



# Quarterly Operational Update

Three months ended 30 June 2016



## QUARTERLY HIGHLIGHTS

# Record

**GEOTHERMAL GENERATION** for FY16, up 2% on the previous year

# 4 ↓ %

**ENERGY PRICE** down for Q4 reflecting the renewal price of commercial contracts

# 1.03

**LWAP/GWAP** for FY16 reflected low wholesale price volatility and locational price differences



## COMMENTARY

### HIGHEST ANNUAL GEOTHERMAL PRODUCTION IN COMPANY HISTORY

Geothermal generation for FY16 was the Company's highest ever at 2,830GWh (up 2% on FY15) due to availability of 95.5% over the year and the impact of the turbine replacement at Nga Awa Purua. For the quarter, geothermal generation was down slightly on pcp to 702GWh, due to maintenance activity at Ngatamariki.

Total hydro generation for FY16 was up 16% from FY15 to 3,866GWh – this however was below the annual average of 4,000GWh due to inflows being 34<sup>th</sup> percentile for the year. During the quarter, national storage increased to 29% above average at 30 June, which contributed towards flat wholesale prices.

The LWAP/GWAP ratio for the 12 months ended 30 June was 1.03, with lower wholesale price volatility impacting both generation prices (GWAP) and purchase prices (LWAP). The relative difference between LWAP and GWAP is also impacted by locational price differences which are not expected to return to historic levels due to recent thermal plant closures in the upper North Island.

### ENERGY PRICE DOWN; COMMERCIAL VOLUMES UP

A lift in overall sales volumes reflected higher commercial contracting activity as prices temporarily improved from levels earlier in the year. However new sales contracts contributed to a fall in the average energy price to customers by 4% to \$117.58/MWh as these new commercial contracts replaced those that matured. As previously communicated, a large proportion of these higher-priced contracts were signed between FY2011 and FY2013.

The Company's focus on rewarding customer loyalty, with initiatives such as free electricity days (Good Energy Days), contributed towards higher customer satisfaction scores compared to other major retailers. The average percentage of Mercury customers rating as 'highly satisfied' over the last 12 months was 61%. Customer churn was favourably impacted by the proportion of Mercury residential customers on fixed price contracts increasing to 42% at year-end (up from 35% at the same time last year), as some customers took up the offer of a 2-year fixed-price offer in preference to an increase in energy pricing.

### NATIONAL DEMAND FLAT ON PCP; UP YEAR ON YEAR

When adjusted for warmer temperatures, national demand for electricity was flat (-0.1%) for the quarter compared with pcp. Adjusted demand for the financial year was up 0.6% on FY15. This is the second consecutive financial year that demand has increased.

Mighty River Power will release its financial results for the 12 months ended 30 June 2016 on 23 August 2016. The analyst briefing will be held at 11am on the day – more details to come ■



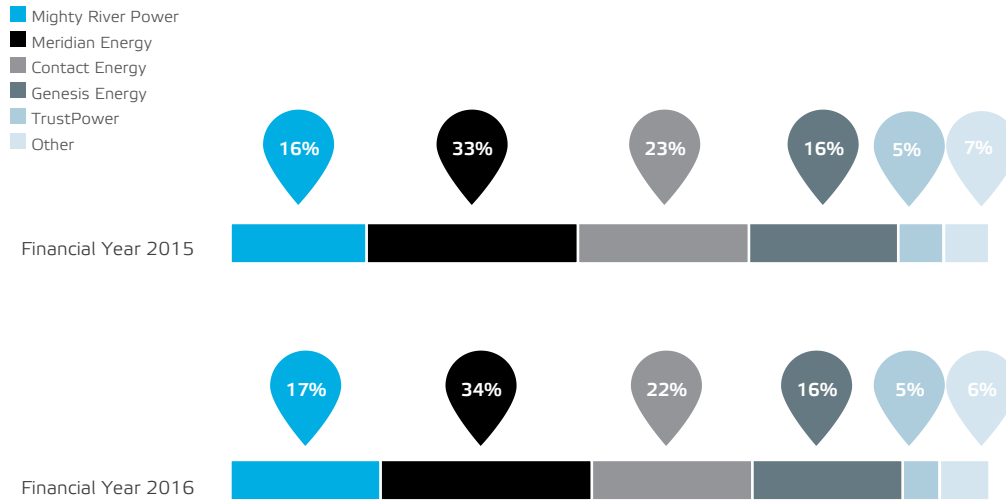
## OPERATING STATISTICS

Operating Information	Three months ended 30 June 2016		Three months ended 30 June 2015		Twelve months ended 30 June 2016		Twelve months ended 30 June 2015	
	VWAP <sup>1</sup> (\$/MWh)	Volume (GWh)	VWAP <sup>1</sup> (\$/MWh)	Volume (GWh)	VWAP <sup>1</sup> (\$/MWh)	Volume (GWh)	VWAP <sup>1</sup> (\$/MWh)	Volume (GWh)
<b>Electricity Sales</b>								
FPVV sales to customers	117.58	1,137	122.22	1,109	114.83	4,397	117.21	4,486
FPVV sales to residential customers		610		667		2,438		2,497
FPVV sales to business customers		527		442		1,959		1,989
FPVV purchases from market		1,200		1,168		4,643		4,717
Spot customer purchases		210		335		950		1,388
<b>Total NZEM Purchases</b>	<b>65.61</b>	<b>1,410</b>	<b>65.11</b>	<b>1,503</b>	<b>65.41</b>	<b>5,593</b>	<b>76.26</b>	<b>6,104</b>
<b>Electricity Customers (000)</b>								
North Island Customers		376		382				
South Island Customers		339		348				
Dual Fuel Customers		37		34				
		41		40				
<b>Contracts for Difference</b>		<b>Volume (GWh)</b>		<b>Volume (GWh)</b>		<b>Volume (GWh)</b>		<b>Volume (GWh)</b>
Buy CfD		447		412		1,741		1,697
Sell CfD		735		876		3,408		3,384
End User CfD		339		392		1,448		1,623
Net Sell CfD <sup>2</sup>		288		464		1,667		1,686
<b>Electricity Generation</b>	<b>VWAP (\$/MWh)</b>	<b>Volume (GWh)</b>	<b>VWAP (\$/MWh)</b>	<b>Volume (GWh)</b>	<b>VWAP (\$/MWh)</b>	<b>Volume (GWh)</b>	<b>VWAP (\$/MWh)</b>	<b>Volume (GWh)</b>
Hydro	68.33	809	66.76	864	64.84	3,866	77.82	3,327
Gas	-	-	89.08	75	68.64	146	84.58	464
Geothermal (consolidated) <sup>3</sup>	60.67	642	58.70	670	60.84	2,596	70.63	2,545
Geothermal (equity accounted) <sup>4</sup>	61.54	60	61.24	53	61.44	234	71.94	227
<b>Total</b>	<b>64.81</b>	<b>1,511</b>	<b>64.34</b>	<b>1,661</b>	<b>63.29</b>	<b>6,842</b>	<b>75.30</b>	<b>6,563</b>
<b>LWAP/GWAP</b>		1.01		1.01		1.03		1.01
<b>Gas Purchases</b>	<b>\$/GJ</b>	<b>PJ</b>	<b>\$/GJ</b>	<b>PJ</b>	<b>\$/GJ</b>	<b>PJ</b>	<b>\$/GJ</b>	<b>PJ</b>
Retail purchases <sup>5</sup>	6.34	0.27	9.25	0.31	8.07	1.01	9.22	1.08
Generation purchases	-	-	5.90	0.88	6.21	1.70	5.90	4.72
<b>Carbon Emissions ('000 tonnes CO<sub>2</sub>e)</b>		92		125		428		647
<b>Metrix AMI Meters (000)</b>		396		388				

1. VWAP is volume weighted average energy only price sold to FPVV customers after lines, metering and fees
2. Includes Virtual Asset Swap volumes in both Buy and Sell CfD volumes of 174 GWh for the 3 months ended 30 June 2016 and 174 GWh for the 3 months ended 30 June 2015 and of 701 GWh for the 12 months ended 30 June 2016 and 699 GWh for the 12 months ended 30 June 2015
3. Includes Mighty River Power's 65% share of Nga Awa Purua generation
4. Tuaropaki Power Company (Mokai) equity share
5. Prices exclude fixed transmission charges

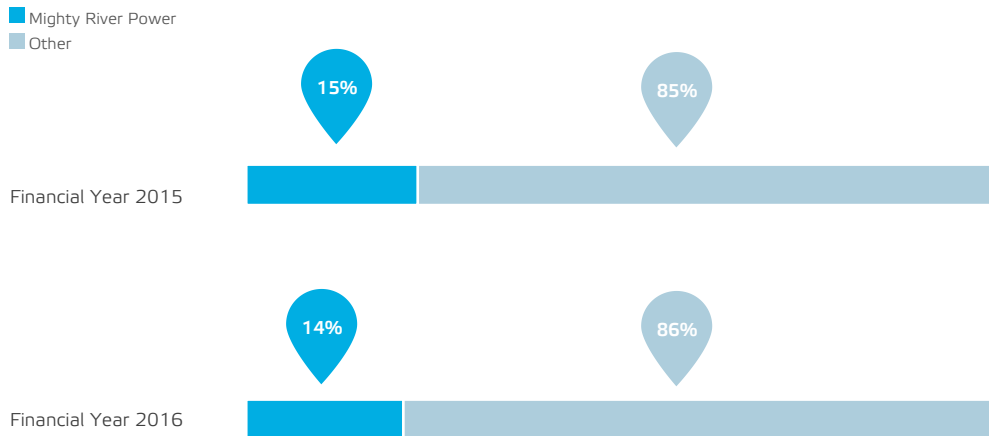
**MARKET DATA**

**ELECTRICITY GENERATION BY COMPANY FOR THE TWELVE MONTHS ENDED 30 JUNE**



Source: Electricity Authority

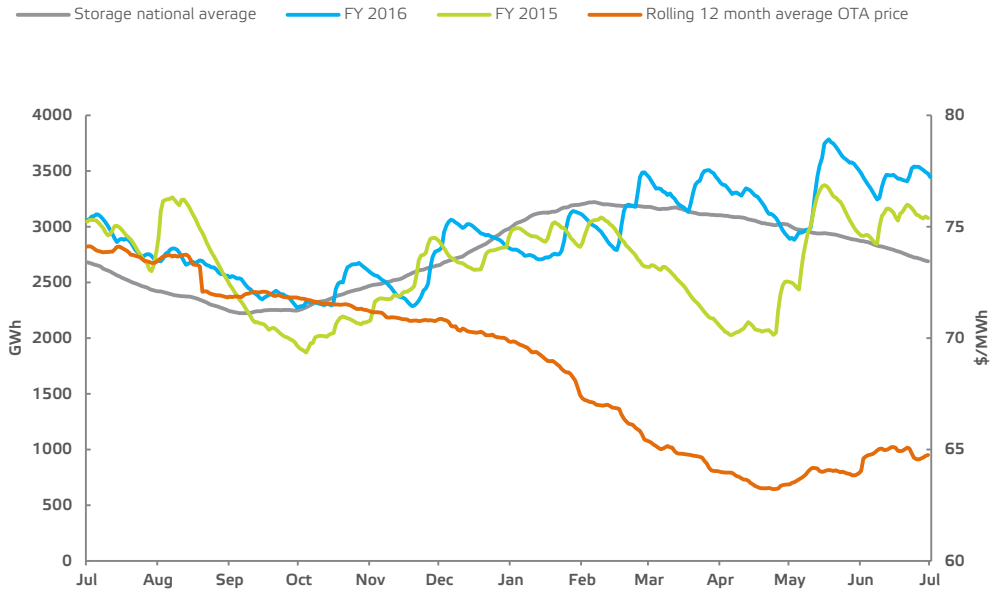
**SHARE OF ELECTRICITY SALES (GWh) FOR THE TWELVE MONTHS ENDED 30 JUNE**



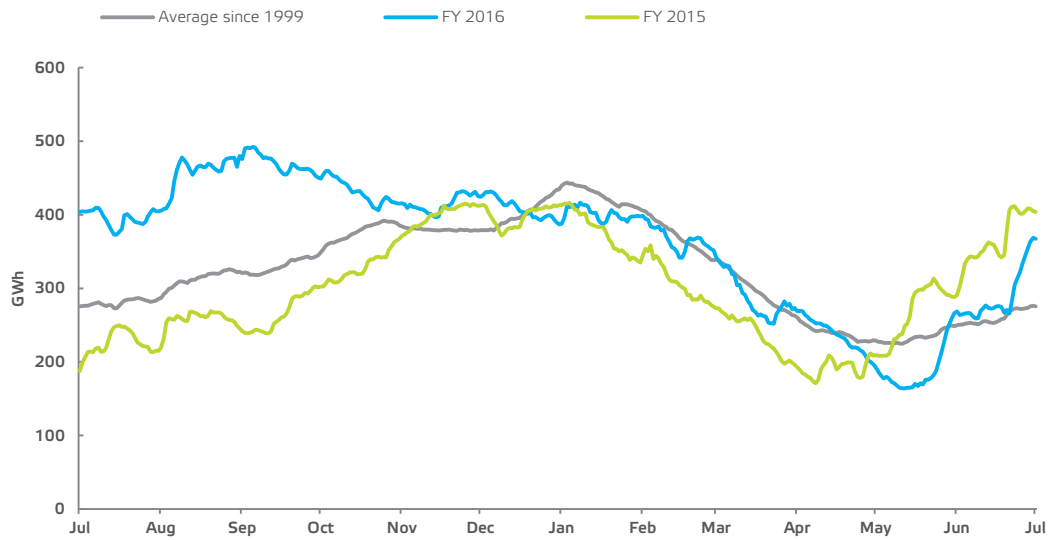
Source: Mighty River Power Purchases and Transpower SCADA



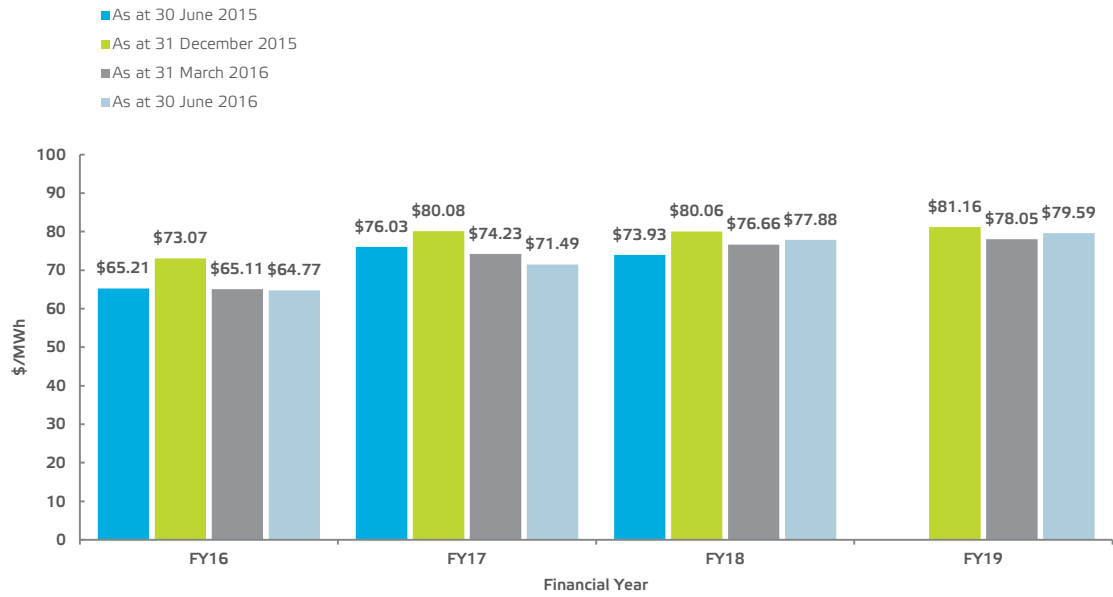
### OTAHUHU WHOLESALE PRICE AND NATIONAL HYDRO STORAGE LEVELS



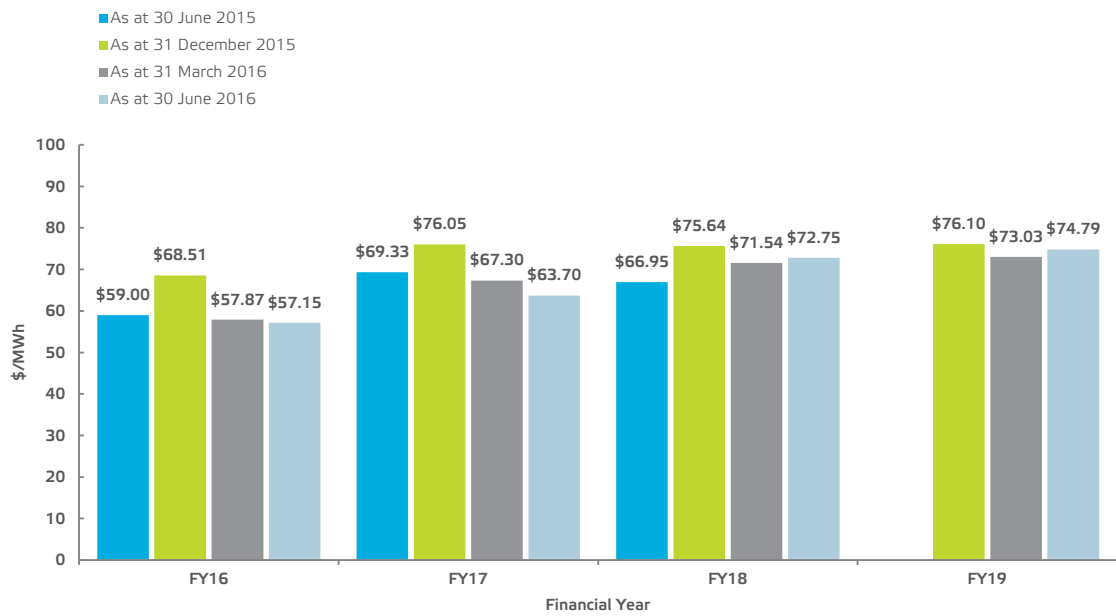
### TAUPO STORAGE



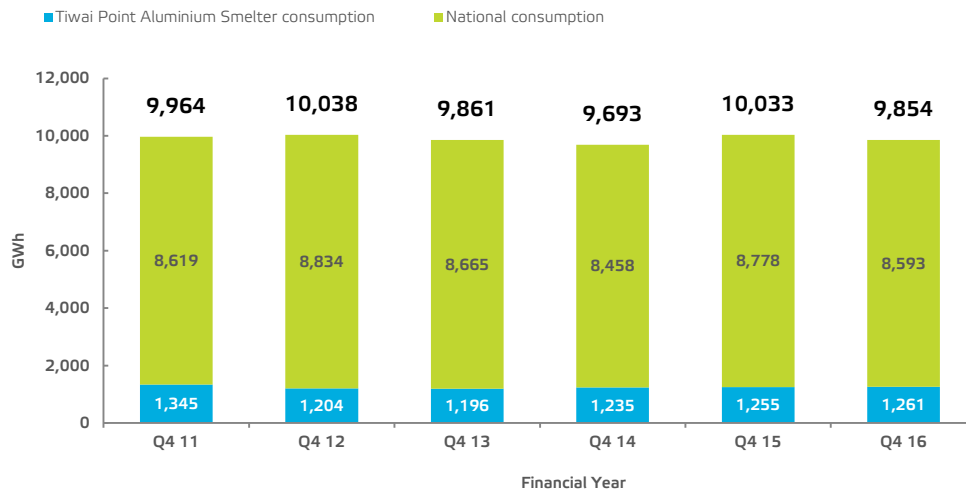
### ▶ OTAHUHU ASX FUTURES SETTLEMENT PRICE



### ▶ BENMORE ASX FUTURES SETTLEMENT PRICE



## NATIONAL CONSUMPTION (NON-TEMPERATURE ADJUSTED)



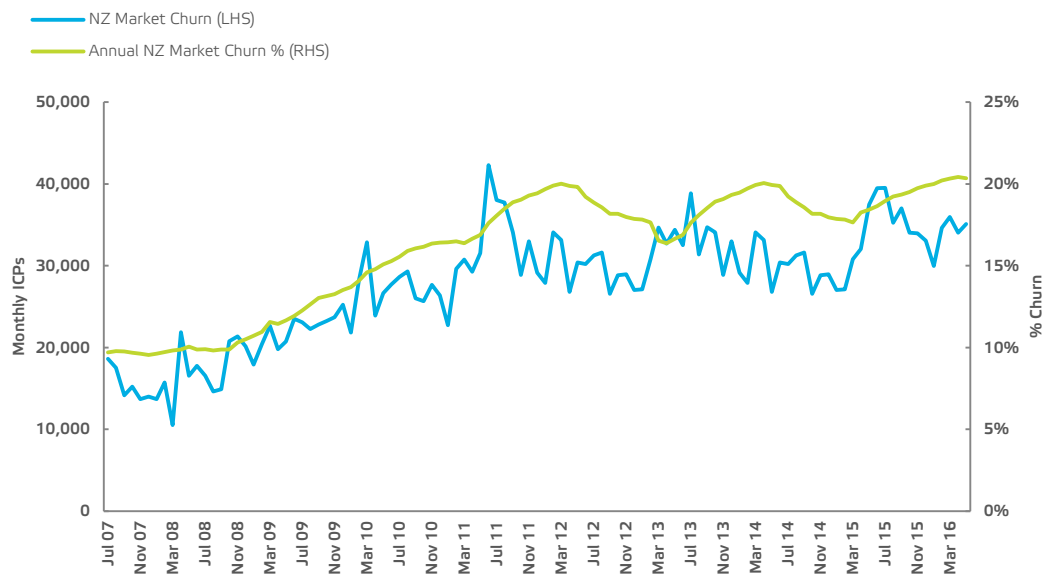
Source: Transpower Information Exchange

## NATIONAL CLIMATE SUMMARY

Financial Year	Q1 (°C)	Q2 (°C)	Q3 (°C)	Q4 (°C)
2016	11.4	16.0	20.6	15.3
2015	11.9	15.9	19.9	14.3
2014	12.3	16.7	18.9	14.8
2013	12.3	16.5	19.6	14.4
2012	11.5	16.6	18.9	14.0
Historical Average (since 1999)	11.9	16.1	19.4	14.2

Source: NIWA, Met Service

## CONSUMER RETAIL SWITCHING



Source: Electricity Authority