

An aerial photograph of a hydroelectric dam and power plant. The dam is a concrete structure with several spillways, situated on a river. The surrounding landscape is arid and hilly, with mountains in the background. The sky is clear and blue. The text 'Meridian Energy' is overlaid in a large, white, bold, sans-serif font.

# ***Meridian Energy***

MONTHLY OPERATING REPORT *December 2013*

# December Highlights

National storage at 129% of average by mid January 2014

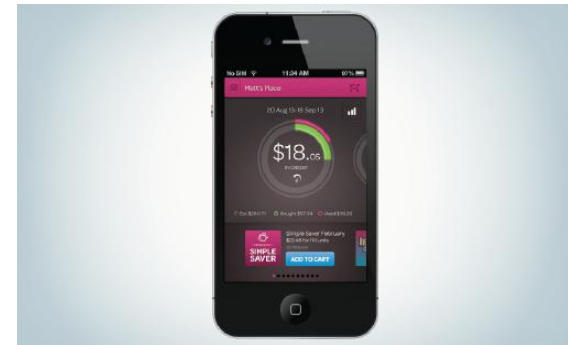
Some signs of underlying demand growth despite warm weather

Below average inflows into Meridian's catchments in December, however lake levels remain high

Inflows for the 6 months to December 2013 were the 7<sup>th</sup> highest on record

Number of switches across all retailers was 14% higher than December 2012

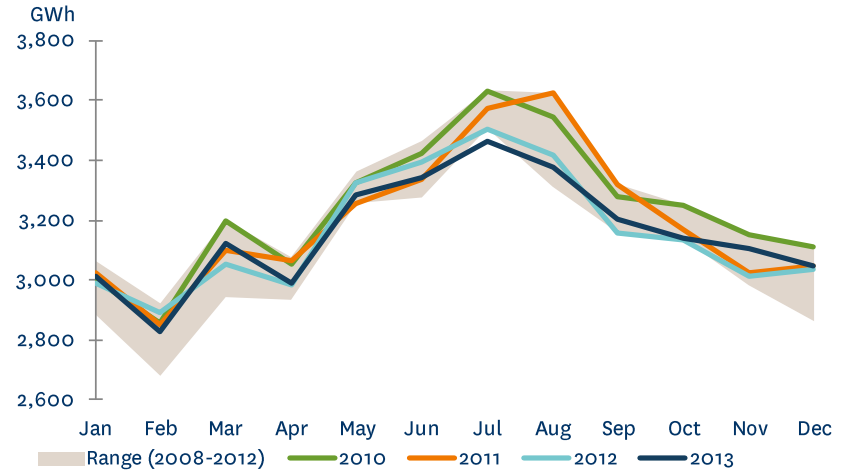
Irrigation load helped lift Meridian's retail sales volume by 8% compared to December 2012



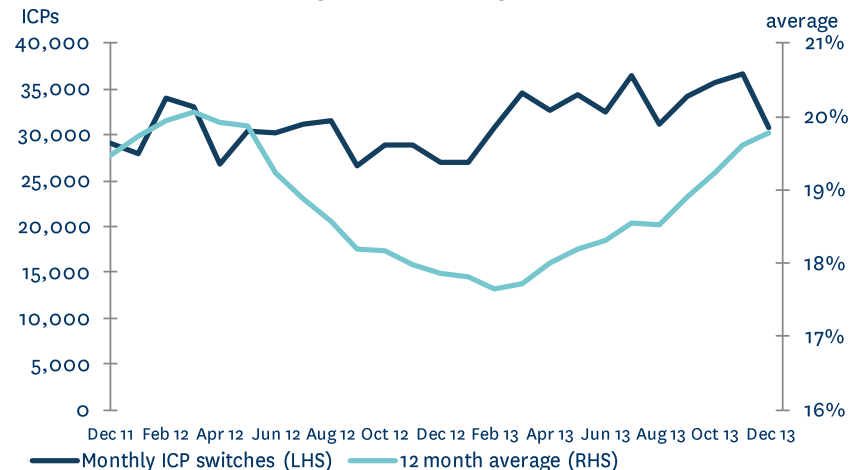
# Market Data

- Flat annual demand in 2013 compared to 2012 reflects the reduction in Norske Skog Tasman Mill consumption
- National demand, excluding Norske Skog consumption showed growth of 1.1% in the 12 months to December 2013, despite a very mild winter
- New Zealand Aluminium Smelters' average load during December was slightly above the 572MW base quantity of the NZAS Agreement
- December 2013 market switching numbers fell from very high levels in November 2013
- This month's number of switches was 14% higher than December 2012
- 12 month average switching rate of 19.8% at the end of December 2013

## NATIONAL DEMAND

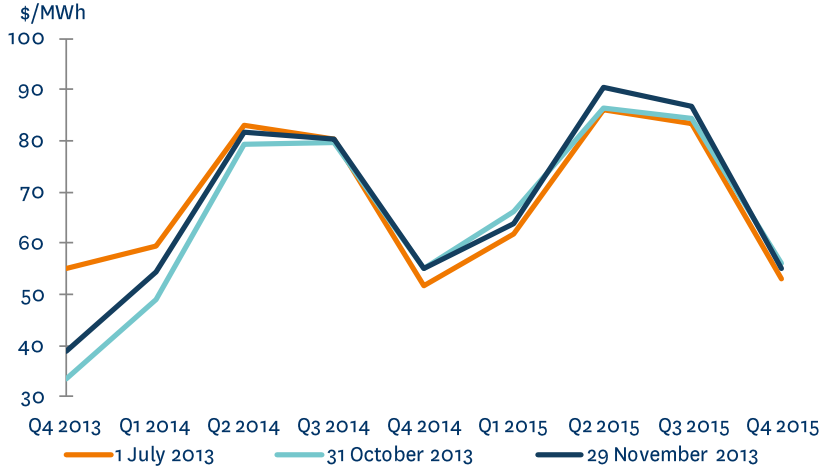


## MARKET ICP SWITCHING (ALL RETAILERS)

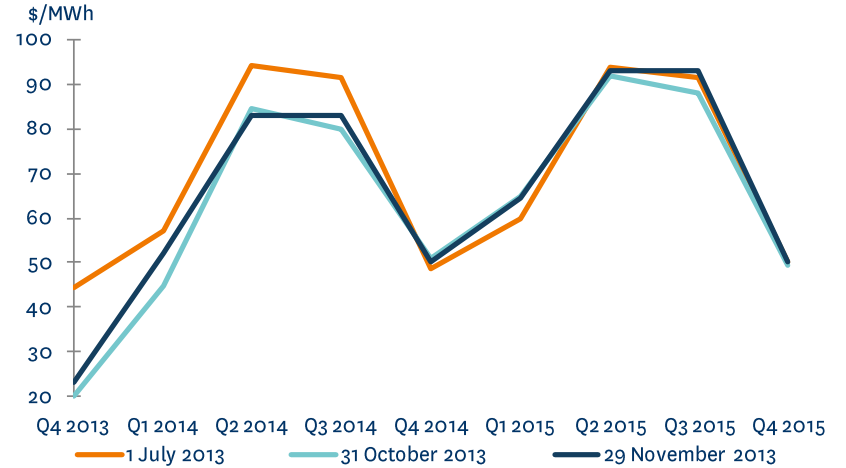


# Market Data

**OTAHUHU ASX FUTURES SETTLEMENT PRICE**

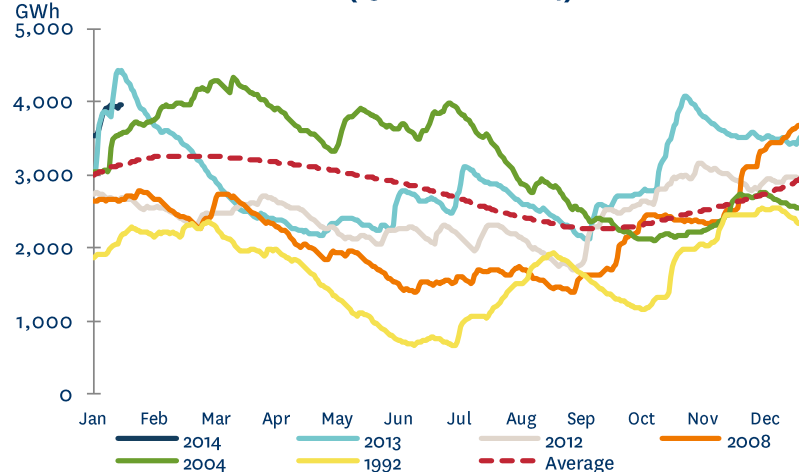


**BENMORE ASX FUTURES SETTLEMENT PRICE**



- Forward prices rose slightly in December, mainly at Otahuhu
- National storage remained largely constant during December
- South Island inflows in early January 2014 have lifted national hydro storage to 129% of average

**NATIONAL HYDRO STORAGE (15 JANUARY 2014)**

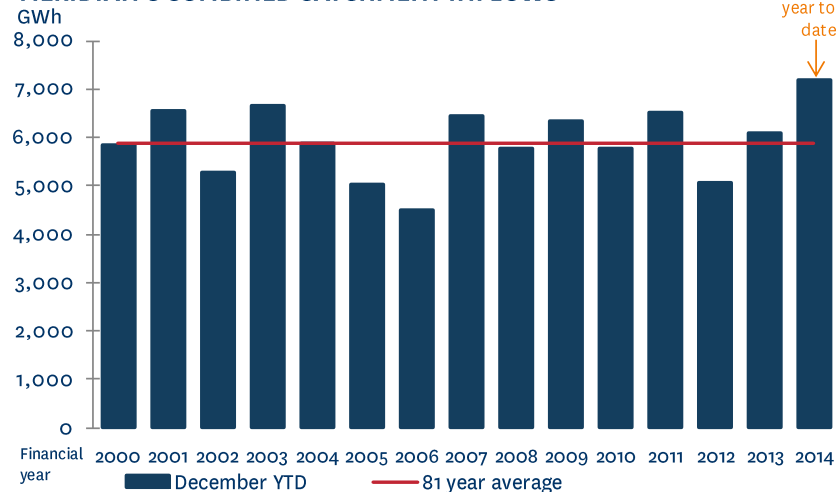


## Meridian Operating Information

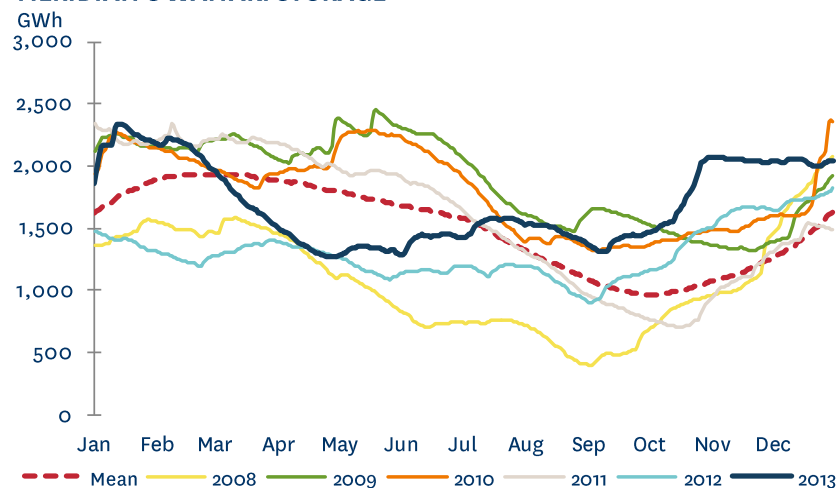
- December monthly inflows were at 83% of historical average
- To date this financial year inflows are 122% of historic average, representing the 7<sup>th</sup> highest July to December inflows on record

- Meridian's Waitaki catchment storage at the end of December was at 2,042GWh, which is 125% of historic average and 12% higher than at the same time last year

**MERIDIAN'S COMBINED CATCHMENT INFLOWS**



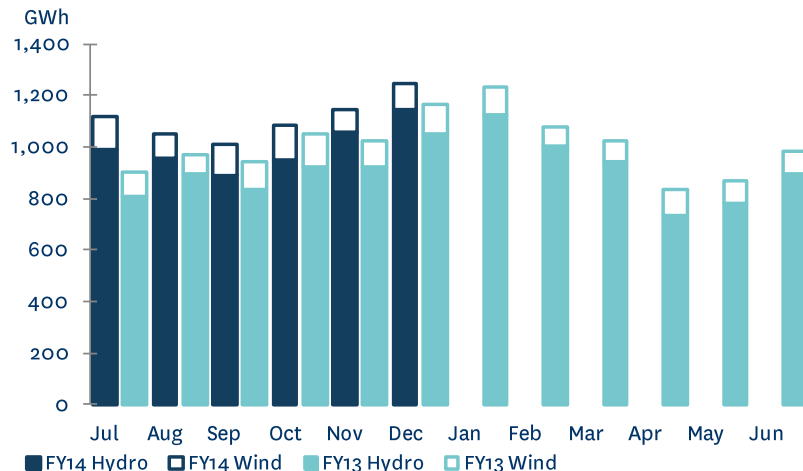
**MERIDIAN'S WAITAKI STORAGE**



## Meridian Operating Information

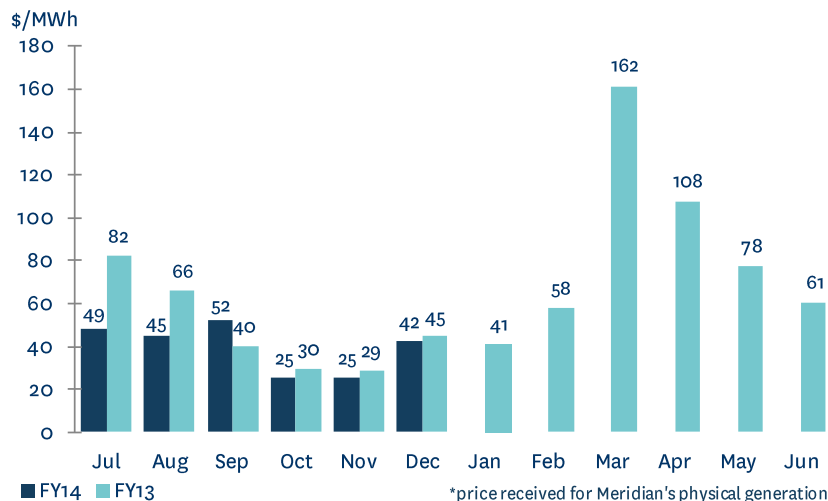
- Meridian's New Zealand generation in December was 7% higher than the same month last year
- To date this financial year Meridian's New Zealand generation is 10% higher than the same period last year
- Meridian continued to maintain comparatively high weekly generation market share during December

**MERIDIAN'S NEW ZEALAND GENERATION**



- The average price Meridian received for its generation in December was 5% lower than the same month last year, largely reflecting the higher than average hydro storage position
- The price Meridian paid to supply contracted sales in December was similar to the same month last year

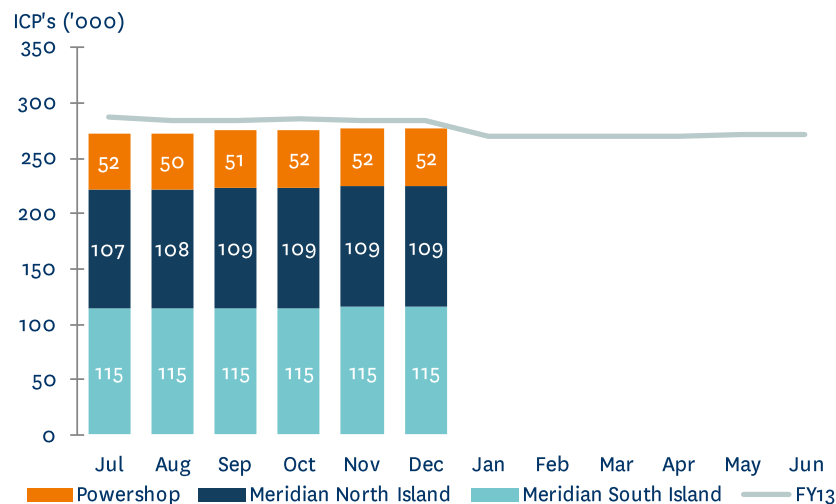
**MERIDIAN'S AVERAGE GENERATION PRICE\***



## Meridian Operating Information

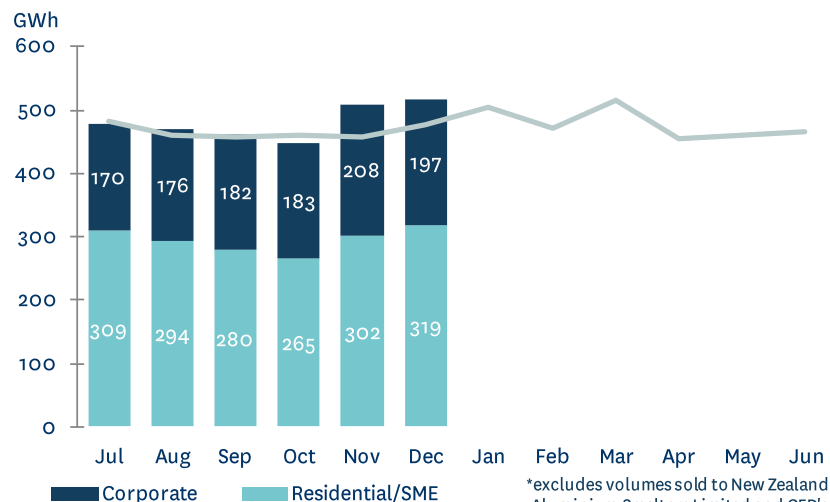
- Meridian's customer connection numbers have increased by 1.6% since June 2013, reflecting growth in Meridian North Island (+3.0%) and Powershop (+1.9%) customer connection numbers
- In December 2012, Meridian's customer connection numbers dropped by around 14,000, reflecting Energy Direct NZ's decision to operate as an independent retailer at that time

### MERIDIAN'S CUSTOMER CONNECTIONS



- To date this financial year Meridian's retail sales volumes are 3.3% higher than the same period last year
- Higher irrigation load this month helped lift sales volumes 8.0% higher than December last year

### MERIDIAN'S RETAIL SALES VOLUMES\*



## Meridian Operating Information

	December 2013 month	December 2012 month	November 2013 month	October 2013 month	6 months to December 2013	6 months to December 2012
<b>New Zealand Contracted Sales<sup>1</sup></b>						
Retail contracted sales volume (GWh)	516	478	509	448	2,886	2,794
Retail contracted sales average price (\$/MWh)	\$85.6	\$93.4	\$91.7	\$97.8	\$102.9	\$109.0
NZAS sales volume (GWh)	426	405	412	426	2,525	2,401
Sell side derivatives volumes <sup>2</sup> (GWh)	215	200	219	175	998	941
Wholesale contracted sales average price (\$/MWh)	\$54.0	\$56.1	\$53.2	\$55.1	\$55.6	\$59.3
New Zealand customer connections <sup>3</sup>	276,564	284,673	276,403	275,870		
<b>New Zealand Generation</b>						
Hydro generation volume (GWh)	1,145	1,050	1,059	953	5,991	5,432
Wind generation volume (GWh)	99	113	86	132	660	618
<b>Total generation volume (GWh)</b>	<b>1,244</b>	<b>1,163</b>	<b>1,145</b>	<b>1,085</b>	<b>6,651</b>	<b>6,050</b>
Average generation price <sup>4</sup> (\$/MWh)	\$42.4	\$44.6	\$25.5	\$25.4	\$39.7	\$47.7
Acquired generation volume <sup>5</sup> (GWh)	165	188	168	175	1,219	1,483
Cost to supply contracted sales (\$/MWh)	\$46.3	\$45.9	\$28.1	\$27.7	\$42.6	\$51.0

1. Contracted sales volumes and volume weighted average price received from contracted customers less distribution costs

2. Includes the sell-side of virtual asset swaps and other sell-side electricity derivatives

3. Meridian Retail and Powershop Installation control points (ICPs), excluding vacants

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

5. Includes the buy-side of virtual asset swaps and other buy-side electricity derivatives





## **Glossary**

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<b>Acquired generation volumes</b>	the buy-side of virtual asset swaps and other buy-side electricity derivatives
<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</b>	installation control points, 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>	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>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>	the sell-side of virtual asset swaps and other sell-side electricity derivatives
<b>Wholesale contracted sales average price</b>	volume weighted average electricity price received from wholesale customers, including NZAS