



Wednesday 13 November 2024

CEO's address to ASM

Tēnā koutou, tēnā koutou, tēnā koutou katoa. Ngā mihi nui ki a koutou katoa.

It is my pleasure to be here with you today, and to share my insights on the significant past year for Contact. It is a year marked by major achievements, and I also want to share my highlights of the exciting opportunities we have ahead of us.

Our strategy, to help build a better Aotearoa New Zealand by being a leader in the decarbonisation, continues to serve us well.

As we continue to invest and grow, I am pleased to report that in FY24 we have both delivered and maintained a relentless focus on bringing our Contact26 strategy to life.

With significant investment of \$1.2 billion in renewable geothermal generation at Tauhara and Te Huka 3, work on diverse new energy projects underway, and our own continuing transformation, Contact is well set up to manage and play its part in the energy transition.

I will later touch on the Manawa Energy opportunity. Suffice to say, we believe the combination of our two companies will add further resilience and diversification to our portfolio, and support New Zealand's energy security.

I also want to acknowledge our people. I am incredibly proud of our 1,250-strong Contact team and what they have achieved.

They are a group of passionate, dedicated professionals who come to work every day focused on delivering our strategy, the part they play as individuals to support the energy transition, and to reach our goal of being Net Zero in our generation operations by 2035.

Business and Financial Performance

We have delivered a strong 2024 financial performance with EBITDAF of \$663 million and a profit after tax of \$230 million on an underlying basis.

These results are before recognising the net movement in the onerous contract provision relating to the Ahuroa Gas Storage facility of \$12m within EBITDAF, and \$5million within profit after tax.

Our financial performance demonstrates our underlying strength; strength that is necessary to support our significant investment programme.

It is this profit and performance that enables us to maintain momentum in delivering existing and new renewable energy developments to support the energy transition and the wider New Zealand economy.

It is worth noting we invested **double** our profit into renewable development in the last financial year alone.

The wholesale generation market was characterised this past financial year by hydro volatility that impacted operating conditions, at the same time as gas supplies tightened rapidly. This impacted wholesale prices as a result of more thermal generation.

In anticipation of the Tauhara geothermal station coming online, we increased contracted sales volumes.

FY24 delivered 37c per share annual dividend to shareholders – up six per cent from FY23.

Normalised and expected EBITDAF for FY25 is \$770m, an expected increase that reflects our \$1.2 billion investment in new geothermal plants.

Grow demand and renewable development

Decarbonising New Zealand does not require the deindustrialisation of the country. It means working alongside New Zealand's leading industries and businesses as they move to renewable and flexible energy use.

Securing a long-term flexible demand agreement with NZAS in May was not only an important step forward for Contact, but also for the country.

We are one of three generators supplying electricity to the aluminium smelter in Tiwai. In August, the benefit of this flexible demand agreement was realised when, for a brief period, electricity supply was constrained.

The agreement with NZAS de-risks investment in the renewable generation for a minimum of 10 years, contributes to energy security and helps preserve an important export industry, while at the same time supporting both the growth and decarbonisation of the New Zealand economy.

Contact's legacy will be investment and building renewable energy generation and is a demonstration of our commitment to New Zealanders of today and tomorrow.

Next week, we will officially open our new geothermal power station at Tauhara which at full capacity will operate at 174MW.

It is a stand-out renewable energy project that will provide secure, baseload, reliable power to Kiwi homes and businesses, and is an outstanding long-term asset for the country.

Soon after, Te Huka 3, one of the world's largest single unit binary power stations, is expected to come online for its 30-day reliability run.

Both new geothermal power stations will produce clean, low or no-carbon renewable electricity and operate around the clock, unaffected by weather or fossil fuel supply.

Together Tauhara and Te Huka 3 will generate enough renewable energy to power the equivalent of 260,000 New Zealand homes.

Geothermal energy is an important renewable energy source and provides invaluable baseload generation. It is New Zealand's alternative to nuclear power, which is relied upon in many other countries without geothermal as an option.

As Rob has announced, construction will soon begin on Te Mihi Stage 2. The new binary plant of 101MW is expected to come online in the middle of 2027.

This first stage of replacing Wairakei will ensure the muscle we have built up these last four years constructing Tauhara and Te Huka 3 is deployed straight away to ensure this new project is also successfully delivered.

This development will be phased with a further plant, Te Mihi Stage 3, expected to come online before June 2031 when resource consent to operate Wairakei A&B geothermal stations ends.

Meanwhile, in the South Island, work on our first solar farm with our joint venture partner Lightsource bp is underway at the Kowhai Park precinct next to Christchurch Airport.

The \$273 million solar farm spans 230 hectares and features close to 300,000 panels. It is expected to generate 275GWh a year – enough renewable energy demand for 36,000 homes. Contact will buy 80 percent of the electricity generated under a 15-year Power Purchase Agreement.

Decarbonising our portfolio

Late this winter, construction started on our first grid-scale battery at Glenbrook, on land leased from NZ Steel.

This 100MW battery will store excess electricity often generated by wind or sun in off-peak periods when demand is low, and which may otherwise go to waste.

The Tesla energy storage system will store up to two-hours' worth of power which will help meet peak demand over the winter, and other periods of high demand. We expect it to be operational by March 2026.

What's more it will contribute to our transition away from fossil fuels in a constrained gas market. Not to mention support solar and wind generation development.

As we recognised the importance of addressing public concerns over New Zealand's security of supply experienced this winter, we have decided to keep the Taranaki Combined Cycle thermal plant available - as a backstop.

This decision to extend TCC availability will support Contact's Stratford Peaker Units in the event of an unplanned outage as well as provide further backup to thermal units in the market.

Operating TCC next year remains subject to scheduled inspection and maintenance work to meet regulatory requirements, as well as securing gas supply, and operation within its remaining operating 3,000 hours.

Currently, we do not intend to contract gas for the plant unless market participants express a demand for it, linked to a gas purchase arrangement.

Long term, the Stratford site remains of strategic importance to us, and the local community.

This is not only for the operation of our remaining thermal units, but importantly as we look to transition it from a traditional fossil fuel site towards a renewable energy hub.

We have secured resource consent to build a grid-scale battery at Stratford. And we are exploring the feasibility of a 170MWp solar farm alongside extra battery storage.

Manawa Energy

In September, we announced we are accelerating our renewable energy strategy with our proposed acquisition of Manawa Energy.

A significant milestone, the agreement to acquire 100 per cent of the electricity generator, is subject to Commerce Commission approval.

This deal is about two independent energy companies coming together. It is a combination that will enable us to accelerate investment and innovation in renewable energy for the benefit of all New Zealand.

With our diversified – and complementary – portfolio across the North and South Islands this proposal will enable Contact to sell larger volumes of fixed price electricity contracts over longer periods into the wholesale market.

Contact and Manawa's hydro power stations generate higher amounts of electricity at different times of the year. Our South Island hydro stations at Roxborough and Clyde produce more in the summer following the snowmelt, while Manawa's hydro assets in the North Island catch more rainfall in the winter.

The combination will add resilience and support for New Zealand's large energy users as well as independent retailers. Manawa's complementary power stations will help enable a smoother transition away from thermal fossil fuels and enable Contact to better manage dry year risk such as we saw this winter.

Rob has already talked about how the market is likely to evolve in this energy transition with increasing volatility being a hallmark of which some in New Zealand experienced this August. This transaction allows us to meet this emergent market challenge head on.

While subject to Commerce Commission clearance and Manawa shareholder approval, the acquisition to acquire the Tauranga-headquartered generator is made via a mix of Contact shares and cash. The deal has the support of Manawa's majority shareholders Infratil and TECT. Overall, Manawa shareholders will own 18 percent of Contact Energy once the transaction is complete.

Customer Experience

Which brings me now to our retail business.

We work hard to ensure we find ways to make home better for the New Zealanders whose homes we keep warm.

We have seen significant growth and delivery in the past financial year.

More than 410,000 New Zealanders now choose Contact to connect their homes and businesses with electricity, gas, broadband, mobile or a combination of all four. We have grown 36,000 connections in the last year, and indications are that is increasing.

Through our Time of Use plans, where New Zealanders can get free power in return for off peak use, we've helped more than 100,000 New Zealand households do good by their wallet while at the same time reducing their carbon footprint and lessening peak time demand.

Since we launched our Good Plans in August 2021, our customers have benefited from 151million hours of free power.

In May we started a staged roll out of Hot Water Sorter, a programme to switch off hot water cylinders when there is high demand for electricity and thermal generation is most likely to be required.

With this innovative programme, our customers do not need to do anything; we make data driven decisions based on each customers actual energy usage. During a three-month trial most customers found no difference to their hot water supply – and we have seen around 9MWh of energy usage a day move to off peak. We are now underway with our national rollout.

We are acutely aware of the cost-of-living pressures on New Zealanders. And we believe everyone should have a warm, dry safe home and we are working hard to support New Zealanders' energy wellbeing.

We have removed disconnection and reconnection fees for those in our credit cycle, irrespective of their payment method. Our Energy Wellbeing team continues to work alongside customers in need to support their individual circumstances.

We have recently appointed a Customer Wellbeing Manager and will continue our work with social agencies including Women's Refuge and Good Shepherd to help us target meaningful support to those who need it most.

The future

Before I finish, I wish to specifically acknowledge the upcoming retirements of two of my leadership team, Jack Ariel, Major Projects Director, and Jacqui Nelson, our Chief Development Officer.

Jack and Jacqui - thank you both for your leadership, intelligence, dedication and drive. To me, you both exemplify the very best characteristics of the Contact team.

The past year has shown Contact is well on the path of delivering to our strategy in building significant renewable energy infrastructure that will benefit all; as well as investing in our renewable pipeline and helping industries and New Zealanders to decarbonise.

We are excited about the future. We have a clear strategy, and supportive shareholders and investors.

We stand ready to deliver on the opportunities ahead to help us be a leader in the decarbonisation of the country.

And finally, to our people. Thank you. I am proud of you and all that you have delivered.

Ngā mihi nui.

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