



5 May 2022

## Macquarie Conference Presentation

Please find attached the presentation to be given at the Macquarie Conference today.

**Investor enquiries**

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# Macquarie Conference

May 2022



# Disclaimer and important information

**This presentation may contain projections or forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties.**

Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks.

Although management may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realised.

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All references to \$ are New Zealand dollars

# How we add value

## We generate

## We trade

## We innovate

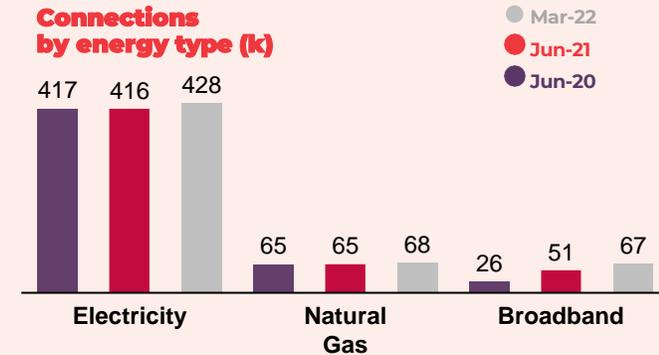
## We sell and serve



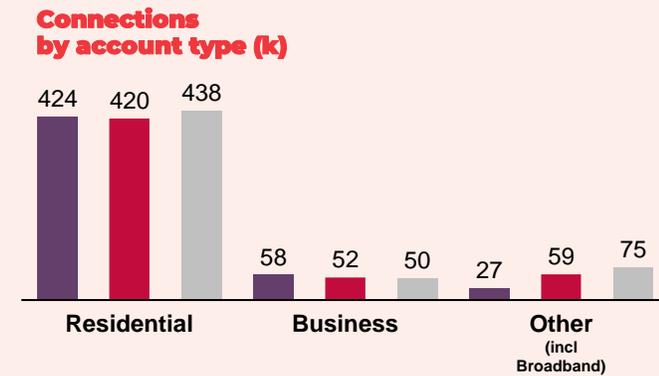
# 563k

total customer connections

### Connections by energy type (k)



### Connections by account type (k)



These connection figures include Simply Energy connections.

## 2021 generation by station and type

**8.4 TWh** Total generated



## Where we are

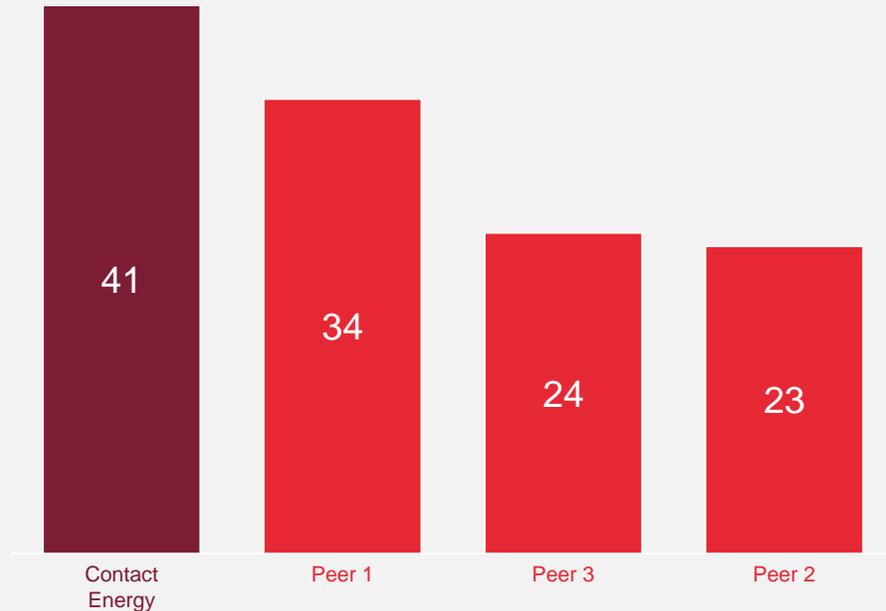


# Sector leading performance efficiency

Strong operational performance from quality asset base supports our strategic growth ambitions

## Profitable operations

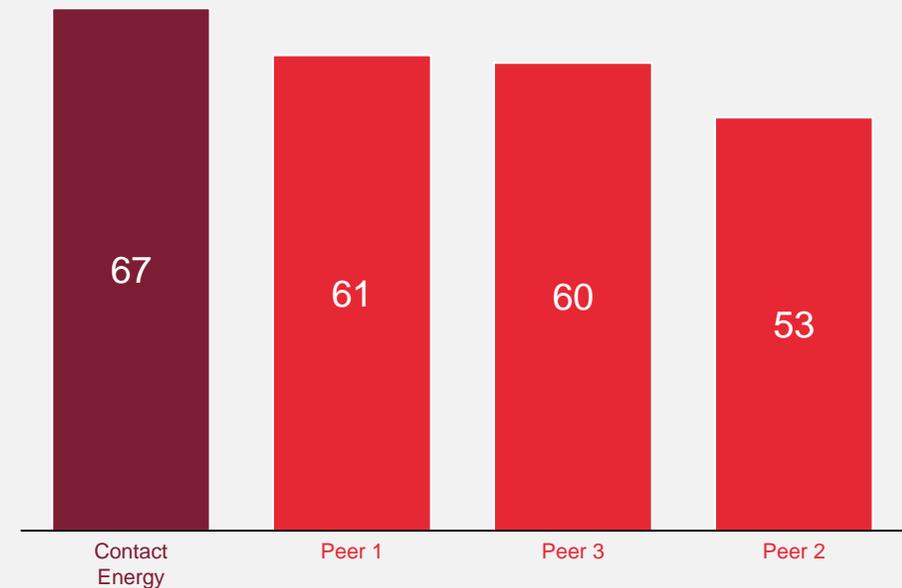
Operating free cash flows per MWh, \$/MWh  
FY21



Strong cash flow generation per unit despite higher cost thermal generation assets in our portfolio

## Strong cash conversion

Operating free cash flows as a proportion of EBITDAF, %, 3-year average FY19-21



Strong conversion of operating earnings into cash flow, highlighting capital discipline

# Decarbonisation imperatives and technology improvements will accelerate electricity demand growth

## Key drivers of decarbonisation



**Increased** focus on climate change globally including from the NZ government and consumers, e.g. Climate Change Commission



**Increasing** carbon and gas prices

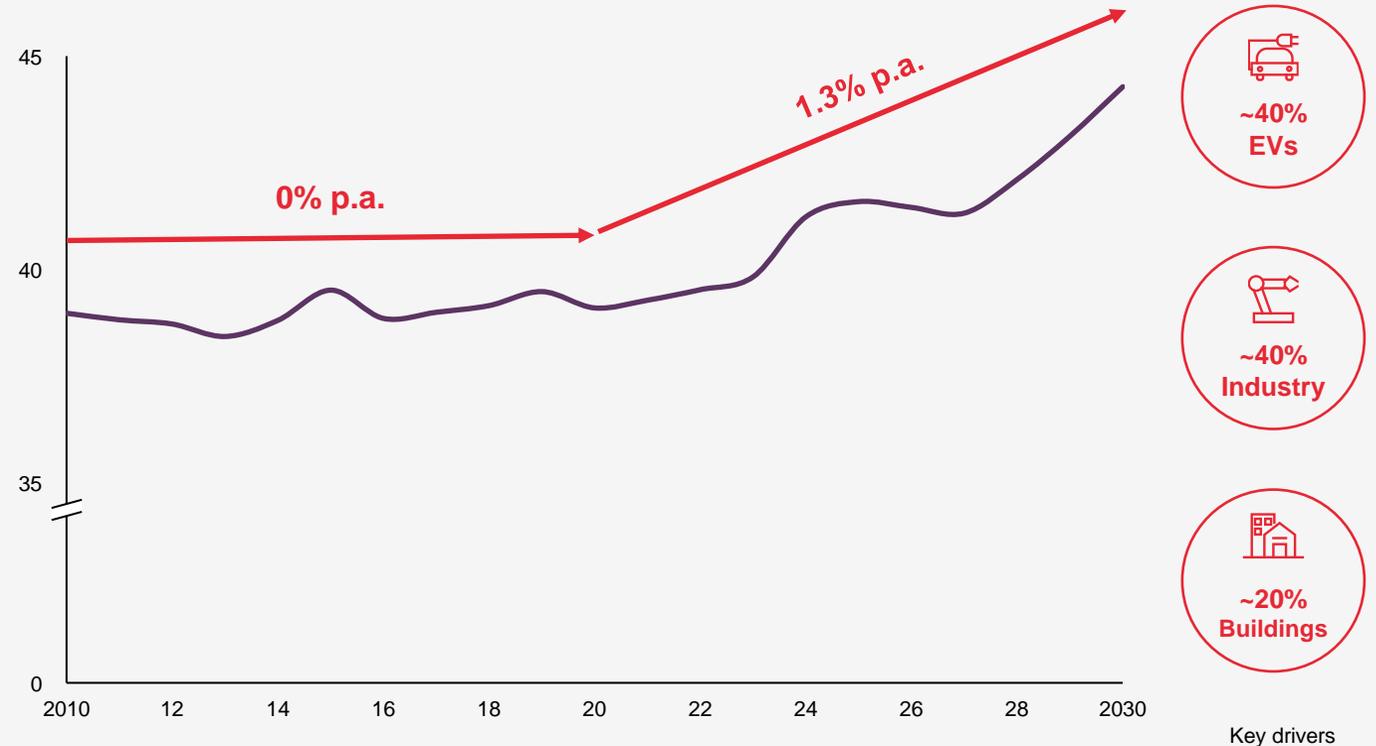


**Competitive** electricity costs against alternatives



**Falling** technology costs including renewables, electric boilers, electrolysers and electric vehicles (EVs)

The Climate Change Commission expects electricity demand to grow to meet climate targets  
Electricity demand, TWh<sup>1</sup>



1. Assumes demand equivalent to NZAS is operating

# Contact 26 > Our strategy to lead NZ's decarbonisation



**Strategic theme**

**Grow demand**

**Objective**

Attract new industrial demand with globally competitive renewables



**Grow renewable development**

Build renewable generation and flexibility on the back of new demand



**Decarbonise our portfolio**

Lead an orderly transition to renewables



**Create outstanding customer experiences**

Create NZ's leading energy and services brand to meet more of our customers' needs

**Enablers**

**ESG:** create long-term value through our strong performance across a broad set of environmental, social and governance factors

**Operational excellence:** continuously improving our operations through innovation and digitisation

**Transformative ways of working:** create a flexible and high-performing environment for New Zealand's top talent

**Outcomes**

**Growth**  
Pivot our business to a new growth era that captures the value unlocked by decarbonisation

**Resilience**  
Deliver sustainable shareholder returns, aligned with our ESG commitment

**Performance**  
Realise a step-change in performance, materially growing EBITDAF through strategic investments

# Sources of demand

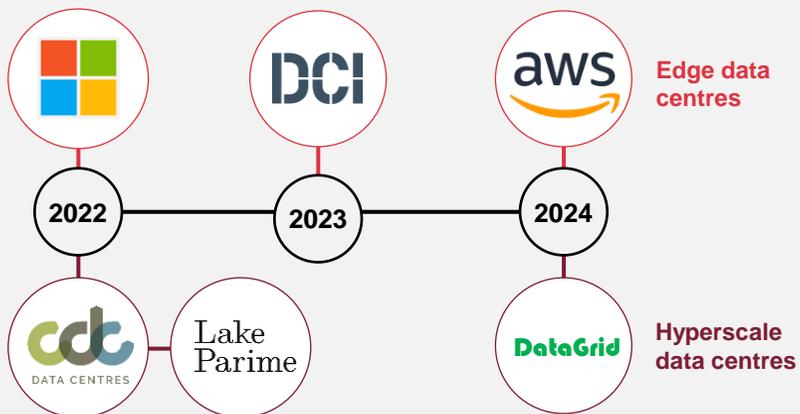
## Demand growth outlook markedly improving

### ● New data centre build

Several credible data centre owners have publicly announced they are planning to invest in New Zealand.

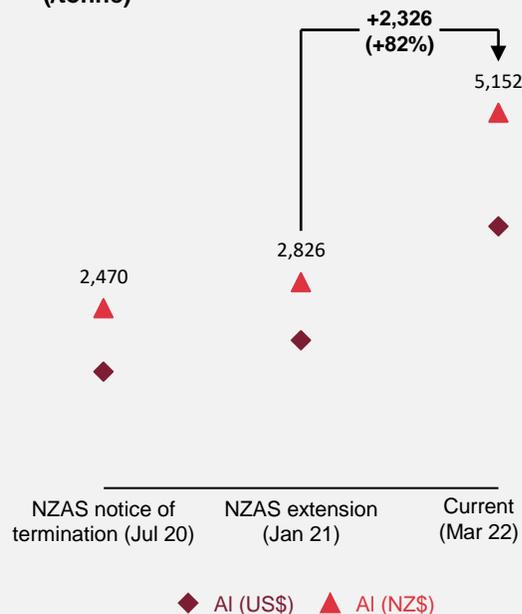
The baseload characteristics of data centres make them attractive.

Data centres proposed by the following companies



### ● Energy intensive industries

Aluminium price (/tonne)



- A** Tiwai smelter (NZAS) extension beyond 2024 appears likely:
- Aluminium economics materially improved.
  - Rio Tinto carbon reduction targets aligned with extension of the renewably powered NZAS smelter, without renewable energy investment.
  - Reduced international aluminium smelting capacity.

- B** Two major electricity users signed to long-term Tauhara backed electricity signed (PPA). **Contracts beginning April 2024:**

**Oji Fibre Solutions** 15MW / 10 years

**PAN PAC FOREST PRODUCTS LTD** 10MW / 10 years

- C** **SOUTHERN GREEN HYDROGEN**
- Request for information completed
  - Request for proposals with preferred bidders underway – targeting April 2022

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# Sources of demand

## Demand growth outlook markedly improving

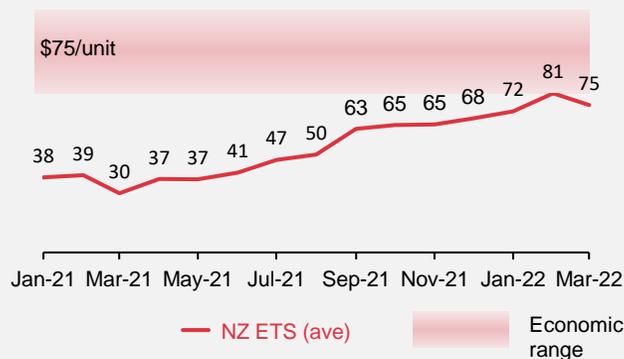
### ● Process heat conversion

Since 2020, there has been \$56m in confirmed GIDI funding for process heat conversion projects.

Application of funding will drive conversions to new electric boilers (~50MW). These projects are expected online by 2023.



### NZ carbon price (\$/unit)

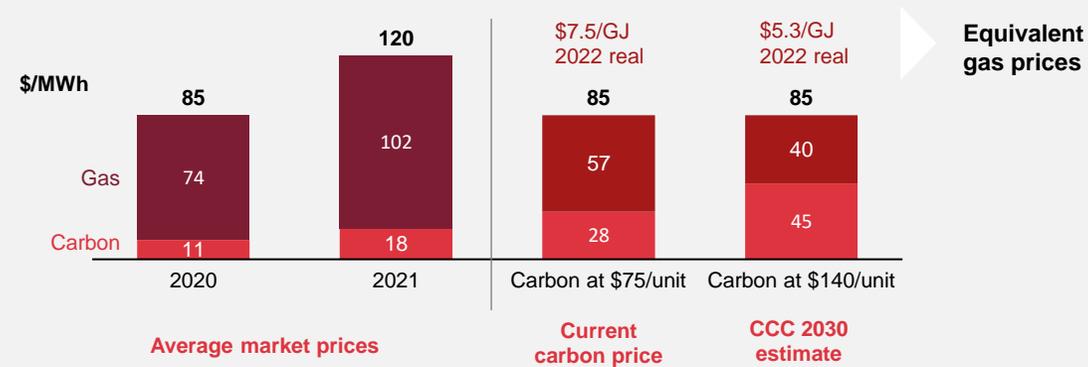


Rising carbon costs (+85% on Jan 2021) are nearing thermal / electricity switching points for new boiler investments if electricity supplied long-term through PPA.

### ● Baseload thermal substitution

Baseload thermal generation fuel costs are expected to continue to remain above estimated baseload renewable PPA pricing<sup>1</sup>.

### Thermal fuel costs at average market prices



This issue is more acute when fixed operating costs and return on capital requirements are considered.

PPA to support thermal substitution signed in August 2021:

- Long-term PPA signed with Genesis Energy (62.5MW) commencing January 2025.
- Commercial risk positions and agreement on key terms should accelerate future PPA negotiations.

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<sup>1</sup> Ultimate pricing for renewable PPAs will include consideration of the offtake credit rating and credit support, the location of take, firming commitments and outage cover and term.

# Investing to deliver renewable energy

## Tauhara development key metrics



Estimated forward capital expenditure (cash)<sup>1</sup>  
**~\$460m**



Low carbon resource  
**0.05T of CO<sub>2</sub>e/MWh**  
(Gas CCGT ~9x more, Gas Peaker ~11x more)



Estimated MW (net export to grid)  
**168MW**



Estimated plant capacity factor/  
annual generation  
**95% / ~1,400GWh**



Estimated cash costs of generation<sup>2</sup>  
**~\$15/MWh**



% of production/injection capacity secured  
**~100% / ~100%**



Total estimated construction costs related to this phase of development (2008 – 2024)<sup>3</sup>  
**\$818m (\$4.9m/MW)**

<sup>1</sup> Excluding capitalised interest. \$550m as of 31 December 2021

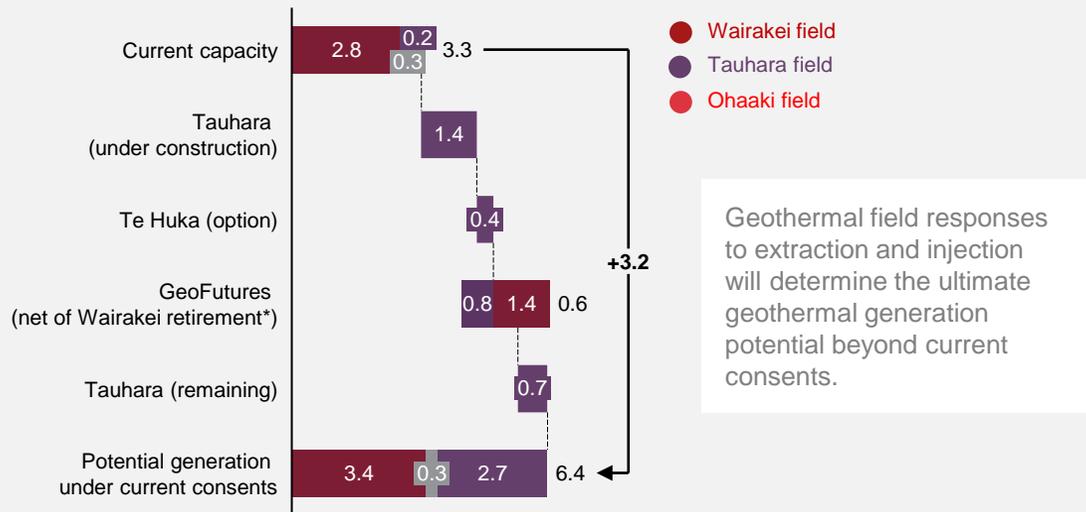
<sup>2</sup> Includes operating costs, carbon costs and stay-in-business capex (excluding make-up drilling and major mid-life capex replacement)

<sup>3</sup> The total addition to PPE on Tauhara commissioning will include ~\$18m capitalised transmission asset, ~\$80m of capitalised interest (\$27m sunk) and \$24m of residual sunk capex related to the next phase of development of the field expected total of \$940m (\$818m + \$18m + \$80m + \$24m)

# Market leading development pipeline

To meet expected market demand

## Geothermal generation potential (TWh p.a.)



\*Expected enthalpy decline at Wairakei is expected to be offset through continuous improvement projects



Roaring40s  
Wind Power

## Roaring40s adds wind development capability

**Assessment and consenting of low-cost wind sites** in an exclusive partnership

Experience supporting development of 70% NZ wind projects

**200 MW** wind options expected to be consented by **mid-2024**

Land access agreements signed for 600MW, targeting at least 1000MW potential.

First wind monitoring mast in place.

## Lightsource bp partnership adds solar development capability

Exclusive partnership to deliver a series of **grid-scale solar generation** projects (up to 200MW) by 2026

Contact with the option to purchase offtake through long-term PPA

Execution characteristics of solar are appealing

## Additional generation potential (TWh p.a.)



● Currently progressing  
 ● Other near-term prospects

# Questions

