b>								
	<b>FY13 Half Year Actual</b>			<b>FY14 Half Year Actual</b>			<b>FY13 Full Year Actual</b>			<b>FY14 Full Year PFI</b>			<b>FY15 Full Year PFI</b>		
	<u>volume</u>	<u>price</u>	<u>\$</u>	<u>volume</u>	<u>price</u>	<u>\$</u>	<u>volume</u>	<u>price</u>	<u>\$</u>	<u>volume</u>	<u>price</u>	<u>\$</u>	<u>volume</u>	<u>price</u>	<u>\$</u>
	<u>GWh</u>	<u>\$/MWh</u>		<u>GWh</u>	<u>\$/MWh</u>		<u>GWh</u>	<u>\$/MWh</u>		<u>GWh</u>	<u>\$/MWh</u>		<u>GWh</u>	<u>\$/MWh</u>	
<b><u>New Zealand Energy Margin</u></b>															
<b><u>Contracted Revenue</u></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><u>Net Spot Exposure</u></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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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
Combined catchment inflows	combined water inflows into Meridian's Waitaki and Manapouri hydro storage lakes
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
Customer connections (Australia)	number of financially responsible market participants, 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 and White Hill wind farms
NZAS	New Zealand Aluminium Smelters Limited
Retail contracted sales average price	volume weighted average electricity price received from retail customers, less distribution costs
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
Wholesale contracted sales average price	volume weighted average electricity price received from wholesale customers, including NZAS